

Integrated Report



LIMITLESS 2024



Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN
—LIMITLESS PASSION
Why is Macnica a Pioneer?

VISION & STRATEGY
—LIMITLESS GROWTH
Macnica's Medium- to Long-Term Strategy

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Technological transformation for all.

Our world changes at a dizzying pace,
and technology advances just as quickly to keep up.
But no matter how innovative the technology,
if it only brings joy to a limited number of people,
then we don't see the point.

That's why Macnica is committed
to rapidly adopting leading-edge technology
so the world can start using it as quickly as possible.
We focus our efforts on uncovering the "seeds" that no one else has noticed,
and nurturing them to their greatest potential.

It's not just about predicting the future.
It's about using those predictions to bring wonder to our lives today.
That's how Macnica plants the seeds of tomorrow.

The seeds of tomorrow. 

View by Keyword

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About the Title and Cover

Last year, we turned to our generative AI to find a word that captures Macnica's ongoing pursuit 'beyond the cutting-edge,' as we continue to expand and deepen our domain. The word we found was 'LIMITLESS,' which we chose as the title of Macnica's first integrated report. Now in its second year, the cover visual showcases a refreshed brand image: 'Seeds' falling from the sky. These seeds represent the semiconductors and other cutting-edge technologies that Macnica handles, each with the potential to change the world. We've incorporated this seed imagery into our key visuals and logo as part of our new visual identity. This will serve as an external communication for Macnica, with the tagline 'Technological transformation for all,' reflecting our commitment to delivering the benefits of technology worldwide.

- This PDF includes interactive features.
- Navigation buttons are provided on each page for related content in this report, and for related company web contents.

▶ P.00

Go to the relevant page of this report.

▶ [https://www....](https://www...)

Go to related web content.

🔍 Glossary

Please refer to the glossary provided at the end.

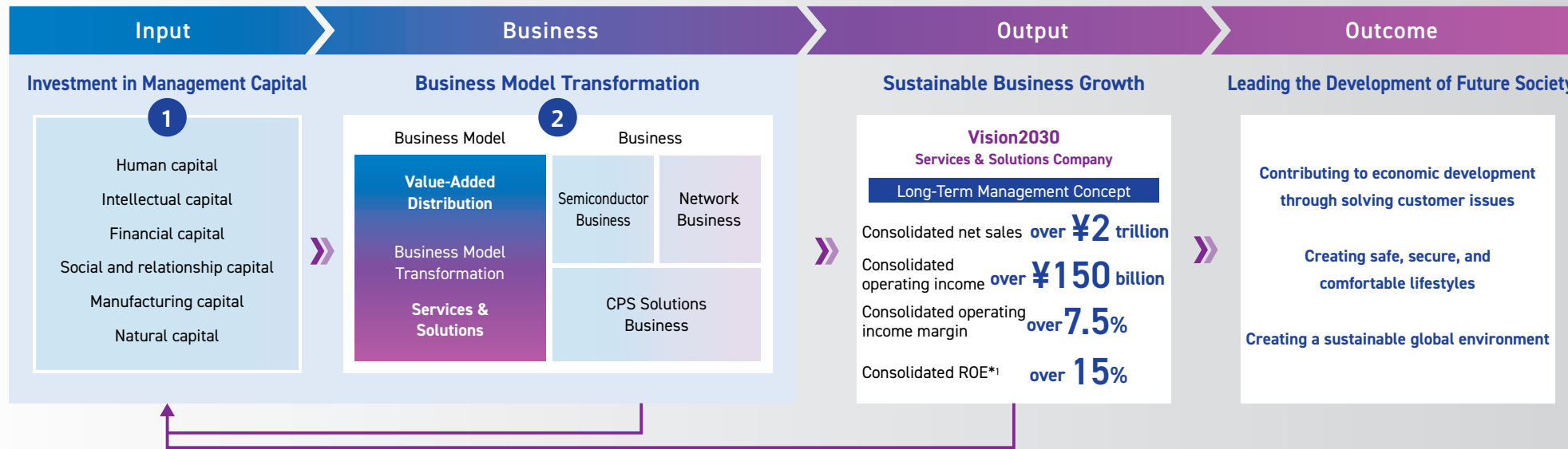
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An Introductory Guide to Macnica's Mechanism



*1 Consolidated ROE = Consolidated Net Income attributable to Owners of Parent / Shareholders' Equity (Net Assets less Stock Acquisition Rights and Non-Controlling Interests, at end of the period)

Macnica published LIMITLESS 2023 for the first time last year to help stakeholders better understand the Company and foster more effective communications. Based on the concept 'An Introductory Guide to Macnica's Mechanism,' LIMITLESS 2024 delves deeper into the value we create and aspire to create, our management capital, and the structure of each of our businesses. The report aims to convey the structural strength and growth potential of our business, along with the corporate culture that underpins it. Notably, the business models of our semiconductor and network businesses are explored in depth, with 13 pages dedicated to each, we endeavored to highlight Macnica's uniqueness. In developing the report, we referred to the International Integrated Reporting Framework proposed by the IFRS Foundation.

Reporting Period

FY2023 (April 1, 2023–March 31, 2024)

* Some contents also include activities before March 2023 and after April 2024.

* The management target figures have been revised after the announcement of this integrated report. For details, please refer to the announcement made on October 28, 2024, titled 'Regarding Revisions to the Earnings Forecast and Medium-Term Management Plan Targets.'

Key Points of LIMITLESS 2024

(1) Management Capital

This edition delves into management capital, which was not fully covered in LIMITLESS 2023. Over a six-month period, relevant personnel from each business and indirect division collaborated to identify and extract management capital, including the tacit knowledge developed within the Company. The report explains how these have been strengthened through business activities and have become a source of strength for our business.

Scope of Reporting

Macnica Holdings, Inc. TSE Prime 3132, Macnica, Inc., and its consolidated subsidiaries (the 'Macnica Group')

* In this report, unless specified otherwise, the above organization and its subsidiaries are collectively referred to as Macnica.

Key Points of LIMITLESS 2024

(2) Business Model

This publication offers a detailed description of the business environment, business model, and strengths of our semiconductor and network businesses. Since the release of LIMITLESS 2023, we have had significantly more opportunities to engage with overseas institutional investors. However, we have had to spend additional time explaining the roles and business models of semiconductor trading companies and IT distributors. Therefore, in this edition, we have made a concerted effort to clearly articulate the structural strengths that set us apart in this industry. We hope this will help you better assess our uniqueness and growth potential.

Outlook for the Future

This report contains forward-looking statements regarding the business performance of the Company and its group companies. Such statements are not guarantees of future performance and involve risks and uncertainties. Future business performance may differ from targets due to changes in the business environment and other factors.

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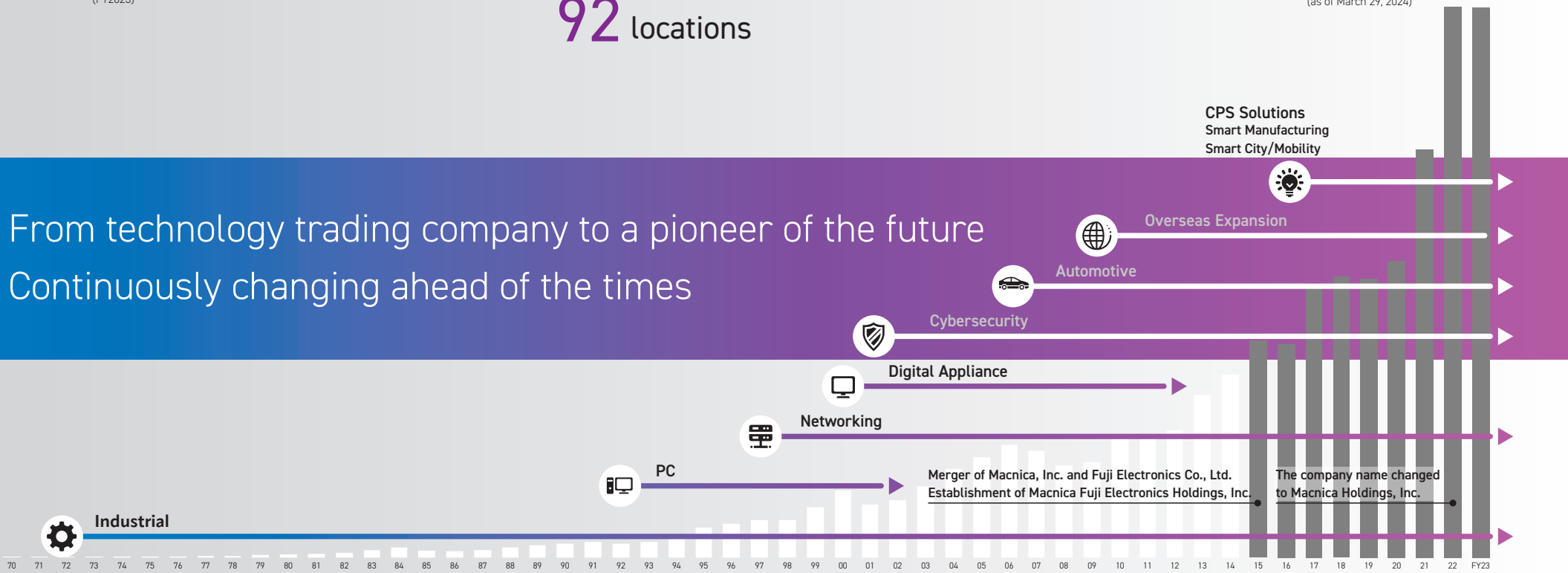
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< AT A GLANCE >

<p>Net sales</p> <p>¥ 1,028.7 billion</p> <p>(FY2023)</p>	<p>Semiconductor Domestic Market Share</p> <p>No.1</p> <p>(CY2023)</p> <p><small>* Source: Gartner® Sources and descriptions on page 106</small></p>	<p>Global Network</p> <p>26 countries and regions, 92 locations</p>	<p>Employees</p> <p>4,768</p> <p>(as of March 31, 2024)</p>	<p>Engineers</p> <p>1 in 3 employees</p>	<p>Market Capitalization</p> <p>¥ 450.2 billion</p> <p>(as of March 29, 2024)</p>
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From technology trading company to a pioneer of the future
Continuously changing ahead of the times



1972 Macnica Begins > World-leading technologies for Japanese manufacturing > Breaking down walls between Japan and overseas > Quality Support for ICs, IT and software > Combining latest technologies > Changing to anticipate new needs >

Meeting customers' needs, we started in Silicon Valley, gathering technology, soon implementing intelligence from around the world. Languages, cultures, and business practices differ from Japan's. Our role? To bridge these gaps, enhancing our customers' competitiveness, and accelerating their growth by supporting the implementation of cutting-edge technologies.

With a keen eye for sourcing, or source discerning, and an ability to implement, Macnica focused on technical support and evolving technologies. Leading the market, we introduced a new style of business, a Technology Trading Company.

We have begun our evolution from a Technology Trading Company to a Services & Solutions Company. An enhanced global presence, particularly in Asia, elevating ourselves from Japan Macnica to Global Macnica.

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PURPOSE

Leading in an ever-changing world,
 we seek technology and intelligence
 beyond the cutting-edge,
 while envisioning the future and creating the 'Now.'

We at Macnica, in this era of unpredictability,
 stand at the forefront of environmental and social change,
 anticipating, without fear of failure.
 Excited, pioneering First Penguins, infused with the spirit of challenge.
 Beyond the cutting-edge, no one yet knows,
 technologies around the world, evolving exponentially:

Technology and Intelligence.

Sowing seeds continuously under our feet: nurture, gather, and hold them.
 A vision of the future, prosperous, secure, and sustainable,
 combining Technology and Intelligence with professionals around the world.

Implementing precision solutions, creating the 'Now,'

We are committed, we will create new value, with passion!
 Be bright, fun, and vibrant!

Together, we'll aim for a prosperous future, full of smiles.

Your partner, with endless success.

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Envisioning the future we are aiming for, Together with our employees and society, We will continue to embrace the challenge.

Kazumasa Hara

Representative Director and President

Joined Macnica in 1995. In 2011, appointed President of a semiconductor division company. At the same time, he established an entity focusing on the automotive sector, concurrently serving as General Manager of the Automotive Sales Division. In 2018, appointed General Manager of Strategic Innovation Business Group, promoting the launch of new businesses. In 2019, appointed Representative Director and President of Macnica Holdings, Inc.

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A Period of New Growth, Vision and Transformation

Five years have already passed since I became President in 2019. In 2022, we announced our Long-Term Management Concept: Vision 2030 and have continued to take on challenges towards achieving this new goal. Looking back, I feel our business performance has grown in line with expectations, or perhaps a little faster, thanks in part to the favorable tailwind from the booming semiconductor market, while we have maintained high growth in the Network business as expected. In addition, on top of our traditional distributor role, we have been working on a major transformation to become a provider of our own services and solutions, changing both our internal functions and the way we are viewed externally.

I feel that the challenges towards our vision of becoming a 'Services & Solutions Company' are similar to the challenges I experienced in the 2010s for the semiconductor business, when we entered the automotive market and took on large-scale production lines.

At that time, Macnica emphasized steady growth of performance under the policy of 'solid management'. On the other hand, I had started a business in the automotive field, which I was confident would be promising in the medium- to long-term, but it continued to make losses for the five years or so. I felt more than embarrassed, but I continued to work without giving up, believing that 'businesses that are easy to start up, can die out just as easily.' As a result, the automotive market has grown to become a driver in the growth of our semiconductor business. Instead of rushing to launch the CPS Solutions business, we will work persistently with a long-term perspective, building a solid foundation by 2030 that will support growth far beyond.

On the business side, we have strengthened the capabilities to develop our own solutions in-house. An example is our acquisition of Navya Mobility SAS*, a company that develops autonomous EV buses, which we initially partnered with as a supplier, and later acquired as a subsidiary. We are also expanding our corporate functions to support this transformation. In addition, I am focusing on my role in publicizing the company as the 'face of Macnica.' Until now, Macnica has been well known mostly to those in the industry as a B2B company. However, our end customer is changing as we evolve into a B2B2C business for consumers and a B2B2G business for government agencies, so branding targeting the general public has become important.

Therefore, to convey our desire to inspire excitement for the future in an easy-to-understand manner, we have launched a new tagline, 'Technology transformation for all.' Similarly, we feel that we have not communicated our corporate value to the stock market, so we are actively engaged in

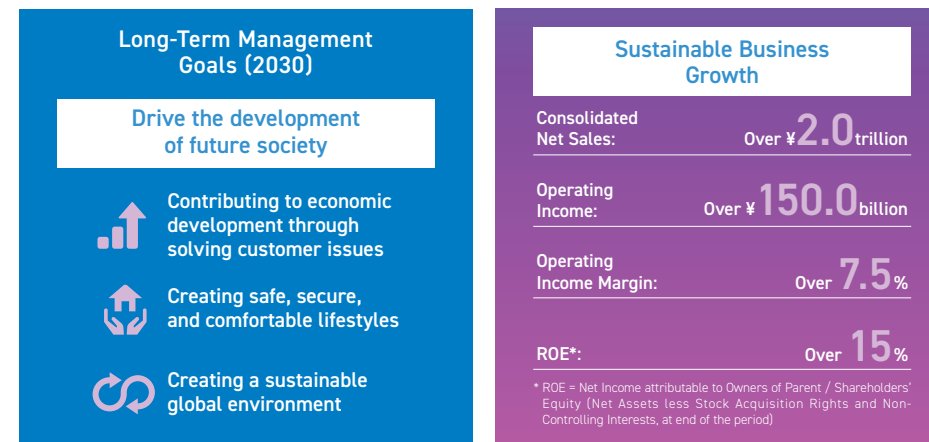
IR activities for investors in Japan and overseas, and I am actively trying to participate in as many meetings as possible. I will continue to communicate with stakeholders using my experience in sales to talk about cutting-edge technology in an easy-to-understand way.

* The new company name will be changed to Navya Mobility SAS. In accordance with French law, the name change becomes official following CSE (Social and Economic Committee) approval, the fulfillment of legal requirements, and approval by the relevant authorities in France.

The First Phase of Vision 2030, Management Resource Fusion Phase in the Final Stages

In Vision 2030, we set the goal of becoming a Services & Solutions Company with net sales of ¥2 trillion or more, operating income of ¥150 billion or more, operating profit margin of 7.5% or more, and ROE of 15% or more, with particular emphasis on the operating profit margin. Even if sales exceed targets, it is meaningless if operating profit margins are not achieved. We believe that the operating profit margin is an important indicator for measuring corporate value, so the 7.5% figure is not only a goal, but a milestone for the future. To achieve it, we are working to establish a CPS Solutions business which is expected to have high profit margins. Initially, we will focus on areas where we have already seen results, such as the autonomous EV bus business in the Smart City/Mobility domain, and others which enhance feasibility.

The roadmap for achieving this is our three-year, three-phase Medium-Term Management Plan. FY2023 was the second year of phase one, the Management Resource Fusion Phase. [P. 20](#)



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In the Semiconductor business, the first half of the year continued with momentum from FY2022, however the second half saw a slowing of sales in our core industrial equipment segment, driven by the ongoing slowdown of the Chinese macroeconomy. Meanwhile, the Network business capitalized on firm demand and performed well both domestically and internationally.

For FY2024, although it remains difficult to predict when the semiconductor market will recover, and there is significant uncertainty about the future, we plan to offset any shortfall by increasing market share both in Japan and overseas. We will also increase the viability of achieving our targets by demonstrating our synergies with Glosel, which joined the Group in March 2024. We expect the Network business to maintain growth, and see us to a recovery in profitability. At the same time, we will strengthen the viability of the CPS Solutions business, with a particular focus on the Smart City/Mobility and Smart Manufacturing domains. We have achieved our targets as set out in the original Medium-Term Management Plan, and this year we will complete the 'Management Resource Fusion Phase.' [P. 22](#)

What's Missing to Achieve our Vision? What already Exists: Strong Individuals

To realize our vision, we must be aware of 'missing capabilities.' Until now, we have expanded our business through the capability (ability) to distribute things, but in order to create services and solutions, we require new capabilities. Specifically, this means acquiring new skills, such as project management and platform and software development capabilities, knowledge and expertise in cutting-edge technologies, and abilities to understand and address social issues and collaborate with government agencies and local authorities. It is also important to strengthen certain corporate functions, such as brand building and the legal capability to deal with new risks. Macnica actively recruits individuals with these abilities, but we already have our own culture of curiosity; of staff members defining new roles for themselves, taking on new challenges and learning new skills. In fact, there are many examples of members from different roles transitioning to new roles, such as data scientists or security researchers. This reflects Macnica's greatest strength—its ability to create 'strong individuals.' Of course, when it comes to enhancing human capital on a larger scale, M&A is also an option.

From the perspective of our 'strong individuals', we renewed our personnel systems in April 2024 to further enhance the strengths of Macnica's human resources. [P. 72](#) We abolished



existing general [career track] positions and transitioned to 'Change Creating Positions (R Course)', roles that focus on 'creating something from scratch,' and 'Value Enhancing Positions (Q Course)' roles that support these positions. This means that both positions will be creative roles rather than routine tasks. Support roles are also expected to think about new operations or processes and take the initiative in promoting improvements. Routine tasks will gradually disappear as IT/DX and AI are used more and more, and for this reason, we want our employees to have the Macnica venture spirit to pursue change. As both the internal and external environments change dynamically, I want our employees to shape their own paths and find new careers that arise from the needs of their field. The key point is how many new careers we can create. We are also conscious of the need to reward our employees. This is a business that can only be established with excellent human resources, and it is an essential condition for improving job satisfaction that results of hard work are returned in compensation.

On the other hand, it is also important to change the deployment of human resources and the structure, or 'formation' as it were, in response to changes in the environment. The rapidly changing business environment in which we operate requires a different way of competing. Until now, we

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have had a 'formation' of salespeople, engineers and coordinators for back-end operations, but we need to rethink our current optimum formation. There will be more segmented and specialized roles, and the evolution of digital technology is increasing what we can offer. It is important not to rely on past successes, but to constantly observe changes in the environment, wondering what is required of us now, and to flexibly adjust our formation and reallocate management resources.

Trading Company, Flexibility and Agility. Sense of Crisis, Force for Change.

The fact that we are a trading company is also a force for change. Trading companies do not have manufacturing facilities, allowing us to develop our business with greater flexibility and agility. By serving as intermediaries between suppliers and customers, we bridge the various gaps that exist between them. This is the essence of our business, our 'raison d'être.' As the external environment changes rapidly, so do the needs and gaps between suppliers and customers. We are constantly alert, with a sense of urgency, carefully observing what our opponents are doing, and against the dynamics of the market, changing the value we provide. This is true not only in our semiconductor and network businesses, but also in our CPS Solutions business. And I think that this awareness gives us the power to understand the interests of each partner in creating, coordinating and driving an ecosystem so that it functions effectively while taking a bird's-eye view of the whole.

Because we have made our living as a trading company in this way, we believe we are equipped with the agility and speed that comes with our lightness, and the flexibility to enhance our own value through co-creation activities with our customers and other excellent partners.

Objectivity from the Investor Perspective, Governance that Accelerates Transformation

Currently, phase one of the Medium-term Management Plan, which is positioned as the Management Resource Fusion Phase, sets out strengthening the management base as an important theme. As a foundation for achieving sustainable growth, we are working to strengthen our financial and IT infrastructure as well as our governance, and as part of this, we transitioned to a company with an Audit & Supervisory Committee in June 2024. [P. 79](#)

This transition aims to promote the separation of supervision and execution, improving the agility of the executive side and creating a system that enables more objective monitoring by the supervisory side. Naturally, even if the executive side acts with the company's best interests in mind, it is often difficult to maintain objectivity from within the same culture. I believe that by enabling the Board of Directors to objectively monitor our activities, while taking the perspectives of investors and shareholders into account, while receiving their advice, I believe we can accelerate transformation. We have also reaffirmed the effectiveness of deepening the commitment of outside directors, who can look at a single event from a different perspective and speak in a different language to those inside the company. By strengthening the monitoring system from an objective, comprehensive viewpoint which aligns with the viewpoints of shareholders and other external stakeholders, we aim to increase Macnica's corporate value as perceived by society, which will lead to increased shareholder value.

Sustainability Management Promotion Activities (2023.4-2024.6)	
External Evaluations	<ul style="list-style-type: none"> ● MSCI ESG Ratings BBB
Environment	<ul style="list-style-type: none"> ● CDP B Rank ● SBT Certified
Social	<ul style="list-style-type: none"> ● EcoVadis (Human rights risk monitoring) ● Career Ownership Management Award 2024 Grand Prize ● New HR System ● Certified Health & Productivity Management Organization 2024 ● International Women's Day: Macnica Diversity FES
Governance	<ul style="list-style-type: none"> ● Transition to a Company with an Audit and Supervisory Committee ● AS9120 Aerospace Industry Quality Standards

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In addition, Macnica's efforts in recent years to improve its external evaluation are also due to our increased awareness of our participation in society, and objective external perspectives. While accumulating evaluations is not an end goal, the transparency they provide is valuable. By engaging in external evaluations, we also gain the opportunity to learn about objective standards and industry best practices. We have already achieved positive outcomes, such as improved CDP and MSCI ratings, and our selection as a DX stock. We will continue to improve the quality of our management to achieve sustainable growth together with society.

Stay Tuned

Macnica Changing Toward Vision 2030.

One of my most important activities is communication with shareholders and investors. In FY2023, I held an overseas roadshow for the first time since becoming president, staying in four cities (London and Edinburgh in the U.K., New York and Boston in the U.S.), where I had face-to-face conversations with many institutional investors. Although in many cases we approach the investors, these investors had already reviewed the basic information in the financial results briefing materials, as well as the sponsored research and the recently published LIMITLESS 2023 report. They came to the meetings well-informed and appeared to be seriously considering an investment in our company. In addition, I attended over 100 investor meetings last year, both face-to-face and online, engaging in discussions with shareholders and investors.

During these meetings, I received many essential questions about our business, the competitive landscape in our industry, and how our strengths are manifested. By addressing those questions, I observed that investors gained a deeper understanding of our company. On the other hand, I also recognized that our business can be challenging to grasp from the outside. Therefore, in LIMITLESS 2024, we have dedicated significant space to explaining the strengths of our structural mechanism in the semiconductor and network businesses with the theme of 'An Introductory Guide to Macnica's Mechanism,' with the aim of communicating more clearly to a broader range of investors. We hope this Integrated Report effectively communicates the activities driving Macnica's limitless growth, and that it helps you to have a deeper understanding of our company.

FY2023 also felt like the year in which the stage we were on changed. This was partially due to the attention that semiconductor-related stocks attracted, but now that we have been selected for the JPX Prime 150 Index and the JPX Nikkei Index 400, our market capitalization has risen, and we have come to the attention of many investors, I feel that we are attracting the interest and expectations of more investors now than ever before. Macnica is undergoing a major transformation in order to achieve continued growth in its traditional pillar businesses, semiconductors and networks, and to establish a CPS Solutions business that will lead to new growth. Please enjoy these changes and further challenges, and share as we watch Macnica's steady evolution towards Vision 2030.

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Why is Macnica a Pioneer?

"We at Macnica, in this era of unpredictability, stand at the forefront of environmental and social change, anticipating, without fear of failure, excited, pioneering First Penguins, infused with the spirit of challenge." This is our declaration of Purpose.

Since our inception, over 50 years ago, we have been putting this into practice, always ahead of the market.

Why can we continuously lead? It is because we have established a realization cycle, and keep

it running. Future insight, co-creation, and cutting-edge technological capabilities sharpened through our business activities have become our driving force, allowing us to consistently create Surprise x Reality.

To grow our Services & Solutions beyond traditional high value-added distribution, and realize a prosperous future society, Macnica will continue standing ahead of the times, taking on new challenges.

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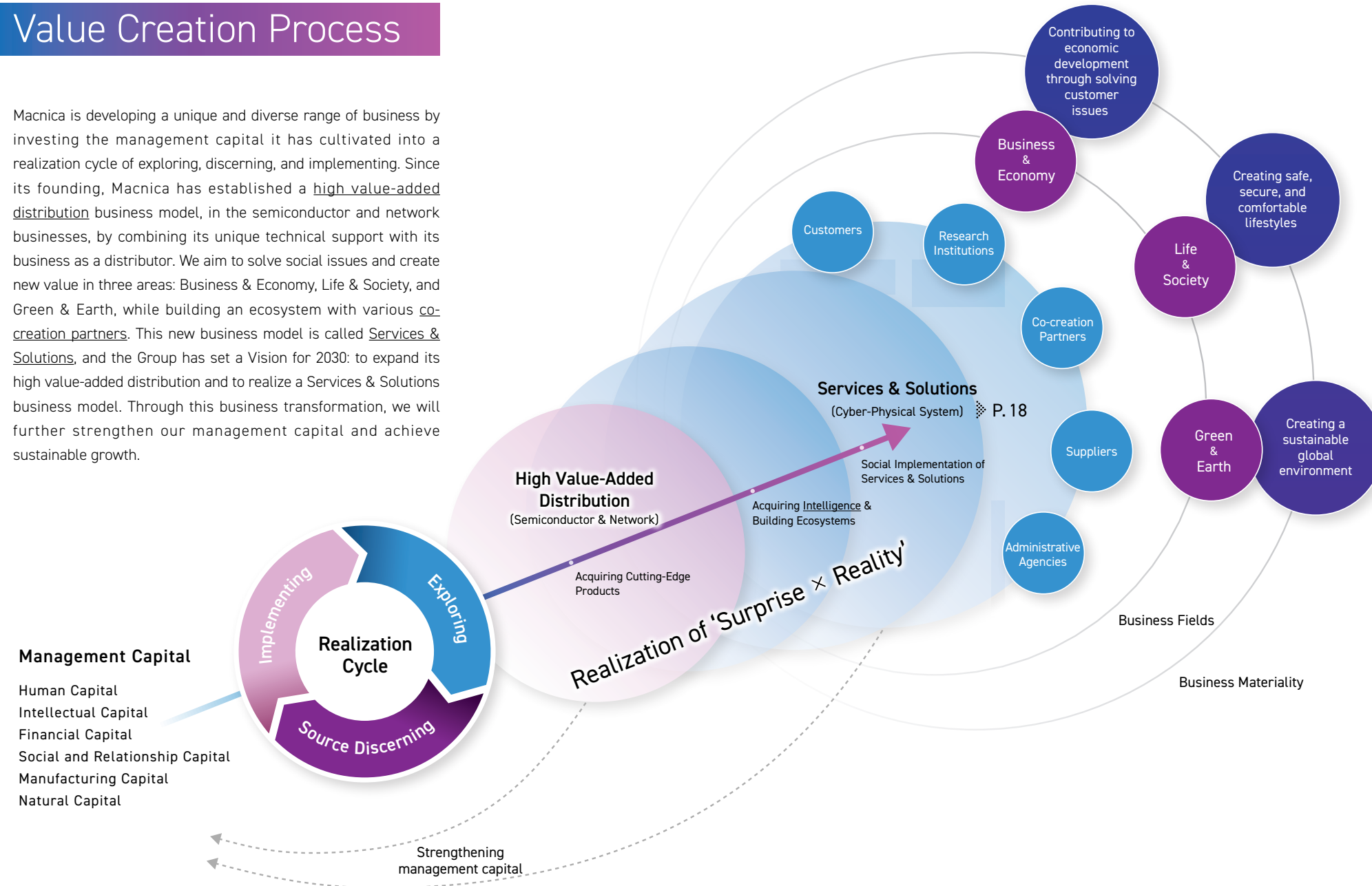
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Value Creation Process

Macnica is developing a unique and diverse range of business by investing the management capital it has cultivated into a realization cycle of exploring, discerning, and implementing. Since its founding, Macnica has established a high value-added distribution business model, in the semiconductor and network businesses, by combining its unique technical support with its business as a distributor. We aim to solve social issues and create new value in three areas: Business & Economy, Life & Society, and Green & Earth, while building an ecosystem with various co-creation partners. This new business model is called Services & Solutions, and the Group has set a Vision for 2030: to expand its high value-added distribution and to realize a Services & Solutions business model. Through this business transformation, we will further strengthen our management capital and achieve sustainable growth.



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01

Strong Individuals and Teams

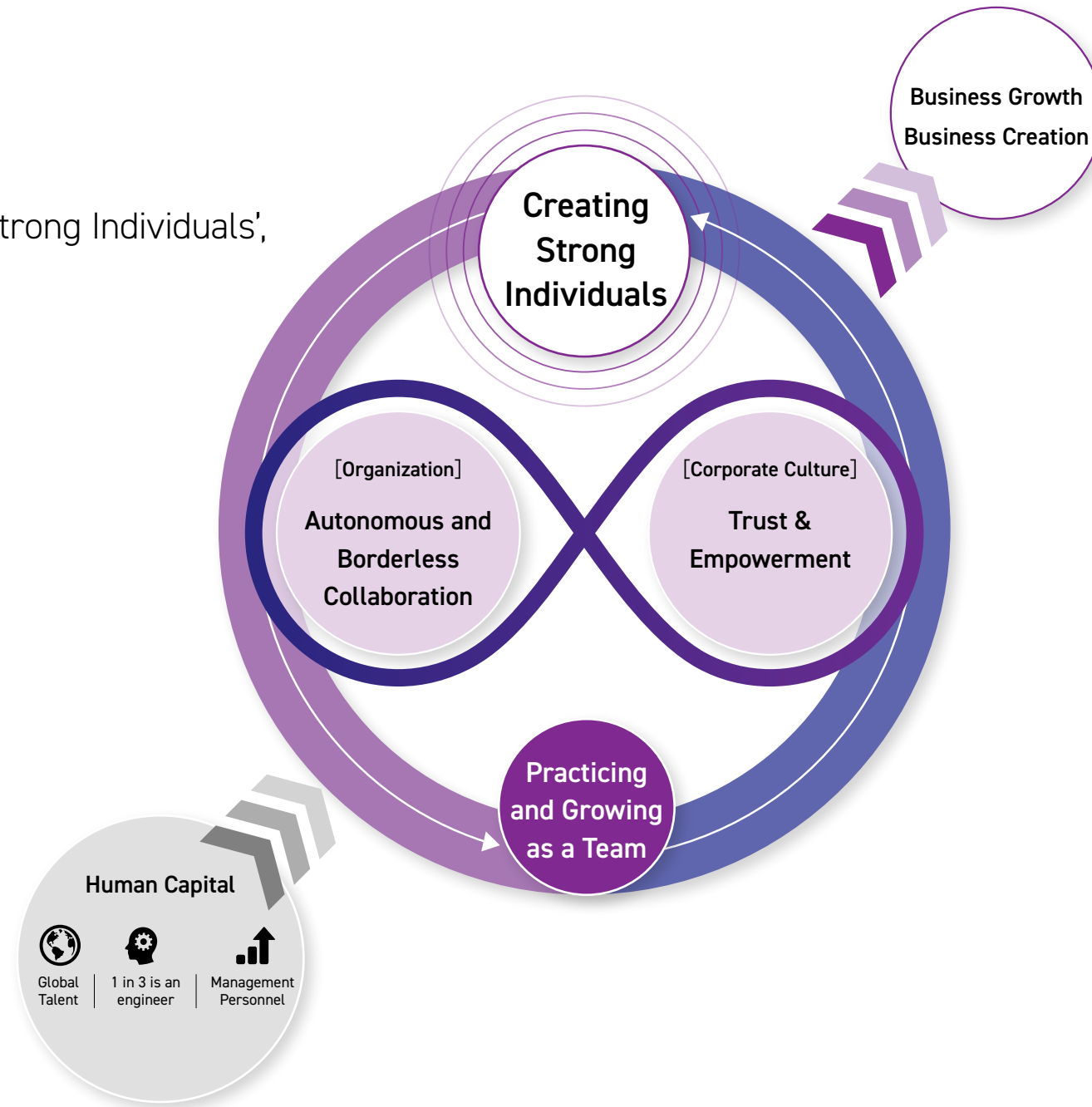
Organization & Culture Nurtures 'Strong Individuals', Teams Accelerate Growth

Macnica's greatest capital and most valued asset is its 'people.' We position 'people' as the driving force, putting our Purpose into practice, and realizing our vision. And we aim for sustainable growth by maximizing the value of human resources.

Macnica has a corporate culture that encourages challenges based on Trust & Empowerment, and an autonomous growth-oriented organization that collaborates beyond organizational boundaries. Acquiring talented human resources is important. However, what Macnica considers more important is nurturing 'strong individuals' who can carve their own path within Macnica. In other words, we continue to develop human resources who are adaptable to change, resilient in the face of adversity, tenacious, and possess the determination to create and pursue their own visions. Teams of 'strong individuals' continuously put this into practice, enabling the organization to achieve autonomous growth.

We view these 'strong individuals and teams' as the foundation of our management capital and strive to keep our organization fresh, youthful, and vigorous. We implement various initiatives including human resource development, ensuring 'workplace satisfaction,' building trust with our management team, and promoting understanding and the integration of diversity.

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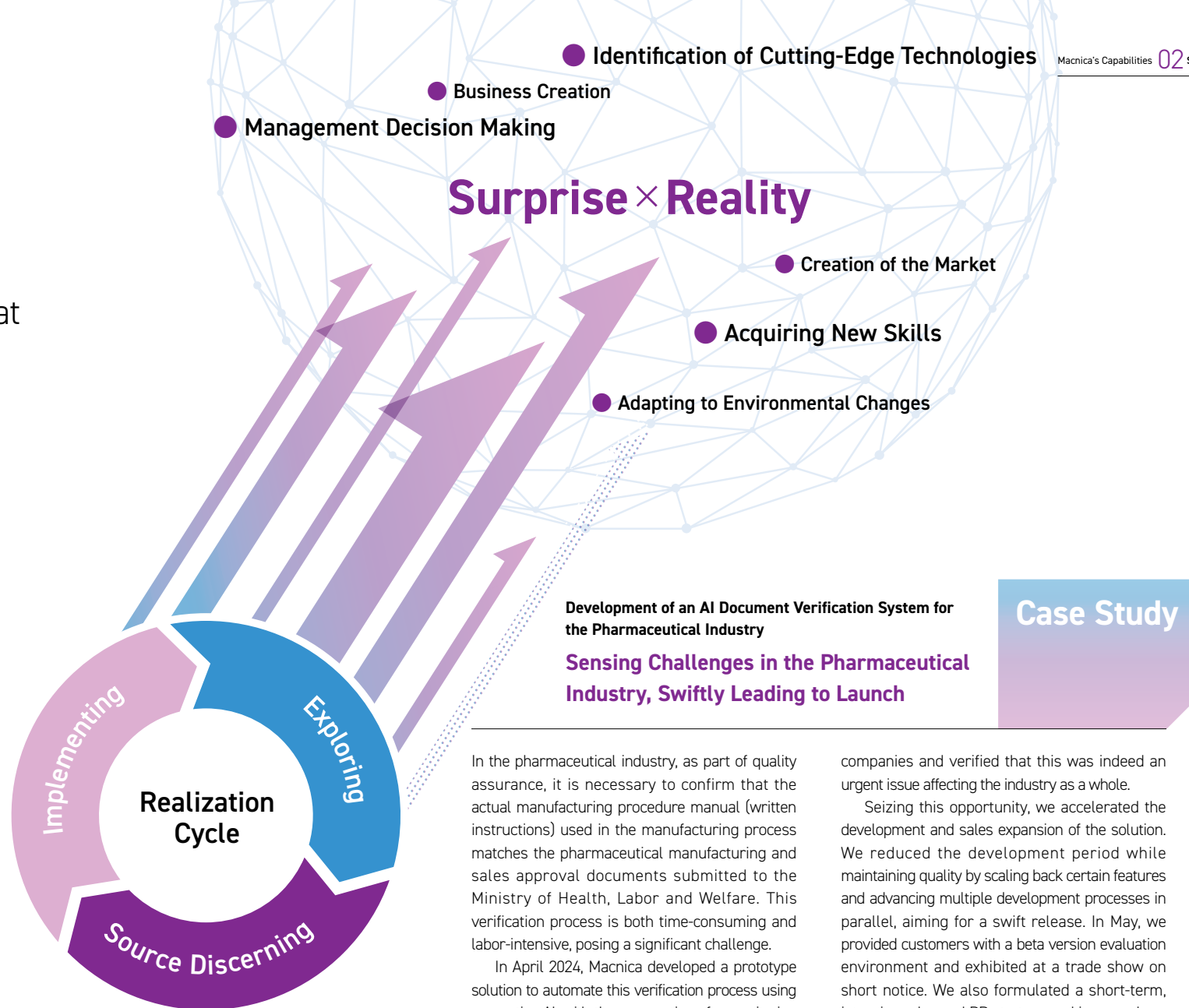
02 Speed

Staying ahead of Change at an Overwhelming Speed

Macnica places great importance on 'speed' in every aspect of its business to capture exponentially evolving technology and implement it in society,

We do not necessarily strive for perfection when it comes to executing the 'realization cycle' of exploring, discerning, and implementing to ensure the success of Macnica's business. Experiencing failures and successes that 'feel real' clarifies issues and allows us to change direction more quickly. In every situation, we obsessively focus on being the first to take action and get the results.

A culture that values speed is evidence that our Purpose, 'beyond the cutting-edge,' has permeated each and every one of us. We are always ready to respond sensitively to any signs of change in the world.



In the pharmaceutical industry, as part of quality assurance, it is necessary to confirm that the actual manufacturing procedure manual (written instructions) used in the manufacturing process matches the pharmaceutical manufacturing and sales approval documents submitted to the Ministry of Health, Labor and Welfare. This verification process is both time-consuming and labor-intensive, posing a significant challenge.

In April 2024, Macnica developed a prototype solution to automate this verification process using generative AI, with the cooperation of a monitoring customer. After receiving feedback from the customer indicating an urgent need for the solution, we hypothesized that there was an underlying administrative notice or similar urgency. To confirm this, we conducted interviews with industry

companies and verified that this was indeed an urgent issue affecting the industry as a whole.

Seizing this opportunity, we accelerated the development and sales expansion of the solution. We reduced the development period while maintaining quality by scaling back certain features and advancing multiple development processes in parallel, aiming for a swift release. In May, we provided customers with a beta version evaluation environment and exhibited at a trade show on short notice. We also formulated a short-term, intensive sales and PR strategy and improved our sales structure, focusing on strengthening our marketing activities. In August, we launched the commercial version of the product, making solutions to industry issues widely available.

Case Study

Development of an AI Document Verification System for the Pharmaceutical Industry
Sensing Challenges in the Pharmaceutical Industry, Swiftly Leading to Launch

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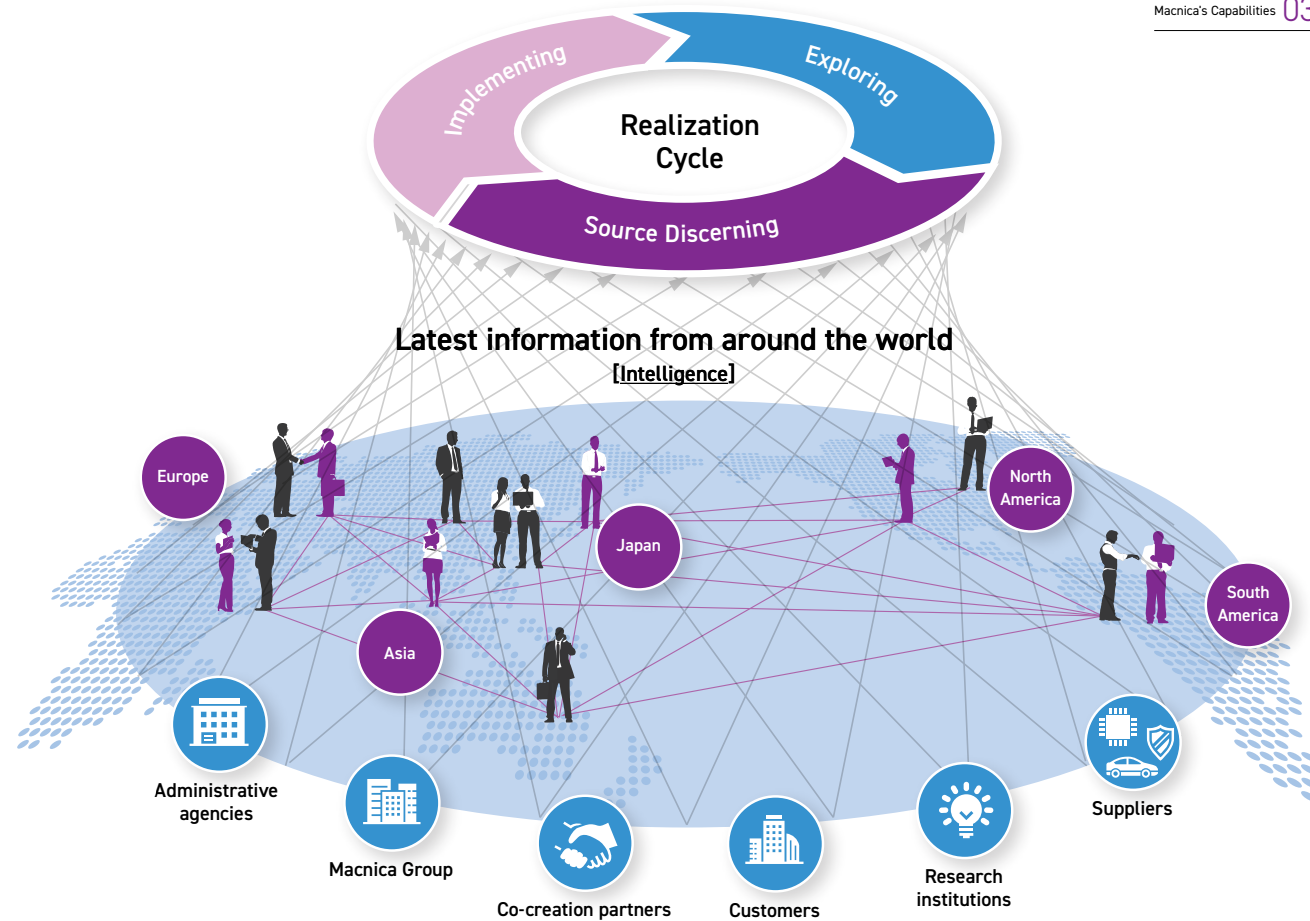
03 Human Network

Forming Global Networks with Deep Partnerships

Macnica, as a technology trading company, has been connecting with partners around the world for over 50 years, since its founding, playing a role in connecting people with technology. It's 'people' who nurture and develop businesses. The fact that we, a non-manufacturing company, have been able to seize numerous growth opportunities is undoubtedly because we have cherished our bonds with 'people.'

When we resonate with our customers' product concepts, share enthusiasm for new business development, or overcome challenges with our startup suppliers and lead their businesses to success, we have grown by sharing the excitement and joy of our work with many partners and deepening our relationships with them. Even as our business phases evolve, the memories of 'joint efforts and trust' remain in our hearts. When new business opportunities arise for both customers and suppliers, Macnica is the first name that comes to mind.

Moving forward, we will continue to value hospitality to ensure that all participants benefit and pursue growth for the entire ecosystem.



A Relationship of Trust with Shlomo Kramer

Successfully Working in Tandem with a Leading Authority in the Security Industry, Leveraging Cultivated Connections to Pursue New Business Opportunities

In 2011, Macnica signed a distributor agreement with Imperva, Inc. in the US and worked diligently to educate the market and promote sales activities in Japan for Imperva's security products. At the time, Shlomo Kramer was President and CEO of Imperva and later became Chairman of the Board. As the founder of Check Point Software Technologies in the US and one of the most influential executives in the cybersecurity industry, arranging interviews with him was challenging at that time.

Imperva and Macnica worked in tandem to steadily increase market awareness and deliver high-quality proposals, successfully enhancing

performance year after year. Through these business experiences, the relationship with Shlomo deepened, evolving into a series of frequent and regular business meetings and dinners in the US, Japan, and other locations. Even after Shlomo left Imperva for another company, he continued to introduce us to many influential startups, thanks to the trust we had built through our business relationships. Exabeam, now one of our main suppliers, and Cato Networks were also introduced by Shlomo, with the latter being particularly significant as Shlomo himself serves as the CEO.



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Macnica's Medium- to Long-Term Strategy

Macnica's long-term management goals for 2030 are to contribute to solving social issues and to achieve sustainable business growth. Our specific performance targets are sales of over ¥2 trillion, operating income of over ¥150 billion, an operating income margin of over 7.5%, and an ROE of over 15%.

As stated in our Purpose, we will drive the development of the future society, fully demonstrating our unique capabilities, such as our

spirit of inquiry, and discerning abilities to explore technology and intelligence beyond the cutting-edge, the insight to envision the future, and the ability to implement and co-create the 'Now'. In promoting this, we will contribute to solving society's issues, and by 'contributing to economic development through solving customer issues,' 'creating safe, secure, and comfortable lifestyles,' and 'creating a sustainable global environment' we'll help lead the way.

Long-Term Management Goals (2030)

Drive the development of future society

-  Contributing to economic development through solving customer issues
-  Creating safe, secure, and comfortable lifestyles
-  Creating a sustainable global environment

Sustainable Business Growth

Consolidated Net Sales	Over ¥2.0 trillion
Consolidated Operating Income	Over ¥150.0 billion
Consolidated Operating Income Margin	Over 7.5%
Consolidated ROE*	Over 15%

* Consolidated ROE = Consolidated Net Income attributable to Owners of Parent / Shareholders' Equity (Net Assets less Stock Acquisition Rights and Non-Controlling Interests, at end of the period)

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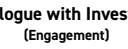


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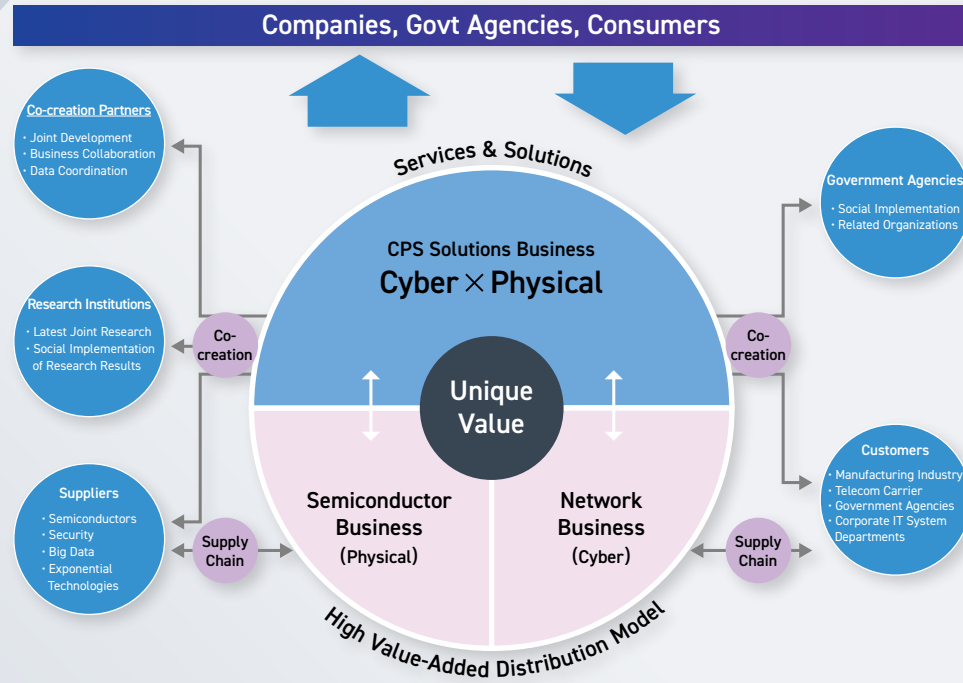
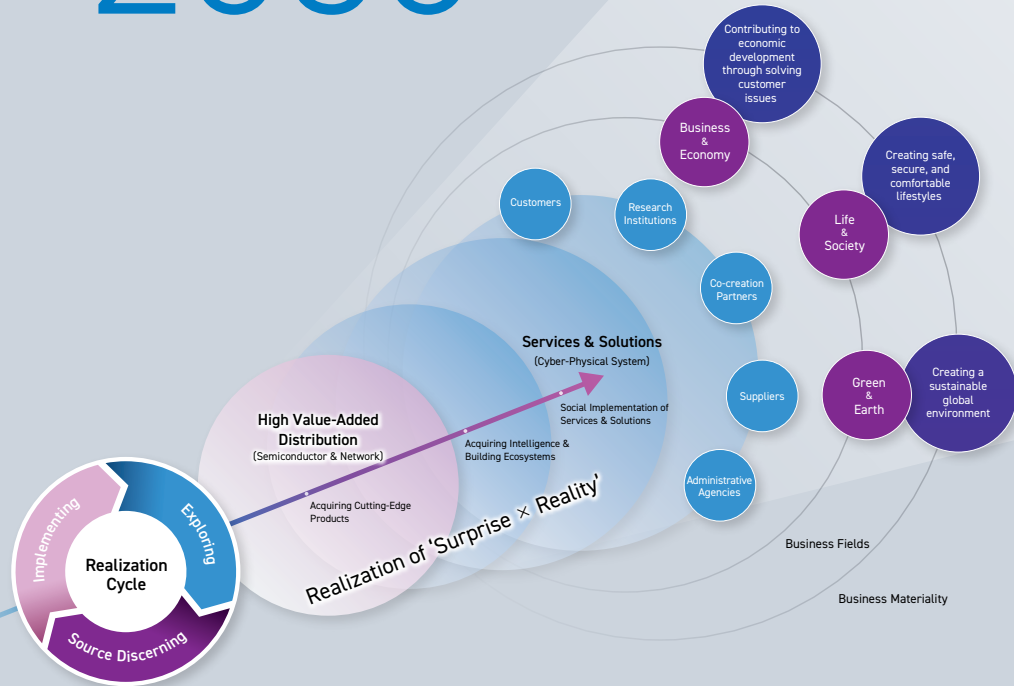
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Long-Term Management Concept

Vision 2030



Expanding the High Value-Added Distribution Model × Evolving into a Services & Solutions Company

Macnica has a vision for 2030 of becoming a 'Services & Solutions Company, creating new value by connecting Technology and Intelligence from around the world, towards a prosperous future society.' Vision 2030 aims to achieve both social and economic value. In terms of social value, we aim to drive the development of future societies by addressing social issues related to three materialities: 'contributing to economic development through solving customer issues,' 'creating safe, secure, and comfortable lifestyles,' and 'creating a sustainable global environment' through our business activities. In terms of economic value, we will continue to expand our high value-added distribution business, which has supported our growth over the past 50 years, while embracing the challenge of providing services & solutions as a new business model.

Services & Solutions is a business model that creates unique value-added services and solutions through co-creation with partners including suppliers, customers, research institutions, and administrative agencies, leveraging the cyber and physical strengths cultivated in the semiconductor and network businesses. With this new business model at its core, we will promote our CPS Solutions business, creating new growth and Surprise x Reality.

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Business Model

To achieve further growth and profitability as a group in a rapidly changing business environment, we are embarking on a business model transformation. We aim to evolve into a Services & Solutions Company that creates its own value and contributes to solving various social issues.

High Value-Added Distribution (VAD)

High value-added distribution (VAD) involves adding unique value through technical support, implementation, and operational assistance to the sale and provision of products such as semiconductors and IT solutions. Macnica has grown with the expansion of the technology market, discerning cutting-edge technologies and solutions from around the world, and helping customers implement these technologies.

Macnica is engaged in the business purchasing products from suppliers and selling them to customers, creating value through unique activities essential for business success. Since our founding, we have been offering advanced technologies primarily from overseas startups to domestic customers, involving technical aspects, such as finding the most suitable technologies and providing all manner of support that overseas suppliers cannot. Specifically, in the semiconductor business, we support customers through the engineering chain, including design and development assistance, as well as quality assurance. Additionally, we ensure a stable supply chain through inventory and delivery date management.

Services & Solutions (SS)

Services & Solutions (SS) refers to services and solutions developed and provided by Macnica. Services refer to the provision of a service developed in-house rather than physical goods, and a solution is a technology, product, or combination thereof, that solves a customer's specific problem. Creating Services & Solutions requires a transformation of the business model. As Macnica excels at exploring, discerning, and implementing cutting-edge technologies, it enters the market by selling technologies and acquiring intelligence, such as expertise in the field, necessary capabilities (organizational capabilities), and co-creation partners. Ultimately, we use this knowledge to develop uniquely valued Services & Solutions on our own.

