

MACNICA HOLDINGS, Inc.

Financial Results Briefing

FY2022 1H Presentation

Oct 31, 2022

The logo for MACNICA, featuring the word "macnica" in a bold, lowercase, purple sans-serif font. The letter "i" has a solid purple dot above it. The letters "M", "A", "C", "N", and "I" are in all caps.

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

Results

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

Mid-Term Management Plan (FY2022-2024)

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

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Results

- 1. Results for FY2022 1H (Consolidated)**
2. Outlook for FY2022 (Consolidated)
3. Shareholder Return

Operating Results (Y/Y change)

1. Results for FY2022 1H (Consolidated)

Billion yen	FY2021 1H Actual	FY2022 1H Actual	Difference	Y/Y Change	Variation Factors
Net Sales	362.3	492.6	130.3	35.9%	Global demand remained high in the industrial equipment and automotive markets; endpoint security-related products grew, the result of remote working and reforms in working practices; depreciation of yen
Gross Profit	41.3	57.6	16.3	39.4%	
Operating Income	15.4	26.8	11.4	73.6%	
Ordinary Income	15.3	23.7	8.4	54.5%	
Net Income Owners of Parent	12	16.8	4.8	40.3%	

Operating Results (Y/Y change)

1. Results for FY2022 1H (Consolidated)

Billion yen	FY2022 1H Forecast <small>As of 8/1/22</small>	FY2022 1H Actual	Difference	Actual / Forecast
Net Sales	464	492.6	28.6	6.2%
Gross Profit	52.1	57.6	5.5	10.6%
Operating Income	22	26.8	4.8	21.8%
Ordinary Income	20.5	23.7	3.2	15.6%
Net Income Owners of Parent	14	16.8	2.8	20.2%

Balance Sheet

1. Results for FY2022 1H (Consolidated)

Billion yen	As of 3/31/22	As of 9/30/22	Major Factors
Current Assets	335	438.4	Increased ¥24.8 billion cash and deposits; Increased ¥23.1 billion accounts receivable; Increased ¥40 billion product
Fixed Assets	27.6	27.5	Increased ¥0.4 billion other in investments and other assets; Decreased ¥0.4 billion investment securities
Total Assets	362.6	465.9	
Current Liabilities	161.2	242.5	Increased ¥68.3 billion trade payable; Increased ¥16.7 billion other current liabilities
Long-Term Liabilities	21.6	19.5	Decreased ¥1.8 billion long-term debt
Total Liabilities	182.8	262	
Total Net Assets	179.8	203.9	Increased ¥13.1 billion retained earnings; Increased ¥10.3 billion foreign currency translation adjustments
Total Liabilities & Net Assets	362.6	465.9	

Statement of Cash Flows

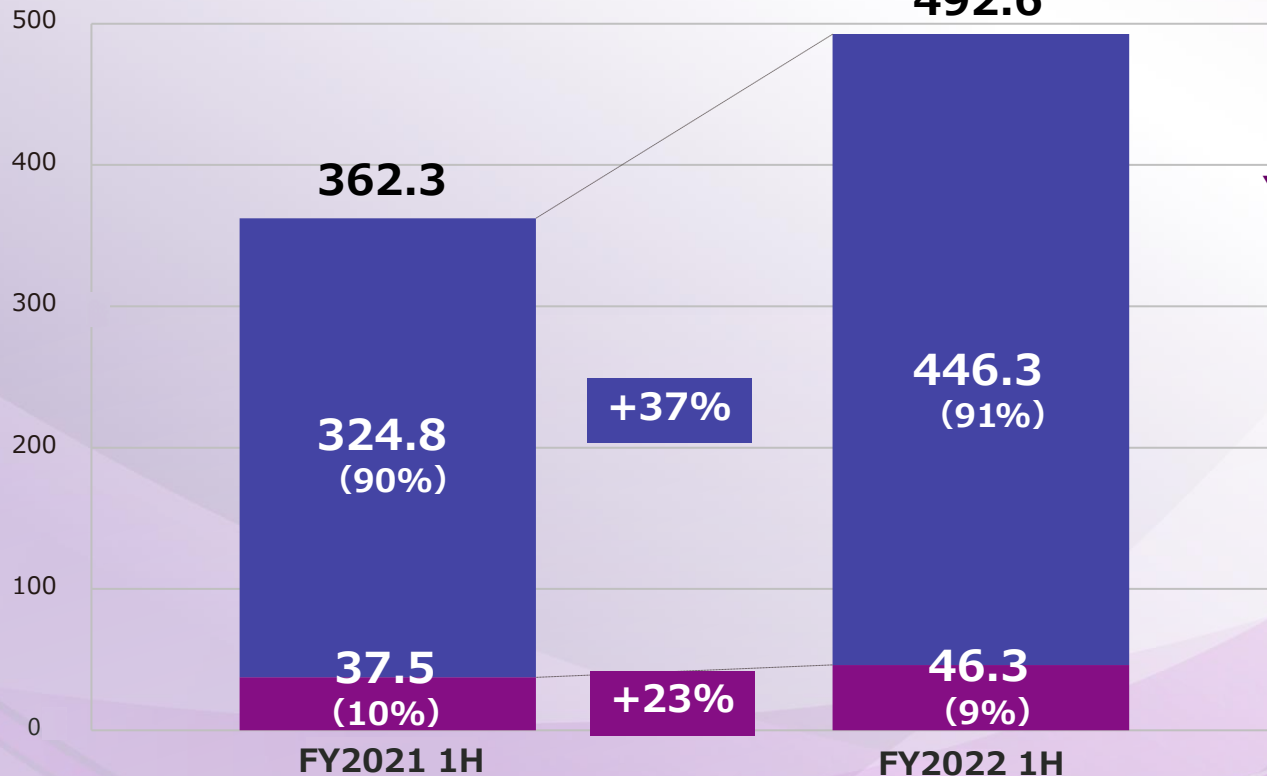
1. Results for FY2022 1H (Consolidated)

Billion yen	FY2021 1H Actual	FY2022 1H Actual	Major Factors
Cash Flow from Operating Activities	▲2.6	45.5	Increased ¥24.9 billion yen income before income taxes; Increased notes and accounts receivable; Increased trade inventories
Cash Flow from Investing Activities	▲0.2	▲1.5	Purchases of property and equipment and intangible assets
Cash Flow from Financing Activities	▲1.3	▲21.5	Net increases in short-term loans, cash dividends paid, proceeds from purchases of shares of the affiliate not resulting in change in scope of consolidation
Cash & Cash Equivalents at Year End	21.7	49.9	Increased ¥24.8 billion compared to ¥25.1 billion at end of previous consolidated financial year

Net Sales by Segment

1. Results for FY2022 1H (Consolidated)

Billion yen
(Component %)



