MACNICA

Strategy

Creating the "Now"

Macnica is currently undergoing a significant transformation in pursuit of its Vision 2030. This section provides a clear and structured explanation of the strategic direction outlined in Macnica's Medium-Term Management Plan (FY2025–2027), detailing how the Company intends to execute these strategies in its journey to become a Services & Solutions Company, and why Macnica is uniquely positioned to deliver on this vision.

Through our capital policy, business strategies, IT and DX strategies, and human resource strategy, Macnica is not only envisioning the future but creating the "Now." This section articulates the credibility and feasibility of our transformation.

Our Roadmap

By backcasting from Vision 2030—the future state Macnica aspires to achieve—the Company has clarified its current management challenges and the initiatives it must undertake. In pursuit of FY2030 targets, Macnica has formulated a three-phase Medium-Term Management Plan: the Management Resource Fusion Phase, starting from FY2022; the Specialization Enhancement Phase, starting from FY2025; and the Management Resource Integration Phase, starting from FY2028. These phases are the steps through which we will drive the gradual evolution of our human capital, services, solutions, and business foundation, mapping out the path for our transformation to realize Vision 2030. Through these steps, Macnica aims to maximize sustainable growth and corporate value.

Roadmap for Vision 2030

Achieving Long-Term Management Goals through **Three Phases of Transformation**

		FY2022–2024 ① Management Resource Fusion Phase	FY2025–2027 ② Specialization Enhancement Phase	FY2028–2030 ③ Management Resource Integration Phase
CPS Solutions Business	Investment in Development	Strengthen service development	Accelerate service growth	Integrate and stabilize services
CPS Solutions Business	Key Points	Develop individual services	Strengthen individual services and coordinate between services	Standardize platforms
Semiconductor Business	Revenue Structure Reform	Develop value-added products	Expand value-added products	Stabilize value-added products
Cybersecurity Business	Revenue Structure Reform	Develop in-house services	Expand in-house services	Stabilize in-house services
Common to Semiconductor and Cybersecurity Businesses	Strengthening Businesses	Acquire cutting-edge products, strengthen global operations, expand portfolio		
Company-wide	Strengthening Business Foundation	Strengthen DX development	Strengthen DX dissemination and development	Stabilize DX
Company-wide	Strengthening Brands	Develop brands	Strengthen brands	Maintain and strengthen brands

Management Resource Fusion Phase

The first phase involves combining the physical strengths cultivated in the Semiconductor Business and the strengths in cyber technology cultivated in the Cybersecurity Business to sow new business seeds. We created systems and made capital investments to help new business seeds to grow significantly, leading on to the next phase.

Specialization Enhancement Phase

In this phase, we will continue to strengthen the capabilities we need for significant business growth, while collaborating with partner companies possessing excellent technology and management capital. Alongside developing our own services and solutions, we will acquire deeper expertise in our focus areas through these collaborations with partner companies.

Management Resource Integration Phase

In the final phase, we will integrate the expertise developed in each area to position ourselves as a platform provider for the industry. We will promote integration by strengthening the coordination of services and data across domains, with the goal of establishing a platform that sets a new industry standard.

Review of the Management Resource Fusion Phase (FY2022–2024)

During the Medium-Term Management Plan (FY2022–2024) period, net sales surpassed ¥1.0 trillion, while three-year cumulative net income grew by 2.7 times from FY2019 to FY2021. The Semiconductor Business, which led this growth, experienced some fluctuation due to external factors, but grew in its core markets of industrial equipment and automotive products, and expanded its market share substantially in Japan and overseas. The segment also made productivity gains through IT and DX investments, and established a structure capable of leveraging economies of scale. The Cybersecurity Business also grew strongly in Japan and overseas, with an overall segment CAGR of 22.8%. Our proprietary Attack Surface Management (ASM) service also captured the top spot in the domestic market for three consecutive years, as our new challenges produced steady results. The CPS Solutions Business did not achieve its targets for FY2024. However, in its leading Smart City/Mobility Business, it made steady progress on expanding its business in municipalities where it conducted trial operations and regular services of self-driving EV buses.

Positioning of the Specialization Enhancement Phase (FY2025–2027)

The Specialization Enhancement Phase is the second step of the Medium-Term Management Plan on the path to realizing Vision 2030. In this phase, it is important to accelerate business model transformation toward the realization of a Services & Solutions Company. Transforming our business model will require the acquisition of additional capabilities. By leveraging the Value-Added Distribution (VAD) model, we will acquire domain knowledge and partners, forming an ecosystem that drives the development of the Services & Solutions (SS) model. We will also make investments to expand our business domains inorganically. Under the current Medium-Term Management Plan, we have presented our capital policy (P.19), and we will execute growth investments toward transforming our business model. While further strengthening the capabilities we need to significantly grow our businesses, we will collaborate with partners who possess outstanding technologies and management capital. In addition, to transition to a completely new business model, we also need to build a management base that can adapt to change. We will strengthen our respective functions and realize sustainable growth.

Medium-Term Management Plan FY2025–2027

Specialization Enhancement Phase (FY2025–2027)

The Specialization Enhancement Phase, which started in FY2025, is a key period in our evolution into a Services & Solutions Company. We aim to achieve medium-term management targets by steadily executing our business strategies and strengthening our management base. Our medium-term management targets for FY2027 are consolidated net sales of ¥1.4 trillion, consolidated operating income of ¥80.0 billion, consolidated operating income margin of 5.7%, and consolidated ROE of 15.0%.

Medium-Term Management Targets

	FY2024 (actual)	FY2027 (medium term)	FY2030 (long term)
Consolidated net sales	¥1.0 trillion	**¥1.4 trillion**	¥2.0 trillion
Consolidated operating income	¥39.6 billion	**¥80.0 billion**	¥150.0 billion
Consolidated operating income margin	3.8%	**5.7%**	7.5%
Consolidated ROE*	10.0%	**15.0%**	15.0%

* Consolidated ROE = Consolidated net income attributable to owners of parent / Consolidated shareholders' equity (net assets less stock acquisition rights and non-controlling interests, as of the end of the period)

Medium-Term Management Strategy

Company-wide strategy			Strengthen the management base
• Growth investment toward Vision 2030 • Business model transformation • Strengthening AI-related business			• Strengthen financial strategy • Strengthen human capital strategy • Strengthen IR strategy • Strengthen branding • Strengthen IT/DX strategy • Strengthen corporate governance
Semiconductor Business	**Cybersecurity Business**	**CPS Solutions Business**	
• Focus investment in growth countries • Continue strengthening growth markets • Enhance AI-related business	• Expand value-added distribution model • Enhance value-added operational support services • Expand services and solutions	• Expand Smart City/Mobility and Smart Manufacturing businesses • Target enhancement of Circular Economy, Healthcare, and Food & Agritech	

Growth Strategy for the Semiconductor Business

We will continue to strengthen the Semiconductor Business as the core revenue base for the Company. Amid rising uncertainties due to factors such as trade friction between the United States and China, we will pursue individual strategies targeting the Chinese market in parallel with focused investment in growth countries outside of China with the aim of expanding our business globally. We will continue to focus on the growth fields of industrial equipment and automotive products. In the automotive field, where the use of software is increasing, we will place particular emphasis on strengthening our software solutions to better respond to the growing automotive software market. In AI-related business, we will organize our sales structure and optimize our business portfolio with a primary focus on infrastructure- and edge-oriented AI solutions for data centers, aiming to drive sustainable growth based on our company-wide AI strategy.

Growth Strategy for the Cybersecurity Business

In the Cybersecurity Business, we aim to further expand our business around the four domains (categories) of security, data/AI, applications, and overseas. We will expand our existing Value-Added Distribution (VAD) model through sales expansion of current products, acquisition of new products, and the development of new subcategories to expand our target segments within each category. Also, by focusing on strengthening the operational support services associated with distribution, we will expand them into the overseas markets. For the expansion of services and solutions, we will look at both organic growth through in-house development and inorganic growth through M&As and other means as we accelerate the transformation of our business model.

Growth Strategy for the CPS Solutions Business

In the CPS Solutions Business, we have reorganized the previous six themes into five by integrating CPS Security into the Cybersecurity Business. Smart City/Mobility and Smart Manufacturing have entered an expansion phase, and we are strengthening our business in domains such as self-driving EV buses and operation control systems and DX for the manufacturing industry. Circular Economy is in a growth phase, and we will promote it in businesses that have been selected for high growth potential. In the Healthcare field, we will launch distribution services in the cardiovascular domain, and develop evidence for creation of value through data use in the future. In Food & Agritech, we are rolling out plant factory-related products while also working on full-scale construction of a data business.

Company-wide Strategy

Growth Investment toward Vision 2030

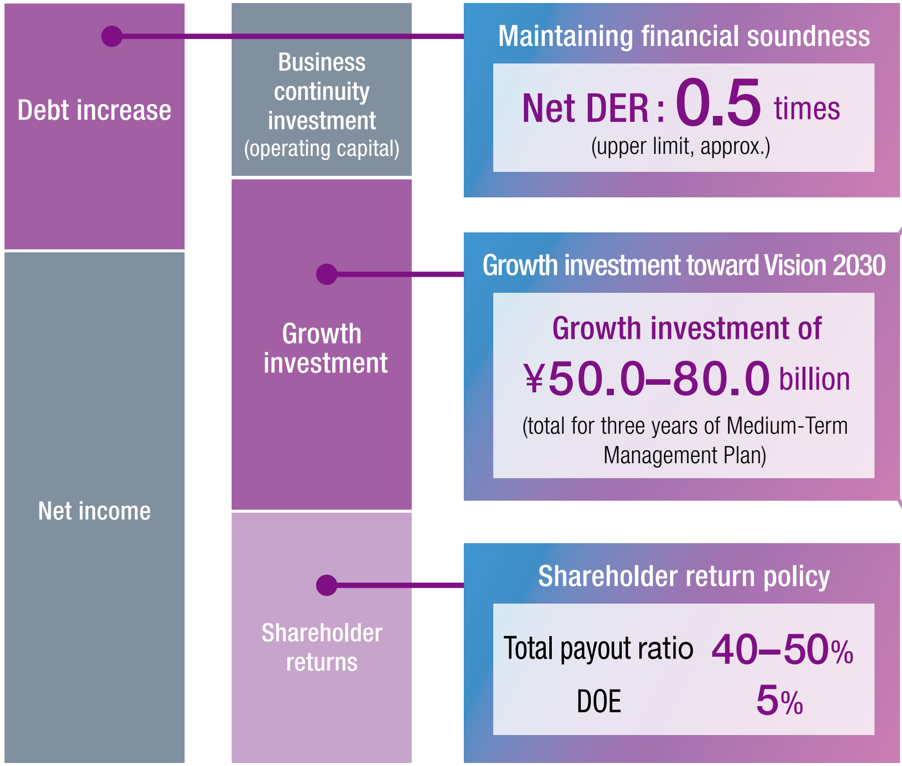
Aiming to Increase Corporate Value through Growth Investment

Macnica has placed growth investment at the heart of the Medium-Term Management Plan (FY2024–2027), aiming to sustainably increase corporate value. These investments will play a supporting role in the transformation of our business model for the realization of our long-term vision, Vision 2030. We also expect them to result in an improved operating income margin, increased resilience to market fluctuations, and a reduction in cost of capital. Rather than simple business expansion, we will take a strategic approach to achieve both profitability and stability with the aim of contributing to an increase in our competitive capability.

Balancing Financial Discipline and Shareholders Returns

To support the steady execution of growth investments, Macnica's capital policy emphasizes the balance between financing and shareholder returns, while maintaining financial soundness. Specifically, we target an upper limit for the net debt-to-equity ratio (Net DER) of 0.5 times, and make appropriate use of financial leverage to maintain stable funding operations. Our shareholder return policy aims for a consolidated dividend on equity ratio (DOE) of 5%, with stable and continuous dividend payments. Furthermore, we are working to increase shareholder value by aiming to maintain a total payout ratio (combining dividends and treasury share acquisitions) in the range of 40–50%.

Capital Policy



Investment in Key Areas and Future Outlook

Macnica is planning growth investments in the order of ¥50.0 to ¥80.0 billion over the three years from FY2025 to FY2027. Funded from the increase in profit and debt after deducting operating capital, these investments will be evenly spread across value-added distribution as well as services and solutions, mainly aimed at strengthening the Company's businesses through M&As. In the Semiconductor Business, we have a leading share of the Japanese market, and although we face a significant scale difference compared to major distributors in North America and Taiwan, there remains significant potential for overseas expansion.

As manufacturing sites become more dispersed in response to US-China trade friction, we will explore investment opportunities in growth countries outside of China, looking to maintain and expand profitability. At the same time, we will strengthen our in-house-developed services and solutions through investments in related service providers, mainly in the Cybersecurity Business, as well as accelerating the transformation of our business model.

	Planned allocation	Semiconductor Business	Cybersecurity Business	CPS Solutions Business
Services & Solutions	Approx. 50%		Business model transformation	
Value-Added Distribution	Approx. 50%	Sustainable growth		

Medium-Term Management Plan FY2025–2027

Business Model Transformation

The new Medium-Term Management Plan that started from FY2025 has positioned business model transformation as one of the main company-wide strategies. In addition to the previous Value-Added Distribution (VAD) model, we will expand the Services & Solutions (SS) model to evolve our revenue structure and increase our corporate value.

The VAD model involves providing unique added value such as technical and operational support for semiconductors and IT solutions. It is the core business model that has supported Macnica's growth. By introducing cutting-edge technologies mainly from overseas to markets primarily in Japan and Asia, and providing fully integrated support from design and development through to quality assurance and stable supply, we have built up trust with our customers and a strong revenue base.

The SS model is one that provides value proactively and continuously to address customers' issues through services and solutions that Macnica has developed itself.

In addition to providing services such as system integration (SI) and consulting, we have also created even higher value by rolling out in-house-developed solutions. The SS model has a scalable revenue structure that enables services to be expanded to multiple customers once they have been built for a single case. This creates a system for growing business while also increasing profitability. Compared to the VAD model, with its main focus on variable costs, the SS model has a high contribution margin ratio and is expected to lift our profit margin.

Going forward, we will retain the VAD model as the core revenue driver in our Semiconductor Business and Cybersecurity Business, while focusing on expansion of the SS model, which includes the CPS Solutions Business. We have positioned the SS model as a pillar of our future growth, mainly by addressing social issues such as Smart City/Mobility and Smart Manufacturing. Leveraging the domain knowledge and partnerships we have accumulated with the VAD model, we will combine organic growth and inorganic investments, such as M&As, to increase productivity and accelerate our business model transformation.

	VAD Model	SS Model
Nature of Business	Sale of supplier products enhanced with technical and operational support	Provision of in-house-developed services and solutions
Business Domains	Semiconductor Business, Cybersecurity Business	Semiconductor Business, Cybersecurity Business, CPS Solutions Business
Revenue Structure	Scalable, focus on variable costs	Scalable, high contribution margin ratio
Approach to Growth	Organic and inorganic (M&As, etc.)	Organic and inorganic (M&As, etc.)
Roles (Strategic)	Revenue core	Pillar of growth
Management Impact	Building a stable management base	Increasing profit margins, sustainable growth of corporate value

Strengthening AI-Related Business

Under the new Medium-Term Management Plan, strengthening AI-related business is presented as one of Macnica's company-wide strategies. With the rapid evolution of generative AI, the AI market is expanding and changing at an unprecedented speed. For companies, technology selection and discerning applicable domains are the key to competitiveness. In this environment, Macnica is moving quickly in each business division, and has formulated a company-wide AI strategy. We will focus on domains where the Company can demonstrate sustainable value, and optimize our portfolio. In the VAD model, we are enhancing our handling of AI-related solutions in the Semiconductor Business. Specifically, we are focusing on AI infrastructure solutions for data centers, which are facing a surge in demand with the spread of generative AI and large language models, and edge-oriented AI solutions in the field of manufacturing front lines and mobility, which are expected to expand going forward. In the Cybersecurity Business, we will strengthen the expansion of platforms for our own in-house AI utilization as well as system-oriented AI solutions related to AI security, building a sales system to capitalize on our expertise in the field.

Meanwhile, in the SS model, we are promoting the development of industry- and operation-specific solutions. We offer services that are closely aligned to frontline issues, such as AI solutions for the retail industry that automatically analyze the content of reports from stores and AI solutions for the manufacturing industry that support quality assurance operations. We also provide customized AI solutions for the needs of individual clients to help customers gain a competitive advantage. In addition, we have been working to advance our in-house use of AI, where we are promoting operational efficiency gains using generative AI and the creation of systems for knowledge-sharing. By thus enabling the creation of value through integrated knowledge from inside and outside the Company, we are leveraging AI to achieve further business expansion.

	Semiconductor Business	Cybersecurity Business	CPS Solutions Business
SS Model	Industry- and operation-specific general services / customized solutions for individual clients		
VAD Model	Infrastructure-oriented AI solutions Edge-oriented AI solutions	System-oriented AI solutions	Specialized

Medium-Term Management Plan FY2025–2027

Strengthen the Management Base

To realize Vision 2030, it is essential to strengthen the management base so that we can respond flexibly and swiftly to the rapidly changing business environment. While strategically strengthening functions such as finance, human resources, IR, branding, and IT and DX, we will also enhance our governance systems, both in Japan and globally, to create a management base that will support sustainable growth.