CPS Solutions Business

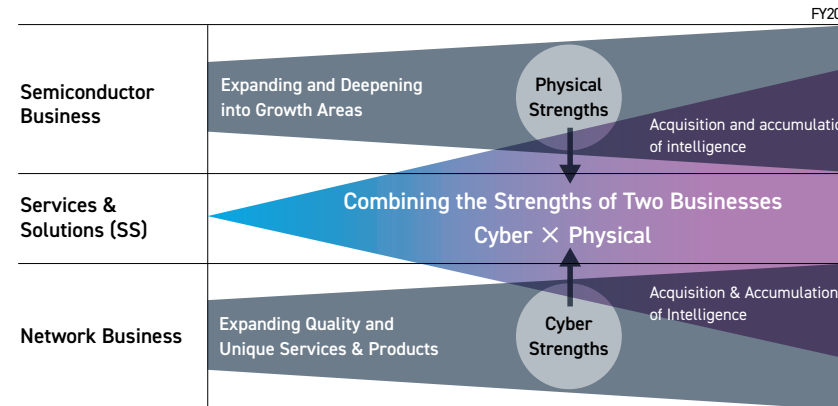
CPS (Cyber-Physical System) is a system that collects a variety of data in the real world (physical space) and incorporates it into a virtual space (cyberspace) to analyze and transform into knowledge, creating useful information and value, and enabling a closer integration between the real world and virtual space. Macnica sells solutions and develops and provides in-house services that contribute to the revitalization of industries and the resolution of social issues in the six themes of the CPS solutions business: (1) Smart City/Mobility, (2) Smart Manufacturing, (3)

Circular Economy, (4) Healthcare, (5) Food & Agritech, and (6) CPS Security. In the CPS Solutions business, we ultimately aim to provide our own Services & Solutions, with the companies we collaborate with serving not just as suppliers but as co-creation partners based on trust and empathy. By forming capital and business alliances with these companies, we aim to create an ecosystem and work together to solve social issues.

Organizing Businesses and Business Models

	Semiconductor Business	CPS Solutions Business	Network Business
Business Model	VAD	VAD	VAD
	Semiconductor VAD	CPS Solutions VAD	Network VAD
	SS	SS	SS
	Semiconductor SS	CPS Solutions SS	Network SS

Business Model Transformation towards Vision 2030



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Vision 2030

Roadmap

Backcasting from Vision 2030, our future ideal, we are determining what we should focus on now. We have established a Medium-Term Management Plan in three phases leading up to FY2030: the Management Resource Fusion Phase which started in FY2022, the Specialization Enhancement Phase which starts in FY2025, and the Management Resource Integration Phase beginning in FY2028. Through these three phases, we will promote transformation to realize our Long-Term Management Concept.

Management Resource Fusion Phase (FY2022-24)

The first phase involves combining the 'Physical' strengths cultivated in the semiconductor business and the 'Cyber' strengths cultivated in the network business, sowing and nurturing the seeds of new businesses. Before fusing our strengths, we merged with Macnica Networks, the subsidiary responsible for the network business, in October 2021. As of FY2024, the final fiscal year of this phase, several cross-organizational business developments are underway. We are focusing on systems and capital investment to scale the seeds of our business, leading to the next phase.

Specialization Enhancement Phase (FY2025-27)

In the next phase, we will continue to strengthen our organizational capabilities necessary for significant business growth, while also collaborating with partner companies possessing excellent technology and other management resources. Alongside developing our own Services & Solutions, we will acquire deeper expertise in our focus areas through these collaborations with partner companies.

Management Resource Integration Phase (FY2028-30)

In the final step, we will integrate the expertise developed in each area to position ourselves as a business that provides a platform for both the industry and across industries. For example, we aim to create 'integrated Services & Solutions' that contribute to the concept of a super city* by combining Smart City/

Achieving Long-Term Management Goals through Three Phases of Transformation

		FY2022-24 Management Resource Fusion Phase	FY2025-27 Specialization Enhancement Phase	FY2028-30 Management Resource Integration Phase
CPS Solutions Business	Investment in Development	Strengthen service development	Service growth acceleration	Service integration and stabilization
	Key Points	Development of individual services	Strengthen individualized services and coordination between services	Standardization of platforms
Semiconductor Business	Profit Structure Reform	Development of high value-added products	Expansion of high value-added products	Stabilization of high value-added products
Network Business		In-house service development	Expansion of in-house services	Stabilization of in-house services
Common to Semiconductor and Network Businesses	Strengthen Business	Acquisition of cutting-edge products, global enhancement, portfolio expansion		
Company-wide	Strengthen Business Foundation	Strengthen DX development	Strengthen DX dissemination and development	DX stabilization
	Brand Enhancement	Brand development	Brand enhancement	Maintain and strengthen the brand

Mobility and Healthcare. We will continue to advance by strengthening the integration of services and data across domains, with the goal of establishing a platform that sets a new industry standard.

* A plan to realize the city of the future through advanced technology

Semiconductor Business & Network Business

In the semiconductor business, we aim to achieve high profitability by maximizing the

benefits of renewing our core systems. At the same time, we will surpass market growth by expanding our global market share. In the network business, we will strengthen our portfolio to enhance our VAD and focus on developing our own services to improve profitability and increase our market presence.

CPS Solutions Business

We are fusing management resources and

developing individual services with the aim of establishing SS. From FY2025, we will enhance these services and create a cycle of data-driven service value amplification. Starting in FY2028, we will invest in development to integrate the individually strengthened businesses and enable them to function as 'integrated services' and 'standard platforms.'

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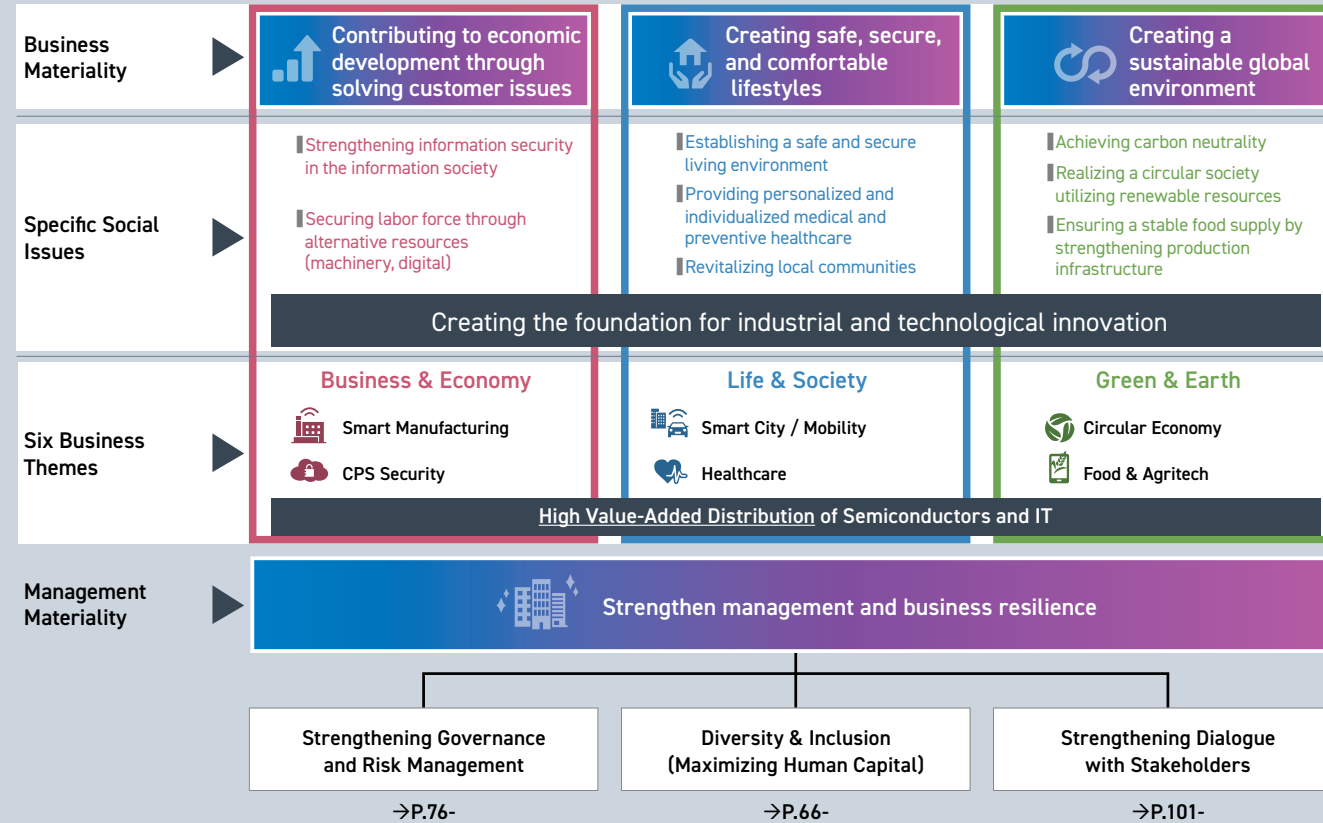
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Materiality

The Macnica Group has identified four materialities and aims to contribute to the global environment and social and economic development through its business activities. In identifying materiality, we have focused on matters significant to stakeholders and impacting Group operations.



Materiality Identification Process

In identifying materiality, the Group identified material issues through 4 Steps to ensure comprehensiveness, objectivity, and uniqueness. It will be reviewed considering changes in the significance of issues and the emergence of new challenges.

- STEP 1 Identifying social issues**
 - Identify social issues to resolve and organize relationships
 - Organize reference ESG / Sustainability guidelines
- STEP 2 Screening**
 - Confirm consistency with development goals such as SDGs
 - Screening by compatibility with DX
- STEP 3 Creating evaluation criteria**
 - Organized by importance to our business, and importance of social issues
- STEP 4 Evaluation & Identification**
 - Evaluation by project members according to evaluation criteria
 - Identify materiality
 - Evaluation results presented to the Board of Directors for approval of validation

Policy on Sustainability

The Macnica Group has formulated the following Policy on Sustainability and is committed to addressing social challenges and achieving sustainable growth. In line with our four priority policies, we will strive to balance our business activities with sustainability.

Macnica Group Policy on Sustainability

We regard responding to environmental and social challenges as one of the most important management policies. We strive for activities that will enable us to achieve our Purpose, "Leading in an everchanging world, we seek technology and intelligence beyond the cutting-edge, while envisioning the future and creating the Now."

Four Policy Priorities

- Identifying key issues, promoting business initiatives and investment management that contribute to solving social challenges and fostering a sustainable society
- Promoting global management with consideration for the environment and human rights, and strengthening the supply chain
- Gaining the trust of society and strengthening governance and risk management systems
- Educating and raising awareness of employees to promote sustainability

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Management Resource Fusion Phase

In the Management Resource Fusion Phase which started in FY2022, we are advancing business strategies and strengthening the management base. The business strategy comprises three segments: the semiconductor business, the network business, and the CPS Solutions Business, with a focus on Services & Solutions. To achieve sustainable growth, we fortify the management base in the areas of risk management, IT/DX, human capital, and finance.

Medium-Term Management Plan: FY2022-24 Business Strategy and Strengthening Management Base

Business Strategy		Strengthening Management Base		FY2022 (Actual)	FY2023 (Actual)	FY2024*3 (Target)
Semiconductor Business	<ul style="list-style-type: none"> ● Expansion of market share in growth domains ● Increase of high value-added solutions ● Exploring products for long-term growth ● Global strategy 	<ul style="list-style-type: none"> ● Strengthening risk management ● Strengthening IT & DX strategy ● Maximizing human capital ● Strengthening financial strategy 	Net Sales	¥1,029.3 billion	¥1,028.7 billion	¥1,100 billion
			Operating Income	¥61.6 billion	¥63.7 billion	¥64 billion
			Operating Income Margin	6.0%	6.2%	5.8%
Network Business	<ul style="list-style-type: none"> ● Expansion of security business ● Growth of Big Data business ● Expansion of application business ● Global strategy 	<ul style="list-style-type: none"> ● Strengthening risk management ● Strengthening IT & DX strategy ● Maximizing human capital ● Strengthening financial strategy 	Net Income Attributable to Owners of Parent	¥41 billion	¥48.1 billion	¥42 billion
CPS Solutions Business	<ul style="list-style-type: none"> ● Business development to solve social issues in six themes ● Expansion of CPS platforms ● Strengthening capabilities for long-term growth 		ROE*1	20.5%	19.7%	Over 15%*1
			Working Capital Turnover*2	4.4	3.5	over 3.8

*1 ROE = Net Income attributable to Owners of Parent / Shareholders' Equity (Net Assets less Stock Acquisition Rights and Non-Controlling Interests, at end of the period)

*2 Working Capital Turnover = Annual Sales / Working Capital (Accounts Receivables + Inventories - Accounts Payable, at end of period)

*3 The management target figures have been revised after the announcement of this integrated report. For details, please refer to the announcement made on October 28, 2024, titled 'Regarding Revisions to the Earnings Forecast and Medium-Term Management Plan Targets.'

Note: Segment information is disclosed for two business segments: ICs, Electronic Devices and Other Business or Semiconductor Business, and Network Business. The performance of the CPS Solutions business is included in the Semiconductor Business and Network Business, and the figures overlap.

Growth Strategy for Semiconductor Business

We will expand high value-added semiconductor distribution primarily in areas such as automotive and industrial equipment while actively pursuing market share in growth markets. We will enhance profitability through high value-added solutions with semiconductors. We will explore new technologies and products for rapidly evolving markets, including environmental, IoT, communication, and mobility-related sectors. Furthermore, while considering M&A opportunities and the Chinese market, we will formulate strategies to further strengthen our global franchise.

❖ P. 30 - Semiconductor Business

Growth Strategy for Network Business

In cybersecurity, we will expand our share in the existing domain and in new areas, strengthening our services. In Big Data, we will build on our current data analysis base, acquire new products, and enhance our own services related to AI, DX, and data analysis. In addition, we will focus on the strategic application business, such as Box, by incorporating our own services. Globally, we will continue to strengthen collaboration with Japan and actively invest in growing countries.

❖ P. 43 - Network Business

Growth Strategy for CPS Solutions Business

In the CPS Solutions business, we will focus on six business themes aligned with materiality and advance business development and social implementation of Services & Solutions. We will also prioritize the development of the CPS platform, the foundation of our business, by acquiring and enhancing it both internally and externally to strengthen our in-house development capabilities.

❖ P. 56 - CPS Solutions Business

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Management Resource Fusion Phase

Strengthening Management Base

In the Management Resources Fusion Phase, we are working on four items: maximizing human capital, risk management, IT/DX strategies, and financial strategies—to strengthen sustainable growth and resilience (the ability to flexibly overcome challenges and recover) toward the realization of Vision 2030.

Maximizing Human Capital

At Macnica, we reflect the important founding principle that 'people are everything' in our specific initiatives. In addition to revamping our human resources and compensation system in April 2024, we are also focusing on promoting DE&I (Diversity, Equity and Inclusion), work style reforms and human resource development. Over the past 10 years we have conducted an 'Building a Strong Company Questionnaire,' and each department is working on improvements autonomously. We value close communications between employees and management, as we work to

build 'Trust' and relationships that 'Maximise Human Capital.'

❖ P. 66 - Organization & Culture: Creating Strong Individuals



Strengthening IT & DX Strategy

We are enhancing operational efficiency by leveraging the core systems (ERP, CRM, SCM, etc.) implemented during the previous Medium-Term Management Plan. In addition to a significant leap in operational efficiency, we are streamlining sales activities by consolidating information. By creating real-time dashboards that visualize data from various angles that were previously difficult to visualize, we are significantly improving both the speed and accuracy of decision-making. Additionally, we will continue to strengthen global IT governance and drive internal DX initiatives to expand business opportunities. ❖ P. 61 - IT & DX Strategy

Specific Measures to Realize IT & DX Strategy

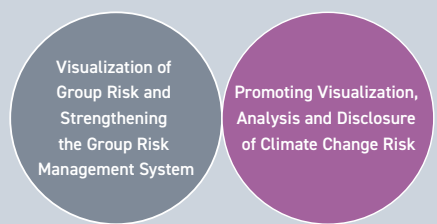


Strengthening Risk Management

As the Macnica Group takes on the challenge of transforming into a new business model and the scale of the Group continues to expand, we are building a system to visualize risks across the entire Group, implement strategies to mitigate risk, and establish frameworks for appropriate risk-taking.

all Group companies, can autonomously accelerate risk management initiatives. Furthermore, the Group is also enhancing its responses to ESG-related risk, while working on elevating its business portfolio management and associated investment evaluations.

❖ P. 92 - Risk Management and Compliance



Strengthening Financial Strategy

We plan to prioritize investment in intangible assets and M&A to develop our Services & Solutions, which are essential for future growth. The necessary funds for these purposes will be generated through cash flows from operating activities, improvements in working capital turnover, and financing primarily consisting of interest-bearing debt.

acquisition of treasury stock in consideration of capital efficiency and market conditions, aiming for a total return payout ratio of 30-50%.

Regarding our shareholder return policy, considering an ROE* of over 15%, we aim for a Dividend On Equity (DOE) ratio of 4% as a guideline. We will implement a stable and continuous dividend policy, and as a variable shareholder return, we will consider the



* ROE = Net Income attributable to Owners of Parent / Shareholders' Equity (Net Assets less Stock Acquisition Rights and Non-Controlling Interests, at end of the period)

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Boosting Growth by improving Financial Functions

FY2023 Review

Outperforming the Market for Growth, while Offsetting Risks

Macnica's two business pillars: the Semiconductor and the Network businesses

Macnica is always targeting growth to outperform the market. Looking back on FY2023 from this perspective, the first half of the year was strong, against a sluggish semiconductor market, but we were unable to resist the market headwinds in the second half. In the semiconductor business, sales to Japanese companies were up year-on-year, while sales to overseas local companies were down year-on-year due to the slowdown in the Chinese market, resulting in an overall sales decline of 2% from the previous year. However, the network business, including endpoint security-related products, maintained strong sales throughout the year both in Japan and overseas, resulting in a 21% year-on-year increase in sales.

The two business pillars of Macnica are located in different markets, so that we are able to diversify risk. In addition, the risk of exchange rate fluctuations, which is a concern, did not have much impact on our ordinary income. This is because semiconductors are denominated in foreign currencies and networks are often denominated in yen, while purchases are denominated in foreign

currencies, and the effects of a weak yen and a strong yen work in reverse to cancel each other out.

In the CPS Solutions business, which we see as the third pillar of the future, results of 'sowing the seeds' over the past few years began to appear, as sales for Smart City/Mobility and Smart Manufacturing, which are the first of the six themes to be launched, achieved high growth, with a combined 56% increase over the previous year.

As a result, consolidated net sales for FY2023 were nearly flat year-on-year at ¥1,028.7 billion. However, all profit items exceeded those of the previous year, resulting in a decrease in sales but an increase in profits. This performance was slightly below the forecast that had been revised upwards during the period. Nevertheless, we believe this outcome aligns with Macnica's policy of providing the most accurate forecast at the time, rather than issuing conservative figures.

Makoto Okawara

Director & Managing Executive Officer
General Manager, Financial Group, Macnica, Inc.

FY2023 Financial Highlights (Billion yen)

	FY2023 Results	YoY		FY2024 Planned*	YoY*	
Net Sales	1,028.7	△ 0.5	(△ 0%)	1100.0	+71.3	(+7%)
Semiconductor Business	907.8	△ 21.2	(△ 2%)	960.0	+52.2	(+6%)
Network Business	120.9	+20.7	(+21%)	140.0	+19.1	(+16%)
Operating Income	63.7	+2.1	(+3%)	64.0	+0.3	(+0%)
Semiconductor Business	56.7	+1.3	(+2%)	51.0	△ 5.7	(△ 10%)
Network Business	7.0	+0.8	(+12%)	13.0	+6.0	(+84%)
Net Income Attributable to Owners of Parent	48.1	+7.0	(+17%)	42.0	△ 6.1	(△ 13%)
Cash Flow from Operating Activities	39.9	+1.0	(+3%)	-	-	-

* The management target figures have been revised after the announcement of this integrated report. For details, please refer to the announcement made on October 28, 2024, titled 'Regarding Revisions to the Earnings Forecast and Medium-Term Management Plan Targets.'

Note: Average exchange rate in FY2023 Results = ¥143.31/USD

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FY2024 Outlook

**Expanding Semiconductor Share
Significant Growth in the Network Business**

With regard to the results for FY2024, the final year of the three-year Medium-Term Management Plan, we disclosed a forecast of net sales of ¥1.1 trillion and operating income of ¥64 billion in the financial results announcement in May 2024, taking into account trends in the semiconductor market.

Regarding the outlook by business segment, the semiconductor business is expected to continue facing a challenging market in the first half of FY2024. Although the recovery of the Chinese macroeconomy, which is the biggest factor and will influence outcomes, we expect the semiconductor market to recover in the second half. We also plan to rapidly leverage synergies with Glosel, the semiconductor trading company that became our subsidiary in March 2024, to expand our commercial rights.

In the network business, net sales have grown at an annual rate of over 20% for two consecutive years, and we expect high demand to continue in FY2024. Further market growth is anticipated both domestically and internationally, particularly for endpoint security-related products, with sustained growth expected over the medium-term.

In the CPS solutions business, we are working towards a target of increasing net sales by 40-50% per year until FY2030, and so far we are almost on-track. We have set our goal of returning to profitability in operating income as soon as possible, but we believe the critical point is now, whether we can continue to grow or not.

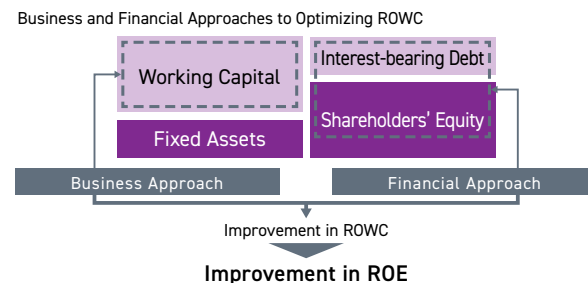
Capital Cost Management

**Financial Group and Business Divisions Unite
with a Shared Mindset, to Improve Capital Efficiency**

Macnica has been promoting capital cost-focused management since the previous Medium-Term Management Plan and introduced ROWC (Return on Working Capital) as a business management indicator in 2019, alongside ROE as a capital management indicator.

The Financial Group continues to monitor capital cost as a standard, but the key to this lies in the mindset within our business divisions. Each member of the business divisions must keep the mindset of holding the optimal amount of inventory and shortening the accounts receivable turnover

Macnica's Capital Cost Management (ROWC)



period when negotiating with customers and suppliers, or the figures will never improve.

Supporting the mindset within these business divisions is also an essential role of the Financial Group. The Financial Group has developed a tool that can simulate how ROWC and operating cash flow will change when sales, profits, and terms change with each transaction. By using this tool, business divisions can evaluate negotiation content, such as the impact on ROWC and operating cash flows when inventory holding conditions change, or determine the necessary conditions to maintain or improve performance levels. This contributes to building a foundation that allows business divisions to conduct their own simulations and engage in negotiations effectively.

When the tool was introduced in 2019, there were regular reviews and discussions between the business divisions and the Financial Group, but now that ROWC is more widely used, the process is primarily managed within the business divisions, with the Financial Group providing individual support through ongoing collaboration.

In the business divisions, we set ROWC hurdle rates for each main line, monitor them on a monthly basis, and make adjustments and take measures to improve necessary items. Meanwhile, within the Financial Group, we continuously review and implement flexible and optimal foreign exchange hedging methods in response to market conditions, as well as optimal funding methods that account for procurement costs and risks, based on transaction conditions such as accounts receivable collection periods, accounts payable payment periods, and inventory forecasts. In essence, instead of one side—either the Financial Group or the business divisions—pressing the other, we collaborate towards the common goal of improving ROWC. We engage in constructive discussions on the latest business environment and future prospects, building a shared understanding and making decisions aimed at medium- to long-term sustainable growth.

Thanks to this close communication, the mindset is taking hold, and we are seeing solid improvements in our figures. The Financial Group works with overseas group companies for funding and cash management and to enhance the accuracy of these activities. Despite the challenges, we will continue to strengthen communications between the Financial Group and business divisions, ensuring that the entire Group remains focused on capital efficiency.

Capital Allocation

**Increase Business Profitability Through Investing
in Human Resources, IT and DX, and Expand Investment
in the CPS Solutions Business, a Future Growth Driver**

To realize Vision 2030, Macnica has a basic capital allocation policy aimed at achieving between 50:50 and 70:30 growth investment to shareholder returns.

The breakdown of growth investment is largely divided into business investment, including M&A, human capital investment, and IT & DX investment. In the semiconductor and network businesses, two key limitations hinder expansion: the number of engineers available to provide technical support to new customers and the capacity of the back office, such as logistics. The idea is to achieve growth in existing

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businesses by pushing these limits through a dual-pillar approach of investing in human capital and IT/DX, and then using the profits generated to expand business investment.

Regarding business investment, we plan to actively invest in the growth of the CPS Solutions business, which is crucial to achieving the goals outlined in Vision 2030.

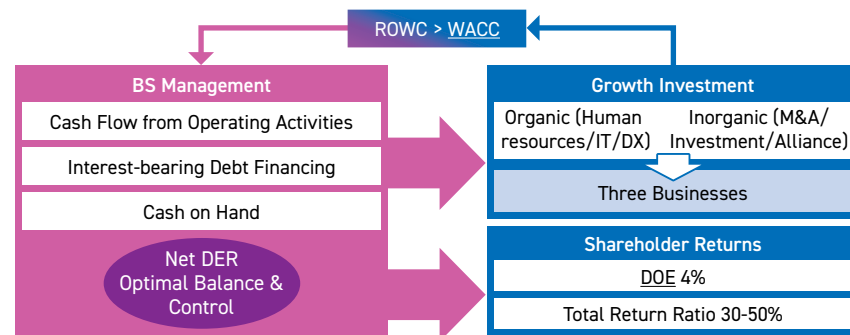
However, it is important to note that the business model for CPS Solutions differs from our traditional pillars, the semiconductor and network businesses. The risks and monitoring perspectives are also entirely distinct, meaning the success of our previous business investments and M&A in the trading sector cannot necessarily be relied upon.

While we have made investments in the CPS Solutions business in recent years, including the acquisition of Navya Mobility SAS* as a subsidiary, these have been small-scale investments, 'sowing seeds' so to speak. To make large-scale investments that will drive growth, we need to adopt different thinking and management methods. To strengthen our systems for this, we reorganized the Business Investment Committee in July 2024. Until now, we have placed greater emphasis on the pre-investment review process, but to maximize the results of our investments, it is now more important to focus on the post-acquisition period. Moving forward, this committee will serve as a platform to strengthen post-investment monitoring, and we will work to improve the business investment process.

Regarding human capital investment, the most important focus for the Financial Group is establishing a performance-based compensation system, while continuing to invest in training and other aspects of human resource development. In all three of our businesses, it is essential to increase the number of engineers in line with the expansion of our commercial rights and customer base, and we will continue to work on acquiring and developing talented human resources.

However, investing in human resources is a form of upfront investment, and it is also important to monitor the results from a medium-term perspective. For example, in the network business, the operating income margin, which had exceeded 10% until FY2021, fell to the 6% range in FY2022 due to proactive investment in human capital. We plan to recover to the 9% range in FY2024, and if we achieve and maintain this, we can evaluate that our upfront investment has paid off. We will continue to monitor the results of our investments, with a minimum target of 10% for the network business and 5% for the semiconductor business, while keeping a close watch on the operating income margin.

Financial Management—Capital Allocation



We will continue to actively invest in IT and DX, which we view as vital to achieving integrated global business management. In the semiconductor business, promoting DX on a global scale is essential to improving operational efficiency and expanding the capacity of administrative processing and logistics. As a result of our upfront IT and DX investments, sales per employee have increased significantly. We will continue working to further improve productivity by strengthening customer contact points, enhancing inventory management, and promoting data utilization.

To implement these growth investments efficiently and effectively, it is necessary to improve the accuracy of the balance sheet management that serves as the foundation. Specifically, investment in the CPS Solutions business requires more sophisticated leverage control given the context. Therefore, we have replaced the traditional equity ratio management with strict and easy-to-understand Net DER management. Although Net DER does not fully reflect the risk concentration on the balance sheet and may be reconsidered as the scale of investment increases, for the time being, we plan to thoroughly monitor it.

* The new company name will be changed to Navya Mobility SAS. In accordance with French law, the name change becomes official following CSE (Social and Economic Committee) approval, the fulfillment of legal requirements, and approval by the relevant authorities in France.

**Investment Process 'The Macnica Way'
Leveraging a Culture of 'Speed of Entry' and 'Trust and Entrusted,'
Maximizing Results by Strengthening Post-Investment Monitoring**

Speaking personally, I learned a lot in the year between joining Macnica and becoming a director. I feel my understanding of the Company deepened as I was responsible for explaining Macnica to shareholders and investors as the person in charge of IR. I believe that the most distinctive feature of Macnica is its corporate culture. The corporate culture is free and open-minded, fast and bold, and in a good sense, Silicon Valley-like, which is definitely a great asset for Macnica.

I believe that the speed of entry exemplifies the Macnica Way in our business investment activities. The agility and positive attitude of let's try it first are advantages that other companies don't have. Moving forward, I want to focus on creating a system to monitor the outcomes while leveraging these strengths.

However, as the hurdles of regulations and norms for corporate activities rise year after year, there's also a concern that we could fall into unexpected pitfalls due to hasty decisions. My job is to improve the organization as a whole, while developing its strengths. The current challenge is to create a resilient but not rigid system while learning from the best practices of leading companies as we expand.

In the past, our approach to investment, particularly M&A was to maintain a core mindset, which emphasized autonomy and self-reliance in actual management. This culture of delegating authority and 'trusting and entrusting' is a characteristic of Macnica and often a strength, including in human resource development. However, in the case of M&A in the CPS Solutions business, which we will focus on in the future, this is an unknown area. While being mindful of our 'entrusting' culture, it may be necessary to show clear management intent to a certain extent and to take a hands-on approach in some cases.

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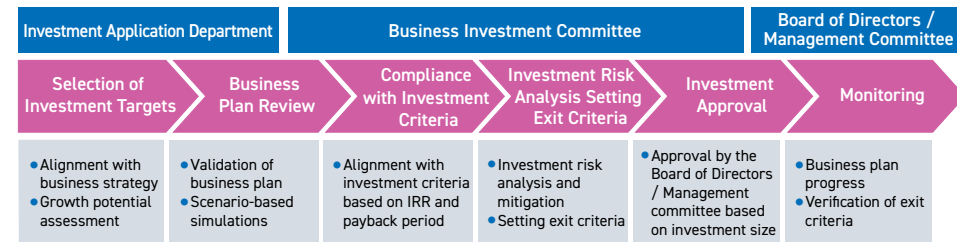
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In light of my experience at a general trading company, what is important in monitoring is to clearly define the purpose of the investment and its intended path from the outset. If this is not clear, it will not be possible to judge the appropriateness of the investment. After proper monitoring, the 'entrusting' culture should be demonstrated to maximize results. This is what I believe to be 'the investment process, the Macnica Way.'

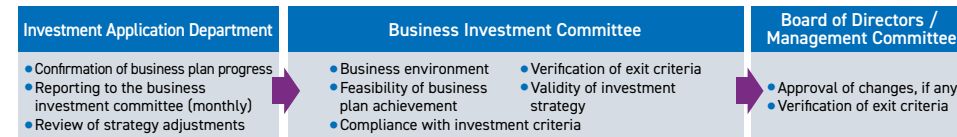
The question is whether there are people at each site, including at acquired companies, who can judge the value of business continuity from a management and financial perspective. While acquiring new human resources is essential, the priority is to change the mindset of those on the front line. The Financial Group will provide support in the same way as business management through ROWC. First, we are increasing interaction between the business divisions and the Financial Group, which will enhance financial knowledge and awareness in the business divisions, while the Financial Group will gain an understanding of the business divisions' operations and acquire investment know-how. With this collaboration we will build a system to enhance the effectiveness of our investments. We are building a system to increase investment effectiveness through collaboration between the two.

Business Investment Process—From Execution to Monitoring

Investment Management Process



Monitoring Process



Shareholder Returns

Ensuring Stable Shareholder Returns, While Strengthening Communication with the Stock Market

Macnica's basic policy is to continue paying stable dividends regardless of business performance. Since FY2022, we have paid simple and fair dividends based on a DOE of 4%. This standard serves as a minimum benchmark, and given that we achieved a high ROE again following FY2022, the DOE reached

approximately 5%.

Against the backdrop of the new Nippon Individual Savings Account Scheme, or NISA, among other factors, we carried out a 3-for-1 share split on October 1, 2024, to create a more investment-friendly environment and to improve the liquidity of our shares. Additionally, the Shareholder Benefit Plan was abolished in June 2024 in line with the shareholder equality required of listed companies. Moving forward, we will focus on returning profits to shareholders through measures such as dividends and the purchase of treasury shares.

We will continue to maximize corporate value through management that is mindful of capital costs. However, we are still concerned that our PER is low compared to our actual capital efficiency. We aim to enhance our PER by expanding our communication tools and engaging in dialogue to help people understand Macnica's strengths and strategic direction, thereby gaining the understanding and support of the capital markets. We also recognize that discrepancies between our performance and market consensus can, at times, present challenges. The fact that there is only one analyst covering our company making earnings forecasts is also a concern, so we would like to deepen our communication with the stock market and increase the number of analysts covering our company.

Message to Shareholders and Investors

Great Potential for the Two Pillars and CPS Solutions Business —High Expectations and Excitement for the Future

The first thing we would like our shareholders and investors to understand is that Macnica still has significant room for growth. We have a clear vision for the growth trajectory of our two main pillars: the semiconductor and network businesses. With the entire industry growing, we are well-positioned in the industry and have perfected our winning formula. We possess distinct strengths, and we believe that by consistently executing our plans, we can achieve stable growth in the medium- to long-term. Additionally, we encourage even greater expectations for the CPS Solutions business, which holds tremendous growth potential. The key to success will be establishing an efficient investment process, and at the Financial Group, we will work closely with the business divisions to achieve this.

I am excited about Macnica's future. We hope that our shareholders and investors have high expectations and excitement as well for the future that lies ahead, and I sincerely welcome your frank opinions and advice.



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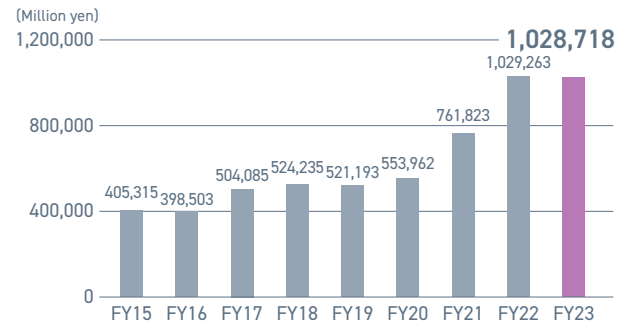
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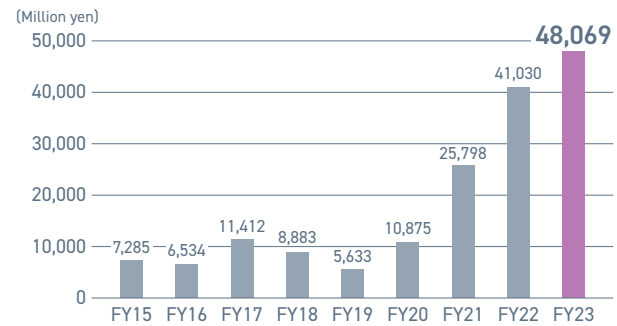
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Note: Glosel Co., Ltd. was consolidated into the B/S as of the end of March 2024 and into the P/L starting from April 2024. Figures are as of the end of each fiscal year.

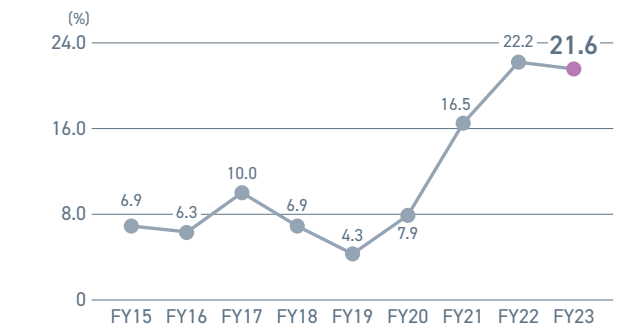
Net Sales



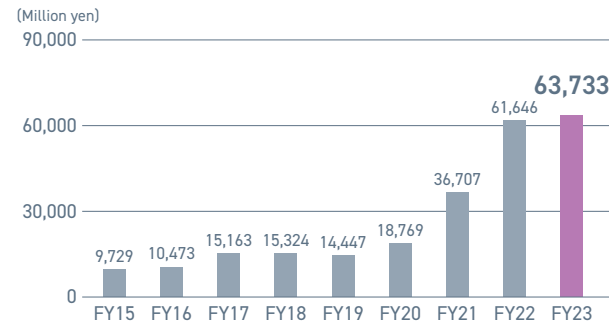
Net Income Attributable to Owners of Parent



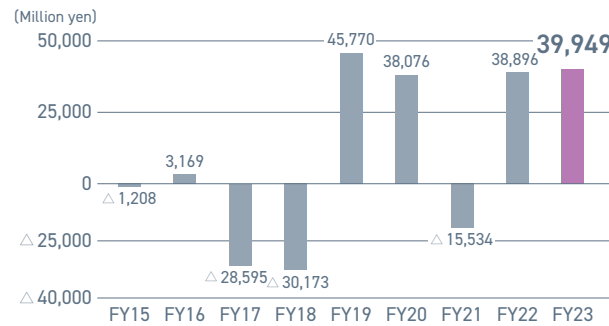
Return on Equity (ROE)



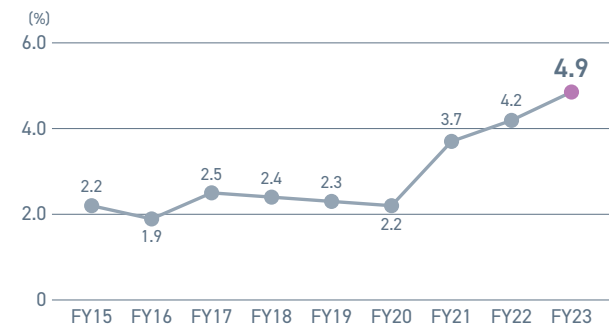
Operating Income



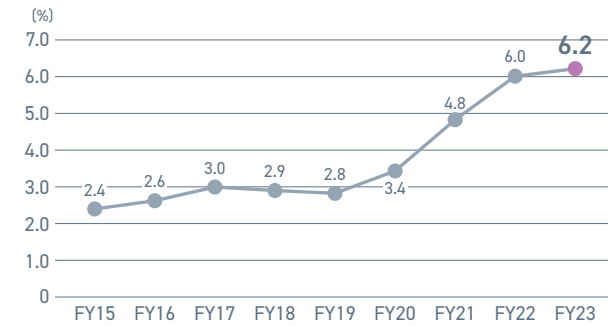
Cash Flow from Operating Activities



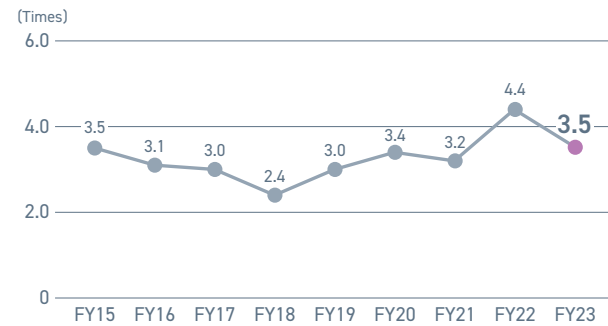
Dividend on Equity (DOE)



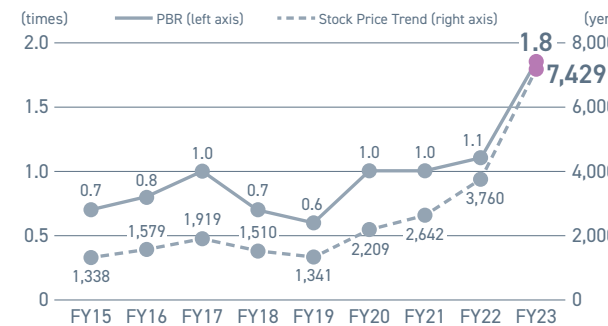
Operating Profit Margin



Working Capital Turnover



Price-to-Book Ratio (PBR) / Stock Price Trend*



* At end of each period

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SEGMENT HIGHLIGHTS Summary by Business

	Semiconductor Business <small>ICs, Electronic Devices, and Other Business</small>	Network Business	CPS Solutions Business																																				
Business Model	Macnica sells semiconductors procured from world-leading semiconductor manufacturers to a diverse range of customers, focusing on the industrial equipment and automotive markets. Leveraging an extensive product lineup and advanced technical capabilities, Macnica engages in <u>demand creation</u> , establishes a global sales structure, and accurately responds to customer needs. By providing robust sales expansion, technical support, and market information, Macnica contributes to the semiconductor market's growth.	We discover leading-edge IT products using advanced technology from around the world and provide digital technologies that transform cybersecurity measures and business processes for companies, governmental agencies, and other customers. We directly convey the value brought by technologies that are not yet widely known and collaborate with partners such as Slers during the implementation phase. With comprehensive technical support geared towards operational sustainability, we enable our customers to effectively leverage these technologies.	A CPS (Cyber-Physical System) is a system that gathers various data from the real world (physical space) through sensor networks, analyzes and transforms it into knowledge in cyberspace. This information and value are then used to address various challenges. Macnica provides in-house solutions that leverage its expertise in areas such as Smart City/ Mobility and smart manufacturing.																																				
Sales Trend	<table border="1"> <tr><th>Year</th><th>Sales (Billion yen)</th></tr> <tr><td>FY22 Results</td><td>929.0</td></tr> <tr><td>FY23 Results</td><td>907.8</td></tr> <tr><td>FY24 Planned*</td><td>960.0</td></tr> </table>	Year	Sales (Billion yen)	FY22 Results	929.0	FY23 Results	907.8	FY24 Planned*	960.0	<table border="1"> <tr><th>Year</th><th>Sales (Billion yen)</th></tr> <tr><td>FY22 Results</td><td>100.2</td></tr> <tr><td>FY23 Results</td><td>120.9</td></tr> <tr><td>FY24 Planned*</td><td>140.0</td></tr> </table>	Year	Sales (Billion yen)	FY22 Results	100.2	FY23 Results	120.9	FY24 Planned*	140.0	<table border="1"> <tr><th>Year</th><th>Sales (Billion yen)</th></tr> <tr><td>FY22 Results</td><td>5.0</td></tr> <tr><td>FY23 Results</td><td>7.4</td></tr> <tr><td>FY24 Planned*</td><td>12.0</td></tr> </table>	Year	Sales (Billion yen)	FY22 Results	5.0	FY23 Results	7.4	FY24 Planned*	12.0												
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* The management target figures have been revised after the announcement of this integrated report. For details, please refer to the announcement made on October 28, 2024, titled 'Regarding Revisions to the Earnings Forecast and Medium-Term Management Plan Targets.'
Note: In the disclosed segments, the performance of the CPS Solutions business is included in the Semiconductor Business and Network Business, and the figures overlap.

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Semiconductor Business

ICs, Electronic Devices, and Other Business

Accelerating Demand Creation through Technological Innovation, Expanding Implementation with Global Support and Stable Supply using DX

Achieving Steady Growth by Meeting the Increasing Semiconductor Demand in Both Quality and Quantity Amid Societal Changes



Akinobu Miyoshi
Representative Director and Vice President

Business Strategy

- Expand market share in growth domains
- Expand value-added solutions
- Developing commercial products for long-term growth
- Global strategy

FY2023 Review

The semiconductor market as a whole slowed down significantly due to decreased demand for PCs and smartphones, along with a stagnant Chinese economy. Despite this, we were able to increase our domestic sales share to 22%, a 5%*1 year-on-year rise, by expanding sales in the growing industrial equipment and automotive markets. Among the top 6 semiconductor trading companies by global market share, we were the only one to achieve year-on-year growth by calendar year, establishing a solid position despite the challenging market environment.

As we continued to expand our market share, in March 2024, we acquired Glosel, which handled substantial volume of Renesas microcontroller products and had a team of excellent engineers, thereby expanding our human resources. Moving forward, we will swiftly demonstrate synergies and further enhance profitability. *1 Calendar year

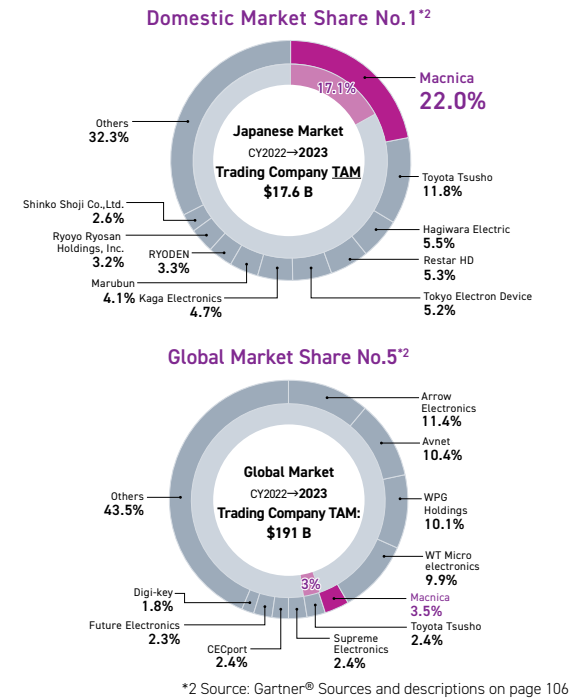
FY2024 Outlook

In FY2024, the overall semiconductor market is expected to recover due to increased demand for AI-related servers and PCs. However, the industrial equipment market is anticipated to recover from the second half of the year, once customers' inventory adjustments have settled, although there are signs of recovery in some areas, such as semiconductor production equipment. The automotive market is expected to remain strong, with the number of semiconductors per vehicle rising due to the pursuit of safety, comfort, and automation. In this context, we will continue to focus on the industrial equipment and automotive markets, which are expected to grow in the medium- to long-term, and aim to expand our global market share, particularly with the newly acquired Glosel to Macnica Group. We also plan to invest aggressively in high growth regions such as ASEAN and India. Further enhancing operational efficiency will remain a priority, leading to improved profitability.

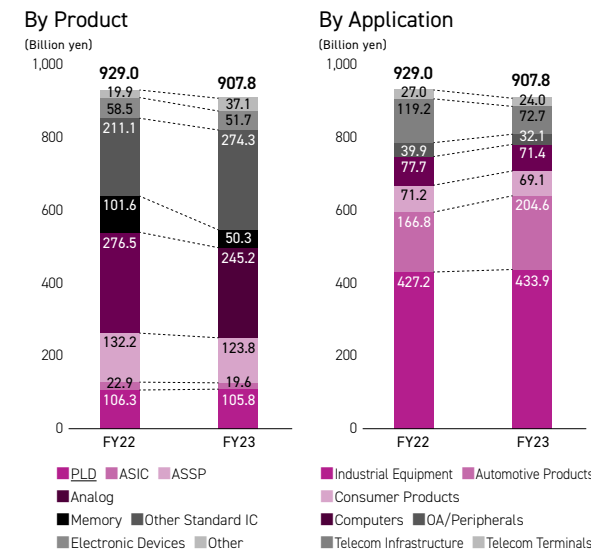
Towards Medium- to Long-Term Growth

We will deploy the ERP system that we introduced in Japan to our overseas group companies. In addition to pursuing greater efficiency and productivity on a global scale, we will enhance our management decision-making capabilities. In the harshest market conditions, our true strength reveals itself. In the following pages, we will detail our negotiation power with suppliers, the unique aspects of our business activities, and the factors that set us apart from our competitors. We are confident that our substantial growth potential will enable us to capture strong demand while steadily and rapidly increasing our market share.

Our Market Position



Trends in Net Sales



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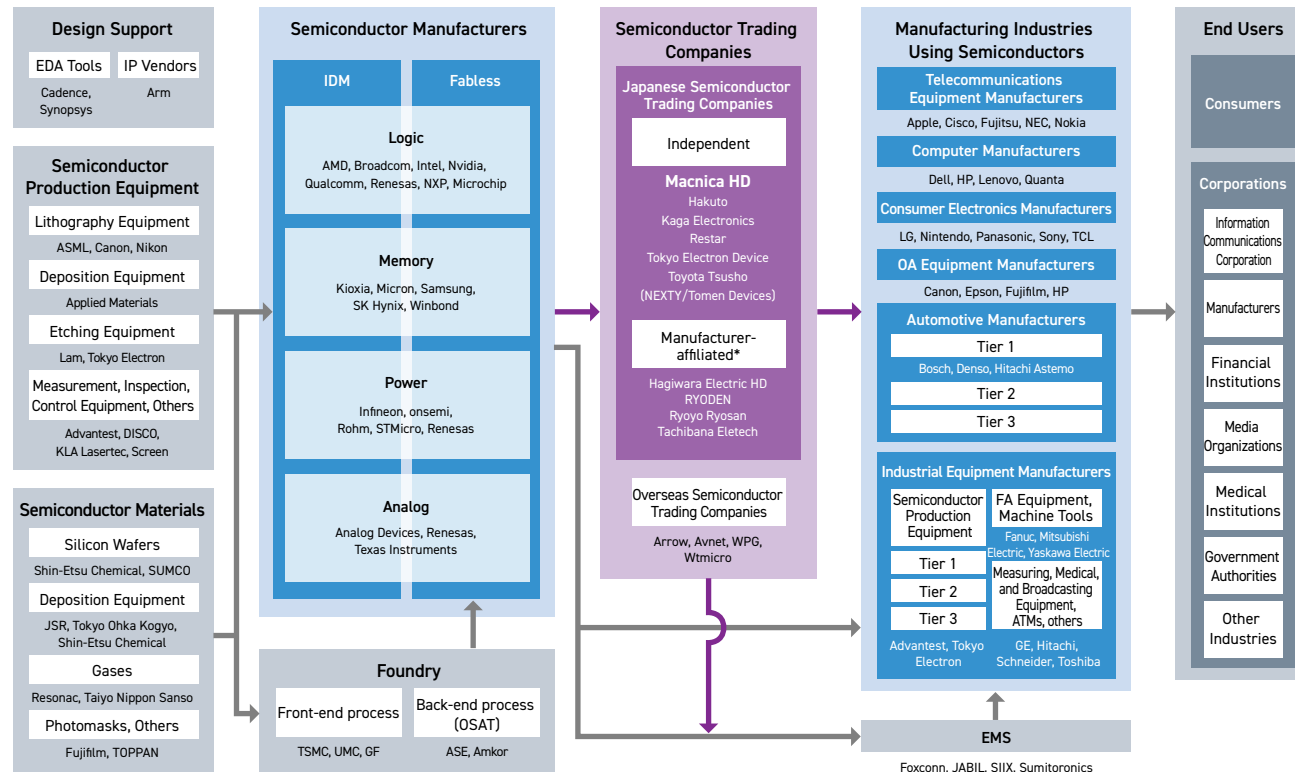
Semiconductor Industry and the Role of Macnica

Various Companies in the Semiconductor Industry

The semiconductor industry encompasses semiconductor manufacturers, foundries, semiconductor production equipment manufacturers, semiconductor material manufacturers, and semiconductor trading companies (distributors). Semiconductor manufacturers handle the design and production of semiconductors, while foundries focus on production. Semiconductor production equipment manufacturers supply the machinery necessary for semiconductor production, while material manufacturers provide the raw materials required for producing semiconductors. Semiconductor trading companies distribute these semiconductors to the market.

In this ever-evolving semiconductor industry, as technology advances, companies are adopting unique strategies to adapt to new business models and market trends. For example, with the increasing electrification of the automotive industry and the development of AI, there is growing demand for automotive semiconductors and semiconductors specialized for AI. While responding to these changing needs, companies in the semiconductor industry are strengthening their technological development, market analysis, and customer engagement, and are developing their businesses through a diverse range of approaches.

Semiconductor Industry Map



Note: The names of representative companies in each industry are listed for reference. * Trading companies that primarily handle Japanese-affiliated semiconductor manufacturers

Topic | The Role of Macnica

Technological transformation for all customers

The primary role of a semiconductor trading company is to ensure a stable supply of semiconductors to manufacturing companies. However, Macnica goes beyond this by also offering technical support to our customers, including proposing cutting-edge technologies and assisting with their seamless implementation. It is challenging for semiconductor manufacturers, particularly overseas manufacturers alone, to provide direct technical support to a broad base of manufacturing customers, including small- and medium-sized enterprises. Macnica, on behalf of semiconductor manufacturers, delivers world-class technologies to all customers—both major companies and small- and medium-sized enterprises—ensuring they can create competitive products. Our skilled engineers support the implementation of these technologies into products. Additionally, Macnica has built strong relationships with semiconductor manufacturers. We facilitate various communications between manufacturers and customers on their behalf, and we also work to resolve a wide range of manufacturing-related issues, such as ensuring a stable supply of semiconductors.

Main Benefits of Conducting Business through a Distributor

Benefits for Customers	<ul style="list-style-type: none"> Wide range of manufacturers handled (One Stop Shop) Secured inventory and flexible delivery adjustments Order and logistics control through global support
Benefits for Semiconductor Manufacturers	<ul style="list-style-type: none"> Discovery of projects not attainable with in-house products Support mainly for small- and medium-sized customers Timely access to a wide range of customer information

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Macnica's Value Proposition

Chosen by Suppliers and Customers for its Global Procurement and Supply Capabilities
Based on Advanced Technical Implementation and a Wide Network of Suppliers and Customers

Macnica has grown as a technology trading company, and in particular, we provide support with a focus on technical implementation capabilities. We believe that the value we provide as a technology trading company is to support our customers in achieving not only Monozukuri (producing things) but also Kotozukuri (providing experiences) by solving various issues from upstream to downstream in design and manufacturing based on our high level of technical support.

Our customers have a high degree of superiority and a strong competitive advantage in their respective markets, including industrial equipment and automotive products. To maintain and enhance this competitive advantage, they seek to use superior semiconductors in their products and release them to the world ahead of their competitors.

Macnica handles products from various semiconductor manufacturers, including value-added FPGAs, CPUs, high-

precision analog, power semiconductors, and memories that match our customers' applications.

In addition to the major customers with whom Macnica has established relationships, our integration with Fuji Electronics Co., Ltd. in 2015, which has a strong presence among medium-sized industrial equipment customers, has enabled us to expand our customer base. This integration has allowed us to implement our advanced technical expertise to a broader range of customers, further deepening our technical expertise. [P. 35](#)

We are also leveraging our global locations to build a system that efficiently supports the domestic and international semiconductor supply chain. For semiconductor manufacturers, Macnica is a key partner that provides demand creation through technical proposals to a wide range of customers and offers global logistics support. We are expected to expand our business.

