



**MACNICA HOLDINGS, INC**

Financial Results Briefing FY2023 Second Quarter Results Presentation

October 30, 2023

## Event Summary

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<b>[Company Name]</b>	MACNICA HOLDINGS, INC	
<b>[Company ID]</b>	3132-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Financial Results Briefing FY2023 Second Quarter Results Presentation	
<b>[Fiscal Period]</b>	FY2024 Q2	
<b>[Date]</b>	October 30, 2023	
<b>[Number of Pages]</b>	33	
<b>[Time]</b>	15:30 – 16:38 (Total: 68 minutes, Presentation: 40 minutes, Q&A: 28 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Venue Size]</b>		
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	3	
	Kazumasa Hara	President and CEO
	Akinobu Miyoshi	Representative Director and Vice President
	Makoto Okawara	Managing Executive Officer

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## Presentation

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**Moderator:** Thank you very much for your patience.

We will now begin the presentation of MACNICA HOLDINGS, INC's financial results for Q2 of FY2023. This information session will be held simultaneously at the venue and via live webcast. The materials to be used in the presentation will be posted on our website at 3:00 PM today under IR Information, Financial Results Briefing Materials.

I would now like to introduce today's attendees.

Kazumasa Hara, President and CEO.

**Hara:** My name is Hara. Thank you for joining us today.

**Moderator:** Akinobu Miyoshi, Representative Director and Vice President.

**Miyoshi:** My name is Miyoshi. Thank you.

**Moderator:** Makoto Okawara, Managing Executive Officer.

**Okawara:** My name is Okawara. Thank you.

**Moderator:** Thank you.

Thank you very much for taking time out of your busy schedule today to attend and view our financial results presentation.

We would like to inform you about today's proceedings. First, Mr. Okawara, Managing Executive Officer, will explain the financial results for Q2 of FY2023, and then President Hara will explain the mid-term management plan.

Finally, a question-and-answer session will be held. As previously announced, questions from the audience will be given priority for the Q&A session, and the remaining time will be used to answer questions via chat. The briefing is scheduled to end at approximately 4:30 PM.

First, Mr. Okawara, Managing Executive Officer, will explain the financial results for Q2 of FY2023. Let us begin.

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# AGENDA

## 01. 実績報告

- ① 2023年度 上期 業績ハイライト
- ② 2023年度 上期 実績（連結）

## 02. 中期経営計画（2022年～2024年度）

- ① 全社
- ② 半導体事業
- ③ ネットワーク事業
- ④ CPSソリューション事業
- ⑤ 経営基盤強化

※本プレゼンテーションでは、「集積回路及び電子デバイスその他事業」を半導体事業としています。従来の「サービス・ソリューションモデル」を「CPSソリューション事業」に名称変更しています。CPSソリューション事業の数字は半導体事業に含まれています。

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**Okawara:** Thank you very much for taking time out of your busy schedule today to attend our financial results briefing.

I will now give a brief explanation of our financial results.

I would like to begin today's agenda with a report on our achievements. In the second half, President Hara will explain our medium-term management plan.

Now, first of all, let's start with a report on the results.

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2023年度 上期 業績ハイライト

単位: 億円	2022年度 上期実績	2023年度 上期実績	増減	2023年度 通期見通し	進捗率
売上高	4,926	5,470	+544	11,000	50%
半導体事業	4,463	4,926	+463	9,848	50%
ネットワーク事業	463	544	+81	1,152	47%
営業利益	268	380	+112	660	58%
半導体事業	238	346	+108		
ネットワーク事業	30	34	+4		
平均為替レート (¥/USD)	131.56円	138.69円		140円 (第3,4半期)	
親会社株主に帰属する純利益	168	259	+91	422	61%
営業キャッシュフロー	455	227	▲228		

配当の状況 (一株当たり)		
	中間	年間
2022年度	65円	140円
2023年度(予想)	80円	160円
配当性向(予想)	23%	

- 上期は、半導体、ネットワーク事業とも好調維持。  
半導体は、注力市場である産業機器、車載向けがそれぞれ+495億/+25%、+205億/+27% (売上高/前年同期比) と大きく伸び、メモリ中心のインフラ、コンピュータ向けのマイナス成長をカバー。
- 下期も半導体事業はメモリ分野の回復は期待できないもの全体としては堅調、ネットワーク事業はセキュリティを中心に好調を維持。
- 2023年度通期は、売上高、利益の予想は据え置いた一方、配当の予想を上方修正。



From this time on, we are combining the highlights of our achievements into a single sheet.

First of all, please look at the middle area, the results for H1 of the year. Net sales, operating income, and other items are listed side by side. Net sales amounted to JPY547 billion, an increase of JPY54.4 billion from the previous year. Operating income was JPY38 billion, also a large increase of JPY11.2 billion over the previous year.

