Envisioning the Future, Creating the Now: Driving Transformation toward Vision 2030

Kazumasa Hara
Representative Director and President

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

Making a Major Social Impact—Macnica Addresses Social Challenges

Technological transformation for all. Macnica sows the seeds. — This emphasizes our expected role of installing cutting-edge technologies in society so everyone can enjoy their benefits, communicating our corporate philosophy of “Sowing seeds continuously under our feet,” and 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.’” In other words, we relentlessly pursue cutting-edge technologies, make them accessible to society, and in doing so, create a better world not tomorrow, but here and now. I think that offering value in this way has always been, and will continue to be, Macnica’s immutable mission.

As I meet with executives of our customer companies, I often feel that this social role is more important than ever. Semiconductors are an industrial staple, essential to manufacturing. They are strategic products that influence the progress of digitization and automation in every industry and every nation. Cybersecurity is no longer a challenge limited to the IT division of a corporation, having grown into a management issue that determines competitiveness and business continuity. Applications of technologies for digital transformation (DX) and AI improve and increase the efficiency of workplaces, but they also help transform business models and develop core strategies that can make a company more competitive.

To our customers, Macnica has become an important partner, offering them comprehensive solutions to address management challenges and be more competitive as well. At the same time, I firmly believe that we can help address social challenges and make a major social impact. This is value that Macnica is uniquely equipped to provide, because we pursue cutting-edge technologies and implement them in society. And now, as the scale of our business continues to expand, we believe that this is also a social responsibility that we must meet as well.

Changes in the Role Society Expects Us to Play
Challenge and Determination to Become a "Services & Solutions Company"

Our Vision 2030 states that Macnica seeks to become a Services & Solutions Company. By "Services & Solutions," we mean to offer and implement in society our proprietary products and services. It's a new form of value creation – an evolution of the business model we built on our strengths. Why does Macnica hope to do this? The answer lies in the changing roles we are expected to perform.

Traditionally, Macnica has served as a bridge between suppliers and customers, providing customers with technical support as unique added value. In our Semiconductor Business, for example, we play the role of social installer of the technologies developed by our suppliers as we explore the potential issues our customers may face in product development and design. With the rapid digitalization of society in recent years, the semiconductors and cybersecurity we offer are more important than ever, and the expectations our suppliers and customers have for our role are substantially changing. Today's semiconductor customers expect us, on top of technical support, to manage supply chains to make sustainable purchasing possible. When customers leverage AI and digital technologies, what they require goes beyond simply selecting the most suitable sensors for their needs. They also expect consulting including how to use those sensors to collect, and then best make use of, data, taking the realities of their operations into account. Going forward, Macnica is expected to offer not just products with added technical value, but services and solutions to various customer management challenges. Through consulting and installation support based on a full understanding of customer operations, we would like to be their partner in value creation.

We believe, though, that this shift in roles creates strong synergies for us, given Macnica's expertise in cutting-edge technologies and intelligence. In semiconductors, we supply products from 17 of the world's top 21 manufacturers, equipping us with exceptional market intelligence. Similarly, in cybersecurity, the majority of our portfolio consists of state-of-the-art solutions. The ability to combine these technologies and expertise to address a wide range of management challenges for our customers is a value that Macnica is uniquely positioned to deliver.

The evolution of technology is now transforming the very fabric of society. Its implementation is giving rise to new markets driven by social challenges, ushering in an era in which business activities themselves are directly linked to solving societal issues. In other words, economic value and social value have become more closely intertwined than ever before. Among these developments, AI stands out as a technology with unparalleled transformative power. It enables the analysis of massive amounts of data to derive optimal solutions for challenges that were once considered too complex, such as climate change, medicine, education, and issues specific to local communities. This technological trend is a tailwind for Macnica as well. The creative ideation enabled by generative AI, and the automation and optimization of operations through AI agents, go far beyond mere efficiency gains. They empower us to understand customer challenges more deeply and respond with greater speed and precision. By applying AI in analyzing technological trends, exploring market needs, and verifying specific technologies, we will discover and apply solutions of higher quality for more customers. Macnica can enhance the value of these solutions even more by combining AI technologies with rare data obtained through advanced sensors. The fusion of AI and IoT (cutting-edge sensors) not only creates new value directly linked to solving social issues but also serves as a critical driver of Macnica's business growth.