Value Added for Customers and Suppliers



Management Capital in the Semiconductor Business

Human Capital	
Features	<ul style="list-style-type: none"> Highly skilled engineers with over 30% technical staff ratio Proposal and problem-solving sales approach (KTC*, customer strategy planning, and business practice transformation) High employee engagement (management policy document, the Code of Conduct, PVV/core values, voluntary practices) System utilization capability (improvement in business productivity, scalability, and agility through DX and automation)
Initiatives for Strengthening	<ul style="list-style-type: none"> Increased productivity through DX utilization Initiatives to increase management diversity (women and multinational), Work environment creation Global human resource development through active communication with suppliers' overseas headquarters
Intellectual Capital	
Features	<ul style="list-style-type: none"> Technical skills, source discerning, problem-solving skills Product/application/market knowledge Extensive management and business knowledge Demand creation In-house developed WMS optimized for semiconductor logistics
Initiatives for Strengthening	<ul style="list-style-type: none"> Active involvement in the evolution of semiconductor technology Strengthened startup discovery (utilizing exhibitions/webinars) Deepening and strengthening long-term trends Strengthening cross-selling proposals Operational efficiency (systemization, use of RPA/OCA, etc.)
Social Capital	
Features	<ul style="list-style-type: none"> A wide range of suppliers and customers New suppliers and eco partners through human network Collaboration with partner companies (strong partnerships with BPO and 3PL)
Initiatives for Strengthening	<ul style="list-style-type: none"> Focus on markets where the Company can leverage its strengths and expect stable growth (industrial equipment, automotive, AI-related) Overseas expansion of services and applications Overseas development of core systems for future market expansion (CRM/SCM/ERP/inventories, price management flow, etc.)
Manufacturing Capital	
Features	<ul style="list-style-type: none"> Evaluation environment/analysis facilities/remote environment (shielded room, thermostatic chamber, server) Aerospace lab environment Maintaining a programming center Ownership of logistic facilities and automation/expansion (use of automated delivery robots)
Initiatives for Strengthening	<ul style="list-style-type: none"> BCP measures (business continuity in case of emergency)

* Know The Customer refers to documents that aggregate information related to customer needs and the markets.

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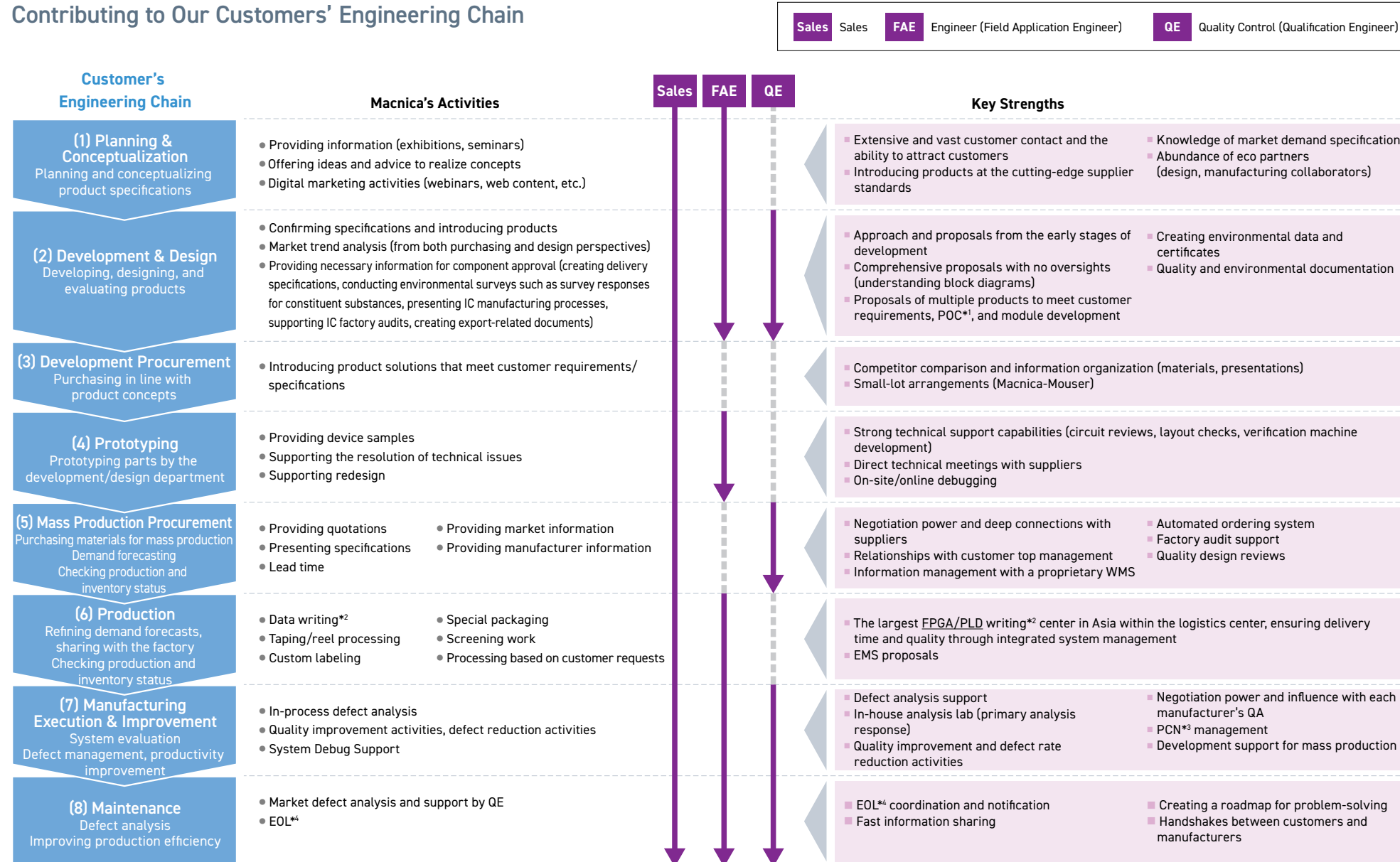
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Competitive Advantage 1: Technical Implementation

Contributing to Our Customers' Engineering Chain



*1 Proof of Concept refers to the process of verifying whether a previously considered idea is effective in solving a problem or whether it is technically feasible.
 *2 The process in which a customer's proprietary software is written into a PLD and the device is stamped with a seal. *3 Product Change Notice *4 End Of Life

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Competitive Advantage 1: Technical Implementation

Macnica is a technology trading company that excels in technology implementation and plays a crucial role in each stage of the customer's engineering chain in product development. As a distributor for over 170 semiconductor manufacturers, Macnica gathers information from a broad range of sources and supports its customers from the product planning and conceptualization stages by providing intelligence related to semiconductors, including the latest technologies, market trends, and each company's product roadmap.

Macnica has dedicated FAEs for each semiconductor manufacturer, each of whom has accumulated technical and proposal expertise. Additionally, we have established strong relationships with semiconductor manufacturers and continually acquire information on the latest technologies, enabling

us to provide technical support at the same level as the manufacturers themselves.

In our sales activities, we propose product solutions that meet our customers' needs by assisting them from the planning and conceptualization stages. We provide the necessary information for each stage of the engineering chain, from supplying device samples and presenting quotations to checking lead times, in collaboration with our suppliers.

Furthermore, our Qualification Engineers (QEs) offer comprehensive quality support, including creating various quality and environmental documents during the promotion stage, conducting factory audits, addressing quality defects after product adoption, and managing PCN and EOL.

Customer's Voice



Kaname Hayashi
GROOVE X, Inc.
Founder & CEO

**LOVOT: Your Essential Companion,
Powered by the World's Leading Technologies**

We are a company dedicated to developing and selling family-type robots 'LOVOT' under the mission of 'bringing out the power of humans through robotics.'

To make LOVOT a truly lifelike presence, our development team focused on enabling non-verbal communication. The multi-sensor horn on LOVOT's head is equipped with various sensors, including a hemispherical camera that provides a 360-degree view and a hemispherical microphone that can detect the direction of sound. These sensors allow LOVOT to observe the entire room and respond to the movements of people within it. To achieve the quick, sub-second reaction speed that gives a sense of life, it is necessary to process recognition from multiple sensors, make decisions, and generate actions all at once. This requires an unprecedented level of information processing and reasoning performance.

To meet these needs, we adopted two cutting-edge technologies proposed by Macnica.

In collaboration with Macnica, we enhanced LOVOT's facial recognition capabilities by incorporating CyberLink's AI facial recognition engine, FaceMe®. This enables LOVOT to accurately detect and identify users from various angles, making interactive behaviors like staring or approaching even more enjoyable. Additionally, to implement more advanced reasoning capabilities, we adopted NVIDIA's GPU, the NVIDIA® Jetson Orin™ NX. LOVOT's lifelike behavior is fundamentally different from traditional robots, which simply replay pre-programmed scenarios. Instead, it uses numerous sensors and machine learning techniques, including deep learning, to accurately perceive situations, make decisions, and generate its own behaviors in real-time. Software evolves rapidly, so Macnica's prompt support and NVIDIA's extensive platform were also highly attractive during development. This allows us to quickly test and implement the latest technologies, accelerating LOVOT's evolution.

Going forward, we aim to further evolve LOVOT by leveraging cutting-edge technology to build new relationships between robots and humans.



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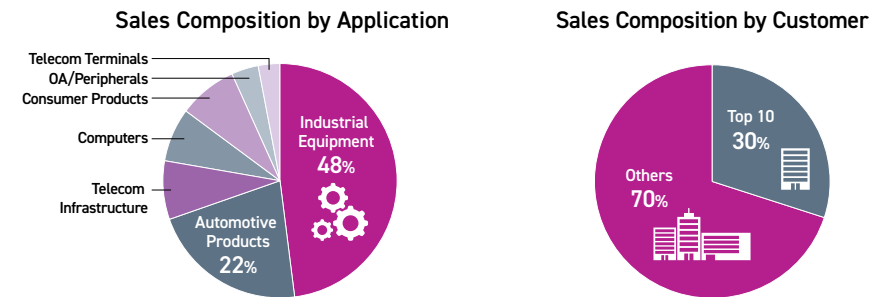
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Competitive Advantage 2: Customer Base

Stable Growth Driven by Our Customer Base in the Industrial Equipment Market

Our robust customer base in Japan and overseas is centered around the industrial equipment market, which has been a key focus for us. The industrial equipment market has a broad customer base, ranging from large corporations to small- and medium-sized enterprises. However, due to the wide range of product fields and the large number of customers, semiconductor manufacturers are unable to provide comprehensive technical support to each individual company. On the other hand, for Macnica, the industrial equipment market is where, despite the relatively small revenue per customer, we can readily create added value by providing a wide range of semiconductor products from multiple manufacturers we handle through a one-stop solution.

The industrial equipment market is a relatively stable market overall, with high growth potential compared to other markets and many applications with long product lifecycles, including FA and machine tools, semiconductor production equipment, measuring instruments, and medical equipment. At Macnica, the total net sales from our top 10 customers account for approximately 30% of the semiconductor business's revenue, so the Company is not overly dependent on any single customer. By securing a strong position in the industrial equipment market, we have achieved a well-balanced sales composition. [P. 39](#)



Breakdown of Industrial Equipment

Major Categories	Subcategories
FA & Machine Tools	FA equipment, PLCs, industrial robots, servos, inverters
Semiconductor & FPD Production Equipment	Semiconductor testers, semiconductor production equipment, FPD production equipment
Measuring & Testing Equipment	Measuring equipment, test equipment, analysis devices, recorders
Medical Equipment	Imaging diagnostic equipment (MRI, CT), biological information monitors, endoscopes
Social Infrastructure	Railway and road systems, smart meters, power (generation, transmission)
Military & Aerospace	Space development equipment, military-related equipment, aircraft-related equipment
Financial Equipment	Currency identification devices, POS-related equipment, electronic money, ATMs
Building & Factory Equipment	Lifts (including elevators), air conditioning and refrigeration equipment, lighting equipment, alarms
Professional Broadcast Video Equipment	Broadcasting station equipment, audio equipment, professional cameras, professional large displays
Amusement	Pachinko, pachislot, etc.
Other Industrial Equipment	Electric tools, industrial power units, UPS, 3D printers, agricultural machinery, construction machinery

Providing High Value to Both Customers and Semiconductor Manufacturers

There are many companies in the industrial equipment market, varying in size, each with its own unique technology and expertise, developing and manufacturing unique products. Macnica offers these customers a comprehensive range of semiconductor portfolios through a one-stop service. In development and design, it is quite rare to rely on products from only a single semiconductor manufacturer. Therefore, Macnica's provision of a range of products and technical support is a significant advantage for our customers.

In recent years, as companies have accelerated their efforts to secure software development engineers, and as the industry has become a battleground for talent, Macnica has been particularly sought after for its technical support by small- and medium-sized customers with limited numbers of hardware engineers specializing in electronic circuit design. From core devices that determine product specifications to general-purpose products, our dedicated FAEs, with their expert knowledge and technical skills, will support your product implementation, introduce development consignment, ODM, and EMS partners, and accompany you through the engineering chain and the supply chain. This ensures that you can fully utilize the performance and characteristics of various types of semiconductors.

On the other hand, for semiconductor manufacturers, having Macnica as a distributor allows access to a broad range of customer product development trends, organizational information (relationships), and application-specific demand and trend information. This enables them to secure new business opportunities through numerous demand creation activities.

Focus Management Integration with Fuji Electronics Co., Ltd.

Acquiring and Establishing a Small- and Medium-Sized Customer Base, Becoming the Largest Semiconductor Distributor in Japan

Since 2008, Macnica has shifted its strategy to capture the industrial equipment and automotive markets. As a significant step towards this goal, in 2015, Macnica merged with Fuji Electronics Co., Ltd., a company with strengths in demand creation for foreign-made semiconductors and a strong foundation among medium- and small-sized customers in the industrial equipment market. This merger has enabled Macnica to expand its reach beyond major customers

to include medium- and small-sized customers, providing its wide-ranging product portfolio and technical support capabilities to nearly all Japanese companies that use semiconductors. Furthermore, this management integration has led to an increase in the share of world-leading foreign semiconductor manufacturers, such as Analog Devices and Texas Instruments, handled by both companies.

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Competitive Advantage 3: The World's Leading Semiconductor Manufacturers and a Wide Product Lineup

Wide product lineup

In recent years, the semiconductor market has become increasingly oligopolistic due to mergers and acquisitions among semiconductor manufacturers, with products from the top 21 companies accounting for approximately 80% of the global semiconductor market. Macnica has distributor agreements with 16 of these top 21 companies, and its strength lies in handling a large number of competitive semiconductor manufacturers. This includes Altera (Intel) for **FPGAs**, Analog Devices and Texas Instruments for analog ICs, Infineon and onsemi for power ICs, Renesas, Microchip, and NXP for CPUs, Micron Technology, which is expected to grow in high-bandwidth memory (HBM), NVIDIA, which is gaining attention for its AI-related semiconductors, and Broadcom, which is anticipated to see increased demand from data centers. Without bias toward any particular category, we can provide all the cutting-edge semiconductors that our customers need.

World's Top 21 Semiconductor Manufacturers / Our Handling

World's Top 21 Semiconductor Manufacturers	Our Handling
AMD	○*1*2
ANALOG DEVICES	○
BROADCOM	○
Infineon	○
Intel	○*1
KIOXIA/Western Digital	
Marvell	○
MediaTek	
Microchip	○
Micron Technology	○
NVIDIA	○
NXP	○
Onsemi	○
Qualcomm	○
Renesas	○
Samsung	
SK Hynix	
Skyworks	○
Sony	○*2
STMicroelectronics	
Texas Instruments	○

*1 FPGA only handling *2 Handled by overseas subsidiaries

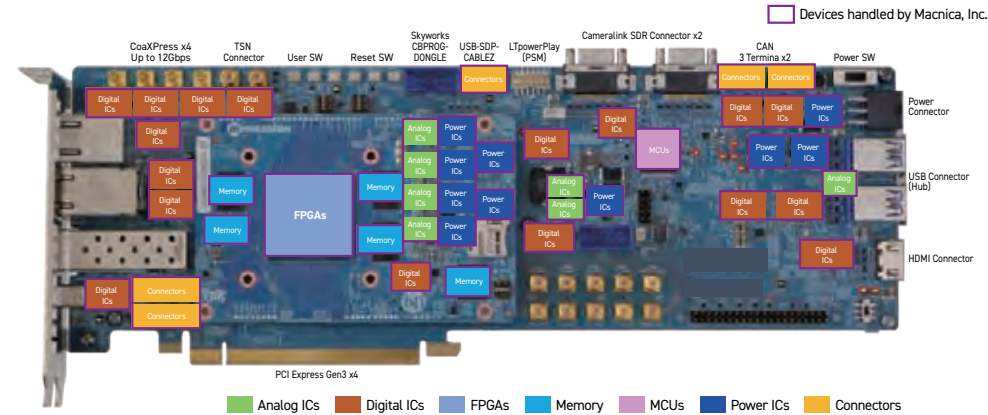
At Macnica, each of the four in-house companies sometimes establishes distributor agreements with semiconductor manufacturers that are in competition with one another. Between the four companies, information about customers and projects is kept confidential by an **information firewall**. While each company competes fiercely for projects, the FAEs in each company understand the characteristics and strengths of the products and provide technical support tailored to customer requirements. This approach offers customers a choice of technologies and the best possible support, while providing semiconductor manufacturers with highly competitive sales support.

Proposing Signal Chain using Core Device as a Key

When designing boards for the development and manufacture of industrial products, a wide variety of semiconductors with different functions are used. Macnica handles several **core devices** that determine product specifications, such as CPUs, FPGAs, and high-precision linear ICs, which is a major strength.

By managing core devices, Macnica's dedicated sales and FAEs in each company can engage with the customer's product development from the early stages. They provide design support based on an overall understanding of the project and propose a range of products, including peripheral circuit ICs and passive components, which are selected at a later stage. In addition to proposing semiconductors for all processes in the **'signal chain,'** which represents the flow of signals in electronic circuits, at the optimal timing for selection, we also provide thorough support to ensure that each component's specifications are maximized by obtaining evidence in the evaluation environment and producing PoCs.

Providing Semiconductors to All Parts of the Circuit Boards for Electronic Devices



Focus Building Relationships with Global Semiconductor Manufacturers

Growing Together with Semiconductor Manufacturers in Tandem to Boost Our Customers' Competitiveness

Macnica places importance not only on its relationships with customers but also on building relationships with its suppliers, the semiconductor manufacturers. We believe that securing the world's leading-edge technologies and implementing them in our customers' products will enhance their medium- to long-term competitiveness. Since its founding, Macnica has fostered a culture and skill set for directly contracting with Silicon Valley startup semiconductor manufacturers and negotiating with senior management in their home

countries. Several times a year, our management team and dedicated staff hold meetings to accurately understand the strategies, strengths, and other key aspects of each semiconductor manufacturer, working together for mutual growth. By comprehending the vision of semiconductor manufacturers and developing our own strategies and track record, we have earned their strong trust. To continue providing support that meets our customers' needs, we will remain committed to nurturing our relationships with semiconductor manufacturers.

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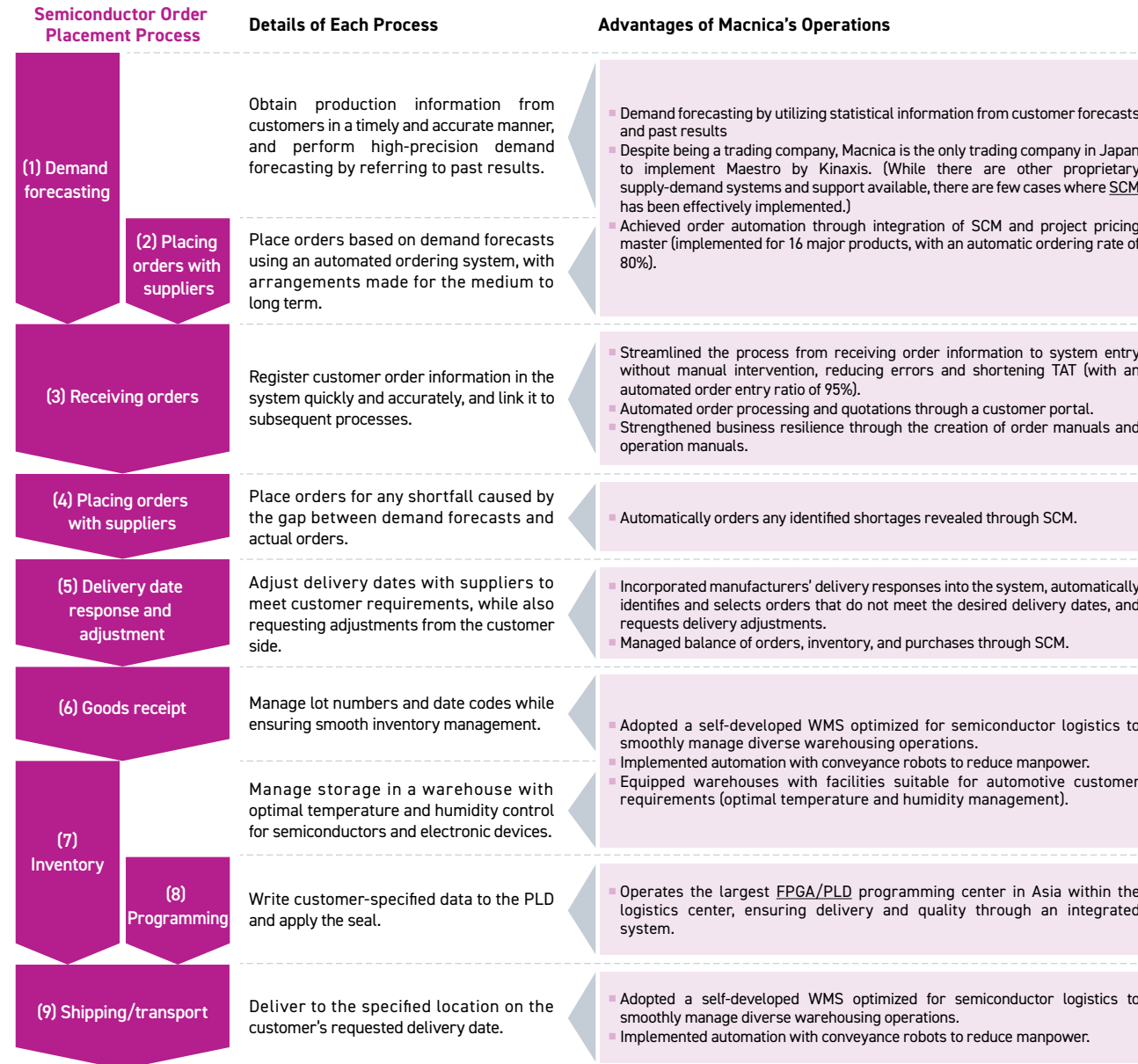
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Competitive Advantage 4: Global Procurement and Supply Capabilities

Ordering and supply operations that achieve timely and appropriate supply and economies of scale

Macnica possesses the ability to meet the service quality and operational requirements of both customers and semiconductor manufacturers while benefiting from economies of scale. As our sales scale, the number of customers, and the number of suppliers expand, we are increasing our profit margins through operations that capitalize on business opportunities and reduce burdens. Unlike other companies in the industry, which face the challenge of managing different ordering systems for each semiconductor manufacturer and customer, we have developed a more efficient and scalable system. This system integrates all processes, including demand forecasting, customer orders, order placement, and warehouse management, and operates without relying on human intuition or experience. With this system, the role of the staff has shifted from directly handling operations to focusing on analysis and planning for standardization, automation, and the development of more efficient processes with fewer errors. Furthermore, despite already managing an unparalleled number of customers and semiconductor manufacturers in the industry and accommodating each company's unique business processes, we can quickly accept the transfer of commercial rights worth several tens of billions of yen.

These systems have been developed through long-term, continuous transformation. Until the late 2000s, Macnica's strategy involved competing as a group by setting up multiple subsidiaries and in-house companies to create information firewalls and handle competing semiconductor manufacturers separately. On the other hand, since each company was managed as a separate entity, there was a lack of flexibility in expanding the scale of the group. Therefore, from the 2010s onwards, while retaining the benefits for semiconductor manufacturers and customers of competition between companies, we shifted to a method of standardizing order receipt and placement operations within a single company and then expanding this standardization to other companies. In terms of organization, we have achieved the current highly efficient system after more than a decade of process improvements, including the unification of logistics centers.



* The process in which a customer's proprietary software is written into a PLD and the device is stamped with a seal.

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Operational Transformation to Support Business Scale Expansion

One of the systems supporting our operations is the in-house WMS*¹ introduced in 2012. By consolidating multiple logistics bases and developing the WMS internally, leveraging our semiconductor trading expertise, we have achieved the delivery of semiconductors using an automated system that minimizes manual operations. This system meets the stringent requirements of automotive customers, including date codes, lot management, 4M changes*², Just In, and FIFO*³. In addition to responding to the services required by customers with high quality, it also enhances operational productivity and serves as a source of increased competitiveness.

Furthermore, by proactively disclosing our logistics center to suppliers and customers and allowing them to directly inspect and experience the state of product management, work processes, and automated operations, we have gained their confidence and are now able to secure more business.

In order and delivery date management, we standardize workflows and use RPA for routine tasks, which enhances productivity, quality, and agility. In RPA development, employees who are well-versed in business processes and have a clear understanding of customer requirements develop the RPA themselves, which leads to speedy implementation and maintenance response, leading not only to increased operational efficiency but also to the development of DX human resources with an eye on the future.

In the rapidly changing semiconductor market, timely and accurate delivery times are crucial for customers' production plans. Macnica handles a large number of suppliers, so building a system to meet these needs has been a major challenge. However, by systematizing the creation and automatic distribution of delivery date responses linked to ERP, we have made it possible to provide customers with the latest delivery information from suppliers in a stable manner, further enhancing value.

In this way, Macnica's unique strength is that we work with suppliers and customers as a good partner to solve problems, continuously refining and enhancing operations. Thanks to these

unique and value-added supply chain functions, we have reliably responded to the rapid growth in sales over the past few years. Even if the number of suppliers and products handled increases in the future, we will continue to provide highly efficient, high-quality services. This will further demonstrate Macnica's competitive advantage as a sustainable foundation that supports rapid business expansion.

*1 Warehouse Management System

*2 Changes related to the four M's essential in manufacturing: Man, Machine, Material, and Method.

*3 First In, First Out: Refers to the method where the first items to enter are the first to be processed.

Highly Efficient and Accurate Supply and Demand Management through SCM

Semiconductor lead times are highly variable. If orders are placed with semiconductor manufacturers only after receiving orders from customers, it is impossible to supply semiconductors on time. Therefore, we share demand forecasts with semiconductor manufacturers and make arrangements with a medium- to long-term perspective to manage appropriate inventories and order backlogs.

In the past, we had an in-house company system, so the tools and methods used for inventory management also differed depending on the department. As the number of suppliers and the scale of transactions increased, we began introducing SCM in 2018 alongside the ERP update to improve operational efficiency and reduce reliance on specific individuals. Full-scale implementation of the SCM system commenced in 2020. We standardized the personalized operations that differed among suppliers. This has increased the mobility of human resources and created an organizational structure capable of flexibly responding to large-scale commercial transfers and sudden operational changes. Additionally, by automating most demand forecasts using a system, we have reduced the need for manpower.

In the future, we aim to enhance the accuracy of demand forecasts, respond promptly to market conditions, and maintain a stable supply, while achieving further efficiency through system integration with customers and suppliers. We also plan to introduce SCM to overseas group companies, aiming for 'Global One Operation.'

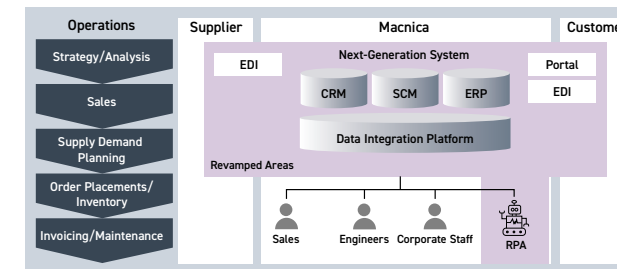
Improving Procurement and Supply Capabilities through Company-Wide Integrated System Infrastructure

To achieve stable growth in a rapidly changing business environment, we have been reviewing our systems from a company-wide perspective, alongside operational reforms to strengthen our procurement and supply capabilities. [P. 64](#)

After identifying inefficiencies and standardizing business processes, we integrated disparate departmental systems into core systems such as ERP, SCM, and CRM. We consolidated masters of customers, products, and suppliers across all systems. This has enabled us to determine the appropriate inventory levels for each product we handle and to reduce lead times across the entire supply chain, spanning sales, order placement, and invoicing and payment. This improvement comes at a time when the importance of inventory and delivery management is increasing due to factors such as the transfer of commercial rights, the expansion of the automotive business, and the securing of discontinued products.

These initiatives are supported by collaboration between the IT Group and business divisions. We involve business division personnel in the planning stages of system construction and encourage the sharing of successful experiences and know-how across divisions to enhance procurement and supply capabilities throughout the Company.

Next-Generation Systems that Automate and Improve Operational Efficiency



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Focus on Industrial Equipment, Automotive, and AI Markets

The industrial equipment market shows continuous and stable growth potential, with a CAGR of 7.1%* from 2023 to 2028 for semiconductor demand in the Japanese market. This market allows Japanese companies to showcase their global competitiveness with a wide range of products, including FA equipment, semiconductor production equipment, measuring equipment, and medical equipment. Recently, there has been an active effort to enhance industrial equipment with new functions using semiconductors for IoT, automation, and labor-saving purposes. Macnica leverages its extensive customer base to gather application-specific semiconductor needs and trend information, driving demand creation.

The Japanese automotive industry remains highly competitive

Growth Strategy 1: Focus on Growing Markets

both in Japan and abroad, with semiconductor demand expected to grow at a CAGR of 7.4%* from 2023 to 2028, making it the second-largest market after industrial equipment. In recent years, semiconductors have been used in various applications, such as vehicle control systems, engine control systems, car navigation systems, and sound systems, to enhance product value and improve vehicle performance, fuel efficiency, safety, and comfort. Macnica places great importance on the automotive market and will continue to focus on it.

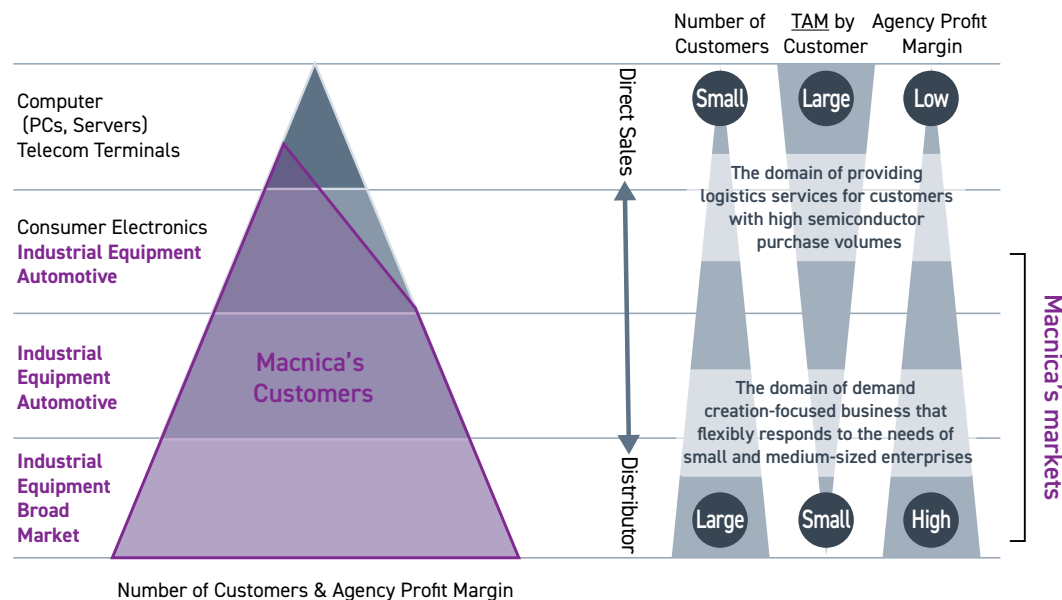
There is no doubt that artificial intelligence (AI) will play an increasingly important role in our lives. Innovative applications

using AI are being created to address a wide range of challenges, such as increasing the efficiency of business processes, improving customer service, and enhancing productivity. AI is becoming increasingly essential in areas such as IoT, Big Data, cloud computing, and edge computing. In these fields, demand is expected for state-of-the-art semiconductors, such as GPUs and memory.

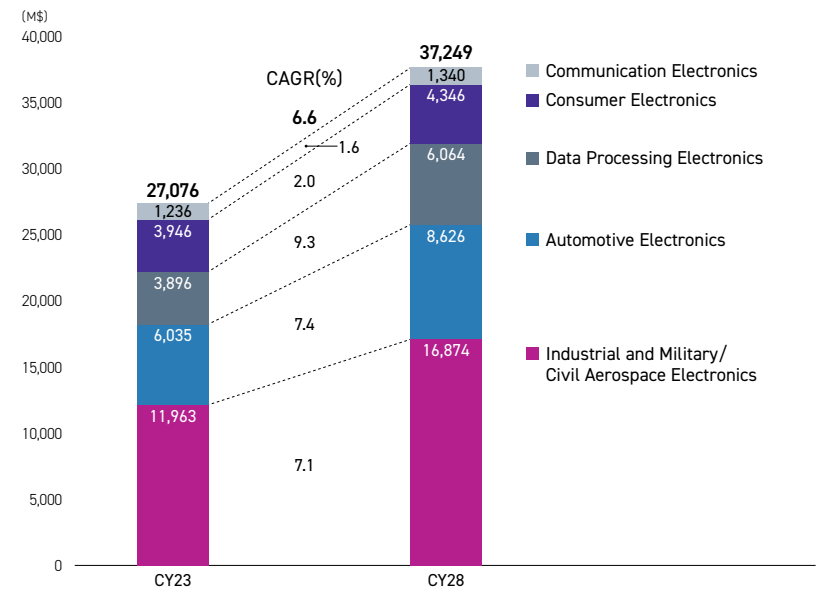
In response to these trends, Macnica is focusing on AI by not only supplying semiconductors but also developing and providing AI technology to support customers' businesses.

Macnica proposes the most suitable devices for this growing market and provides advanced technical support for complex semiconductor technologies. This support helps customers bring their products to market in a timely manner and enhances their market competitiveness, while also ensuring Macnica's own sustainable growth.

Number of Customers by Application and Macnica's Targets



Semiconductor Market Forecast by Application (Japan Market)*



* Source: Gartner® Sources and descriptions on page 106

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Macnica Continually Chosen by Semiconductor Manufacturers for Commercial Distribution Restructuring

Macnica currently handles 16 of the top 21 global semiconductor manufacturers. To achieve this position, we have a history of being selected as a business partner by manufacturers.

Semiconductor manufacturers have always acquired other manufacturers with promising technologies to enhance the competitiveness of their products. The semiconductor market is expected to grow due to the sophistication of autonomous driving technology, the rising number of semiconductors per vehicle resulting from the shift to EVs, and the further acceleration of semiconductor demand driven by generative AI. We believe that M&As of semiconductor manufacturers are likely to continue in order to capture this demand.

Macnica is also chosen by manufacturers on the acquiring

Growth Strategy 2: Increasing Market Share by Acquiring Commercial Rights

side, so instead of transferring existing business to a competing trading company, we expand our business by acquiring new products.

This success is due to Macnica's ability to effectively promote the sales expansion strategies of semiconductor manufacturers. We have gained the trust of manufacturers by presenting concrete sales expansion strategies to increase their market share, leveraging our sales support team's extensive customer information, FAEs with high technical support capabilities, highly skilled global support staff, and an organizational structure that facilitates swift decision-making and implementation.

Naturally, semiconductor manufacturers choose distributors with the expectation that they will formulate effective sales expansion strategies that accurately address the needs of their customer companies and increase their market share. In addition to our aforementioned technical capabilities, we are highly regarded for our depth of expertise in sales operations and our track record of consistently increasing sales results.

A senior executive at a semiconductor manufacturer once told us, "Partnering with Macnica is a strategy in itself to increase the market share of our products in the Japanese market." Our spirit of demand creation, which drives us to pursue further development alongside our suppliers, is the key force behind our continued growth and ongoing selection by semiconductor manufacturers.

Focus

Semiconductor Manufacturer Consolidation and Its Impact on Semiconductor Trading Companies

Distributor Consolidation and Commercial Rights Transfer Significantly Impact Semiconductor Trading Companies' Business

In recent years, M&A among semiconductor manufacturers has led to consolidation, and the top 21 companies now account for about 80% of the global market. For example, in the field of analog ICs, as shown in the table on the right, Texas Instruments and Analog Devices have been pursuing acquisitions, gaining overwhelming market share compared to other analog IC manufacturers. This change will have a significant impact on the business of semiconductor trading companies in the form of changes in agency agreements. First of all, in order to improve the efficiency of partnerships, some trading companies will terminate their agency contracts. The trading company's business for customers is taken over by a new distributor after negotiations between the semiconductor manufacturer, the customer, and the trading company. This is called a commercial transfer. While you may lose your business due to the termination of a contract, you will gain a large amount of business if you obtain a commercial transfer.

Since 2010, there has been an increase in the consolidation of distributors and the transfer of commercial rights. At present, the ability to create demand through our company's technology implementation capabilities and global coverage are important factors in being selected as an agency.

M&A of Semiconductor Manufacturers and Its Impact on Macnica

Semiconductor manufacturers handled by Macnica at the time

Year	Semiconductor Manufacturer M&A		Impact on Macnica	
	Acquiring Side	Acquired Side	Distributor Agreement	Changes in Product Lineup
2012	Texas Instruments	National Semiconductor	Continued	Start handling TI
2013	Microchip	SMSC	Continued	Start handling Microchip
2014	onsemi	Aptina	Continued	Start handling onsemi
2014	Infineon	International Rectifier	Continued	Start handling International Rectifier
2014	Cypress	Spansion	Continued	Start handling Spansion
2014	Analog Devices	Hiittite	Continued	Start handling Hiittite
2015	Qualcomm	CSR	Continued	Start handling Qualcomm
2015	Intel	Altera	Continued	Continue handling Altera only
2015	Microchip	Micrel	Continued	Start handling Micrel
2016	Avago	Broadcom	Continued	Start handling Avago
2016	Microsemi	PMC-Sierra	Continued	Start handling Microsemi
2016	onsemi	Fairchild	Continued	
2017	Analog Devices	Liner Technology	Continued	
2017	Renesas	Intersil	Terminated	Terminate handling Intersil
2017	Microchip	Atmel	Continued	Start handling Atmel
2018	Microchip	Microsemi	Continued	
2019	Renesas	IDT	Continued	Start handling Renesas
2020	Infineon	Cypress	Continued	
2021	Analog Devices	Maxim Integrated	Continued	Start handling Maxim Integrated
2022	Renesas	Dialog	Continued	

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Exploring Overseas Markets, Shifting Focus to Asia Where Growth Is Expected

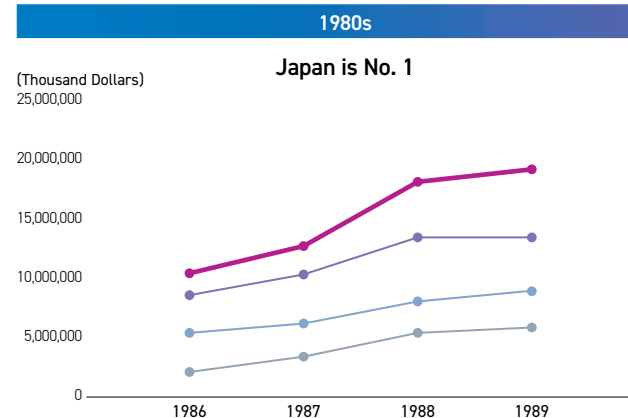
In the 1980s, as major Japanese manufacturers began moving their production bases overseas in search of cheaper labor, Macnica quickly established bases in Hong Kong and Singapore to expand its business internationally. However, contrary to expectations, the shift of customers' production overseas did not progress as anticipated, leading us to make the decision to withdraw.

In the 1990s, the move towards overseas production began to gain momentum, prompting us to once again expand our bases in Singapore and Hong Kong. Furthermore, instead of focusing on supplying devices to customers, we established a base in Silicon Valley in the US, with the aim of exploring new semiconductor manufacturers, and began engaging in full-scale development of the US market rather than just operating on a business trip basis.

Later, in the 2000s, major overseas semiconductor trading companies increased in size through M&A. We also acquired personnel with strong overseas M&A skills, conducted research into overseas semiconductor trading companies, and focused on expanding our overseas business.

Japanese Market Share of the Global Semiconductor Market Over Time

— Japan — Americas — Europe — Asia Pacific



Source: Graph created by Macnica based on WSTS data

Growth Strategy 3: Global Expansion

Looking at the domestic market, from the 1990s to the 2000s, the domestic telecommunications equipment market with the spread of personal computers and the internet, while the digital consumer market, with digital cameras and DVDs, grew rapidly. This was a period of remarkable growth for the Japanese electronics manufacturing industry, and we focused on this market. However, in the late 2000s, Korean and Chinese electronics manufacturers emerged, which led to challenges for Japanese companies. Consequently, Macnica concluded that dramatic growth in the Japanese market alone was unlikely and began to explore opportunities overseas, particularly in Asia, as a growing market.

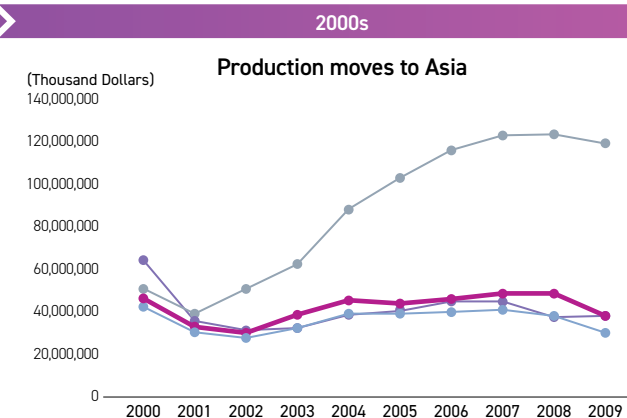
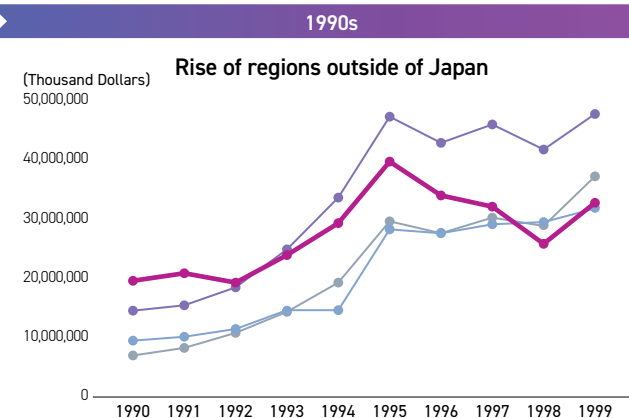
M&A Strategy Centered on Altera

While many semiconductor trading companies expanded their

overseas bases to support logistics in line with their customers' production shifts, Macnica pursued M&A to cultivate local overseas customers in addition to providing logistics support, though this approach had limited success. To build relationships of trust with local overseas companies and achieve synergy, it was necessary to have the ability to provide solid technical support locally and drive demand creation.

Since 1986, we have been working with Altera Corporation (now Intel Corporation), known for its FPGAs, and have built a strong relationship with Altera by honing our technical capabilities and sharing successful experiences. We felt it was important to utilize these assets for overseas expansion and decided to use Altera and its existing distributors as a pivot point. This approach allowed us to leverage the successful experience we had gained in Japan up to that point. Knowing that trading companies dealing with FPGAs are deeply involved from the early stages in their customers' design and development and possess high technical competence, we decided that acquiring an Altera distributor through M&A would be an effective way to quickly gain solid technical support capabilities.

Altera's top management also showed a high level of interest



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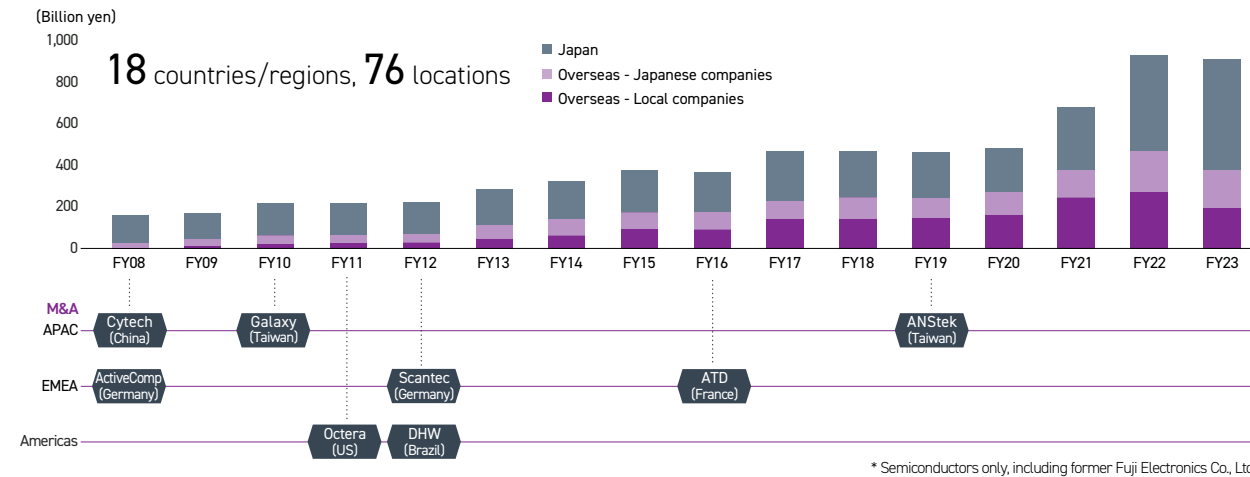
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Growth Strategy 3: Global Expansion

in this global expansion, and Altera provided support for the later acquisition of Cytech (Hong Kong), Galaxy (Taiwan), Octera Solutions (USA), and DHW (Brazil) by the Macnica Group. Additionally, we instilled Macnica's core values of 'T.E.A.M.S.' in each local entity, and while providing necessary support from Japan, we also respected the autonomy of each local company, which led to autonomous growth.

This strategy has led to a trend of winning the trust of semiconductor manufacturers and acquiring global franchises (global distributor rights). Our ability to globally demonstrate our sales style, centered around FPGAs considered from the initial design stage, and our comprehensive handling of key peripheral components such as analog ICs and memory ICs, along with our high level of technological expertise to drive demand creation, has contributed to our current expansion in market share.

Global Distribution



Semiconductor Business Group Structure

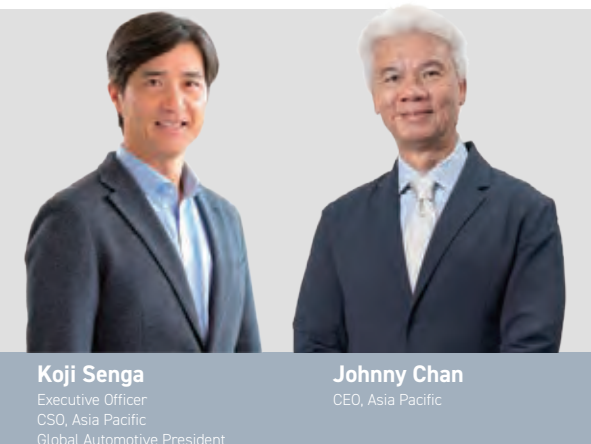
- Division Companies (Japan)
 - Clavis Company
 - Finesse Company
 - Techster Company
 - Altima Company
- Domestic Subsidiaries
 - Glozel Co., Ltd.
- Overseas Subsidiaries
 - APAC
 - Macnica Cytech (HK & China)
 - Macnica Cytech Pte (ASEAN & India)
 - Macnica Galaxy (Taiwan)
 - Macnica Galaxy Intl. (HK & China)
 - Macnica Anstek Inc. (Taiwan)
 - Americas & EMEA
 - Macnica Americas (US, Canada)
 - Macnica DHW (Brazil)
 - Macnica ATD Europe S.A.S (France)
 - Macnica ATD Europe GmbH (Germany)
 - Macnica UK (UK)

Message

Cultivating the Growing Asian Market and Expanding Our Market Share

Alongside Johnny Chan, ASIA Pacific CEO, who has led the Macnica Group's Asian strategy since 2008, Koji Senga, an Executive Officer and newly appointed ASIA Pacific CSO from FY2024, has established a system to further expand our market share in the growing Asian market. We will continue to strengthen the global franchise we are developing, which manages common semiconductor manufacturers for the Macnica Group, both in Japan and overseas. Our goal is to increase market share by sharing and refining our successful experiences in Japan and abroad, including insights into the latest global technology trends and demand creation know-how. As for overseas in particular, we will consider M&A opportunities with other companies in the same industry that share common suppliers with the Macnica Group and offer technical support.

In terms of regional strategy, in addition to the Chinese market, which has been our focus, we aim to deepen our involvement in Thailand, Vietnam, India, South Korea, and other countries. Particularly, we anticipate rapid growth in the Indian market and plan to accelerate our investment in these emerging markets.



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Network Business

Supporting Companies' Offensive and Defensive Strategies with Leading-Edge Technology

Leveraging Advanced Technology to Support Companies in Cybersecurity and Adapting to Business Changes



Yusuke Kobayashi

Executive Officer
Macnica, Inc.
Company President,
Networks Company

Akinobu Miyoshi

Representative
Director and
Vice President

Business Strategy

- Expansion of Security Business
- Expansion of Big Data Business
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- Global Strategy

FY2023 Review

In FY2023, Macnica's network business experienced significant growth both in Japan and abroad. In Japan, net sales increased by 21% year-on-year, driven by the expansion of software, including endpoint security products and data analysis infrastructure. Overseas, we saw growth in all markets where we operate, surpassing overall market growth. We also secured contracts with 13 companies for new products, and our own services continued to expand. However, the operating income margin decreased to 5.9% due to factors such as the depreciation of the yen, an increase in the number of employees, and the early recording of some sales costs for FY2024 under special contracts with certain suppliers.

FY2024 Outlook

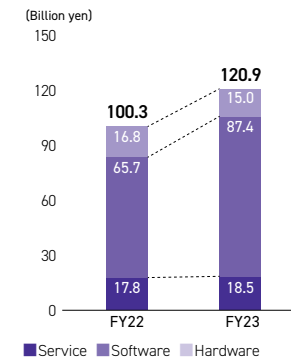
Against the backdrop of the expansion of IT and security markets in Japan and abroad, we are aiming for a 16% increase in revenue year-on-year for our network business as a whole. In Japan, where growth in endpoint security-related products continues, we will focus on leveraging our domain expertise and expanding sales of our own services. Overseas, we will aim to expand the number of countries where our main suppliers operate. As attention to investment in security products and Attack Surface Management (ASM) services increases, strengthening supply chain security has become a critical issue. We will work to capture this growing demand.

Towards Medium- to Long-Term Growth

In the stock market, while Macnica garners attention for its semiconductor business, our network business has also achieved high growth and profitability. In the fast-growing IT and cybersecurity markets, we provide valuable solutions using our unique methods. However, due to our distinctive market position, we believe that our business is not fully understood by market participants and that our high profitability is not fully reflected in our share price in terms of valuations. In this integrated report, we explain in detail the mechanisms behind the growth and competitive advantage of this business. We hope this will help you understand the future potential of the business.

Sales Trends (Network Business)

By Product



Hardware

Refers to physical devices such as network equipment placed in data centers. Includes licenses tied to hardware.

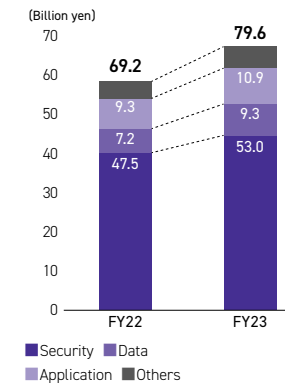
Software

Programs designed to enhance business efficiency, manage data, and improve security. Includes cloud-based services like SaaS.

Service

Support provided by the Company, such as consulting and design assistance, rather than selling equipment. Includes maintenance services and system integration.

By Domain (Domestic)



Security

Software and hardware designed to protect networks and data from unauthorized access and attacks. Includes endpoint protection software.

Data

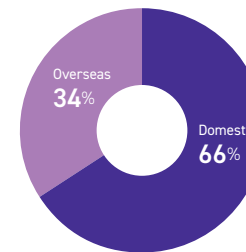
Tools and related products for collecting, processing, and deriving insights from data. Includes AI and data analysis infrastructure software.

Application

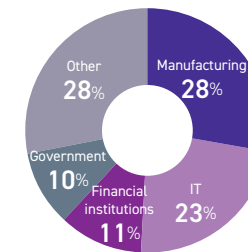
Software that supports, streamlines, and automates business processes using digital technology. Includes cloud storage.

Sales Composition

Sales composition by region



End-user customers Sales composition by industry (Domestic)



End-User Customers **6,700+** Number of Suppliers **100+**

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IT Solution Supply Chain and the Role of Macnica

Value-Added Distributor Implementing the World's Most Advanced IT Solutions in Society

Macnica is a primary distributor of the world's most advanced IT solutions*1. Our business model is built on establishing networks with promising startup companies, particularly those with cutting-edge technologies in Silicon Valley in the US, and Israel. We then introduce a wide range of innovative IT and security solutions to the Japanese market and emerging markets, primarily in Asia, as swiftly as possible.

