

**MACNICA HOLDINGS, Inc.**

# **Financial Results Briefing**

**FY2022 Presentation**

May 8, 2023

The logo for MACNICA, featuring the word "macnica" in a bold, lowercase, purple sans-serif font. The letter "i" is lowercase, while "MACNICA" is uppercase. A solid purple circle is positioned above the letter "i".

**macnica**

Forward-looking statements in this document, including earnings forecasts, are based on information available to management at the time of preparation, and certain assumptions that the Company considered reasonable. Such statements are not intended to guarantee future performance. Actual results may differ significantly due to various factors.

# Agenda

## I

### Results

1. Results for FY2022 (Consolidated)
2. Outlook for FY2023 (Consolidated)
3. Shareholder Return

## II

### Mid-Term Management Plan (FY2022-2024)

1. Company
2. Semiconductor Business
3. Network Business
4. Services & Solutions Models
5. Strengthening Management Base

## Operating Results (Y/Y change)

## 1. Results for FY2022 (Consolidated)

Billion yen	FY2021 Actual	FY2022 Actual	Difference	Y/Y Change	Variation Factors
Net Sales	761.8	1,029.3	267.5	35.1%	Continued high demand worldwide for industrial equipment and automotive applications; Significant growth in endpoint security-related products due to work style reforms and spread of remote working; the weak yen also contributed.
Gross Profit	90.7	125.9	35.2	38.8%	
Operating Income	36.7	61.6	24.9	67.9%	
Ordinary Income	35.5	56.8	21.3	60.1%	
Net Income Owners of Parent	25.8	41	15.2	59.0%	

## Operating Results (Actual/Forecast)

## 1. Results for FY2022 (Consolidated)

Billion yen	FY2022 Forecast <small>As of 1/30</small>	FY2022 Actual	Difference	Actual / Forecast
Net Sales	1,000	1,029.3	29.3	2.9%
Gross Profit	120	125.9	5.9	4.9%
Operating Income	57	61.6	4.6	8.2%
Ordinary Income	51	56.8	5.8	11.4%
Net Income Owners of Parent	36	41	5	14.0%

## Balance Sheet

## 1. Results for FY2022 (Consolidated)

Billion yen	As of 3/31/22	As of 3/31/23	Major Factors
Current Assets	335	491.1	Trade receivables increased by ¥41.6 billion, products by ¥80.1 billion and other current assets by ¥15.3 billion.
Fixed Assets	27.6	26.5	Although deferred tax assets increased by ¥1 billion, goodwill decreased by ¥500 million, other intangible fixed assets by ¥600 million and investment securities by ¥1 billion.
<b>Total Assets</b>	<b>362.6</b>	<b>517.6</b>	
Current Liabilities	161.2	298.8	Accounts payable increased by ¥129.1 billion, short-term loans payable by ¥1.9 billion and accrued income taxes by ¥6.3 billion.
Long-Term Liabilities	21.6	11.1	Long-term debt and liabilities for retirement benefits decreased by ¥5.8 billion and ¥4.1 billion respectively.
<b>Total Liabilities</b>	<b>182.8</b>	<b>309.9</b>	
<b>Total Net Assets</b>	<b>179.8</b>	<b>207.8</b>	Despite decrease of ¥8.9 billion in additional paid-in capital, retained earnings increased by ¥33.2 billion, translation adjustments by ¥4.9 billion.
<b>Total Liabilities &amp; Net Assets</b>	<b>362.6</b>	<b>517.6</b>	

## Statement of Cash Flows

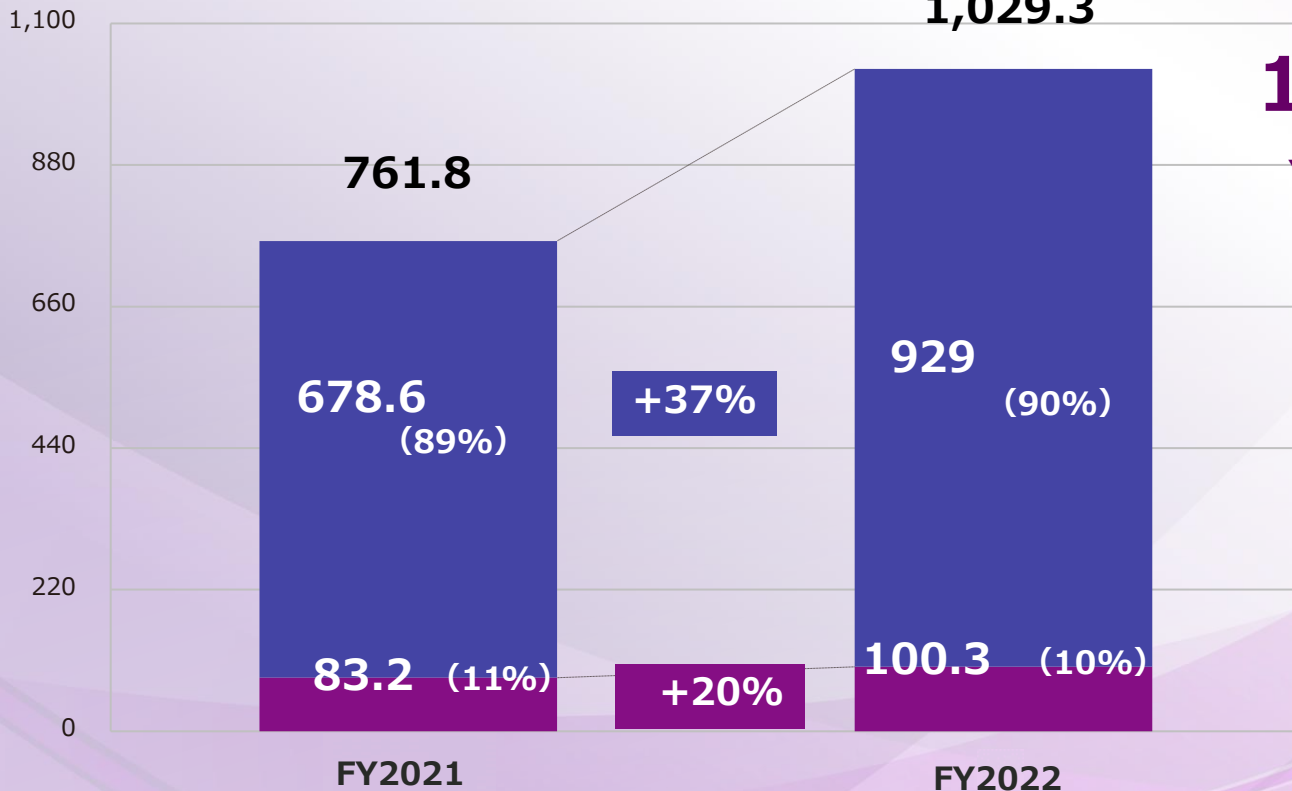
## 1. Results for FY2022 (Consolidated)

Billion yen	FY2021 Actual	FY2022 Actual	Major Factors
Cash Flows from Operating Activities	▲15.5	38.9	Due mainly to net income before income taxes of ¥58.1 billion, despite an increase of trade payables, inventories and other current assets, as well as payment of income tax.
Cash Flows from Investing Activities	▲1.7	▲0.9	Proceeds from sales of investment securities were offset by purchases of property and equipment, intangible fixed assets and investment securities.
Cash Flows from Financing Activities	14.4	▲27.1	Due to a net decrease in short-term loans payable, proceeds from purchases of treasury shares, dividends paid and proceeds from purchases of shares in subsidiaries not resulting in change in scope of consolidation.
Cash & Cash Equivalents at Year End	25.1	37.5	Increase of ¥12.4 billion compared with ¥25.1 billion at end of previous consolidated financial year.