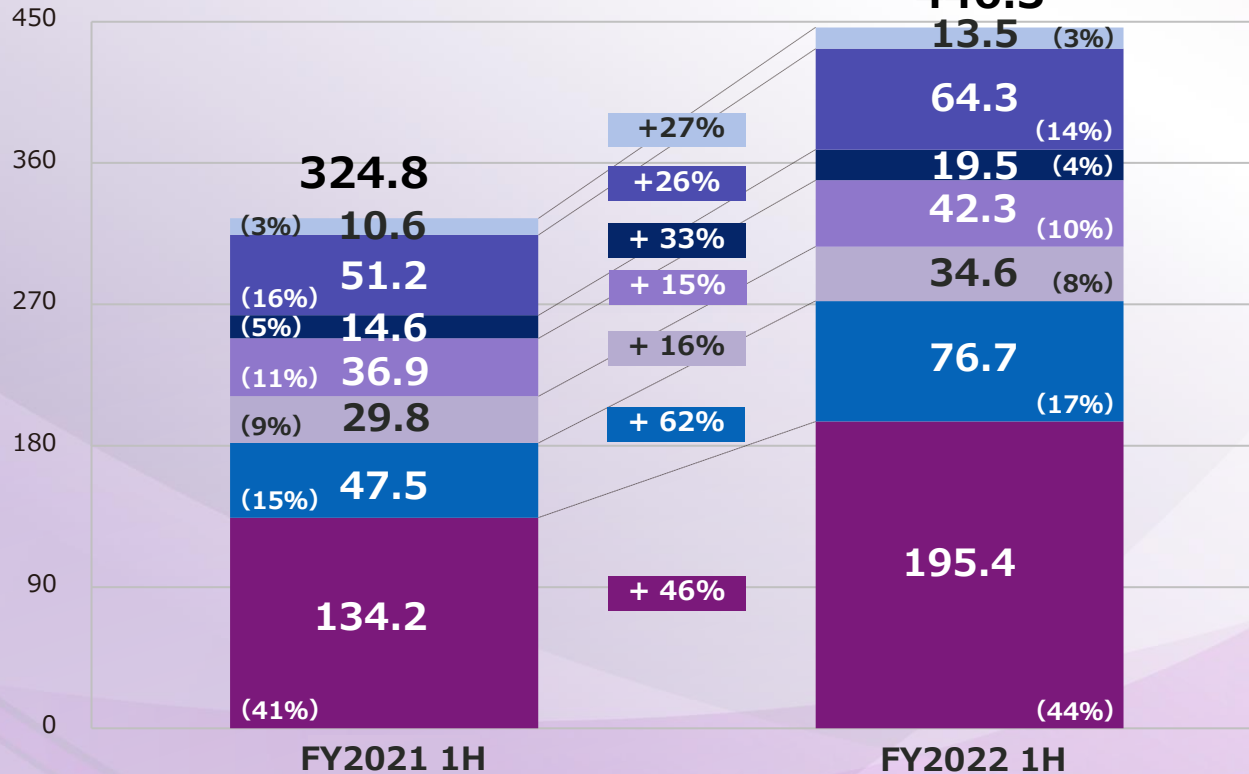
492.6 bil yen
Y/Y Change **+35.9%**

- IC, Electronic Devices and Other Business
- Network Business

IC, Electronic Devices, Other Business (by Application)

1. Results for FY2022 1H (Consolidated)

Billion yen
(Component %)



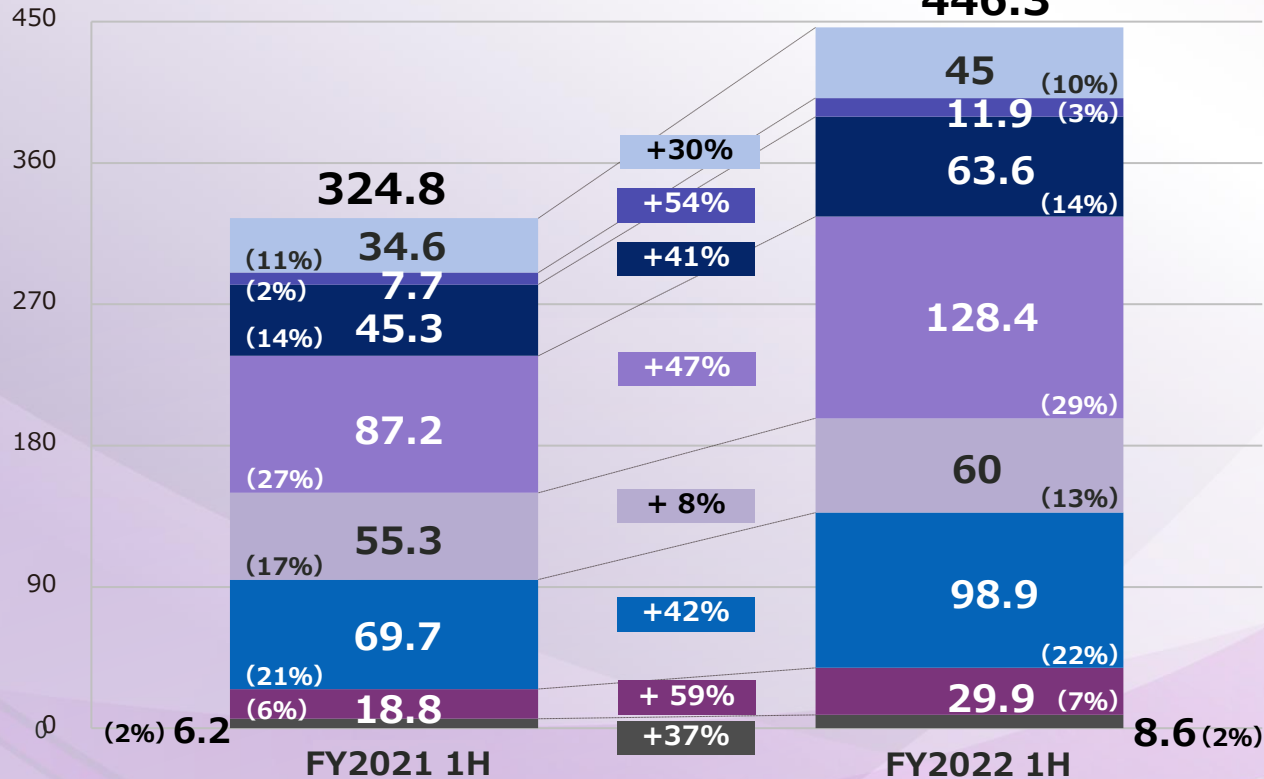
446.3 bil yen
Y/Y Change **+37.4%**

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

IC, Electronic Devices, Other Business (by Product)

1. Results for FY2022 1H (Consolidated)

Billion yen
(Component %)