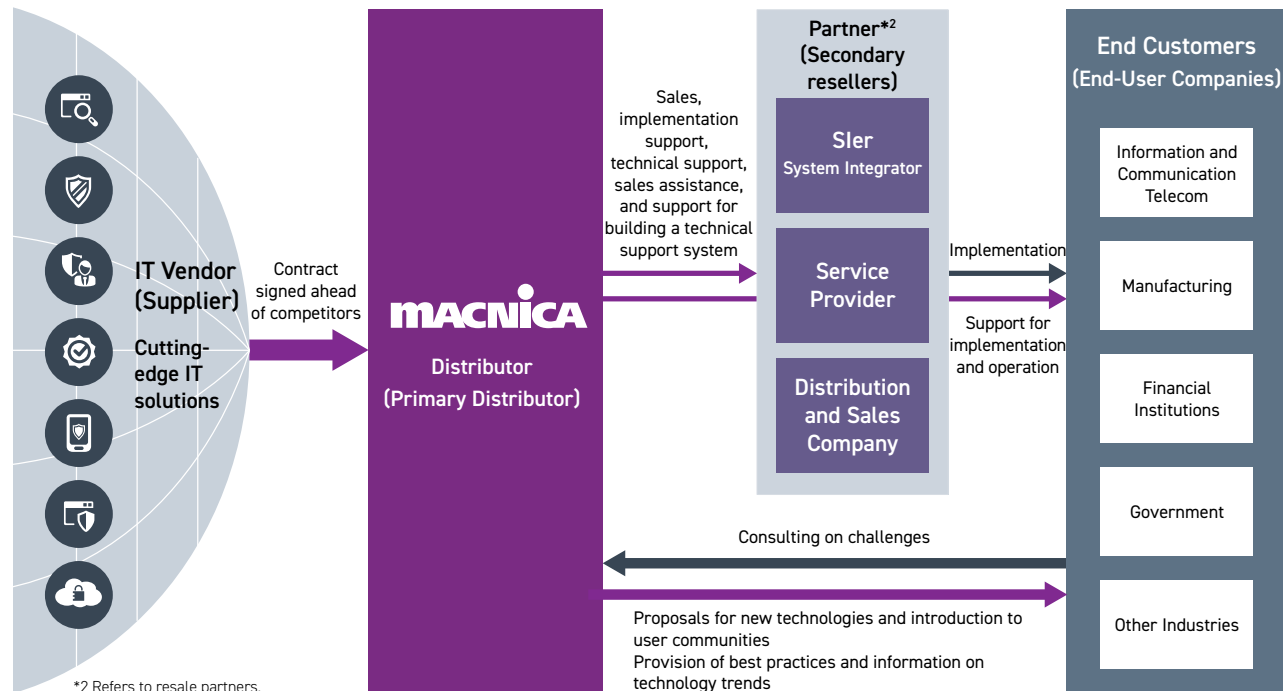
Leveraging our extensive and deep network of contacts in the cutting-edge technology market, we explore and discover technologies and products that may not be widely known at the time but will become significant in the future. We then secure sales agreements as the sole or primary distributor in Japan and overseas expansion countries, and actively engage in market creation and education through our marketing efforts. Once a certain level of market recognition is achieved, we supply these

technologies and products to end-user customers across various industries, offering technical support to our partners, mainly system integration companies (Slers), who act as secondary resellers.

We not only purchase and sell products and provide support for system implementation, but also offer value-added proposals that accurately address issues by staying close to our customers, including operation and maintenance support, more advanced utilization support, and additional services. Through this comprehensive business model, we provide an environment in which companies, government agencies, and other organizations can implement optimal IT solutions and utilize them conveniently with peace of mind.

*1 Services and products based on information technology (IT) that are used to solve the challenges faced by companies and meet their needs. This includes software, hardware, services, etc.

IT Solution Supply Chain



*2 Refers to resale partners.

Macnica's Value Proposition

The value proposition of Macnica varies depending on the stage of the Product Life Cycle. In the introduction stage, we support our customers (end-user companies) in utilizing new technologies, while for our IT vendor suppliers, we assist their sales activities as representatives of their local subsidiaries, helping to establish sales methods in Japan and other countries where we operate. In the growth stage, it becomes more important to provide value that contributes to expanding the scale of business, such as by building strategic sales networks and supporting partners, rather than providing value through our own direct sales activities.

Value Proposition to End-User Customers

- Information on the latest technology trends (such as domain and system concepts)
- Proposals for future necessary solutions
- Extensive knowledge of cyberattack methods and analysis
- Coordination capabilities with IT vendors (e.g. functional enhancements, regulatory compliance, pricing)
- Provision of materials for persuading internal stakeholders to adopt new technologies
- Customer success and operational support
- Providing opportunities for end-user customers to share their initiatives (e.g. CIO/CISO)
- Providing a user community where end-user customers can exchange various initiatives with one another (as a basis for evaluating the effectiveness of these measures)

Value Proposition to IT Vendors (Suppliers)

- Sales structure in Japan and other countries (dedicated sales staff, local language materials)
- Pre-sales (sales activities) and post-sales (design, construction, maintenance) technical staff
- Market information for Japan and other countries, strategies for market creation and expansion
- Customer base including innovator customers who become market influencers
- Partner network
- Localized marketing (awareness, lead generation)
- Increase credibility for startup suppliers (through transactions with Macnica)

Value Provided to Partners (Secondary Resellers)

- Introduce solutions that complement partner strengths
- Propose new business opportunities to partners
- Technical support & training for pre-sales (sales activities) and post-sales (design, construction, maintenance)
- Maintenance support outsourcing, backend support
- Support handling external products in partner's company

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Business Model

70% Domestic, 30% Overseas Strengths in Cybersecurity

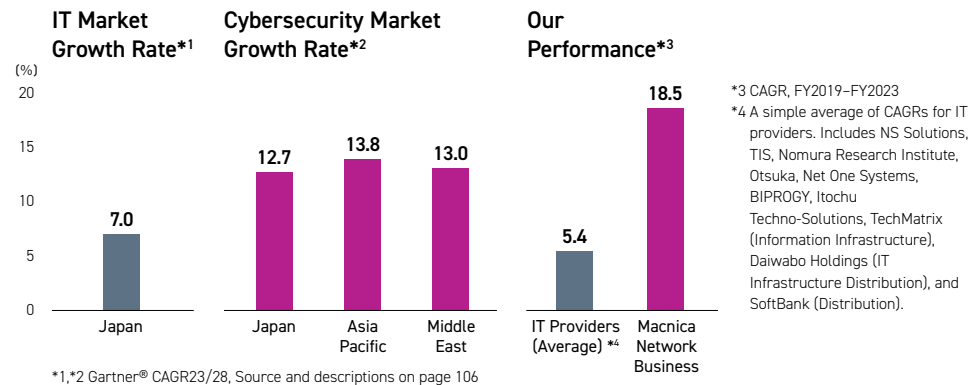
Compared to the general IT solutions business, the network business is a high-growth, value-added model and is expected to generate stable earnings. Approximately 70% of the network business is domestic, with 70% of this domestic business comprising cybersecurity-related products and over 20% comprising data and application-related products. Additionally, cybersecurity-related business through our overseas consolidated subsidiary Netpoleon accounts for about 30% of overseas sales.



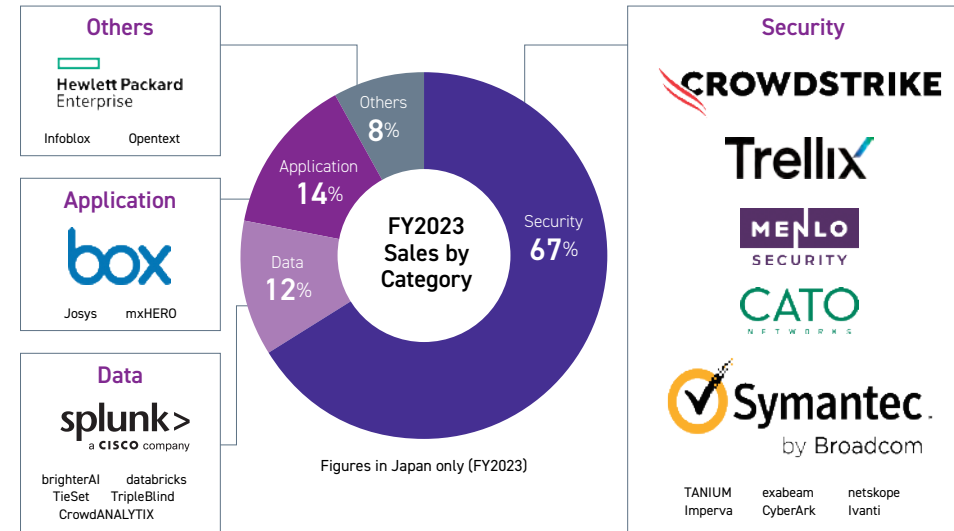
High Growth, Value-Added, and Stable Earnings

Since its founding, Macnica has achieved remarkable growth based on the concept 'sunflower management,' which proactively handles those products in promising markets, much like a sunflower turning to face the sun.

In the network business, Macnica achieved a CAGR of 18.5%*1 over the five-year period from 2019 to 2023. The domestic cybersecurity market, which is our focus, is forecast to grow at a CAGR of 12.7%*2 from 2023 to 2028, comparing favorably with the overall domestic IT market, forecast at a CAGR of 7.0%*2, and it continues to provide a favorable environment for our business growth. In the cybersecurity market, our strategy is not to focus on existing solutions or products that will be



Major IT Vendors

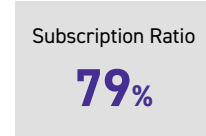


replaced by new technologies in the future, but on products that are not yet fully recognized or are being increasingly adopted as new technologies.

We are constantly aiming to outperform market growth, and have expanded into the Asia Pacific (APAC) and Middle East regions where market growth is expected to exceed that of Japan, with a CAGR of 13.8%*2 in APAC and 13.0%*2 in the Middle East. By making agile selections in these leading markets, Macnica has been able to maintain higher growth compared to other IT businesses.

Macnica also offers high added value to end-user companies and partner IT vendors by handling new technologies that are not yet fully recognized in the market. These new technologies can offer greater convenience and address new threats than conventional ones, but there are not many competitors because it is sometimes difficult to understand the effectiveness of new solutions. Even if a technology is innovative, without a track record of domestic implementation or operational knowledge, companies, government agencies and other organizations may find it challenging to assess the risks and may hesitate to adopt it. By supporting new solutions, we are able to achieve higher profit margins than other IT providers.

Recent trends have seen many solutions have shifted to subscription billing structures, which provide stable income as customers continue using the service. To better ensure the renewal of subscriptions, we are strengthening customer support by offering unique services that improve usability and proposing retention programs that encourage customers to use services internally. These activities have led to increased customer satisfaction and the development of longer-term relationships.



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Business Environment / Management Capital Enhancement Cycle

Technology, Constantly Emerging and Rapidly Changing

The IT market in recent years has expanded in scale while also experiencing rapid technological changes. Even the largest companies that dominate the market are constantly threatened by market disruptions caused by technological innovation. The evolution of threats due to the increasing sophistication and complexity of cyberattacks, the advancement of technologies used

in society such as cloud computing and IoT, and the development of laws and regulations like the European Cyber Resilience Act are all driving the constant demand for new technologies in cybersecurity. Macnica has grown its business alongside ongoing technological changes and expanding markets.

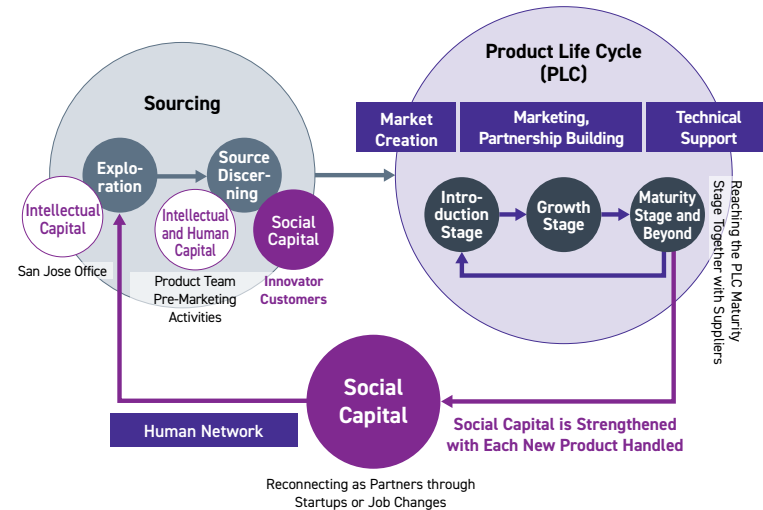
Sharing Successful Experiences Increases Social Capital and the Probability of Success for the Next Business

New and innovative technologies do not always lead to business success. Various factors can be obstacles to market expansion, such as market needs, inconsistencies with existing systems, and lack of market awareness. In particular, customs and regulations vary between the countries of origin of IT vendors, especially in the US, and the countries in which we operate. Therefore, it is essential to understand each local market and develop and implement marketing strategies tailored to that specific market.

Macnica's business begins with the use of human networks (social capital). **P. 16** From the constant emergence of new startups and the myriad of new technologies being developed, Macnica identifies 'technologies with potential for business development' through exploration (information gathering capabilities) and discernment (ability to discern). Some of these are in the stage of incomplete technology concepts that have not yet been made public. Macnica obtains this information through relationships of trust it has built up in previous business ventures. Pre-marketing to 'innovator customers' who have introduced new technologies is also important to assess market acceptance of new and innovative technology concepts.

These human networks have been built through successful collaborations with IT vendors and customers in implementing new technologies. This has helped Macnica increase the likelihood of success in new business ventures.

Cycle of Strengthening Management Capital and Improving the Viability of Success



Key Management Capital of the Network Business

Human Capital

- Individuals with experience in launching businesses and managing business development
- Individuals well-versed in cybersecurity
- Individuals who understand medium- to long-term trends in IT technology and have the ability to discern
- Individuals who can adapt to change and take on challenges
- Supportive and dedicated to customers, not silos
- Independent individuals, responsible for their own careers
- Diverse backgrounds, global talent
- OST* thinkers, strategic thinkers
- Dedicated product managers and teams with passion

Intellectual Capital

- Knowledge & insights into demand creation (market creation)
- Expertise in cyberattack techniques
- Localized marketing strategies
- Knowledge of primary distributor business
- Knowledge of the solutions offered and best practices
- Expertise and experience in maintenance support
- Understand customer requirements and market information
- Information on new technologies and emerging companies
- A startup-like culture (aligned with suppliers' culture)

Social Capital

- Innovator customers (companies and individuals)
- Partners (companies and individuals)
- IT vendors, security vendors (companies and individuals)
- Connected with cybersecurity-related organizations (FS-ISAC)
- Connections with experts in the security industry
- Media relations
- User communities
- Brand recognition in cybersecurity

* OST (Objectives, Strategy, Tactics) refers to a framework for creating action plans.

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Business Strategy Aligned with the Product Life Cycle

Product Life Cycle and Macnica's Strengths

Macnica aligns its strategy with the market maturity of the IT solutions it handles. By accumulating experience and learning from successful patterns, we have linked these insights to growth. The Product Life Cycle is a marketing concept that describes the processes from the introduction of IT products to their withdrawal. It illustrates the relationship between product sales and time and is divided into following stages: sourcing, introduction, growth, maturity, and decline. Different marketing strategies are required for each stage. In Macnica's business model, the introduction, P. 48 growth, P. 50 and maturity stages, P. 52 along with the preceding sourcing stage, P. 52 are considered particularly important. Each stage has its own value proposition and strengths.

Sourcing Stage

This stage involves exploring and selecting new technologies based on source discerning. In addition to actively gathering information on technology trends and startups, we can also gain insights into new technologies and corporate needs from the human networks established through previous business activities. These human networks are a particularly effective strength.

Introduction Stage

This stage involves introducing new technology to the market when demand and sales are still low. Activities focus on raising market awareness of the new technology's importance, and effective usage methods (use cases) are learned by introducing the technology to innovator customers who are highly sensitive to information and willing to adopt new solutions. Key strengths during this stage include market creation, marketing, partnership building, and leveraging human networks.

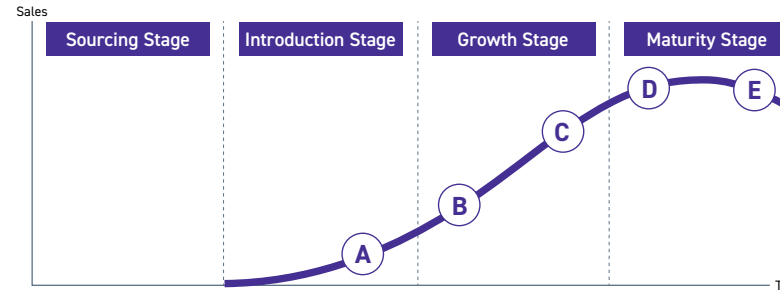
Growth Stage

During this stage, the business experiences rapid expansion, with increasing numbers of secondary distributors, or partners, competing distributors, and competing products. At this point, Macnica already has numerous reference customers that can be used as endorsements for potential adopters and has established its products' strengths and differentiating factors. The focus is on sales expansion activities to drive market growth. Notable strengths include market creation, marketing, partnership building, technical support, and human networks.

Maturity Stage

This stage is characterized by stagnating market growth and plateauing sales. The number of competing distributors and products decreases, but Macnica maintains its market share by leveraging its large customer base and supporting continued use of its products. We also explore new business opportunities, such as identifying new technologies in response to emerging issues within corporate customers. The primary strength during this stage is its technical support.

Product Life Cycle

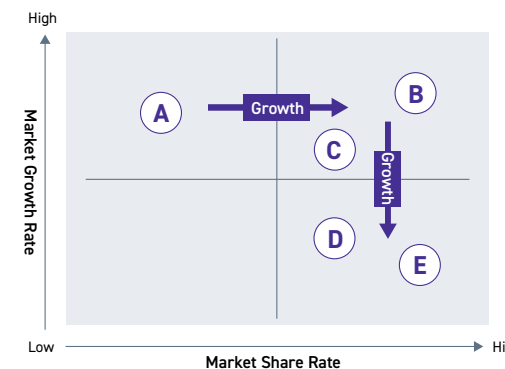


	Sourcing Stage	Introduction Stage	Growth Stage	Maturity Stage
Sales	None	Small	Medium	Large
Growth Rate	None	High	High	Low/Decreasing
Competition	None	Low	Increasing	Decreasing
Competitive Advantage		Market Creation		
		Marketing, Partnership Building		
		Technical Support		
	Human Network			

Changing Activities and Resource Allocation: 'Staying Ahead of the Competition'

Macnica has a multi-layered product portfolio because each IT solution has undergone a Product Life Cycle and exists in various stages. By plotting these products on a two-axis graph of market growth rate and market competitiveness, it is possible to evaluate whether the Company has solutions with sufficient growth potential and whether it has secured solutions for future growth. We use this Product Portfolio Management to formulate growth strategies. Although the characteristics of each product and the external environment differ, everyone from the person in charge to the department manager has encountered similar scenarios and is aware of when to adjust their activities to remain competitive.

Product Portfolio Management



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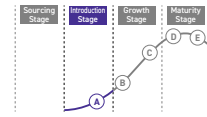
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Introduction Stage: Business Strategy



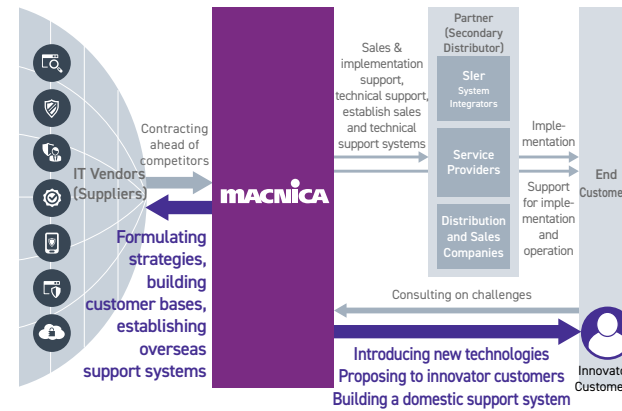
Competitive Advantage 1:

Market Creation

IT Vendors' Challenges during Introduction Stage	
● Difficulty formulating appropriate strategies for Japanese market.	→
● Difficulty reaching the right target customer segments.	→
● Low market awareness in the target segments.	→

Macnica's Value Proposition	
● We develop appropriate strategy based on correct understanding of IT vendor (supplier) strategies, market insights gained over time.	→
● We leverage relationships with innovator customers in past businesses to connect with right person at target companies.	→
● We support increased awareness through appropriate marketing activities tailored to each segment and proposal efforts by sales personnel for target segments.	→

Introduction Stage: Focused Activities



Introduction Stage: Business Environment

The 'introduction stage' in the Product Life Cycle refers to the phase immediately after a new product is deployed in the market. In our network business, this is the phase in which a distributor agreement is concluded with a startup IT vendor (supplier), and the product is launched in the market.

This phase is characterized by the product's introduction, as well as the value and challenges it addresses not yet being apparent. As a result, customer purchasing needs are limited, and there are few companies or competing products entering the market. Under these circumstances, new overseas IT vendors often struggle to secure sufficient resources to expand their sales in the Japanese market, and we are frequently entrusted with sales expansion activities, starting as the sole distributor with no competition. This phase requires efforts to create markets that have not yet been established, and it is crucial to identify and execute activities early on to set them on a successful trajectory.

Leading Market Creation for IT Solutions

Macnica has a system in which sales and technical staff specializing in each IT vendor form teams, and this approach remains consistent even during the introduction stage. In this stage, small teams consisting of one sales person and one technical person are formed and led by a dedicated product manager (PM) who oversees strategy development, marketing activities, and post-implementation customer support.

Based on a thorough understanding of each IT vendor's strategy, Macnica considers target values, target segments, and approach methods by combining internal and external feedback obtained in the pre-marketing (preliminary research) stage before concluding a distributor agreement, along with the knowledge cultivated in the Japanese market. Based on this strategy, we then promote sales activities aimed at end-user customers, such as making introductions to existing customers, exhibiting at a trade show, and holding seminars. However, since the initial strategy may not always align with market conditions, a review is conducted simultaneously based on information obtained through sales activities to customers. The business environment in the US and European markets may differ from that in Japan and APAC

from various perspectives, and marketing messages and targeting that have been successful in the IT vendor's home country often do not work in other regions. It is particularly important during the introduction stage to clearly differentiate the solution from other IT solutions for end-user customers. From the vendor's perspective, it is crucial to identify the customer segments for which the solution addresses specific problems and to focus marketing activities on these segments. To this end, we will engage in in-depth discussions with IT vendors based on insights gathered through sales activities, revise the strategy to better suit the Japanese and APAC markets, and then refine it into effective sales efforts.

In carrying out these activities, it is essential to leverage the management capital that Macnica has developed. This includes management capital, tangible and intangible, such as relationships with innovator customers (people and organizations) who actively adopt new technologies, expertise in marketing activities to raise market awareness and effectively reach initial target customers, and human resources capable of identifying key insights and finding improved directions through trial and error. Utilizing these resources increases the likelihood of success during the introduction stage.

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Introduction Stage: Business Strategy

Supporting Customer Companies Adopting New Technologies

When introducing new technologies at customer companies, there are additional considerations specific to the new technology beyond the usual approval process. For example, what criteria should be used to compare and select from the myriad of new technologies and startup solutions available? Additionally, is there a well-developed implementation system in Japan? If the target is a new startup with only a short history, business continuity risks also need to be considered.

Macnica provides customers with a comprehensive range of information to support consideration and evaluation, including details on IT vendors, trends in Japan and abroad, and Macnica's own assessments. We also offer opportunities for communication with other end-user customers who have adopted new technologies and support the exchange of feedback on products gained through implementation. Furthermore, by establishing our own sales and support system, we continue to carry out proposal activities aimed at mitigating business continuity risks for IT vendors.

In this way, we provide both customers and IT vendors with a sense of comfort and added value through our intervention, and remove barriers to adoption of new technologies by customer companies.

Introduction Stage: Innovator Customers' Challenges
● Difficulty in filtering the necessary information from the proliferation of new technologies and startup solutions.
● Even after new solutions are introduced, the support system in Japan is not sufficient.
● Business continuity risks are a major concern if the IT vendor is a new startup.

Macnica's Value Proposition
→ ● We keep up with global technology trends and can share insights from our ongoing exploration.
→ ● As a distributor, we interact with a broad range of customers, which gives us a clear, bird's-eye view of the entire market and enables us to provide customized strategies and priorities for each customer company.
→ ● We set up a unique support system to offer thorough assistance during the operation.
→ ● We serve as the solution provider in the countries where we operate, proposing ways to minimize risk factors associated with continued product use.

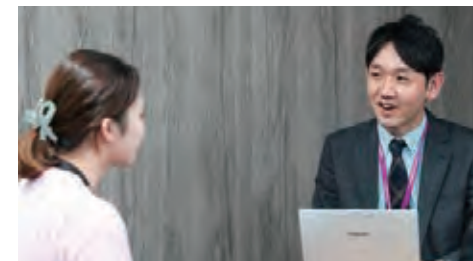
Focus
Human Capital in Business Creation

Environment Where Young Employees Can Take the Initiative Lead Projects and Enhance Their Business Experience

Macnica fosters a corporate culture that actively entrusts work to young people and delegates authority based on the core values 'T.E.A.M.S.' In the network business, young employees are provided with numerous opportunities to become product managers for new suppliers and business launches, supported by management backing. They are encouraged to lead and promote these ventures by involving team members. While not every effort yields successful results, continuous action is required to develop strategies through trial and error and to engage the team in the PDCA cycle. Our personnel evaluations prioritize the process of activities over numerical achievements. We assess not only quantitative results but also the efforts to boldly take on challenges while ensuring effective

communication within the team. This creates a foundation for young employees to accumulate experience and grow. [P. 68](#)

Product managers in the network business are responsible for driving the business activities of the product teams for each supplier. Their responsibilities are wide-ranging, and include formulating business targets and budget plans, planning, executing, and refining specific strategies to achieve these targets, as well as communicating with suppliers, end-user companies, and partner companies. Budget targets encompass not only sales but also gross income and operating income for management accounting purposes, requiring a comprehensive understanding of the business from both top-line and revenue perspectives.



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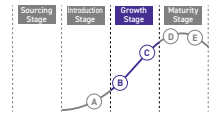
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Growth Stage: Business Strategy

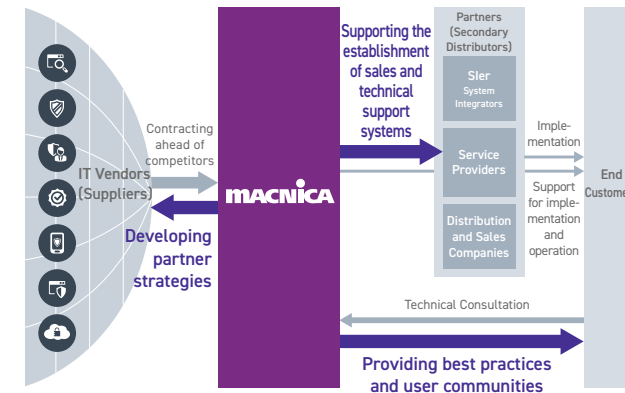


Competitive Advantage 2: Marketing and Partnership Building

IT Vendors' Business Challenges during Growth Stage
● Gaining recognition and trust for solutions in the market.
● Building sales channels during expansion.
● Handling increased competition in the market.
● Sales and technical support systems.

Why Macnica Can Overcome Challenges
● Raising awareness through marketing initiatives, achievements during the introduction stage, and a track record of implementing and maintaining solutions handled by Macnica.
● Existing partners in other solutions handled by Macnica, expertise in sales and technical training, and the ability to collaborate with all companies due to our status as a non-affiliated distributor.
● Value of latecomer distributors and solutions is weak with ability to acquire reference customers and learn best practices during the introduction stage, making Macnica's solutions the best choice for customers (establishing a de facto standard).
● As companies rapidly expand their adoption, our focus on being a primary distributor allows us to scale high-quality support to meet growing demands.

Growth Stage: Focused Activities



Growth Stage: Business Environment

The 'growth stage' in the Product Life Cycle is when a new product gains market recognition and experiences rapid expansion. For Macnica, this phase follows the introduction stage, where initial introductions to several innovator customers have been completed, and now requires a focus on expanding sales to a broader market.

During this stage, as the market expands, new competing products and distributors enter the market all at once, intensifying the competitive environment. At this point, many IT vendors will begin establishing Japanese subsidiaries and strengthening their activities in Japan. In this phase, the challenges of end-user customers become more apparent, and it is important to focus on activities for partners that consider the overall market and competition in order to increase the number of customer proposals.

Strengthening Partner Network in Response to Rapid Market Expansion and Building Support Systems for Diverse Customers

In the growth stage, it is necessary to rapidly expand activities in line with the market's rapid growth, based on the knowledge gained in the introduction stage. To achieve this, collaboration with partner companies, including system integrators and security service providers, is essential.

As an independent distributor, Macnica has a proven track record of collaborating with a diverse range of partners, not limited to specific corporate groups. Drawing on our experience working with partners, we will propose collaboration forms suited to the characteristics and strategies of each partner company and establish partnerships aimed at expanding product sales. Our representatives for each partner will actively support the partner's sales activities, including sales and technical training, marketing activities, and sales accompaniment. For end-user customers, we will focus on activities to promote usage, such as

providing best practices and opportunities for user communities.

We will also revise our marketing activities to enhance product recognition and expand our approach from the innovator customer segment to a broader customer base. For example, during the introduction stage, we focus on presenting the technology and product, including its need, benefits, and risks. In the growth stage, we will emphasize ease of implementation and provide actual case studies, comparing it with other products and services, including domestic ones.

In this way, to appeal to a wider market with the information required for the growth stage, we will work closely with suppliers who have strengthened their sales systems and make strategic changes to the methods and content of information dissemination. Through these activities, we aim to maintain market competitiveness despite the entry of competing distributors and products.

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Marketing Capabilities

Various Promotional Strategies

Macnica conducts a wide range of promotional activities through its 'Demand Center*1 Organization,' whose mission is to generate projects. Based on its marketing strategy, we organize exhibitions, thought leadership round tables, more than 40 product seminars, and SEO strategies. We develop promotion strategies aligned with the Product Life Cycle to achieve effective marketing. We also conduct branding and lead generation through large-scale conferences, such as MET (Macnica Exponential Technology), with 5,000 participants, and MSF (Macnica Security Forum), with 2,000 participants.

Introduction Stage We actively organize exhibitions and roundtables for early adopters to highlight the features and benefits of our products. We also focus on increasing online visibility through content management using SEO strategies.

Growth Stage During periods of increased demand, we conduct seminars to showcase specific use cases and successful cases, providing potential customers with concrete information about the usefulness of our products. Additionally, we enhance the brand's credibility through a customer success strategy that works closely with existing customers. To ensure effective inside sales, we also engage in Account Based Marketing (ABM) to support a strategic sales approach.

*1 A virtual organization in which a series of marketing activities, from lead generation to data management, nurturing, and inside sales, are handled by specialized personnel such as marketers, and data, operations, and web specialists.

Network Business Marketing Achievements (FY2023)



Data-Driven Marketing and Human Resource Development

Dedicated personnel enhance market evaluation through the use of digital and real-world events. We also have an organization specialized in data management and analysis, supporting the planning of measures by integrating data such as marketing automation, CRM, web access, leads, and sales. To pass on and further enhance this marketing know-how, we are systematically developing marketing specialists.

Security Research Center



Capturing the 'Now' of Cybersecurity, Applying Latest Knowledge to Business Activities

Since its establishment in 2013, Security Research Center has been conducting daily research on trends and countermeasures against cyberattacks primarily targeting Japan, and disseminating information externally. The unique insights gained from these activities are utilized in various social contribution efforts.

Delivering Primary Information Tailored to Japanese Companies

In recent years, there have been many cases of major global security vendors reporting on cyberattacks and threat trends, but most of these reports are mainly aimed at overseas companies and do not contain content that is specific to Japanese companies. In contrast, our Security Research Center is focusing on research into 'real threat information for Japan,' and based on our own research, 'threats currently approaching Japan,' introducing effective solutions to counter them. Our unique approach is to investigate everything from the nature of the threat to the countermeasures in a single sweep, and we are focusing on disseminating information that will help Japanese companies to take prompt action.

Boosting Brand Visibility through Extensive Public Activity

Members of the Security Research Center actively participate in external activities. They give lectures at prestigious security conferences in Japan and abroad, plan and manage events for cybersecurity human resource development, and contribute to research blogs, books, and white papers. Their work has been quoted and reported by numerous media outlets both in Japan and overseas. In the 10 years since it was established, these ongoing external activities have significantly elevated the profile of Macnica as a cybersecurity company.

General Manager Kenzo Masamoto	Assistant General Manager Yutaka Sejiyama	Senior Chief Researcher Shota Shinogi	Senior Chief Researcher Hajime Yanagishita	Chief Researcher Hiroshi Takeuchi	Chief Researcher Takeshi Teshigahara	Chief Researcher Takeya Yamazaki	Chief Researcher Yuji Kakeya
Research Areas	Focus Areas	International Conferences	Domestic Conferences	Other Activities			
	<ul style="list-style-type: none"> Targeted Attack Trends Attack Surface Management AI/LLM security 	<ul style="list-style-type: none"> Black Hat Arsenal USA, Asia, MEA HITCON Mandiant Cyber Defense Summit 	<ul style="list-style-type: none"> JSAC BSides Tokyo (ISC)² Japan Chapter Annual Conference 	<ul style="list-style-type: none"> Security Advisor for Governmental Authorities Incident Response, 3rd Edition, Supervising Translation White Paper Publication 			

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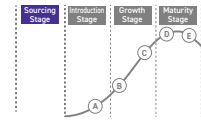
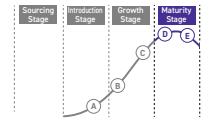
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Maturity Stage and Beyond: Business Strategy



Competitive Advantage 3:

Technical Support

Maturity Stage: Business Environment

The 'maturity stage' of the Product Life Cycle is characterized by a slowdown in market growth. In our network business, this means that products which expanded rapidly during the growth stage have become widely adopted, and we are now competing with rival products for market share in a slowing market.

In this environment, it is crucial to encourage companies using competing products to switch to ours while also supporting the ongoing use of our products by existing customers. When IT vendors announce new solutions that increase the value of customer use, we propose additional technologies for integration

to our existing customers. We also propose new technologies and our unique value-added services to address challenges and meet needs that cannot be covered by the products already implemented.

Focus on Customer Success to Promote Retention

At the 'maturity stage,' we intensify our customer success initiatives to encourage ongoing use of our products by existing customers. This involves regularly contacting customers to understand their current operational status and issues, providing necessary support, regularly disseminating information, and managing communities for users of our products. In many cases, the IT staff at the customer company are unable to keep up with new developments in the IT solutions they have introduced, and as a result, the solutions are not used to their full potential from the time of their introduction. Additionally, even IT department general managers may find it challenging to obtain information on new issues and measures, as they are focused on addressing specific problems at the time of implementation. In response, Macnica strives to increase satisfaction among existing customers with our products and promote customer success and continued use. Where current technology falls short, we may develop unique services to meet customer needs.

Examples of Unique Value-Added Services

<p>Macnica ASM</p> <p>Support for identifying and managing assets (Attack Surface)</p> <p>https://www.macnica.co.jp/en/business/security/manufacturers/mpressioncss/asm.html</p>	<p>MUCV</p> <p>Support for data utilization</p> <p>https://www.macnica.co.jp/en/business/dx/manufacturers/mucv/</p>	<p>LeanSeeks</p> <p>Support for vulnerability triage</p> <p>https://www.macnica.co.jp/en/business/dx/manufacturers/leanseeks/</p>
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Competitive Advantage 4:

Human Network

Through Global Sourcing, Sowing the Seeds and Building Relationships

At Macnica, we have a new technology and solutions research team that continuously researches and identifies the latest technologies and solutions in collaboration with Macnica Networks USA, based in Silicon Valley. We review over 1,200 startups annually and strengthen our relationships with promising startups through additional meetings. Rather than focusing solely on overseas achievements and the quantity of technology, we collaborate with our related solution teams to conduct pre-marketing activities for innovator customers. This helps us gauge the potential demand for new technologies in Japan and other countries where we operate before deciding whether to handle them.

Macnica has a proven track record of successfully launching businesses and is often introduced to new IT vendors through the human network (social capital) it has developed with key personnel at suppliers in Japan and overseas during the Product Life Cycle. **P. 16** We often receive inquiries from former representatives of suppliers who have changed jobs, from executives of suppliers who started new ventures, and through referrals from innovative customers. These individuals, who have built trust with Macnica through past activities, bring us information and tend to be highly sensitive to new technologies. Individuals who have built a relationship of trust with Macnica and are highly attuned to new technologies provide valuable information. Many of these are IT vendors that have not yet gone public (IPO) and are not widely known, but they offer solutions to issues that are not yet known to the world, enabling Macnica to provide high value to both customers and IT vendors. Macnica shares its success stories with overseas startup companies through activities in the introduction and growth stages of the Product Life Cycle. We believe that our understanding of the startup mindset and the measures necessary for success fosters trust with IT vendors. Additionally, innovator customers work with Macnica to promote internal persuasion for the adoption of new technologies and to facilitate the use of these technologies after they are operational. In this way, Macnica's daily sales activities throughout the Product Life Cycle contribute to generating the seeds for future success.

<p>Research Staying Ahead of the Trends</p> <ul style="list-style-type: none"> Gathering information through human networks and conferences Investigating over 1,200 IT vendors annually 	<p>Building Relationship Cutting-Edge Solutions</p> <ul style="list-style-type: none"> Researching and visiting over 150 vendors annually, including those in early growth stage 	<p>Evaluation Pre-Marketing</p> <ul style="list-style-type: none"> Collaboration with experts in technology and business Leveraging customer networks 	<p>Establishing Distribution Channels Market Entry / Partnerships</p> <ul style="list-style-type: none"> Signing distributor agreements Strategic investments Service and R&D
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Focus on Emerging High-Growth Vendors

Macnica has incorporated a number of emerging high-growth vendors into its portfolio to capture rapid market growth. These solutions have been developed in response to technological innovation and potential market demand. While the current market size may be small, future growth is anticipated. For example, AI-based security operation automation solutions improve operational efficiency and solve the problem of security talent shortage, and improve the quality of corporate security operations.

By working to create markets from an early stage, Macnica has achieved success during the growth phase. On the other hand, we do not concentrate on so-called commodity solutions, which are difficult to add value to.

By focusing on market creation for such cutting-edge solutions and expanding sales activities during the growth stage, we can achieve a growth rate consistently higher than the market.

Growth Strategy 1: Domestic Growth Strategy

For example, in the Japanese security domain, the overall security products market is expected to grow at a CAGR of 6.9% from 2023 to 2028, compared to a CAGR of 8.5% for the Macnica product market (Service Accessible Market/SAM). In addition, in the 'New SAM' area, which expanded its product portfolio with the launch of new products in FY2023, growth is expected at a CAGR of 15.5%, indicating that we are constantly focusing on growing markets.

Macnica is developing strategic marketing and sales activities to maximize the market potential of these solutions and differentiate itself from the competition. In addition, we conduct careful technical verification, develop support personnel, and provide services to provide customers with reliable emerging vendors.

Expanding Solutions and Profitability During the Growth Stage

Macnica not only handles new vendors, which has been its strength, but also actively considers working with IT vendors already in the growth stage and having established a certain number of customers and partners, provided there is potential for growth and profitability through the provision of added value. Through this approach, we aim to further expand our market share. Due to the success of the solutions we have handled to date, new opportunities have arisen from IT vendors with a proven track record in Japan, who are now requesting that we handle their products. We will also address the diverse needs of our customers by promoting activities to extend the growth stage and building an ecosystem with existing products. The products we have already started handling have been highly evaluated by our customers, and we expect to see stable demand. Through these strategies, we will steadily increase our earnings and enhance the profitability of our overall business.

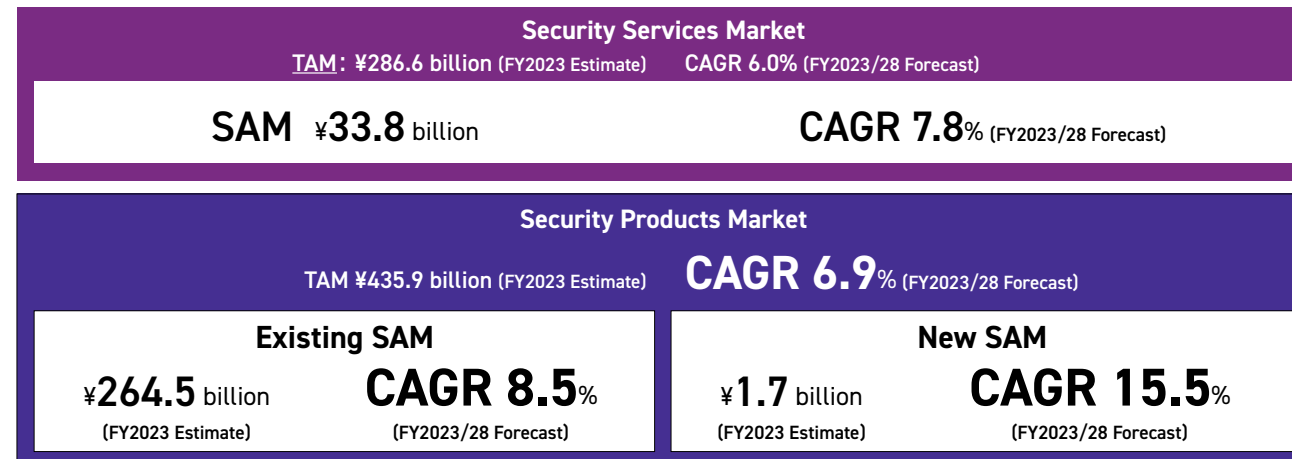
Development of In-House Services

Macnica also continues to focus on the development of its own services. Through the sales activities of Macnica's IT solutions, intellectual and human capital are being strengthened, and the development of our original services is progressing in line with the needs of the market. We believe that by developing and providing our own services, we will be able to build long-term, more responsible relationships with our customers.

Developing our IT services is progressing smoothly. Our 'Attack Surface Management Service' was well received in the market, including the No. 1 market share in Japan*2 by a third-party agency. These services are favored by many customers due to their high quality and reliability. Going forward, we will continue to accurately grasp changes in the market and potential customer demand to develop new services and improve existing services.

*2 Fuji Chimera Research Institute, 'Network Security Business Survey Overview,' December 2023, ASM Tools Market.

Security Business Markets and Growth



Source: Fuji Chimera Research Institute, '2023 Network Security Business Survey Overview' 'Security services market' and 'Security products market' (SAM is calculated by Macnica.)

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Further Acceleration of Global Expansion

In parallel with our expansion in domestic network business, we are actively pursuing overseas expansion. This began with our investment in iSecurity (Taiwan) in 2016, followed by the 2017 acquisition of Netpoleon (Singapore), which is expanding into Asia Pacific countries. We also reached an acquisition agreement with CyberKnight (United Arab Emirates) in 2023, which has a presence in the Middle East. By acquiring overseas distributors focusing mainly on cybersecurity, we have advanced our expansion into the Asia Pacific and Middle East regions. We are also pursuing expansion into countries such as India and Australia through our overseas subsidiaries.

The main objective of our global expansion is to capture market growth in regions with high medium- to long-term growth potential. [P.45](#) The market for cybersecurity products in Japan is expected to remain strong, with a CAGR of 12.7%*1 forecast from 2023 to 2028. Globally, the Asia Pacific region is

Growth Strategy 2: Global Strategy

expected to grow at 13.8%*1 and the Middle East region at 13.0%*1 during the same period, representing a larger growth rate than the Japanese market. Although these markets are still small compared to the Japanese market, we are expanding our business with a view to achieving sustainable growth in the medium- to long-term.

In addition, the broad geographical coverage of our cybersecurity distributors—from Japan and Asia Pacific in the east to the Middle East and North Africa in the west—is unique globally and attracting increasing attention from IT vendors. Building on our existing value proposition, we hope to use our global coverage to increase collaboration in the future. In addition, to create further group synergies, we are working with group companies on

a gradual commonality for IT vendors across the group.

Furthermore, we are also strategically working to improve profitability on a group-wide basis by increasing the knowledge accumulated in each country and concentrating on specific functions such as technical support. These efforts in overseas markets are ahead of those of domestic IT providers, and we believe that our growth potential and knowledge of overseas markets give us a competitive advantage.

*1 Source: Gartner® CAGR 23/28, Sources and descriptions on page 106

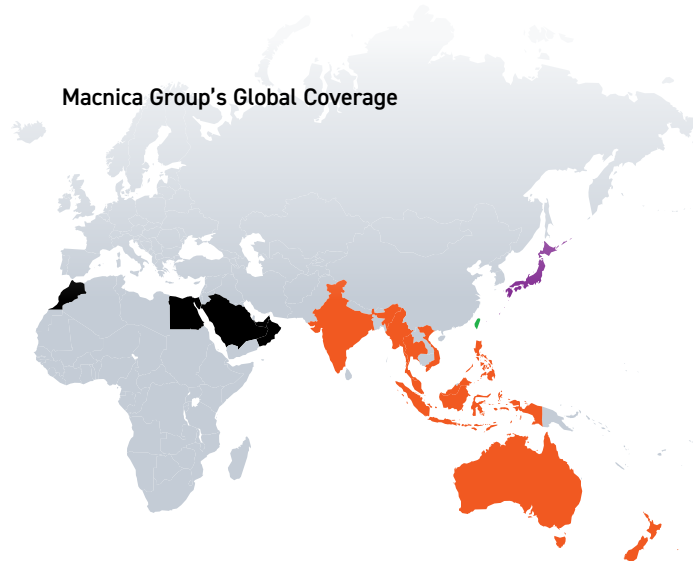
Evaluation of Overseas Operations

Overseas Group companies iSecurity, Netpoleon, and CyberKnight are all distributors specializing in cybersecurity, each promoting their business based on the security needs and competitive environment for IT solutions in the countries where they operate. Many of the solutions they offer consist of systems that are considered leaders in security awards, and they have received highly regarded agency awards for IT vendors for each of their solutions.

Major IT Vendors for Overseas Business*2

Check Point	CyberArk	ForcePoint
INFOBLOX	MANDIANT	NETSCOUT
SailPoint	Thales	Trellix

*2 Consolidated only (Netpoleon)



	iSecurity Inc. ● Headquarters: Taiwan
	Netpoleon Solutions Pte Ltd. ● Headquarters: Singapore ● Business Areas: India, Indonesia, Australia, Cambodia, Thailand, New Zealand, Philippines, Vietnam, Malaysia, etc.
	CyberKnight Technologies FZ-LLC. ● Headquarters: United Arab Emirates ● Business Areas: Egypt, Oman, Qatar, Kuwait, Saudi Arabia, Jordan, Morocco, etc.

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Message

Aiming to Become the Overwhelming No. 1 Cybersecurity VAD in the APAC Region



Francis Goh Teck Hoe CEO, Netpoleon Solution Pte Ltd.



Netpoleon is a network and cybersecurity distributor (Value Added Distributor) founded in Singapore in 2000 by Founder and CEO Francis Goh Teck Hoe. Since its establishment, we have gradually expanded to 11 countries, primarily in the APAC region, including Singapore, the Philippines, Malaysia, Thailand, Vietnam, Indonesia, Australia, India, Cambodia, and New Zealand. Netpoleon employs over 600 people.

Netpoleon joined the Macnica Group in 2017 and is a key player in the expansion of the network business overseas. Netpoleon handles a wide range of solutions tailored to the market environment of each country where it operates and provides technical support to help customer companies implement these solutions in each country. In recent years, Netpoleon has further strengthened its market presence by holding flagship Netpoleon Solution Days in each country, offering leading-edge information to visitors. Moreover, we are maximizing human capital by working on strategic IT vendor commonality and exchanging technical knowledge on a group-wide basis. With a view to expanding business in the countries where we operate, we will further promote business expansion by launching various services focused on cybersecurity and centralizing common functions such as pre-sales, technical support, and marketing.



Demonstrating Our Presence as a Hub for Further Business Growth in the Rapidly Growing Middle Eastern Market



Avinash Chandru Advani CEO, CyberKnight Technologies FZ-LLC



CyberKnight is a Value Added Distributor with Zero Trust security at the core of its business, founded in 2019 by CEO Avinash Chandru Advani and COO Vivek Kumar Gupta. Headquartered in the United Arab Emirates (UAE), the company operates in nine countries (UAE, Saudi Arabia, Qatar, Kuwait, Egypt, Jordan, Oman, Morocco, and Bahrain), covering the Middle East and North Africa regions. In the five years since its inception, CyberKnight has grown to become one

of the largest cybersecurity distributors in the Middle East, employing over 90 people, and strengthening its presence as a Zero Trust Security VAD through strategic digital and physical marketing activities.

We joined the Macnica Group in 2023, and since then, we have been collaborating on strategic IT vendor commonality and exchanging knowledge on new technologies. We plan to further accelerate our business development by expanding into new regions and countries, launching our own cybersecurity-focused services, and establishing ourselves as a regional hub for business expansion in the Middle East and beyond.



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CPS Solutions Business

Progress Toward Unique Solutions that Deliver New Value

Creating New Business across Six Themes
Leveraging Technology × Expertise from Existing Business



Atsushi Sato

Executive Officer
General Manager
Strategic Innovation
Business Group
Macnica, Inc.

Business Strategy

- Business development to solve social issues in six themes
- Expansion of CPS platforms
- Strengthening capabilities for long-term growth

FY2023 Review

Of the six themes in our CPS Solutions business, the autonomous EV bus business for municipalities in the Smart City/Mobility domain achieved a cumulative total of 36 demonstration experiments, six of which transitioned to regular operation on public roads following the Japanese government's lifting of the ban on Level 4 autonomous driving. In Smart Manufacturing, the MES (Manufacturing Execution System) integration business, which supports production in the manufacturing industry, saw growth. In Circular Economy, we signed a 'Collaboration Agreement for Social Implementation of Perovskite Solar Cells to Promote Decarbonization' between Peccell Technologies, Inc. represented by Specially Appointed Professor Miyasaka at Toin University of Yokohama, the inventor of perovskite solar cells, Kanagawa Prefecture, and Macnica, Inc. We also initiated a technical development and demonstration project in collaboration with the Ministry of the Environment and have made preparations for social implementation.

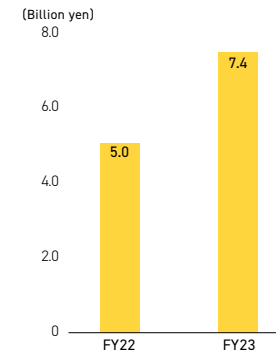
FY2024 Outlook

By FY2024, the number of municipalities supported by Macnica in the social implementation of autonomous driving is expected to double year-on-year to 60. As full-scale implementation progresses across Japan, we signed a new investment agreement with NTT West for Navya Mobility SAS*1, our wholly-owned subsidiary in France. With growing global demand for autonomous driving EV buses, we plan to develop solutions that integrate telecommunications with mobility. In the Smart Manufacturing domain, we have expanded our offerings to include cloud-based PLM (Product Lifecycle Management) software, alongside MES, to support product development and production in the manufacturing industry. Business is also rapidly growing in low-code development and in-house production improvement CPS software 'DSF Cyclone.' As regards the Circular Economy, our energy conservation and resource recycling solutions business are expanding. This includes 'Macnicut,' a heat-insulating paint that can reduce power consumption by 15% by reflecting more than 90% of solar heat from air conditioner outdoor units, and 'Melt King,' a dry waste reduction and sterilization plant that can reduce food waste from manufacturing facilities and infectious waste from medical and care facilities to one-tenth. Overall, the CPS Solutions business is expected to experience significant growth.

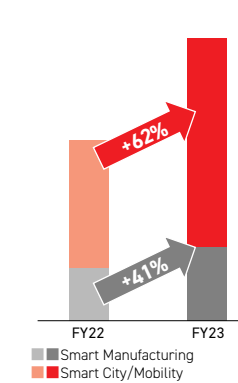
Six Domains in CPS Solutions Business



Sales Trends*2 (CPS Solutions)



Net Sales Growth Rate (Smart City/Mobility, Smart Manufacturing)



*1 The new company name will be changed to Navya Mobility SAS. In accordance with French law, the name change becomes official following CSE (Social and Economic Committee) approval, the fulfillment of legal requirements, and approval by the relevant authorities in France.

*2 In the reportable segments, the performance of the CPS Solutions business is included in the Semiconductor Business and Network Business, and the figures overlap.

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What is the CPS Solutions Business?

Overview of CPS Solutions Business

CPS (Cyber-Physical System) is a system that collects various data from the physical space using sensor networks and other real world technologies, then analyzes and converts it into knowledge using large-scale data processing technologies such as AI and machine learning from the cyberspace.

Macnica provides CPS Solutions that leverage the fusion of cyber and physical in six fields: (1) Smart City/Mobility, (2) Smart Manufacturing, (3) Circular Economy, (4) Healthcare, (5) Food & Agritech, and (6) CPS Security.

In Smart Manufacturing, we collect data from the physical realm of the manufacturing floor—machinery, equipment and processes,

including operating rates, defect rates, raw materials, inventories, BOM (Bill of Materials), designs, and workers. We manage this data using management software such as cyberspace analysis platforms, PLM, and MES, to support improvements in manufacturing productivity and the achievement of management indicators.

Richer Solutions with Digital Triplets (D3)

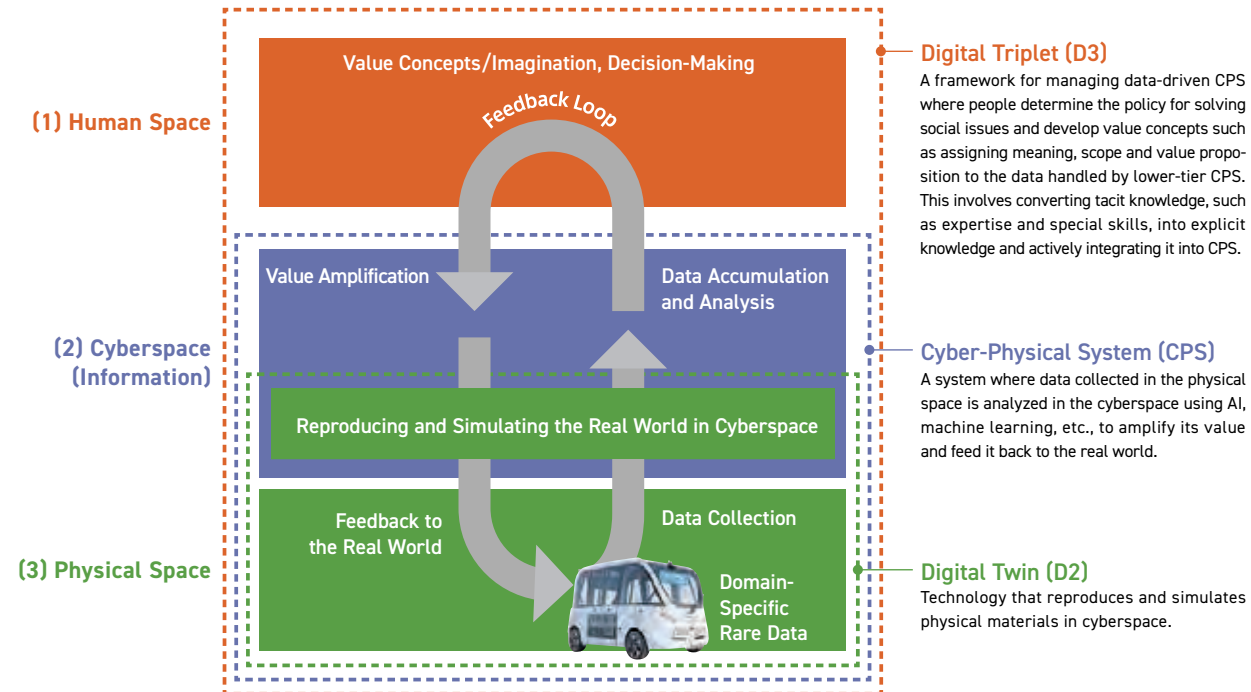
Macnica is promoting a framework called Digital Triplets (D3), which fuses 'human knowledge' such as know-how and expertise with CPS in business themes that have entered a growth stage. This adds the human space on top of the physical and cyberspaces, and determines the policy for solving social issues with people at

the center. The idea is that people will ultimately make sense of the data handled by the lower-tier CPS, such as the scope and value proposition.