The Semiconductor and Cybersecurity Businesses, our core operations, and our new CPS Solutions Business all directly address social challenges. Macnica embraces the challenge of becoming a Services & Solutions Company to help build a world where the pursuit of social value raises economic value as well.

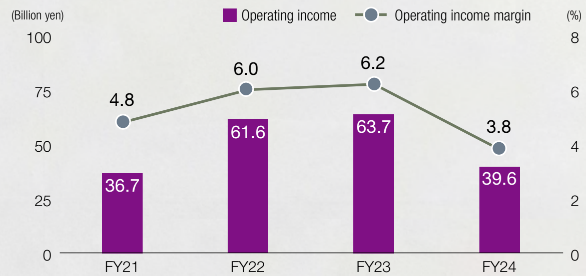
Building Our Growth Foundation and Our Next Leap
Results and Challenges of the Previous Three-Year Plan

The years under the previous Medium-Term Management Plan (FY2022–2024) brought the first steps to realizing Vision 2030. During that time, we built up our foundation for long-term growth.

Our greatest achievement has been the significant expansion of our Semiconductor Business and the enhancement of operations. Over the past three years, the consolidation of our suppliers — semiconductor manufacturers — has led to a streamlining of distribution channels, resulting in business being transfer to our Company. This shift reflects the strong recognition we have earned from suppliers for our core strengths: technical implementation capabilities, demand creation, a broad customer base, and global coverage. In particular, in the industrial equipment and automotive markets where we have focused our efforts, we have achieved significant business expansion and increased our market share. Along with this scale expansion in sales, we promoted operational excellence and increased productivity by a factor of three to four at the peak. By investing in IT and DX, we have been able to build up our infrastructure to flexibly respond even to sudden demand spikes, an important result in terms of future growth.

The Cybersecurity Business has performed well, mainly with domestic endpoint security products, leading to a double-digit increase in our compound annual growth rate (CAGR) for the three-year period thanks to the contributions of subsidiary Netpoleon abroad. Another major achievement has been signing distribution agreements with 27 new IT vendors with strong technological capabilities, enabling us to expand our portfolio of cutting-edge solutions, particularly in the area of cybersecurity. In terms of global expansion, we also successfully extended our business into Asia Pacific, the Middle East and Africa.

Trend in Operating Income



Among our business segments, the CPS Solutions Business has shown the most sales growth in terms of three-year CAGR, approximately 33%. We have entered new markets and acquired the state-of-the-art solutions we need to build up our domain knowledge, and have steadily expanded our base of partners and pool of proprietary services. All of these are valuable achievements that help enhance our capabilities over the long term.

On the other hand, FY2024 brought us the challenge of falling operating income margins. This was due mainly to a slowdown of the Chinese economy weighing down industrial equipment markets, which have normally been areas of relatively high profit for the Semiconductor Business. We are working to optimize our operations and logistics to improve profitability with the recovery of those markets.

The market for our CPS Solutions Business has been building more slowly than we projected, and thus taking longer to turn a profit as well. Particularly in the Smart City/Mobility and Smart Manufacturing segments, our solutions have advanced in resolution and reproduction thanks to investments over the previous three-year period. Going forward, a key focus will be on accelerating horizontal expansion and determining how far we can scale. In addition, by engaging in the operational improvement of Navya Mobility SAS, which was consolidated in FY2024, we aim to turn a profit for the entire CPS Solutions Business.

Accelerating Business Model Transformation Beginning the New Three-Year Plan

In FY2025, we started a new three-year management plan, designated as our second step toward the realization of Vision 2030. I think it will be an extremely important period for transforming our business model from a Value-Added Distribution (VAD) model to a Services & Solutions (SS) model.