## Net Sales by Segment

### 1. Results for FY2022 (Consolidated)

Billion yen  
(Component %)



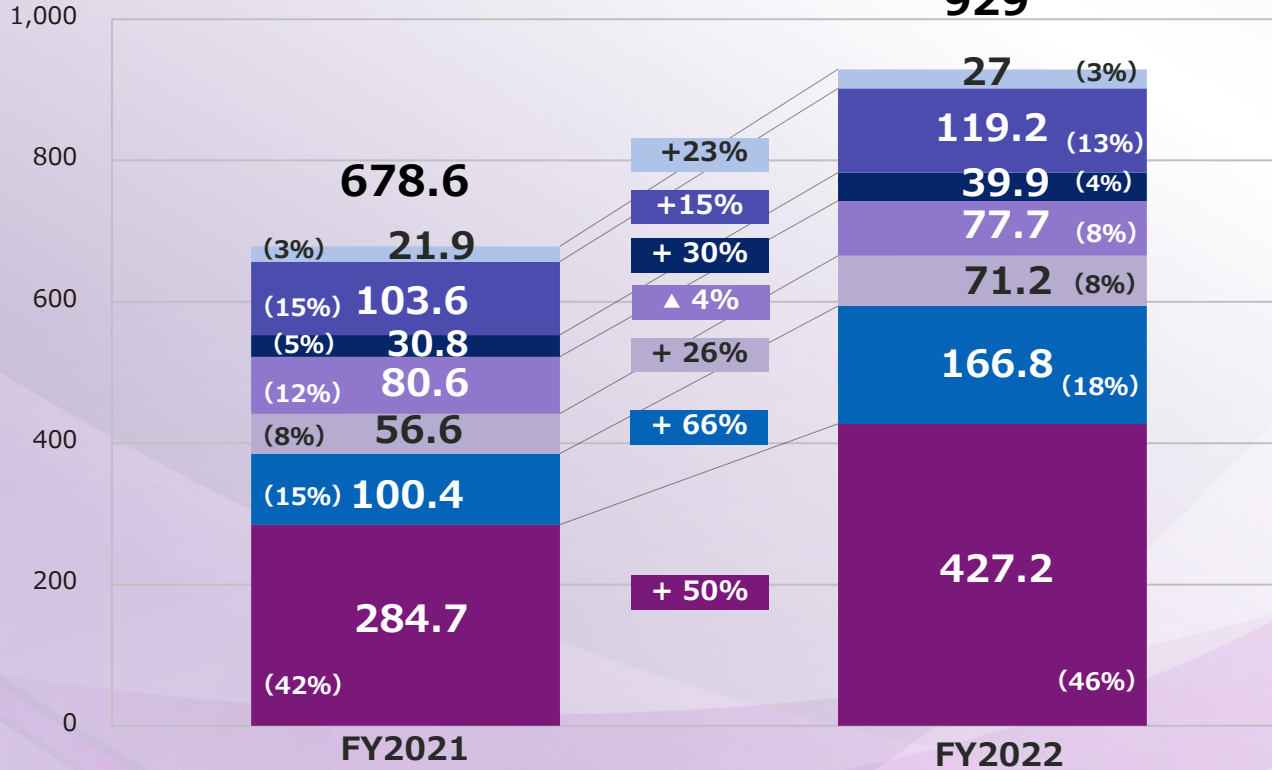
**1,029.3 bil yen**  
Y/Y Change **+35.1%**

- IC, Electronic Devices and Other Business
- Network Business

# IC, Electronic Devices, Other Business (by Application)

1. Results for FY2022 (Consolidated)

Billion yen  
(Component %)



**929 bil yen**  
Y/Y Change **+36.9%**

- Telecom Terminals
- Telecom Infrastructure
- OA/Peripherals
- Computers
- Consumer Products
- Automotive Products
- Industrial Equipment



1. Results for FY2022 (Consolidated)

Billion yen  
(Component %)