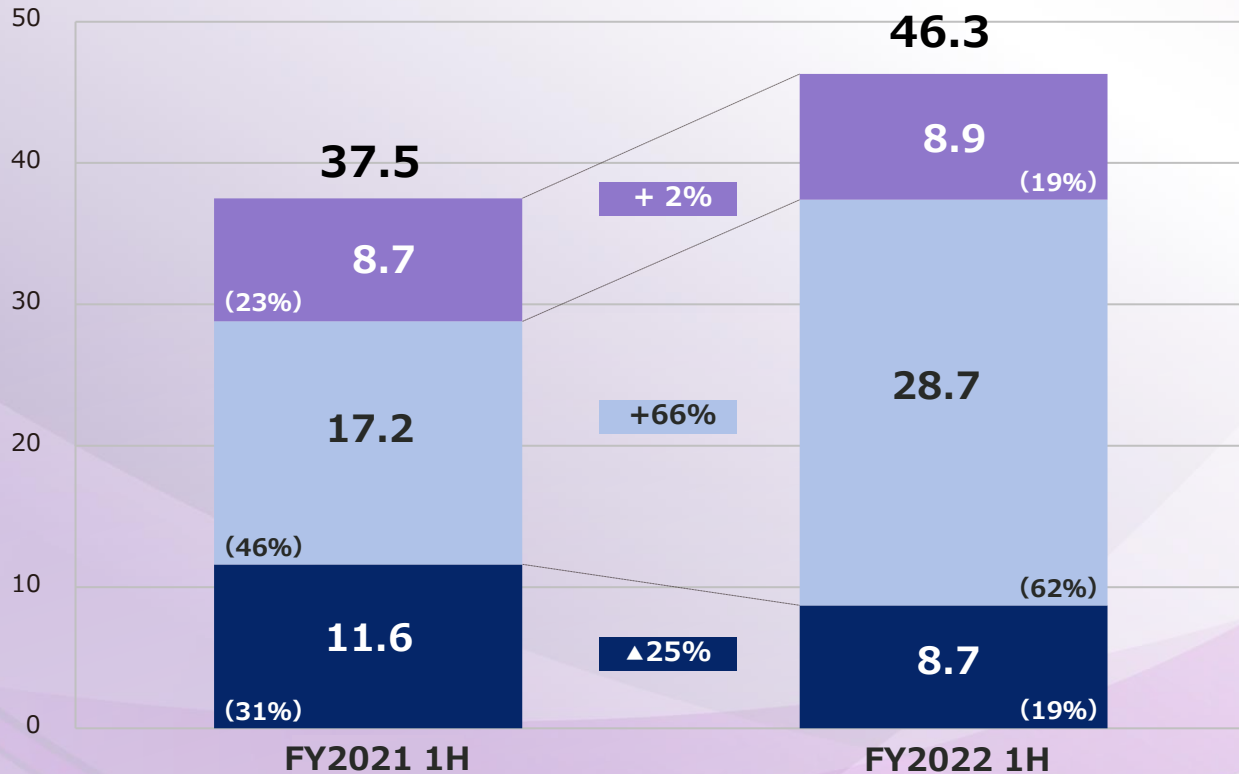
446.3 bil yen
Y/Y Change **+37.4%**

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

Network Business (by Product)

1. Results for FY2022 1H (Consolidated)

Billion yen
(Component %)



46.3 bil yen
Y/Y Change **+22.8%**

- Hardware
- Software
- Service

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Results

1. Results for FY2022 1H (Consolidated)
2. Outlook for FY2022 (Consolidated)
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Forecast Highlights

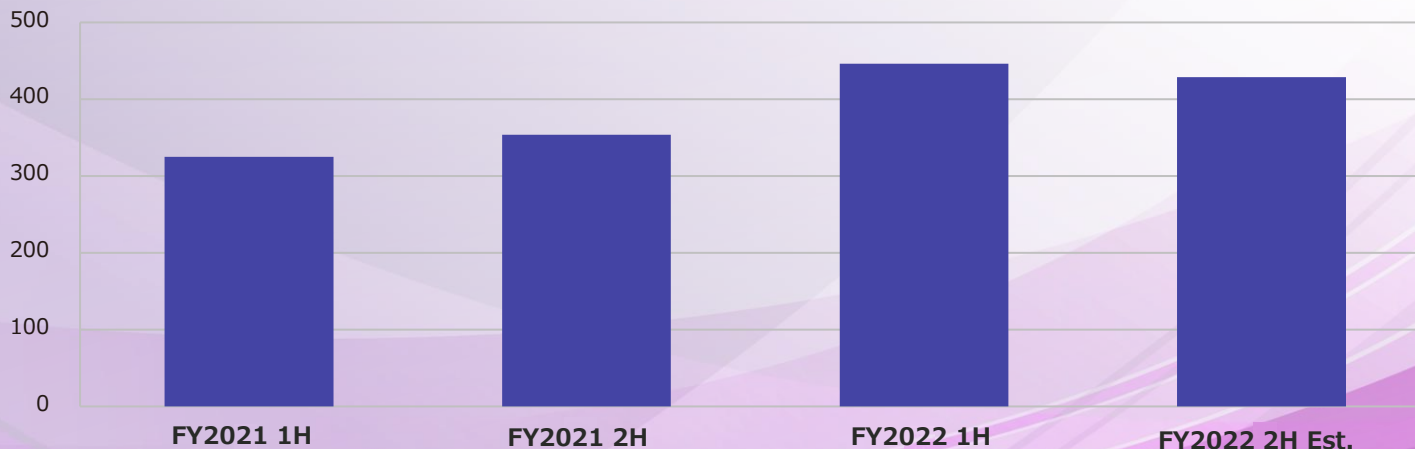
2. Outlook for FY2022 1H (Consolidated)

Billion yen	FY2021 Actual	FY2022			Y/Y Change
		1H Actual	2H Est.	Full Year Est.	
Net Sales	761.8	492.6	477.4	970	27.3%
IC, Electronic Devices and Other Business	678.6	446.3	428.5	874.8	28.9%
Network Business	83.2	46.3	48.9	95.2	14.4%
Gross Profit	90.7	57.6	55.8	113.4	15.6%
Operating Income	36.7	26.8	24.2	51	38.9%
Ordinary Income	35.5	23.7	21.3	45	26.8%
Net Income Owners of parent	25.8	16.8	14.7	31.5	22.1%

Strong performance in the industrial equipment & automotive markets

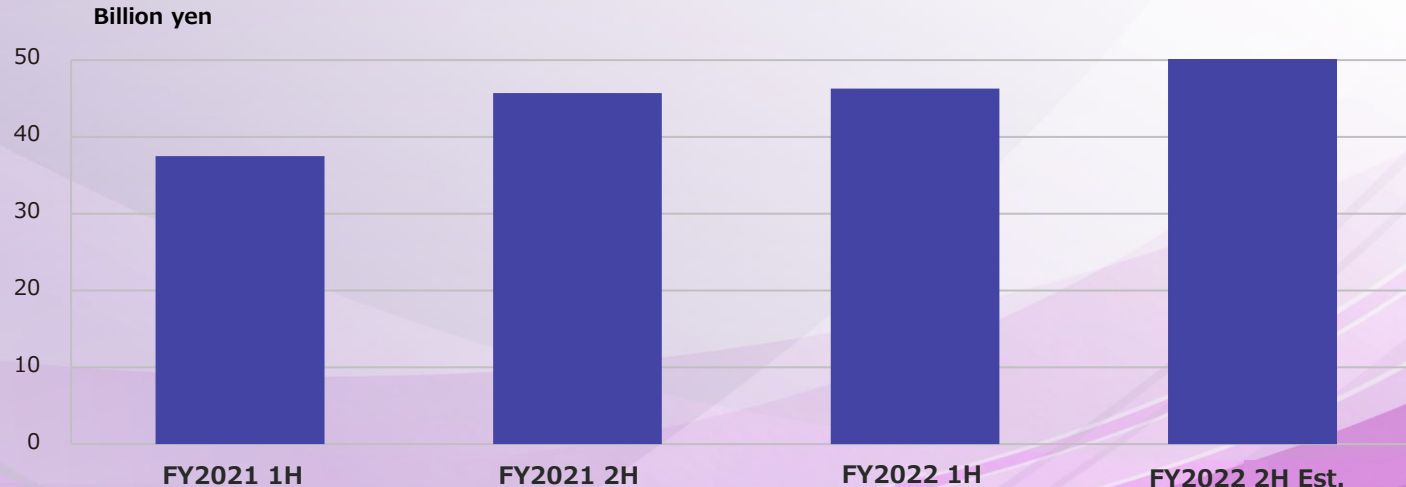
- Industrial equipment and automotive markets are expected to continue to perform well, backed by DX in the manufacturing industry, government-led investment in semiconductors in various countries and decarbonization and the shift to EVs.
- In China, memory demand is expected to decline as restrictions slow down IT investment.

Billion yen



Software drives growth

- Software is expected to drive growth, mainly in endpoint security and cloud services, backed by accelerated utilization of the cloud.
- Hardware sees limited growth amid trend toward cloud computing.