To make that happen, we have announced new capital policy for accelerating the transformation of our business model in the new Medium-Term Management Plan. We decided to invest ¥50.0-80.0 billion in growth prospects, distributed equally between the VAD and SS models, the latter for the Cybersecurity and CPS Solutions Businesses. The Semiconductor Business grew enough to generate cash during the previous Medium-Term Management Plan. For the business to make sustainable growth and be more resilient, we will work to build market share. To increase our share of Asian markets, India and South Korea in particular, we will invest with mergers and acquisitions abroad in mind. The coming three years will be extremely important for the Cybersecurity Business to adopt the SS model. We have already developed and supplied proprietary services and solutions, such as our Attack Surface Management (ASM) service and others. Going forward, enhancing and expanding their features to provide new added value will be crucial. The SS model is a business model with a scalable revenue structure, allowing services developed to be deployed across multiple customers, thereby increasing profitability as the business grows. We will work to transform our business model and build the profitability of our operation by making growth-oriented investments in the SS model, mainly in the Cybersecurity Business. For the CPS Solutions Business, we will steadily prepare for the coming third step, with major investment in mind, and consider flexible investment where we see growth potential.

An important strategy for the three years ahead will be reinforcing our AI-related businesses. Since its founding, Macnica has grown by modeling the sunflower for its nature of facing toward the sun, actively choosing promising, sunlit markets and products for them. So we have chosen the AI market, which will likely continue growing, and semiconductors, where we project growing demand. We are increasing sales in particular of AI infrastructure and edge AI solutions for data centers. As more human decision-making comes to involve AI, technology for managing risk and making AI more trustworthy is increasingly indispensable. For that, we will be enhancing our AI-related risk management solutions to promote safe, confident use of AI. Recently, we have been offering services targeting specific industries and businesses. For the pharmaceutical industry, we have an AI-assisted text-reference system designed to address the issues of resource shortages and human error, and the Omatome Ninja system to support the summarizing of reports and meeting minutes. We will seize a growing AI market by enhancing our AI-related businesses and developing our own new AI-assisted services.

Realizing Vision 2030 with Employee Growth The CEO's Role and Responsibilities

I think that it is my responsibility as CEO to create and support work environments that help each employee test their respective potentials and embrace challenges without fear of failure. From personal experience, I strongly believe that business growth depends on the creative ideas of employees brought about through independent thinking, action, and repeated trial and error. As Macnica's business has grown, so too has the size of our organization. Today, our consolidated workforce exceeds 5,000 employees, and the roles within each division have become more specialized than before. While this is a sign of our growth as a company and a natural progression, I also feel that opportunities for young employees to take on challenges and grow have relatively decreased. However, a Macnica system called the Response Cycle (P.43) helps promote employee autonomy. Now that our organization has grown larger, it is more important than ever to put this cycle into practice to avoid losing the entrepreneurial spirit we have had since our founding, through accelerating individual growth and strengthening the capabilities of the entire organization.

We revised our personnel system in FY2024. Behind this is the rapid evolution of AI making fundamental workstyle changes, looking toward a future when our people can feed routine work to AI agents and focus instead on thinking and creating. Such a future is actually just around the corner. Thus, it is more important than ever for our employees to exercise their minds and work creatively. Our system reform is the first step in this direction.

In FY2025, we will take a step further to support each employee's independent growth and transformation through specific action themes. We are promoting full application of digital technologies under the theme "Make Digital Our Force," meaning making full use of AI, IT, and cutting-edge technologies to generate earning power. An image representing the thought behind this is of a person with a thousand hands, evoking the thousand-armed bodhisattva Avalokiteshvara, displaying overwhelming performance. It expresses the importance of mastering cutting-edge technology. I will personally lead the effort to build work environments to facilitate the comprehensive application of digital technology by employees rising to the challenge of creative work that only humans can do. I will take on the important role of spurring employees on as they address this challenging work. Employee endeavors like this, I believe, are the road to the future for Macnica.