1,000

800

600

400

200

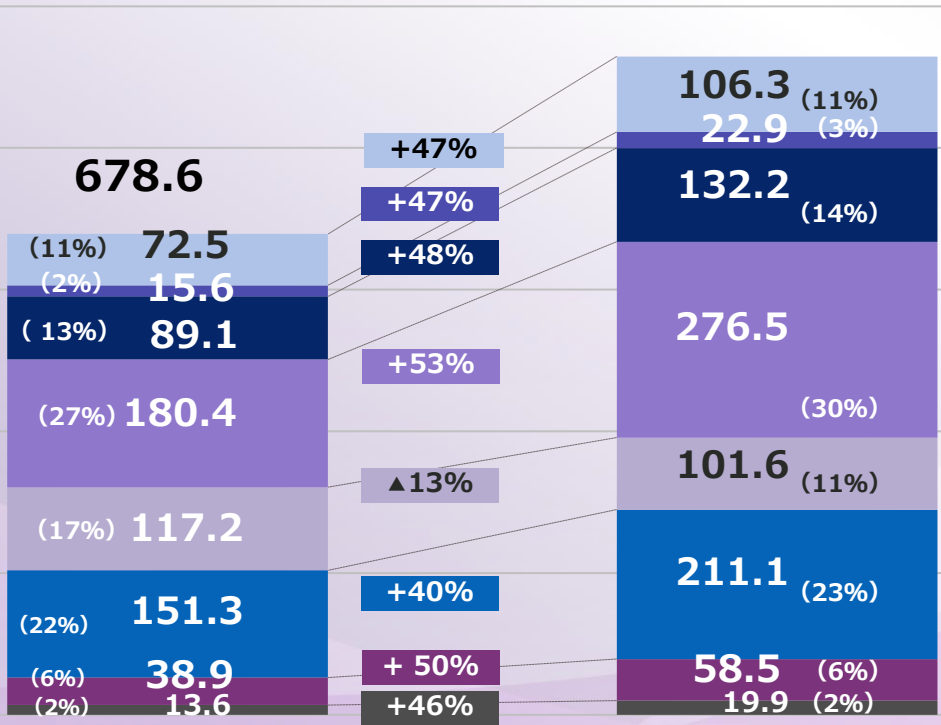
0

678.6

929

FY2021

FY2022



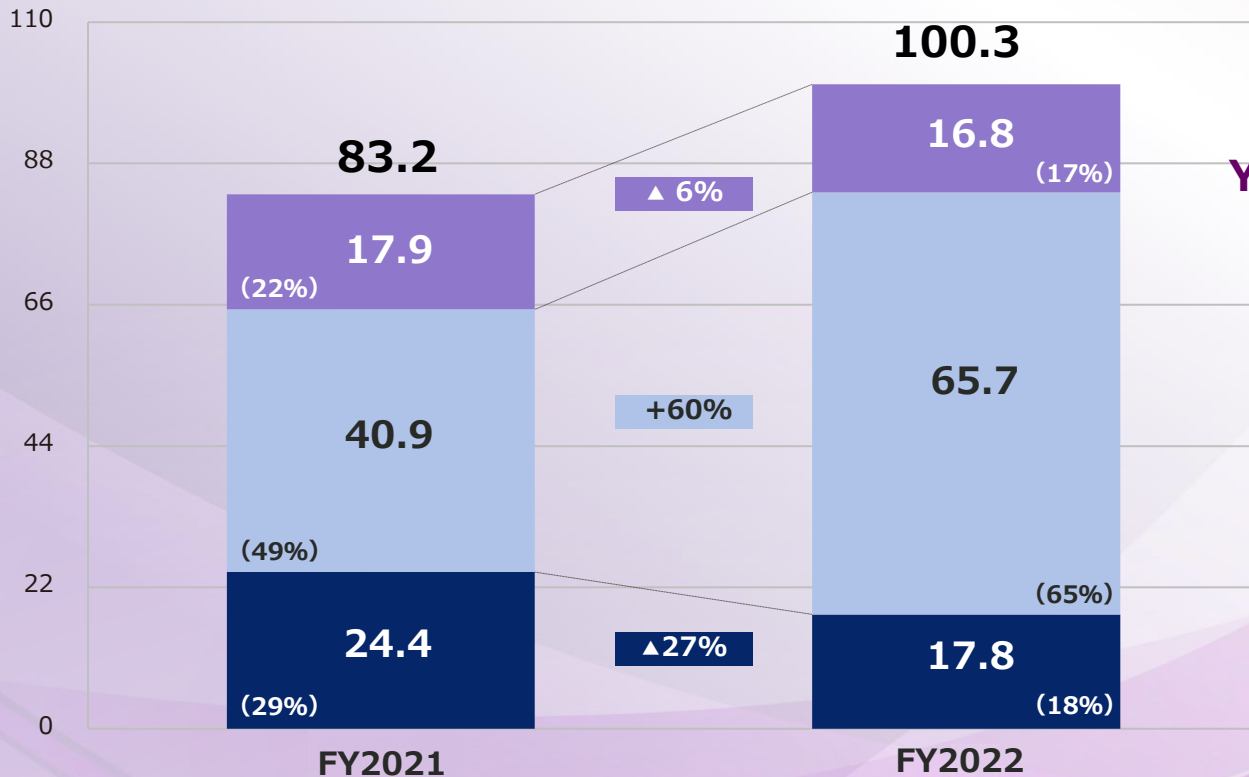
**929 bil yen**  
Y/Y Change **+36.9%**

- PLD
- ASIC
- ASSP
- Analog
- Memory
- Other Standard IC
- Electric Devices
- Other

# Network Business (by Product)

1. Results for FY2022 (Consolidated)

Billion yen  
(Component %)



**100.3 bil yen**  
Y/Y Change **+20.3%**

- Hardware
- Software
- Service

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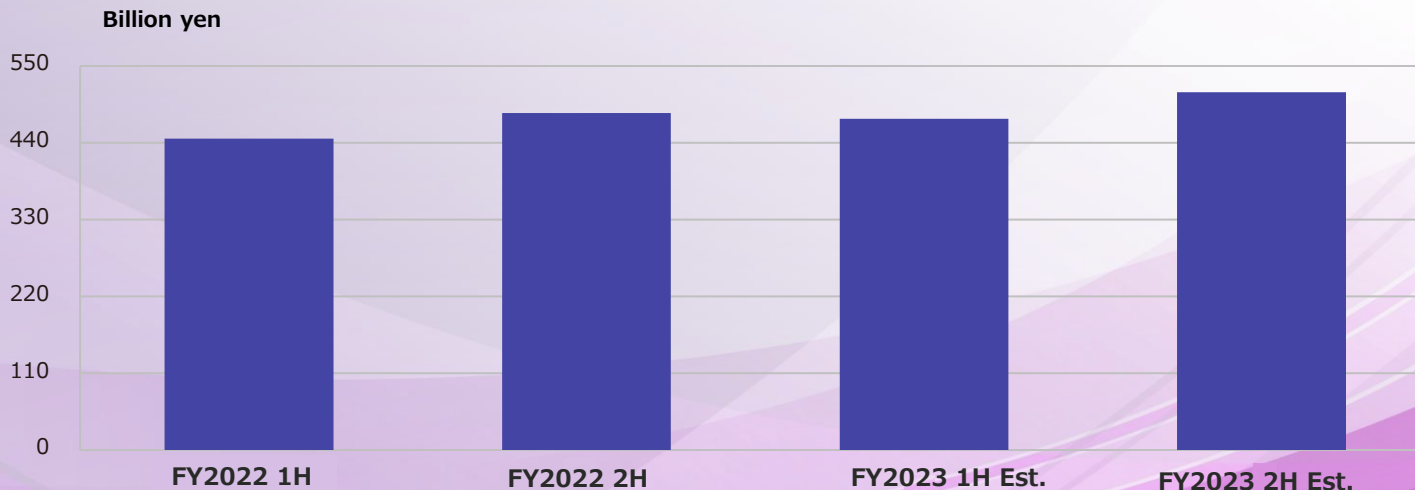
## Forecast Highlights

## 2. Outlook for FY2023 (Consolidated)

Billion yen	FY2022 Actual	FY2023			Y/Y Change
		1H Est.	2H Est.	Full Year Est.	
<b>Net Sales</b>	<b>1,029.3</b>	<b>528</b>	<b>572</b>	<b>1,100</b>	<b>6.9%</b>
ICs, Electronic Devices & Other Business	929	474.6	512.6	987.2	6.3%
Network Business	100.3	53.4	59.4	112.8	12.5%
<b>Gross Profit</b>	<b>125.9</b>	<b>63.4</b>	<b>66.6</b>	<b>130</b>	<b>3.3%</b>
<b>Operating Income</b>	<b>61.6</b>	<b>30.4</b>	<b>31.6</b>	<b>62</b>	<b>0.6%</b>
<b>Ordinary Income</b>	<b>56.8</b>	<b>29.2</b>	<b>30.3</b>	<b>59.5</b>	<b>4.7%</b>
<b>Net Income Owners of parent</b>	<b>41</b>	<b>20.4</b>	<b>20.8</b>	<b>41.2</b>	<b>0.4%</b>