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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		
FY2022 (Forecast)		65.00	130.00
Reference: Previous Forecast	60.00	60.00	120.00
as of May 9, 2022			

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Mid-Term Management Plan (FY2022-2024)

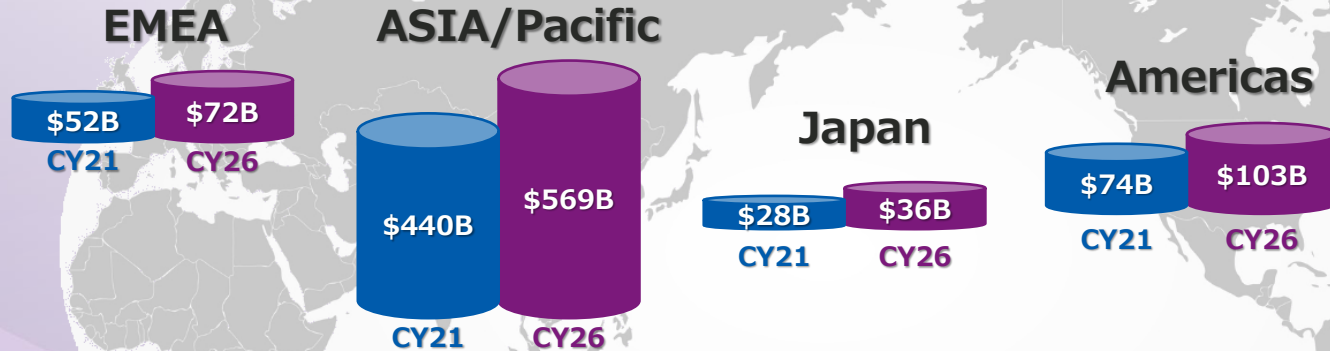
1. **Semiconductor Business**
2. Network Business
3. Services & Solutions Models
4. Strengthening Management Base

Global Semiconductor Market Forecast by Region

1. Semiconductor Business

Semiconductor Market CAGR 5.6%

WW CAGR21-26 5.6%



Share CY21

9%

74%

5%

12%

CAGR 21-26

6.8%

5.3%

5.3%

6.9%

Charts/graphics created by Macnica based on Gartner® research. Calculations performed by Macnica .

Source : Gartner, Semiconductor and Electronics Forecast Database, Worldwide, 3Q22 Update, Rajeev Rajput, 29 Sep 2022

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Growth Market for Semiconductors - World Wide

1. Semiconductor Business

Global Market: PCs and smartphones are high in market size; industrial equipment and automotive are growth markets



Data Processing
Electronics



Communication
Electronics



Consumer
Electronics



Industrial
and Mil/Aero*



Automotive
Electronics

CY21-26
CAGR

5.0%

2.6%

4.4%

9.3%

13.8%

CY21
Share

37%

33%

11%

11%

8%

Charts/graphics created by Macnica based on Gartner® research. Calculations performed by Macnica .

Revenue Basis * Industrial and Military/Civil Aerospace Electronics

Source : Gartner, Semiconductor and Electronics Forecast Database, Worldwide, 3Q22 Update, Rajeev Rajput, 29 Sep 2022

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Growth Market for Semiconductors - Japan

1. Semiconductor Business

Japan Market: industrial equipment and automotive rank highly in market size and growth rates.



Data Processing
Electronics



Communication
Electronics



Consumer
Electronics



Industrial
and Mil/Aero*



Automotive
Electronics

CY21-26
CAGR

1.4%

-0.3%

-0.6%

7.4%

11.2%

CY21
Share

16%

6%

24%

38%

15%

Charts/graphics created by Macnica based on Gartner® research. Calculations performed by Macnica .

Revenue Basis * Industrial and Military/Civil Aerospace Electronics

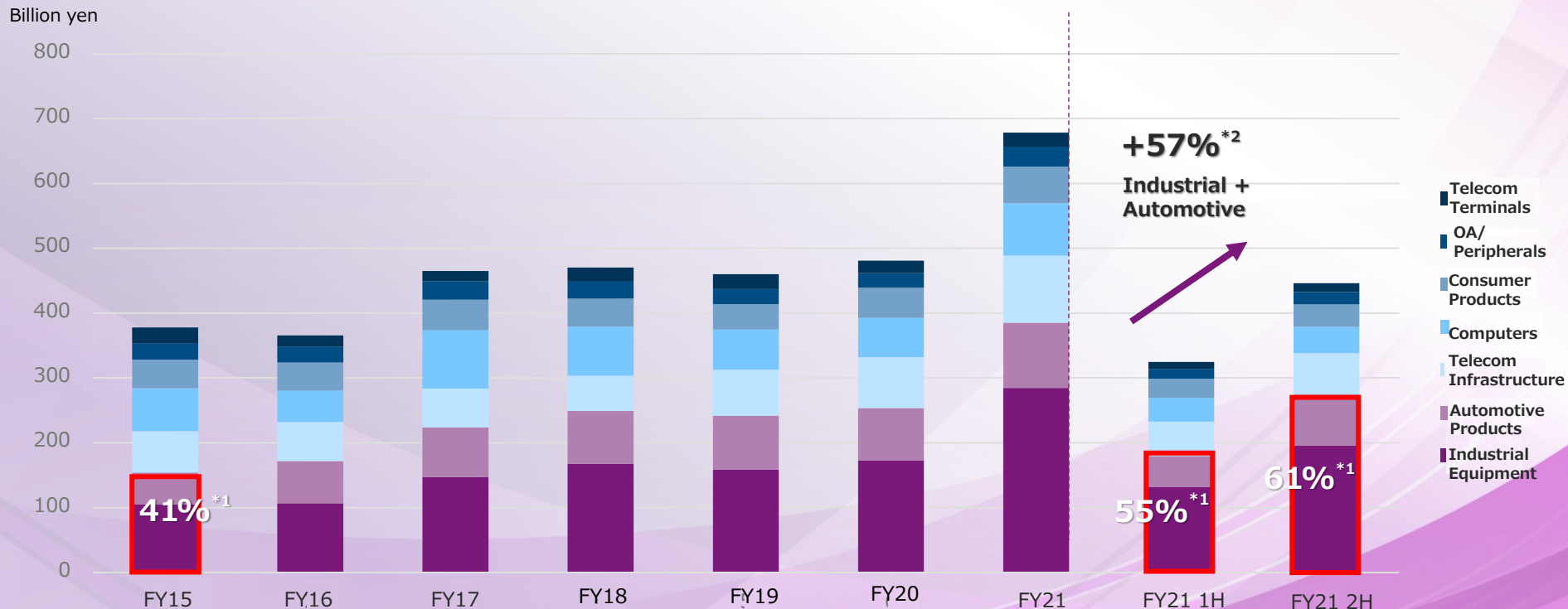
Source : Gartner, Semiconductor and Electronics Forecast Database, Worldwide, 3Q22 Update, Rajeev Rajput, 29 Sep 2022

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Focus on Industrial & Automotive Markets