Through Macnica as a company, I aim to cultivate as many individuals as possible who possess a broad perspective and a high level of vision, and who can deliver value that society truly needs. I believe that this is both my social responsibility and the ultimate outcome I strive to achieve. Becoming a Services & Solutions Company as set out in Vision 2030 will be highly significant in helping our employees grow and expanding the range of challenging opportunities. Macnica will realize its Vision 2030 through the growth of its people.

Communicating True Corporate Value
Dialogue to Cultivate Understanding and Trust

To realize Vision 2030 and make Macnica a Services & Solutions Company, I think dialogue with stakeholders will take on greater meaning than ever. In my investor-related activities, I make it a personal habit to communicate what Macnica wants to become as carefully and clearly as possible. Our annual Integrated Report is an important medium for dialogue with shareholders and investors to communicate Macnica's true corporate value. Through such communications, I hope to cultivate understanding and trust within them. In our Integrated Report for 2024, we carefully explained Macnica's structural strengths in the Semiconductor and Cybersecurity Businesses under the concept "An Introductory Guide to Macnica's Mechanism." We have received numerous positive comments from our shareholders and investors on these initiatives, giving us a strong sense that their understanding of our company has significantly deepened. Going forward, it will be important to clearly communicate Macnica's growth potential, which translates as our own confidence in making Vision 2030 a reality. To that end, for this year's Integrated Report, we adopted the concept of "Envisioning the Future, Creating the Now" with a focus on presenting Vision 2030 in a clear and accessible way that fosters understanding, empathy, and trust. In order to convey Macnica's assets that are not reflected in the financial statements, we included a human capital section dedicated to our corporate culture and the strengths of our people. In preparing this report, project members from Japan and overseas revisited the question, "How will Macnica make Vision 2030 a reality?", and engaged in extensive discussions to ensure the inclusion of highly reliable information. We hope this report will help everyone to gain a deeper understanding of Macnica's true value.

Since its founding, Macnica has held annual Management Plan Presentation (P.59) to share the Company's management policy with all employees. For this year's briefing, we invited Kunio Ito, Professor Emeritus and Director of Hitotsubashi CFO Education and Research Center, to join my discussions with young employees. What left a particularly strong impression on me was his reference to Peter Drucker's renowned words, "Culture eats strategy for breakfast," highlighting how corporate culture is the single most decisive factor in determining the success of any strategy. I often have the pleasure of witnessing employee action that naturally demonstrates the values and culture of the Company. During meetings where I speak with our customers' presidents, there are times when the customer compliments our corporate culture after seeing our employees actively speak up to me during the discussion. This is just one example of Macnica's culture valuing being simple, open, and fair. I believe this sort of daily scene illustrates Macnica's strong capabilities in executing strategy.

We here at Macnica will continue rising to the challenge of making Vision 2030 a reality, keeping it cheerful, fun, and full of vitality. We hope that this report serves as a catalyst for dialogue that fosters understanding and trust, and will help people to grasp Macnica's corporate value more deeply. I would like to express my sincere gratitude for the ceaseless support and high hopes that have been offered to us.