For example, people will define and make decisions about 'safety and security' in a society where Level 4 autonomous driving has been realized, and people will also come up with new ideas for value creation, from 'distributing information for the creation of liveliness in the city, such as sightseeing, entertainment and shopping, to digital signage in the cabin of autonomous driving EV buses' through a remote monitoring system.

In D3 in the manufacturing industry, tacit knowledge, such as the aspirations of management and the know-how and special skills of workers, is actively integrated and formalized in the CPS, creating a virtuous cycle that improves the accuracy of decision-making by people based on information in the CPS.

Domain Expertise × Digital Triplet = Unique Value



Forming an Ecosystem

Working Together to Solve Social Issues

The companies we collaborate with in our CPS Solutions business are not simply suppliers, but co-creation partners based on trust and understanding. By forming capital and business alliances and partnerships, we aim to form ecosystems and solve social issues together.

For example, in the Smart City/Mobility domain, we formed a capital and business alliance with aptpod and have incorporated the company's patented communication protocol technology into our independently developed fleet management system 'everfleet,' to develop a real-time, two-way remote monitoring platform with no data loss. As a result, we are the only Services & Solutions provider in Japan capable of developing both management software and autonomous EV buses in-house, contributing to solving transportation challenges for municipalities, and society.

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What is the CPS Solutions Business?



Smart City/Mobility

Providing Safe and Secure Autonomous Driving EV Bus Operation Services

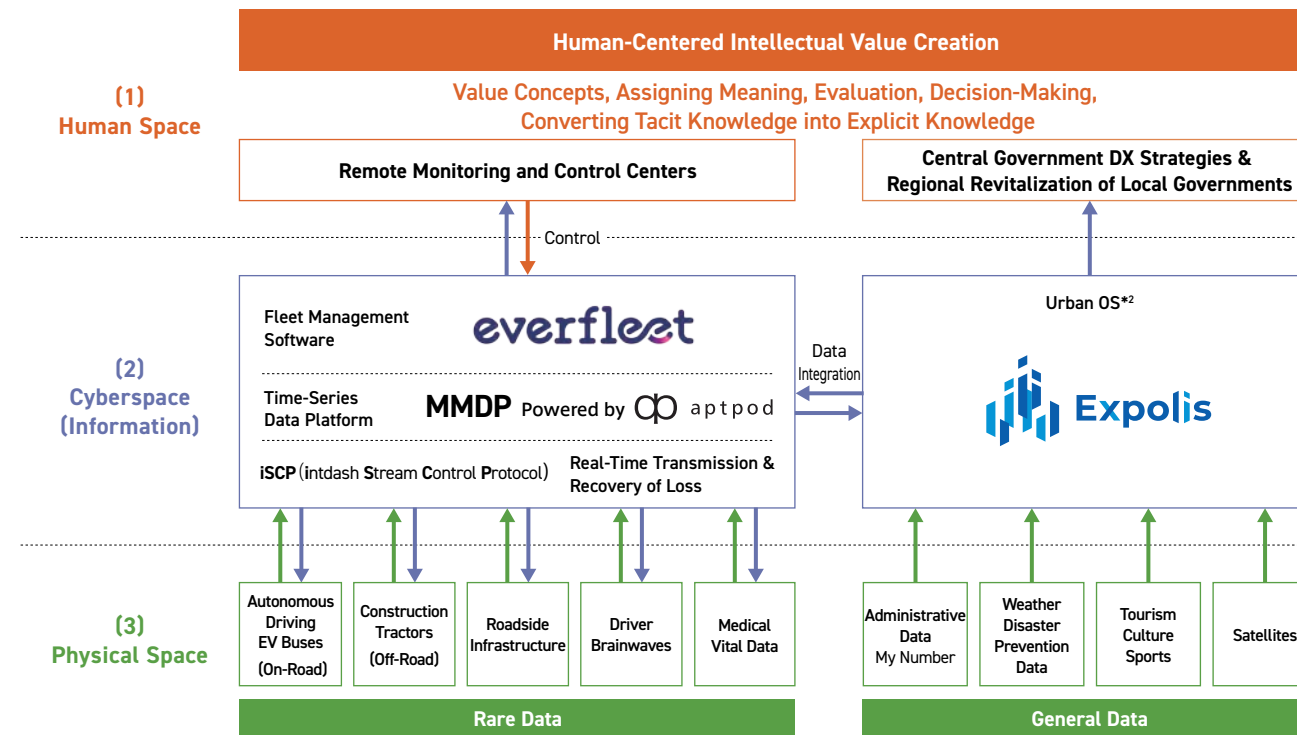
In the Smart City/Mobility domain, we aim to address various social issues such as reducing traffic accidents, resolving mobility challenges for the elderly and disabled, improving logistics efficiency, and revitalizing local communities. We achieve this with the data obtained from mobility vehicles equipped with autonomous driving technology and various sensors.

Navya Mobility SAS*1 in France, which became a wholly-owned subsidiary of the Macnica Group in June 2024, has been a pioneer in autonomous driving EV buses since its establishment in 2014. With over 10 years of experience in developing autonomous driving software, Navya Mobility SAS*1 has a proven track record, delivering over 200 units to 28 countries.

By leveraging the expertise cultivated by Navya Mobility SAS*1 with Macnica's strengths in field engineering-based social implementation, we aim to reduce the preparation time required from demonstration to the commencement of stable, regular operations for autonomous driving EV buses. The integration of our independently developed cloud-based operation control system 'everfleet' for autonomous driving vehicles allows us to provide a safe and secure autonomous driving EV bus operation services. This system visualizes and analyzes operational status and in-vehicle information in real time and allows for remote operation and control in the event of an emergency.

In order to establish safer and more reliable operations, we will continue to conduct demonstrations of data integration with transportation infrastructure and various forms of mobility beyond autonomous driving EV bus operation services towards 2027. Additionally, by consolidating this operational data into the data integration infrastructure (Urban OS*2) which accumulates various types of city data, we will design a new public transport system that

Digital Triplet in Smart City/Mobility



considers the diverse public transport conditions in each region and town, in collaboration with municipalities and partner companies.

Autonomous Driving EV Buses Business Expected to See High Global Demand and Growth

In FY2024, the number of demonstration experiments we support for municipalities is set to double to 60 (year-on-year). As full-scale implementation accelerates across Japan, there is also an increasing number of inquiries from North America, Southeast Asia, and the Middle East about introducing autonomous driving EV buses. This interest is driven by the need to address driver shortages caused by declining populations and to alleviate traffic congestion resulting from large-scale urban development.

The market for autonomous driving is expected to grow at a

CAGR of 19.7% between 2023 and 2032.*3 Currently, 56% of the world's population, or around 4.4 billion people, live in cities, and this is expected to increase 1.5x by 2045. In line with this, the use of autonomous driving EV buses is expected to increase further in urban areas as a practical and environmentally friendly solution that contributes to resolving traffic congestion and reducing accidents.

The Macnica Group will continue to promote demonstration and regular operation in Japan, accumulating data, and improving operational design while expanding its technology and business model globally. We will continue to support the realization of Digital Triplet public transport services by integrating the Macnica Group's autonomous driving vehicles, operation control systems, and knowledge cultivated in each region.

*1 The new company name will be changed to Navya Mobility SAS. In accordance with French law, the name change becomes official following CSE (Social and Economic Committee) approval, the fulfillment of legal requirements, and approval by the relevant authorities in France.

*2 A unified platform for managing and controlling urban functions.

*3 Global Market Insights, 'Autonomous Bus Market Size & Share, Growth Analysis 2032,' October 2023

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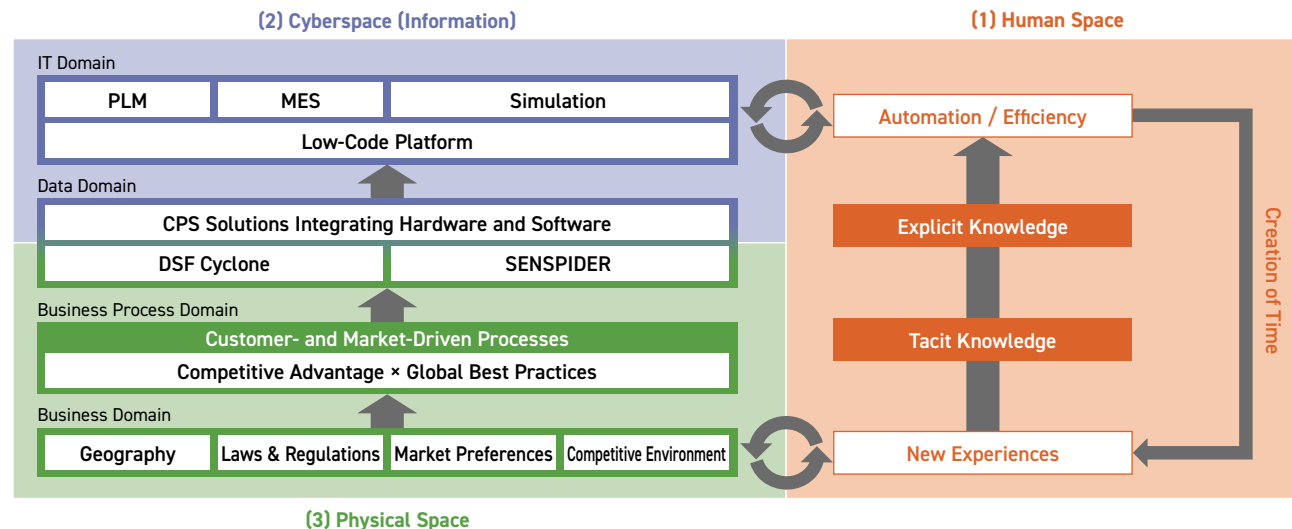
Smart Manufacturing

D3 Concept: Accelerating Solutions to Manufacturing Challenges

In the Smart Manufacturing domain, we leverage cutting-edge technology and expertise in support of Japan's manufacturing industry in addressing challenges such as improving productivity and operational efficiency. To support the sustainable growth of our customers, we will drive the DX of the manufacturing industry by combining Japanese culture with global best practices, while leveraging the strengths of the Japanese manufacturing industry.

Specifically, we offer consulting services to advance manufacturing DX and provide a range of solutions, including SIEMENS SaaS PLM, MES, Mendix low-code development platform, and Tecnomatix simulation software for KPI visualization and optimization. Our proprietary solutions include DSF Cyclone, designed to enhance production efficiency at manufacturing sites,

Overview of Smart Manufacturing



and SENSPIDER, a compact all-in-one edge computing device. In line with the D3 framework, these solutions not only facilitate data integration but also help assign meaning to the accumulated data, convert tacit knowledge into explicit knowledge, support human decision-making and value creation, and develop new services using the data.

Japan's manufacturing industry is supported by highly skilled personnel with a strong sense of responsibility and the ability to adapt to changes based on past experience. However, to address the rapid changes in today's business environment, it is essential to allow manufacturing personnel more time for creativity. Therefore, we support the industry's transformation by providing solutions that accelerate the resolution of new issues while utilizing the manufacturing technology and know-how developed by our customers over the years.

In our proposals, Macnica emphasizes an approach that prioritizes 'experience.' We assess and understand onsite issues,

make the most suitable proposals, and assist with the implementation of solutions. Additionally, we offer comprehensive support using digital twin technology, AI, and IoT to enhance manufacturing processes and efficiency.

For example, with the introduction of 'DSF Cyclone' at TOGO SEISAKUSYO CORPORATION, optimization of the entire factory is being driven by initially optimizing each manufacturing process. The number of collaborative cases is increasing.

Sustainable Market Expansion Advances in Cutting-Edge Technology

The domestic manufacturing DX market is forecast to grow at a high rate towards 2030, driven by technological advancements such as CPS and Digital Twin. These technologies align closely with Monozukuri, which will be a key focus, as factories go digital.

Looking at the manufacturing market by category, the automotive market is expected to be driven by increased demand for EVs, supported by government initiatives and enhanced R&D. The semiconductor equipment market is projected to grow from \$127.87 billion in 2024 to reach \$156.09 billion by 2029, with a CAGR of 4.07% during the forecast period (2024 - 2029)*.

At manufacturing sites, digital technologies such as IoT and AI are increasingly being introduced to improve the efficiency of manufacturing processes. We will continue to advance comprehensive solutions, along with systems such as PLM and MES, to enhance the efficiency of the entire manufacturing process, encompassing both hardware and software.

* Source: Mordor Intelligence, 'Semiconductor Equipment Market Size & Share Analysis - Growth Trends & Forecasts (2024 - 2029),' February 15, 2024

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TOPIC CPS Solutions Case Study



Healthcare

Contributing to the Prevention of Disease Through New Technology

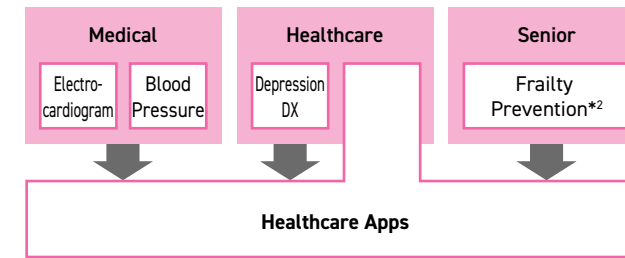
In the Healthcare domain, we aim to contribute to the prevention of various diseases and pre-symptomatic conditions. To achieve this, we are focused on providing solutions that combine leading-edge vital sensors with healthcare apps as medical devices to scientifically assess disease risks that could not be predicted with conventional technologies. We are currently working to establish individual solutions in three sectors and to gather research data.

In the medical sector, we obtained licensing to sell specially-controlled medical devices in FY2023. With a focus on preventing the progression of cardiovascular and cerebrovascular diseases, we began selling a patch-type electrocardiograph during the fiscal year.

In FY2024, we plan to launch a cuffless blood pressure measurement service using wearable devices. In the healthcare sector, we are working on commercializing healthcare apps acquired from domestic companies and developing a PHR*1 integrated data infrastructure. Additionally, we are conducting joint research with Hiroshima University, among others, to enable the early detection of depression. In the senior sector, we are commercializing a frailty*2 prevention service and actively promoting its sales. Looking ahead, we aim to integrate these three sectors to provide comprehensive solutions for both the working population and seniors.

*1 Personal Health Record: A digital record of an individual's health condition
 *2 A decline in physical strength and function among the elderly.

Creating New Healthcare Solutions



Providing solutions that scientifically assess disease risks that could not be predicted with conventional technologies.

Preventing Various Diseases and Pre-Symptomatic Conditions



Circular Economy

Energy Management Solutions 'Local Production for Local Consumption'

Macnica is committed to contributing to a decarbonized society through the social implementation of leading-edge technology. Key for achieving carbon neutrality are renewable energy, energy conservation, recycling, and CO₂ absorption and removal. For example, in renewable energy, Macnica aims to achieve local production for local consumption through perovskite solar cells for 'producing' energy, the home lead-acid battery system 'Soldam' for storing energy, and the energy management system 'Kisense®' for using energy. In energy conservation, we provide innovative solutions such as 'Macnicut,' a heat-shielding and insulating paint that reduces power consumption when applied to the outdoor units of air conditioners, freezers, and refrigerators. In recycling, we offer innovative solutions such as 'Melt King,' which reduces the volume and weight of waste while enabling its reuse as a resource. Linked to energy management systems, these solutions contribute to the visualization and problem analysis of energy and CO₂ emissions, enhancing efficiency through system control mechanisms.



Food & Agritech

Connecting Food and Agriculture to the Future Next-Generation Plant Factory and Co-Creation Sandbox

In the Food & Agritech domain, in March 2024 we opened the Food Agri Tech Incubation Base, a next-generation container-type plant factory. Adjacent to Shin-Yokohama headquarters, the factory strengthens our foundation in diversified food production and serves to pass on agricultural technology to the future.

The container features both a cultivation room and a co-creation area. Co-developed with NEXTAGE for social implementation of the wasabi cultivation module, we opened the facility to the public as a co-creation sandbox promoting the CPS platform integrating environmental data collection, AI analysis, and control leveraging our sensing expertise from the semiconductor business. Demonstration experiments aiming to optimize and automate the hydroponic cultivation environment are currently underway with several co-creation partners. We aim to realize an exciting next-generation plant factory that makes full of our cutting-edge environmental control technology.



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IT & DX Strategy

Message from the General Manager, Corporate IT Division

Aiming to contribute directly to enhanced corporate value and profitability through three IT & DX measures—Transformation, Growth and Foundation



Keigo Ando
Executive Officer
General Manager,
Corporate IT Division,
Macnica, Inc.

Macnica Holdings, Inc. was named a DX Stock 2024, jointly selected by METI (Ministry of Economy, Trade and Industry), TSE (Tokyo Stock Exchange), and IPA (Information-technology Promotion Agency, Japan).

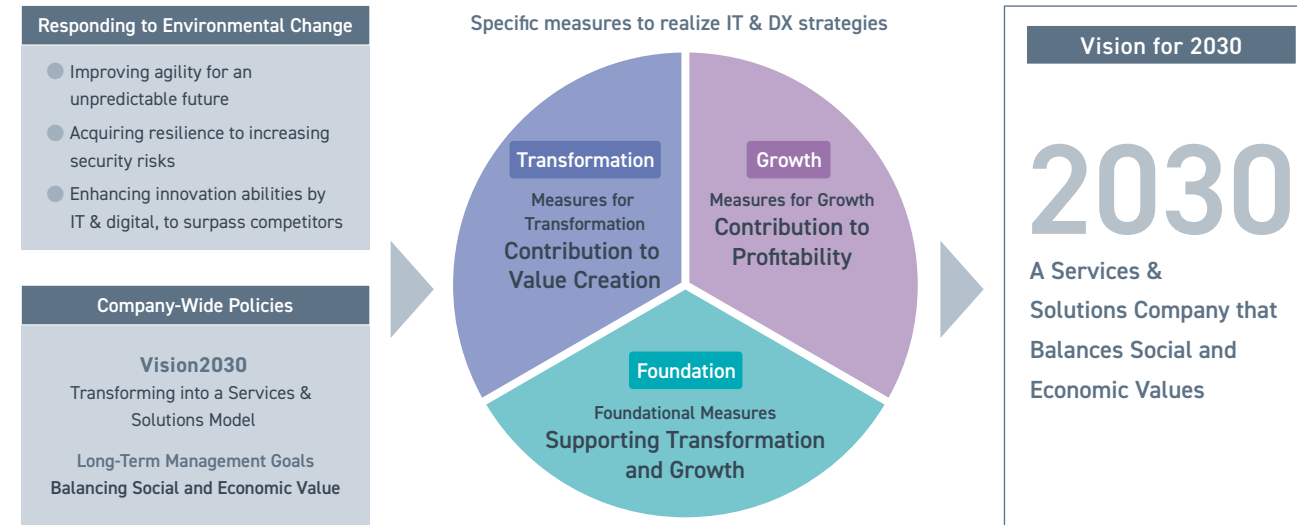


Macnica plans and promotes measures that utilize IT and digital technology with the aim of further strengthening existing businesses by improving productivity, as well as actively creating new businesses. We aim to expand our business portfolio and achieve stable growth by swiftly identifying and bringing cutting-edge technologies and products to the market, and positioning IT & DX at the center of our strategy. In recognition of our originality, in May 2024 we were named a DX Stock 2024, jointly selected by the METI, TSE, and IPA.

To establish an IT and digital infrastructure that contributes to the realization of our Medium-term Management Plan and Vision 2030, we are promoting Transformational measures that contribute to value creation, Growth measures that contribute to improving profitability, and Foundational measures that support transformation and growth.

Transformational measures provide development infrastructure and systems which support the development of services & solutions aimed at creating new value, as well as mechanisms to promote the use of these. Growth measures promote the use of management capital such as systems and data through the global deployment of core systems and process mining, etc., contributing

[IT & DX Strategy]



to further efficiency globally. Foundational measures aim to strengthen management capital such as the IT and digital environment, human resources, and organizational structure necessary to revitalize Transformation and Growth measures.

In FY2023, we focused on improving the global IT and digital environment, aiming to stabilize and promote the core systems in Japan and further improve efficiency overseas. By the end of FY2024, we plan to complete the implementation for groups in Europe and the United States, and from FY2025 onwards, we plan to expand to Asia. At the same time, we are making steady progress in strengthening global governance and building a zero-trust network aimed at the realization of flexible work styles.

Expanding the scope and promoting DX initiatives at the company-wide level, it is necessary to develop core DX human resources who can work on transformation with a sense of purpose in each department. We believe that it is important to raise and maintain high levels of motivation for change among IT & DX human resources, and we intend to implement measures during FY2024 such as expanding specialized development programs, in addition to existing company-wide training programs.

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Roadmap for promoting IT and DX measures towards Vision 2030

Macnica's IT & DX Strategy

Through the full use of IT and digital technology, we will ensure business stability by improving resilience, and realize rapid and flexible value creation by improving agility, creating an environment that fosters innovation, and supports our Vision 2030 of 'Transforming into a Services & Solutions Model.'

Strengthening the use of IT throughout the entire business, in the areas of Transformation, Growth, and Foundation, 'directly contributing to the enhancement of corporate value and the expansion of profits' in 2030

Ensuring business stability by improving resilience and creating value quickly and flexibly by improving agility cannot be achieved in a single step. We have formulated IT strategy steps that are in line with the 'Three Steps of Transformation' towards Vision 2030 and are steadily promoting multiple measures.

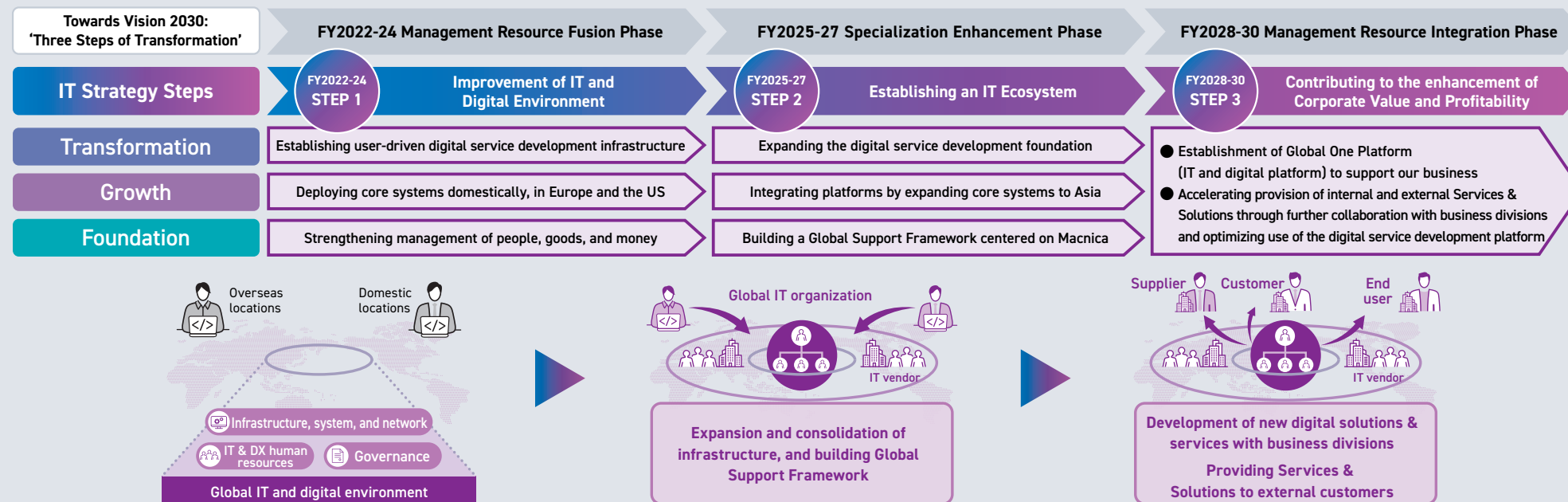
STEP 1 focuses on developing a global IT and digital environment. Specifically, we are preparing to fully utilize IT and digital technologies on a global scale. This includes deploying core systems and a Zero Trust network overseas, further improving efficiency through data utilization, developing IT & DX human resources, managing IT investments and costs, and enhancing our ability to respond to risks.

In STEP 2, we will establish an IT ecosystem to further utilize the IT and digital environment and further increase the contribution of IT to increasing corporate value. In order to

increase the contribution to increasing corporate value, in addition to continuous improvement of the IT and digital environment to support global business expansion, we need a global IT organization to promote the use of IT and digital environments. In order to promote the use of the entire environment worldwide, we aim to establish an IT ecosystem by strategically collaborating with partners such as IT vendors who have the ability to support the Macnica Group globally (Global Support Framework).

In STEP 3, we will extend from strategies aimed at improving productivity and business efficiency, such as developing the IT digital environment and establishing an IT ecosystem, and aim to contribute to sales and profits directly. We will take on new challenges, such as promoting business improvement and new service development, using IT and digital, and in collaboration with business divisions, providing developed services and solutions to customers.

Towards Vision 2030: Roadmap for Promoting IT & DX Measures



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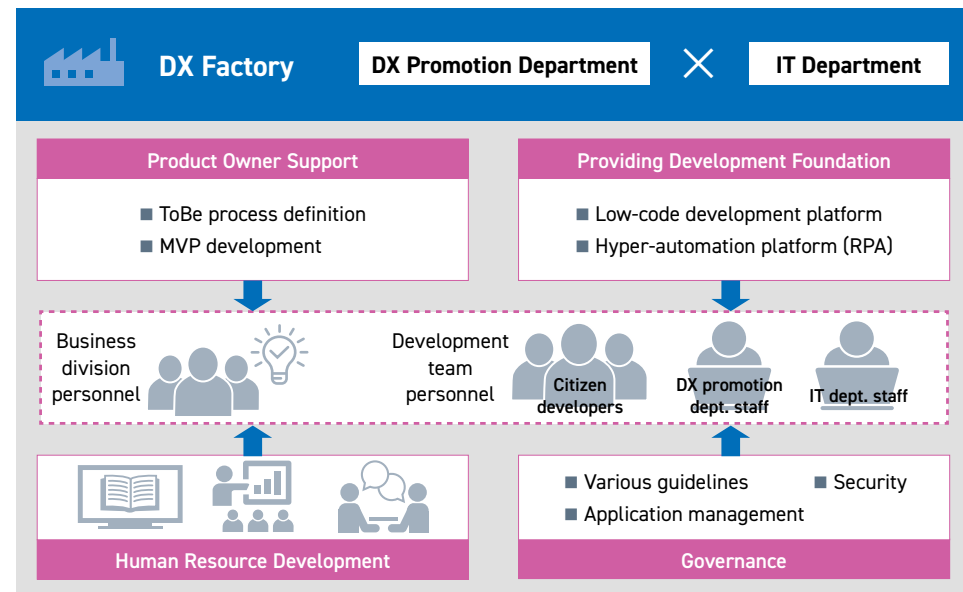
Transformation Establishment of the DX Factory

While Vision 2030 calls for a transformation of the business into a Services & Solutions Company, the rapid expansion of the semiconductor business and the need to enhance productivity in existing businesses present immediate challenges. Under these circumstances, balancing the improvement of business division operations with the development of new services alongside regular business activities is particularly demanding.

To address these challenges, Macnica has established the DX Factory. This cross-sectional organization is designed with the environment, structure, and functions to connect business divisions and IT departments, accelerate innovation, and promote the realization of business ideas. The DX Factory consists primarily of members from the DX Promotion Department, bringing expertise in DX consulting and new service development, and members from the IT Department, contributing IT knowledge. It supports business divisions in enhancing operations and launching new services by leveraging internal and external development platforms, tools, and cloud services.

The DX Promotion Department and the IT Department will not only provide their respective expertise to assist business divisions in improving operations and launching new services, but will also offer support functions related to human resources and the development process, aiming to boost the productivity of existing businesses and directly contribute to the growth of the CPS solutions business.

Business Support with DX Factory



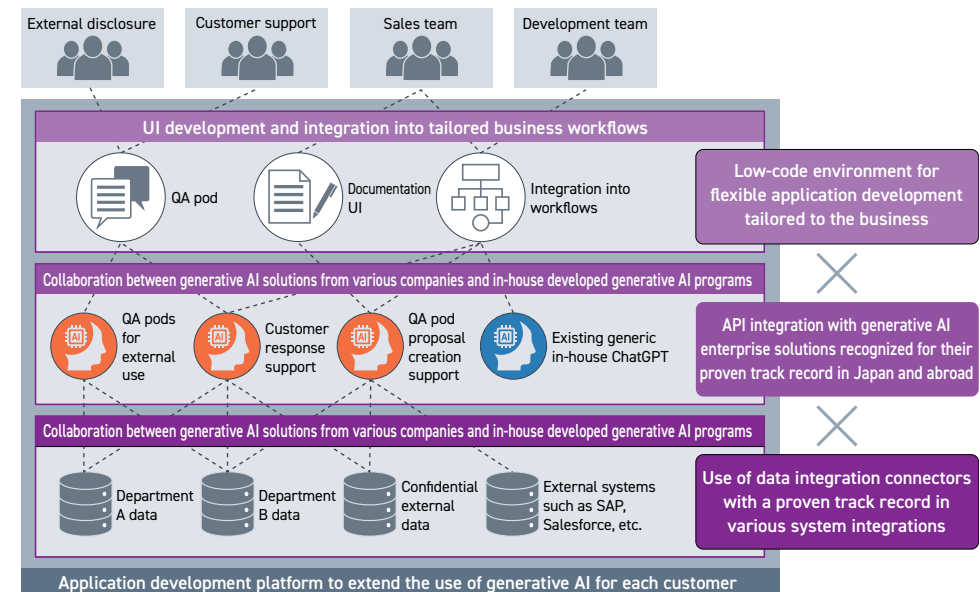
Growth Promoting the Use of Generative AI

Since around 2017, when AI was still an emerging global research field, Macnica was developing AI solutions to address customers' business challenges, forming an in-house team of data scientists. In 2019, we established the AI Research & Innovation Hub, a cross-company organization dedicated to advanced research and investigation. This hub continues to propose AI technologies tailored to solving field-specific issues with advanced knowledge.

As the use of generative AI grows, we formed the Generative AI Working Group in 2023. This group is dedicated to the application of generative AI, focusing on understanding and disseminating new technologies and applying generative AI to enhance productivity and create new value. Our efforts have led to the development of in-house generative AI services, such as 'Hakase-chan,' which offers secure usage in terms of security, and 'Knowledge ADD VNTR.,' which aims to further improve operational efficiency using internal data. We also released a generative AI platform that can be flexibly expanded and adapted to meet business needs of client companies.

In the future, as we release generative AI services tailored to specific applications, we aim to unify all AI-related environments within the Company on a single foundation and deploy services for both internal users and external customers.

Generative AI Platform



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Key IT & DX measures

Growth Implementation of Process Mining

Process mining is an analysis method for visualizing, monitoring, and improving business processes based on event logs (time series data) accumulated in the system. This approach aims to further enhance efficiency by easily identifying bottlenecks and other improvement points in operations and deriving useful measures.

In STEP 1 of 'Developing an IT and Digital Environment' (an IT Strategy), a certain level of operational efficiency was achieved through system integration. However, process mining has been introduced to drive further efficiencies by conducting analysis without subjectivity, based on accumulated pre-event logs.

In FY2023, a pilot project was implemented in the areas of negotiation management and order management within the semiconductor business. Previously, it was impractical to individually check the various business processes for each supplier and customer. However, mechanical analysis using event logs revealed that addressing several inefficiencies, such as price changes and order processes, could potentially reduce costs by up to ¥150 million.

In the future, while continuing to address business challenges in business meeting and order management, process mining will be expanded to other areas, such as purchasing and warehouse management. This expansion aims to further improve operational efficiency by visualizing, monitoring and deriving measures for operational processes, leading to improved operational efficiency and business competitiveness.

Implementation of Process Mining



Transformation

Growth

User-led Hyper-Automation Implementation

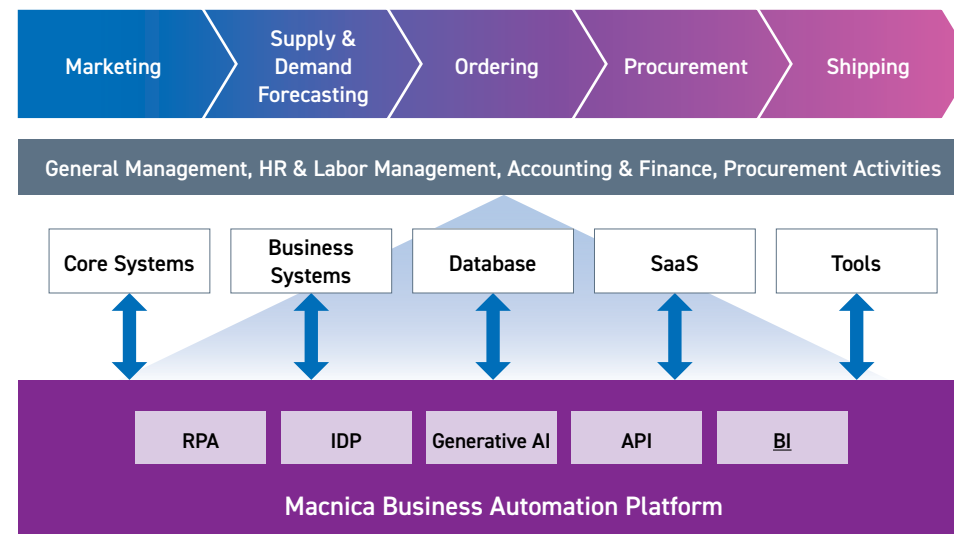
To accurately respond to environmental changes and future business expansion, it is necessary to automate the vast and complex business processes within an organization and achieve group-wide efficiency. To this end, Macnica is promoting the development of the Macnica Business Automation Platform, which integrates IDP* and generative AI alongside conventional RPA.

The Macnica Business Automation Platform enables functions such as IDP and generative AI to be performed on the same platform. It also provides common component maintenance and citizen development tools. This approach makes it easy for business users with no system development experience to develop, significantly lowering the barriers to citizen development.

The development and adoption of the Macnica Business Automation Platform will enable the automation of tasks previously difficult to automate with RPA, such as individual tasks and non-standardized processes. In FY2024, it is expected to automate 13,400 hours of work, with a further reduction of 26,000 hours of work expected in FY2025.

* Intelligent Document Processing (IDP) refers to advanced document processing technology that leverages AI. By combining the latest AI technology with text recognition technology that converts image data into character data, the system enhances character recognition accuracy through machine learning and achieves format-agnostic processing by automatically extracting reading positions and items.

Automating Your Entire Business Process with Macnica Business Automation Platform



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Key IT & DX measures

Foundation Strengthening Security on a Global Scale

In recent years, attacks on IT systems have become more diverse and their changes more intense, requiring urgent security measures. We are working to enhance the security level of the Macnica Group by implementing information security measures across all locations and business domains, which were previously implemented separately by each location or domain.

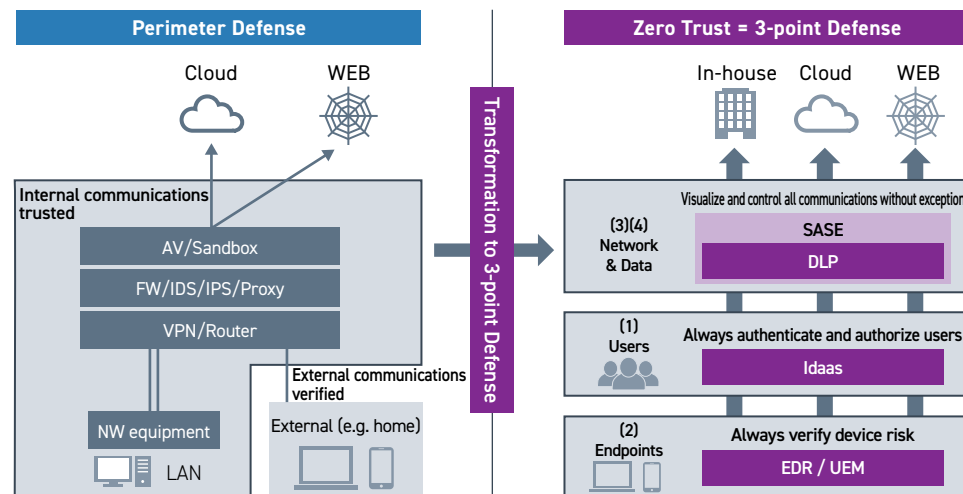
In 2023, we embarked on two major initiatives: promoting security assessments at overseas locations and introducing a Zero Trust network throughout the entire Group.

For security assessments at overseas locations, we are conducting thorough security surveys and measures based on ISO 27001 and the NIST Cybersecurity Framework (CSF)* to check the security level at each location, identify areas for improvement, and implement countermeasures. We will continue this cycle of regular checks and countermeasures to continuously improve the security level.

The Zero Trust network is a system that never trusts external communications, rigorously verifies them, and minimizes access permissions. With the aim of upgrading global network security, access control, and authentication management, we are first implementing the system domestically. By the end of FY2024, we expect to complete the construction of a secure and seamless network encompassing all global locations, significantly reducing security risks.

*The NIST Cybersecurity Framework (CSF) is a framework for cybersecurity measures set out by the National Institute of Standards and Technology (NIST) in 2014.

The Zero Trust Concept



Column

Towards 'One Global IT'

To support global business expansion, collaboration is essential between IT members in Japan and overseas. However, differing cultures, customs, and work practices across regions can present challenges. Building mutual understanding is essential. To facilitate this, the IT Department organizes regular global IT meetings where the head office outlines IT strategies, policy priorities, and key initiatives, while overseas locations share their local efforts and foster open discussion. Although these meetings have mostly been conducted online in recent years due to the COVID-19 pandemic, in 2024, key IT members gathered in Japan for dynamic discussions. We will continue to strengthen communication and advance the Macnica Group's IT & DX Strategy as a unified global team.

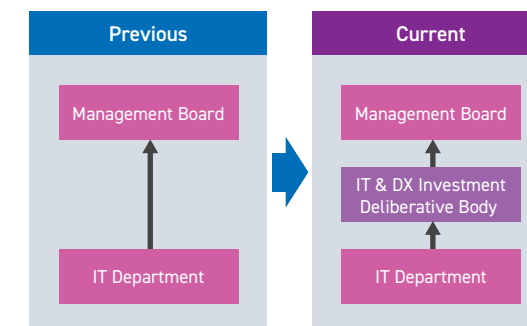


Foundation Upgrading IT Investment and Cost Management

Macnica is increasing its IT & DX Investment year after year in preparation for further business transformation. As the scope of initiatives expands with the increase in IT & DX Investment, it is crucial for the Company to make investment decisions after clarifying investment judgments and the evaluation of investment results. To accelerate correct decision-making, we have introduced a SaaS solution for investment analysis, planning, and decision-making, and implemented an advanced forecasting and performance management platform. Additionally, we are focusing on developing evaluation criteria and systems before making IT & DX Investment. Given that the expected outcomes of these investments can vary based on their objectives, we have established categories and evaluation criteria for each investment purpose. In addition, a deliberative body specializing in IT & DX Investment has been set up with in-house experts to assess the effectiveness of investments from multiple perspectives, including business, financial, and legal risks, from the viewpoints of corporate planning, finance, and legal affairs.

The establishment of evaluation criteria and systems prior to the implementation of IT & DX Investment has enabled efficient and accurate IT & DX-related investment decisions and allocations.

IT & DX Investment Deliberative Body and Deliberation Flow



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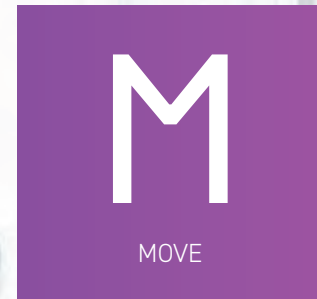
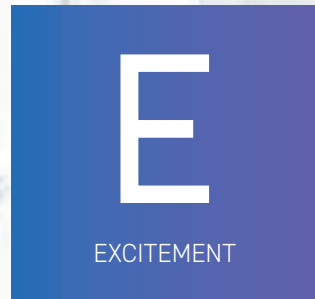
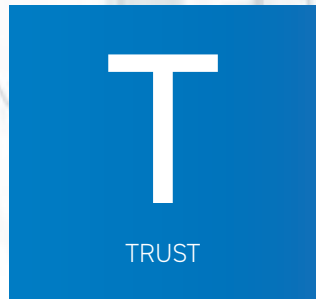
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Organization & Culture: Creating Strong Individuals

Open the door to the future, beyond the challenge.

Macnica's core values, T.E.A.M.S., are deeply cherished and unique to the Company. These values are a source of competitiveness, serving as a strength that sets Macnica apart from other companies. All employees coming together under our core values create high-quality teamwork, generating the energy and momentum to pioneer the future.

CORE VALUES



Employee empowerment backed by trust

Even young employees are entrusted with various tasks. While age and experience are important, Macnica emphasizes trust. When trusted, employees autonomously identify problems, think deeply, make judgments, and pave their own way towards achieving goals. Managers, when they delegate, trust in an employee's capabilities. This cycle fosters employee growth.

Positive thinking creates an ideal working environment

Be bright, fun, and vibrant! Transform yourself with a positive mindset and embrace every challenge as an opportunity to grow. Express your opinions proactively, regardless of your position. Macnica values open communication, and it starts with greetings. The exchange of greetings infuses the workplace with a vital, vibrant energy.

Hold high aspirations with a passion to persevere

Set goals and plans, and no matter what difficulties arise, never give up until the end. Thoroughly analyze problems and carefully consider scenarios for success. Circumstances constantly change and things do not always go as predicted. However, we hold high aspirations and achieve our goals through unwavering determination and action.

Anticipate changing times, transform through self-improvement

Break free from established notions and biases, occasionally instigating bold waves of change. Never settle for the status quo; iterate through scrap-and-build cycles. At our core lies a venture spirit imbued with dynamism and speed since our founding. We take swift and flexible actions.

Always set high goals and challenges, failure fear not!

Embrace the spirit of challenge and try it. Challenging difficult tasks and achieving them maximizes employee ability and leads to cycles of growth. Take on the challenge without fear of failing, knowing that failure becomes wisdom and nourishment for growth into an outstanding professional.

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Strengthening Macnica's Organization, Culture, and Structure to Develop Strong Individuals

Macnica has continued to grow and pioneer for more than 50 years because our employees share the spirit and core values of T.E.A.M.S.

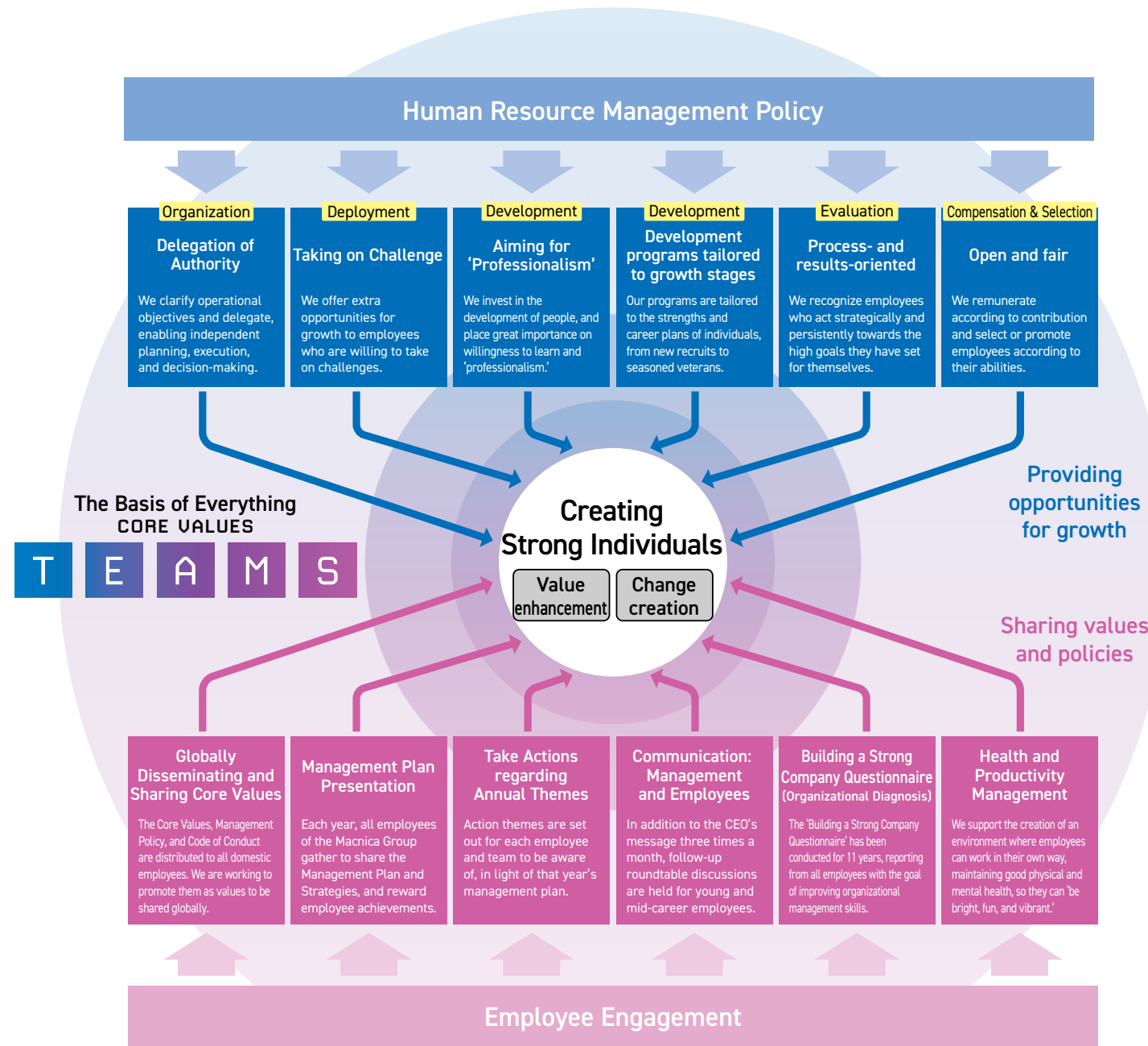
Based on the spirit of these core values, we are building an organization based on delegation of authority, assignment based on challenges, training for 'professionalism,' process- and results-oriented evaluations, open and fair compensation and employee selection—enabling us to develop human resources with a highly competitive edge.

To increase employee engagement, values are shared by disseminating and sharing core values, sharing company policies and strategies with all employees through Management Plan Presentations, setting action themes each year, and aligning the vectors of employees globally. In addition, the management team Trusts x Empowers every employee, and engages each in comprehensive communications.

By balancing human resource management and employee engagement based on the spirit of our core values, we continue to create 'strong individuals' who contribute to business performance while feeling motivated in their work.

Based on this foundation, we launched a new personnel system in April 2024. This system is designed to promote 'strengthening capabilities' and 'transformation,' realizing our Purpose. The new mission-based course system involves two tracks: 'value enhancing positions' that focus on improving the value, or quality, of outputs and operations, and 'change creating positions' that drive transformation in performance, markets, brands, and customer market value.

P. 72 - Renewal of the Human Resources System



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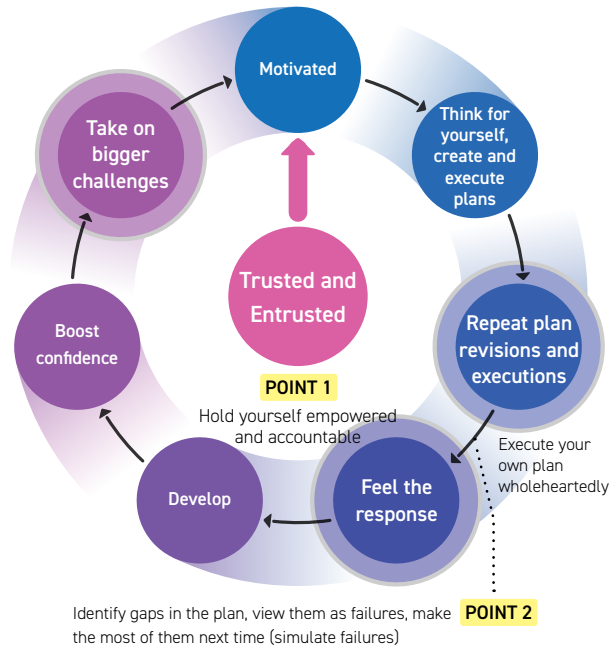
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Growth through Trust & Empowerment: Response Cycle

At Macnica, our culture is based on the concept of Trust & Empowerment, by which we delegate authority, allowing each employee to take the initiative in planning, making decisions, and executing. Regardless of experience, age, gender, or nationality, we trust in our employees and entrust them with responsibilities, thereby fostering both individual and organizational rapid growth.

Employees who are trusted and entrusted by superiors with responsibilities develop by creating their own plans and acting on them, accumulating experience, whether it results in success or failure. This process boosts confidence and motivates them to take on bigger challenges. This cycle of trusting and entrusting our human resources based on this response is the starting point for our organizational management, ensuring our corporate culture, and sustainable competitiveness.

The response cycle generates a remarkable pace of growth for individuals and the organization. Especially for young employees with future growth potential, the Open and Fair system of accumulating real-world experience and having achievements recognized early on enables them to gain 'threefold growth in a year compared to other companies,' leading to self-directed career planning.



Process Evaluation Supports the Spirit of Challenge

The evaluation system focuses on the process rather than the end state, the result. While the result, or whether achieving the target, is certainly important, the challenge undertaken and the quality of the process are equally significant, even if the result is not fully realized. The idea is to value the effort put into thinking through and implementing strategies and tactics to achieve results, as well as the high quality of the process.

This approach is rooted in the fact that the products and businesses we deal with continue to evolve significantly. For example, in the semiconductor business, it can take at least two years from the start of negotiations to the point of generating sales. Even if we sow a seed and invest in an industry with promising growth, it may take five to ten years before seeing results. During that time, the individuals in charge may have moved on, or changes in the external environment or business model may necessitate a review of the original plans, strategies, and tactics. In such a business environment, focusing only on results makes it difficult to provide fair assessments that support challenges.

Therefore, to ensure that a positive attitude towards change and contribution to Macnica's medium- to long-term growth is reflected in

Process Evaluation Items (Major Items)

P	(1) Was the OST clear?	P : Plan O : Objective S : Strategy T : Tactics D : Do C : Check
	(2) Did you approach tasks with a spirit of challenge?	
	(3) Did you spend time on actions that led to results?	
D	(4) Did you increase overall activity?	
	(5) Did you have a clear purpose for your actions?	
	(6) Did you collaborate with others?	
C	(7) Did the PDC run quickly and in short intervals?	
	(8) Did you accurately grasp the results?	
	(9) Did you identify the essence of the problems?	
	(10) Did you review your plans?	

evaluations, we have adopted a system that emphasizes 'how we worked' towards achieving results.

For staff in charge, the evaluation weighting is '80% process and 20% results,' while for management positions, the weighting is '10% process and 90% results.' This approach encourages those in charge to actively take on challenges, while management positions support their subordinates' efforts by closely monitoring and evaluating the quality of their processes on a daily basis.

Topic

Career Ownership Management Award 2024 Macnica Wins Grand Prize in the Management Transformation Category (Large Corporation Division)

Macnica won the Grand Prize in the Management Transformation Category (Large Corporation Division) at the Second Career Ownership Management Awards 2024. This marks the second award in as many years, following a First Place in the First Edition.

Reasons for winning the award (Judges' comments)

The Company has thoroughly created an organizational culture that encourages employees to take on challenges, along with the uniqueness of its measures, such as the all-participation process that leads to the establishment of the Group's Purpose, measures such as our 'response cycle,' and unique management style, that evaluates the processes and challenges of its members. The way in which this culture has naturally taken root was a source of empathy. In addition, the Company was also praised for its continued efforts to send out CEO messages at least three times a month, and for conducting large-scale interviews with existing employees by new recruits that go beyond typical onboarding, creating opportunities for existing employees to think about their own careers. We look forward to seeing the Company make even greater social impact as a model company for human capital management.



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Message from General Manager, Human Resources Division

Enhance Dynamic Capabilities to Live Up to Our Purpose, Maximize Human Capital to Achieve Our Vision 2030



Ichiro Horita

General Manager
Human Resource
Division
Macnica, Inc.

Macnica's strength lies in its consistent recognition that people are assets (human resources) and that employees should be bright, fun, and vibrant, in line with the founder's belief that 'Everything begins and ends with people.' Since its foundation, the Company has focused on the recruitment, appointment, and development of human resources based on an organizational culture grounded in the core values of 'T.E.A.M.S.' This approach has enabled true diversity and sustainable corporate growth, not only in Japan but also in other parts of the world, which serve as the primary battlegrounds for its business.

To realize Vision 2030, we are recruiting more actively than ever before, increasing internal mobility, and maximizing human capital by uniting the power of people from diverse backgrounds while strengthening global cooperation.

Regarding recruitment, we are intensifying our efforts to attract talent from diverse backgrounds. Since the Company's inception, our recruitment policy has emphasized hiring regardless of nationality or gender, while maintaining a balanced approach with a 50:50 ratio of new graduates to career hires. We have established PDCA actions for the continuous and stable recruitment and development of young employees, while also introducing external perspectives and new cultures through career recruitment. This approach fosters a culture that embraces, learns from, and teaches the diverse values of human resources, thereby expanding our talent pool.

In terms of human resource appointments, we prioritize fairness and a merit-based approach, encouraging the selection of competent individuals regardless of age, gender, nationality, educational background, or corporate experience. Employees are treated in accordance with their abilities and performance. Moreover, based on the concepts of 'selection' and 'empowerment,' we promote the selection of young individuals with growth potential and delegate authority to them to accelerate their development.

Furthermore, in order for our employees to incarnate our Purpose that they have actively participated in shaping, and to continue to 'stand at the forefront,' 'envision the future,' and 'create the Now' on the global stage, we will relentlessly continue to develop human resources with 'dynamic capabilities.' This approach will drive the further expansion of our business scale and domains.

In this regard, the new personnel system [P.72](#) that started in April 2024 is based on the concept of accelerating 'strengthening capabilities' and 'transformation' to achieve our Purpose. It also supports human resource development from a systems perspective. Through regular monthly meetings between the President, General Manager of Human Resources Division, or Human Resources management, the Company will continue to accelerate individual and organizational growth through flexible human resource management, ensuring close cooperation between management and human resources.