Financial Strategy

Based on the capital policy outlined in the Medium-Term Management Plan, we will maintain financial soundness, as measured by net DER, while prioritizing investment in intangible assets and M&As to develop our own services and solutions, which will be 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. Regarding our shareholder return policy, we will target a guideline DOE of 5%. We will implement a stable and continuous dividend policy and look at treasury stock acquisitions as a flexible means for providing shareholder returns, giving consideration to capital efficiency and market conditions, and aiming for a total payout ratio of 40–50%.

Human Resource Strategy

Macnica reflects the important founding principle that “everything starts and ends with people” in its specific initiatives. In FY2024, we revamped our human resources and compensation systems to stimulate employees’ autonomous growth with the ultimate aim of increasing our ability to respond to change as we continue working to realize Vision 2030. In FY2025, we aim to expand investment in human capital and upgrade our human resource development systems by linking them to a Response Cycle that supports employee development and growth. Moreover, each division is striving autonomously to improve based on the results of our annual Building a Strong Company Questionnaire, and we will look to build trust relationships and maximize human capital by valuing close communication between employees and management.

Investor Relations

Under the previous Medium-Term Management Plan, we actively promoted investor relations activities, expanding information disclosure with the publication of an integrated report and renewal of our investor relations website and strengthening our touchpoints with overseas institutional investors. These initiatives produced a substantial increase in opportunities for face-to-face interaction with investors, and with a boost from earnings growth and a surge in focus on semiconductor-related stocks, our valuation in the market climbed steadily. Looking ahead, we will further expand opportunities for engagement with shareholders and investors, while strengthening both the quality and quantity of our disclosure content. In addition, we will also focus on communicating our medium- to long-term growth strategies and non-financial information, aiming to further increase our corporate value and to establish a system for disclosing highly reliable information.

Branding Strategy

In FY2024, we launched a new brand communication accompanied by the tagline “Technological transformation for all.” As the final customer of our business edges closer to being the consumer, branding targeted at general consumers is becoming more important, and we are strengthening media relations, such as TV commercials and advertising. Looking ahead, we will increase our presence in society through strategic branding and marketing activities. At the same time, we will contribute to the corporate activities of the entire Group by aiming to increase recognition and understanding of Macnica, and thereby to maximize its corporate value.

IT & DX Strategy

Under the previous Medium-Term Management Plan, we promoted initiatives such as the development of common platforms supporting company-wide DX, including the Digital Execution Factory and Macnica Common Service Platform (MCSP), the domestic implementation and overseas expansion of core systems, the introduction of new technologies to improve productivity, and the establishment of a zero trust environment to enable safe and flexible working styles. During the current Medium-Term Management Plan, we will extend this base, aiming to establish an IT ecosystem that is linked with business and corporate divisions. Moreover, we will support the realization of Vision 2030 through the building of relationships with outside partners and a global support system.

Corporate Governance

The Company transitioned to a Company with an Audit & Supervisory Committee in June 2024, aiming to utilize dynamic tension between execution and supervision by building a constructive conflict structure. In June 2025, we changed the composition of the Board of Directors so that outside directors constitute a majority, and established a lead outside director. Toward the realization of Vision 2030, the Board of Directors will reinforce its corporate governance system by strengthening its supervision structure, mainly through discussion focused on strategy, human resources, and risk management, which are key areas for the Company, and increasing management transparency for stakeholders.

Makoto Okawara
Director, Managing Executive Officer and General Manager of Financial Group, Macnica, Inc.

Maximize Corporate Value by Investing for Growth and Balancing Shareholder Returns

FY2024 Review

A Close Eye on Results and Challenges

In FY2024, our Cybersecurity Business, which we formerly called our Network Business, performed well both in Japan and abroad, increasing sales substantially by 27% year on year. Our Semiconductor Business had a year of growth and challenges overall due to the severe impact of a deteriorating market. The recovery of the semiconductor industry that we had anticipated at the beginning of the fiscal year did not happen, even in the second half. This slowing of normally profitable segments including industrial machines affected our profits significantly.

As a result, our consolidated sales for FY2024 stood at ¥1,034.2 billion, about the same level as in FY2023, but all in, the profit column showed year-on-year drops. So it was a year of higher sales and lower profits.

Higher SG&A expenses were one factor compressing profit as Navya Mobility SAS (hereafter, Navya) and Glosel Co., Ltd. became consolidated subsidiaries. For Navya, we are in the stage of upfront investment, mainly in software development for Level 4 autonomous driving. On the strength of development of its self-driving bus, Navya is offering solutions for driver shortages, a social challenge. Its buses are operating on a test basis or normal commercial basis under several local governments. We see our investment in Navya as a contributor to growth over the medium to long term.

Consolidation of Glosel had some short-term negative effects, including higher inventory levels and a drop in our profit margin. However, we project the company will help make our businesses more competitive in a relatively short time as we were able to secure much sought-after human capital, especially technical personnel, giving us greater potential to expand new businesses.

In FY2024, while the Cybersecurity Business showed strong growth, we also faced many challenges, such as the temporary effects of our new consolidated subsidiaries and a decline in the semiconductor market. The Semiconductor Business still has room for growth, so we are actively hiring, investing in information technology and steadily implementing initiatives with the future in mind. I see FY2024 as a year for important preparatory moves for medium- to long-term growth.

FY2024 Financial Highlights (Billion yen)

	FY2024 result	YoY		FY2025 plan	YoY	
Net sales	1,034.2	+5.5	(+1%)	1,050.0	+15.8	(+2%)
Semiconductor Business	880.3	-27.6	(-3%)	883.0	+2.7	(+0%)
Cybersecurity Business*	153.9	+33.0	(+27%)	167.0	+13.1	(+9%)
Operating income	39.6	-24.1	(-38%)	42.0	+2.4	(+6%)
Semiconductor Business	26.3	-30.3	(-54%)	24.1	-2.2	(-8%)
Cybersecurity Business*	13.3	+6.2	(+88%)	17.9	+4.6	(+35%)
Net income attributable to owners of parent	25.3	-22.8	(-53%)	27.0	+1.7	(+7%)
Cash flows from operating activities	24.2	-15.7	(-39%)	–		–

Notes: 1. In the reporting segment, figures for the CPS Solutions Business are included under the Semiconductor Business and Cybersecurity Business.
2. Exchange rate used for FY2024 results = ¥152.60/USD

* Former Network Business

Review of Medium-Term Management Plan (FY2022–2024)

Looking back on the three years under the Medium-Term Management Plan (FY2022–2024), we see substantial growth in sales compared to the period under the previous plan (FY2019–2021), greatly exceeding initial plans. Sales exceeded ¥1.0 trillion and net income grew by a factor of 2.7 on a cumulative basis. The Semiconductor Business in particular grew faster than the market as we gained market share, giving us a larger presence in Japan and abroad. In the Cybersecurity Business, we significantly expanded our share of the security product market domestically, and we are now operating in more countries. The CPS Solutions Business showed sales growth mainly in the Smart City/Mobility and Smart Manufacturing segments. I think in this three-year period the market steadily gave Macnica higher assessments for its active investor relations efforts and enhanced shareholder returns, made possible through share repurchasing and higher dividends.

FY2025 Projections

Flexible Action with an Eye on Market Trends

In the Cybersecurity Business, our upfront investments began contributing to positive results going into FY2025, giving us hope for continuing high growth. In the Semiconductor Business, on the other hand, we are preparing a flexible strategy leading to steady growth without unreasonable optimism, despite our projection of a gentle market recovery. While pushing to increase our market shares in Japan and abroad, we are considering possible mergers and acquisitions abroad. In an adjustment period like this, in particular, excellent investment targets are relatively more affordable, and we plan to make flexible, fast decisions depending on the situation.

In addition, we will have to stay alert in FY2025 to macro movements in the external environment, such as exchange and tariff trends. For tariffs, the direct effects may be limited, but we may be indirectly impacted by changes in customer operations. We continue to monitor the situation particularly carefully, as the risk of relapsing trade friction between the US and China may affect customer production and sales plans.

With these uncertain factors in mind, we drew up our FY2025 plans on the condition that the recovery of the semiconductor market will be limited. I think this year we will have to embrace the challenge of taking flexible action to deal with difficult market conditions and building market share.

We will continue working to keep the Cybersecurity Business growing steadily and surely, and in the Semiconductor Business, we will be sure to take growth opportunities at home and abroad and put a range of measures into practice. In the CPS Solutions Business, we will keep an eye on buds for growth with the understanding that we are still in the phase of exploration and cultivation.

New Medium-Term Management Plan and Capital Allocation

Clear Guidelines for Growth-Oriented Investment and Shareholder Returns

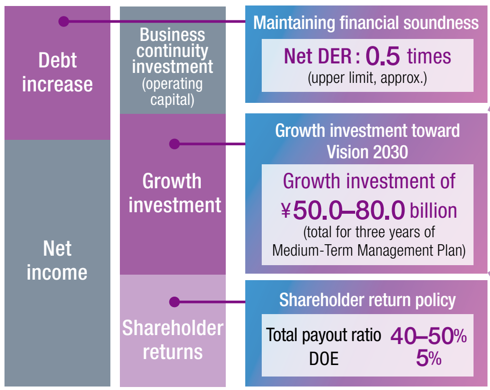
To more clearly indicate our balanced priorities on growth and financial strategies, our new Medium-Term Management Plan starting in FY2025 clearly indicates in specific figures our basic position on capital allocation. Under the plan, as the shareholder return policy, we will keep our dividend payments reliable and sustainable, with a dividend on equity ratio (DOE) of about 5%, and work to maintain 40–50% as our total payout ratio. For growth-oriented investment, we project ¥50.0–80.0 billion. To clearly indicate the balance between this investment and shareholder returns, we will further enhance our work to make management more transparent and our strategies more consistent.

We have announced our policy to equally divide growth-oriented investments between the Value-Added Distribution (VAD) model and the Services & Solutions (SS) model. Under the VAD model for our core Semiconductor Business, we will invest for sustainable growth to build market shares abroad. For the Cybersecurity and CPS Solutions Businesses, on the other hand, we will focus on investing in the SS model to accelerate the transformation of their respective business models. In the Cybersecurity Business, where our foundation for growth is firming up, we will invest to enhance our proprietary services and solutions to build profit margins. For the CPS Solutions Business, we consider the three-year period starting FY2025 as preparatory to full-scale investment. Putting the Smart City/Mobility and Smart Manufacturing segments at the core, we will operate cautiously, prepared for risks and with a sharp eye out for business opportunities.

From the standpoint of financial discipline, we will disclose net DER, meaning the ratio of net interest-bearing debt to equity, for the first time with a cap of 0.5 times. This expresses our resolve to invest for growth more aggressively, applying leverage without compromising our financial health.

In the Medium-Term Management Plan (FY2025–2027), we set our goals to make ¥1.4 trillion in sales, ¥80.0 billion in operating income with a 5.7% margin, and ROE of 15% on a consolidated basis. The key to the successful achievement of these goals will be capital policy, closely linking our growth and financial strategies for each business. As the CFO, I will execute and monitor all the related initiatives with the intention, based mainly on capital policy, to build corporate value over the medium to long term.

Capital Policy



Breakdown of Growth Investments

	Planned allocation	Semiconductor Business	Cybersecurity Business	CPS Solutions Business
Services & Solutions	Approx. 50%		Business model transformation	
Value-Added Distribution	Approx. 50%	Sustainable growth		

Raise Profitability for Higher ROE

Our Commitment to the Operating Income Margin

To raise capital efficiency, Macnica has designated higher consolidated ROE as an important management indicator. Our consolidated ROE for FY2024 was 10.0%*, a drop from around 20% in the past. We plan to raise it back up to around 15% in the medium term.

To raise ROE, it is essential to enhance the quality and level of profits, and improving our operating income margin is crucial. We set that margin to 7.5% as a long-term management goal under Vision 2030. This is also the number that guarantees another goal, ROE of 15%. Macnica is fully committed to raising the operating income margin and making across-the-board efforts to achieve that 7.5% target.

Specifically, we will put the Semiconductor Business at the core of our earnings base and work for reliable sales and profit, as well as cash generation for the business. The actual operating income margin of the business is about 5%, which may not be enough to help drive the margin for the entire Company, but making the most of economies of scale from the expanded business, it is definitely helping raise the bottom line of Macnica's overall corporate value.

In the Cybersecurity Business, a double-digit operating income margin is on the horizon, and we anticipate higher profitability. Investments in personnel over the past few years began yielding results in FY2024, which is helping improve the operating income margin. In the Cybersecurity segment, where we project continuing high market growth, we will build profit on the strength of sourcing and identifying risk, and will further raise profitability by developing and offering proprietary services and solutions.

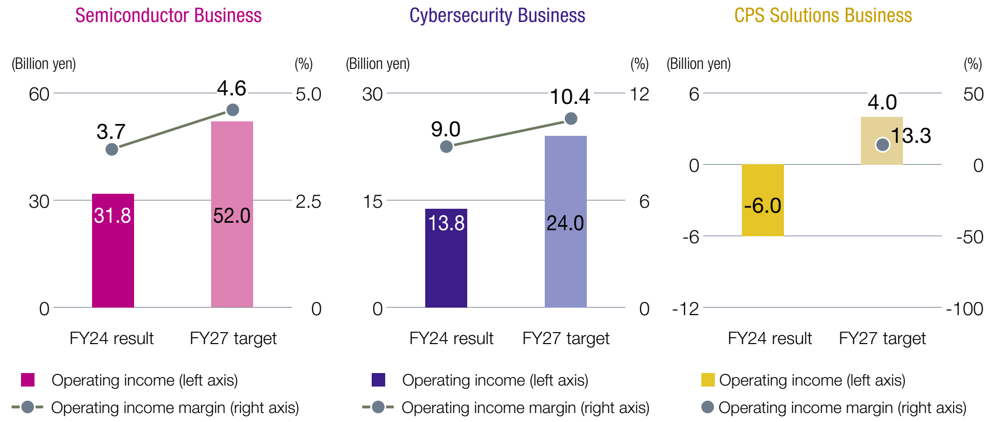
The CPS Solutions Business holds the key to the earnings structure we hope to build by 2030. That business has been losing money, but its projected profit ratio is higher than that of the Semiconductor and Cybersecurity Businesses. We see the role of this segment as boosting the operating income margin for the entire Company in the future. Its target operating income is ¥4.0 billion for FY2027. We will work to have the business turn a profit by expanding scale, especially in the Smart City/Mobility and Smart Manufacturing segments.

We will buy back our own shares flexibly and in a timely manner with an eye on the total payout ratio. While dividends are the basis for shareholder returns, we will flexibly contribute to this in other ways, depending on investment opportunities and the balance with growth-oriented investment. Through these initiatives, we are assuring appropriate shareholder returns while raising capital efficiency at the same time.

To increase our consolidated ROE, it is essential that we create a balanced combination of several business portfolios to maximize the strength of each. Rather than focus too much on short-term profits, we will promote comprehensive initiatives of strategic importance with medium- to long-term growth of corporate value in mind.

* Consolidated ROE = Consolidated net income attributable to owners of parent / Consolidated shareholders' equity (net assets less stock acquisition rights and non-controlling interests, as of the end of the period)

Operating Income by Segment



Note: Figures for the Semiconductor Business and Cybersecurity Business are shown excluding duplication with the CPS Solutions Business.

A System for Building Capital Efficiency

Floor-Led Risk Control by Business and Financial Divisions

Part of the foundation of Macnica's financial strategy is systems for raising capital efficiency and communication to spread the system across the organization. We conduct our core Semiconductor Business on a long cycle from purchasing to sales, always prone to various risks in terms of inventory, accounts receivable, exchange rates, and credit access. For that reason, it is essential that the business and financial divisions operate as one. The success or failure of a financial strategy depends on floor-led risk control.

Basic techniques for operating-capital management, such as preventing excess inventory and long-term accounts receivable and hedging exchange risk, are meaningful only when each salesperson understands their importance and consistently applies them in practice. This is precisely why the financial division is expected to go beyond a command-and-control approach and instead to play the role of companion to the frontline teams. For that reason, we think it is an important responsibility for those divisions to avoid using technical terms, opting for more plain language and paying attention to interpretation, preparing materials for direct appeal through the liberal use of visuals, for instance.

As part of our corporate culture, we place strong emphasis on operating through structured systems. In other words, rather than relying on individual expertise or tacit knowledge, we aim to establish an environment in which everyone can perform their duties based on consistent decision-making criteria — thereby enabling the organization as a whole to sustainably enhance capital efficiency. Even now, despite substantially increasing in scale since its founding, Macnica continues to place great importance on initiatives that communicate company-wide and divisional policies all the way to the front lines through venues such as Management Plan Presentations and department meetings. As a result of these practices, each division and team can work on a given project under its own steam, a defining quality of Macnica. These initiatives will gain more importance as the Macnica Group moves toward integrated operations across the entire group.

As the financial division, our goal is to embed the concept of capital efficiency not merely as a financial metric, but as a common practice throughout the Group. For this reason, it is vitally important that the financial division and frontline divisions build relationships of trust and maintain close dialogue. Going forward, by continuing to practice finance that is grounded in frontline perspectives and effectively communicates its value, we aim to further enhance the Company's overall capacity for value creation.

Dialogue with Investors

Communicating Our Strengths and Growth Potential

To build corporate value over the medium to long term, reducing cost of capital is an important factor in addition to improving ROE. To those ends, we continue enhancing our IR program, including through dialogues with investors and greater disclosure of information.