Comments are written in the lower left corner. In a nutshell, H1 of the fiscal year can be summed up as a period of very good performance in both the semiconductor and network businesses. In particular, as you can see in the semiconductor section, our focus markets of industrial equipment and automotive grew significantly by 25% and 27%, respectively, driven by these markets.

On the other hand, unfortunately, the sales of memory-centered communication infrastructure and computers, especially in the Chinese market, showed a large YoY decline, which in a sense offset the positive net sales.

For H2 of the fiscal year, as shown in the full-year forecast for FY2023 on the right, we have not changed our forecast, with net sales of JPY1,100 billion and operating income of JPY66 billion.

As for our outlook for H2 of the fiscal year, the recovery of the slump in the memory field that I mentioned earlier has been delayed considerably, and we do not expect it in H2 of the fiscal year, but as in H1, our focus markets, industrial equipment and automotive, are expected to remain strong.

The network business is also maintaining its strong performance, as security, especially endpoint security, continues to grow significantly. Overall, we have left the forecast unchanged, as we expect full-year profits to rise, offsetting the unexpectedly poor performance of the memory business.

On the other hand, since we are now more certain of achieving the full-year business results, we have raised the dividend by JPY10 from the previous forecast of JPY150 to JPY160, as shown in the lower right-hand corner, for a JPY20 increase over the previous fiscal year.

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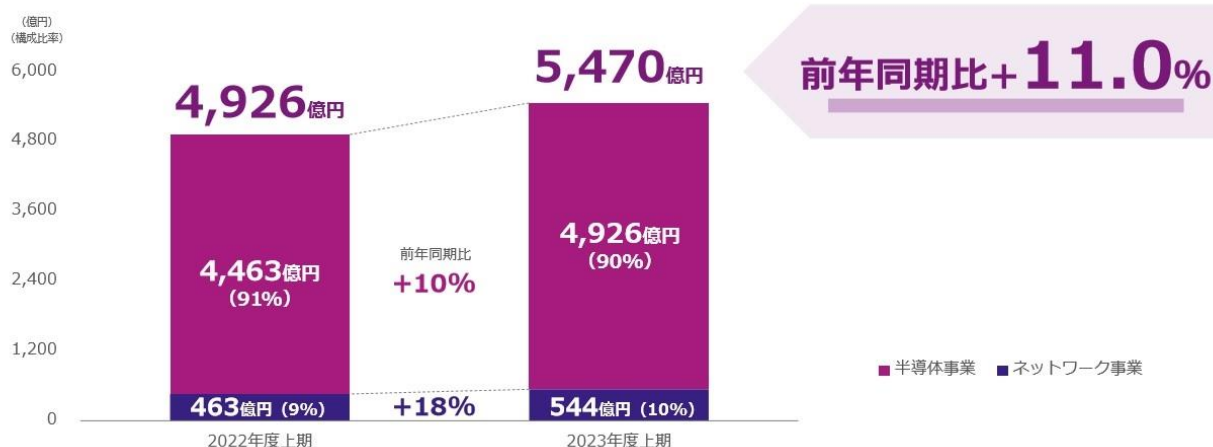


Now, I would like to add some additional information about the contents to give everyone a little overall understanding.

01. 実績報告 | 2023年度上期業績ハイライト | 2023年度上期実績 (連結)

セグメント別：売上高

5,470億円 前年同期比+11.0%



Next slide, please. H1 results, all figures above are compared to the previous year.

First of all, overall sales, as I mentioned earlier, totaled JPY547 billion, an increase of 11% over the same period last year.

As you can see, semiconductors now account for an overwhelming 90% of the total, and networks account for 10%. You say that semiconductors are rising, but if you look at the growth rate, semiconductors account for 10% while networks account for 18%. I believe that we are doing our best in the future, including in the area of networks.

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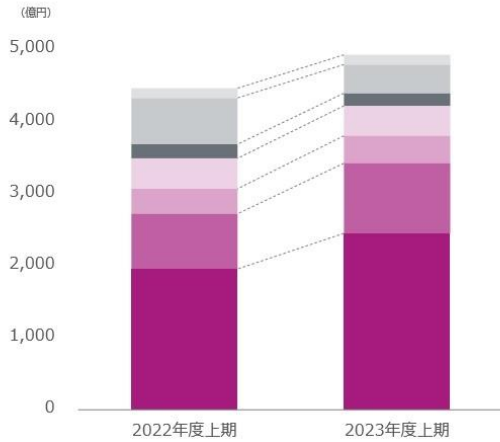
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半導体事業 (用途別) : 売上高

**4,926億円 前年同期比+10.4%**



(単位: 億円)	2022年度上期 (構成比率)	2023年度上期 (構成比率)	前年同期比
通信端末	135 (3%)	134 (3%)	▲1%
通信インフラ	643 (14%)	398 (8%)	▲38%
OA・周辺機器	195 (4%)	176 (3%)	▲9%
コンピュータ	423 (10%)	416 (8%)	▲2%
民生機器	346 (8%)	380 (8%)	+10%
車載	767 (17%)	973 (20%)	+27%
産業機器	1,954 (44%)	2,449 (50%)	+25%
<b>合計</b>	<b>4,463</b>	<b>4,926</b>	<b>+10.4%</b>



Now, please move on.