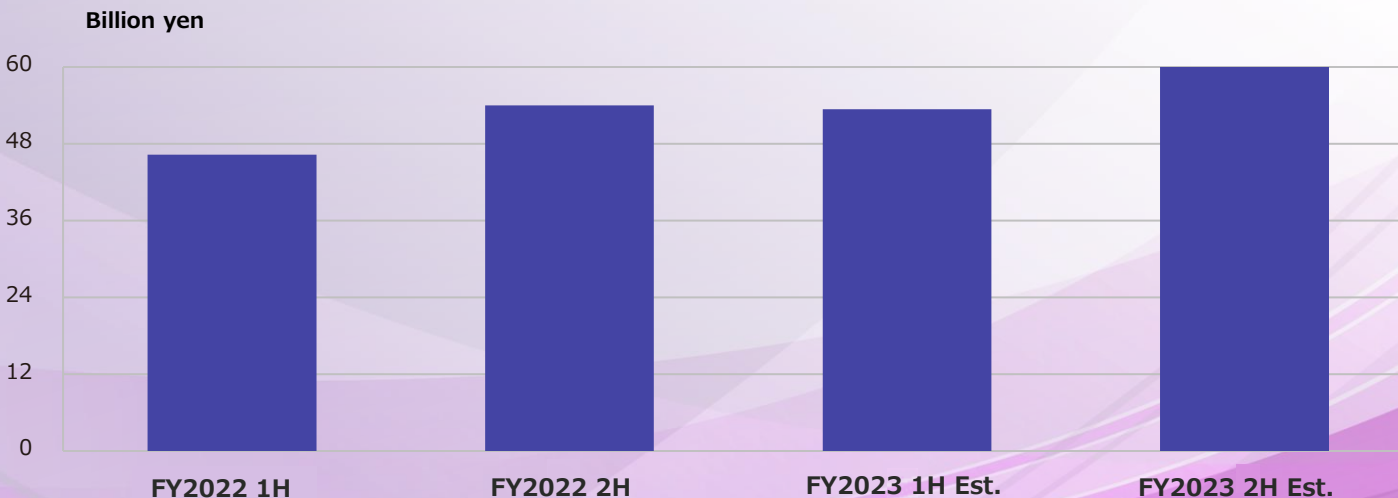
## Industrial equipment and automotive markets remain strong

- Industrial equipment and automotive markets expected to remain strong under manufacturing DX(digital transformation), government-led investment in semiconductors and the shift to EVs due to decarbonisation.
- Demand for memory is expected to decline, particularly for data centers in China.



## Endpoint security drives growth

- Growth driven by endpoint security, as awareness of the importance of security measures for client terminals becomes more widespread.
- Further growth is also expected for applications, mainly cloud service infrastructure related products, Big Data, mainly data analytics infrastructure-related products.



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## ● Dividend Policy

The Group will pay stable and continuous dividends with a consolidated dividend on equity ratio (DOE) of 4% as a target, while taking into account the business environment, consolidated business performance for each fiscal year, and the target ROE of 15%.

We aim for a total payout ratio of 30~50% by purchasing treasury shares, considering capital efficiency and market environment, as a means of flexible shareholder returns. In principle, the Group pays dividends twice a year: an interim and year-end dividend.

## ● Dividend Forecast

	Annual Dividends (yen)		
	Mid Term	End of Term	Total
FY2021	40.00	60.00	100.00
FY2022	65.00	75.00	140.00
FY2023 (Forecast)	75.00	75.00	150.00



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# Upward Revision of FY2024 Management Targets

## 1. Company

	FY2022 Actual	FY2024 Management Targets	
		As of 5/9/2022	As of 5/8/2023
<b>Consolidated Net Sales</b>	<b>1,029.3 bil yen</b>	Over 970 bil yen	<b>Over 1,200 bil yen</b>
<b>Consolidated Operating Income</b>	<b>61.6 bil yen</b>	Over 48 bil yen	<b>Over 67 bil yen</b>
<b>Operating Margins</b>	<b>6.0 %</b>	Over 5.0 %	<b>Over 5.6 %</b>
<b>Consolidated Net Income</b>	<b>41 bil yen</b>	Over 30 bil yen	<b>Over 50 bil yen</b>
<b>Consolidated ROE*1</b>	<b>20.5 %</b>	Over 15.0 %	<b>Over 15.0 %</b>
<b>Working Capital Turnover*2</b>	<b>4.4</b>	Over 3.8	<b>Over 3.8</b>

\*1 Consolidated ROE = consolidated net income / consolidated equity (net assets minus non-controlling interests, at end of year)

\*2 Working capital turnover = annual turnover / working capital (accounts receivable + inventories - accounts payable, at end of year)

# Results and Targets by Project and Model

## 1. Company

### Group Consolidated

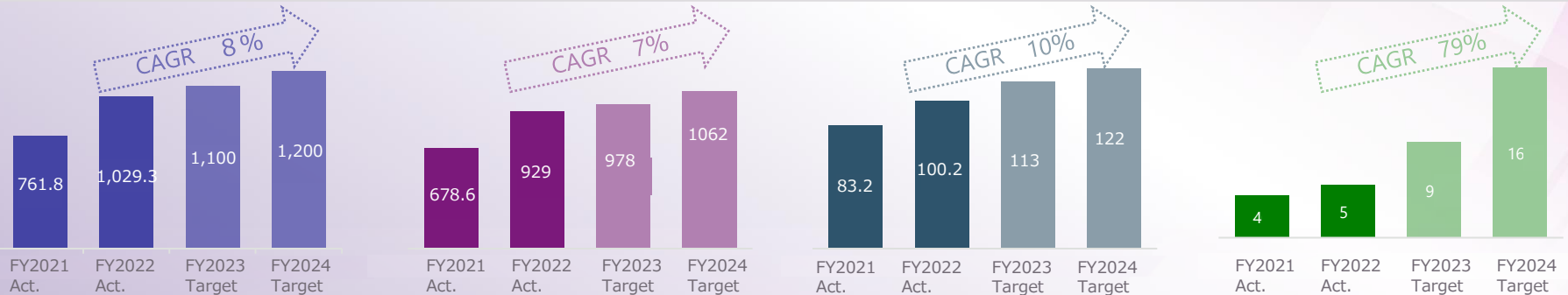
### Semiconductor Business

### Network Business

### Services & Solutions Models\*

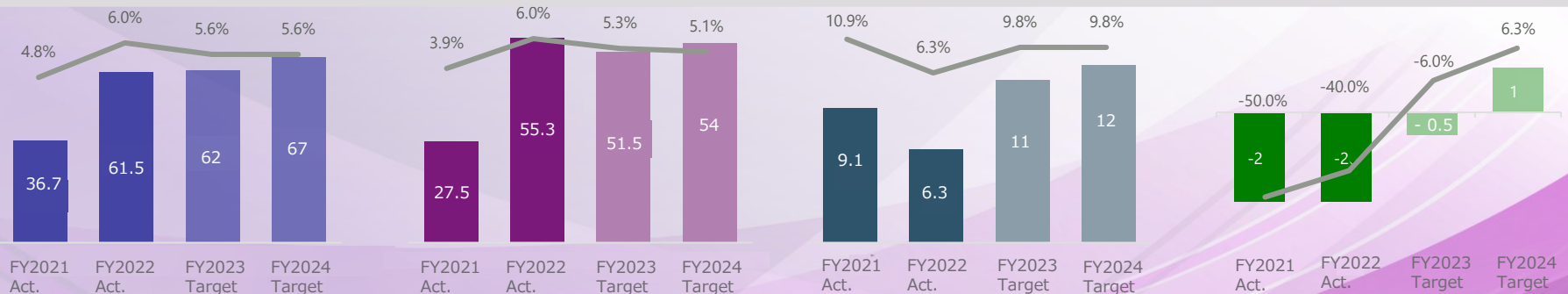
Billion yen

### Net Sales



Billion yen

### Operating Income



\* Some of the figures for services & solutions models are included in the semiconductor business and network business.