Investor dialogue in particular, a key feature of Macnica, is an important responsibility for me as CFO, and the President is also actively involved in this in Japan and abroad. By putting top management before investors to speak on the Company's business strategy and financial policy, honestly and in detail, we are building relationships of trust with them and encouraging their support for the medium to long term. In talking with investors, we pay special attention to communication — describing Macnica's structural strengths and uniqueness in a logical and concrete manner. As a semiconductor and IT distributor, our business model may be unfamiliar to many overseas investors. However, by clearly communicating Macnica's structural strengths, we have been able to gain a certain level of understanding from the investor community, which has responded positively.

In the Semiconductor Business, our globally integrated sales network and strong engineering-driven technical expertise have earned us high recognition from suppliers. This underscores the substantial value we deliver, reflected in the fact that leading semiconductor manufacturers worldwide consider us an indispensable partner.

As for Cybersecurity Business, Macnica's competitive edge comes from its ability to source using extensive human networks and readily bring solutions to market. We read industrial trends ahead of others, explore and assess products globally, and quickly deliver them to the Japanese market. Customers evaluate these functions very highly as unique value that no other company can offer.

On the other hand, with regard to the CPS Solutions Business, we recognize that there are still aspects that have not been fully communicated through our investor relations activities. Currently, we are in a phase focused on building a solid track record. Looking ahead, we aim to enhance the visibility of our implementation cases and achievements, and to articulate a clear, compelling story for our investors. Given its potential to address critical social challenges, this area attracts significant interest regarding its future prospects. We are committed to improving transparency by providing timely updates on our progress, thereby reinforcing confidence in our growth trajectory.

I also think that limited analyst coverage is a challenge to overcome. We will increase contact with many trading houses and analysts in order to deepen their understanding of Macnica. Starting in FY2025, we have begun efforts to secure a credit rating as part of building a solid foundation to enhance our visibility and presence in the capital markets. Through these initiatives, we aim to build a more flexible and strategic capital structure and reinforce our commitment to transparency for shareholders and investors.

Macnica's investor relations activities go beyond simple information disclosure, placing high priority on two-way dialogue with investors. The candid opinions and questions from investors offer meaningful insights that help shape our management decisions and strategic direction. We also make a conscious effort to minimize technical jargon and design visually clear investor materials that facilitate intuitive understanding.

Going forward, we will continue enhancing our investor relations efforts so that investors will better understand Macnica's strengths and growth story, in turn deepening our relationships of trust with them.

Future Potential for Macnica

Moving to the Next Stage with Change as the Engine

Macnica is working to increase corporate value in sustainable ways with a structure of three businesses — Semiconductors and Cybersecurity, our core pillars, and CPS Solutions, a new challenge. In FY2024, we encountered difficulty in the areas of our business affected by changes in the external environment. It was a year of patience and preparation, which we took as an important stage for medium- to long-term growth.

In the new Medium-Term Management Plan, starting from this fiscal year, we clearly state our priorities of equal importance: investment for growth and shareholder returns. This is an important guideline for Macnica to transform its business model and make Vision 2030 a reality. Becoming a Services & Solutions Company, with the CPS Solutions Business at the core, pushes us beyond our traditional distribution framework to rise to the challenge of creating new value. In addition to raising profitability and efficiency, we hope to win the markets over as a Services & Solutions Company, and in doing so, raise our corporate value (PBR) over the medium to long term. From the standpoint of offering solutions to social issues, this challenge holds significant meaning. We will continue refining the value unique to Macnica, which generates economic and social value simultaneously.

Through my daily work, I experience firsthand the potential of Macnica and have great confidence in its future. We will press on with investors and all our stakeholders, driven by change and seeking yet another opportunity for a leap forward. We hope you will continue supporting Macnica, today and in the future.

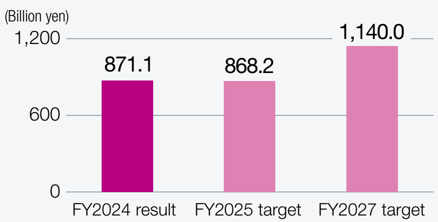
Segment Highlights | Business Summary

Semiconductor Business

Business model

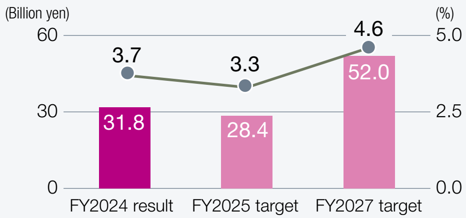
Macnica primarily procures semiconductors from world-class manufacturers in the United States, Europe, and Japan, and sells them to customers across a wide range of applications, with a focus on the industrial equipment and automotive markets. By leveraging our extensive product lineup from analog to digital integrated circuits and the advanced technical expertise of engineers who have a deep knowledge of customers' applications, we drive demand creation. With a global sales and support system in place, we accurately respond to customers' needs. Acting on behalf of our suppliers, we provide a wide band of customers with timely technical proposals, sales, and market information, thereby contributing to the expansion of the semiconductor market.

Trend in net sales



Trend in operating income

Operating income (left axis)
Operating income margin (right axis)



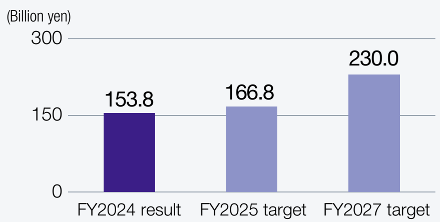
Cybersecurity Business (Formerly the Network Business)

Business model

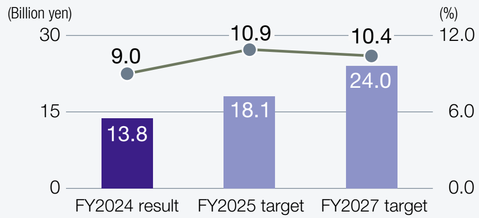
Macnica rapidly discovers highly effective cutting-edge digital technologies from around the world and provides them to customers including corporations and public agencies. We focus on technologies to counter emerging cyberattacks, many of which are not yet widely recognized, as well as innovative digital solutions that drive transformation in business processes. Furthermore, we actively promote the value of these technologies to the market.

In the technology implementation phase, we work in collaboration with partner companies such as system integrators to ensure smooth deployment. In addition, in the operation phase, we provide robust technical support to help our customers advance the utilization of their IT systems.

Trend in net sales



Trend in operating income



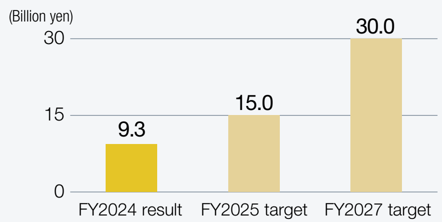
CPS Solutions Business

Business model

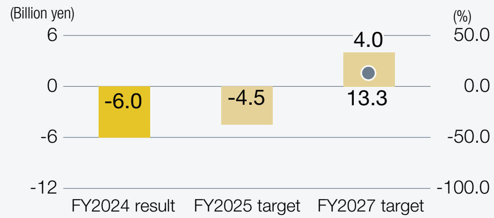
Cyber-Physical System (CPS) refers to a system that collects diverse data existing in the real world via sensor networks and other means, then analyze it to convert it into knowledge in cyberspace, in order to utilize the resulting information and value to address various challenges.

Macnica provides original solutions using its expertise in fields such as Smart City/Mobility and Smart Manufacturing. We contribute to the resolution of social issues and the creation of sustainable value through CPS implementation.

Trend in net sales



Trend in operating income



Note: Figures for the Semiconductor Business and Cybersecurity Business are shown excluding duplication with the CPS Solutions Business

Business Segment Strategies

Semiconductor

Akinobu Miyoshi
Representative Director and Vice President

From left:

Executive Officer, Company President, Clavis Company, Macnica, Inc.	Keisuke Ito
Executive Officer, Company President, Finesse Company, Macnica, Inc.	Yuichi Yoshioka
Executive Officer, Company President, TecStar Company, Macnica, Inc.	Koji Senga
Executive Officer, Company President, Altima Company, Macnica, Inc.	Yusuke Kobayashi

Review of Previous Medium-Term Management Plan Period

The semiconductor market during the period of the previous Medium-Term Management Plan reached a record-high level following the COVID-19 pandemic, but turned around in the middle of FY2022 with demand coming to a prolonged standstill due to the downturn in the Chinese economy. The after-effects have persisted to the present. In FY2024, AI-related demand continued to expand, and the GPU and memory markets recovered. Meanwhile, the Company focused on its core industrial equipment and automotive markets. Additionally, through the acquisition of Glosel — primarily aimed at strengthening our human resources — we secured new distribution channels, resulting in an increase in our domestic market share to 20%. In sourcing activities, we discovered seeds for future businesses, including the development of power semiconductors and AI-related solutions. Through these initiatives, the Semiconductor Business achieved a rapid compound annual growth rate (CAGR) of 9.1% from FY2021 to FY2024, compared to the global semiconductor market CAGR of 4.3% from 2021 to 2024, according to the World Semiconductor Trade Statistics (WSTS).

Review of FY2024

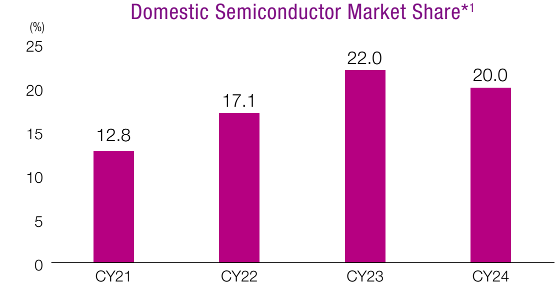
With AI-related demand leading the market, the memory market, in which we have only a small volume of transactions, expanded, while the mainstay industrial equipment market saw an ongoing stall in demand with a resultant decline in our domestic market share from 22% to 20%. Meanwhile, net sales for the automative market grew strongly, increasing 41% year on year, mainly due to the consolidation of Glosel and the acquisition of new distribution channels. As a result, net sales decreased 3% year on year to ¥880.3 billion*. Despite these challenging market conditions, we continued to secure new business transfers from other distributors, and pursue growth investments through acquiring a business in South Korea and enhancing operations in India, thereby expanding our customer base both domestically and internationally.

*Includes figures for the CPS Solutions Business. Consequently, figures differ from FY2024 results presented on P.26.

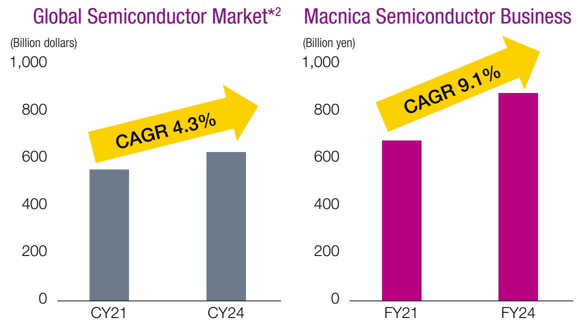
FY2025 Outlook

Our performance for FY2025 is expected to be level with FY2024, due to the continuation of an adjustment phase centered on industrial equipment throughout the year. From the second half, however, we expect to see a gradual market recovery. In addition, we expect the direct impact of US tariff policies to be limited. Leveraging our strengths in terms of technical capabilities and global coverage, we will look to make further gains in market share for our mainstay industrial equipment and automotive markets, as we steadily advance the new Medium-Term Management Plan.

Macnica Market Share Trend

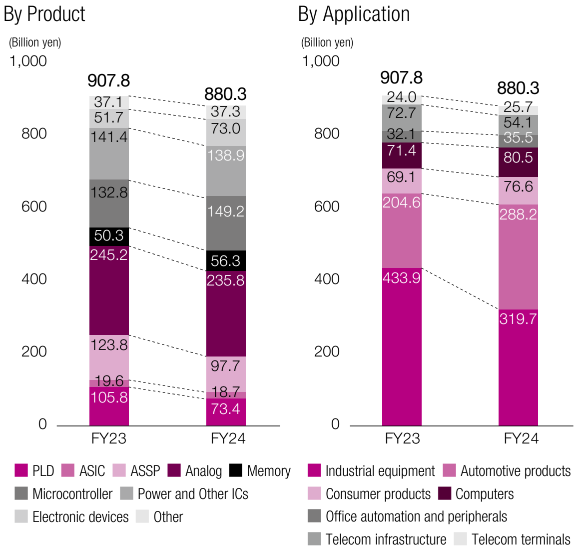


Semiconductor Sales Growth Rate



*1 Source: Gartner® Sources and disclaimer on P.83
*2 Created by Macnica from WSTS data

Net Sales Trend



Medium-Term Management Plan: Semiconductor Business Strategy

In the Semiconductor Business, we are working on focused investment in growth countries, continued strengthening in growth markets, and enhancing AI-related business. Amid growing uncertainty due to the trade friction between the United States and China, we are promoting parallel strategies of investment in growth countries other than China as well as executing a custom strategy for the Chinese market. In the growth markets of industrial equipment and automotive products, we will continue aiming for global growth. As for AI-related business, we will conduct effective business portfolio management centered on AI infrastructure for data centers and edge-oriented AI, in line with our company-wide AI strategy. The Semiconductor Business remains a key foundation of revenue, and going forward, we will work to further expand its market share and improve its profitability through greater efficiency.

Expanding Our Global Share

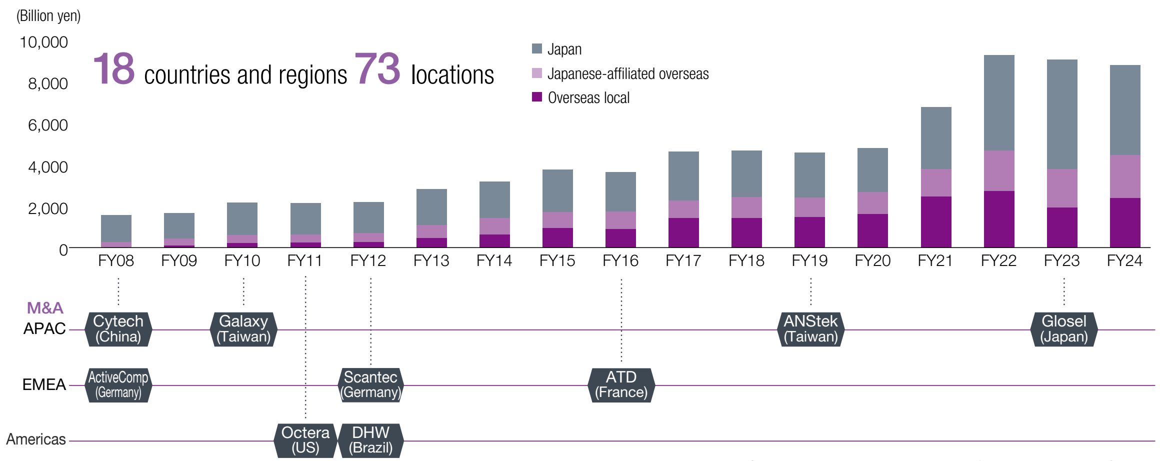
Macnica has captured a substantial 20% share of the Japanese market. Overseas, however, there is room to expand our share and we are working on this in Asia especially.

We have a broad product lineup, handling products from 17 of the leading 21 semiconductor manufacturers in the world. With a global network encompassing Asia, North America, South America and Europe, and with a high level of technical capability, we are able to support customers around the world. Going forward, we will draw on these strengths to further expand our global share, with a view to achieving dramatic growth targeting net sales of ¥1,140.0 billion in FY2027, representing a CAGR of 9.4% for FY2024–2027.

Looking at specific initiatives, we will create demand by rapidly assessing market needs in Asia while providing high-quality technical support through coordination between Japan and local subsidiaries, ultimately winning the trust of customers and achieving sales growth. Similarly, in Europe and North America, where business has traditionally centered on transfers from Japan, we will promote local demand creation by sharing Japanese expertise. In addition to expanding sales of products from suppliers that we already handle, a key measure for expanding market share is also to acquire new semiconductor manufacturers with products for the growing Chinese market and rapidly developing AI applications. Moreover, to further expand our global network, we will carry out strategic investments, including M&As in India and other growth countries where markets are expected to expand.

Through these initiatives, we plan to steadily capture demand in growth countries and expand our global share.

Global Distribution



*Semiconductor Business only, including former Fuji Electronics Co., Ltd.

Initiatives in Growing China

Macnica is reinforcing its strategic approach to the rapidly growing Chinese market. Chinese semiconductor manufacturers have seen a surge in growth in recent years, with an attendant rise in customer demand for Chinese products. Given this market environment, we have concluded distributor agreements with Chinese semiconductor manufacturers with a view to increasing our competitive capability in the local market. This approach enables us to respond rapidly to local demand, while also expanding our product lineup.

Looking ahead, we will explore further market opportunities with an eye to synergies with the products we currently handle by discovering new Chinese semiconductor manufacturers to actively diversify our product lineup and increase our competitive advantage.

Topic Further Expansion of Our Product Lineup

Macnica is constantly exploring the latest information from around the world and increasing the number of distributor agreements with semiconductor manufacturers. We handle core devices that determine the performance of our customers' products, such as CPUs, FPGAs, and high-precision linear ICs, enabling us to be deeply involved from the early stages of product development and to provide design support with a comprehensive understanding of the entire project. Furthermore, we also offer general-purpose devices typically selected in the later stages of development, allowing us to propose a wide range of devices.