Vision 2030

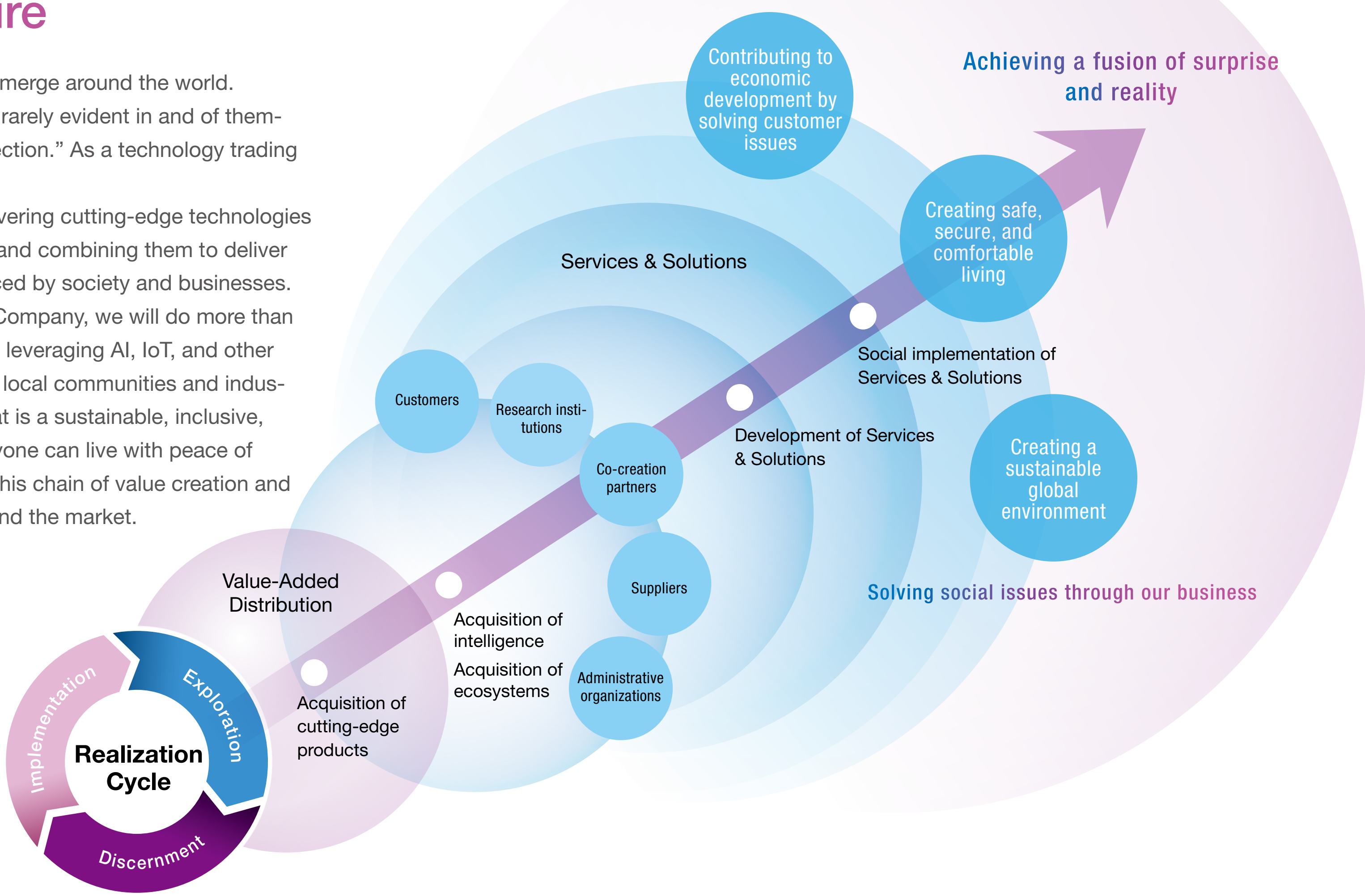
We will evolve into a Services & Solutions Company and create new value by connecting the technology and knowledge of the world to build a prosperous future society.

Envisioning the Future

Every day, new technologies and knowledge emerge around the world. However, the true value of such innovations is rarely evident in and of themselves. What is needed is the “Power of connection.” As a technology trading company,

Macnica has long served as a bridge by discovering cutting-edge technologies from around the world, identifying their value, and combining them to deliver optimal solutions tailored to the challenges faced by society and businesses.