# Mid-term Management Plan: Overall

## 1. Company

Business Strategy		Strengthening Management Base
<b>Semiconductor Business</b>	<ul style="list-style-type: none"> <li>Expanding market share in growth domains</li> <li>Expansion of value-added solutions</li> <li>Developing commercial products for long-term growth</li> <li>Global strategy</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening risk management</li> <li>IT &amp; DX strategies</li> <li>Maximizing human capital</li> <li>Financial strategies</li> </ul>
<b>Network Business</b>	<ul style="list-style-type: none"> <li>Expanding security business</li> <li>Expanding Big Data business</li> <li>Expanding applications business</li> <li>Global strategy</li> </ul>	
<b>Services &amp; Solutions Models</b>	<ul style="list-style-type: none"> <li>Business development to solve social problems in 6 themes</li> <li>Expansion of CPS platform</li> <li>Strengthening capability for long-term growth</li> </ul>	

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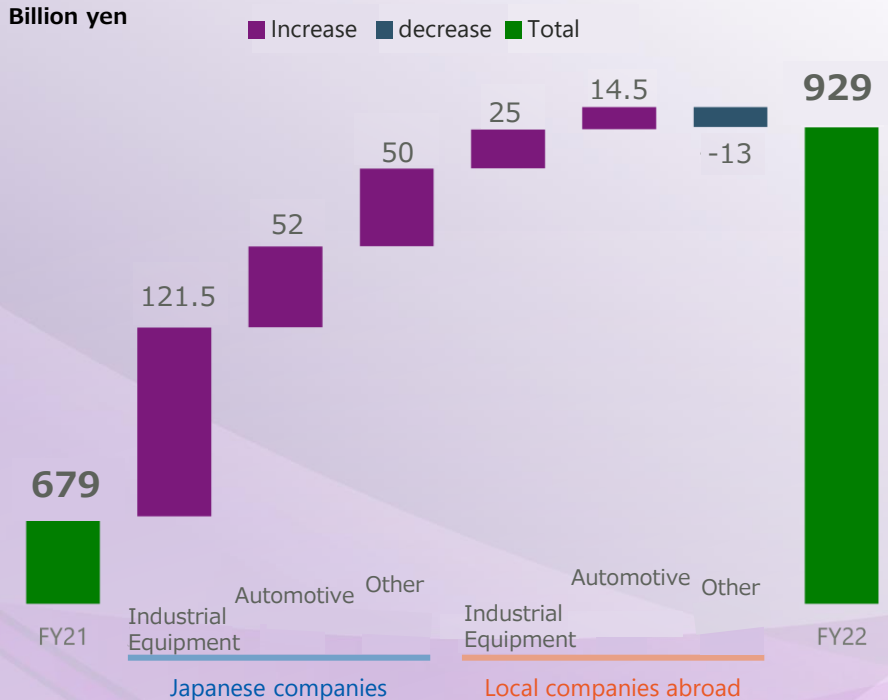
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250 bil yen Y/Y Change +37%; Global growth in industrial equipment and automotive markets



## For Japanese companies

- Industrial equipment: increased in a wide range of sectors, including FA equipment/semiconductor production equipment
- Automotive: Increased on the back of higher performance and shift to EVs

## For local companies abroad

- Industrial equipment: growth in a wide range of customer segments, including storage batteries
- Automotive: Increased on the back of shift to EVs
- Negative growth in some markets affected by declining memory demand

## Overall impact

- FX impact of yen depreciation
- New customer coverage due to M&A of suppliers
- Price optimization following price revisions by suppliers

# Expanding Market Share through Growth Domains

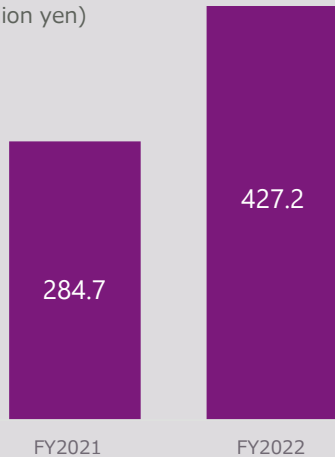
Growth in focus markets industrial equipment and automotive higher than market growth rate

## Industrial Equipment Market

Macnica

+ 50.1%

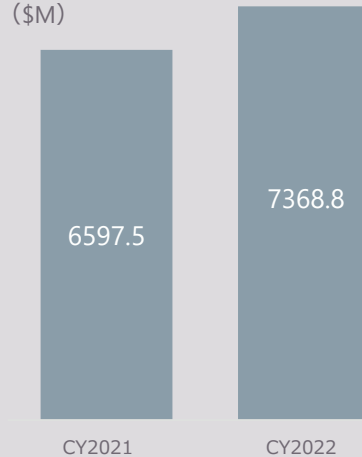
(Billion yen)



\* Market

+ 11.7%

(\$M)

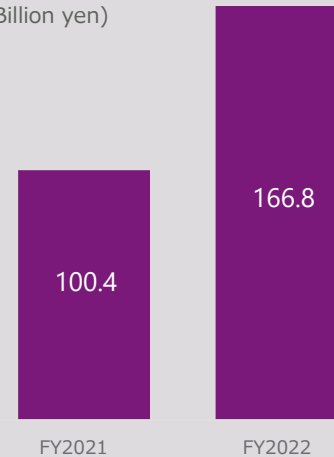


## Automotive Market

Macnica

+ 66.1%

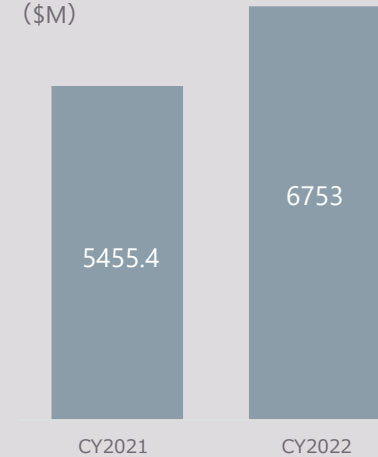
(Billion yen)



\* Market

+ 23.8%

(\$M)



\*Source : Gartner®: Semiconductors and Electronics Forecast Database, Worldwide, 1Q23 Update, Rajeev Rajput et al., 30 March 2023, Charts/graphics created by Macnica based on Gartner research. Calculations performed by Macnica. Revenue basis. GARTNER is a registered trademark and service mark of Gartner, Inc. in the U.S. and internationally and is used herein with permission. All rights reserved.