1. Semiconductor Business

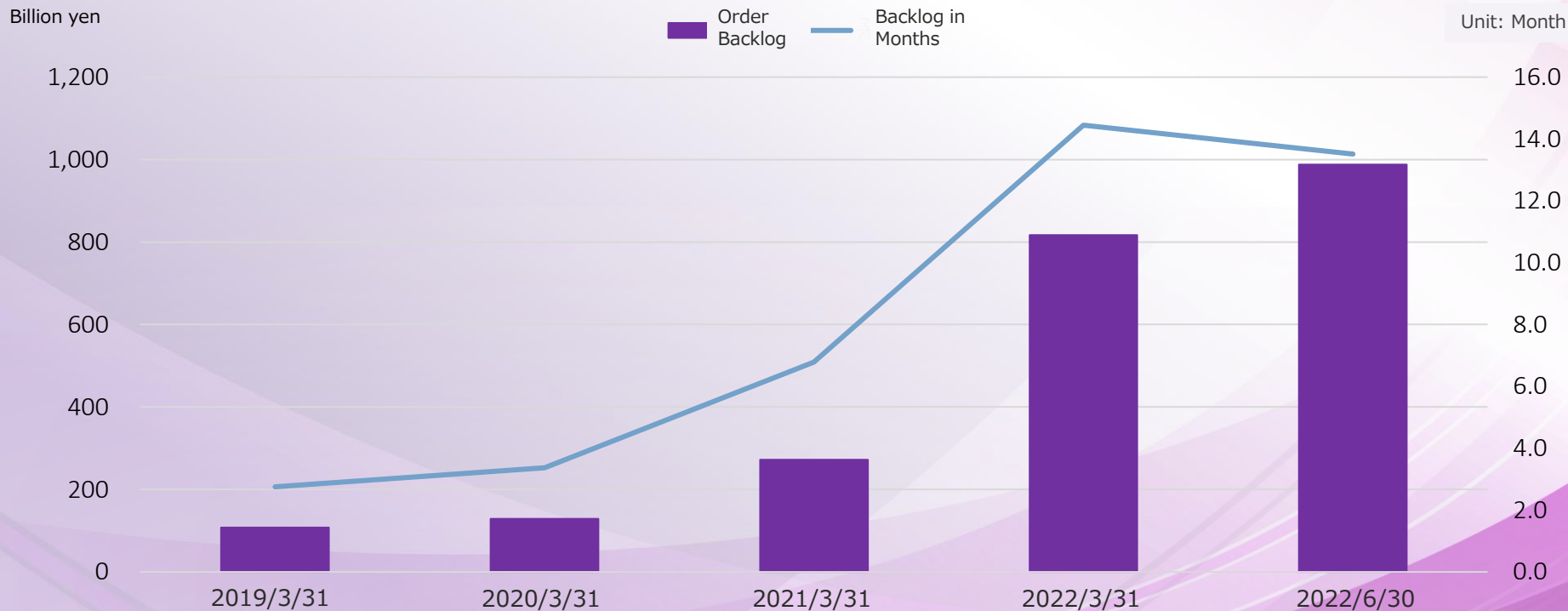
Focus on industrial equipment & automotive markets account for 60% of sales



Order Backlog & Backlog in Months (Semiconductor)

1. Semiconductor Business

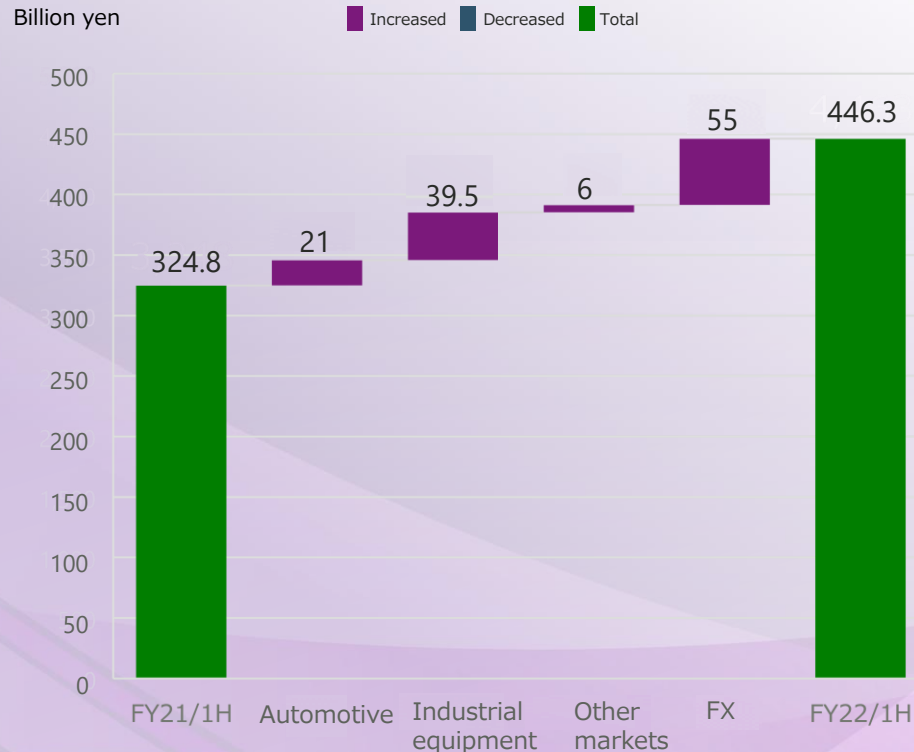
Semiconductor lead time almost 1 year. Order backlog over 1 year from long-term contracts.



Sales Growth Factor Analysis (YoY)

1. Semiconductor Business

Steady growth in the focused industrial equipment & automotive markets



- Automotive**
 Increases in semiconductors installed due to the shift to EVs and electrification
- Industrial equipment**
 Strong demand for FA equipment and semiconductor production equipment
- New customer coverage**
 Acquired new customers through M&A of suppliers, mainly Industrial Equipment and Automotive markets
- Price revisions**
 Rationalization of prices in all markets following price revisions by suppliers
- FX**
 FX impact due to yen depreciation

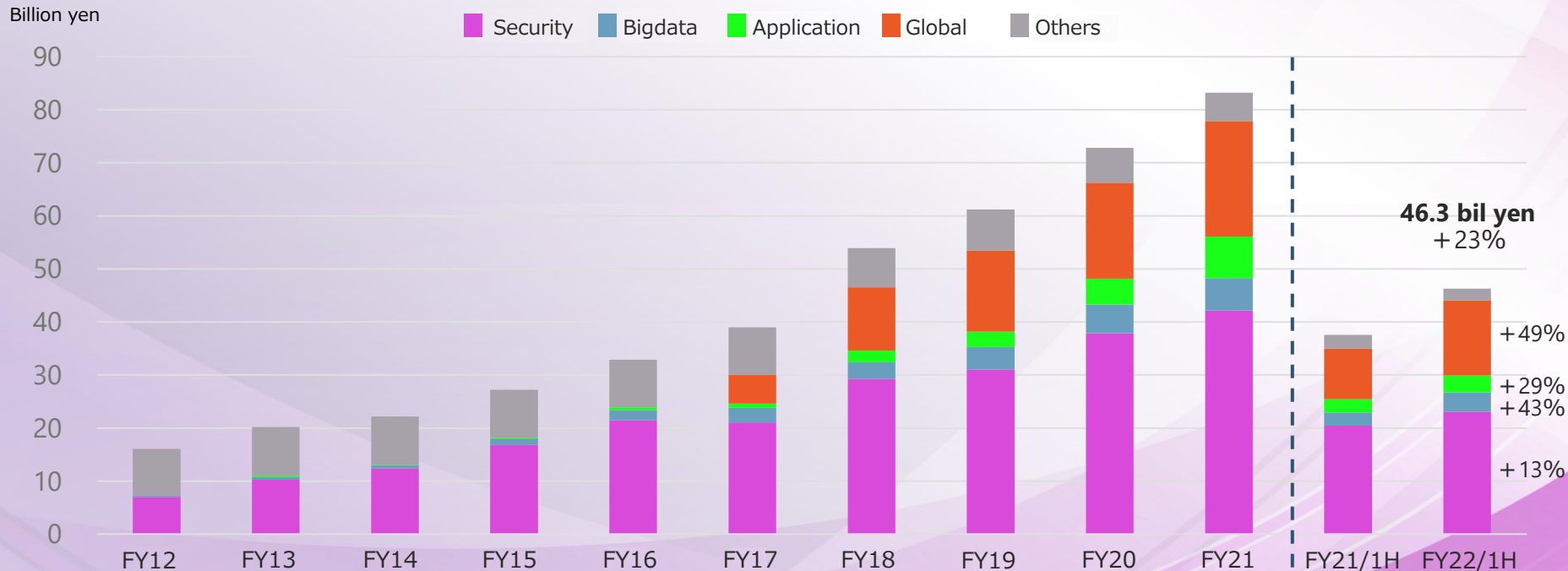
II

Mid-Term Management Plan (FY2022-2024)