Going forward, as a Services & Solutions Company, we will do more than just support the introduction of technology. By leveraging AI, IoT, and other innovations, we aim to bring transformation to local communities and industries, creating new value. What lies beyond that is a sustainable, inclusive, and more prosperous tomorrow in which everyone can live with peace of mind. Vision 2030 is our challenge to expand this chain of value creation and simultaneously open up the future of society and the market.



Long-Term Management Vision

Why We Strive to Be a Services & Solutions Company

Macnica has contributed to the development of society and industry as a value-added distributor by discovering cutting-edge technologies from around the world, identifying their value, and delivering them in their optimal form. By leveraging our expertise in evaluating and implementing technologies, we have provided solutions tailored to specific challenges, creating value that goes beyond the traditional role of a trading company. In recent years, expectations have grown among suppliers, client companies, research institutions, and governments for deeper understanding of their issues and proactive problem-solving. We are confident that by creating our own services and solutions, rather than by reselling other companies' technologies, we can address an even greater number of increasingly complex social issues. That is why Macnica is evolving into a Services & Solutions Company that identifies issues, combines technologies, and develops, designs, and provides services and solutions.

Through this transformation, the value we can deliver will exceed previous limits, making it possible for us to contribute to society more broadly and deeply. Vision 2030 serves as a guiding beacon for this challenge and our commitment to the future.

Vision 2030: Leading to Enhanced Corporate Value and Transformation of Our Earnings Structure

Under Vision 2030, we will take on a strategic challenge that will elevate Macnica's corporate value to the next stage. By advancing our Services & Solutions (SS) model, we expect to improve operating income margins and drive higher PBR through enhanced ROE. This model is designed to deliver a stable profit structure that is less susceptible to market fluctuations, which also contributes to a lower cost of capital. Moreover, by working to address social issues, we aim to strengthen the sustainability of both Macnica and society, supporting a long-term reduction in capital costs.

Vision 2030 represents Macnica's intent for the future of aiming to achieve both economic and social value. To achieve this vision, we are accelerating strategic investments in Services & Solutions areas while leveraging our existing strength in value-added distribution. This transformation of the business model is a core initiative in our new Medium-Term Management Plan.

Vision 2030 | Services & Solutions Company

*1 Value-Added Distribution model
*2 Services & Solutions model

Long-Term Management Targets (2030)