## Semiconductors are playing an increasingly active role

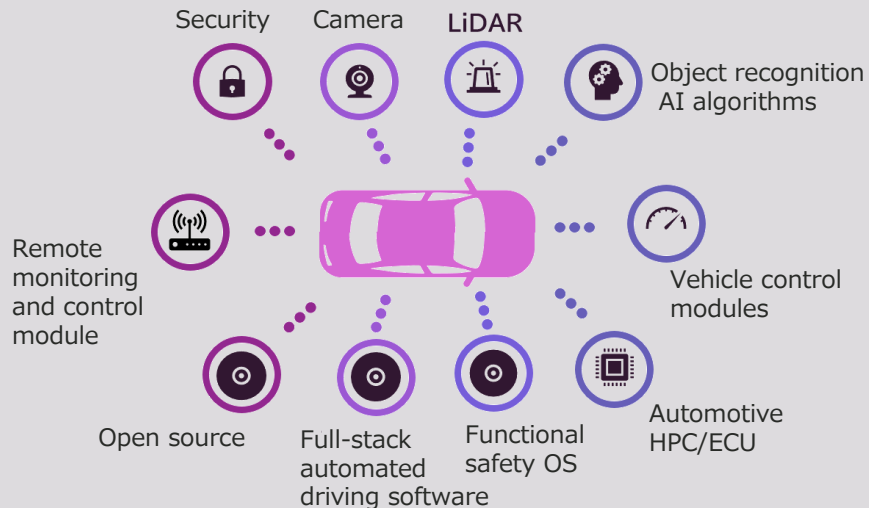
### Industrial Equipment Market

Extended range of applications



### Automotive Market

Increase in the variety and number of our commercial products installed





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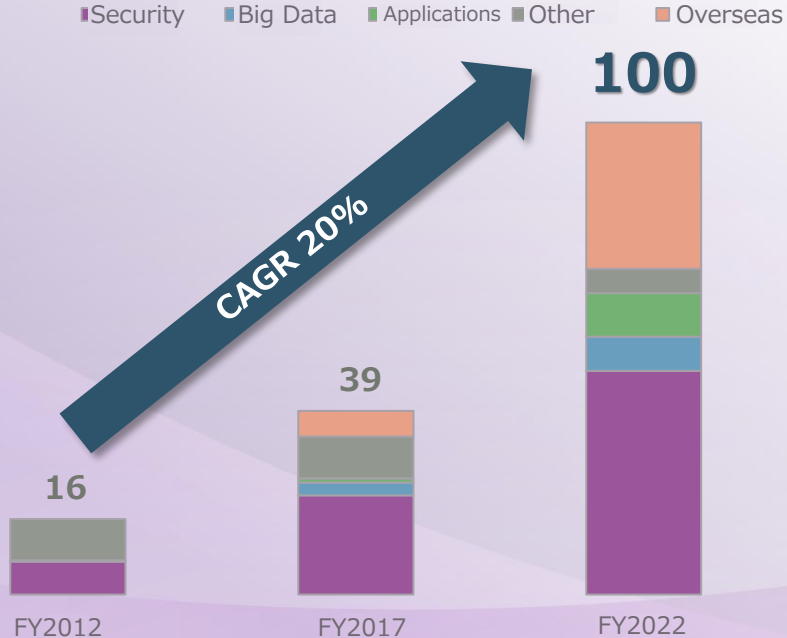
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# Sales Growth by Category

**20% CAGR growth over the past 10 years; achieves 100 bil yen**

Billion yen



## Security (Japan)

- Security initiatives started in FY01
- FY22: over 47 billion yen

## Big Data (Japan)

- Big Data initiatives started in FY09
- FY22: Over 7 billion yen

## Applications (Japan)

- Commencement initiatives, focus cloud apps from FY13
- FY22: Over 9 billion yen

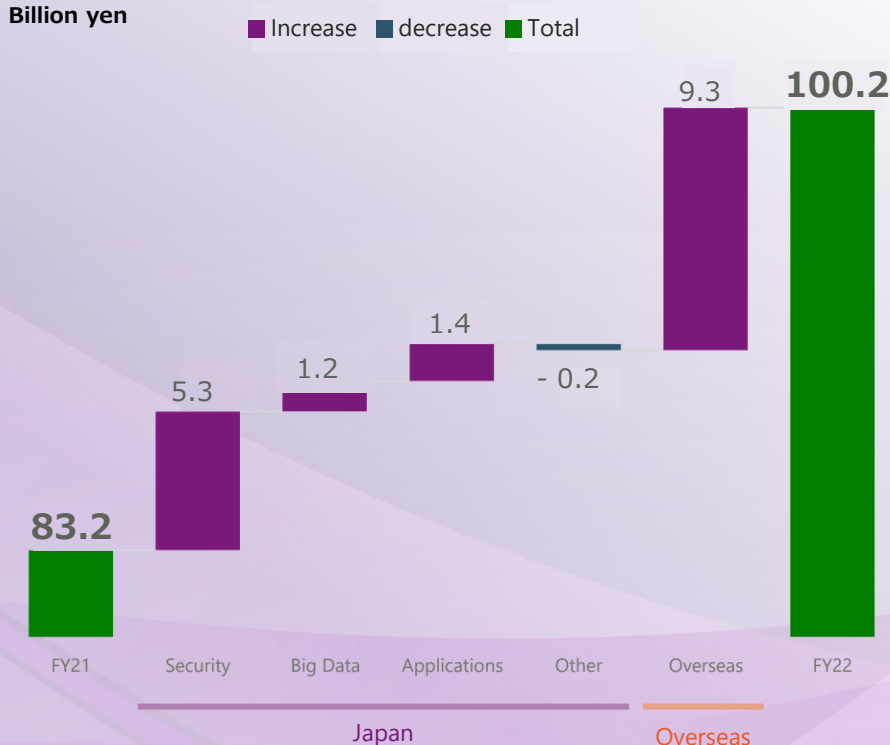
## Overseas

- Acquired Netpoleon in FY17
- FY22: Over 31 billion yen

\* Overseas in FY17 only for 2H

# Growth Factors by Category

## 17 bil yen +21% Y/Y Growth in Security (Japan), Global



### Security (Japan) +13% Y/Y

- Growth mainly in endpoint security and security management

### Big Data (Japan) +19% Y/Y

- Growth mainly in data analytics infrastructure and in-house services

### Applications (Japan) +18% Y/Y

- Growth mainly in cloud applications

### Overseas +43% Y/Y

- Growth mainly in Singapore, Philippines, Indonesia and India

# Growth factors within security (Japan)

## Driven by endpoint security, growth



### Endpoint security

- Business expanded to operational monitoring functions
- Accelerated introduction into SMBs\* in addition to large enterprises

### Security management

- Increased measures against internal fraud and ID misuse, and growth

### Gateway Security

- Decrease related to VPNs
- Advanced security products against cyber-attacks on track

### Cloud Security

- Rebound from large project wins in the previous year

# Security Business Initiatives

## 3. Network Business

### Growth in existing areas and steady seeding of new areas

#### ① Cyber security tools market Expanding market within SAM

Continue to strengthen endpoint and security management in the growth markets

#### ② Cyber security tools market - SAM expansion

Strengthening cloud security state management in growth markets and further expanding new SAMs