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Sales Growth by Category

Growth in all 4 focus categories



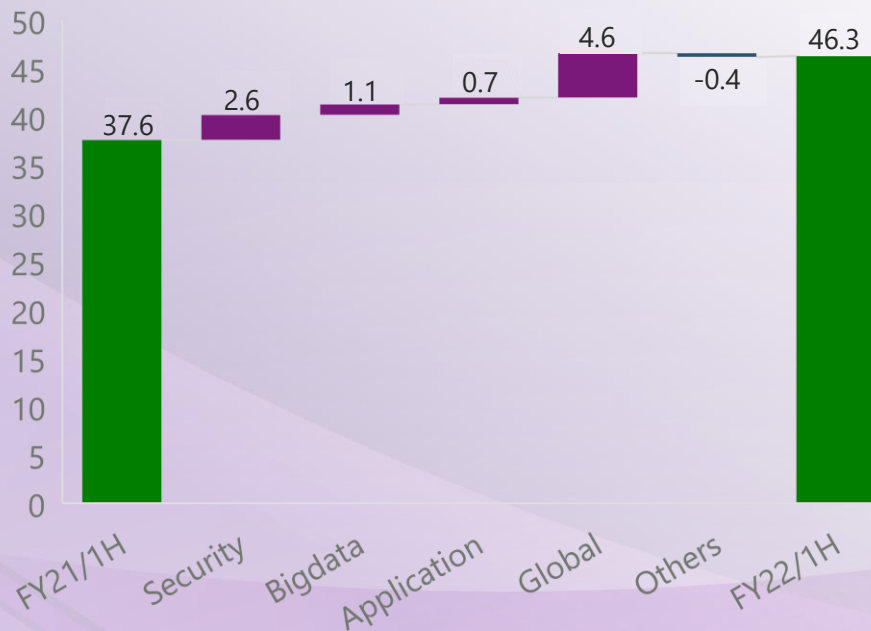
*FY17 Global for 2H only

Sales Growth Factor Analysis (YoY)

Growth in security, global

Billion yen

■ Increased ■ Decreased ■ Total

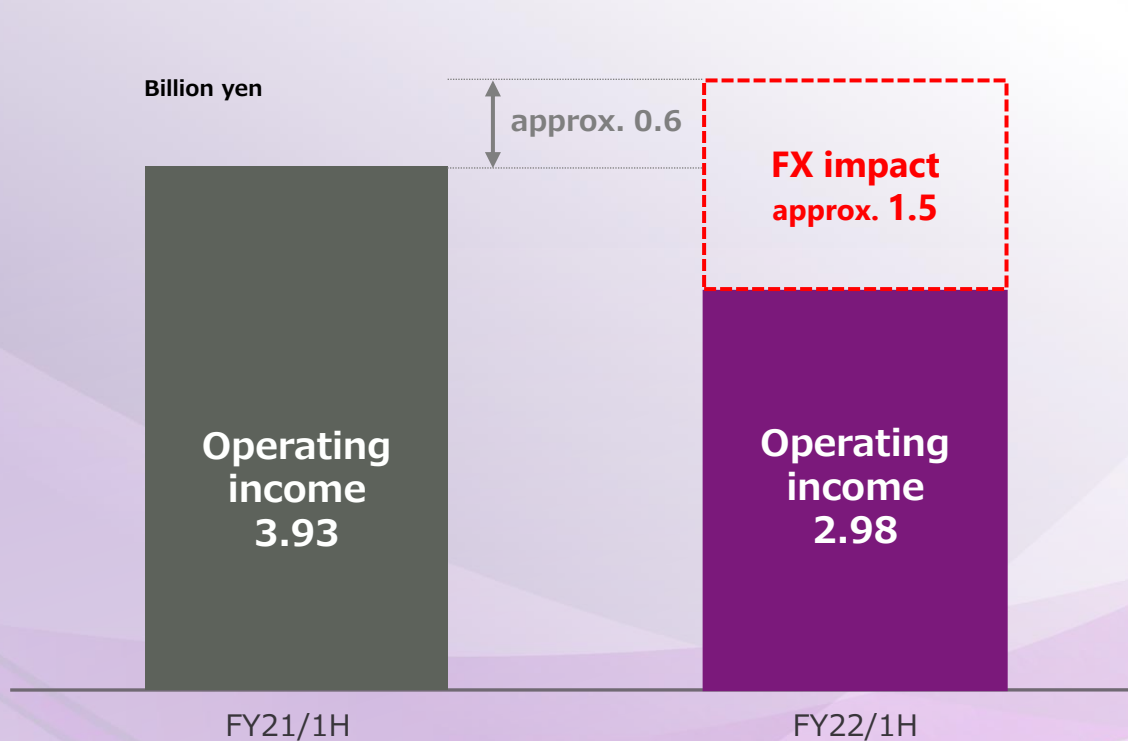


- **Security (Japan)**
Growth in endpoint security and security management
- **Bigdata (Japan)**
Growth in data analysis platform-related products
- **Application (Japan)**
Growth in cloud-related products
- **Global**
Growth mainly in India and Singapore
Approx. ¥2 billion increase due to FX impact

FX Impact & Countermeasures

2. Network Business

Cost of sales increased by approx ¥1.5 billion due to sharp depreciation of yen



Measure 1

High cost due to weak yen

Reflect exchange rate changes sequentially

Gradual recovery in profitability

Measure 2

Exchange rate fluctuation risk






Use of forward exchange contracts

Stabilisation of profitability

Results of Security Business Initiatives

2. Network Business

Growth in existing markets and steady seeding in new markets

TAM Security Products Market * 338.4 bil yen (FY20) CAGR7% (FY20-25)	SAM 180.9 bil yen (FY20) CAGR10% (FY20-25)	Existing target markets	 16% YoY growth in FY22/1H
	New growth areas	New target markets	 Supply Chain Security Service Provider Security Cloud Security Posture Management
TAM Security Services Market * 228.8 bil yen (FY20) CAGR6% (FY20-25)	Managed security service areas	Service enhancements	 S&J (Managed Security Service) Attack Surface Management
Long-term growth markets	OT/IoT Service areas	CPS security	 Consulting Services IoT/OT Security Platform
Overseas growth markets	ASEAN +India, Australia, Singapore	Overseas expansion	 49% YoY growth in FY22/1H

* Source: Fuji Chimera Research Institute "2021 Network Security Business Survey Overview" (CAGR and SAM are calculated by Macnica)

Results of BigData Business Initiatives

2. Network Business

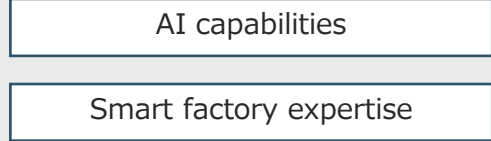
Steady development of in-house proprietary services in line with Macnica's strategic models