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STRENGTH
1

An environment that accelerates spontaneous innovation across departments and generations

From the early stages of career development, attending cross-departmental training fosters horizontal connections. On the business side, this has led to the creation of a human network where strengths and know-how are combined, leading to spontaneous innovations that span different business areas.

Strengths in
Organization and
Culture

Company-wide and regular succession plan:
'Building a Management Team 10 years ahead.'

In human resource development, we are looking for 'the management team of ten years from now.' We believe that creating an environment in which employees discover each other's qualities in their younger years and grow through friendly competition will directly lead to the development of a strong management team with diverse skills and attributes.

STRENGTH
2

Human Resource Development

Human Resource Development Programs to Encourage Early Growth

We have established a training system that combines hierarchy-specific and selective programs, allowing everyone to participate in training appropriate to their career stage. For example, in the first half of career development, it is important to cultivate the ability to grow autonomously and independently. The training focuses on the skills and qualities required for the P (OST) DC cycle.

As employees progress further in their careers, they are expected to refine their expertise and become professionals while also preparing for future management roles. The training covers the basic roles of management, the necessary knowledge, and helps clarify personal development areas. Upon promotion to management positions, employees have the opportunity to attend selective training in addition to hierarchy-specific programs. The selective training program is designed to cultivate the perspective and vision essential for becoming a member of the management team as a candidate for future leadership positions.

In both cases, the roles, qualities, and skills required for the future are communicated at an early stage, even before moving on to the next phase. This approach encourages employees to view their careers from a medium- to long-term perspective and to actively pursue growth opportunities through their work.

Another strength of our Company is the variety of unique training programs we offer, such as those using our original business cases and original technical training for newly graduated technical staff.

Another feature of the Company is the involvement of 'internal trainers' in hierarchy-specific training. These internal trainers are selected annually by the Human Resources Division from among employees who have completed selective training. They are primarily chosen from those who have excelled in management and have effectively practiced organizational management. Through the exercises and gatherings conducted during the training, participants are expected to gain firsthand experience of the skills and qualities required for management. Additionally, they play a crucial role in passing on our values and decision-making criteria to junior employees by offering guidance during the training.

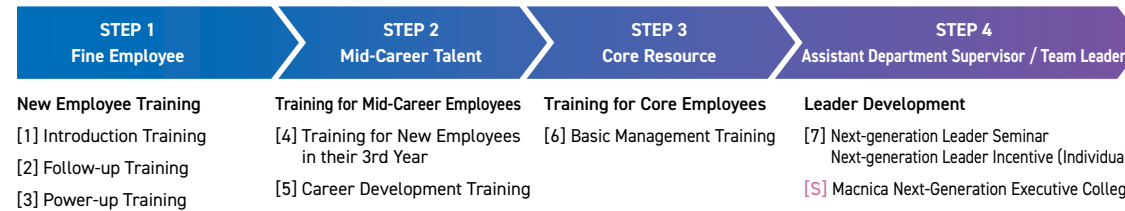
We also organize roundtable discussions and gatherings with management for all full-time employees, whether new graduates or mid-career hires, providing them with closer insight into management and reinforcing the idea that each employee plays a 'leading role' in the Company.

Furthermore, almost all training programs are designed to include participants from various departments within the Company. This cross-sectional approach fosters horizontal connections, creating synergies and innovations that arise from the internal network.

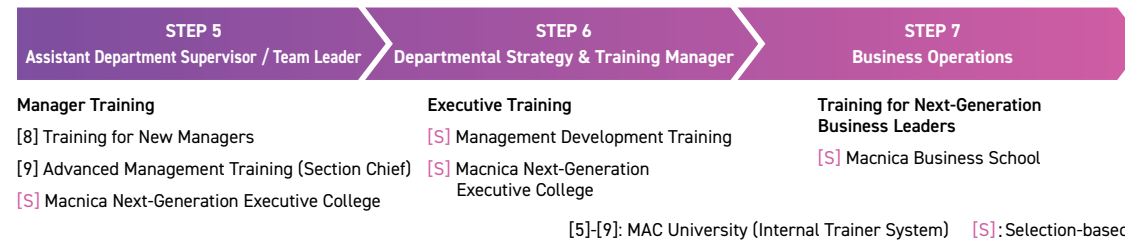
MAC UNIVERSITY

Macnica Style: Career Design & Support Program

First Half of Career Development



Second Half of Career Development



[5]-[9]: MAC University (Internal Trainer System) [S]: Selection-based

Column

Map Your Own Career Path with the 'Interview Tour'

The Interview Tour is a two-month event during which new recruits can freely request internal interviews with senior employees under the theme 'Finding a Vision of Your Future Self.' In FY2023, over 1,800 interviews were conducted. As appointments can be made with anyone, including senior management, such as the Chairman, President, and Vice President, these interviews are actively pursued. From an educational perspective, senior employees evaluate new recruits on aspects such as 'how to make appointments' and 'how to speak and behave during interviews.' This feedback is provided to the recruits through their supervisors after the interview, demonstrating the company-wide commitment to development. In addition, these initiatives also foster a corporate culture characterized as flat and mutually respectful regardless of hierarchy.



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Building a Strong Company and Employee Engagement

Accelerating Transformation through Continuous Organizational Diagnostics

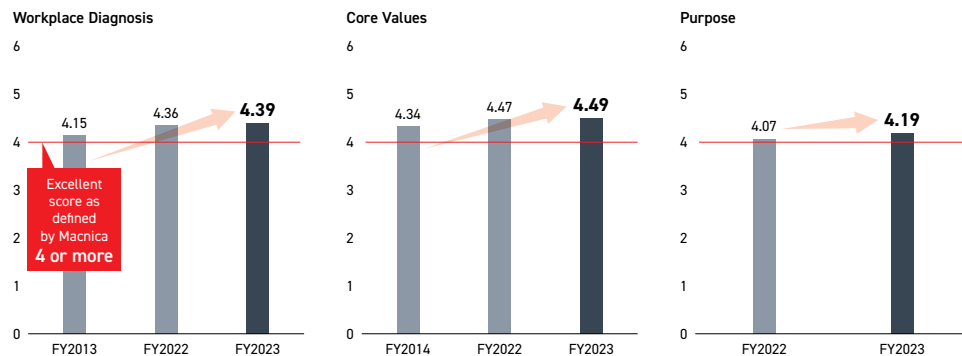
For 11 years, Macnica has continuously conducted the 'Building a Strong Company Questionnaire,' a survey of all employees aimed at improving organizational transformation and management skills. The results are individually reviewed by external consultants and the General Manager of the Human Resources Division, and then reported to those responsible for the organization, namely the President, Vice President, and managers of all major departments. The concept of 'the person in charge diagnosing the current state of the organization based on data' is thoroughly implemented. The person in charge assesses the results based on the activity status of employees observed through daily organizational activities, compares these results with feedback, identifies the gap between the perceived and actual state of the organization, and then carefully considers the management issues within their own organization. The issues in their own departments are reported to the President, Vice President, and General Manager of the Human Resources Division, along with proposed countermeasures.

From the following year onwards, the effectiveness of the measures is assessed, creating a continuous loop of improving organizational management capacity.

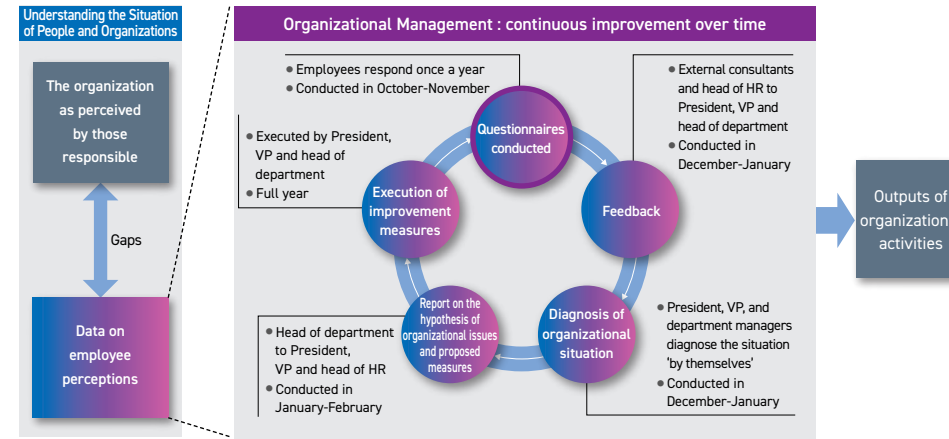
Work Engagement Score

The scores for 'Workplace Diagnosis,' 'Core Values,' and 'Purpose' for FY2023 have steadily improved compared to the first year of measurement (Workplace Diagnosis: FY2013, Core Values: FY2014, Purpose: FY2022), and have reached record highs. All of these scores are above the 4-point threshold that Macnica defines as an excellent score.

	Workplace Diagnosis	Core Values	Purpose
Diagnostic Item	<ul style="list-style-type: none"> Department mission and goals Work and task design Human resource development Knowledge and skills for performing duties Motivation 	<ul style="list-style-type: none"> Willingness Leadership Workplace norms and communication Performance and results 	<ul style="list-style-type: none"> Trust Excitement (Be bright, fun, and vibrant) Aggressiveness (Obsession with victory) Move (Create change) Stretch (Growth through challenge)
	<ul style="list-style-type: none"> Explain in your own words Dialogue as a team Be aware of standing at the front Embody the management team 	<ul style="list-style-type: none"> Embody the boss Create work Pride 	



Cycle for Improving Organizational Management Skills 'Building a Strong Company Questionnaire'



Column

Engaged Employees and Integrated Reports

Employee engagement refers to the willingness of employees to align with the Company's direction and voluntarily 'contribute to the Company.' But what does it mean to be an 'engaged' employee? At the end of September 2023, when Macnica published its first integrated report, members of the Sales Management Department organized a reading of the report as one of their department's key initiatives for the second half. The goal was to encourage each employee to consider, 'What can we do to help develop our business?' As a sales representative, can you discuss the Company's vision and the activities of a large, rapidly expanding business as if it were 'your own business'? As an employee, can you understand the strategies and challenges to increase corporate value and view them as 'your own business'? Reflecting on how to contribute through the Integrated Report was an initiative that extended beyond our traditional sales activities. To conclude these activities, we held a forum to share our findings and discussed them at divisional meetings within the Sales Management Department. Employees respond to the Company's direction and provide feedback on the results. This two-way communication between individuals and the organization makes the Company's activities more 'integrated' and increases awareness of management participation from the bottom up.

East Japan Sales Management Dept, Sales Management Division Member of Section 1 of the 2nd Sales Department (at the time)



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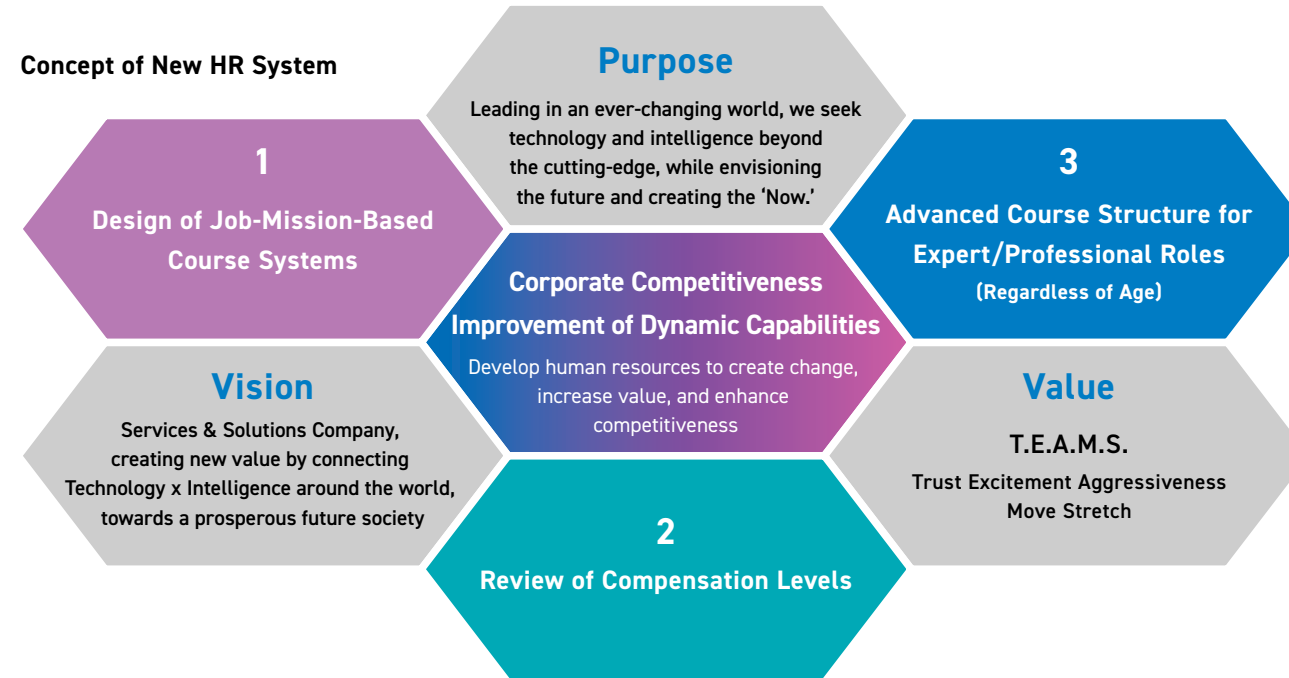
Renewal of the Human Resources System

Boosting Corporate Competitiveness by Empowering Individuals and Organizations to Create Change and Drive Value

Macnica's strength lies in the power of its people. The growth of its employees is the driving force behind the Company's growth, and maximizing the value of human resources accelerates performance improvement. Therefore, we have always considered the expansion and review of our personnel systems, including compensation and evaluation systems, as a crucial strategic issue.

The concept of the personnel system, which has remained unchanged since the Company's founding, is 'Simple, Open, and Fair.' The system's objectives are threefold: to 'improve performance,' creating a virtuous cycle between performance and compensation based on the idea that 'as performance improves, employees are rewarded commensurate with their roles and performance, creating opportunities for further success'; to 'realize employee well-being'; and to 'foster an excellent corporate culture.' In line with these basic principles, we have continually evolved the system to respond to environmental changes and revisions to our vision.

The new personnel system, introduced in FY2024, is designed to accelerate the 'strengthening capabilities' and 'transformation' to achieve our Purpose. Previously, the focus was on addressing issues, strategic thinking, and actions that lead to results. However, the ability to respond to change has now become essential for realizing our Purpose. The system fosters human resource development that can 'anticipate change,' 'respond to change,' and 'create change,' while expanding expert courses with annual salaries to allow specialists to thrive. Moreover, we have conducted a major review of salary ranges to strengthen 'high returns,' an important aspect of 'employee well-being.'



1 Design of Job-Mission-Based Course Systems	<ul style="list-style-type: none"> Course design aligned with the results, abilities, and qualities required for the job Abolish the general and managerial career track system (previously classified by personal attributes: ability, aptitude, and workload) Transition to a course system based on job quality (mission) Define job quality (mission) Q course: Value Enhancing Positions Increase the value (quality) of outputs and operations, and customer satisfaction (Quality, Speed, Service, Support) R course: Change Creating Positions Create change to business performance, market, brand, customer market value, among others (Revolution, Creative, Goal-oriented, Outcome)
2 Review of Compensation Levels	<ul style="list-style-type: none"> Increased competence expectations for employees The mission is to 'create change' and 'increase value,' and the expected level of competence/output will rise. The compensation level will be based on these criteria. Establish a competitive compensation system in line with changes in the market environment Strengthen the competitiveness of recruiting top talent
3 Advanced Course Structure for Expert/Professional Roles	<ul style="list-style-type: none"> Expansion of annual salary system Management Course, Expert Course, and Professional Course Revise the 'position retirement age' system Abolish the concept of 'position retirement age' and management positions will transition to the annual salary system at age 55.

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Renewal of the Human Resources System

1 Design of Job-Mission-Based Course Systems

The new course system is also designed around Purpose. The previous system, which consisted of general employment, managerial career tracks, and professional tracks has been abolished and replaced with a course structure designed based on job missions.

With the aim of making all employees aware of the Purpose and encouraging them to create 'change' in their work on their own initiative, the courses have been reorganized into three.

The three new courses are: the 'Value Enhancing Position Course' (Q Course, from the initials of Quality), whose mission is to 'create change in the quality, processes, and output of work, and enhance the value of work'; the 'Change Creating Position Course' (R Course, from the initials of Revolution), whose mission is to 'engage with the outside (market, customers) and create change'; and the 'Professional Course' (Ex Course, from the initials of Expert), whose mission is to 'contribute to business performance by creating change with one's expertise.'

By clearly defining the mission of each course, the direction and KPIs for the outputs of assigned duties are clarified, which also fosters autonomous growth and career advancement. The system also allows employees to select a job (course) according to their own aptitude, promoting the right person for the right job and fostering the success of all employees. In addition to these three courses, we have also expanded the annual salary system, enabling each and every employee to envision their future from a long-term perspective.

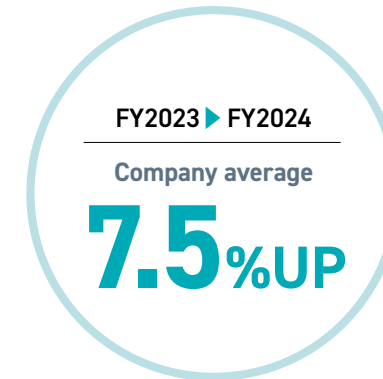
Old classification	New classification	Classification details	Mission (KPI)
Managerial career track General employment	Q course	Value Enhancing Position Improve output, operation value (quality), and customer satisfaction (Keywords: Quality, Speed, Service, Support)	Quality, speed, and productivity Efficiency/productivity, support, service, (work) quality/accuracy are important.
	R course	Change Creating Position Create change in business performance, markets, brands, customer market value, etc. (Keywords: Revolution, Creative, Goal-oriented, Outcome)	Results / deliverables Transformation (change) realization, ability to set targets for quantity of results and deliverables, achievement of which is essential.
Professional	Ex course	Specialist (Expert) Highly specialized and experienced in a specific area of expertise and able to contribute to solving professional challenges and improving the Company's technical capabilities through their own expertise	Results / performance contribution / competence Set based on the mission of the respective job, results, completion, etc. are important.

Cerebral Sweating, Striving to be Creative, Continuing to Enhance the Strength of Individuals and of the Organization

2 Review of Compensation Levels

One of Macnica's approaches to employee well-being is 'high returns (compensation).' Previously, high returns were provided in the form of bonuses proportionate to the amount of ordinary income. However, as productivity has increased and profits are expected to be consistently secured, starting in FY2024, high returns will be reflected in the fixed portion (base salary).

To enhance workplace satisfaction, we have increased base salaries by an average of 7.5% across the Company. Additionally, we are actively recruiting highly qualified employees with strong competitiveness, which is expected to enhance performance and foster a healthy corporate culture.



3 Advanced Course Structure for Expert/Professional Roles

In addition to the Q, R, and Ex courses, a new annual salary system has been expanded as part of the compensation structure, covering the Management Course, Expert Course, and Professional Course. Under this system, an employee's expertise, ability, and market value are directly reflected in their compensation (annual salary). By clearly linking performance in various roles to compensation, employees can choose a career path that aligns with their aptitude and abilities, promoting a greater awareness of their contributions to performance and motivating personal growth.

Furthermore, as technological innovation progresses and business complexity increases, there is a growing need for human resources with a diverse range of specialist skills to ensure sustained growth. We recognize the importance of quickly securing talent with the competencies and high market value necessary for our future business strategy.

We will develop a human resource portfolio that supports our future growth strategy by implementing a system that allows us to flexibly adjust compensation based on the abilities and market value of both existing employees and job applicants.

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Well-being Management

Diversity, Equity & Inclusion—Transforming Diverse Values and Abilities into Power

In its Purpose, Macnica aims to be a Services & Solutions Company that contributes to solving social and environmental issues and creating the digital society of the future. Key to this goal is the success of each and every one of our diverse employees, reflecting our belief that 'Everything begins and ends with people.' We will create an environment where an even more diverse range of employees can continue to drive innovation by fostering open communication, allowing them to express their opinions without reservation, regardless of gender, nationality, race, religion, age, disability, sexual orientation, status, or position. Trusting one another and maximizing

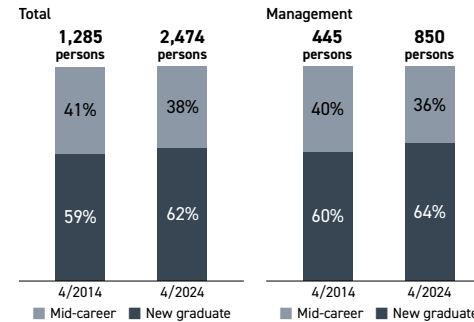
individual strengths are essential to this environment.

DEI initiatives are promoted by the DEI Promotion Project, which is owned by the CEO of Macnica, Inc. and overseen by the Governance and Risk Management Department, which brings together members from across the Company's corporate and business divisions. In addition, we periodically invite external advisors to give lectures and hold study sessions. We incorporate the latest global trends into our soft (awareness transformation, education, etc.) and hard (system design, etc.) measures.

Appointing a Diverse Workforce

Macnica's corporate culture is rooted in 'Trust & Empowerment,' a concept designed to maximize the potential of each individual, regardless of age, gender, nationality, or other characteristics. To realize this, we have actively recruited individuals with diverse values and maintain a recruitment policy with a 50:50 ratio of new graduates to career hires since our founding. Regarding the employment of people with disabilities, we assign them to tasks related to our core business based on their individual characteristics, ensuring they work in an environment where they can make a meaningful contribution to the Company.

New Graduate/Mid-Career



Promoting Activities that Transcend Gender Differences

We held our first DE&I event, 'Macnica Diversity Fes,' in March 2024 to encourage all employees to rethink 'a gender-friendly working environment.' We received many positive comments, such as "I was encouraged" and "I was given a push," with particularly notable feedback from female employees who said, "I'll take the plunge and give it a try." As a result, we observed a change in awareness in approximately 80% of participants before and after the event. Furthermore, in July, in response to employees' requests for more information, we launched a live broadcast called 'DE&I Channel' during lunch breaks as a sequel to Macnica Diversity Fes and International Women's Day. This broadcast featured active female employees discussing their concerns and challenges. We plan to continue actively promoting DE&I and disseminating information.



Macnica Diversity Fes Poster (held on March 8, 2024)

Promoting Health and Productivity Management

—Creating an environment where we can be 'Bright, Fun, and Vibrant'

Since its founding, Macnica has been at the forefront of an ever-changing world, continuing to grow together with its employees, guided by its corporate philosophy 'sowing seeds continuously under our feet.' We also regard 'employee well-being and growth' as a key objective of corporate management and have created an open and fair corporate culture where people can work with satisfaction and pride, based on the ideas that 'a company begins and ends with its people' and 'a company is all about its people.' The high aspirations and passion of each employee fostered in this environment is the source of Macnica's competitiveness.

To uphold these strong aspirations, to continue taking on challenges as the first penguin while growing sustainably, the health of our employees is essential. We hereby establish a 'Declaration of Health and Productivity Management' and we will continue planting seeds to ensure our employees can thrive both mentally and physically.

Declaration of Health and Productivity Management by Macnica Group

Macnica declares its commitment to continuously create an environment where each and every employee can fully utilize their individuality and abilities, work in an environment that is 'bright, fun, and vibrant,' and thrive while being true to themselves, maintaining both mental and physical health.

Kazumasa Hara
Representative Director and President
Macnica Holdings, Inc.



In March 2024, Macnica was certified as a Health & Productivity Management Outstanding Organization 2024 (Large Corporation Category).
<https://www.macnica.co.jp/en/company/sustainability/health/>

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Always pioneering, constantly moving forward—that's Macnica. Our goal is to evolve into a Services & Solutions Company and realize our four materialities. To achieve this, we are constantly working to solve social issues.

As the Group expands globally, fostering human resources, and strengthening group governance and risk management will form the cornerstone of a management strategy to ensure growth over the next 50 to 100 years. Furthermore, we consider engaging with various stakeholders to be of utmost importance.

To overcome challenges and adapt to change flexibly while achieve sustainable growth, it is essential to enhance the resilience of management and business, maximize human capital (diversity & inclusion), strengthen governance and risk management, while expanding the dialogue with stakeholders. We are committed to developing a strong future by constantly improving our ability to adapt to change.



Contributing to economic development by solving customer issues

Creating safe, secure, and comfortable lifestyles

Creating a sustainable global environment

Enhancing Management and Business Resilience

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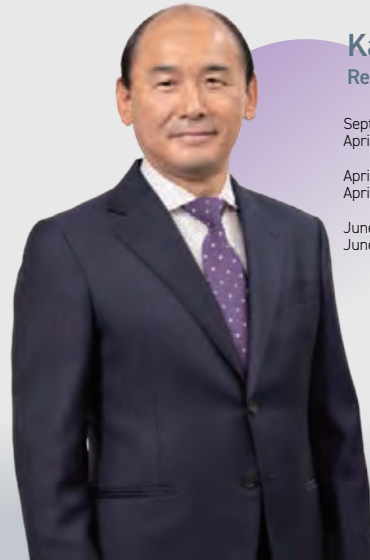
Directors



Kiyoshi Nakashima

Chairman of the Board

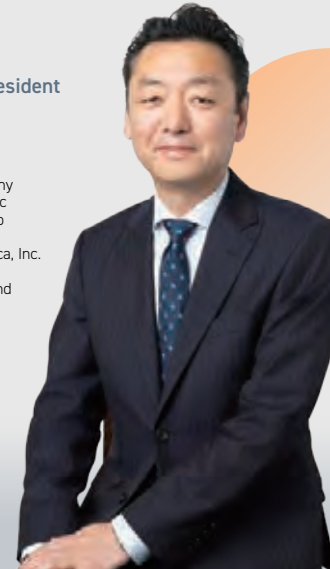
April 1981 Joined Macnica, Inc.
 May 1991 Director, Component Division 1
 April 1999 Director and General Manager, Network Division
 June 2003 Managing Director, Macnica, Inc.
 March 2004 President and CEO, Macnica Networks, Inc. (currently Macnica Networks Company, Inc.)
 April 2005 Executive Vice President, Macnica, Inc. President and CEO, ALTIMA Co., Ltd. (currently Macnica Altima Company, Inc.)
 June 2008 President and CEO, Macnica, Inc.
 April 2015 President and CEO
 June 2019 Chairman of the Board of Directors of the Company, Chairman of Macnica, Inc.
 June 2021 Chairman of the Board of Directors of the Company (to present)
 Chairman of the Board of Directors, Macnica, Inc.
 March 2024 Outside Director, MonotaRO Co., Ltd. (to present)



Kazumasa Hara

Representative Director and President

September 1995 Joined Macnica, Inc.
 April 2007 General Manager, TecStar Company First Sales
 April 2011 President, TecStar Company
 April 2018 General Manager, Strategic Innovation Business Group
 June 2018 Director, Macnica, Inc.
 June 2019 President and CEO, Macnica, Inc. (to present)
 Representative Director and President, the Company (to present)



Akinobu Miyoshi

Representative Director and Vice President

July 1995 Joined Macnica, Inc.
 April 2007 General Manager of Product Sales, ALTIMA Corp. (currently Altima Company, Macnica, Inc.)
 June 2009 Director, ALTIMA Corp.
 June 2010 Executive Vice President, ALTIMA Corp.
 June 2011 President and CEO, ALTIMA Corp.
 October 2011 General Manager, Asia Pacific Business Group, Macnica, Inc.
 April 2015 President, MACNICA ASIA PACIFIC PTE LTD
 President, MACNICA HONG KONG, LIMITED
 General Manager, Global Business Development Office, Macnica, Inc.
 June 2018 CEO, MACNICA AMERICAS, INC.
 June 2019 Director, the Company
 Representative Director and Vice President, the Company (to present)
 Co-CEO, Macnica, Inc. (to present)

Eiichi Nishizawa

Director

April 1982 Joined Toho Mutual Life Insurance Company (currently The Gibraltar Life Insurance Co., Ltd.)
 December 1999 Joined Fuji Electronics Co., Ltd. (currently Macnica, Inc.)
 May 2001 Head of Strategic Planning Office, Fuji Electronics Co., Ltd.
 May 2006 Executive Officer, Head of Strategic Planning Office and General Manager of General Affairs Div., Fuji Electronics Co., Ltd.
 May 2010 Senior Executive Officer and General Manager of Strategic Planning Div., Fuji Electronics Co., Ltd.
 May 2011 Director and General Manager of Financial & Accounting Div., Fuji Electronics Co., Ltd.
 May 2014 Managing Director, Fuji Electronics Co., Ltd.
 April 2015 Director, the Company (to present)
 June 2017 Representative Director Vice President, Fuji Electronics Co., Ltd. (currently Macnica, Inc.)
 June 2019 Executive Vice President, Fuji Electronics Co., Ltd. (currently Macnica, Inc.)



Makoto Okawara

Director

April 1987 Joined Mitsubishi Corporation
 June 2006 Seconded to Mitsubishi Corporation Finance Plc as Managing Director
 April 2010 General Manager, Investor Relations Department, Mitsubishi Corporation
 July 2011 Senior Vice President, New Industry Finance Business Group, Mitsubishi Corporation of America
 June 2017 General Manager, Finance Department, Mitsubishi Corporation
 April 2020 Executive Officer and General Manager, Finance Department, Mitsubishi Corporation
 April 2023 General Manager, Financial Group, Macnica, Inc. (to present)
 June 2023 Managing Executive Officer of the Company (to present)
 June 2024 Director of the Company (to present)
 Director, Macnica, Inc. (to present)



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Outside Director



Tsunesaburo Sugaya
Outside Director

April 1988 Joined Motorola, Co., Ltd.
June 1999 Joined JAFCO Co., Ltd. (currently JAFCO Group Co., Ltd.)
January 2003 President & CEO, JAFCO America Ventures Inc. (currently Icon Ventures), JAFCO Co., Ltd.
March 2008 Executive Officer responsible for United States, JAFCO Co., Ltd.
June 2015 Outside Director, Plat'Home Co., Ltd. (to present)
July 2015 Outside Director, I Peace, Inc. (to present)
December 2015 Representative Director, MIYAKO CAPITAL (to present)
August 2017 Outside Director, AerNos, Inc. (to present)
June 2019 Director, the Company (to present)
October 2022 Audit & Supervisory Board Member, Artiza Networks, Inc. (to present)

Makiko Noda
Outside Director



April 1993 Joined Venture Link Co., Ltd.
April 2010 Director, Venture Link Co., Ltd.
December 2010 President and Representative Director, Human Delight Inc. (to present)
March 2011 President and Representative Director, INCGROW Co., Ltd.
February 2015 Chairman and Director, INCGROW Co., Ltd. (retired in February 2017)
June 2017 Outside Director, The Bank of Toyama (to present)
June 2019 Director, the Company (to present)
Outside Director, Keyware Solutions Inc. (to present)
March 2020 Outside Director, Arte Salon Holdings Co. Ltd. (currently ARTE GENESIS, Inc.) (to present)

Shinichiro Omori
Outside Director

April 1978 Joined Hitachi, Ltd.
April 2016 Senior Vice President and Executive Officer (retired in March 2019)
June 2017 Outside Director, Hitachi Capital Corporation (currently Mitsubishi HC Capital Inc.)
June 2017 Director, Hitachi Chemical Co., Ltd. (currently Resonac Holdings Corporation) (retired in June 2018)
June 2019 Chairperson of the Board, Hitachi Metals, Ltd. (currently Proterial, Ltd.) (retired as Chairperson in March 2020, retired as Director in June 2020)
July 2020 Chairman of the Board, Hitachi High-Tech Corporation (retired in March 2021)
March 2022 Outside Director of the Board, KOKUYO Co., Ltd. (to present)
June 2022 Director, the Company (to present)
June 2023 Outside Director, Kansai Paint Co., Ltd. (to present)



Yasuaki Mori
Outside Director

November 1984 Joined Advanced Micro Devices, Inc.
April 1997 General Manager, Marketing Department, Tokyo Branch, AMD Japan Ltd.
August 1998 Director and General Manager, Sales and Marketing Department, AMD Japan Ltd.
November 2000 President and Representative Director, Infineon Technologies Japan K.K. (retired in February 2018)
October 2018 Vice President, Sight Machine Inc. (retired in October 2019)
October 2019 Wibu-Systems A.G. Advisor (to present)
March 2020 Wibu-Systems K.K. Advisor (to present)
November 2022 Corporate Supervisor, AvioCast Inc. (to present)
June 2024 Advisor, Osaro Inc. (to present)
November 2022 Advisor, RGO Robotics Inc. (to present)
June 2024 Director, the Company (to present)



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Directors (Audit & Supervisory Board Members)



Shinichi Onodera
Director (Full-time Audit and Supervisory Committee Member)

April 1978 Joined Wacoal Corp.
 December 1987 Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)
 April 2010 Joined Fuji Electronics Co., Ltd. (currently Macnica, Inc.)
 May 2010 Executive Officer and General Manager of General Affairs Div., Fuji Electronics Co., Ltd. (currently Macnica, Inc.)
 May 2011 Executive Officer and Deputy General Manager of Marketing Sector, Fuji Electronics Co., Ltd. (currently Macnica, Inc.)
 May 2012 Director and Deputy General Manager of Sales Management Sector, Fuji Electronics Co., Ltd. (currently Macnica, Inc.)
 May 2014 Managing Director, Fuji Electronics Co., Ltd. (currently Macnica, Inc.)
 April 2015 Director, the Company
 June 2017 Representative Director and President (CEO), Fuji Electronics Co., Ltd. (currently Macnica, Inc.)
 June 2020 Audit & Supervisory Board Member, Macnica, Inc. (to present)
 Corporate Auditor, Macnica Solutions Corp. (to present)
 Standing Audit & Supervisory Board Member, the Company (to present)
 June 2024 Director (Audit and Supervisory Committee Member), the Company (to present)



Kay Miwa
Director (Audit and Supervisory Committee Member)

February 1992 Lawyer, Haidian Lawyer Office, China
 April 1998 Legal Division, NEC Corporation
 April 2004 Assistant General Counsel of Legal Department, Nissan Motor Co., Ltd.
 December 2011 Deputy General Manager, Legal Department, Nissan Motor Co., Ltd.
 April 2014 General Manager of Strategic Partnerships and Projects, Corporate Strategy Division, Nissan Motor Co., Ltd.
 April 2019 General Manager of Corporate Management Office, Nissan Motor Co., Ltd.
 October 2020 General Manager of Corporate Planning Office, Corporate Strategy Group, Hitachi Construction Machinery Co., Ltd.
 June 2022 Outside Director, MEIWA CORPORATION (to present)
 June 2023 Audit & Supervisory Board Member, the Company (to present)
 June 2024 Director (Audit and Supervisory Committee Member), the Company (to present)



Yukie Sugita
Director (Audit and Supervisory Committee Member)

October 2001 Joined ShinNihon Audit Corporation (currently Ernst & Young ShinNihon LLC) (retired in September 2018)
 April 2005 Registered as a certified public accountant
 October 2018 Established Sugita Certified Public Accountant Firm, Representative Partner (to present)
 November 2019 Representative Director, Miogi Advisory Co., Ltd. (currently Ayumu Advisory Co., Ltd.) (to present)
 March 2020 Outside Corporate Auditor, NAKANO REFRIGERATORS CO., LTD (to present)
 August 2021 Outside Director, NEXT EDUCATION inc. (Audit and Supervisory Committee Member) (retired in April 2022)
 June 2022 Auditor, Saitama housing inspection center (to present)
 June 2023 Audit & Supervisory Board Member, the Company (to present)
 June 2024 Outside Director, Sanyei Corporation (to present)
 Director (Audit and Supervisory Committee Member), the Company (to present)

Executive Officers

President and CEO Kazumasa Hara

Executive Vice President and COO Akinobu Miyoshi

Managing Executive Officer Fumihiko Arai
 Takemasa Sato
 Shigenori Mori
 Makoto Okawara

Executive Officers Teruyoshi Yamamoto

Shoichi Teshiba

Koji Senga

Yuichi Yoshioka

Yusuke Kobayashi

Jun Ikeda

Atsushi Sato

Tomohisa Asano

Keigo Ando

Keisuke Ito

Miki Sakakibara

Atsushi Nishikawa

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Corporate Governance

Basic Approach and Policy

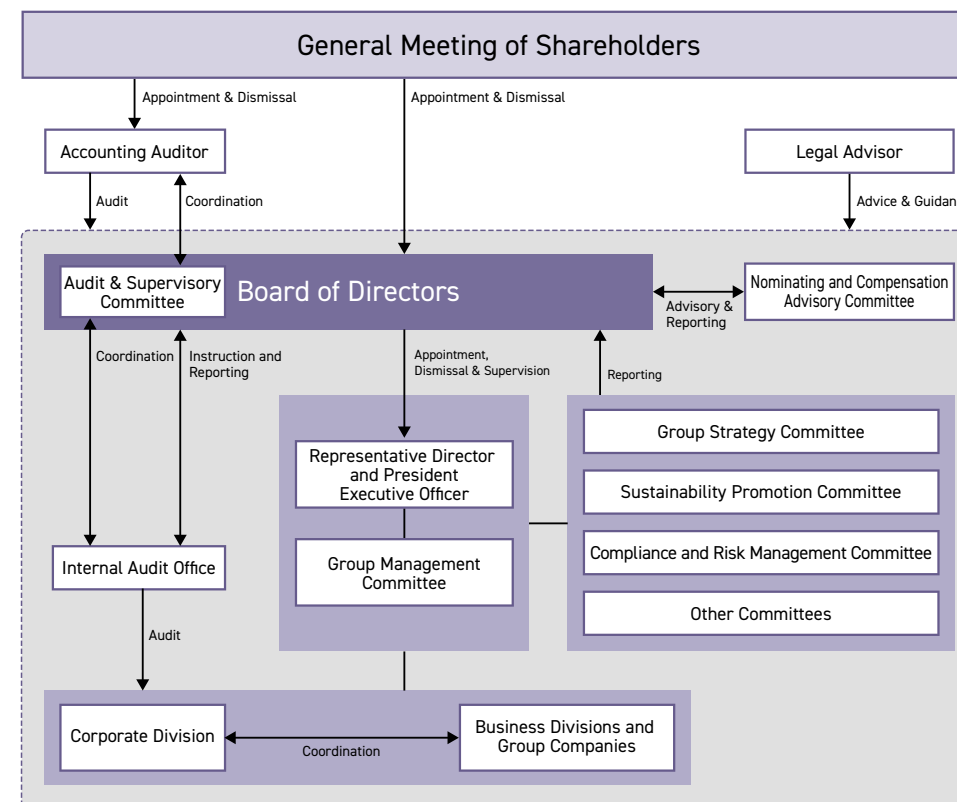
Macnica Holdings, Inc. is responsible for corporate governance of the entire Macnica Group, basic management policies and strategies based on these policies, while the Group's operating companies execute these policies and strategies, aiming for governance that unifies the trinity of corporate culture, management strategy and human resource strategy. In order for the Group to achieve sustainable growth and increase corporate value in response to the trust of customers, shareholders, employees, and other stakeholders, our basic policy is to ensure transparency and fairness in management supervision while making prompt and decisive decisions and executing business operations.

In addition, to respond appropriately and swiftly to rapid changes in the business environment, Macnica has introduced an executive officer system to separate the business execution function from the management decision-making and supervisory function, with the aim of improving management agility and clarifying business execution responsibilities.

Overview of Corporate Governance Structure

With the approval of the 9th Annual General Meeting of Shareholders on June 26, 2024, Macnica transitioned from a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee. This change allows the Board of Directors to delegate important business execution decisions to the Directors, thereby accelerating decision-making and business execution. At the same time, the Board remains focused on key management issues such as strategy, human resources and risk, while monitoring the status of execution by management. This will enhance the competitiveness and corporate value of the company through both supervision and execution.

Corporate Governance Structure (as of June 26, 2024)



01

Strengthening Our Competitiveness as a Company

Since our founding, Macnica has always been ahead of our competitors in the rapidly changing business environment, taking on challenges swiftly and boldly. In order to enhance our competitiveness as a company, we have continuously discussed the ideal form of the Board of Directors and the management policies for its operation. As a public company, the Group aims to meet the expectations and demands of all stakeholders and be a corporate group that combines integrity with competitiveness.

02

Systematizing Our Decision-Making Process

To be a corporate group that can respond to market demands in a timely and appropriate manner and to continue to grow sustainably even through generational changes in management, we have systematized the process of our decision-making. We are also enhancing the Group's resilience (the ability to flexibly overcome difficulties and recover) by making decisions flexibly and promptly, rather than finding 'absolute correctness' in the face of changes in our environment.

03

Ensuring Transparency, Objectivity, and Fairness

In the operation of the Board of Directors, we place importance on our corporate culture of 'open, fair, and simple.' By enhancing the transparency of information, actively incorporating objective viewpoints, and fostering an environment where both internal and external directors can openly discuss issues, we are able to make the best decisions as 'One Macnica' with aligned objectives. Furthermore, we have introduced remuneration levels that ensure market competitiveness by benchmarking against major companies, and stock-based compensation to encourage the creation of corporate value over the medium to long term, etc., to prevent the system from becoming too dependent on specific individuals while ensuring objectivity and fairness, creating a system that does not stifle the desire and passion for growth.

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Transition to a Company with an Audit and Supervisory Committee

In transitioning to a company with an Audit and Supervisory Committee, we not only changed the form of the organization, but reaffirmed the essential significance of the change in the organizational design. The meeting began with a discussion on what the Board of Directors should be for the Company, thoroughly discussing its roles and functions, how it operates and the composition of the committees to realize the ideal vision, while looking back on achievements and issues of previous governance.

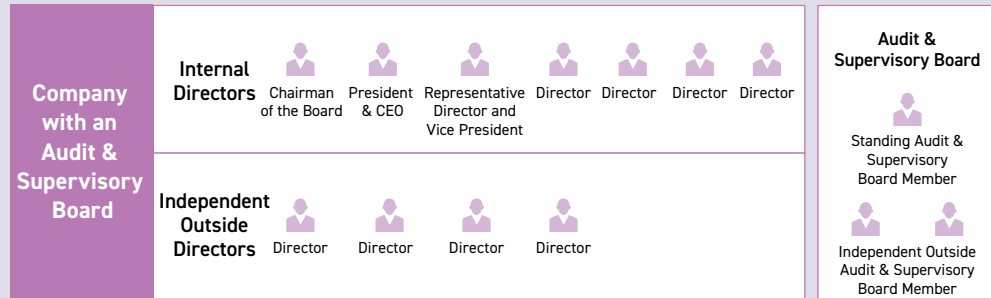
In addition to regular Board of Directors meetings, we held individual discussion forums and invited external advisers to conduct study sessions. These sessions reviewed governance trends in Japan and abroad and examined the differences in legal requirements, roles, and operational methods between a Company with an Audit and Supervisory Board and a Company with an Audit and Supervisory Committee.

This was done to ensure that all Board members understood and were aligned with the issues. The Board of Directors prepared for the transition by fostering consensus-building among its members.

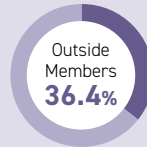
As a result, following approval at the Annual General Meeting of Shareholders in June 2024, the Company transitioned to a Company with an Audit and Supervisory Committee, comprising the Board of Directors, the Audit & Supervisory Committee, and the Nominating & Compensation Advisory Committee. The Board of Directors now consists of 9 directors (excluding those who are members of the Audit & Supervisory Committee), including 4 outside directors, while the Audit & Supervisory Committee includes 3 members (2 of whom are outside directors), for a total of 12 members.

Changes to the Composition of the Board of Directors

As of the end of June 2023



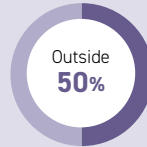
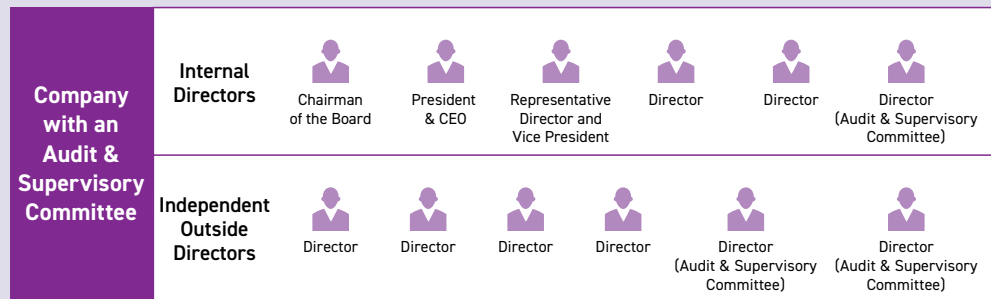
Composition of Directors



Directors	Internal Directors	7
	Independent Outside Directors	4
Audit & Supervisory Board Members	Standing Audit & Supervisory Board Member	1
	Audit & Supervisory Board Member	2

*Female Director: 1

As of the end of June 2024



Directors	Internal Directors	6
	Independent Outside Directors	6
(Audit & Supervisory Committee Members 3)		

*Female Directors: 3

Macnica's Focus on Institutional Design Changes

Strengthening Macnica's Competitiveness as a Company

- Strengthening Execution: (Accelerating decision-making by the delegation of authority to the executive team.)
- Strengthening Supervision: (Focus on direction of management, determine the company's basic stance and management strategy. Discussions focused on strategy, risk, and human resources.)
- Pursuit of Optimal Decision-Making in the Long Term: (Utilizing the dynamics arising from a healthy confrontational structure between the Board of Directors and management.)

Promoting Understanding among Stakeholders

- To promote an understanding of Macnica's management transparency (open, fair) among stakeholders, including shareholders and investors.

Preparations for Further Strengthening Governance

- Preparations for further strengthening Corporate Governance by enhancing the composition of the Board of Directors (expanding the number and skills of outside directors), processes, and operation, in line with Vision 2030.

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Board of Directors Transformation

Significance of Institutional Design Changes

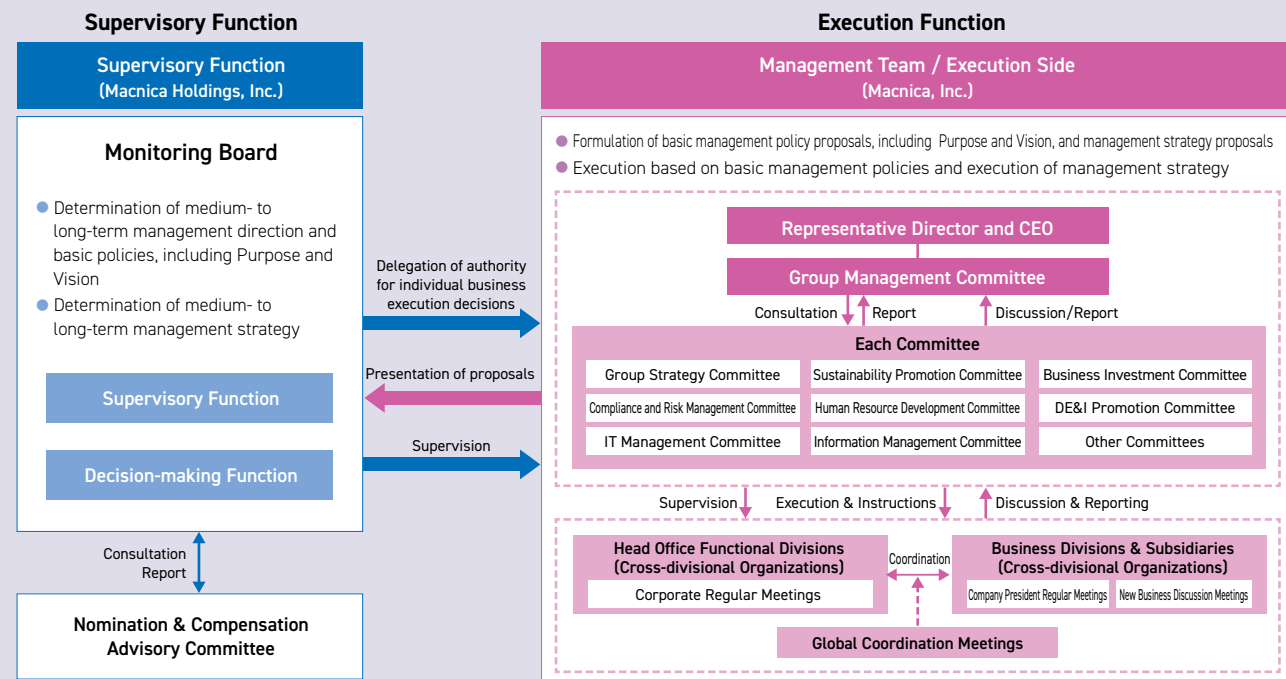
Offense

Delegating Authority to Execution Improves Business Speed

One of the objectives of this change in institutional design is to further accelerate decision-making and business execution by delegating important business execution decisions from the Board of Directors to Directors. Previously, the Group Management Committee would deliberate on detailed business matters in advance, and the Board of Directors would pass resolutions on those deliberations. With this transition, the system has been adjusted to delegate some important business execution decisions to the executive side, led by the CEO. The executive side will utilize committees such as the Group Strategy Committee, Human Resource Development Committee, the Compliance and Risk Management Committee, and Sustainability Promotion Committee to enhance executive functions, led by the CEO.

By separating 'supervision' and 'execution,' the division of roles between the Board of Directors and the Management Team will be clarified, thereby strengthening both 'supervision' and 'execution' and enhancing corporate value over the medium- to long-term.

Separation of Supervision and Execution Image / Overview of Execution System



Defense

Strengthening Internal Audit to Enhance Autonomous Functions

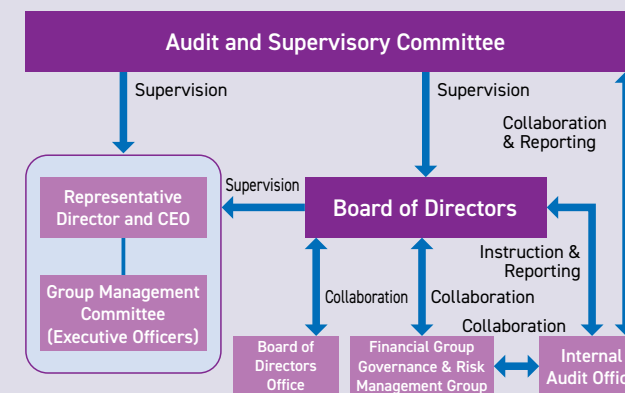
The Company has established the Internal Audit Office as an organization directly under the Board of Directors to conduct internal audits independently of business execution. With the recent business expansion, the number of group companies subject to internal audits has increased, we are focusing on enhancing governance, which is also a social requirement. We aim to improve the efficiency and comprehensiveness of internal audits by employing the following new methods, based on the results of identifying significant company-wide risks:

- (1) Establish an internal audit department within a major overseas subsidiary to conduct audits in cooperation with the Internal Audit Office at the head office in Japan.
- (2) For smaller locations, online audits are conducted.

In addition to operational audits, we minimize the risk of misconduct by also auditing the 'transmission of corporate culture' and the 'environment in which open statements can be made.'

Furthermore, from FY2024, to further enhance the evaluation of internal control over financial reporting, we will review the scope of evaluation and strengthen the control of overseas business processes. We will also use quarterly meetings and other means to cooperate with the Audit and Supervisory Committee.

Audit System



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Message from Chairman of the Board

Kiyoshi Nakashima

Chairman of the Board

To Build More Effective Discussion on Human Capital & Corporate Culture, the Cornerstones of Management

A New Turning Point for Macnica, Steadily Reforming Management in Response to the Business Environment

Since its founding, Macnica has undergone constant transformation. One of the most significant milestones was the shift in management style from 'centrifugal' to 'centripetal,' as mentioned in last year's integrated report. From the 1990s to the 2000s, backed by the expansion of the semiconductor market, the Company achieved rapid growth by delegating authority to each in-house company, emphasizing centrifugal management, and fostering an atmosphere of mutual competition. However, around 2008, the domestic semiconductor market experienced negative growth, prompting the Company to shift to a centripetal approach, focusing on 'competing based on overall strength.' Our strategy for growth in a non-expanding market was to increase market share, collaborating across organizations and confronting our competitors with a unified approach: 'One Macnica.' To this end, we shifted our human resource strategy by establishing a cross-departmental information-sharing body, transitioning the evaluation and compensation system from a company-specific performance model to a company-wide approach with raised awareness of cross-company activities,

and adopting a human resource system that places greater emphasis on processes rather than solely on results. Additionally, in alignment with our management strategy, we established a horizontal organization to unify customer contact points. Along with the company organization, the revamped matrix structure has fostered a new culture of cooperation across organizational boundaries.

Similarly, we view Corporate Governance as 'a mechanism for improving corporate value over the medium- to long-term,' and have adapted our system flexibly and agilely in response to the times. Initially, the so-called Management Board, where the Board of Directors supervised the executive side and made decisions collectively, was emphasized. However, later, from the

perspective of management transparency and effectiveness, the monitoring role was gradually strengthened to 'separate supervision and execution.'

In appointing the CEO, we established a fair, transparent, and objective process, including the formation of a Nominating & Compensation Advisory Committee. We also benchmarked against leading companies and updated our compensation system to include share-based compensation. Subsequently, the transformation has not slowed down, including the separation of the Chairperson of the Board and the CEO, and the development and disclosure of a skills matrix to ensure diverse perspectives on the Board of Directors.

Now, under the Long-Term Management Concept 'Vision 2030,' Macnica is undergoing another period of significant transformation as it aims to establish a new business model as a Services & Solutions Company. To create a governance structure suited to the new Macnica, we have actively engaged in discussions over the past year on the 'ideal form of the Board of Directors' and 'what is the institutional design change for?'

Transitioning to a Company with an Audit and Supervisory Committee, Aiming to Increase Competitiveness while Meeting External Expectations

One factor behind the decision to move to a Company with an Audit and Supervisory Committee was the changing perception of Macnica by external stakeholders. In recent years, Macnica has established a competitive advantage as a semiconductor trading company, both in Japan and abroad. Our selection as a constituent of the JPX Prime 150 Index and the JPX-Nikkei Index 400 reflects this elevated status and increased public attention to an unprecedented level. We are also receiving heightened interest and expectations from overseas investors, and at the same time, there is a growing demand for stronger governance.

We believe that the change in institutional design, following the transition to a Company with an Audit and Supervisory Committee, is a decision that will enhance our competitiveness.

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There are three main points to this transition. First is 'strengthening the execution function' through delegation of authority. Macnica has always had a culture of 'trust and thorough delegation,' and this will be further promoted to expedite decision-making.