#### ③ Strengthening cyber security services

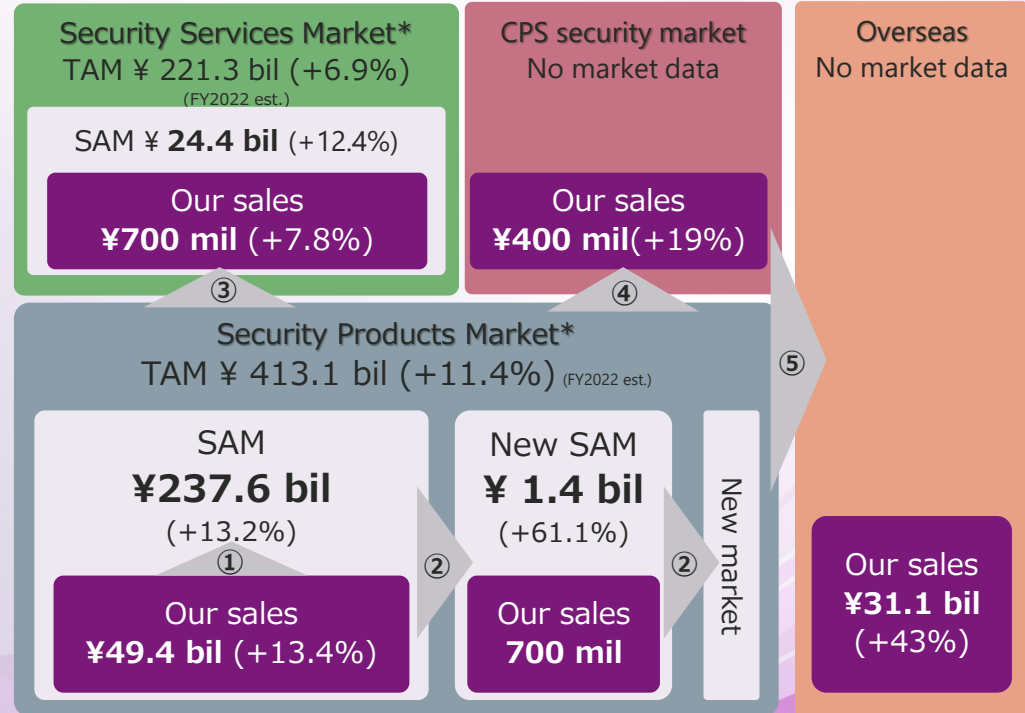
Continue to strengthen Macnica's cyber-attack prevention services and monitoring services by its affiliate (S&J)

#### ④ Promoting CPS security commercialisation

Continue to strengthen market creation by providing consulting and countermeasures targeting early adopters in OT security and security products market

#### ⑤ Strengthening overseas development

Continue to strengthen the ASEAN market through subsidiary Netpoleon and entry into the Middle East market through the acquisition agreement with CyberKnight



(Figures in parentheses are Y/Y comparisons.)

Source: Fuji Chimera Research Institute "2022 Network Security Business Survey Overview" "Security services market" and "Security products market" (CAGR and SAM are calculated by Macnica.)

## Y/Y +43% in existing areas; Expand global coverage with long-term perspective

Billion yen

■ Increase ■ decrease ■ Total



### Y/Y growth of +43% in existing areas

- Growth mainly in Singapore, Philippines, India, Indonesia, etc.

### New Middle East and Africa initiatives

- Announced an agreement to acquire CyberKnight (UAE) as part of a long-term expansion into the Middle East and Africa (Mar 2023). (With operations in UAE, Saudi Arabia, Qatar, Kuwait, Egypt and Jordan).

### 3 Synergies

- Common suppliers
- Sharing of technical know-how
- Joint development of new products and in-house services

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# Evolution of Services & Solutions Models

**Expansion of suppliers and partners, sales growth and increased gross profit margins**



## Increase in suppliers and partners

- Expanded network of eco-partners

## Sales grew by 28%

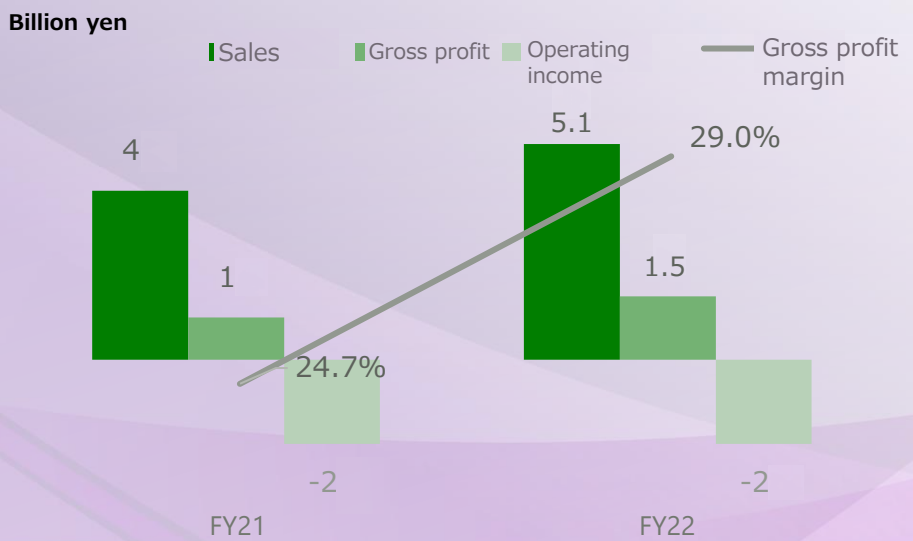
- Mobility and smart manufacturing performing well

## Gross profit margin grew by 4.3 points

- Strong performance in consulting, integration, in-house services, etc.

## Continued investment in growth

- Continued investment in growth in line with the lifting of the Level 4 ban on autonomous driving and the expansion of smart manufacturing and AI projects



\* Comparison with the end of the previous year



## Rapid increase in opportunities associated with lifting ban on Level 4 automated driving

### Social implementation of autonomous vehicles

(Services & Solutions Models)

- 25 demonstrations have already been carried out in the last three years
- More than 10 autonomous bus demonstrations planned for this year
- Increase in enquiries due to subsidy projects\* from the Ministry of Land, Infrastructure, Transport and Tourism



### For manufacturers of autonomous vehicles

(Semiconductor high value-added distribution model)

Significant market expansion for the development of autonomous vehicles

**Autonomous Driving**

First year of implementation



\* Subsidy for projects to secure, maintain and improve regional public transport (autonomous driving demonstration and research project)

# Evolution of Mobility/Smart City Business

**Establishment of a new company with GAUSSIN in France, to take over the assets of NAVYA in France, and accelerate the global social implementation of autonomous driving services and solutions**

## MACNICA

### Global deployment of autonomous buses

- Existing autonomous bus
- Next-generation automated EV buses
- In-house services such as Fleet Management System (FMS)

### Acquisition of social implementation know-how from the former NAVYA

- Accelerating global social implementation

### Acquire know-how in the development of autonomous vehicles

- Synergies in the semiconductor automotive market

## GAUSSIN MACNICA MOBILITY

- Sales of existing autonomous buses
- Development of next-generation automated EV buses
- Aiming for 500 units in four years



**GAUSSIN**  
Be Faster... Safer & Cleaner

- Automation of own heavy goods transport AGVs\*
- Accelerate development and sales expansion of automation solutions for ports and plants