High Value-added Distribution Model

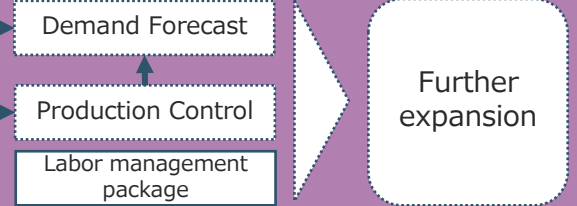
Intelligence Acquisition

Services & Solutions Models

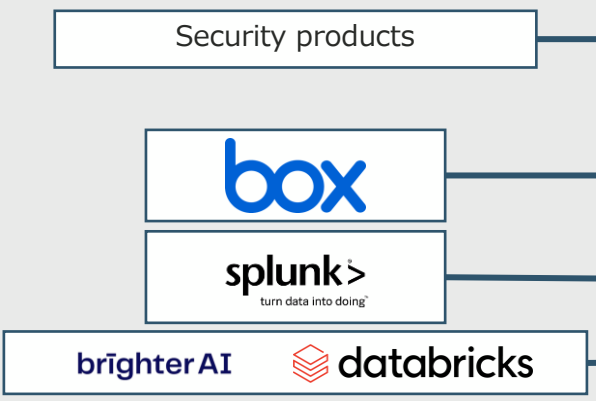
Cyber & Physical (Synergy with other businesses)



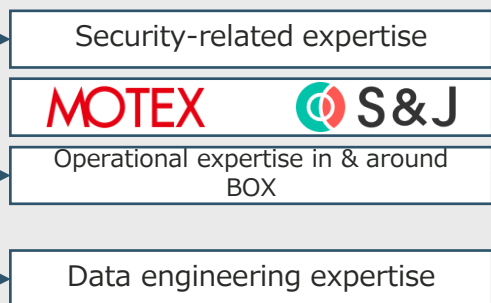
Specialized in-house proprietary applications



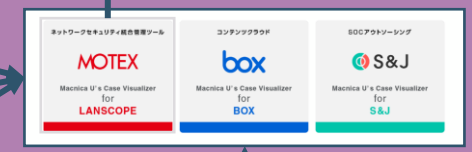
Core products



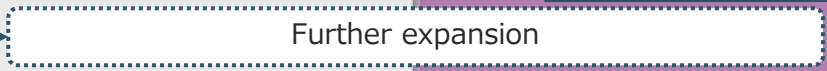
Capability & partners acquired from core products



Specialized in-house proprietary services



Basic in-house proprietary services



II

Mid-Term Management Plan (FY2022-2024)

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

3. Services & Solutions Models

Use strengths to improve reproducibility of success

Strategic models

High Value-added Distribution Model

Enter new markets with cutting-edge product and service distribution

Intelligence Acquisition

Gain market expertise, necessary capabilities and co-creation partners

Services & Solutions Models

Leveraging cutting-edge products, acquired expertise and capabilities, and developing own proprietary products and services with partners

6 Themes

Business & Economy



Smart Factory



CPS Security

Life & Society



Smart City / Mobility



Healthcare

Green & Earth

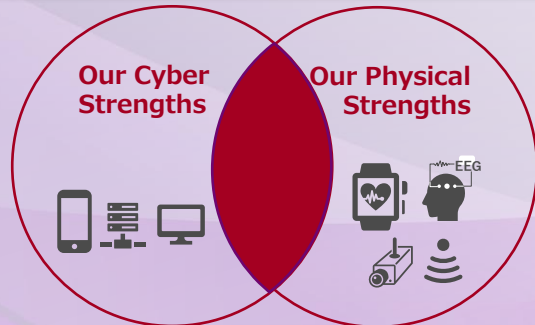


Circular Economy



Food & Agritech

Combining capabilities (Combining strengths of Cyber and Physical)



Solution Format (Cyber Physical System)

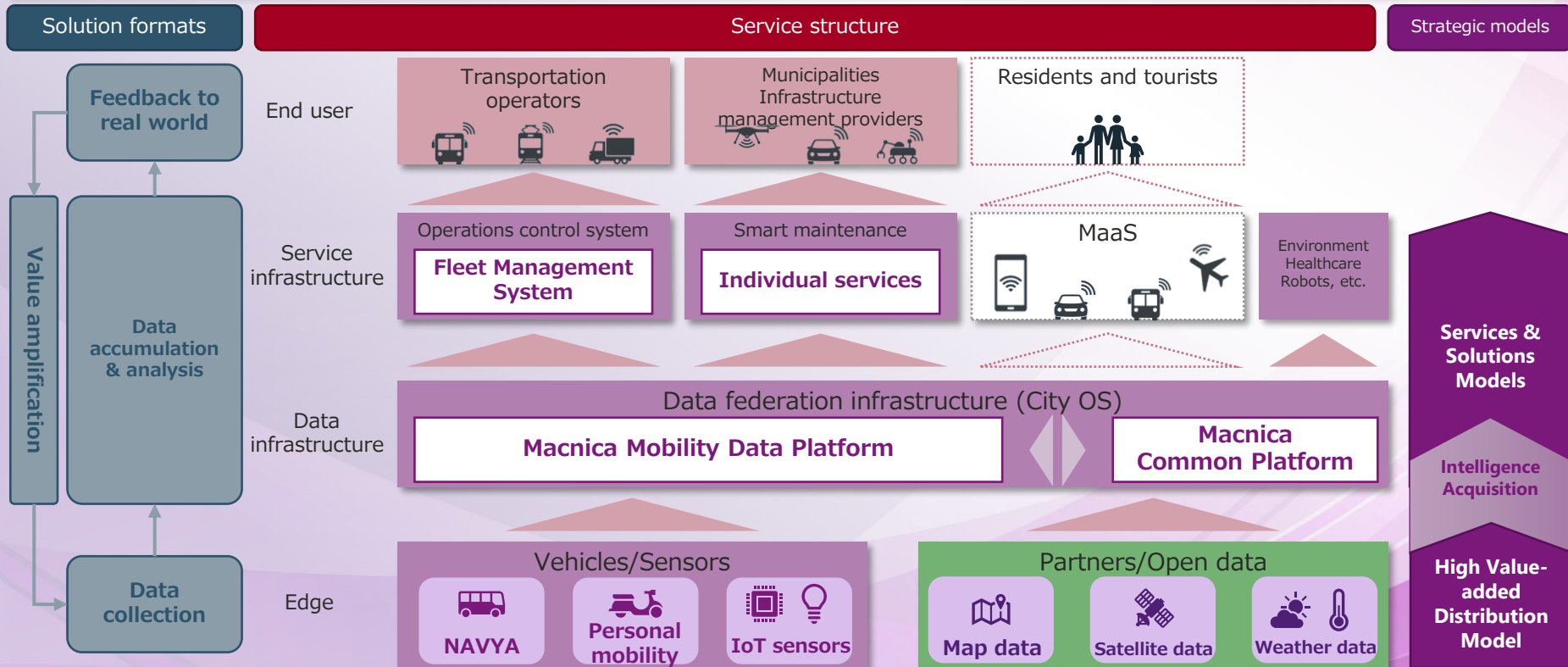


* CPS : Cyber Physical System

Evolution of Mobility/Smart City Business

3. Services & Solutions Models

Steady development of in-house proprietary services in line with Macnica's strategic models



Evolution of Smart Factory Business

Smart Factory Specialized Consulting and System Integration

Manufacturing process

After-sales

Management to
Implementation
Consulting

Management Dashboard

splunk >
turn data into doing™

Individual system construction

Value Creation Solutions

CBM Condition Based Maintenance

Core Systems

Data Platforms

AI Implementation
Platforms

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Simulation

MES (Manufacturing Execution Systems)