Second is 'strengthening supervision.' In the past, there were many agenda items, such as matters to be reported and approved, making it difficult to devote time to substantive discussions. By promoting the delegation of authority, the Board of Directors can focus on the key drivers in medium- to long-term management strategy, such as human resources,

strategy, and risk management, which drive value creation over the medium- to long-term.

And thirdly, a clear separation of supervision and execution to establish a 'constructive conflict structure' between the two. Important management policies and medium- to long-term management strategy proposals from the execution side will be evaluated from different perspectives and, if necessary, redefined or improved. Furthermore, the results of these efforts will be assessed. Through this process, we believe we can strengthen our competitiveness as a company.

The Board of Directors Held Numerous Discussions in FY2023 on Its Own 'Ideal Form'

Reflecting on our activities over the past year, the most notable was that in changing the institutional design, Macnica defined its 'ideal form' of the Board of Directors and undertook the necessary transformation. The role of the Board of Directors is to ensure competitiveness and improve corporate value over the medium- to long-term from a supervisory position. To

fulfill this role at a higher level, we objectively assessed the current operation and composition of the Board and set a roadmap for transformation. We have discussed the significance and direction of the transformation, sometimes with the help of external experts, while promoting an

understanding of governance across the Board. Based on these discussions, we redefined the basic policy for the composition of the Board and the skills required of its members in the future, and re-evaluated each director as well.

Discussions also took place on the Executive Officer system, not only on the Board of Directors. The changes to the institutional design will lead to greater delegation of authority to the execution side, which will naturally require a strengthening of the execution function. Only when the twin pillars of supervision and execution are functioning can competitiveness and corporate value be enhanced simultaneously.

We have held discussions with the executive side to review the role and scope of responsibility of Executive Officers and to establish a system that makes it easier than ever before to select talented young people.

Deepening the Discussion on Human Resources and Corporate Culture through Employee Survey Responses

In FY2024, the Chairman's Policy will focus on 'human resources,' 'business portfolio,' and 'management base,' striving for effective discussions, taking advantage of the structure enabled by the change in institutional design.

A particular theme we want to focus on is 'human resources.' While defining the skills and abilities needed to achieve the future outlined in Vision 2030 is important, we believe that in an ever-changing world it is essential to delve deeper into human resource philosophy and corresponding corporate philosophy, and formulate human resource strategies which engender both.

At the same time, we closely monitor corporate culture, and employee and organizational activities operating within it. While corporate culture is invisible and often seen as abstract, it manifests in the activities of employees and the organization. Monitoring this is a feature of Macnica's governance. No matter how good a management strategy is, it is the

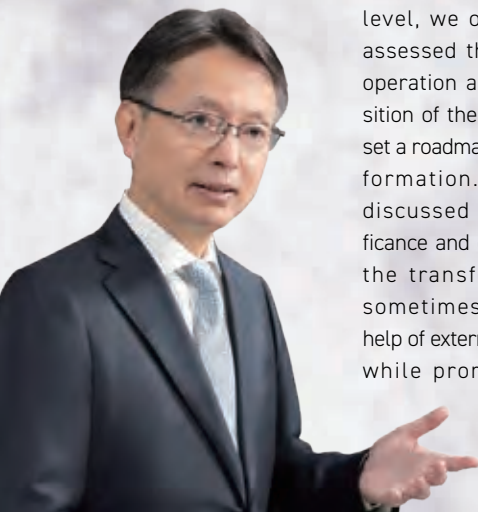
people who implement it. We believe that the foundation of management is achieving results by aligning strategy, culture, and employee activities.

As a mechanism for objectively monitoring the state of management concerning employees and the organization, we have continuously conducted the 'Building a Strong Company Questionnaire' since 2013. The questionnaire covers 47 items in nine categories and has maintained a high response rate of over 90%, with many employees writing in their own opinions. The fact that employees can express their honest opinions to management is a source of pride for Macnica and is also a culture that Macnica should be proud of, reflecting the strength of its employees. It is important to reflect this employee feedback in management. At the same time, an important role of supervision by the Board would be to check for any signs of change in the corporate culture that is valued through the questionnaire.

Macnica's Strength in Human Resources and Corporate Culture across Time and Borders

Trends in data from Building a Strong Company show in addition to leadership supporting the work environment and empowerment, such as teamwork and communication, objective scores related to individual and team job performance, such as motivation to achieve goals and recognizing the professional competence of others, remain high. We are reminded that people and organization are still Macnica's greatest strength.

However, people's perceptions of 'how to work' and the 'significance of work' are changing dramatically in recent years, partly due to the decline in the working population and the COVID-19 pandemic. Macnica itself is undergoing a period of major change, and we feel that it is time to reexamine our human resource philosophy, the ideal image of human resources, and our corporate culture, with an eye to the future.



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Macnica was originally a startup company, so the roles and authority of each member were significant, and along with the growth of the business, I experienced the real joy of work and personal growth. Nowadays, however, it is necessary to focus not only on 'job satisfaction' but also on 'ease of work.' People have different values; some want to devote their time and energy to work, while others want to balance work with childcare. It is also the role of governance to provide a good working environment for employees. I believe it is Macnica's way to 'change what needs to be changed,' for example by providing options that match individual values while maintaining the Company values symbolized by the core values 'T.E.A.M.S.' and the unique organizational culture of open, fair, and simple.

As the Company grows and M&A and the acquisition of external human resources increase, the question arises of how to instill a mindset regarding human resources and corporate culture. Macnica experienced management integration with Fuji Electronics Co., Ltd. in the past and successfully built a new

organization while respecting each other's values and individuality through lengthy discussion. In overseas M&A, trust and confidence are fundamental. While we exercise control as a group, each country and region has its own points of respect, so we have adopted a 'transnational model' that clearly separates areas for integration from those for non-integration. The main advantage of this approach is that local people feel 'trusted and entrusted with their work.' This awareness enhances their sense of belonging to the Group and is the driving force behind our growth together.

At the same time, we have maintained close communication with them to ensure good governance, rather than leaving them to their own devices. Once every three months, the management, including those overseas, gathers for a day-long meeting to share common goals and objectives through open discussions, strengthening mutual trust. Today, not only business divisions, but also corporate divisions are strengthening global cooperation by understanding each other and sharing experience and knowledge.

perspective, redefining the skills required for the future Board of Directors, identifying any gaps, and addressing challenges. The Board will continue to manage members' skills and succession-related issues appropriately.

The Chairperson's role involves not only carefully determining the agenda and time

allocation throughout the year but also focusing on creating an open and constructive 'space' where members with diverse skills can engage in open and proactive discussions. This role will be fulfilled with a strong emphasis on trust and empathy.

**Achieving Steady Growth through Consistent Management
—Pursuing the Trinity of Corporate Culture, Management Strategy,
and Human Resource Strategy**

In last year's integrated report, Dr. Ito highlighted Macnica's ability to 'achieve a union of the Trinity—of Corporate Culture, Management Strategy and Human Resource Strategy.'

If Macnica fails to respond to environmental changes, these changes may turn into threats, and its strengths could become weaknesses. Macnica has maintained sustainable growth by adapting its strategy in response to environmental shifts while simultaneously transforming its culture, human resource system, and organizational structure to stay ahead of the competition. The core values symbolized by 'T.E.A.M.S.' and the unique organizational culture of Open, Fair, and Simple have been preserved. The ability of Macnica to attract talent that understands and relates to these

values remains a key driver of its growth.

Although we have recently transitioned to a Company with an Audit and Supervisory Committee in response to external changes and our growth stage, our focus remains on substance over form. As the Board of Directors, we will dedicate more time to discussing critical topics related to strategy, human resources, and the management base. We will ensure that the outcomes of these discussions are communicated to the management team and reflected in our measures.

We will continue to prioritize the 'trinity' of corporate culture, management strategy, and human resources. With unwavering consistency in our management, Macnica is poised to lead us confidently into the future.

**Securing Diversity among Board Members,
Creating a 'Space' for Open and Constructive Discussion**

The composition of the Board of Directors after the structural change is set at 12 members, 6 internal and 6 outside the Company, to enable lively and effective discussion. Board members, including outside directors, are expected to share Macnica's strengths in terms of corporate culture, values, and core values. Although discussions must be objective and diverse, a basic common understanding is essential for in-depth discussions, which is why

this is a key focus.

On top of this, I would like outside directors to bring new perspectives and ideas based on their individual experience and abilities, which Macnica has not had in the past. Today, it is essential to have a diverse range of experiences and skills on the Board of Directors to develop a governance system that is free of omissions.

In FY2023, the Board of Directors also examined the skills matrix from this

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Messages from Outside Directors

We have received messages from six outside directors regarding the significance of the changes in our institutional design, their understanding of the challenges involved in achieving the Long-Term Management Concept and Medium-Term Management Plan, and the roles they play in this process.



Together, We Will Refine Our Strategies for Long-Term Growth

Tsunesaburo Sugaya
Director

The recent changes to our institutional design have led to a faster and more flexible decision-making process. Building on this, I believe we need to further deepen our discussions on growth strategies. For large companies to achieve sustainable growth, it is essential to develop strategies from a global perspective and strategically promote M&A. I would like our management team to incorporate external perspectives from outside directors and advisors to refine our strategies.

Outside directors are expected to contribute to the Company's strategy by leveraging their specialized knowledge. Having been involved in the creation of new businesses and startups that drive innovation, I would like to use this experience and expertise to refine strategies together with the management team, aiming to further enhance the Company's strengths and address its weaknesses. Therefore, I will actively participate in the Business Investment Committee and Management Team Camps to support the management team's decision-making and contribute to the Company's sustainable growth by offering insights and proposals from a long-term perspective, rather than focusing solely on short-term profits.



Balancing Venture Spirit and Sustainable Governance

Makiko Noda
Director

As Macnica grows from net sales of approximately ¥500 billion five years ago to ¥1 trillion company, it is required to have a management speed that is ahead of the dizzying changes in the business environment. Macnica is an organization that has never lost its entrepreneurial spirit, no matter how large it has become, but to maintain this organizational culture and ensure sustainable governance, I believe that the institutional design of a Company with an Audit and Supervisory Committee is essential. Recent governance calls for a 'separation of supervision and execution.' I would like to promote 'high-quality governance on the supervision side (Board of Directors)' and 'authority delegation on the execution side, and speedy decision-making' without making it a mere formality.

The key strategies for growth from here will be to expand our global market share, identify and expand into influential markets and areas globally, and accelerate our new CPS Solutions business. It is an honor to participate in such exciting discussions in an organization where the philosophy of 'continuing to sow seeds continuously under our feet' is firmly established. To maximize human capital and contribute to growth, I will focus on maintaining close dialogue with outside directors and executive officers.



Supporting Appropriate Risk-Taking that Contributes to Growth

Shinichiro Omori
Director

Expectations are increasing for governance that enhances corporate value. I aim to support appropriate risk-taking that fosters growth, grounded in a relationship of trust, by deepening dialogue with the execution side. The recent changes in institutional design have incorporated mechanisms to facilitate this. Significant resources have been invested in thorough discussions on the importance of delegating authority to the execution side, the roles each party must play, and the associated mechanisms, including changes to the meeting structure. With these external preparations in place, we are now focused on implementing governance that anticipates rapid growth. We will constantly ask ourselves whether these activities are leading to an increase in corporate value, and by flexible and continuous change, making use of external checks as appropriate.

Based on our ability to generate cash from net sales of around ¥1 trillion and an appropriate level of profit, we are now beginning to discuss more advanced capital allocations. We are also steadily building the foundations for the next phase, including our Risk Management System and global IT infrastructure. I will continue to contribute to our growth strategy by leveraging my existing knowledge and experience while also learning new things.

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Pursuing a Truly Global Company without Settling for the Status Quo

Yasuaki Mori
Director

The mission of the directors is to take 'appropriate' risks in new, undefined markets, and make 'calculated bets' to drive growth. To achieve this, the Board of Directors and the Executive Officers need to communicate extensively and collaborate closely. I am focusing on three key points for the future: strengthening the solutions business, geographical diversification, and globalizing human resources. Macnica already has a high market share and an excellent business portfolio, but 'complacency' can be a serious risk as the way we do business is transformed by the rise of generative AI and other factors. To maintain and expand our current competitive skill set and co-creation capabilities, the Board of Directors will encourage swift and decisive business decisions. It is also important to be agile on a global scale. We must move beyond being a 'Japanese company' and further expand our international human resource pool, building on the unique, open, high-performing culture we have established in Japan. I hope that my experience in developing human resources overseas and my extensive background with major foreign technology companies, startups, and Japanese firms will contribute to the success of these transformations.



Speedy Management Transformation through Enhanced Autonomous Governance

Kay Miwa
Director (Audit and Supervisory Committee Member)

Macnica's management team and employees are cheerful and energetic. I am impressed not only by the speed of their decision-making but also by how quickly they move to address concerns that are raised. I believe the recent changes to Macnica's institutional design will allow for a clearer separation between supervision and execution, enabling faster corporate management than ever before—a shift that aligns well with Macnica's corporate culture.

As the scope and scale of Macnica's business is rapidly expanding, I feel that global governance needs to be further strengthened, and I also believe that it is necessary to discard past successes need to generate new innovation.

To achieve further growth, it is crucial for supervisors to support the risk-taking of the executive side with reasonable guidance and advice, as well as enhance the 'autonomous governance' of the executive side. To this end, I would like to work with the executive side to improve the expertise and strengthen the personnel in legal, risk management, internal auditing and other necessary areas, improve the transparency of decision-making, clarify processes and standards, and develop the next generation of management executives, while continuing to learn and applying my own experience and knowledge.



Maintaining a 'Confrontational' Relationship of Trust to Realize the Growth Strategy

Yukie Sugita
Director (Audit & Supervisory Committee Member)

The vitality and excitement I felt about Macnica prior to my appointment have not faded. Since assuming the position, I have also realized that the corporate culture, based on core values, is firmly rooted in the human resource strategy and is the source of the Company's dramatic growth. Additionally, Macnica's approach of continuously questioning what should be preserved and what should be changed, while respecting its values, demonstrates a high level of adaptability to change and expectations for sustained growth.

To realize the growth strategy under the new institutional design, it is important that execution and supervision maintain a tense, 'confrontational' relationship based on trust, and grow together. Supporting rapid challenges requires continuously strengthening the roles of the first and second lines in the three-line model, such as improving risk sensitivity and responsiveness on the execution side, while ensuring that the Board of Directors addresses issues promptly based on sufficient dialogue. The role of outside directors is to pose insightful good questions based on their diverse backgrounds, which may not be evident from within the Company alone. As a CPA, I will utilize the knowledge gained from accounting audits and financial accounting advisory services to fulfill my role, with a global, holistic, and medium- to long-term perspective.

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Experience & Expertise of Directors (Skills Matrix)

We define the skills objectively required of directors from two main perspectives: 'experience and track record including quantitative criteria,' and 'expertise and skills necessary for future business strategies' of the Group. In line with the change in our corporate structure and to enhance the effectiveness of our corporate governance, we confirmed our basic approach to the composition of the Board of Directors, redefined the 'skills' that the Board should possess in line with the future direction of management, reevaluated the current membership and clarified the composition and succession issues.

In terms of diversity, our Board currently has three female directors (external directors) and no foreign directors, although we do have one former Chinese national and one director who lived and was educated abroad. We believe that in order to expand our corporate value, we need diverse values that transcend gender, nationality and other factors and we will continue to place importance on diversity in the future.

Name	Position	Since	Skills Required to Function Effectively (Knowledge, Experience, Abilities, etc.)														
			Corporate Management	Corporate Governance	Long-term Strategy	Risk Management	Human Resources & Corporate Culture	Capital Market & Finance	Global Business Management	Innovation	Business Investment & M&A	Industry Knowledge	DX & Technology	Branding	Compliance & Legal Affair	Sustainability	
Kiyoshi Nakashima	Chairman of the Board (non-executive)	2015	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Kazumasa Hara	Representative Director and President	2019	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Akinobu Miyoshi	Representative Director and Vice President	2019	●	—	●	—	●	—	●	—	●	—	●	—	—	—	—
Eiichi Nishizawa	Director (non-executive)	2015	—	●	—	●	—	—	●	—	—	●	—	—	—	—	—
Makoto Okawara	Director	2024	●	—	—	●	—	—	●	—	—	●	—	—	—	—	—
Tsuneshaburo Sugaya	Outside Director	2019	●	●	—	—	—	—	●	●	●	●	—	—	—	—	—
Makiko Noda	Outside Director	2019	●	●	—	—	—	—	—	—	—	—	—	—	—	—	●
Shinichiro Omori	Outside Director	2022	●	●	—	●	—	—	—	●	—	●	—	—	—	—	—
Yasuaki Mori	Outside Director	2024	●	●	●	●	●	●	●	—	●	—	●	—	—	—	—
Shinichi Onodera	Director (Audit & Supervisory Committee Member, full-time, non-executive)	2024	—	●	—	●	—	—	●	—	●	—	—	—	—	—	—
Kay Miwa	Outside Director (Audit & Supervisory Committee Member)	2024	—	●	—	●	—	—	—	●	—	●	—	—	—	●	—
Yukie Sugita	Outside Director (Audit & Supervisory Committee Member)	2024	—	●	—	●	—	—	—	●	—	—	—	—	—	—	—

* This table does not represent all the 'knowledge, experience, abilities, etc.' possessed by directors and corporate auditors, but is the main one.

* Network and security industry

Overview of Skills Required to Fulfill the Functions of the Board (Knowledge, Experience, Skills, etc.)

Corporate Management	Experience leading a large company as President or CEO, or leading the rapid growth of a venture company or taking it public by demonstrating entrepreneurial spirit as President or CEO
Corporate Governance	Experience building a relationship of trust with the management team as an outside director, Chairperson of the Board, Chairperson of a committee, etc., of a public company, or working on corporate governance to increase corporate value over the medium term in cooperation with the Board of Directors as CEO
Long-term Strategy	Experience leading the formulation and implementation of strategies to improve corporate value over the long term
Risk Management	Experience leading the identification, evaluation, prioritization, and mitigation of company-wide risks that affect corporate value; formulating internal control rules and processes; implementing operational audits; and providing advice on improvement measures
Human Resource & Corporate Culture	Experience leading the recruitment, training, compensation, and retention of management and core personnel; or experience leading the development of corporate culture through the definition and dissemination of corporate philosophy and purpose throughout the organization, and strengthening organizational capabilities through organizational redesign
Capital Market & Finance	Experience leading all financial activities, including budgeting, accounting, financial reporting, capital policies, financial strategies, and accounting audits
Global Business Management	Extensive knowledge of multiple cultures, customer needs, economic environments, regulations, and political situations; or experience leading global business and organizational management as the person in charge of operations

* This table emphasizes the importance of having general knowledge and practical experience in each skill area.

Innovation	Specialized knowledge of technology development, solution development, and new business development in our strategic areas; or experience identifying new needs and leading development based on future market and technology forecasts
Business Investment & M&A	Experience in planning and implementing business investments to achieve growth strategies, and leading the management and transformation of invested companies; or extensive knowledge and experience in M&A, including strategy development, target identification, due diligence, negotiations, and integration, and post-merger integration (PMI) through large-scale acquisitions, JV, and strategic alliances
Industry Knowledge	Knowledge of industry structure and trends in the focus area, including the competitive situation of major companies and changes in business models
DX & Technology	Experience in providing services that transform customers' businesses and organizational management by utilizing IT, digital, and AI-related technologies; or in leading the improvement of the efficiency of one's own business and organizational management
Branding	Knowledge and experience in branding an entire service line or company, beyond just marketing specific products
Compliance & Legal Affair	Knowledge of compliance and legal affairs related to global business and new business development, or experience in identifying legal risks and leading business promotion through countermeasures (crisis avoidance, damage minimization)
Sustainability	Knowledge of environmental and social issues, or experience in leading sustainability initiatives that enhance corporate value

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Management Appointment & Dismissal and Succession Planning

Selection & Dismissal Processes for Directors, CEO, and Executive Officers

The Nominating and Compensation Advisory Committee, which comprises a majority of outside directors, reviews and confirms the selection details, then the Board of Directors deliberates and decides on the candidates. To strengthen the supervisory function of the Board, the Company selects candidates for outside directors who have insight and expertise that cannot be obtained from internal directors alone.

The Board of Directors deliberates and decides on the President and Representative Director based on the report of the Nominating and Compensation Advisory Committee.

Executive officers are appointed by the Board and are individuals with the knowledge, ability and experience to play a central role in business execution, such as company presidents of business divisions (responsible for internal companies) or general managers responsible for various functions.

Dismissal is based on a comprehensive decision by the Board of Directors, with advice from the Nominating and Compensation Advisory Committee, in the event of difficulties in the performance of duties due to (1) fraud or other acts against public order and morals, (2) violation of laws, regulations or the Articles of Incorporation, or (3) significant loss of corporate value due to negligence in the performance of duties.

Succession Plan (Successor Development Plan)

The current succession plan is reviewed and discussed by the Nominating and Compensation Advisory Committee, which reports to the Board of Directors. The implementation status of successor development and executive human resource development plans is reported to the Board of Directors as appropriate.

Effectiveness Evaluation of the Board of Directors

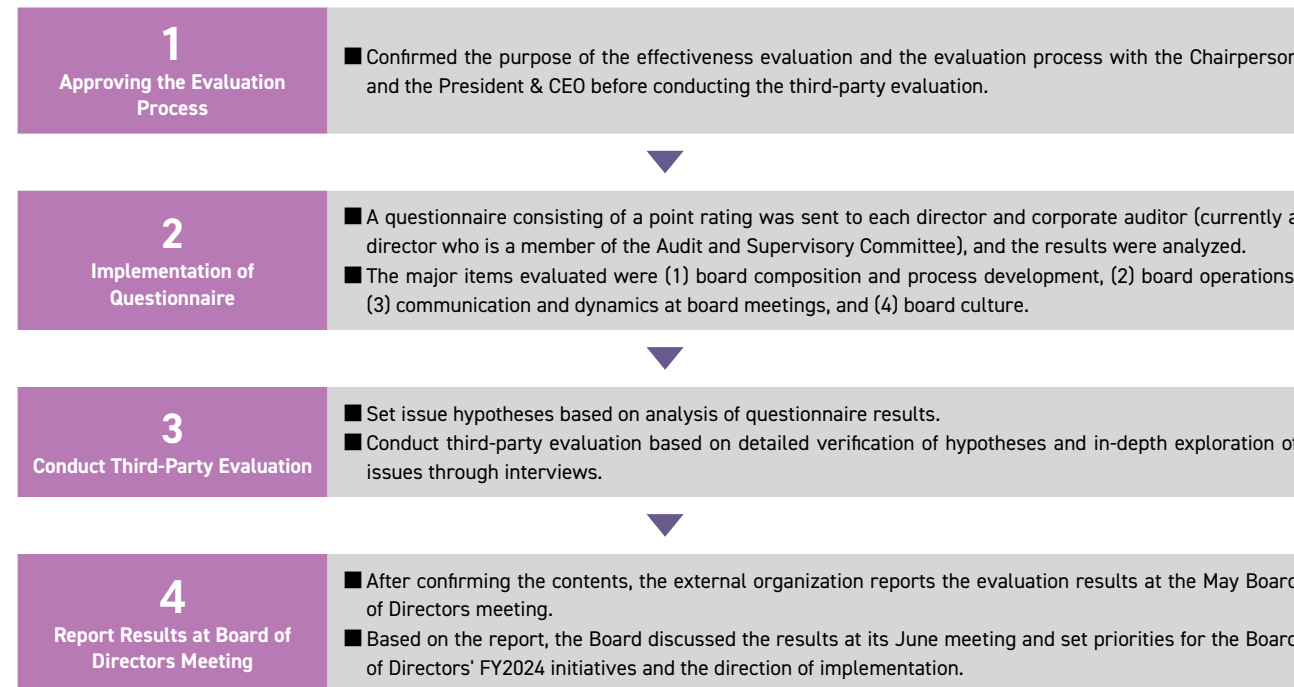
Until now, we conducted self-evaluations in the form of questionnaires once a year in April, but in FY2023, we conducted a third-party evaluation by an external organization.

The overall evaluation found "The Board of Directors shares common values and is consistent in its approach to decision-making based on high ethical standards, and open and frank discussions are held." In this context, the Board has been evaluated as "generally effective in fulfilling its supervisory function by confirming the appropriateness of management's deliberations and the status of execution, and by appropriately guiding management on issues identified."

On the other hand, as a future issue related to the operation of the Board of Directors, it was pointed out that "more time should

be set aside than ever before to deepen discussions on human resources, strategy, risks, etc., which are important issues for achieving medium- to long-term enhancement of corporate value." In line with the recent redesign of the organization, we will proceed with the delegation of authority to the executive, narrow down the agenda items, and secure more time for discussions on important issues. Furthermore, we will make it a priority to ensure that each director has a common understanding of the 'ideal form of the Board of Directors' that the Company is aiming for and conducts highly effective discussions and decision-making, as this is essential for providing the management direction and supervision that will enhance corporate value over the medium to long term.

FY2023 Effectiveness Evaluation Process



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Summary of the Results of the FY2023 Effectiveness Evaluation

The results of the third-party evaluation, reported by the external organization, signal strengths and urgent challenges for the Board of Directors.

Strengths

1. A Culture of Mutual Trust and Open, Frank Discussions

The Board of Directors shares the value of Trust and high ethical standards, and fosters an atmosphere in which 'what needs to be said can be said.'

2. Appropriate Guidance on Identified Risks and Opportunities

Board members point out specific investment opportunities and business development risks from a professional and objective perspective, and provide appropriate advice to management, encouraging necessary reconsideration.

3. Enhancing Directors' Understanding in Governance

Efforts to improve effectiveness of discussions at board meetings by raising directors' understanding through flexible implementation of theme discussions and study sessions with outside experts.

Challenges and Future Directions

1. Reaffirm the 'Ideal Form' of the Board of Directors and Reflect this in Operations

Reaffirm Macnica's 'ideal form' for the Board of Directors, reaffirm 'supervision' as more than 'management supervision' meaning compliance and internal control, and define a 'high' viewpoint in discussing issues by making it common understanding among the Board of Directors. This will enable us to set agendas and allocate sufficient time for discussing medium- to long-term issues, particularly those related to human resources, strategy, and risk. It will also facilitate discussions that leverage the dynamics between execution and supervision and achieve decision-making that balances short-term and medium- to long-term concerns. It will also clarify the expertise and skills that are lacking in the Board.

2. Translate 'Maximizing Human Capital' into Action

Introduce a system to ensure sufficient time for orienting and supervising 'human resources' as the key theme. Prepare data on human resources (candidates for senior management positions) to ensure specific discussions can take place, and also create opportunities for directors to have real 'interactions' with human resources. Support the strengthening of the executive (human resources department) system that implements these initiatives, and also give priority consideration to supplementing the specialist knowledge and experience that the Board lacks.

Board of Directors' Review and Future Policies (FY2023-FY2024) Issues and Key Themes for FY2023

The Company has defined the purpose of the Board of Directors as "to enhance corporate value in its relationship with all stakeholders, not just shareholders, as an organization that makes important management decisions and supervises business execution," and in accordance with the Chairman's Policy based on this policy, the Board of Directors set three key governance perspectives, 'human resources,' 'business portfolio,' and 'management base,' and discussed accordingly.

In FY2023, in addition to these three themes, the Board of Directors also set 'changes to the institutional design of the Board of Directors' as a main theme for discussion.

(1) Transition to a Company with an Audit and Supervisory Committee

In order to clarify 'what the change is for,' the Board invited external speakers to deepen our understanding of corporate governance at a Company with an Audit and Supervisory Committee. Based on the 'ideal form of the Board of Directors' discussion held last fiscal year, we examined the significance of transitioning, and made the decision to proceed with the transition.

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(2) Redefinition of the Composition and Skills Matrix of the Board of Directors

With the transition to a Company with an Audit and Supervisory Committee, the roles and functions of the Board of Directors changed, the Board's composition and requirements were redefined, and the Skills Matrix was updated to reflect the expertise and experience required given the separation of supervision and execution. ❖ P. 88

(3) Governance of 'Human Resources,' 'Business Portfolio,' and 'Management Base'

Human Resources: The Board of Directors discussed the direction for changes to the Executive Officer System and the Executive System, as it is necessary to strengthen the execution system in

line with the transition to a Company with an Audit and Supervisory Committee, with important business execution decisions being delegated to the executive side.

Business Portfolio: The Board discussed the business portfolio in the context of medium- and long-term strategies and confirmed the direction for capital allocations based on this portfolio. Discussions will continue based on reports from the execution side regarding the progress of the newly developed Services & Solutions model and key policies, with regular reviews.

Management Base: The Group's policy for addressing climate change was discussed based on the CDP evaluation report from the Sustainability Promotion Committee. Risks were analyzed and identified for both domestic and overseas subsidiaries and affiliates. The Board reviewed the purpose and concept of the first integrated report issued in FY2023, received feedback on investor reactions and IR activities, and discussed future IR strategies.

Operational Policy for FY2024

In FY2024, the Board will assess whether the transition to a Company with an Audit and Supervisory Committee is achieving its objectives while focusing on traditional key themes of 'Strategy' and 'Human Resources.'

Strategy: The Board will further review past strategies for realizing the Services & Solutions Company model and the future direction of the Company.

Human Resources: The Board will clarify our corporate philosophy and enhance the human resource strategy to increase global competitiveness and corporate value over the medium to long term.

To improve the effectiveness of Board discussions, seminars by outside experts on specific management challenges will continue, and an executive session (a meeting consisting solely of outside directors) will be held at each Board meeting. Additionally, a new periodic exchange of opinions between executive officers and non-executive directors will be introduced to enhance both the quality and quantity of discussions.

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Executive Compensation

The Company's director compensation is deliberated by the Nominating and Compensation Advisory Committee, serving as an advisory body to the Board of Directors, and is determined by the Board of Directors, within the total amount of compensation approved by the General Meeting of Shareholders. The Nominating and Compensation Advisory Committee consists of five outside directors (including one outside director who is an Audit and Supervisory Committee member) and one non-executive director.

The policy for determining the individual compensation for each director, decided by a resolution from the Board of Directors, is as follows. Compensation for directors is set at a level that should aim for the remuneration standards (market standards) of major domestic companies, and is determined based on a position table designed to follow each director's role.

The breakdown of director compensation includes basic compensation, bonuses (performance-based compensation), and

stock compensation, with proportions targeted at 50:20:30, respectively. Basic compensation is paid monthly, bonuses are paid in July of the following year, and stock compensation is provided in July.

In determining the content of individual compensation for directors, the Nominating and Compensation Advisory Committee

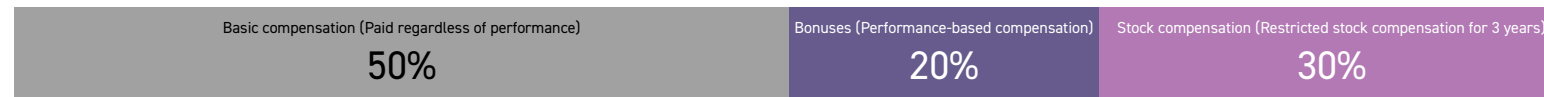
conducts comprehensive deliberation on the draft, including its consistency with the determination policy. The Board of Directors generally respects this report and determines compensation according to its policies. Outside directors and auditors are only paid basic compensation (fixed compensation).

The Total Amount of Compensation by Executive Classification, the Total Amount by Type of Compensation, and the Number of Officers Eligible at Macnica Holdings, Inc.

Executive classification	Total amount of compensation (Million yen)	Total amount by type of compensation (Million yen)					Number of eligible officers (persons)
		Basic compensation	Stock options	Bonuses	Stock compensation	Retirement benefits	
Directors (excluding outside directors)	315	103	—	83	129	—	8
Audit & Supervisory Board Members (excluding outside auditors)	22	22	—	—	—	—	1
Outside officers	52	52	—	—	—	—	8

Basic Design of Executive Compensation

We have established a system where officers receive more compensation according to the scale of their roles and responsibilities, ensuring internal fairness. Also, we have adopted a compensation system with a relatively large variable ratio to enhance corporate value over the medium- to long-term.



1. Bonuses (Performance-based compensation)

To raise awareness of improving company performance for each business year, we have set KPIs based on four financial items for each business year (net sales, operating income margin, ROE, working capital turnover) and three items on key strategies related to the development of Services & Solutions, business strategies and strengthening management base, and employee surveys to build a strong organization.

2. Stock Compensation (Non-monetary compensation)

- Stock compensation with transfer restrictions provide for medium- to long-term incentives and shared shareholder value.
- 10% of the bonus reflects instilling purpose and values and employee engagement points.
- We plan to further reflect ESG aspects such as the environment, employees, and Diversity, Equity & Inclusion (DE&I) into the compensation system.

KPI

Based on current Medium-Term Management Plan (FY2022-24)

- Financial (4 items)
 - Net sales
 - Operating income margin
 - ROE
 - Working capital turnover
- Key strategies (3 items)
 - Services & Solutions development
 - Business strategy
 - Strengthening management base
- Employee surveys, etc.

10% of bonuses reflect the following:

- Dissemination of purpose and values
- Employee engagement points

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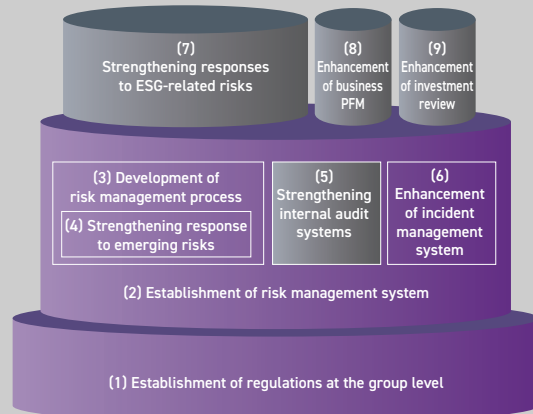


Building an Effective Global Risk Management System

Miki Sakakibara

Executive Officer
General Manager,
Corporate Governance &
Risk Management Group,
Macnica, Inc.
General Counsel

Risk Management Themes



FY2023 Review

Advancing Risk Identification and Assessment, Establishing a Risk Management Cycle

The Macnica Group is restructuring its Risk Management System on a global scale, in line with the Corporate Governance Code, and the expansion of the Group's scope and size. Under this system, we have established a risk management cycle in which risks are identified and assessed based on common group standards, a risk map is created, and necessary risk countermeasures are implemented and monitored.

Risk identification and assessment were approached from both a bottom-up perspective, led by risk management officers appointed in the departments and group companies, and a top-down perspective, through interviews with central and group company management. This dual approach ensured that no significant risks were overlooked. At the same time, in accordance with our Risk Management System, we ensured that all departments at our headquarters and all group companies were aware of the rules for reporting incidents. We required that all serious incidents be reported immediately and that all incidents be reported regularly every six months.

In preparation for the materialization of risk, we analyzed our countermeasures against geopolitical risks, which are positioned as serious risks, and conducted dry runs for information security incident response, and implemented countermeasures against risks with a high degree of impact.

Towards Vision 2030

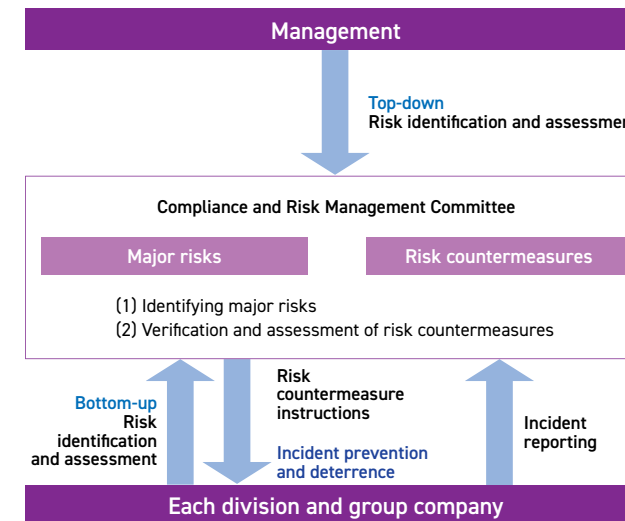
Organic Connections to Strengthen Risk Management

To meet our management objectives, and realize the 'Growth of High Value-Added Distribution Model' and 'Evolution to a Services & Solutions Model' outlined in Vision 2030, it is crucial to enhance the effectiveness of risk management as a mechanism for proper risk assessment and risk-taking. Additionally, to 'create new value by

connecting Technology and Intelligence from around the world towards a prosperous future society,' effective risk management must be ensured from the perspectives of the external environment, business strategy, business processes, and management resources in our relationships with various stakeholders, including business partners and customers in new business domains.

For this, it is important that each action is organically connected. Specifically, we ask questions such as (1) whether an incident was recognized and assessed as a risk in advance, (2) whether there is a correlation between the incident and major risks, (3) whether risk measures cover the major risks, and (4) whether risk measures contribute to preventing the occurrence of incidents. Based on this analysis, necessary improvements are made. Through these initiatives we are strengthening risk management to be directly linked to management and more effective.

Management and Risk Management



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Strengthening the Global Risk Management System

We have established a Compliance and Risk Management Committee under the Board of Directors of Macnica Holdings, Inc., with the President serving as Chairperson. By having the compliance department and the risk management officers from each division and group company collaborate, we have built a cross-group risk management system. Risk management officers are appointed not only at core subsidiaries but also at third-tier subsidiaries (subsidiaries under the umbrella of core subsidiaries). We are working to strengthen risk management through two-way communication between the headquarters and group companies, as well as among the group companies themselves.

To ensure that risk management officers effectively fulfill their roles and that the risk management system operates smoothly, we hold an annual global risk management meeting. During this meeting, risk management officers from each group company

come together to review feedback from the previous year, address current issues, and exchange best practices.

We also conduct detailed communication through one-on-one meetings with individual group company executives and risk management officers. Additionally, we hold discussions with third-tier subsidiaries in specific regions, alongside risk management officers from core subsidiaries.



Global Risk Management Meeting (May 2024)
Risk management officers from group companies (US, France, UK, Brazil, Singapore, Thailand, Hong Kong, Taiwan)

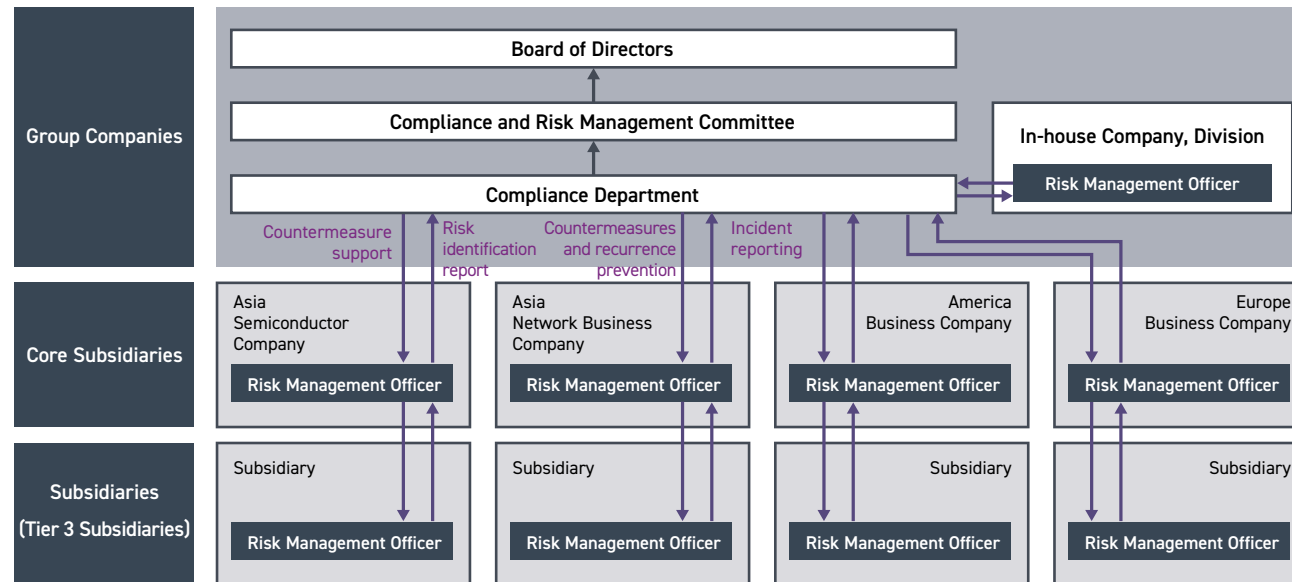
Risk Management Process

The starting point for risk management is the accurate identification of risks. At the Macnica Group, we identify risks from both a top-down perspective, which considers the overall management picture, and a bottom-up perspective, which is closely connected to the business frontline. We assess these risks using common standards across the Group.

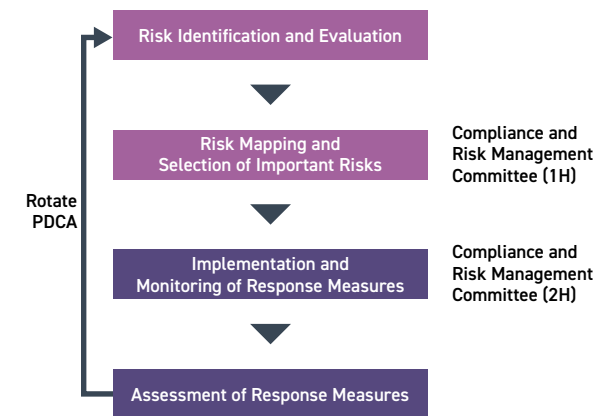
Identified and assessed risks are broadly classified into 1) External Environment Risks, 2) Management Strategy Risks, 3) Business Process Risks, and 4) Management Resource Risks. A risk map is created based on the frequency of occurrence and impact, with major risks identified accordingly.

Measures to mitigate risks, including major risks, are implemented at each corporate division and at each group company, with a focus on the highest-priority risks. The effects of these measures are then monitored, and their effectiveness is evaluated. Additional countermeasures are implemented as necessary. By repeating this cycle annually, the accuracy of our risk management is continually enhanced.

Risk Management System Structure (as of August 2024)



Conceptual Diagram of the Risk Management Process



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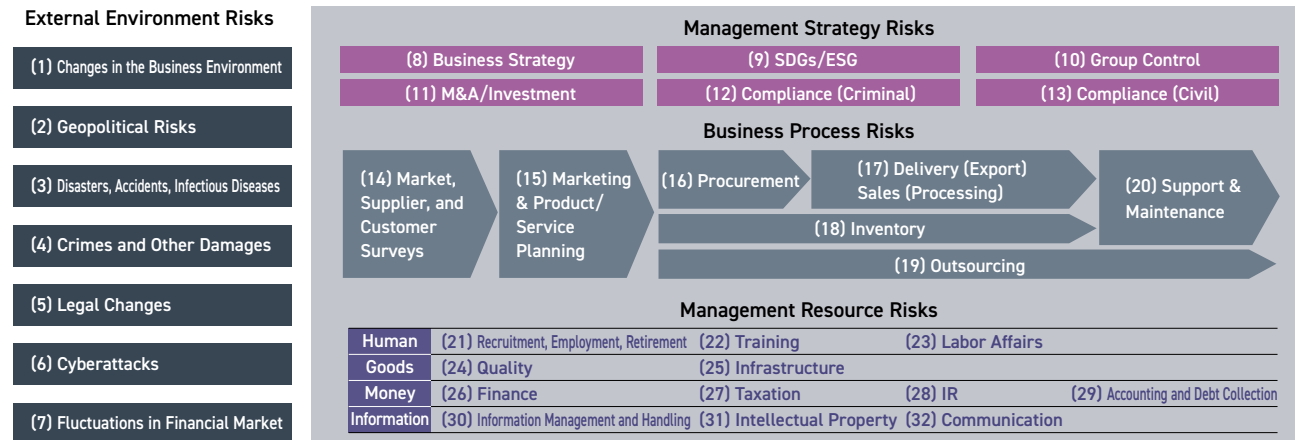
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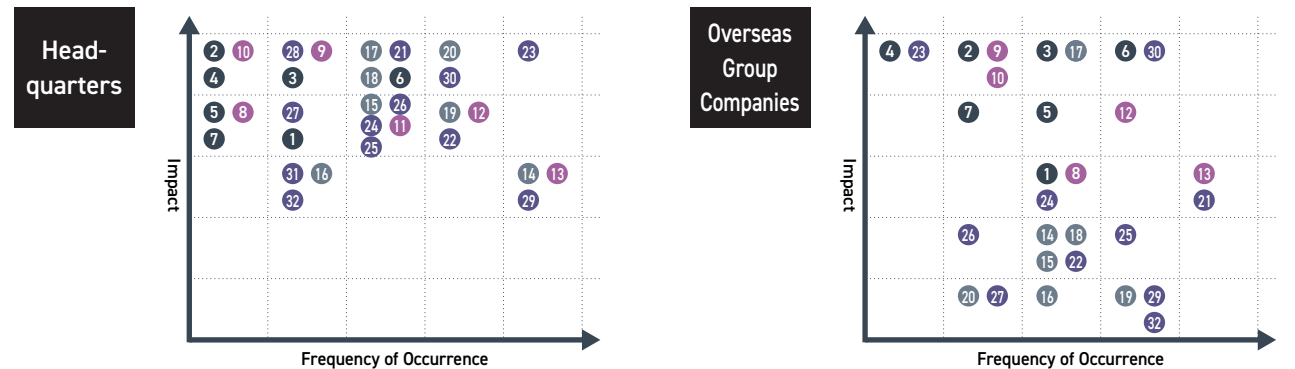
Risk Map, Major Risks

The risks that have been identified and assessed are categorized into four broad groups: External Environment Risks, Management Strategy Risks, Business Process Risks, and Management Resource Risks. These are further divided into 32 specific categories and plotted on a risk map, which displays the frequency of occurrence and impact of each risk in a matrix format. For instance, in the FY2023 risk map (see below), (2) Geopolitical Risks are analyzed as having a high impact on both the headquarters and overseas group companies, with a low frequency of occurrence. In contrast, (30) Information Management and Handling is assessed as having both a high frequency of occurrence and impact on the headquarters and overseas group companies. Macnica Group recognizes (6) Cyberattacks, with their relatively high frequency and impact, and (2) Geopolitical Risks with their low frequency but high impact, as major risks. Additionally, the difficulty in acquiring talented personnel due to a manpower shortage and intensifying competition, categorized as (21) Recruitment, Employment, Retirement, is also considered a major risk.

Risk Categories



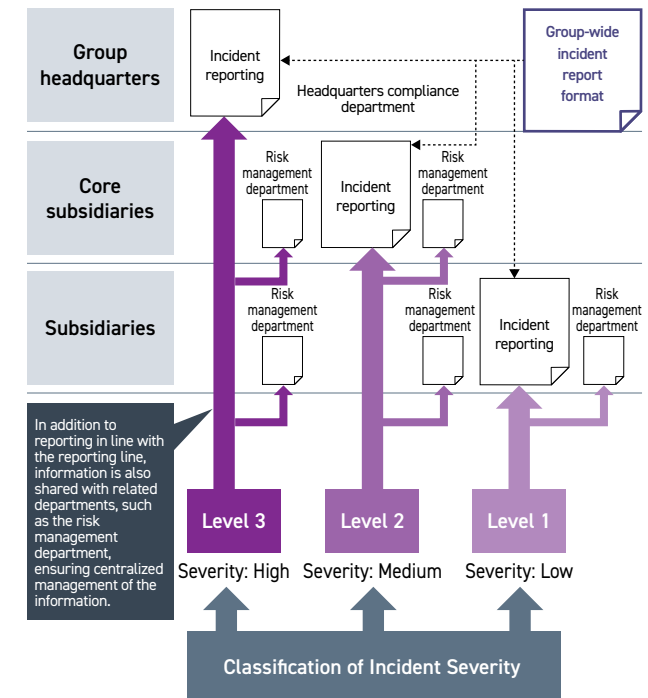
FY2023 Risk Map



Incident Reporting System

In risk management, it is necessary to anticipate incidents that could occur despite the implementation of risk countermeasures and to clearly define the reporting route in the event of an incident. Incidents occurring in each department at the headquarters or at overseas group companies are reported to the headquarters compliance department through the risk management officer. Using a common set of criteria for both headquarters and group companies, incidents are classified according to their level of severity, with the most severe incidents reported immediately to the headquarters compliance department, while other incidents are reported every six months.

Reporting Flow according to Incident Severity Classification



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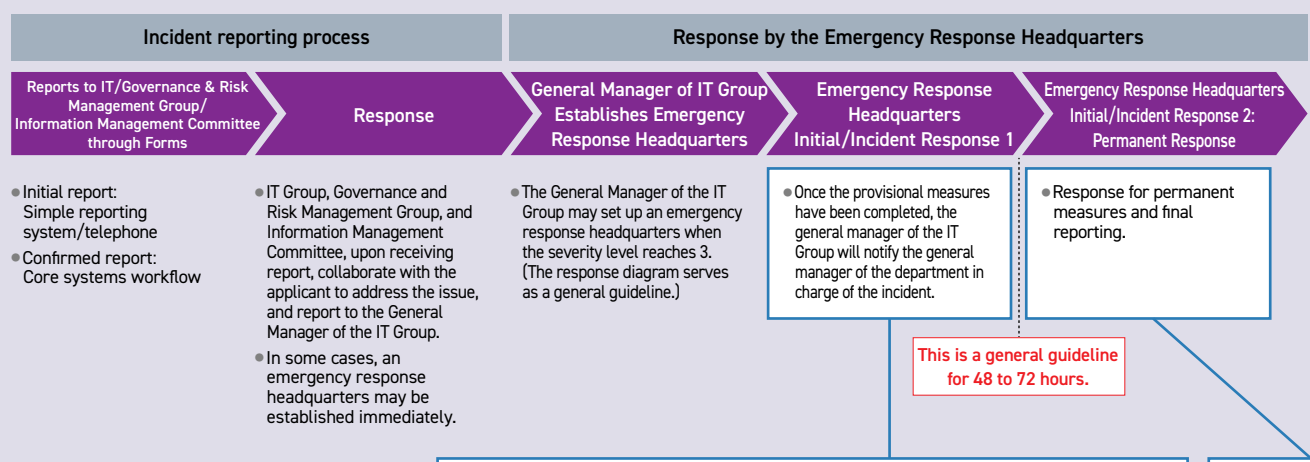
Risk Management and Compliance



Risk Management Responses to Information Security Risks

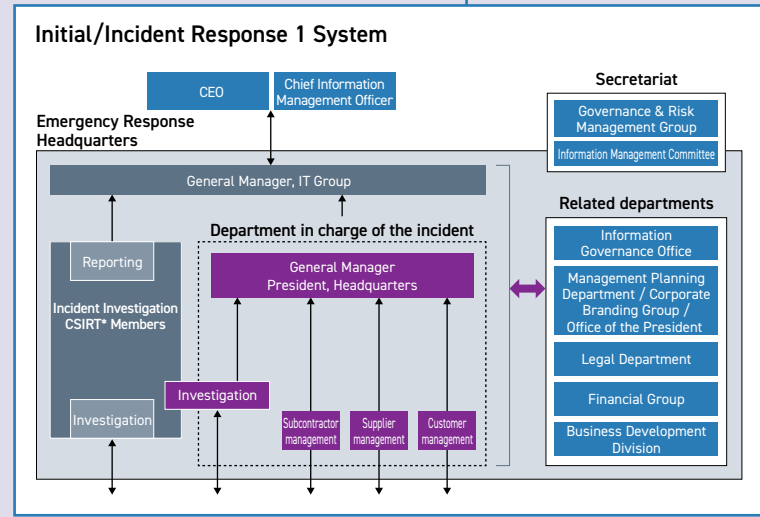
We recognize that information security incidents caused by cyberattacks are one of the major risks facing the Macnica Group. As we operate in the network security business, we are intensifying our efforts to prepare for incidents by implementing countermeasures that extend beyond internal security risks. These measures also consider potential issues such as system downtime due to attacks on customers and information leaks caused by the vulnerabilities of subcontractors.

Overview of Information Security Incident Response



Security Incident Response System

In FY2023, we reformed the Information Management Committee and revised the Information Management Regulations, reviewing the roles of the committee chair, department managers, and department information managers. We also clarified the responsibilities of the department handling information security incidents and established a response system. Furthermore, we redefined the reporting route for information security incidents and introduced a system to ensure that all relevant parties are promptly informed through the Company's core system.



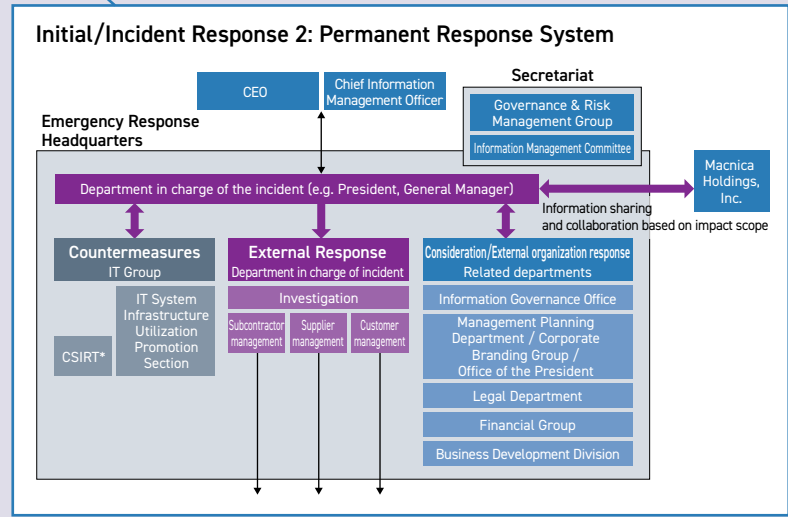
* Computer Security Incident Response Team is a team that responds when a security-related incident occurs.

Action

Conducting a Rehearsal for Responding to Incidents

From the second half of FY2023 to FY2024, we prepared scenarios for rehearsing responses to information security incidents to evaluate the effectiveness of our responses in the event of an actual incident and strengthen the responses of relevant parties. We conducted a rehearsal simulating an incident involving end users of Macnica Group network security products, system integrators, and business contractors.

The rehearsal was attended by the President, Vice President, and executives from related departments. We confirmed the response policy of the Macnica Group based on the evolving situation and the positions of various stakeholders, and conducted a response simulation reflecting the decisions and actions of each participant. A few days after the rehearsal, we held a review session with the participants to discuss areas for improvement and implemented measures to address these points.



Note: The names of the organizations in the organizational chart are those of the operating company, Macnica, Inc.

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Compliance

Basic Approach: Integrated with Risk Management

In accordance with the Macnica Group Code of Conduct, we will respect human rights and adhere to relevant laws, international standards, and their underlying principles in all corporate activities. We are committed to fulfilling our social responsibilities with a strong ethical stance towards creating a sustainable society.