When acquiring new semiconductor suppliers, we employ a rigorous evaluation system to carefully select those with unique characteristics, focusing on companies that can generate synergies with our existing product portfolio, those with strong demand in our key markets of industrial equipment and automotive products, and those offering AI-related products with significant growth potential. For the semiconductor manufacturers too, there is a strong appeal in terms of synergies with core devices handled by Macnica, our broad customer base and strong relationships, and our excellent demand creation capabilities. In many cases, a distributor agreement with Macnica is considered a pillar of a manufacturer's sales expansion strategy.

Global Top 21 Semiconductor Manufacturers Handled by Macnica

Global Top 21 Semiconductor Manufacturers	Handled by Macnica
AMD	● *1, 2
ANALOG DEVICES	●
BROADCOM	●
Infineon	●
Intel	● *1
Marvell	●
MediaTek	● *2
Microchip	●
Micron	●
NVIDIA	●
NXP	●
onsemi	●
Qualcomm	●
Renesas	●
Skyworks	●
Sony	● *2
Texas Instruments	●
KIOXIA/Western Digital	
Samsung	
SK hynix	
STMicroelectronics	

*1 FPGAs only *2 Handled by overseas subsidiaries

Focusing on the Growth Markets of Industrial Equipment and Automotive Products

In Macnica's Semiconductor Business, the industrial equipment and automotive markets account for approximately 70% of total sales. With both markets expected to continue growing, we will continue to strategically strengthen our sales in these areas.

The Japanese industrial equipment market is expected to continue growing, with a CAGR of 8.1% from 2024 to 2029. In addition, since many of the customers in this market sell a wide range of products – including factory automation equipment, machine tools, semiconductor manufacturing equipment, measuring equipment, and medical equipment – the market is also distinguished by its low-volume, high-mix sales. The adoption of IoT along with automation and labor-saving trends are elements that determine customers' competitiveness, and cutting-edge semiconductor technologies are vital for achieving these innovations. Macnica approaches these market needs by deploying a full complement of information from its lineup of products from over 170 companies, helping customers to increase their competitive capabilities by introducing the latest products and technologies to them. Furthermore, the global industrial equipment market is expected to outstrip the growth of the Japanese market with a projected CAGR of 10.0% from 2024 to 2029. Going forward, Macnica will further expand its global franchise network — meaning establishing distribution agreements with existing suppliers across multiple countries — and leverage successful approaches from the Japanese market to drive growth internationally, aiming to increase its global market share.

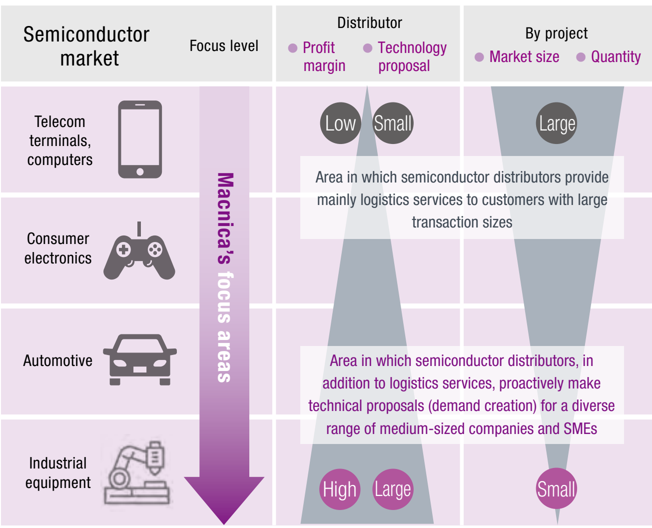
The automotive market, another key focus area, is expected to experience continued growth in semiconductor content, driven by the transition to electric vehicles and advancements in vehicle performance and safety. In addition to the analog technology that has long been our strength, Macnica has expanded its capabilities through its integration with Glosel, inheriting advanced digital technology expertise and broadening the scope of our support.

We will continue to strengthen our initiatives in key markets by leveraging our core strengths to contribute to enhancing our customers' competitiveness while pursuing our own sustainable growth.

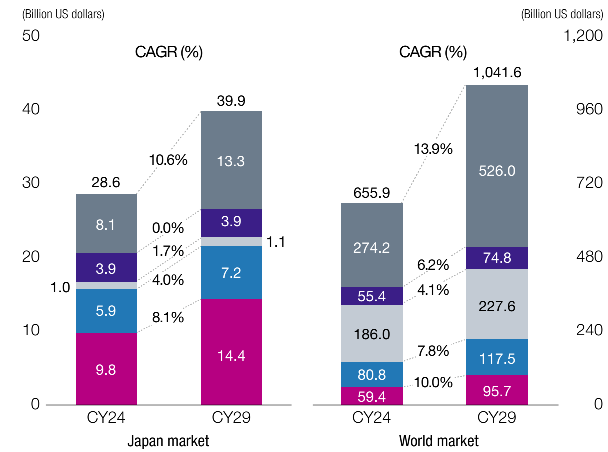
Industrial Equipment Categories

Major Categories	Subcategories
Factory automation and machine tools	Factory automation equipment, PLCs, industrial robots, servos, inverters
Semiconductor and flat panel display production equipment	Semiconductor testers, semiconductor production equipment, flat panel display production equipment
Measuring and testing equipment	Measuring equipment, testing 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 and aerospace	Space development equipment, military-related equipment, aircraft-related equipment
Financial equipment	Currency identification devices, POS-related equipment, electronic money, ATMs
Building and factory equipment	Elevators, air conditioning and refrigeration equipment, lighting equipment, alarms
Professional broadcast video equipment	Broadcasting station equipment, audio equipment, cameras, large displays
Amusement	Pachinko and pachislot gaming machines, etc.
Other industrial equipment	Power tools, industrial power units, UPS, 3D printers, agricultural machinery, construction machinery

Macnica's focus areas that realize high profitability and high proposed value



Semiconductor Market Forecast by Application



* Source: Gartner® Sources and disclaimer on P.83

Topic Changes in Automotive Development Trends and Automative Software Strategy

Up until now, automotive development has focused mainly on hardware, but with the expansion of Advanced Driver Assistance Systems (ADAS), connected cars, and automated driving technology, the importance of high-performance semiconductors and software development to power these systems has been increasing.

One of the latest trends in automotive software is the standardization of remote update architecture. This enables the addition of new functions and quality improvements to existing hardware even after delivery to end users, thereby providing continuous value to customers. Against the backdrop of such trends, the competitiveness of automotive software is expected to become a critical factor in determining a company's market advantage going forward.

In development, it is essential to leverage standard software and adopt development processes such as agile development and DevOps* in order to deliver new features to the market quickly and flexibly.

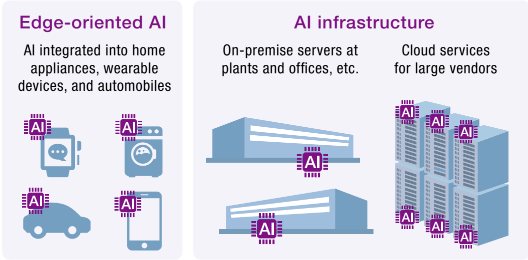
Building on this trend, in addition to the hardware technical support and stable supply that Macnica has traditionally provided, we will offer software solutions and development support services to our customers, thereby contributing to the growth of the automotive electronics market.

*A portmanteau of Development and Operations. The concept involves personnel assigned responsibility for development and operation of systems and software coordinating closely to achieve flexible and speedy development and operations.

	Past	Future
Determinants of performance	Hardware	Software, UX design
Development process	V process	Agile/DevOps
Value provided to users	Finished products (hardware) only	Continuous function additions and quality improvement through software
Services of distributors	**Technical support and stable supply of semiconductors**	**In addition to support and stable supply, software/ AI solution proposals and development support services**

Strengthening AI-Related Business

We have entered an era in which the adoption of AI has come to exert a profound influence on national economies. Companies must also engage with AI as an essential element for sustainable growth. As part of our company-wide AI strategy, the Semiconductor Business is focusing on AI infrastructure for data centers and edge-oriented AI.



Data Center AI Infrastructure Business

An AI training environment requires expensive servers equipped with GPUs capable of performing high-speed parallel processing. Furthermore, when the trained AI model is then used in an inference environment (an execution environment for performing predictions and classifications using the AI model), issues arise with compatibility.

Based on our extensive experience in supporting numerous AI businesses, Macnica is highly regarded by customers for its ability to provide integrated technical support that combines hardware and software. This includes proposing cost-effective optimal devices tailored to the scale of development and offering technical advice to resolve compatibility challenges.

Building an AI training environment requires various technical verifications, such as optimal system configuration verification and AI model operation confirmation. Macnica's AI TRY NOW PROGRAM is a proof-of-concept support program that allows companies to rapidly experiment with the latest cloud AI technology. It combines large-scale testing environments, specialist technical support, and technical training to facilitate the smooth progress of customers' AI projects.

In this way, Macnica provides coordinated technical support for hardware and software vital for AI development, from the planning stage through proof of concept to full-scale implementation.

Edge-Oriented AI Business

Edge AI, which enables high-speed, real-time processing without relying on communication with servers, is expected to be utilized in a wide range of applications, from wearable devices to construction sites. To meet these needs, Macnica offers a diverse product lineup ranging from high-spec products used for development to devices for mass production, enabling it to provide support at every step from development to manufacturing. For example, we supply NVIDIA Jetson for development purposes, propose low-power and cost-effective microcontroller units for home appliances and wearables, and offer high-performance SoCs with all necessary functions embedded on a single chip for high-load AI processing, such as facial recognition, object detection, and real-time translation.

Macnica's support goes beyond providing hardware to encompass every phase of edge AI implementation. This includes offering tools for each process from AI model design through to implementation and optimization, providing box-type computers with software pre-installed, and delivering custom edge AI devices tailored to specific industries and applications, either as contract development or finished product provision. Since edge AI is mainly used for inference processing, compatibility issues with AI models developed in training environments often arise. Through providing integrated technical support that coordinates hardware and software, however, Macnica addresses these challenges flexibly, ensuring smooth implementation and stable operation.

Topic Transforming Operations to Enhance Global Profitability

To further enhance the profitability of the Semiconductor Business, it is essential to streamline the operations that support it. By standardizing operations while meeting the varying requirements of suppliers, customers, and regions, we can achieve economies of scale through revenue growth.

In Japan, we have already implemented system-based initiatives such as automated delivery of lead-time responses. Going forward, we will examine leveraging our Macnica Customer Portal to automate processes such as order reception and issuance and shipment notification. In addition, to facilitate further business expansion, we will promote initiatives aimed at automating and streamlining operations at our logistics centers.

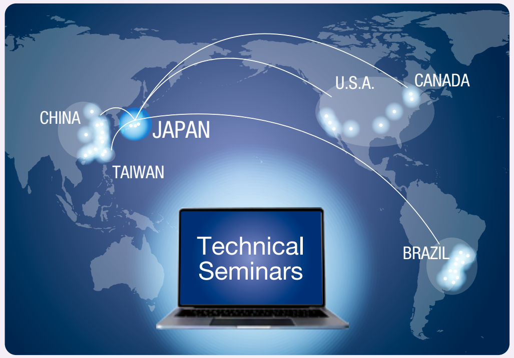
Overseas, meanwhile, we are expanding use of the ERP system used in Japan to optimize operations on a global scale. Following its introduction in the United States in FY2024, in FY2025, we plan to roll it out in Europe and then Asia. This initiative also serves as an effective measure from a business continuity planning (BCP) perspective in the event of disasters and other disruptions.

We began full-scale introduction of supply chain management (SCM) centered on the Semiconductor Business in Japan in FY2020, and have been working to increase the precision and standardization of the various supply and demand management systems across different business units. In addition, in FY2023, we also introduced SCM for our business serving Japanese customers that are supported by our overseas subsidiaries, enabling headquarters to monitor overseas orders, procurement, and inventory in real time. The result has been smoother communication between offices in Japan and overseas, and has been highly regarded by our suppliers as well. Now, we aim to expand the standardization of operations for our overseas business as we have done domestically, with the goal of achieving what we call a Global One Operation.

Topic Overseas Development of Initiatives in Japan

For semiconductor manufacturers with distribution agreements that extend internationally, we not only provide local support at each site but also establish diverse cross-border collaboration frameworks.

For example, in the case of Altera's business, Macnica launched FPGA development kits and development support seminars that were originally created in Japan simultaneously worldwide, hosting seminars using the same materials in over 30 cities across Japan, China, Asia, and North and South America. In addition, Macnica's proprietary technical expertise, accumulated through nearly 40 years of PLD development support, is automatically translated into multiple languages using AI-powered machine translation and published online as over 700 technical content resources, supporting product development for customers around the globe.



By sharing and effectively leveraging knowledge and resources on a global scale, we can rapidly expand our business and ensure its scalability.

Business Segment Strategies

Cybersecurity

Akinobu Miyoshi
Representative Director and Vice President

From left:

Executive Officer, Company President, Networks Company, Macnica, Inc.,	**Yusuke Kobayashi**
Executive Officer, General Manager, Global Strategy Office, Macnica, Inc.	**Jun Ikeda**

Review of Previous Medium-Term Management Plan Period

Under the previous Medium-Term Management Plan period (FY2022–2024), the Cybersecurity Business achieved remarkable sales growth with a CAGR of 22.8%, exceeding ¥150.0 billion in FY2024. This growth was driven by endpoint security associated with expansion of remote work and the use of cloud systems in Japan and by the overseas business (net sales ¥54.3 billion, CAGR 35%). Furthermore, as a foundation to support future growth, we concluded distributor agreements with 27 new suppliers, all with excellent technological capabilities, aiming to expand the range of products we handle. On the profit front, despite a temporary decrease in profit margins, mainly reflecting upfront investments in human resources and the yen's sharp depreciation, by the final fiscal year, FY2024, the trend had turned, and the profit margin was on a recovery trend.

Review of FY2024

In FY2024, net sales for the segment grew 27.3% year on year to ¥153.9 billion* against the backdrop of a growing cybersecurity market in Japan and overseas. In Japan, sales grew sharply as the target for endpoint security expanded, mainly among major corporations, while data analysis and cloud security gateways also grew significantly due to major projects for government agencies and financial institutions. In addition, the overseas business also grew rapidly atop expansion of the security market, mainly in Southeast Asia.

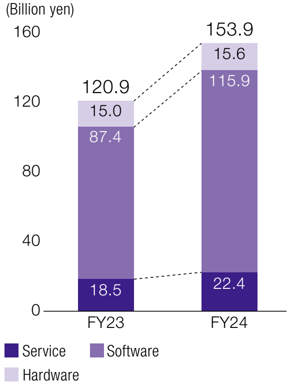
*The figures include those from the CPS Solutions Business. Therefore, the numbers differ from the FY2024 results shown on page 26.

FY2025 Outlook

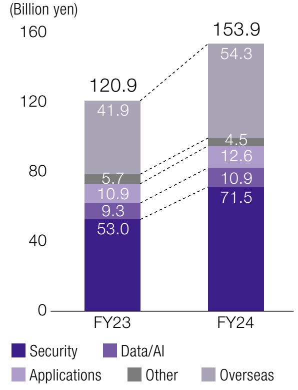
In FY2025, the Cybersecurity Business is expected to continue growing, driven by market expansion in Japan and overseas, with the operating income margin also expected to continue its recovery trend. In recent years, reports of security incidents and damage caused by cyberattacks have heightened the sense of urgency among management teams, leading to increased investment in more advanced security solutions. Macnica will expand sales of products with advanced technologies and strengthen its provision of original Attack Surface Management (ASM) services in response to growing demand for identifying and managing security risks from the attacker's perspective. Moreover, we also expect cybersecurity demand to increase overseas amid progress on the rapid shift to digital technologies.

Net Sales

By Product



By Category



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

Software
Programs designed to enhance operation efficiency, manage data, and improve security. Includes cloud-based services such as SaaS.

Services
Support provided by the Company, such as consulting and design assistance, as opposed to the sales of equipment. Includes maintenance services and system integration.

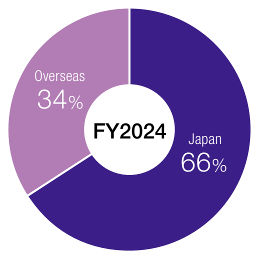
Security
Software and hardware designed to protect networks and data from unauthorized access and attacks. Includes endpoint protection software.

Data/AI
Tools and related products for collecting and processing data to obtain insights. Includes AI and data analysis infrastructure software.

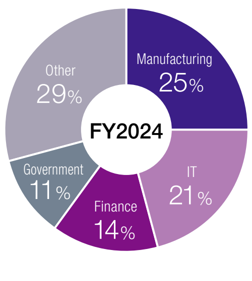
Applications
Software that supports, streamlines, and automates business processes using digital technology. Includes cloud storage.