Economic Value

Sustainable business growth

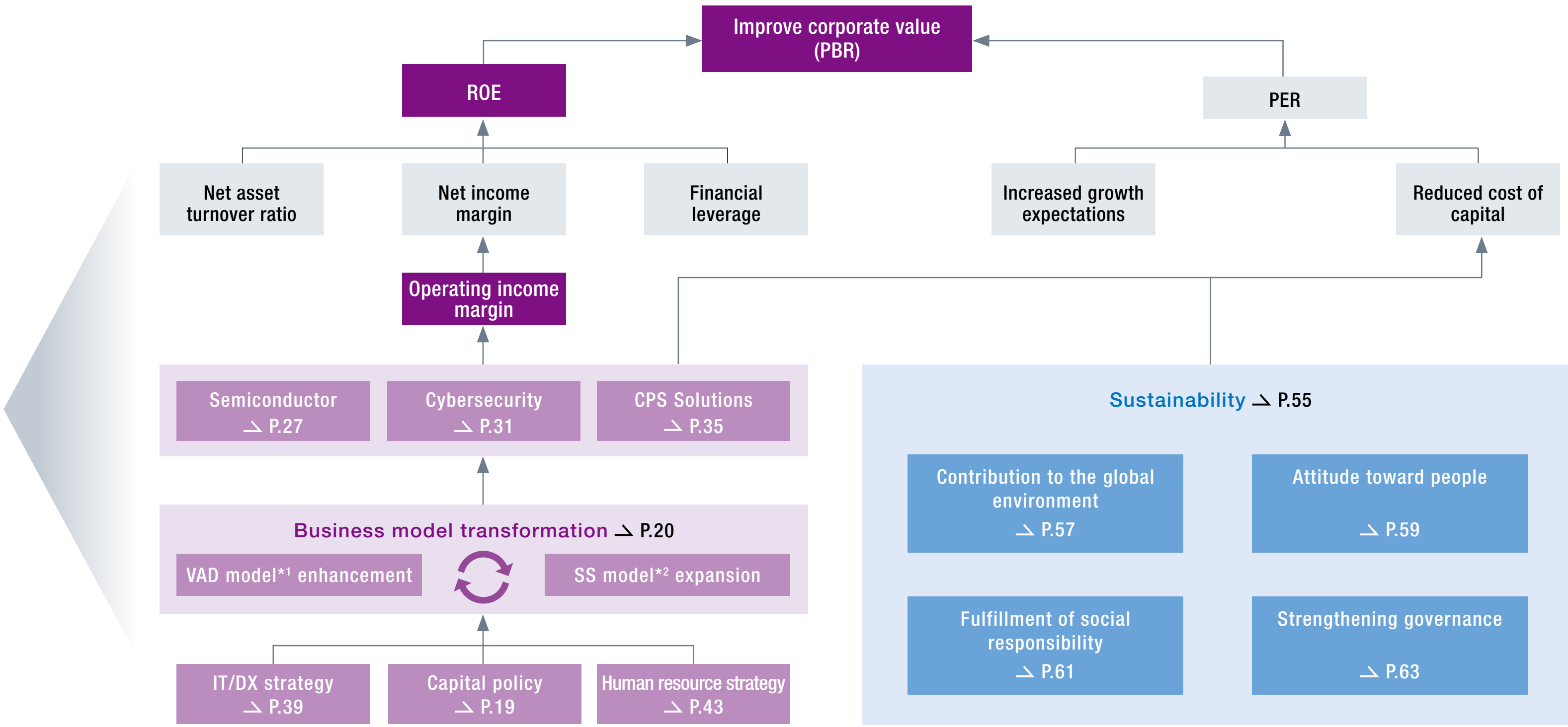
Consolidated net sales	¥2.0 trillion
Consolidated operating income	¥150.0 billion
Consolidated operating income margin	7.5%
Consolidated ROE*	15%

* 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)

Social Value

Driving the development of future society

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



Value Creation Process to Realize Our Vision

Corporate Philosophy **Sowing seeds continuously under our feet**

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

Input (management capital)

Human capital
(source of value creation)

Realization Cycle: Exploration, Discernment, Implementation

Characteristics and qualities of human resources
- Strong individuals and teams
- Speed
- Human networks

Core values / Unique values: T E A M S

Intellectual capital
- Technological capabilities
- Knowledge and know-how
- Demand creation

Social capital
- Wide range of suppliers and customers
- Partner companies

Financial capital
- Strong financial base
- Cash-generating ability

Vision 2030
Services & Solutions Company

Outcome (value created)

Achieving both economic and social value

Long-term management targets (2030)

Improving corporate value

Sustainable business growth

Consolidated net sales	¥2.0 trillion
Consolidated operating income	¥150.0 billion
Consolidated operating income margin	7.5%
Consolidated ROE*	15%

*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)

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

Solving social issues

Output (business domains)

- Semiconductors
- Cybersecurity
- Smart Manufacturing
- Smart City/ Mobility
- Circular Economy
- Healthcare
- Food & Agritech

Activity (business model)

Capital allocation

Business model transformation

VAD model*1 enhancement ⇄ SS model*2 expansion

*1 Value-Added Distribution model
*2 Services & Solutions model

Management Capital

The idea that "everything begins and ends with people," as expressed by our founder, reflects how people are the source of Macnica's value creation. The strengths and workplace norms of our human resources, fostered through the deep integration of our core values, along with our corporate culture, form a unique competitive advantage that no other company can imitate. The workplace norms that employees naturally put into practice embody our core values and have taken root in the form of a Realization Cycle that is replicated in daily decision-making and collaboration. Through the coupling of these behaviors and the characteristics of our talent, Macnica continuously accumulates high-quality management capital. By leveraging this accumulated capital, we will continue to evolve as a business that consistently generates new value.