We have established Compliance Regulations within the Company and are actively developing and maintaining a compliance system. This includes formulating various guidelines and providing necessary training. In planning training, we collaborate with risk management activities to ensure that the training contributes to risk mitigation and addresses issues identified as risks or reported as incidents.

As part of our compliance initiatives across the entire Group, including international operations, we share knowledge with overseas group companies through compliance email newsletters and other means, rather than solely disseminating information to domestic affiliates.

Initiatives for FY2023 to FY2024

Compliance Supported by Awareness, Knowledge, and Systems

To ensure that compliance is understood and accepted, it is essential to raise awareness, enhance knowledge of basic laws and regulations, and establish systems to prevent violations.

To foster a compliance mindset, we hold an annual Compliance Discussion with groups of around 10 employees, where we engage in lively discussions on topics such as harassment, internal reporting, bribery, and long working hours. In addition to various training sessions, the compliance information published monthly on the Company's internal compliance website serves as a platform for sharing knowledge about laws and regulations related to business operations. As a mechanism for preventing compliance violations, we have introduced processes such as an anti-social forces check system and verification of compliance with the Subcontracting Law in the workflow for registering business partners.



Harassment and Working Hours Training

Themes of Legal Training Conducted in FY2023 to FY2024

- Export Control (Japan, Singapore)
- Act on the Protection of Personal Information (Japan and China)
- Commercial Bribery (China)
- Harassment, Working Hours (managers at the headquarters)
- Subcontracting Law (departments at the headquarters conducting subcontracting transactions)
- Copyright (all employees at the headquarters)

Establishment of Internal and External Reporting Hotlines

It is important for the internal reporting system to function effectively as a tool to support compliance. Our group has established a global internal reporting hotline at the headquarters, which accepts reports from overseas group companies in multiple languages. Additionally, in FY2023, we established a hotline for receiving reports from external parties, such as business partners.



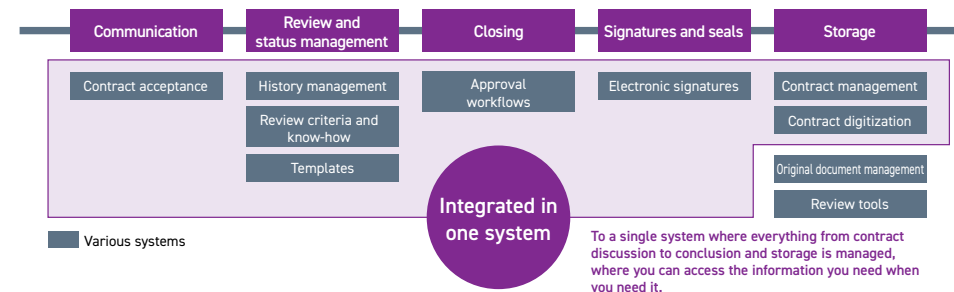
'Reporting Contact Guidance Cards' in Multiple Languages

In FY2023, there were 18 reports, many of which aligned with the purpose of the internal reporting system. In about half of the cases investigated, the reports were confirmed, and corrective and improvement measures were implemented. The number of reports received in FY2024 has increased compared to FY2023, indicating that awareness of the contact point and its appropriate use is improving.

Contract Review and Management Operations: Introducing a One-Stop System

To prevent and mitigate risks in the legal department and further support the business, we have revamped the legal infrastructure to improve operational efficiency. Specifically, we have streamlined the process by consolidating the acceptance, review, closing, and management of contracts into a single system, replacing the previous use of multiple systems.

Integration of Legal Infrastructure



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Identifying and Analyzing Risks and Opportunities Related to Climate Change

In June 2022, Macnica Holdings endorsed the TCFD (Task Force on Climate-related Financial Disclosure) recommendations and joined the TCFD Consortium, a forum for discussion among supporting companies and financial institutions. Throughout FY2023, Macnica conducted qualitative analyses and assessments of climate-related risks, opportunities, and countermeasures for the Group's main businesses, using multiple climate scenarios to identify key items. We hereby announce that we have updated these contents in accordance with TCFD's disclosure framework. Macnica is committed to enhancing the disclosure of climate change-related information, contributing to a sustainable society.

Environmental Management

In February 2023, Macnica Group formulated its Environmental VISION and Environmental Policy based on its Long-Term Management Concept and Medium-Term Management Plan.

Environmental VISION

The Macnica Group considers the creation of a sustainable global environment to be its most important issue (materiality), along with the realization of 'contributing to economic development through solving customer issues' and 'creating safe, secure, and comfortable lifestyles.'

Therefore, the Macnica Group will not only reduce its own CO₂ emissions and achieve carbon neutrality in Scope 1 and 2, but also contribute to realizing a carbon-neutral world by 2050 through our business activities and supply chain. We will do our utmost to solve social issues such as global environmental conservation and restoration and reduction of environmental burdens.

Environmental Policy

The Macnica Group is committed to environmental conservation activities based on three basic policies, which combine our purpose 'leading in an ever-changing world,' our business activities, the products we handle, and the corporate culture and social contribution activities that the Group has cultivated over the years. We will engage in environmental conservation activities that correspond to decarbonization x our uniqueness in accordance with the following three basic policies.

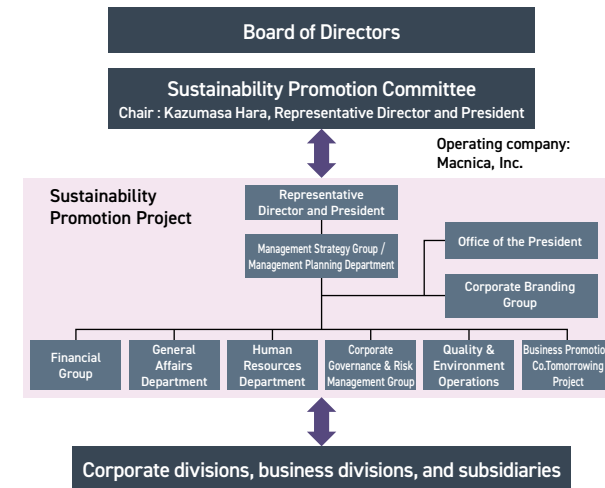
- (1) Achieving carbon neutrality for the entire Macnica Group
- (2) Realizing a green society through company business activities
- (3) Contributing to society as a good corporate citizen

01 Governance

Macnica Group established the Sustainability Promotion Committee to promote sustainability management across the entire Group. The President and Representative Director chairs the Sustainability Promotion Committee, and chairs the Group Management Committee, the highest decision-making body for business execution, bearing the ultimate responsibility for management decisions related to environmental issues.

The Sustainability Promotion Committee formulates action plans for the Group's environmental challenges and monitors the progress. These plans are discussed and resolved by the Group Management Committee and are ultimately reported to the Board of Directors. The Board of Directors then discusses and supervises the contents of the report.

Sustainability Promotion System

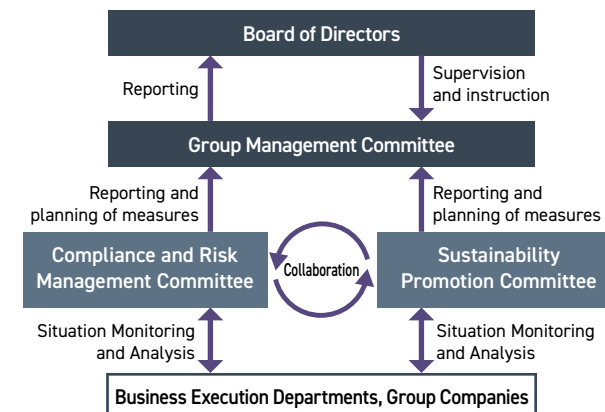


02 Risk Management

The Compliance and Risk Management Committee, chaired by the President and Representative Director, monitors and analyzes the status of risk management and compliance in the Group's business operations, reports to the Board of Directors and the Group Management Committee, and plans and formulates necessary measures.

The Sustainability Promotion Committee conducts scenario analysis to identify and assess our climate change risks and opportunities. The identified risks and opportunities are managed in conjunction with the Compliance and Risk Management Committee.

Macnica Group Risk Management System on Sustainability



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03 Strategy

Based on the TCFD recommendation, Macnica conducted scenario analysis of the three major domestic businesses in 2030*1 to identify and assess risks and opportunities, and to understand the medium- to long-term impact of climate-related issues on our business. The analysis employed two scenarios: the 4°C scenario, which assumes a global average temperature increase of around 4°C by 2100 compared to pre-industrial levels, and the 1.5°C scenario, which assumes an increase of around 1.5°C. In each scenario, analyses were conducted on the transition of policies and market trends (transitional risks and opportunities) and physical changes due to disasters (physical risks and opportunities). Scenarios used include:

Scenario Analysis

In the process of analysis, Macnica identified the impact factors related to climate change for each scenario, verified the degree of impact on business for approximately 400 items, and identified scenarios that were considered the most important. For each of the scenarios identified, the degree of impact was verified quantitatively and qualitatively, and the importance assessed as large, medium or small, as follows.

Scenarios used in the analysis of transition risks and opportunities:

- 4°C scenario : Stated Policy Scenario (STEPS) by IEA
- 1.5°C scenario : Net Zero Emissions by 2050 Scenario (NZE) by IEA

Scenarios used in the analysis of physical risks and opportunities:

- 4°C scenario : RCP 8.5 by IPCC
- 2°C scenario : RCP 2.6 by IPCC

	Types of Risk & Opportunity		Factors in Risk & Opportunity	Business Impact	Assessment	Response Policy
Risks	Transitional	Policy and Regulations	Introduction of carbon tax	Purchase prices will rise as carbon tax is passed on to manufacturing and logistics costs	Large	Securing profitability through DX (Mid-term management plan)
			Strengthening regulations on internal combustion engine vehicles due to the transition to EVs	Sales of existing internal combustion engine auto parts will decline as the EV market expands	Large	Focus on EV market (Mid-term management plan)
			Increase in energy and power procurement costs	Incurring additional costs due to the procurement of renewable energy	Small	Introduction and replacement of equipment with high energy efficiency
		Technology	Increased capital investment and fuel costs	Capital investment costs will increase due to the introduction of low-carbon technology in offices	Medium	Reduction of GHG emissions on a medium- to long-term profit/loss neutral basis
			Expand diffusion of low-GHG semiconductor products	Large amount of EOL/PCN*2 will be generated due to low GHG in the semiconductor manufacturing process, and response costs will increase	Small	Promote automation through DX (Mid-term management plan)
		Market	Acceleration of direct sales between manufacturers and customers	Increasing shift to direct sales between manufacturers and customers to reduce GHG in logistics	Large	Strengthening of customer contact points through DX and expansion of direct transportation to customers
			Transition to low-carbon technologies	Business stagnation and sales decline due to slow adaptation to changes in customer demand and markets	Small	Shift to environmentally-friendly products lineup such as high-efficiency power semiconductors
		Reputation	Behavioral changes among investors, customers, applicants, and other stakeholders	Ineffective and delayed environmental consideration may lead to lost business opportunities and damage to corporate and brand value	Small	Proactive and continuous efforts to address climate change
		Physical	Acute physical risks	Impact of flooding, storm surge on offices and logistics centers	Decrease in business activity due to employees being unable to work due to increased and more severe extreme weather events / Losses due to damage to coastal offices and Shinkoyasu Logi	Small
	Opportunity	Market	Sales expansion in line with EV market expansion	Increase in sales of semiconductors for EVs in line with EV market expansion	Large	Focus on EV market (Mid-term management plan)
Growth of businesses addressing social issues			Increase in new circular economy solution businesses such as renewable energy, Foodtech and energy management	Medium	Aggressive expansion into related markets (Mid-term management plan)	
Expansion of semiconductor sales for solutions that contribute to environmental protection			Increased adoption of semiconductors in various IT systems contributing to emission reduction, power saving, clean energy and smart grids	Large	Aggressive expansion into related markets (Mid-term management plan)	

*1 The three businesses are the Semiconductor business, Network business, and CPS Solutions business.

*2 EOL/ PCN (End of Life/Product Change Notice): A notice issued by a manufacturer referencing the discontinuation of production or sales, a change or addition to the manufacturing process or production plant, or a change in product specifications.

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04 Metrics and Targets

Macnica Group set greenhouse gas emission (GMG) reduction targets and is promoting efforts to reduce CO₂ emissions in our business activities. We will use the sum of Macnica Group and Glosel Group as the official figure for the Macnica Group in our future external announcements, such as our CDP response. In FY2023, with the aim of improving the accuracy and reliability of the disclosed data, we underwent independent verification by the Japan Management Association GHG Certification Center for the appropriateness of greenhouse gas calculation methods and calculation range.

Greenhouse Gas Emissions by Scope Macnica Group (including Glosel Group)

Item	Scope	Greenhouse Gas Emissions (t-CO ₂)			
		FY2022	FY2023*1	YoY*1	
Scope 1	Including overseas consolidated subsidiaries	752.20	896.95	+19.2%	
Scope 2	Including overseas consolidated subsidiaries	1,544.56	1,193.69	△22.7%	
Scope 3*2	(1) Including Scope 3 downstream emissions of overseas consolidated subsidiaries (using the traditional input-output table)	5,033,963.58	4,416,150.02	△12.3%	
	(2) The target scope is as above (data for Category 1 products using the CDP Supply Chain Program*3)	—	1,567,341.03	(Reference) First calculation for FY2023	
Total Emissions	Total emissions for Scope 1 to 3 based on the above Scope 3 classification	(1)	5,036,260.34	4,418,240.66	△12.3%
		(2)	—	1,569,431.67	(Reference) First calculation for FY2023

CO₂ Emissions Reduction Targets

From FY2022, we calculate Scope 3 GHG emissions for consolidation, including overseas subsidiaries (as a global response), as with Scopes 1 and 2. We have decided to change all base years from FY2021 to FY2022 for Scope 1-3.

Metric	Base year	Target year	Target
Scope 1,2 reduction rates	FY2022	2030	△42.0%
		2050	△100%
Scope 3 reduction rate	FY2022	2030	△25.0%

*1 Based on the results of the third-party verification, revisions have been made to the FY2023 emissions data published in the 'Notice of Updated Disclosure Based on TCFD Recommendations' issued on June 25, 2024, and the Annual Securities Report issued on June 26, 2024.

*2 Duplicate calculations for Macnica Group and the Glosel Group have been deducted.

*3 To reflect the emissions reduction efforts of our suppliers, we use the CDP Supply Chain Program to obtain primary data (emissions intensity based on sales per supplier) and secondary data (sector averages provided by CDP), which are verified and used to calculate Scope 3 emissions from Category 1 products.

Topic

Promoting Sustainability Management Initiatives to Improve External Evaluation

Macnica Holdings Obtains SBT Certification for Greenhouse Gas Emission Reduction Targets

In June 2024, Macnica Holdings' greenhouse gas (GHG) emission reduction targets for FY2030 were certified under the Science Based Targets initiative*1 as science-based targets to achieve the 1.5 °C threshold set out in the Paris Agreement (Near-Term Targets)*2. Macnica will continue accelerate our group-wide efforts to reduce greenhouse gas and contribute to the realization of a sustainable society.



*1 An international joint initiative of the CDP, UN Global Compact, World Resources Institute (WRI), and World Wide Fund for Nature (WWF). It promotes best practices for the verification of GHG emission reduction targets and reduction measures based on scientific evidence.

*2 SBT certification includes a near-term target for achieving medium-term reductions by FY2030 and a net-zero target for achieving a 100% reduction in Scope 1 to 3 emissions, ideally by FY2050.

Macnica Holdings' SBT-certified GHG reduction targets

Scope 1 and 2	FY2030: △42% compared to FY2022
Scope 3	FY2030: △25% compared to FY2022

Macnica Group Receives a B Score in CDP Climate Change Report 2023

Macnica has been awarded a 'B' score by CDP, an environmental non-profit organization (NGO), in the area of 'Climate Change' in the 2023 CDP evaluation. We have been working towards achieving carbon neutrality through the establishment of an Environmental Vision and Environmental Policy, the development of a system to deal with environmental risks, the introduction of renewable energy, more accurate calculations of GHG emissions, and the disclosure of information in accordance with the TCFD recommendations. The rating acknowledges the Company's steady commitment to climate change and the transparency of its information disclosure.



MSCI ESG Rating Upgraded by One Notch from BB to BBB

In April 2024, Macnica Holdings, Inc. was upgraded from 'BB' to 'BBB' in the MSCI ESG rating due to its strengthened governance and improved business ethics. This is the second-highest rating in Electronic Equipment, Instruments & Components industry to which we belong, recognizing the Company's commitment to sustainable management and social responsibility.



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Related Information

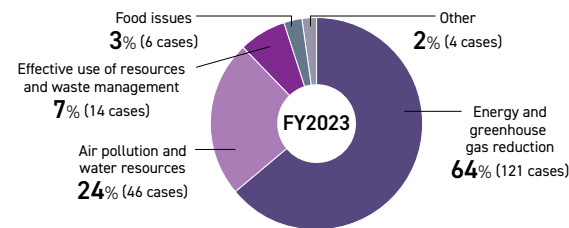
- Macnica Holdings, Inc. IR Website
- IR Library
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Responses to ESG-Related Risks

Expanding Our Environment-Friendly Businesses

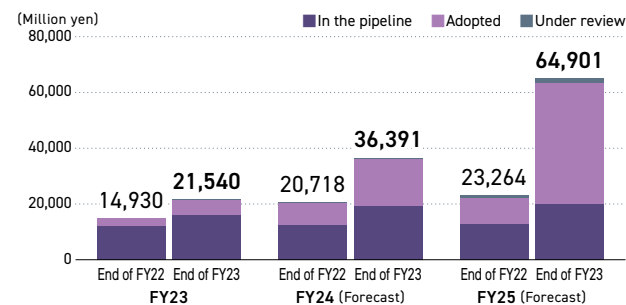
We monitor the products and services handled by Macnica, Inc. that contribute directly or indirectly to the environment. For example, we classify solutions such as our in-house developed air quality monitor 'AiryQonnect,' autonomous EV buses, and circular economy initiatives as 'direct' environmental contributions. Semiconductors used in products that contribute to the environment, such as EVs and solar power systems, are classified as 'indirect' environmental contributions. Macnica Group will continue to work on reducing its environmental impact through its business activities.

Number of Environment-Friendly Businesses



- The number of cases related to final products and services in environment-friendly businesses is classified by contribution area.
- A large portion of our businesses is primarily focused on reducing GHG emissions.

Scale of Sales for Environment-Friendly Businesses



- Research and calculate the projected sales scale of environment-friendly businesses at the end of FY2022 (March 2023) and the end of FY2023 (March 2024)

Responding to Risks Related to Human Rights

One of the four key policies of the Macnica Group's Policy on Sustainability P. 21 is 'Promotion of Global Management with Consideration to Environment & Human Rights and Strengthening the Supply Chain.' Based on this policy, we formulated the Macnica Group Human Rights Policy in FY2022 and announced it both internally and externally. Additionally, we provided education for all employees and informed our main suppliers.

As part of implementing the Macnica Group Human Rights Policy, we are promoting initiatives in line with international standards such as the Guiding Principles on Business and Human Rights adopted by the UN Human Rights Council, as well as the Action Plan on Business and Human Rights and the Guidelines on Respecting Human Rights in Responsible Supply Chains formulated by the Japanese Government.

Internally, to eliminate discriminatory attitudes that can lead to human rights violations and to encourage diverse human resources to thrive, we offer e-learning for all employees on topics such as working with people with disabilities, unconscious bias, and LGBTQ issues (including responses to coming out). We also provide harassment, working time management, and DE&I training for management positions. Externally, we have established a contact point to handle a wide range of complaints, including those related to human rights, from external parties such as business partners' employees.

Furthermore, we have partnered with an external professional evaluation organization to conduct human rights due diligence (assessing negative human rights impacts and necessary improvements) in our supply chain. We use its platform to analyze risks related to negative human rights impacts in our supply chain, and if necessary, engage in dialogue with our suppliers and make improvements.

Macnica Group Human Rights Policy

The Macnica Group believes that conducting honest and just management aligned with social justice and harmonizing with the international and local communities is essential. Our Management Policy Handbook clearly states this, distributed to all employees. Furthermore, the Macnica Group Charter of Conduct also aims to comply with laws and regulations in various countries and regions, respect various international norms, including human rights, and conduct management that considers culture, customs, and stakeholders' interests, contributing to the development of the economic society in the respective country or region.

Based on the aforementioned management policy and Charter of Conduct, this policy declares the fundamental approach to the Macnica Group's efforts to respect human rights.

Contents: Macnica Group Human Rights Policy

- | | |
|--|--|
| 1. Philosophy | 5. Remedy/Correction Process (Grievance Mechanism) |
| 2. Scope of Application | 6. Specific Policy |
| 3. Support and Respect for International Norms | (i) D&I, Harassment, Discrimination |
| 4. Human Rights Due Diligence | (ii) Human rights related to the latest technology |
| (i) Human rights impact assessment | (iii) Human rights in the supply chain |
| (ii) Dialogue/consultation | (iv) Forced labor/Child labor |
| (iii) Implementation of effect verification | (v) Working environment |
| (iv) Education and enlightenment | 7. Commitment |
| (v) Information disclosure to the outside | |

Risk Assessment Items (Macnica Group and Supply Chain)

- | | |
|---|---|
| ● Harassment | ● Diversity (LGBTQ, etc.) |
| ● Human trafficking | ● Occupational health and safety |
| ● Discrimination | ● Child labor |
| ● Working conditions (non-payment of wages, etc.) | ● Human rights of external stakeholders |
| | ● Forced labor |

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Strengthening Dialogue with Stakeholders



- Employees and their families
- Customers
- Business partners
- Creditors
- Shareholders and investors
- Local communities

Strengthening Dialogue with Stakeholders

Macnica believes that in corporate management, co-creating value with various stakeholders, including shareholders and investors, employees and their families, customers, business partners, creditors, and the local community, is of paramount importance. Bearing this in mind, we are committed to fostering appropriate collaborations with multi-stakeholders. From the perspective that appropriate distribution of profits and achievements generated by value co-creation and productivity improvements to multi-stakeholders leads to the maintenance of wage increase momentum and sustainable economic growth, we recognize the importance of returning profits to employees and consideration for business partners and are taking various initiatives.

Social Contribution Activities

Macnica proactively conducts social contribution activities as a 'good corporate citizen,' as stated in our Charter of Conduct. We aim to create a happy future society for people around the world through co-creation activities by contributing to environmental preservation, regional revitalization, cultural and sports promotion, and supporting children and young people who will lead the future.

Community Cleanup Activities

Since the 1990s, when our headquarters were located in the Hakusan High-Tech Park in Midori-ku, Yokohama, six companies in the High-Tech Park jointly organized regular clean-up activities, such as picking up litter and weeding in the surrounding area. This spirit of community contribution continued after our headquarters relocated to Shin-Yokohama in 2002, with the clean-up activities remaining ongoing. Since 2018, these efforts have been extended to domestic sales locations beyond the headquarters, and in the Shin-Yokohama area, they have expanded to include joint events with neighboring companies. The local community has expressed great appreciation for our contributions, such as featuring us in the Shin-Yokohama Neighbourhood Association's *Chonakai Dayori*.



Blood Donation Activities

We participate in the Japanese Red Cross Society's blood donation supporter program and collaborate with the Kanagawa Red Cross Blood Center. Since 2002, we have arranged for a blood donation bus to visit our Shin-Yokohama area two or three times a year to facilitate blood donation activities at our office. Additionally, to promote the importance of blood donation, we invited neighboring companies to join these activities in FY2023. In recognition of our long-standing efforts and achievements, we received the Kanagawa Prefecture Governor's Commendation in FY2018 and the Ministry of Health, Labour and Welfare's Certificate of Appreciation in FY2024. We remain committed to supporting blood donation activities to help save as many lives as possible.



Contribution to Career Education

In February 2024, our employee was invited to give a lecture on career development after university to about 200 students at Yokohama Municipal Minami High School. The aim was to encourage students to 'look to the ever-changing future and understand what and how they need to learn now and in the future' and 'think about working by listening to a lecture from a working adult.' Our employee's lecture, titled 'Three Scientific Approaches and 100 Q&A Knocks to Make Your Life Meaningful in a Turbulent Society,' received many candid questions from the students and a great deal of positive feedback regarding their career outlooks. We will continue to support 'living educational activities' that connect learning with society.



Support for Facilities for People with Disabilities

Since 2019, we have been providing opportunities to sell bread and pastries in our Shin-Yokohama office as part of our support for the employment of people with disabilities.

Initially, these events were held on an ad hoc basis, but with the cooperation of the Department of Health and Welfare and welfare facilities, we increased sales opportunities in 2023, holding these events nearly three times a month on an ongoing basis. The participants from the welfare facilities are enthusiastic when selling in the café space, and their delicious homemade bread is always popular with employees, selling well and offering a valuable opportunity for direct interaction between the bakers and our staff.



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Enhancing Corporate Value through Dialogue

Our Group values dialogue with stakeholders including analysts, institutional investors, and individual investors. Members of our management team generally attend these meetings. Through these discussions, we explain our perspectives and incorporate valuable opinions into our future management strategies, enhancing corporate value.

A New Stage of IR Activities through Proactive Dialogue

In FY2023, we strengthened our IR activities under the themes of 'Proactive IR for Overseas Investors,' 'Strengthening Disclosure Content,' and 'IR Website Update.' Our proactive IR measures, including issuing our first integrated report and holding overseas roadshows, aimed to deepen understanding of our Company. The number of meetings, including those with new investors, increased significantly, making this year what we consider to be the 'first year of strengthened IR.' However, we are not content with the status quo and will continue to enhance our dialogue efforts.

Starting in FY2024, we will focus on expanding the dialogue and improving its quality to build stronger relationships with shareholders and investors. Our goal is to enhance corporate value through continued dialogue.



FY2023 IR Activities Highlights

- Financial Results Briefing Held every half-year
- Events for Individual Investors Held twice
- Number of Investor Meetings 262 times
- Number of New Investor Meetings 61 times
- Number of Analyst Meetings 18
- Number of CEO Meetings 106
- Number of CFO Meetings 184

FY2023 Key Themes for IR Activities	Results of Initiatives
Proactive IR for Overseas Investors	The number of meetings with overseas investors increased from 97 in FY2022 to 111 in FY2023. Additionally, we conducted overseas roadshows in London, Edinburgh, and New York in December 2023, steadily strengthening our relationships with overseas investors.
Strengthening Disclosure Content	In FY2023, we published our first integrated report, held a briefing session, and posted a transcript of the session on the logmi's platform. We also disclosed English-language versions of the integrated report and the financial results briefing materials.
IR Website Update	We launched a project to integrate our corporate and IR websites, with the renewal scheduled for FY2024, aiming to improve usability and create a user-friendly platform that is easy for all stakeholders to navigate and understand.

Key Themes for IR Activities in FY2024 and Initiatives to Strengthen the IR Department

Realizing Strategic IR Activities

In FY2023, the number of meetings increased significantly. However, we believe that strategic IR activities will be necessary in the future to further enhance our corporate value. In FY2024, we will focus on strengthening dialogue with investors, such as maintaining and analyzing records of meetings, and collaborating with IR support companies as strategic partners to engage investors we have not been able to reach. Furthermore, we will increase the number of meetings with shareholders and investors and implement measures such as conducting overseas roadshows in regions other than Europe and the United States.

Strengthening and Improving Content

We believe that to deepen understanding of our company, we need to further expand information disclosure and enhance our content. In this integrated report, we have included detailed explanations of our business that we are frequently asked about in meetings with shareholders and investors. We will continue to review our disclosure materials and improve the quality of our dialogue with shareholders and investors.

Creating an Investment-Friendly Environment

We will work to reduce the minimum investment unit through share splits, improve ESG ratings, and disclose information in English simultaneously. Through these measures, we aim to create an investment-friendly environment for a broader range of shareholders and investors.

Message

To Help You Understand Macnica's 'Mechanism' and 'Transformation'

In FY2023, we proactively created opportunities for dialogue with many institutional investors, including by holding overseas roadshows. During these dialogues, I felt the intense challenge of accurately conveying Macnica's 'Mechanism' and 'Transformation.' Macnica's businesses have common strengths, as well as strengths that have been developed through the activities of each business. We use these strengths in developing strategies for each business area and carrying out business activities. Therefore, unless shareholders and investors understand the business models and competitive advantages of each business, it will be difficult for them to understand the strategies of each business, and difficult to gauge future growth and profitability.

Therefore, we have focused in this integrated report on explaining the business models and the competitive advantages of each business as systematically as possible, with 'An Introductory Guide to Macnica's Mechanism' as our theme. We believe that by reading this report, you will understand how each of these strategies is unique to Macnica, as well as the likelihood of future success.

In addition to the integrated report, the IR team is committed to increasing investor contact and engagement, and will spare no effort in helping them to understand our company. We hope this report will be a valuable opportunity for any reader to learn more about Macnica.



Daijiro Mano
General Manager
Management Planning Department

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	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Operating Results (Million yen)									
Net Sales	405,315	398,503	504,085	524,235	521,193	553,962	761,823	1,029,263	1,028,718
Gross Income	44,287	46,269	56,094	61,061	59,891	64,835	90,718	125,903	129,617
Operating Income	9,729	10,473	15,163	15,324	14,447	18,769	36,707	61,646	63,733
Operating Income Margin	2.4%	2.6%	3.0%	2.9%	2.8%	3.4%	4.8%	6.0%	6.2%
Ordinary Income	10,176	9,635	14,937	13,101	11,072	16,399	35,487	56,832	61,966
Net Income attributable to Owners of Parent	7,285	6,534	11,412	8,883	5,633	10,875	25,798	41,030	48,069
Cash Flows from Operating Activities	△ 1,208	3,169	△ 28,595	△ 30,173	45,770	38,076	△ 15,534	38,896	39,949
Cash Flows from Investing Activities	△ 1,460	△ 1,083	△ 1,804	△ 7,251	△ 8,919	△ 2,181	△ 1,653	△ 869	△ 18,457
Cash Flows from Financing Activities	2,942	△ 8,322	43,699	21,916	△ 35,797	△ 26,189	14,368	△ 27,100	△ 23,014

Financial Position (Million yen)									
Total Assets	201,171	215,158	266,738	299,259	263,247	269,590	362,584	517,620	552,244
Net Assets	107,620	104,769	128,213	135,399	135,551	146,010	179,764	207,762	256,420

Per Share Information (yen)									
Net Assets	1,810.53	1,878.66	2,009.92	2,115.96	2,141.60	2,289.58	2,734.55	3,299.25	4,072.90
Net Income	124.29*1	114.03*1	206.08	142.03	90.14	175.39	414.89	664.89	794.64
Annual Dividend	40	35	50	50	50	50	100	140	200

Key Financial Indicators									
Equity Ratio (%)	52.6	47.9	47.1	44.2	50.2	52.7	46.9	38.6	44.2
Return On Equity (ROE) (%)	6.9	6.3	10.0	6.9	4.3	7.9	16.5	22.2	21.6
Working Capital Turnover*2 (Times)	3.5	3.1	3.0	2.4	3.0	3.4	3.2	4.4	3.5
Dividend On Equity Ratio*3 (DOE) (%)	2.2	1.9	2.5	2.4	2.3	2.2	3.7	4.2	4.9
Total Payout Ratio (%)	32.3	113.1	44.3	35.3	88.8	28.6	24.1	35.6	35.5

*1 Diluted Net Income Per Share

*2 Working Capital Turnover = Annual Sales / Working Capital (Accounts Receivable + Inventories - Accounts Payable, at end of the period)

*3 DOE = Total Dividends Paid during the year / Shareholders' Equity (Net Assets less Stock Acquisition Rights and Non-Controlling Interests, at end of the period)

Note: Glosel Co., Ltd. has been consolidated into the B/S as of the end of March 2024 and into the P/L starting from April 2024.

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Social Data	FY2019	FY2020	FY2021	FY2022	FY2023
Human Resources					
Number of consolidated employees (persons)	3,453	3,513	3,925	4,203	4,768
Number of consolidated employees Male/ Female (%)	69%/31%	70%/30%	68%/32%	67%/33%	67%/33%
Macnica, Inc. (Non-consolidated)					
Number of employees*1 (persons)	1,977	2,234	2,322	2,454	2,661
Number of employees*1 Male/ Female (%)	73%/27%	72%/28%	72%/28%	71%/29%	68%/32%
Average years of service (years)	10.8	11.5	10.9	10.7	10.7
Average age of employees (age)	38.9	40.0	39.0	38.9	38.8
Number of full-time employees recruited (persons)	139	91	195	221	298
Number of full-time employees recruited Male / Female (%)	71%/29%	76%/24%	73%/27%	67%/33%	77%/23%
Gender pay gap (Full-time employees / Temporary employees) (%)	-	-	-	Full-time: 63.2% Temporary: 47.6%	Full-time: 65.4% Temporary: 46.7%
Gender pay gap (all employees) (%)	-	-	-	58.9%	60.8%
New graduate employees' resignation rate within 3 years (%)	13.9%	20.6%	18.5%	20.0%	13.6%
New graduate/mid-career hire ratio New graduate/Mid-career (%)	42%/58%	61%/39%	34%/66%	30%/70%	31%/69%
Full-time employees' turnover rate (%)	4.7%	5.7%	5.2%	5.3%	4.3%
Full-time employees' turnover rate for personal reasons (%)	4.1%	4.6%	4.2%	4.3%	3.1%
Percentage of women in management positions (%)	5.3%	4.6%	5.0%	5.2%	6.2%
Total working hours (Annual / average per person / hour)	1,837	1,841	1,831	1,851	1,827
Regular working hours (Annual / average per person / hour)	1,815	1,815	1,800	1,823	1,800
Paid leave acquisition rate (%)	55%	60%	45%	53%	75%
Childcare leave acquisition rate Male / Female (%)	-	-	8%/100%	26%/100%	61%/152%
Percentage of employees taking childcare leave and leave for childcare purposes Male / Female (%)	-	-	-	73%/100%	87%/152%
Reemployment rate of childcare leave takers Male/Female (%)	-	-	100%/100%	100%/100%	100%/97%
Number of employees working reduced hours for childcare (persons)	53	74	77	71	65
Employment rate of disabled persons (%)	2.23%	2.07%	2.03%	2.50%	2.50%
Employed disabled persons working at outside facilities (persons)	0	0	0	0	0
Number of reemployed persons (reemployed / retired at retirement age) (persons/%)	7/7 (100%)	8/9 (89%)	15/17 (88%)	15/16 (94%)	12/15 (80%)
Number of temporary employees (persons)	168	173	204	232	235
Labor accidents (Absence due to accidents)	0	0	0	0	0
Labor accidents (Fatal accidents)	0	0	0	0	0
Health checkup participation rate (%)	83.9%	80.3%	86.0%	88.3%	88.7%
Stress checkup participation rate (%)	80.3%	89.1%	82.9%	93.1%	91.2%
Telework rate*2	-	-	-	65%	66%
Telework eligibility rate*3	-	100%	100%	100%	100%

Environmental Data		FY2022	FY2023*4	YoY*4	
GHG Emissions (t-CO₂) / Macnica Group (including Glosel Group)					
Scope 1	Including overseas consolidated subsidiaries	752.20	896.95	+19.2%	
Scope 2	Including overseas consolidated subsidiaries	1,544.56	1,193.69	△22.7%	
Scope 3*5	(1) Including Scope 3 downstream emissions of overseas consolidated subsidiaries (using the traditional input-output table)	5,033,963.58	4,416,150.02	△12.3%	
	(2) The target scope is as above (data for Category 1 products using the CDP Supply Chain Program*2)	-	1,567,341.03	(Reference) First calculation for FY2023	
Total Emissions	Total emissions for Scope 1 to 3 based on the above Scope 3 classification	(1)	5,036,260.34	4,418,240.66	△12.3%
		(2)	-	1,569,431.67	(Reference) First calculation for FY2023
Energy Consumption					
Total Electricity Consumption (Global) (kWh)		5,931,598.41	6,340,172.49	+6.9%	
Of the above, Renewable Energy Consumption (kWh)		2,882,636.00	4,058,238.89	+40.8%	
Renewable Energy Consumption (%)		48.6%	64.0%	+15.4%	

Governance Data	6/2020	6/2021	6/2022	6/2023	6/2024
Directors and Corporate Auditors					
Internal Directors (persons)	8	8	8	7	6
Outside Directors (persons)	4	4	4	4	6
Audit & Supervisory Committee Members (Outside)*6	-	-	-	-	3(2)
Ratio of Outside Directors (%)	33.3%	33.3%	33.3%	36.4%	50.0%
Ratio of Female Directors (%)	8.3%	8.3%	8.3%	9.1%	25.0%
Audit & Supervisory Board Members (Outside) (persons)	3(2)	3(2)	3(2)	3(2)	-
Ratio of Outside Audit & Supervisory Board Members (%)	66.7%	66.7%	66.7%	66.7%	-

Board of Directors, Audit & Supervisory Board, Nominating and Compensation Advisory Committee	FY2019	FY2020	FY2021	FY2022	FY2023
Number of Board Meetings (times)	13	14	14	14	13
Board Meeting Attendance Rate (%)	90.0%	100%	100%	99.4%	100%
Number of Audit & Supervisory Board Meetings (times)	13	14	13	12	13
Audit & Supervisory Board Meetings Attendance Rate (%)	100%	98%	100%	100%	100%
Number of Nominating and Compensation Advisory Committee Meetings (times)	6	5	5	6	6
Nominating and Compensation Advisory Committee Attendance Rate (%)	100%	100%	100%	100%	100%

*1 Direct employees only
 *2 No data available before FY2019. Estimated to be around 80% for FY2020-FY2021 due to the spread of COVID-19.
 *3 Differences in usage and frequency exist after the spread of COVID-19, but telework is generally available to all employees.
 *4 Based on the results of the third-party verification, revisions have been made to the FY2023 emissions data published in the 'Notice of Updated Disclosure Based on TCFD Recommendations' issued on June 25, 2024, and the Annual Securities Report issued on June 26, 2024.
 *5 Duplicate calculations for Macnica Group and the Glosel Group have been deducted.
 *6 Following approval at the 9th Annual General Meeting of Shareholders held on June 26, 2024, the Company has transitioned from a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee. Data as of the end of June 2024.

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Macnica's Business Model

Technology Trading Company / Value-Added Distribution (VAD) | In addition to regular agency tasks such as product sales, credit management, and inventory management, this business model includes marketing activities, the exploration and promotion of new markets, technical proposals, and technical support to add unique value and drive sales.

Services & Solutions Model / Services & Solutions (SS) | A business model that earns revenue by providing in-house developed services and solutions. Services refer to the provision of services rather than products or software, while Solutions are an approach to solving specific problems, through IT systems, consulting, or a combination of both. Macnica has entered the market as an advanced technology VAD, with acquired intelligence in terms of domain expertise, necessary capabilities (organizational capacity), and co-creation partners, leveraging this knowledge to develop its own Services & Solutions with unique value.

CPS Solutions (CPSS) | Cyber-Physical System (CPS) solutions, or CPSS, is a general term for products and services, or a business, that collects various data from the real world (physical layer) using sensors and other technologies, then analyzes and converts this data into knowledge using large-scale data processing and other technologies in the cyber realm (cyber layer), then feeding the information created back into the real world, revitalizing industries and addressing social challenges.

Global Franchise | Unlike agency agreements, which are typically confined to specific countries or regions, a global franchise extends its agency agreements across multiple countries or regions.

Demand Creation | Creating new demand or engaging in activities for that purpose. Creating business opportunities by demonstrating solutions and opportunities in potential markets and customer challenges through sales and marketing activities, supported by advanced technology and an understanding of market trends. This is treated as a counterpart to fulfillment (order processing and delivery operations).

Semiconductor

PLD (FPGA) | Programmable Logic Devices (PLD) refers to an IC that allows users to customize and reconfigure the internal logic circuitry. Unlike ASICs, PLDs are more suitable for small-lot, high-mix products, as they enable users to create customized, original LSIs more easily. Unlike standard IC chips, the circuit configuration of a PLD can be altered post-manufacture by transmitting circuit design information from an external source. FPGA, which stands for Field-Programmable Gate Array, is a type of PLD.

Signal Chain | In product design, a signal chain refers to the series of components and functions in a system, represented by blocks and connected by lines. Each block typically describes a specific function, such as a sensor or CPU, and illustrates the flow of signals through the system.

Core Device | An essential semiconductor component that is critical to the customer's design phase and product performance. Examples include CPUs, FPGAs, and similar components.

IT and System

Zero Trust | A security approach that adopts a 'trust nothing' premise and implements measures accordingly. Instead of relying on traditional perimeter defense, it strengthens protection against internal threats and external attacks by strictly managing access to all resources inside and outside the network, thereby ensuring the safety of data and systems.

Sler | System Integrator (Sler) is a generic term for an IT company that integrates hardware, software, networks, and other technical components, undertaking system development and operation.

BI | Business Intelligence (BI) refers to aggregation, visualization and analysis of the various data accumulated by companies, for use in decision-making and problem-solving, also encompassing the IT systems involved in these processes.

CRM | Customer Relationship Management (CRM) refers to a management method or IT system that helps build relationships with customers by centrally managing information such as basic customer data, meeting records, quotations, proposals, and transaction history.

ERP | Enterprise Resource Planning (ERP) refers to a concept or IT system that centrally manages core business operations such as finance and accounting, production, sales, and purchasing, efficiently allocating management resources for use in corporate management.

RPA | Robotic Process Automation (RPA) refers to the use of software to automate routine tasks typically performed by humans, and the IT systems involved.

SCM | Supply Chain Management (SCM) refers to a management method or IT system that manages the series of processes from procurement of raw materials, components, and products to delivery to the customer. It includes procurement, product lifecycle management, inventory management, asset management, logistics, and order management, among others.

PLM | Product Lifestyle Management (PLM) refers to a method and system for managing the entire product lifecycle.

MES | Manufacturing Execution System (MES) refers to a system for managing and optimizing the manufacturing process.

Financial and Accounting

Working Capital Turnover | This formula represents how much sales are generated by the working capital invested in a business. [Annual Sales / Working Capital]

ROWC | Return on Working Capital indicates how much profit is generated from the working capital invested in the business. [ROWC = Operating Income x (1 - Effective Tax Rate) / Working Capital]

WACC | Weighted Average Cost of Capital is an indicator that shows how much cost a company incurs in raising funds. It calculates the costs of equity capital and debt capital, taking into account the proportion of each source of funding used, to arrive at a weighted average cost.

DOE | Dividend on Equity Ratio indicates the extent to which profits are distributed relative to shareholders' equity. [Total Annual Dividend / Shareholders' Equity]

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Others	
Subscription Contract	A contract for the regular use of a service for a fixed fee.
TAM / SAM	Total Addressable Market / Serviceable Available Market. TAM refers to the maximum market size that a product or service could theoretically capture, while SAM refers to the portion of the market that the product or service can actually serve within the TAM.
Digital Triplet	A concept that adds an element of human intelligence to Digital Twin technology, which creates digital copies of physical objects and systems for real-time monitoring, simulation, and optimization. This enables more efficient operations and problem-solving.
End-User Customer	The individual or company that will ultimately use the product or service. End-user customers are the direct users, and their satisfaction is crucial for evaluating and improving the product.
Innovator Customer	An early customer group that adopts a new product or technology ahead of others. Alternatively, it refers to a customer group that forms the initial market. Feedback from innovator customers plays a significant role in product improvement and market development.
Sourcing	The process of identifying, evaluating, and selecting suppliers who provide the products and services required by a company.
Internal Firewall	Internal regulation within Macnica to prevent information leakage. As a distributor, it restricts the sharing of information between internal companies that handle competing products to avoid conflicts of interest with customers. This structure allows each dedicated internal product team to compete independently, ensuring that customers can select the best product at the most competitive price.
Co-Creation Partners	Partners with whom companies and organizations collaborate to create new value and innovation. Together, they achieve goals and pursue mutual benefits, not limited to direct business relationships.
Level 4	Level 4 autonomous driving is a technology that enables fully automated driving under specified conditions. In April 2023, the Japan's Road Traffic Law was amended to lift the ban on Level 4 autonomous driving on public roads, following approval from the National Public Safety Commission with jurisdiction over the area.
Integration/ Integration Business	Integration refers to the combining of different systems and processes. Integration businesses provide both system integration and service integration.
Intelligence	Information and insights that are not generally known, acquired through deep relationships with other companies and gained through business interactions.

Sources and descriptions

Charts/graphics created by Macnica based on Gartner research. Calculations performed by Macnica

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Gartner®, Market Share: Semiconductor Distributors, Worldwide, 2023, Masatsune Yamaji, 12 March 2024, Revenue basis.

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❖ P. 39

Gartner®, Forecast: Semiconductors and Electronics, Worldwide, 2022-2028, 2Q24 Update, Rajeev Rajput et al., 3 July 2024, Device Units Revenue basis. Industrial Equipment Market = Industrial and Military/Civil Aerospace Electronics, Automotive Industry = Automotive Electronics.

❖ P. 45, ❖ P. 54

Left Graph*1: Gartner®, Market Databook, 2Q24 Update, John Lovelock et al., 28 June 2024

IT Market = Spending on IT by Technology Segment, Customer Type = Business, End-User Spending Constant Currency basis,

Right Graph*2: Gartner®, Forecast: Information Security, Worldwide, 2022-2028, 2Q24 Update, Shailendra Upadhyay et al., 3 July 2024

Cybersecurity Market = Information Security (Network Security, Security Services and Security Software Market) for Enterprise, All segment and category excluding Consumer Software. Asia Pacific = Mature Asia/Pacific + Emerging Asia/Pacific, Middle East = Middle East and North Africa, End-User Spending Constant Currency basis.

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Company Overview (as of March 31, 2024)

Company Name
MACNICA HOLDINGS, INC.

Establishment
April 1, 2015

Capital
¥14.0 billion

Number of Consolidated Employees
4,768 people

Head Office Address
1-6-3 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa, Japan

Business Activities
Business management of a company that imports, exports, sells, etc., electronic components such as semiconductors and integrated circuits, and incidental or related operations

Major Consolidated Subsidiaries
Macnica, Inc.
MACNICA CYTECH LIMITED
MACNICA CYTECH PTE. LTD.
MACNICA GALAXY INC.
ANSWER TECHNOLOGY CO., LTD.
MACNICA CHUNGJU CO.,LTD
MACNICA CYTECH (THAILAND) CO., LTD.
NETPOLEON SOLUTIONS PTE LTD
30 other companies

Stock Information (as of March 31, 2024)

Listed Market Tokyo Stock Exchange, Prime Market

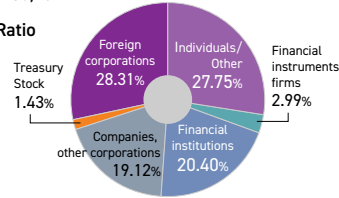
Securities Code 3132

Total Issuable Shares 200,000,000 shares

Total Issued Shares 60,857,382 shares (including Treasury Stock)

Number of Shareholders 30,457

Shareholders by Ownership Ratio



Major Shareholders (Top 10)

Shareholder	Number of shares held (Thousands of shares)	Shares held(%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,904	11.51
Kamiyama Foundation (General incorporated foundation)	6,000	10.00
Haruki Kamiyama	3,500	5.83
Seeds Technology, Inc.	3,500	5.83
JP MORGAN CHASE BANK 380055 (Standing Proxy: Mizuho Bank, Ltd.)	2,773	4.62
The Custody Bank of Japan, Ltd. (Trust Account)	2,654	4.42
Central Tanshi Co., Ltd.	1,179	1.97
Yuko Kamiyama	1,000	1.67
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	709	1.18
JP MORGAN CHASE BANK 385781 (Standing Proxy: Mizuho Bank, Ltd.)	630	1.05

External Ratings



Selected as a constituent stock:
JPX Prime 150 Index



Selected as a constituent stock:
JPX-Nikkei Index 400



Selected as a DX Stock 2024 by METI, TSE, and IPA



Upgraded by one notch from BB to BBB

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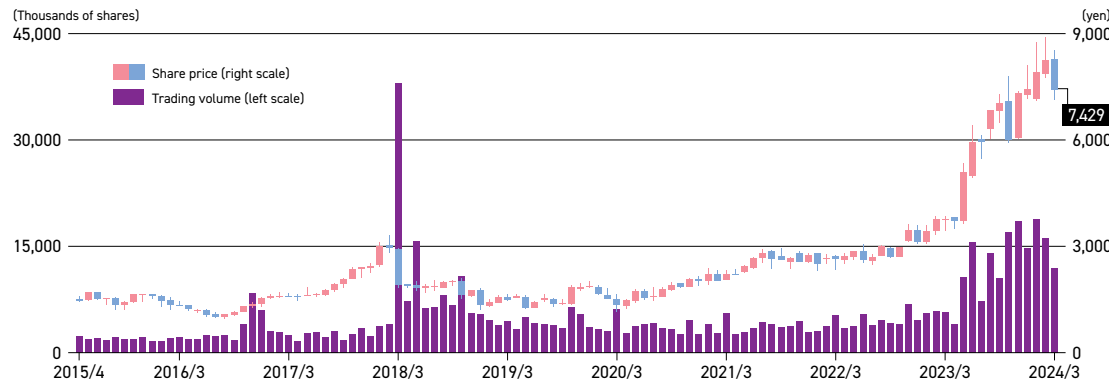


CDP score improved from C to B rank



Certified Health & Productivity Management Organization 2024 (Large Enterprise Category)

Share Price and Trading Volume (as of March 31, 2024)



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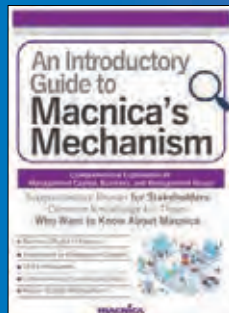
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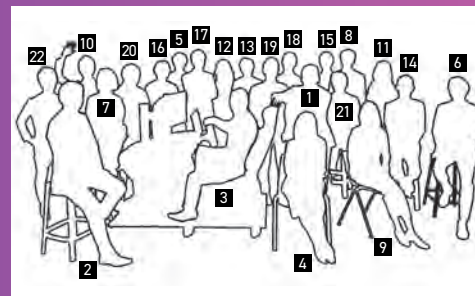


* Reference image

The Entire Company Collaborated to Create 'An Introductory Guide to Macnica's Mechanism.'

Have you ever come across introductory books or manuals in bookstores with titles like 'Easy to Understand,' 'A Complete Guide,' 'Basics and Structure,' or 'Illustrated'?! These books typically offer basic knowledge and mechanisms of a particular subject in a straightforward manner, often using illustrations and concrete examples to aid comprehension. In LIMITLESS 2024, we adopted the concept of 'An Introductory Guide to Macnica's Mechanism' to explain the business models of our semiconductor and network businesses in an accessible, structured format. In pursuit of detailed, hands-on information, the entire Company—across each in-house company and various departments, including logistics—collaborated to create this publication. We hope this report not only helps readers understand our business but also provides insight into the people and culture at Macnica, a Company that 'perseveres and accomplishes its goals.'

*1 Japanese equivalent of 'For Dummies' or 'The Complete Idiot's Guide' series for the readers in English-speaking world.



Integrated Report **LIMITLESS 2024**

List of the LIMITLESS 2024 Project Team Members

Management Planning Department

- 1 **Daijiro Mano** General Manager, Management Planning Department
Editor-in-Chief, Integrated Report Project
- 2 **Tomoisa Arai** Director, Management Planning Office
- 3 **Toshihiro Koga** Manager, Investor Relations
- 4 **Manami Imamura** Investor Relations
- 5 **Yuya Takahashi** Investor Relations

Board of Directors Office

- 6 **Tomohisa Asano** General Manager, Board of Directors Office

Corporate Branding Group

- 7 **Tomoko Matsumoto** General Manager, Branding Promotion Office
- 8 **Tatsuya Hayashi** Leader, Branding Promotion Office
- 9 **Yuko Tomita** Leader, DX Marketing Department
Marketing Department

Human Resources Group

- 10 **Akari Sasaki** Human Resources Department

Corporate IT Group

- 11 **Yasumi Koda** Manager, IT Strategy and Planning Office

Corporate Governance & Risk Management Group

- 12 **Miki Sakakibara** General Manager, Corporate Governance & Risk Management Group
- 13 **Jun Miyahara** Director, Compliance Department

Financial Group

- 14 **Yukihide Aoki** Director, Group Financial Planning Department

Sales and Operations Planning Department

- 15 **Jinqu Zou** Deputy Director, Sales and Operations Planning Division

Business Operations Group

- 16 **Erina Hosokawa** Manager, Customer Service Department

Clavis Company

- 17 **Takamasa Horiuchi** Director, First Sales Department, Business Solutions Division 3
Sales & Marketing

Finesse Company

- 18 **Manabu Kimura** Director, 4th Engineering Department, Engineering Division, Field Application Engineering Department

TechSter Company

- 19 **Goshi Sugiyama** Director, First Product Sales Department, Division 3 Product Sales

Altima Company

- 20 **Shinichi Morokuma** Director, Product Sales & Management Division, Analog Solution Division 1

Networks Company

- 21 **Kenzo Takamura** Director, 2nd Sales Department, Sales & Marketing
Assistant Director, Overseas Business Promotion Office, Global Business Development
- 22 **Yuta Miura**

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Sowing **seeds** continuously under our feet

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The Origins of Macnica

In the mid-1960s, Haruki Kamiyama, the founder of the Company, saw the potential for business opportunities in the way semiconductors were changing the world. In 1972, at the age of 26, he established Japan Macnics Corporation (JMC) with the goal of developing and selling cutting-edge electronic components and devices.

'Japan' was included in the company name to let overseas suppliers immediately understand that JMC was a Japanese company, representing business opportunities in the growing Japanese market at the time. The name 'Macnics' is a coined term derived from 'Masters of Advanced Concept in Electronics.' The word 'Masters' was chosen to reflect its engineers' technical expertise and deep understanding of the market. The phrase 'Advanced Concept in Electronics' was selected to indicate that the Company's business was based on cutting-edge technology, encompassing not only semiconductors but also the sales of electronic components, boards, and software, as well as the

development of its own products using those technologies.

What was distinctive about Kamiyama's approach was his decision to consider only technologically advanced US semiconductor manufacturers as suppliers, rather than the Japanese semiconductor manufacturers that were rapidly advancing at the time. In Silicon Valley, new semiconductor companies founded by young engineers were emerging one after another, but as startups, they had few sales staff and were not particularly active in the Japanese market. As Kamiyama himself was an engineer, JMC understood the technical needs of the Japanese market and was able to develop sales strategies and implementation plans that semiconductor manufacturers found acceptable. As a result, JMC earned the trust of semiconductor manufacturers and were able to secure distributor agreements despite being a small venture company. Even after the Company was renamed Macnica, the entrepreneurial spirit of those early days continues to thrive.

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Technological
transformation
for all.



MACNICA

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