Net Sales Composition

By Region



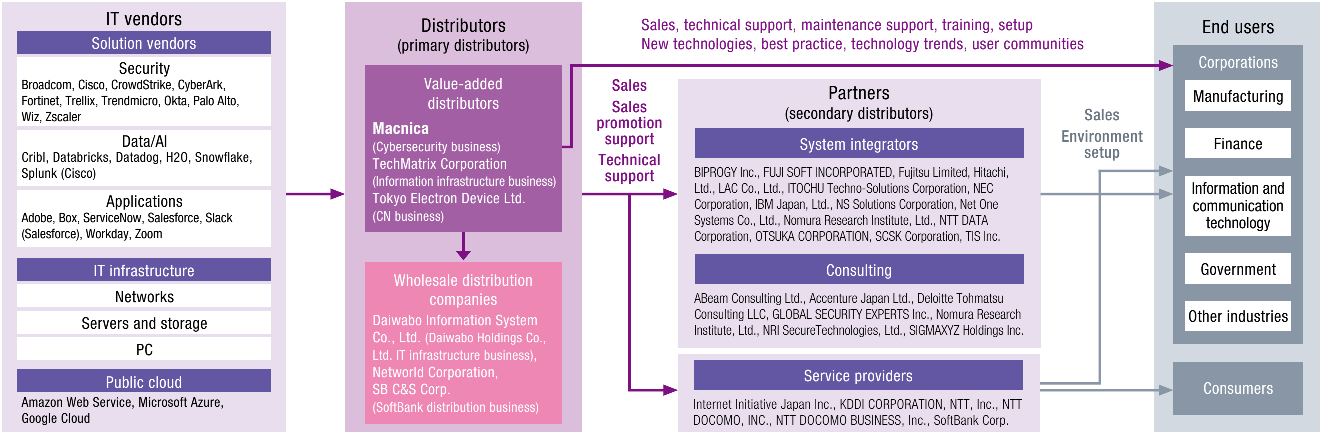
By Industry of End-User Customer
(Japan)



Macnica's Business Model and the Cybersecurity Market

A Business Model that Generates High Added Value

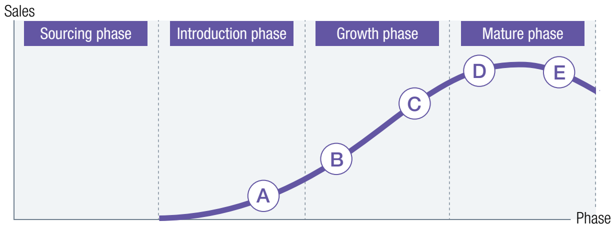
Macnica leverages its expertise as a value-added distributor (VAD) that provides technological value to achieve both sustainable high growth and stable profitability. In the areas of cybersecurity in particular, constant innovation is required to address changes in the external environment, such as increasingly sophisticated threats, advances in IT, and the tightening of regulations. By combining world-leading technical knowledge and marketing capabilities, we deliver high added value to our customers. For end users, we provide information on the latest threat trends and countermeasure solutions, while for partner companies responsible for system development and operations, we support efficient sales expansion through both sales and technical assistance. Furthermore, Macnica enables overseas IT vendors to expand their market presence more efficiently and effectively by developing customers and partners tailored to each country's market and providing technical support.



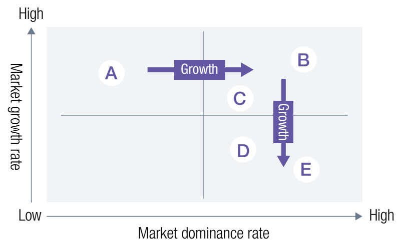
Product Lifecycle and Portfolio Management

To achieve sustainable growth while keeping pace with rapid technological change, Macnica practices strategic portfolio management that carefully assesses the competitive environment for each product, serving as a driving force behind powerful results. We have built up marketing expertise and business bases that are optimized for each stage of the product lifecycle, establishing a competitive advantage particularly before market growth accelerates and competition intensifies. During the sourcing phase, we leverage our unique worldwide human networks to identify technologies with high future potential, then during the introduction phase, we build up practical knowledge by deeply engaging with the challenges of advanced end users. Furthermore, during the growth phase, we utilize our partner support expertise accumulated over many years to promote efficient and effective sales to high-growth markets.

Product Lifecycle

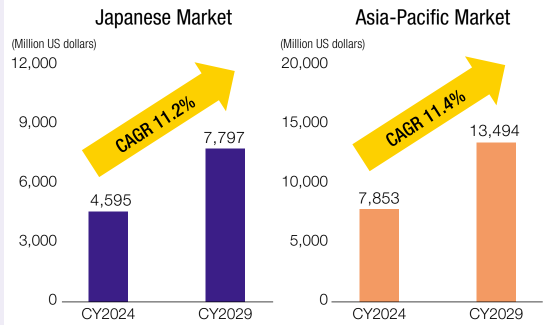


Product Portfolio Management



Topic Continuously Expanding Security Market

The cybersecurity market is expected to continue growing strongly, driven by the gap between the spread of increasingly sophisticated and diverse threats, such as ransomware and supply chain attacks, and defense systems.



* Source: Gartner® Sources and disclaimer, etc. on page 83

In recent years, the spread of cryptocurrencies and anonymous communication has led to an increase in profit-motivated attacks, while attacks by groups with suspected links to governments have also become more apparent. Moreover, attacks targeting supply chains have had a severe impact on corporate activities, with recent examples including the suspension of video streaming services and production halts at automotive manufacturers. According to a survey, the percentage of companies reporting total damages from cyber incidents exceeding ¥10.0 million in the past year rose to 44% in 2024. While awareness of these risks among management continues to grow, the shortage of cybersecurity professionals remains a challenge. Bridging this gap requires robust security solutions and expert guidance, which are key drivers of market growth.

Targeted companies	Cause/attack method and impact
Automaker (February 2022)	A ransomware infection at a primary supplier resulted in 1 day stoppage at 14 domestic plants, impacting the production of approximately 13,000 automobiles. This incident highlighted how vulnerabilities in the supply chain can have a direct impact on business operations.
IT and communication service company (November 2023)	Unauthorized access via an outsourced contractor led to intrusions into internal systems and external services, resulting in an information leak. This incident demonstrated how inadequate management of contractors can lead to data breaches.
Local government (May 2024)	A local government outsourcing provider leaked approximately 1.5 million items of personal information due to an attack that exploited a VPN vulnerability, with resulting impacts on the local government and corporations. Widespread damage occurred in this classic example of a supply chain attack.
Publishing and image content company (June 2024)	A ransomware attack caused prolonged outages of video services and other platforms, along with the leakage of information on over 250,000 individuals. This incident impacted cultural and economic activities and reinforced the importance of robust security measures.

Source: KPMG Japan (2025) Cybersecurity Survey 2025

Medium-Term Management Plan: Cybersecurity Business Strategy

Under the Medium-Term Management Plan (FY2025–2027), we aim to maintain revenue growth in the Cybersecurity Business over the medium to long term by expanding sales of core products in areas such as endpoint security and acquiring new solutions with advanced technological capabilities. We will also look to create a stronger revenue stream by supporting the operation of solutions after implementation within customer organizations through our own services. In addition, we will leverage our accumulated knowledge of cybersecurity to drive development and sales of our own solutions, such as Attack Surface Management (ASM) services, aiming to transition to a more profitable business model. In the fast-growing Asia-Pacific region, we will accelerate business growth by providing advanced security solutions aligned with local needs.

Expanding the Value-Added Distribution Model

Under the current Medium-Term Management Plan, Macnica will continue to promote sales of core products through Value-Added Distribution (VAD) model and to identify IT vendors that can become future earnings pillars. Our competitive advantage in this model resides in our ability to find and make contracts with leading IT vendors and technologies during the sourcing phase of the product lifecycle, and our ability to create markets in Japan and other countries and markets that we enter during the introduction phase. These abilities typically ensure dramatic earnings growth during the growth phase.

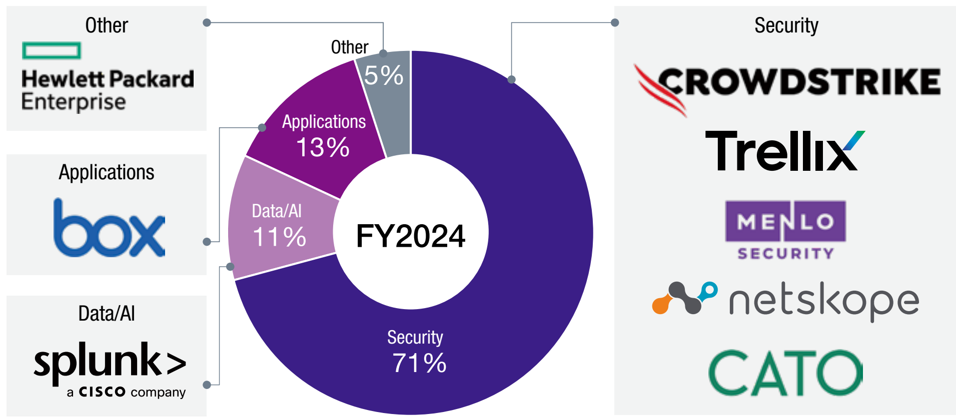
■ Promoting Sales of Core Products

Expanding products currently in their growth phase is the most critical strategy for driving revenue in our Cybersecurity Business strategy. The cybersecurity domain is highly specialized, and new competitive products and technologies continue to emerge. Macnica's approach is to establish a specialized organization for each product that conducts autonomous, flexible sales activities, so that product managers are in direct conversation with customers to obtain feedback that can be reflected immediately into daily activities. From a product perspective, we are strengthening ties with end users and partners through initiatives such as customer success activities for the product from CrowdStrike Inc. This includes expanding coverage to more users and devices within large enterprises, upselling new features and solutions, and increasing penetration among mid-sized and smaller companies. The Cybersecurity Business sales composition ratio is diversified with even top suppliers at around 15%, and we expect sales of suppliers such as Menlo Security, Inc., Netskope, Inc., and Cato Networks Ltd. to expand going forward.

■ Introduction of New Leading Products and Portfolio Expansion

Macnica concluded a distributor agreement with Cisco Systems, Inc. after Cisco acquired Splunk, and it will now look to expand sales by combining Cisco's broad product portfolio with Macnica's knowledge and value-added services. Furthermore, to meet increasingly complex security challenges as technological innovation accelerates and the market around cloud solutions rapidly expands, Macnica has started carrying solutions developed by Wiz, Inc. Looking ahead, we will aim to grow our business sustainably by partnering with vendors with leading technologies in Japan and overseas to provide optimal solutions for the IT environments of increasingly diverse customers.

Sales Composition by Category (Japan) and Main IT Vendors



Creating New Revenue Opportunities through AI Risk Management

The recent surge in popularity of generative AI centered on large language models (LLMs) is having an enormous impact on operations and technology strategies in Japanese corporations. In tandem with this, important management issues have emerged in connection with the use of AI in the areas of governance, privacy, and security. Macnica was quick to recognize the importance of AI-TRiSM (Trust, Risk, and Security Management) for the comprehensive management of AI trust, risk, and security, and has been using its expertise in the field of cybersecurity to promote the enhancement of AI-related solutions. Specifically, we have concluded agreements for leading technologies, such as solutions that enable visualization, detection, and countering of AI risks, such as the AI Defense of Cisco Systems, Inc., and solutions by DeepKeep Ltd., along with the data and AI integration platform provided by Databricks, Inc. Through these initiatives, Macnica is poised to capture new growth opportunities and strengthen its earnings base in the Japanese market, where AI use is expanding.

AI-TRiSM (Trust, Risk, and Security Management)

AI-TRiSM is the collective name for frameworks, methods, tools, and processes for dealing with trust, risk, and security management challenges associated with the use of AI technologies. This concept is a framework for safe and effective use of AI incorporating perspective such as ethics, privacy, security, accountability, and fairness in the implementation and operation of AI systems.

Issues Facing Companies Seeking to Use AI	**Trust** Can AI output be trusted?	**Risk** Is the system following laws and ethical guidelines, and is personal information being handled appropriately?	**Security** Is the system safe from information leaks and malicious use?
Resolution approaches (Management)	Centralized management of data platforms and AI development platforms	Anonymization of data	AI security
Macnica's Solutions	databricks, Deepkeep	brighter AI, PRIVATE AI	WIZ, Deepkeep

Overseas Expansion of VAD to Capture High-Growth Markets

Macnica provides Value-Added Distribution (VAD) cybersecurity products in 11 Asia-Pacific countries, including India. The core vendor, Netpoleon (headquartered in Singapore) was merged into the Macnica Group through an M&A in FY2017, and provides the world's most advanced security solutions for local subsidiaries. With solid market growth in each region, the business is expected to expand continuously, with supplier development and sharing of expertise in coordination with businesses in Japan also expected to produce synergy effects. In FY2025, we launched the provision of the BOX cloud-based content management solution, which has performed well in Japan, in Singapore, and we will accelerate the overseas expansion of technical support capabilities we have cultivated in Japan. Furthermore, in FY2022, we concluded an agreement to acquire CyberKnight Technologies FZ-LLC* (headquartered in the UAE, with offices in 12 countries in the Middle East and Africa), and will build a structure covering the area from Japan to the Middle East and Africa, further reinforcing Macnica's competitive capability as a global security distributor.

*Non-consolidated (FY2024)

Operation Support Services to Promote Continuous Use

As IT utilization and cybersecurity enhancement progress further, the increased operation load on IT system divisions has become a major issue. Macnica is developing and supplying its own operation support services to lighten the load for IT managers. For example, we offer the Macnica U's Case Visualizer (MUCV) tool, which enables visualization and analysis of various IT solution data without requiring any special settings. The steadily expanding range of target products includes LANSCOPE for worker management and endpoint countermeasures, BOX for cloud content management, S&J SOC services, CyberArk privileged identity management, and Okta authentication management. These services free the administrator from routine tasks such as setup, operation, and maintenance, and enable high-level analysis that is difficult to achieve with conventional solutions alone. Macnica's operation support service enhances the convenience and effect of IT, encouraging ongoing use by customers.

Increase in Profitability through Transition to Service Solutions

Under the Medium-Term Management Plan (FY2025–2027), Macnica is working on a business model transformation aimed at increasing profitability. By transitioning from our existing distribution model to a model based on services and solutions developed in-house, we aim to improve our profit margin and achieve sustainable business growth. Within these, our Attack Surface Management (ASM) service, which utilizes technologies from our Security Research Center, has earned a strong evaluation in the Japanese market and is drawing attention as a growth domain with high profitability. Service solutions are positioned as a key investment area for strengthening the Macnica Group's overall revenue structure, and we are examining strategic measures including M&A. With these initiatives, we aim to strengthen our competitive capabilities and increase our corporate value.

Attack Surface Management (ASM) Service

Achieved No.1 Market Share in the ASM Segment

ITR Market View: Cybersecurity Consulting Services Market 2024 – Vendor Revenue Share

Topic Business Support and Social Value Creation by the Security Research Center

Macnica established the Security Research Center in FY2013, and has been continuously engaged in analysis of cyberattacks targeting Japan and research on counter-technologies. The center's accumulated high-level analysis capabilities and expert knowledge are used to conduct technology evaluations prior to concluding agreements with new IT vendors, and to enhance our proprietary expertise through examination of attack methods after sales have commenced. Over the past few years, Macnica has utilized the knowledge of the Security Research Center in the development of its services and solutions. The information acquired through research is provided to public institutions and private companies, thereby contributing to stronger cybersecurity for Japan overall. Through these initiatives, Macnica is continuously providing technical support to help protect all of society from cyberthreats.

Topic Practical Knowledge and Social Contribution Arising from Connections between Security Personnel

Macnica runs a community that brings together IT and security experts, who tend to be isolated, and enable them to share knowledge that we obtain through surveying and analyzing cyberthreats in Japan and abroad with relevant people in and outside the Company. Launched in FY2023, the community has over 100 members, who engage in lively discussion based on actual issues and attack cases. In addition, the community also discusses countermeasures and updates after countermeasure solutions have been implemented, promoting the accumulation and sharing of practical knowledge. We consider the sharing of security-related information with the entire society and contribution to increasing Japan's overall security level through cooperation between different roles to be an important social responsibility.

CPS Solutions

Kazumasa Hara
Representative Director and President

From left:

Managing Executive Officer, General Manager of New Business Development Group, Macnica, Inc.	**Shigenori Mori**
Executive Officer, General Manager of Strategic Innovation Business Group, Macnica, Inc.	**Atsushi Sato**

Review of Previous Medium-Term Management Plan Period

Although the CPS Solutions Business fell short of its FY2024 sales target of ¥12.0 billion, it nevertheless grew substantially over the period of the previous Medium-Term Management Plan with a CAGR of 32.5% and reached net sales of ¥9.3 billion. The Smart City/Mobility domain particularly drove business growth, reaching net sales of ¥4.5 billion for a CAGR of 56.6%, mainly due to sales of the self-driving EV buses and sensor software of Navya Mobility SAS, which became a consolidated subsidiary in FY2024, and Macnica's in-house developed remote fleet management system, everfleet, and businesses such as systems integration. In Smart Manufacturing, net sales reached ¥0.7 billion, for a CAGR of 25%. During the three-year period of the previous Medium-Term Management Plan, the number of customers for the CPS Solutions Business's value-added distribution approximately doubled, while the number of partners expanded threefold. Under this ecosystem, we have released a total of 21 in-house services. Underpinned by the growth of the CPS Solutions Business, we will continue to create a sustainable future through further innovation and partnerships.

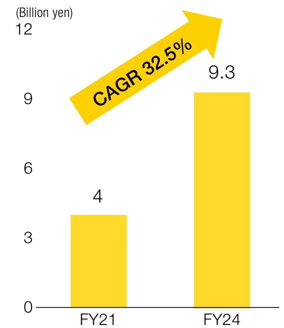
Review of FY2024

In FY2024, we proceeded to reinforce our foundation – Smart City/Mobility and Smart Manufacturing – which will be an earnings pillar going forward. In Smart City/Mobility, we have now accumulated a total of 50 trial operations for self-driving EV businesses, and increased the number of regular operations to six. Furthermore, we established a structure for promoting this business, with vehicle body developer and seller Navya Mobility SAS becoming a consolidated subsidiary, and through a joint investment with Nippon Telegraph and Telephone West Corporation. As for Smart Manufacturing, we promoted sales of the low-code tool Mendix and Macnica's internally developed manufacturing site data platform, DSF Cyclone. We also made steady progress on our initiatives in other areas through the year. In Healthcare, we obtained marketing approval for a medical device program for use in long-term blood pressure monitoring, while in Circular Economy, we conducted a large-scale durability test of perovskite solar cells at Yokohama Osanbashi Pier, and expanded sales of Macnicut, a heat-shielding and insulating paint that can reduce power consumption for air conditioners and so forth.