SIEMENS

MUCV
Macnica U's Case Visualizer

SIEMENS

DCS/PLC (Control Systems)

DSF CYCLONE

Inspection automation

Failure analysis

Individual system construction

splunk >
turn data into doing™

AI Expert Organization

ARIH

Sensors and robotics



SENSPIDER

II

Mid-Term Management Plan (FY2022-2024)

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4. **Strengthening Management Base**

Management Base

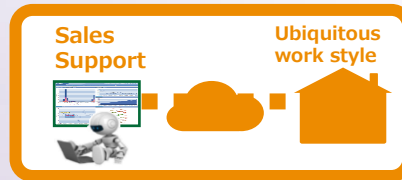
4. Strengthening Management Base

Full operation started with the introduction of new ERP, with various effects

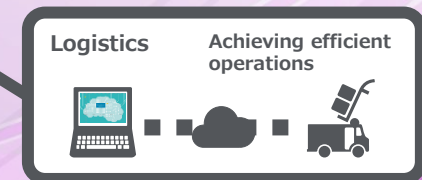
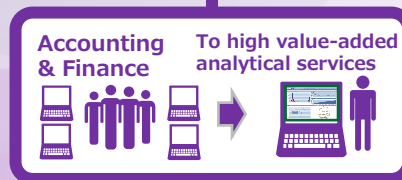
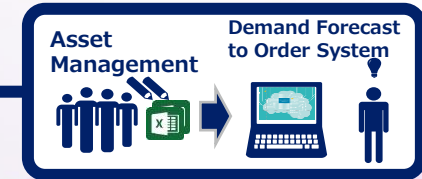
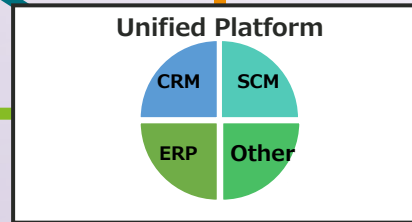
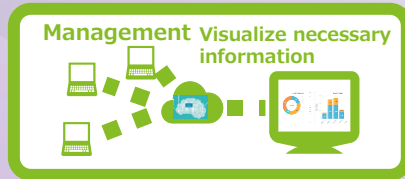
Improved operational efficiency



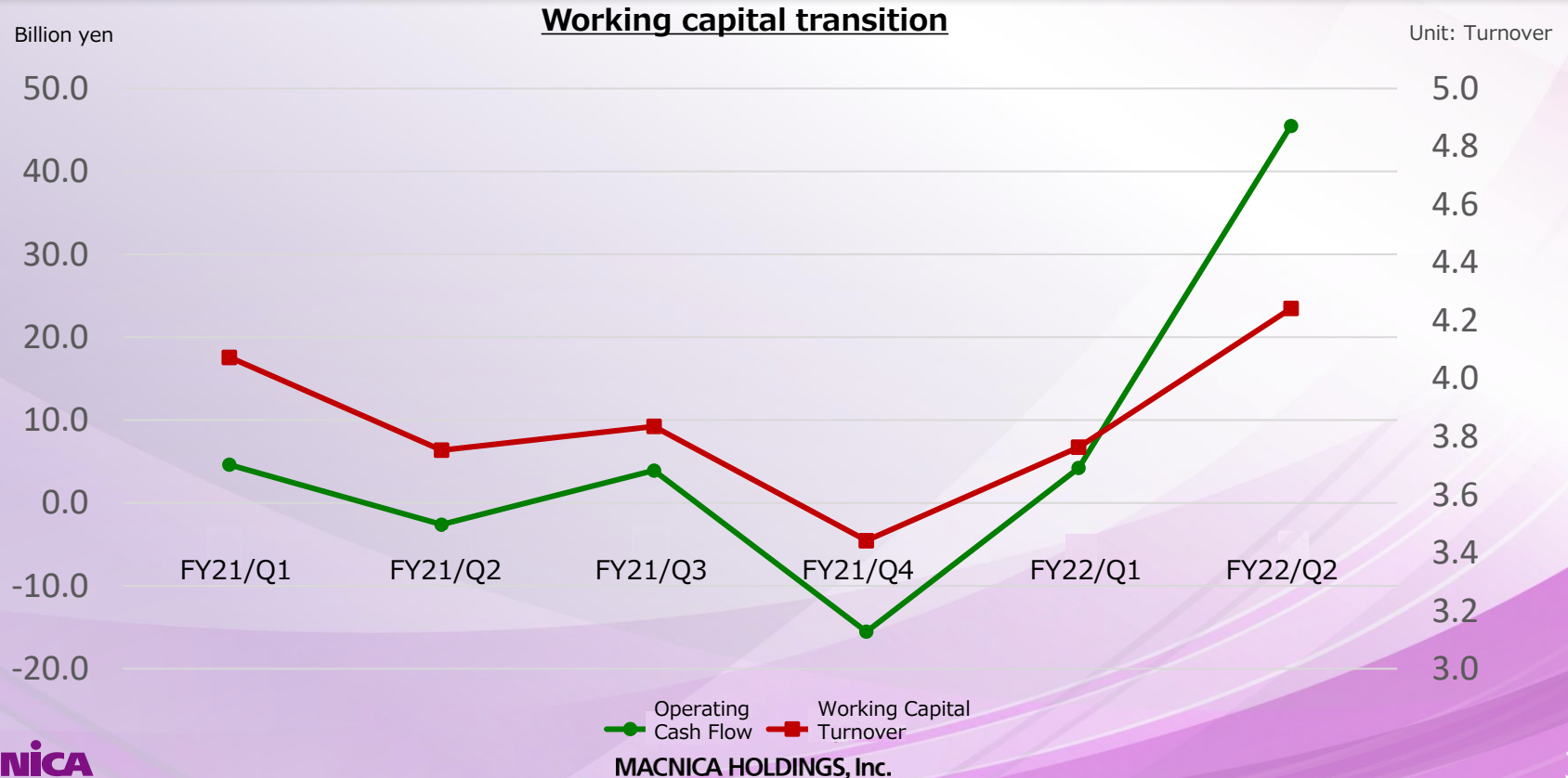
Improved analytical capabilities



Improved customer satisfaction



Transforming into financial structure to generate operating cash flow



Steady promotion of sustainability management

Environment



Support for TCFD
Recommendations
Joins TCFD Consortium
CDP Member

Social



Enlighten Employees
through Diversity &
Inclusion Promotion
Committee

Governance



Compliance with Corporate
Governance Code

Strengthen Group Risk
Management

Steady promotion of sustainability management

Environment



Support for TCFD
Recommendations
Joins TCFD Consortium
CDP Member

TCFD | TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES



商認番号 008-1 号
**アクア de パワーかながわ
認証書**

株式会社マクニカ様
・マクニカ第1ビル

神奈川県の水力発電
による電気を使って
CO2 排出量削減と県の
環境施策に貢献してい
ることを証します。

認証日 2022年 8月 25日

神奈川県
神奈川県企業庁
東京電力エナジーパートナー株式会社



Shareholder returns in view of total payout ratio of 30~50%

Dividends

The dividend forecast for FY2022 is ¥130 per share, an increase of ¥10 from the previous forecast. The interim dividend at the end of the second quarter is ¥65 per share.

Purchase of treasury shares

From November 1, 2022 to March 24, 2023, up to 2.5 million shares to be acquired, with an acquisition amount of up to ¥6 billion.

Cancellation of treasury shares held

Cancellation of all shares held as at September 30, 2022, excluding 300,000 shares from the total number of shares held by the company plus the treasury shares purchased mentioned above.