Human capital
(source of value creation)

Teamwork with a group of professionals with strong growth aspirations

- High technological capabilities of engineers (more than 30% of our workforce have technological skills)
- Specialized human resources with expertise in semiconductors, cybersecurity, etc.
- Global human resources with diverse backgrounds
- Employees who grow autonomously
  (human resources who understand the corporate culture, including the management policy statement, behavioral guidelines, and core values)

Workplace norms

Characteristics and qualities of human resources

Steadily Implementing the Realization Cycle
Strong individuals and teams

Rapidly Implementing the Realization Cycle
Speed

Reinforcing the Realization Cycle
Human networks

Core values Unique values

T	E	A	M	S
Trust	Excitement	Aggressiveness	Move	Stretch

Accumulated management capital

Intellectual capital

Demand creation leveraging cutting-edge technologies and market knowledge

- Knowledge of and experience with cutting-edge technologies
- Product, application, and market knowledge along with discernment
- Demand creation capabilities
- Localized marketing and operations techniques

Social capital

Strong relationships with partners based on trust

- Suppliers and vendors handling cutting-edge technologies (over 330 companies*1)
- Broad customer base (over 26,000 companies*1)
- New suppliers and eco-partners from personal connections
- Cooperative framework with partner companies and experts

Financial capital

Revenue base to support growth and stable financial base

- Solid balance sheet (equity ratio: 45.4%*1)
- Financial discipline with a focus on balance (Net DER: 0.10 times*1)
- High capital efficiency (ROE: 10.0%*2)
- Stable shareholder returns (total payout ratio: 61.5%, DOE: 5.0%*3)

*1 As of the end of FY2024
*2 ROE = Net income attributable to owners of parent / Shareholders' equity (net assets less stock acquisition rights and non-controlling interests, as of the end of the period)
*3 FY2024 result

Material Issues

The Macnica Group has identified four material issues and aims to contribute to the global environment as well as social and economic development through its business activities. In identifying material issues, we have narrowed our focus to matters that are of high importance to our stakeholders and that will have a significant impact on the Group's management. With semiconductors, IT, and cybersecurity as the common foundation for all industries, we will work to solve social issues through business in areas where we can leverage the Group's strengths while contributing to the foundation of future industries and technological innovation.

Business material issues	Contributing to economic development through solving customer issues	Creating safe, secure, and comfortable lifestyles	Creating a sustainable global environment
Specific social issues	• Strengthening information security in an information society • Securing labor through alternative resources (mechanical and digital)	• Establishing safe and secure living environments • Providing personalized and individualized medicine and preventive healthcare • Revitalizing local communities	• Achieving carbon neutrality • Realizing a circular society utilizing renewable resources • Ensuring a stable food supply by strengthening infrastructure
	Creating a foundation for industrial and technological innovation		
Business themes	**Business & Economy** Smart Manufacturing	**Life & Society** Smart City/Mobility Healthcare	**Green & Earth** Circular Economy Food & Agritech
	Value-added distribution of semiconductors and IT		
Management material issues	Strengthen management and business resilience		

Material Issue Identification Process

The Group identified material issues through the following four steps to ensure comprehensiveness, objectivity, and uniqueness. Material issues will be revised as necessary based on factors including changes in the materiality of issues and the emergence of new issues.

STEP 1 Identify social issues
- Identify social issues to be solved, organize relationships among issues, etc.
- Organize ESG and sustainability guidelines, etc.

STEP 2 Conduct screening
- Confirm conformance to SDGs and other development goals
- Conduct screening based on affinity with DX

STEP 3 Create evaluation criteria
- Organize on the two axes of importance to the Company's business and materiality of social issues

STEP 4 Conduct evaluation and identification
- Evaluate project members in accordance with established evaluation criteria
- Identify material issues
- Submit evaluation results to the Board of Directors for validation and approval