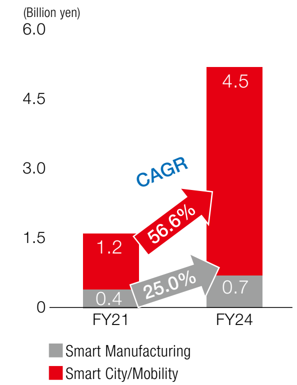
FY2025 Outlook

This fiscal year we plan to increase the scale of our operations in preparation for FY2027, the final year of the current Medium-Term Management Plan. In Smart City/Mobility, we will work with local governments to increase the number of regular operations and promote the acquisition of automated driving level 4 certification, aiming to steadily progress our more than 50 current trial operations into regular operations. Meanwhile, in Smart Manufacturing, we will collaborate across industry, government, and academia to promote and develop highly reproducible digital technology implementation methodologies. For other themes as well, we plan to accelerate value creation activities through demonstration experiments and joint research with partners.

Trend in Net Sales
(CPS Solutions Business)



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



Five Themes of CPS Solutions Business

Smart Manufacturing
Working closely with the manufacturing industry to address manufacturing challenges and accelerate operational streamlining as a partner through providing optimal solutions for digital technologies.

Smart City/Mobility
Aiming to realize a vibrant society with state-of-the-art mobility technology, we provide optimal solutions to resolve challenges facing local governments and MaaS providers, such as automated driving and fleet management.

Healthcare
Aiming to realize a society where high-quality treatment, nursing care, and prevention services are accessible to anyone, anywhere, we deploy cutting-edge technology to provide innovative healthcare solutions.

Circular Economy
Seeking to preserve an abundant global environment for the next generation, we provide a host of solutions that contribute to building a decarbonized society and an advanced circular society.

Food & Agritech
Providing solutions driven by the latest technologies, we aim to realize sustainable and efficient agriculture and a society that supports abundant and secure diets.

Overview of CPS Solutions Business

CPS (Cyber-Physical Systems) bring together various data in physical space (the real world) through sensor networks, then analyze it in cyberspace (the digital realm) via cutting-edge technologies such as AI and machine learning to convert said data into knowledge. CPS is positioned as a next-generation foundation technology that will enable solutions to issues facing society and industry through sophisticated fusion of the real world with digital technology. For example, while the global population is increasing, Japan is seeing a progressive trend of low birthrates and population aging. As the country becomes a super-aged society where more than 21% of the population is aged 65 or over, Macnica is using its CPS framework to address social issues such as labor shortages, the transmission of agricultural techniques, and the extension of healthy life expectancy.

We have identified five themes* for resolving social issues: 1) Smart City/Mobility, 2) Smart Manufacturing, 3) Circular Economy, 4) Healthcare, and 5) Food & Agritech, and are promoting the building of ecosystems through capital and business alliances with partners. Based on our strengths in the Value-Added Distribution (VAD) model of sourcing, proposing and implementing cutting-edge from around the world, we will proactively enter emerging markets, accumulate domain knowledge and promote the building of ecosystems that include our partners. This will enable us to create our own solutions and aim to build a Services & Solutions (SS) model with higher contribution margin ratios than VAD and scalable revenue structures.

*One of the previous six themes, CPS Security, has been integrated into the Cybersecurity Business.

Business Strategy

Under the new Medium-Term Management Plan, which started from FY2025, in the CPS Solutions Business we are working toward achieving profitability with net sales of ¥30.0 billion and an operating profit of ¥4.0 billion in FY2027, focusing in particular on expanding our business in Smart City/Mobility and Smart Manufacturing, where among the five themes we have made the fastest progress on commercialization. In Smart City/Mobility, we will expand the provision of self-driving EV buses by our consolidated subsidiary, Navya Mobility SAS, and the use of our cloud-based remote fleet management system, everfleet – our own solution for fleet management, which is indispensable for automated driving. We will grow this business by increasing the regular services business while continuing to conduct trial operations. Furthermore, in Smart Manufacturing, we are expanding sales of DSF Cyclone, which we developed in-house as a tool for realizing high-productivity plants by connecting manufacturing performance and production plans using structured data to visualize issues in manufacturing. For our Circular Economy, Healthcare, and Food & Agritech themes, meanwhile, we will promote business centered on VAD, while leveraging the knowledge acquired in the process to develop our own solutions as we accelerate initiatives for building an SS model and drive its social implementation.

Smart Manufacturing Strategy

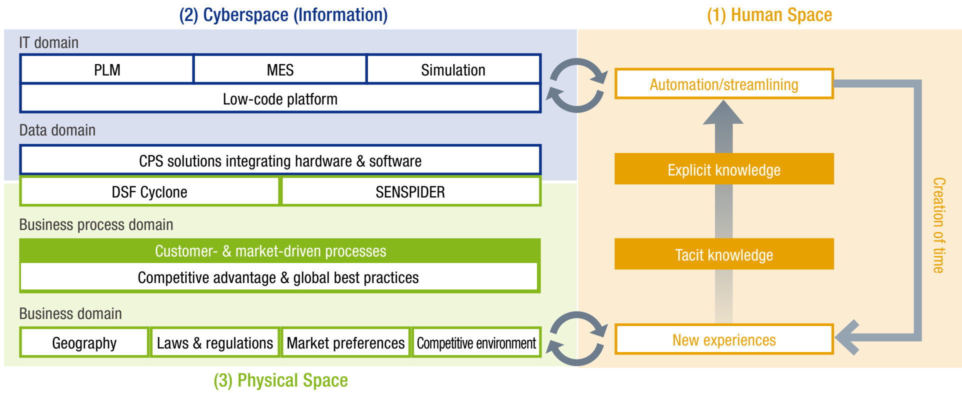
Innovation Spanning Frontline Operations to Management

Macnica aims to support the future of Japanese manufacturing through the promotion of smart manufacturing, which is bringing innovation to the front lines of the manufacturing industry. Beyond merely the introduction of new technologies, we work closely with the front lines to provide partnership-based digital technology services that facilitate the building of sustainable and high-value-added operations.

Japan's manufacturing industry today faces serious issues in the form of a decline in productivity, a decreasing worker population, and the retirement of experienced technicians. Despite this situation, there has been little progress on solutions to meet frontline needs or the introduction of digital services, mainly due to constraints on management resources such as capital and IT talent, and a gap in awareness between management and the front lines. Meanwhile, Japan's manufacturing front lines have long-established expertise and knowledge based on the keen desire for improvement of individual employees and their creative solutions that have not been manualized. This tacit knowledge has supported high-quality service levels. Considering this situation, the key to success is not to simply introduce standardization and digitalization, but rather to drive Japanese-style digital technologies, promoting standardization and digitalization while utilizing frontline expertise and knowledge.

To achieve this, Macnica is building a structure for comprehensively supporting all aspects from the manufacturing front lines to upper management, including consultation for carefully identifying frontline issues, provision of hardware and software including internally developed sensor terminals, systems integration, and operation support. The Company uses a low-code development platform and its production-site data platform DSF Cyclone, which was developed in-house for realizing productivity and efficiency improvements, to convert tacit knowledge accumulated on the front lines into explicit knowledge, which helps to resolve issues by standardizing and digitalizing expertise. These initiatives are already producing results in the market, and are expected to grow as a basis for recurring revenue. Looking ahead, we plan to accelerate sales of high-level manufacturing digital technology solutions, such as manufacturing execution systems (MES) and cloud-based product lifecycle management (PLM), and thereby transition to a highly profitable, sustainable business model that leverages the economy of scale. Through smart manufacturing, Macnica will contribute to increasing the competitiveness of Japan's manufacturing industry and resolving social issues as it works to create the future of sustainable manufacturing.

Overview of Smart Manufacturing

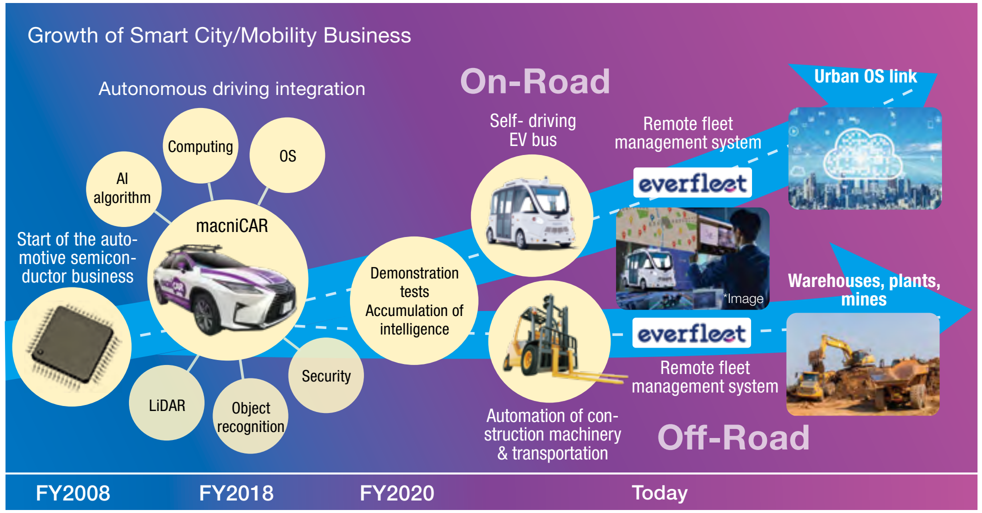


Smart City/Mobility

Social Implementation of Next-Generation Mobility in Preparation for a Super-Aged Society with Labor Shortages

In the Smart City/Mobility domain, we are working to realize vibrant societies by leveraging state-of-the-art mobility technology to resolve customers' issues in various fields, such as local communities and at plants. Currently, Japan's population is aging faster than anywhere else in the world. In 2024, the population of those aged 65 or above comprised 29.1% of the total population, and by 2040 the ratio is projected to increase to over 35%. With this trend, issues such as labor shortages and the aging of drivers working in regional transport are becoming more severe. In the field of logistics and transport in particular, around half of truck drivers are aged 50 or above, and the total number of drivers is projected to decline by 22% in 2040 and 32% in 2050 compared to 2020. There are concerns that it will become difficult to maintain transport capacity, and doubts regarding the sustainability of transportation infrastructure.

Macnica started to address these social issues over a decade ago, aiming to resolve them through using technology. We accumulated knowledge of automotive technologies through our handling of semiconductors for automobiles, and developed our own autonomous driving demonstration vehicle, macniCAR, to gain a deeper understanding of autonomous driving technology. During this process, we encountered French self-driving EV bus manufacturer Navya Mobility SAS, which then became a consolidated subsidiary in FY2024. Moreover, in the area of fleet management systems, which are essential for the safe operation of automated driving vehicles, we gained knowledge through our links with other companies, and released our in-house-developed cloud-based remote fleet management system, everfleet. Macnica offers full-line smart mobility services combining autonomous driving vehicles and fleet management systems for both the on-road (public road) and off-road (on-site) domains. By providing optimal technologies and solutions to meet each customer's needs, we will accelerate social implementation and contribute to the improved sustainability of local communities.



Initiatives in On-Road Market and Overseas Development

Macnica provides packages combining self-driving EV buses and our everfleet remote fleet management system to local governments. Through linking with an urban operating system and MaaS apps, we are optimizing regional transport and securing a means of transportation for seniors and tourists. This business dovetails with the Japanese government's policy for revitalizing and renovating regional public transport and the RoAD to the L4 project, with a target of introducing level 4 autonomous driving in 100 or more locations nationwide by 2027. Macnica has already advanced cooperation with over 50 local governments, and is expanding the area of introduction year by year.

Our everfleet system employs a scalable architecture that is not hardware-dependent, and can be applied to various vehicles and business models. This enables us to craft a highly profitable business model with the potential for both expanding our range of customers in the future and increasing recurring revenue. Since this business serves a domain that is highly public in nature, we have positioned this as a growth field that combines both social significance and business stability. Currently we have six regular operations (including Hitachiota City in Ibaraki Prefecture, Yokkaichi City in Mie Prefecture, and Haneda Innovation City in Tokyo), and a cumulative total of 50 trial operations. Over 100 local governments nationwide have expressed interest in introducing the system, and 25 new trial operations are currently underway. Since we provide technical support from behind the scenes, Macnica is building trust with local governments and transport providers alike. Furthermore, in the on-road domain, we are also expanding into overseas markets across Asia, the Middle East, Europe, and elsewhere. Through our partnerships with transport providers and local governments in each country, we are providing autonomous driving solutions and operation support tailored to local needs, thereby helping to resolve mobility issues globally. Within the rapidly expanding global autonomous driving-related market, Macnica is targeting the highly profitable and highly stable domains of public transport and regional transport.

Expansion into Off-Road Market

Autonomous driving needs are also growing in secure areas, such as the manufacturing industry, logistics, airports, and mines, due to labor shortages and working hour constraints.

Macnica is integrating LiDAR sensors and autonomous driving algorithms into on-site transport vehicles used in factories, plants, and warehouses, as well as into construction machinery used in mines and other sites (dump trucks, bulldozers, forklifts, towing tractors, etc.). Linking these with our everfleet in-house remote fleet management system enables users to perform real-time remote monitoring, control, and analysis.

In 2024, we started trialing unmanned operation in plants and airports. In the future, flexible operations capable of accommodating mixed manned and unmanned environments are expected. In the off-road market, each company that introduces autonomous driving sees a significant impact on operational efficiency improvement, and capital investment appetite is strong. The market is therefore expected to grow rapidly.

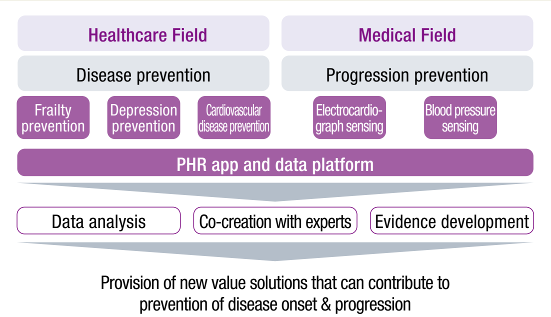
Healthcare

Striving to Prevent Disease Onset and Progression to Extend Healthy Lifespans

In Healthcare, we are working to prevent disease progression for cardiovascular and cerebrovascular diseases, as well as to prevent their onset due to lifestyle habits, with the aim of extending healthy lifespans. In the medical sector, we obtained a license to sell specially controlled medical devices in FY2023, and sales of a patch-type electrocardiograph made by our capital and business alliance partner Kokoro Mill Co., Ltd. have progressed strongly, expanding to medical institutions throughout Japan. In FY2024, our alliance partner Arblet Inc. obtained marketing approval for a medical device program that is effective for long-term blood pressure monitoring. We also plan to start offering a new blood pressure monitoring service using a cuffless*1 wearable device.

We have also been working for some time in the Healthcare field on development of solutions for the early detection of depression, and conducting sales promotion activities for frailty prevention services for seniors. In addition, we have developed a PHR*2 management app and made progress on building a data platform, with the aim of enabling accumulation of vitals data in daily life, and a life log. Furthermore, by analyzing various data obtained through our own advanced sensing devices and other sources, and by promoting the development of evidence that also utilizes expert medical opinion on cardiovascular disease and medical AI, and so forth, we will develop solutions that generate completely new value.

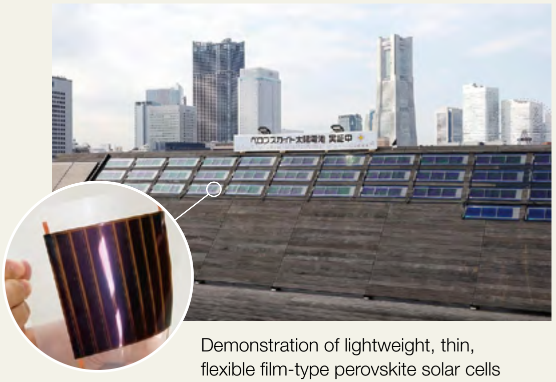
*1. A type of device that does not require a cuff to be placed around the arm when taking measurements
*2. Personal Health Record, a type of data recording information about an individual's health and body



Circular Economy

Striving to Use Renewable Energy and Recycle Resources to Transition to a Circular Economy

In the Circular Economy field, we are endeavoring to create a sustainable circular society through business development focused on energy management, energy-saving management, and resource-recycling management. In the energy management sector, we are advancing the development of perovskite solar cells, which have been gaining attention as a climate change countermeasure. Being lightweight, having highly efficient power generation performance, and being suitable for flexible manufacturing, they can be easily installed in places that were not easily accessible for conventional solar cells, and they are expected to be used in various applications including the walls of buildings, EVs, and drones. In FY2024, we conducted an outdoor trial of the cells at Yokohama Osanbashi Pier, as part of the Ministry of the Environment's Regional Co-creation, Cross-Sector Carbon Neutral Technology Development and Demonstration Project. The trial was intended to test the cells' durability, and their mass production technology, in a harsh salt environment in which ordinary solar cells corrode. In addition, we commercialized the small lead-acid battery system Soldam, which is 100% recyclable for minimal environmental impact, and achieved resource visualization and management through the building of an energy management system using Kisense. Through providing these highly efficient solutions at every step of energy production, storage, and usage, we will contribute to the creation of a circular society.