Assets



**NAVYA**  
self-driving made real

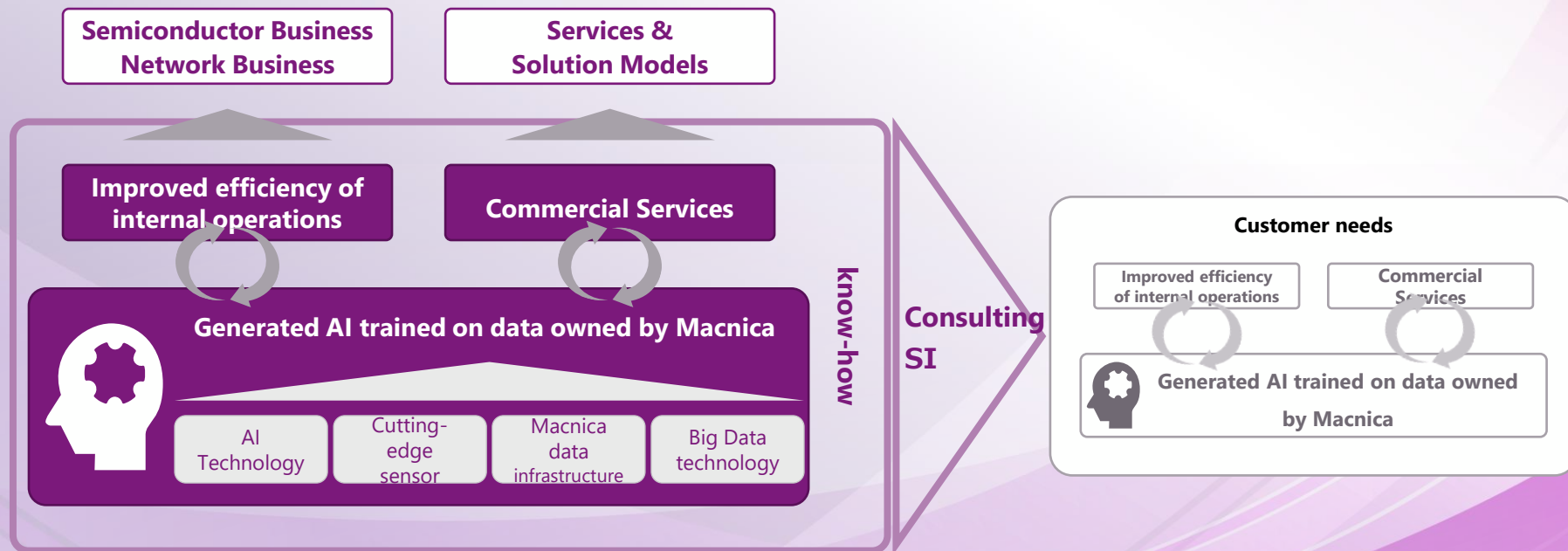
Former NAVYA

- More than 120 engineers
- More than 200 units sold in 25 countries

\* AGV : Automatic Guided Vehicle

# Generative AI (e.g. ChatGPT) Initiatives

**Commence medium- to long-term approach to generative AI**



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# Maximizing Human Capital

## Developing Macnica's human resources and creating a rewarding workplace

### Increased engagement

#### Employee survey

##### Building a strong organization questionnaire

- For all employees, annually since 2013
- Workplace Assessment (9 items, 47 questions)
  - Core value penetration (5 items, 15 questions)
  - Purpose penetration (7 questions)

Expert feedback

Improvement measure

#### Initiatives to confirm the voice of employees directly

Reception between the President and employees

Stress check

Voluntary self-assessment system

HR interviews



2023

Career Ownership  
Management  
Award

優秀賞

### Reward improvement

#### Revision of the personnel system Phase1

Increase in basic salary



#### Revision of the personnel system Phase2

Grade system review  
Increased rewards

### Growth through practice



## Interlinking of core systems improves the productivity of operational tasks

# x 2.3

Semiconductor sales  
Net sales per capita\*

# x 3.2

Semiconductor Operations  
Number of order backlogs  
processed per person\*

# x 1.5

Semiconductor quality operations  
Number of responses per person\*

### Business administration

- Centralization of customer information
- Automated supply and demand forecasting and planning
- Eliminate duplicate entry of reports

### Operation

- Reduction in paper forms (20,000)
- Automated master application
- Report standardization
- Automation of delivery date responses

### Quality control

- 850 hours/month through automation  
man-hour reduction

\* Comparison with before the system was introduced (comparison years are not uniform due to different timing of system introduction).

# Risk Management

**Visualize risks across the Group and enhance responsiveness**

Strengthening  
our response to  
ESG-related risks

Advancement of  
business PFM

Upgrading  
investment  
screening

## Establishing a risk management system

Risk management

Strengthening response  
to emerging risks

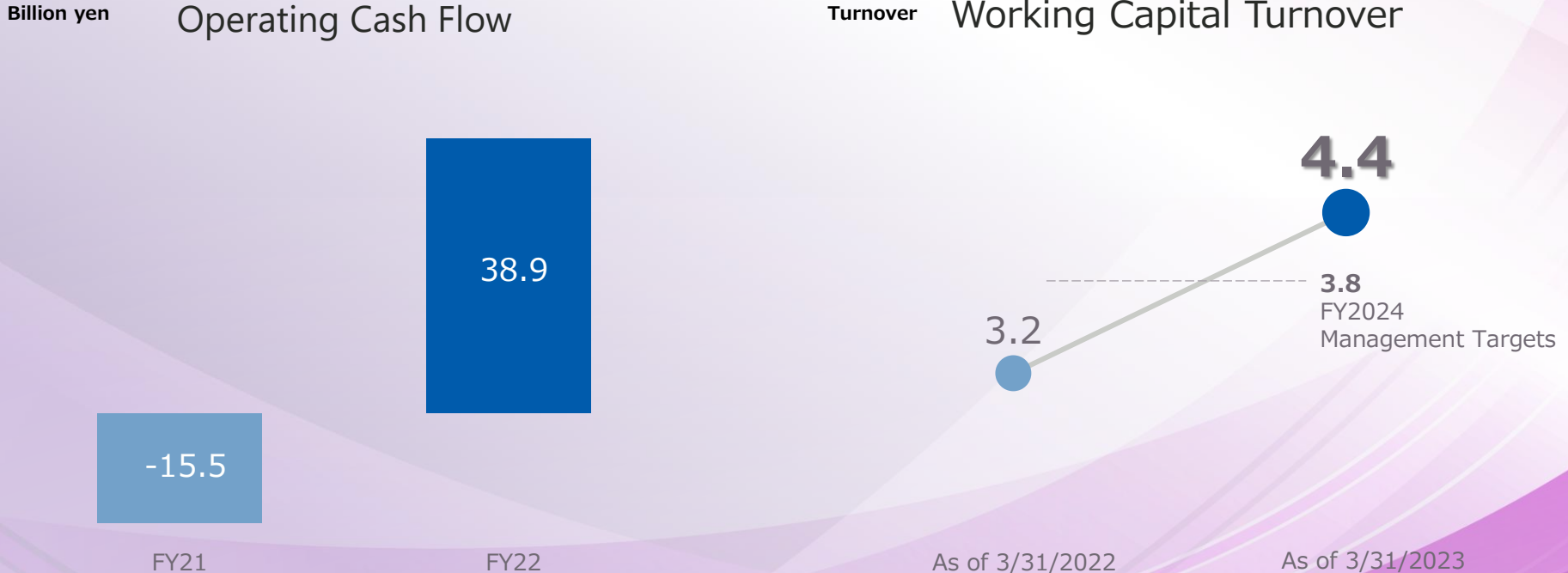
Strengthening internal  
audit system

Upgrading incident  
management system

**Development of rules and regulations at group level**


# Financial Strategies

**FY2022: operating cash flow of 38.9 bil yen; working capital turnover of 4.4**



Working capital turnover = annual turnover / working capital (accounts receivable + inventories - accounts payable, at end of year)





**Leading** in an ever-changing world,  
We seek technology and intelligence **beyond the cutting edge**  
while envisioning the future and creating the **“Now.”**