Demonstration of lightweight, thin, flexible film-type perovskite solar cells (Yokohama Port Osanbashi Rooftop Plaza)

Food & Agritech

New Challenges for the Future of Agriculture and Sustainable Food Production

In the field of Food & Agritech, we are working to build systems that will enable stable supplies of food, which is a pressing social issue in the context of climate change and a decreasing population of farmers. Utilizing the latest technologies, such as AI, we aim to realize high-quality, stable food production systems through data-driven, environmentally-controlled agriculture. Using the Food Agri Tech Incubation Base, which commenced operation in FY2023, as a technology sandbox, we are collecting data with 3D sensors and hyperspectral cameras that analyze light by wavelength to obtain detailed data related to plants' environments and growth. Based on this data, we then conduct data visualization, implement growing plans, and handle equipment control, while also providing systems that deliver crop growth analysis using AI.

By combining these innovations with the advanced technologies and agricultural knowledge gleaned from joint research with universities and research institutions in Japan and overseas, we will create models of crops that predict their growth responses given environmental factors, such as air, water, and light. We will then use these to develop next-generation environmentally-controlled plant factory platforms that can create the optimal conditions for plants to grow in.

We will draw out the full latent potential of plants using the power of technology, and contribute to the realization of sustainable food production and societies through stable production of high-quality crops and optimal energy usage efficiency.

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 "Evolving into a Services & Solutions Company."

Keigo Ando
Executive Officer,
General Manager,
Information Technology Group,
Macnica, Inc.

Message from the General Manager

Change is accelerating in modern society. Promoting DX to enable rapid response is key for companies to maintain and increase their competitiveness. Therefore, each employee must become proficient in using IT and digital systems. We will work on initiatives to accelerate DX, and to create systems that will support employees in achieving this proficiency.

Review of the Previous Medium-Term Management Plan and New Medium-Term Management Plan

Through thorough utilization of IT and digital technology, Macnica is planning and promoting measures on the three key themes of Transformation for accelerating company-wide DX, Growth for further strengthening existing businesses through productivity enhancement, and Foundation for supporting them. In the previous Medium-Term Management Plan (STEP 1), the Company promoted these respective measures with the goal of preparing a global IT and digital environment.

In the area of Transformation, we created common platforms for rapid and flexible implementation of company-wide DX in the form of the Digital Execution Factory, which provides an environment and functions for accelerating the practical embodiment of DX ideas, and the Macnica Common Service Platform (MCSP), which is a group of common functions needed for new services. These common platforms are helping to expedite the implementation of DX ideas and new services and solutions.

In the Growth area, in FY2022, we completed the introduction of new core systems in Japan aimed at doubling productivity. From FY2023, with a view to increasing productivity by globally introducing new technologies and tools, we began expanding the core systems to our locations in Europe, the United States, and Asia. We also embarked on a program of hyper-automation, which seeks to automate as many operations as possible by combining multiple technologies, centered on RPA and including generative AI as well as low-code and no-code development. Our initiatives also included process mining—the visualization and analysis of work processes based on information recorded in our systems to help streamline work processes.

In the Foundation area, we completed the rollout in Japan of a Zero Trust network, which stringently evaluates all access and communication from outside the Company without trusting them, to enable the realization of safe and flexible workstyles for all employees. The Zero Trust network is being expanded overseas along with our core systems to further reinforce the foundation supporting our Transformation and Growth initiatives.

Based on the results of the previous Medium-Term Management Plan (STEP 1), under the new Medium-Term Management Plan (STEP 2), we aim to augment the IT and digital environment that we have developed to date and to establish an IT ecosystem (P.40) that will realize the co-creation of value through coordination with every business and corporate division. To support the embodiment of our concept for Vision 2030 articulated by each division, we will strengthen our cooperation with external partners, and build a global support framework to support smooth coordination between the divisions.

Three Transformation Steps toward Vision 2030	FY2022–2024 Management Resource Fusion Phase	FY2025–2027 Specialization Enhancement Phase	FY2028–2030 Management Resource Integration Phase
IT Strategy Steps	STEP 1 Improvement of IT and Digital Environment	STEP 2 Establishing an IT Ecosystem	STEP 3
Transformation	• Establishment of common platforms for accelerating DX inside and outside the Company (Digital Execution Factory/MCSP)	• Expansion of common platforms and promotion of data utilization	Contributing to the Enhancement of Corporate Value and Productivity
Growth	• Completed introduction of core systems in Japan • Introduction of new technologies and tools	• Promotion of measures for global platform integration	
Foundation	• Establishment of human resource development program • Advancement of IT investment and cost management • Completed introduction of Zero Trust network in Japan	• Construction of a Global Support Framework to support cooperation between business divisions	

Overview of IT Ecosystem and Global Support Framework for the Ecosystem

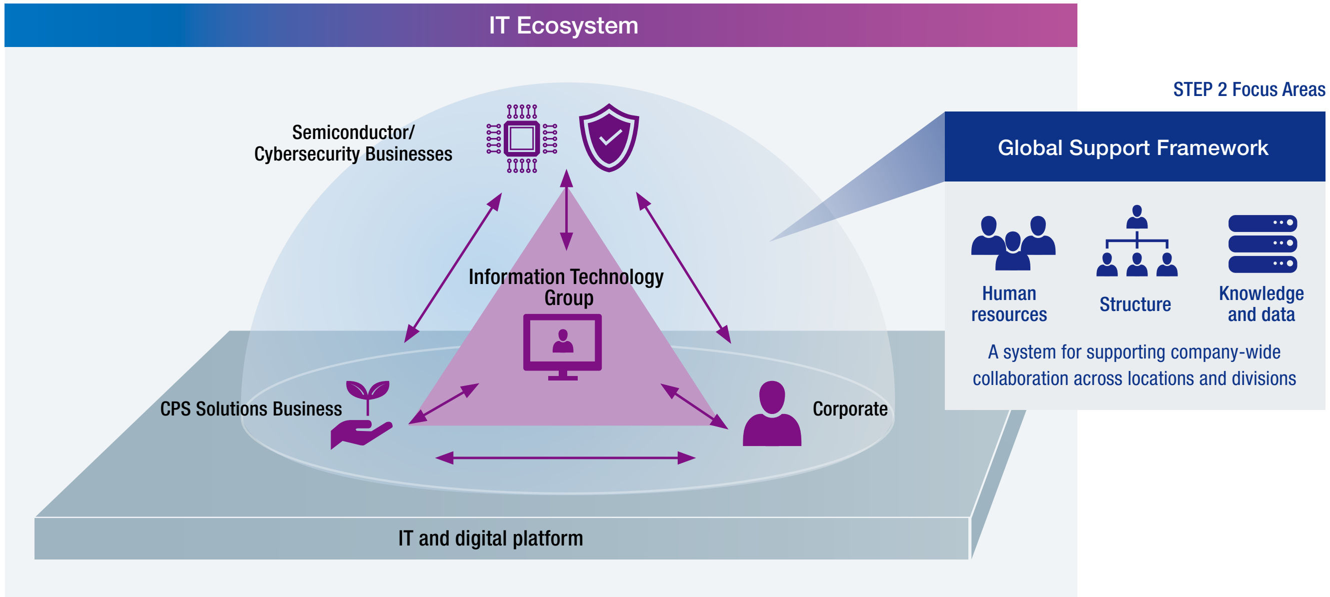
Aiming to Establish an IT Ecosystem

Macnica defines an IT ecosystem as having two elements in place: an IT and digital environment and a Global Support Framework as a system to support the use of the environment. We have been working to realize this ecosystem in stages.

During the period of the current Medium-Term Management Plan (STEP 2), we will focus on building a Global Support Framework with the aim of establishing a system to support full utilization of the IT and digital environment set up during STEP 1. By FY2027, we aim to establish an IT ecosystem that will realize an even further increase in corporate value through DX acceleration by having both the IT and digital environment and the Global Support Framework in place.

Global Support Framework for the IT Ecosystem

To accelerate DX, in addition to the IT and digital environment, it is essential to build a Global Support Framework—a system that organically connects our limited management resources in terms of personnel, knowledge, and data, which are dispersed among businesses and corporate divisions, by sharing them globally across locations and divisions. Macnica recognizes the following three elements as the components of the Global Support Framework.



Concentration, Development, and Utilization of IT and DX Human Resources

We provide programs for systematically developing human resources with advanced IT and DX skills who are able to operate globally. Moreover, we have systems in place for sharing internal IT and DX personnel company-wide so as to increase our ability to respond to change by rapidly assembling the necessary human resources. The aim of this system is to eliminate the issue of resource shortages that occurs when human resources are concentrated in certain departments.

Construction of a Global-Level IT Support System

To cover areas where we lack expertise, we made use of external partners and promoted the recruitment of specialists with expertise in each area. Strengthening our global-level IT support system will enable us to provide swift support for the transformation of each location and division as we promote the utilization of advanced technologies such as generative AI and internalization of development. By flexibly incorporating external knowledge and technologies, we plan to steadily expand our areas of competence.

Concentration and Utilization of Knowledge, Expertise, and Data Assets

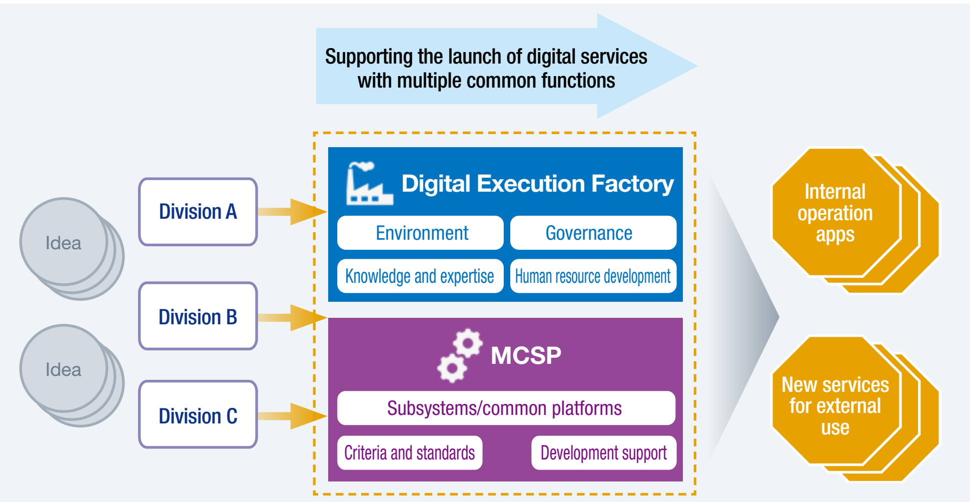
We will centralize the knowledge and data that have been dispersed across locations throughout the world, and share them internally in a reusable form. This initiative will enable streamlining of operations and promotion of data-based decision-making. Moreover, we expect it to accelerate our handling of issues that had been dealt with by individual locations and divisions, and we also expect the creation of new value from shared knowledge.

FY2025 Initiatives

Transformation — Rapid Realization of DX Ideas and New Services and Solutions for Internal and External Use

In our development of digital services for internal and external use, the lack of an environment and knowledge for realizing DX ideas has been an obstacle, leading to delays in service commencement in some cases. To address these challenges, in FY2024, Macnica established the Digital Execution Factory, a cross-company support organization with an environment serving four functions: citizen development, governance, knowledge and expertise, and human resource development. The organization realized six ideas by the end of FY2024. One example is the internal development of an app that can centrally manage aspects of demonstration experiments for autonomous buses, such as schedules, vehicle settings, and parts inventory. In FY2025, we aim to realize 12 ideas for the year by further strengthening development support systems.

In the CPS Solutions Business, since each digital service that is launched for external use requires the construction of individual systems and functions, delays in development speed had been an issue. We addressed this by providing commonly needed functions through the Macnica Common Service Platform (MCSP), which enabled more efficient launching of services. Furthermore, harnessing information accumulated on an integrated data management platform on the MCSP enables the discovery of new insights and ideas, leading to the creation of more digital services. As of FY2025, we have applied MCSP to 17 existing services, while also working to develop new functions.



Foundation — Creating a Training System to Support Autonomous DX Human Resources

To respond to recent advances in digital technology and rapid changes in the business environment, it is essential to create a situation where individual frontline employees can promote DX autonomously. There has been an issue that the desired human resource profile has not been fully communicated at the front lines, and we have not had systematic training programs in place. To address this, we have analyzed the necessary roles for DX promotion at Macnica and classified our human resources into four categories: DX Evangelist (DXE) human resources, DX Core (DXC) human resources, citizen development human resources, and company-wide general human resources. We are creating a system that can deliver highly effective training for each category by clearly setting out their respective training objectives and responsible departments.

In FY2024, we promoted the creation and execution of training programs for each human resource category. For DXE human resources, the training visualized the trainees' skill level using original criteria based on digital skill standards, then conducted training to address skill gaps. Training for DXC human resources targeted employees with strong interest and passion for DX by supporting the realization of ideas and acquisition of knowledge and expertise through practical work in the Digital Execution Factory. For citizen development human resources, training using hyper-automation and BI tools was completed by around 150 selected employees from every division. For company-wide general human resources, a new company-wide training course was created in coordination with the Human Resource Group, covering basic knowledge of IT and DX. In FY2025, we will continue to aim to increase the overall level of human resources throughout the Company, while promoting training to achieve our targets for FY2027 of 80 DXE human resources, with approximately 10% of employees being DXC human resources and approximately 20% being citizen development human resources.

Human resource category	Human resource profile
DX Evangelist human resources	Human resources able to support the creation and development of platforms, functions, and apps, with advanced expert knowledge and skills related to IT and DX
DX Core human resources	Human resources who develop apps themselves and lead DX promotion in each division
Citizen development human resources	Human resources able to use digital tools such as RPA and Power BI to conduct operational improvements such as automation and analysis
Company-wide general human resources	Human resources with IT/DX literacy and operational knowledge, giving them the ability to utilize Macnica's IT and digital environment

FY2025 Initiatives

Transformation | Growth — A Multifaceted Approach to Utilization of Generative AI

Overview of Generative AI-Related Measures

Focus on promoting the use of generative AI for co-creation of new value mainly in service development and enhancement

	For internal use	For external use
Service development and enhancement	(1) Promoting use of generative AI (2) Development of original services	(3) Development of original services
Data preparation	Integrated analysis platform	Integrated data management platform (MCSP*1)
Organization and systems/ human resource development	Construction of a system for promoting the use of generative AI (Generative AI Working Group) Definition of generative AI specialist human resources and establishment of training program	
Governance policy formulation	Formulation of guidelines and rules	Establishment and monitoring of governance management structure

*1 Macnica Common Service Platform

(1) Promoting use of generative AI

We are aggressively promoting the use of generative AI in our core business, where further productivity gains are needed. For example, in hyper-automation, OCR*2 reading accuracy has been a bottleneck preventing automation of estimate operations. The combined use of OCR and generative AI has realized substantial improvements in accuracy. By automating multiple operations across the Company, we have achieved a significant boost in productivity.

*2 Optical Character Recognition

(2) Development of original services (internal)

In the Semiconductor Business, sharing and utilization of knowledge regarding inquiries about aspects such as product specifications and defects had not progressed due to concerns about confidential information and security. Macnica addressed this by creating a service capable of performing data anonymization and search functions using generative AI running in our own environment. In this way, we created our own environment enabling the safe and simple use of knowledge.

(3) Development of original services (external)

We are promoting the development of various solutions for customer needs using generative AI. Examples include the development and release of Omatome Ninja, which can generate reports and meeting minutes easily through voice recognition, and the Generative AI Utilization Platform, which can be flexibly scaled to meet the operational requirements of the front lines. We are currently promoting trials and implementations at several companies, with expectations for further deployments going forward.

Growth — Overseas Expansion of Core Systems

Following their introduction in the United States in FY2024, in FY2025, we plan to complete the introduction of core systems in Europe. We have also initiated a project in Asia with the aim of completing the introduction to all of the Group's locations by FY2030. We are steadily rolling out core systems globally with a view to establishing the Global One Platform to support a direct contribution to increasing corporate value and expanding profits, which are the stated goals of STEP 3 of the IT strategy steps.

Foundation — Overseas Expansion of the Zero Trust Network

We completed implementation of a Zero Trust network in Japan to enhance global network security, access control, and authentication management. We aim to complete implementation at all locations in Europe, the United States, and Asia in FY2025. A further aim is the realization of an environment where all employees can work safely and flexibly, while achieving uniform application of head office security guidelines to all locations and increasing operational efficiency when obstacles arise.

Foundation — Upgrading IT Investment and Cost Management

We developed an original IT investment and cost management system using the Digital Execution Factory, with the aim of realizing timely and accurate planning and analysis, as well as swift decision-making, for IT and DX investment. With highly convenient budget entry and budget performance management functions based on frontline feedback, as well as a report function that enables checking from the perspectives of profit and loss and cash outflow, the system enables both streamlining and upgrading of IT investment and cost management operations.

Human Resource Strategy

Macnica's founder believed that "Everything begins and ends with people." This belief has been passed down through the Company, and we have long viewed people not simply as resources, but as valuable assets—and have worked to maximize this human capital.

This belief is at the foundation of Macnica's cherished original values, the core values of T.E.A.M.S., and its redefined Purpose expressing Macnica's character and reason for existence. These core values and Purpose inform the measures we take for our people and organization.

Ichiro Hotta
General Manager,
Human Resource Group,
Macnica, Inc.

A Virtuous Cycle of Growth

A company's growth is started by the power of people. Since its foundation, Macnica has practiced people-centric management based on the belief that "Everything begins and ends with people." The continuous growth of a company is supported by the individual growth of its employees, and for this reason, it is essential to have an environment where people can work with pride and a positive attitude. We believe a fulfilling work environment is one where people can feel their own value through a sense of growth, appropriate compensation, and a lively workplace. Employee fulfillment creates a virtuous cycle by increasing the power of an organization, enabling the company to furnish opportunities for new challenges and a better environment, and leading in turn to further happiness and growth. To support this cycle, Macnica is encouraging the growth of its human resources through both systems and culture.

Our core values, T.E.A.M.S., comprise Trust, Excitement (Be bright, fun and vibrant), Aggressiveness (Obsession with victory), Move (Create change), and Stretch (Growth through challenge). By ensuring that all employees understand, practice, and share these values, we are building a flexible and robust corporate culture. People grow, and the organization evolves. It is this link that is the source of Macnica's competitiveness.

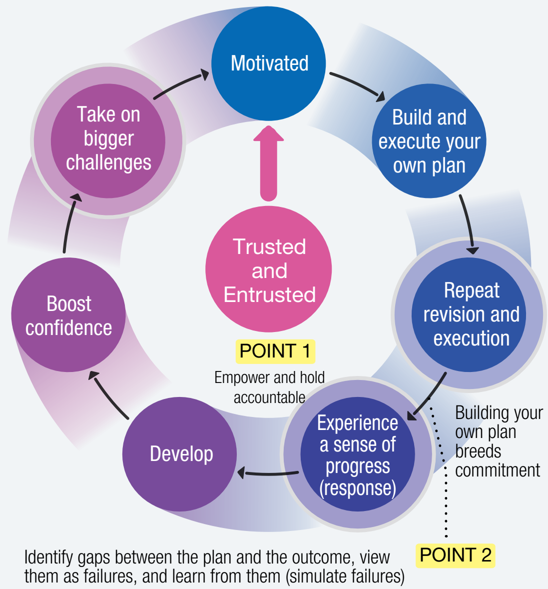
Envisioning the Future, Creating the Now —A Human Resource Strategy to Support Vision 2030

In a rapidly changing society and industry structure, strategic human resource management that draws out the full potential of a company's people is essential if it is to continue creating value sustainably. At Macnica, we have clarified our Purpose, "Leading in an ever-changing world, we seek technology and intelligence beyond the cutting edge, while envisioning the future and creating the 'Now," as our reason for existence, and articulated our vision under Vision 2030 as "We will evolve into a Services & Solutions Company and create new value by connecting the technology and knowledge of the world to build a prosperous future society." To realize these, we have positioned our human resource strategy at the core of management, and we are working to maximize our human capital. In April 2024, we introduced a new personnel system that is linked with our Purpose. This system is based on the concept of "strengthening capabilities and accelerating transformation," and aims to develop human resources who are able to anticipate change and drive transformation. We abolished the previous general and managerial career track system, and introduced a new course system of Value-Enhancing Positions and Change-Creating Positions based on job quality (mission). The new system enables employees to proactively plan their careers according to their own expertise and aspirations. Moreover, by clarifying the jobs that are needed for realizing Vision 2030, redefining jobs, and arranging a list of jobs, we have made it easier for employees to visualize in concrete terms their own roles and personal vision for the future. The compensation system pay range has also been extensively revised to encourage challenge-taking and growth, and we have realized fair compensation based on results and contribution. In both recruiting and development, we are working to acquire human resources who are resilient to change and to support their growth. We are increasing the value of our human capital in terms of both personnel systems and organizational culture through initiatives for hiring diverse human resources, the creation of a human resource development system linked to a "Response Cycle" that supports employee growth, and enhancement of onboarding measures. Macnica believes in the power of individual growth to create the future for the Company. Drawing on the power of people, we will embody our Purpose and advance steadily toward the realization of Vision 2030.

Topic Growth through Trust & Empowerment: Response Cycle

At Macnica, we are nurturing a culture based on the concept of Trust & Empowerment, which involves delegating authority to employees and encouraging their autonomous action. Employees will conduct planning, execution, and judgment, then grow through the resulting success or failure. The "positive response" obtained through this kind of experience gives rise to confidence and sharpens employees' appetite for further challenges.

Supervisors also play an important role in supporting this growth cycle. By trusting their team members and delegating responsibility to them at the right time, they provide growth opportunities, which also helps to build their own management capabilities. Macnica refers to this chain of growth as the "Response Cycle," and it is a central part of human resource hiring and development. The Response Cycle promotes the autonomous growth of employees, while functioning as a mechanism for enhancing the speed of growth and competitive capability across the entire organization. For younger employees, especially, an environment that enables them to accumulate experience from an early stage and have their achievements evaluated fairly helps to develop their ability to autonomously plan their own careers.



Acquire Human Resources

Acquire Human Resources Who Can Support Company Growth

Acquiring human resources is an important point that affects a company's growth. At Macnica, we focus on recruiting highly capable human resources who identify with the Company's culture of acting autonomously with a spirit of challenge. We have a wide range of touchpoints with diverse human resources by way of recruitment branding, and by achieving a deeper sharing of values through dialogue with employees, we recruit people who will grow deep roots in the organization and thrive over the long term.

Creating a Demographic of Applicants through Recruitment Branding

Macnica works to secure human resources who can support sustainable corporate growth through a key strategy of widening the demographic of applicants. Strengthening our recruitment branding has steadily increased the Company's level of recognition. We have widened our touchpoints with younger applicants using a variety of media including TV commercials, radio commercials, social media, and in-school advertising, which has led to the formation of a pool of human resources who feel a high level of affinity with our corporate culture.

Commercials (TV, ABEMA, TVer)

Short video (Instagram)

Building Affinity with the Corporate Culture through Interaction with Employees

Macnica is promoting recruitment activities with a strong emphasis on deep affinity with our corporate culture and values. To communicate our corporate culture of respecting a spirit of challenge and autonomy to candidates, we have actively provided opportunities for candidates to experience our workplace environment directly through interaction with employees. In new graduate hiring, we hold company visit days for both sales and technical roles. In addition to an explanation about the usual work, we also take steps to achieve a flat and open workplace atmosphere by conducting a panel discussion between employees and one-on-one interviews. In mid-career hiring, where we deal mainly with recruiting agents, we insist on having them visit the Company for an office tour and so forth. By having them directly experience Macnica's workstyle and values, we enable them to provide highly reliable information to candidates while enhancing our appeal to candidates. As a result of these initiatives, in our induction survey for new graduate recruits in 2025, approximately 70% of the responses regarding reasons for joining the Company were related to our employees and our corporate culture. This reveals that allowing candidates to experience our corporate culture and values has a significant impact on their decision to join the Company.

Panel discussion on the sales internship

Virtuous Cycle of Human Resource Acquisition

Macnica believes it is important that employees feel an affinity with the Company so that they will continuously achieve their potential after joining the Company and become settled in the organization. For this reason, in our recruitment activities, we emphasize affinity with the Company's values and workstyles, and we have created a system in which employees themselves participate as recruiters. Candidates recommended by employees are introduced with a clear understanding of the Company's culture and job responsibilities, resulting in a strong alignment in values and workstyles, and creating a sustainable positive cycle in recruitment. As a result, even amid fierce competition for human resources, around 25% of hires at Macnica are referral hires introduced by our employees. In terms of the workplace environment, we recognize that job satisfaction results from employees feeling valued through a sense of growth, appropriate compensation, and a vibrant work environment. As a result of these efforts, we have received strong recognition from both employees and management, ranking 5th in the Ranking of Companies Employees Find Most Rewarding 2025 and 11th in the Ranking of Companies Rated Highly by Managers announced by OpenWork. Furthermore, in the annual Building a Strong Company Questionnaire administered to all employees, the item measuring willingness to recommend the Company as a workplace has consistently scored highly, suggesting strong trust in and engagement with the organization.

Through these initiatives, we have realized a high retention rate and stable organization, which enable us to consistently and strategically acquire human resources.

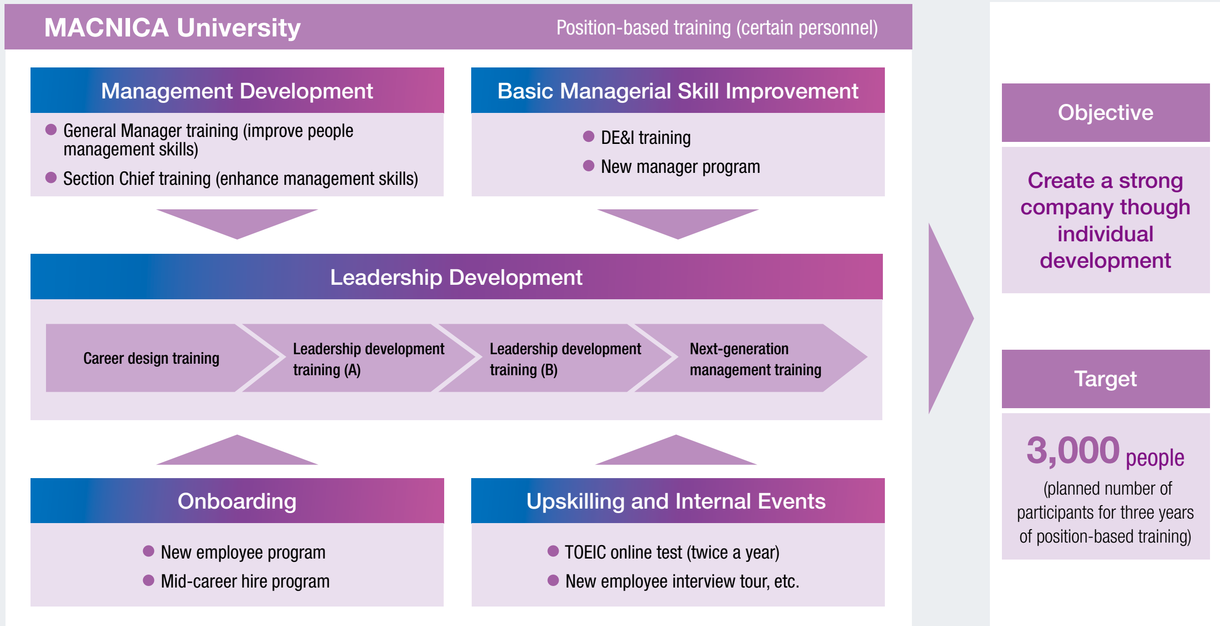
*The awards are announced by OpenWork Inc., which operates the information platform OpenWork for people seeking to find or change jobs. The ranking is for Macnica, Inc.

Supporting Growth

Redesign of MACNICA University Human Resource Development System

Macnica considers it essential to support the skill development and career formation of each employee in order to realize sustainable growth. Guided by the thinking that individual growth boosts the competitive capabilities of the organization and leads to increased corporate value, in FY2024, we redesigned our human resource development system, MACNICA University. Under the new human resource development system, we have integrated elements such as position-based training, programs to assist with obtaining qualifications, career support, and new employee training to provide a system that allows employees to take training courses according to their own career stage. Furthermore, from FY2025, we have more than doubled the amount of training investment to strengthen our support for more diverse needs. In addition, as an original initiative for the Company, we have introduced a system in which in-house trainers participate in position-based training. This system fosters involvement of personnel with management experience who have completed executive management candidate training in the development of their junior colleagues, so that employees who have outstanding performance and practical experience in organizational management are able to pass on their knowledge, values, and standards for judgment. This training is conducted across divisions, so that it helps to build internal networks and spark innovation.

To promote DX, the Information Technology Group and Human Resource Group will coordinate with a plan to start an education program to increase the IT literacy of all employees and support the adoption of digital systems in operations. To respond to the challenge of globalization, we hold free TOEIC English language tests online, and the number of employees taking the test repeatedly has increased, driven by an increasing desire to improve language capabilities. We are also focusing on the development of the next generation of executive management candidates. A pool of selected employees mainly in their 30s attend a 1-year in-house MBA program to cultivate their mindset as managers. Over the five years up to FY2024, approximately 100 people participated in the program, which has helped to build our human resource portfolio of future managers. Macnica considers investment in human resources to be an investment in the future of the Company, and we will continue to actively support their growth going forward.



Point (1) Training programs to support autonomous growth

At MACNICA University, employees are systematically provided with training opportunities according to their career stages so that they can grow autonomously while receiving feedback on their work. Training is divided into three stages: onboarding, leadership development, and management development. Training programs have been designed for each stage, from new employee to management. In this way, employees are equipped with the necessary skills to handle their given roles and discretion, enabling them to leverage their abilities. Furthermore, by clearly showing employees what their next role and mission will be prior to promotion, they are encouraged to view their own development from a medium- to long-term perspective, helping them to prepare for future growth.

Point (2) Reexamination of own mission and career

Macnica has designed a training program to encourage individual employees to proactively reexamine their own missions and careers and take action toward realizing Vision 2030. In position-based training, participants reaffirm their mission based on their career course and clarify their roles and skills, providing an opportunity for them to link their personal growth with the direction of the organization. These training programs are designed to stimulate employees' internal motivation, and we plan to conduct them for around 3,000 employees over the three years starting from FY2025.

Onboarding

Macnica supports the autonomous growth of individual employees with the aim of maximizing its human capital and creating sustainable corporate value.

Training Programs for New Employees

New graduate recruits acquire the foundational skills needed for working professionals, such as logical thinking and information organization, in stages over a three-year training program. Group training is combined with on-the-job training to provide problem-solving training closely aligned to practical duties in order to enhance trainees' practical capabilities. Another program unique to the Company that has been running for over 20 years is the interview tour, where new employees visit multiple departments and interview their senior colleagues about their work and career steps. This program provides a deeper understanding of job positions and nurtures their ability to create their own career vision. We also have a long-established culture of senior employees becoming actively involved in the training of new employees by serving as trainers. Over 100 people gave lectures in FY2025. Through conversation and feedback, they communicate Macnica's values and code of conduct through their actual experience, aiming to pass on the corporate culture and accelerate new employees' development into effective team members.

New Employee Interview Tours

To help new employees map out their own future vision, Macnica conducts an internal interview event known as an "interview tour." New employees are freely allowed to make an appointment to speak with senior colleagues and management team members, and over a two-month period in FY2024, a total of more than 1,500 interviews were carried out—an average of around 20 per person. Employees can also interview the Chairman and the President, providing a valuable experience to encounter their perspectives on careers and values. From a training perspective, they are evaluated by their senior colleagues with regard to how they make the appointment, their attitude during the interview, and their ability to ask questions. They receive specific feedback on this through their supervisors. By having other employees cover points that supervisors tend to miss, the training quality is enhanced. This initiative also helps to cultivate an open, flat corporate culture that promotes dialogue across roles and divisions and nurtures psychological safety and mutual understanding.

Training for New Employees in Technical Roles

New employees who join the Company in technical roles participate in a technical specialist program that lasts from three months to up to one year, in addition to general training. During this period, they systematically develop the necessary thinking and specialist skills and industry knowledge for engineers, developing the ability to make valuable proposals to customers as a technology trading company. At the final stage of training, a practical production exercise is conducted, where trainees experience all aspects from system design to component selection, assembly, operation testing, and announcement, giving them insight into the flow of manufacturing and the customer's perspective. After the training, they accompany senior colleagues on sales activities and accumulate practical work experience through conversation with customer engineers as they grow into engineers that are entrusted with frontline operations.

Onboarding of Mid-Career Hires

Macnica conducts annual career follow-up training to enable mid-career hires to acclimatize to the organization quickly and play active roles. One year after joining the Company, the employees have conversations with management through roundtable meetings and informal meetings to help them understand the Company direction and expectations, and to clarify their own role and career direction. In addition, sharing internal issues directly based on past experiences encourages proposals for improvement which helps to create a flexible organization with a healthy culture. Operational alliances across divisions are encouraged through interaction, creating opportunities for new initiatives. Furthermore, trust relationships are built through internal events, creating operational coordination and an environment where people can consult with each other easily. This supports employee retention and progression to fully capable team members.

Career Ownership Management Awards 2025

Macnica Wins Grand Prize in the Personnel/HR Transformation Category (Large Corporation Division)

Macnica won the Grand Prize in the Personnel/HR Transformation Category (Large Corporation Division) at the Third Career Ownership Management Awards 2025. This marks the third consecutive year the Company has received an award, having won an Excellence Award in the First Edition and a Grand Prize in the Management Transformation Category (Large Corporation Division) in the Second Edition. The Company was recognized for defining new job concepts and establishing an environment that enables individuals to connect their own personal growth to the realization of their vision under the new personnel system that started in FY2024; for organically linking the system with development by establishing a new human resource development system for all positions in the form of MACNICA University; and for an acceleration in the movement of employees attempting different jobs after the introduction of the system and an increase in the effectiveness of system reforms. Furthermore, the marked increase in penetration of the Company's Purpose in the employee engagement survey and measures such as the revision of the compensation and position retirement age system were highly rated as initiatives to promote transformation.

2025
Career Ownership Management Award
最優秀賞
（大企業の部 人事/HRの変革部門）