First, the contents of the semiconductors. The actual amount is JPY492.6 billion, but first of all, this is by use. The bottom two items on this band graph, as shown in the lower right, are our focus areas, namely, automotive and industrial equipment. As I mentioned earlier, the right-hand side shows YoY comparisons, and the second from the bottom left is for automotive, with a 27% increase, and for industrial equipment, with a 25% increase, which is leading the way.

On the other hand, I mentioned earlier that memory is in decline, and the second area from the top, telecommunications infrastructure, is having an effect in this area. This means that memory is used here, mainly for data center demand in China, and this has dropped considerably, to a rather large minus 38% drop.

The fourth item from the top, computers, is relatively large at JPY41.6 billion, but it is down 2% from the same period last year. There are two major components in this section, including memory for servers in China. This is a large drop, but on the other hand, since products for generative AI are included in this category, that portion of the total is positive, and these offset each other, resulting in a minus 2% figure.

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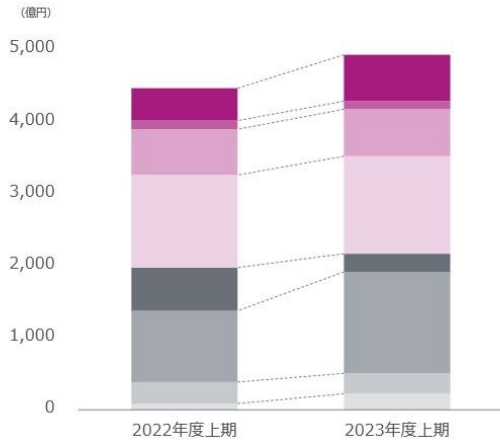
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半導体事業 (品目別) : 売上高

**4,926億円 前年同期比+10.4%**



(単位: 億円)	2022年度上期 (構成比率)	2023年度上期 (構成比率)	前年同期比
PLD	450 (10%)	642 (13%)	+43%
ASIC	119 (3%)	112 (2%)	▲6%
ASSP	636 (14%)	652 (13%)	+2%
アナログ	1,284 (29%)	1,354 (27%)	+5%
メモリー	600 (13%)	252 (5%)	▲58%
その他標準IC	989 (22%)	1,408 (29%)	+42%
電子デバイス	299 (7%)	282 (6%)	▲6%
その他	86 (2%)	224 (5%)	+162%
<b>合計</b>	<b>4,463</b>	<b>4,926</b>	<b>+10.4%</b>



Next, please.

Next is semiconductors, shown by item. Here you can see the memory in the middle, which is minus 58%, which is a big drop.

On the other hand, analog ICs, which are above the memory ICs, accounted for JPY135.4 billion, an increase of 5%, and other standard ICs, which are below the analog ICs, accounted for JPY140.8 billion, an increase of 42%, a large increase. In terms of applications, these products are used for automotive and industrial equipment and are performing well in this area.

Finally, at the bottom, the others category showed a large increase of 162%, which includes items for AI, and this category showed a large increase.

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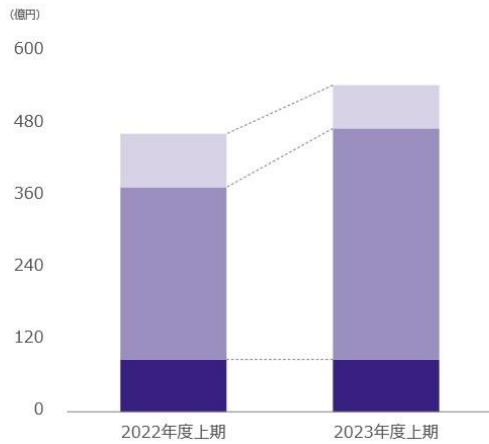
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ネットワーク事業 (品目別) : 売上高

544億円 前年同期比+17.7%



	2022年度上期 (構成比率)	2023年度上期 (構成比率)	前年同期比
(単位: 億円)			
ハードウェア	89 (19%)	72 (13%)	▲18%
ソフトウェア	287 (62%)	385 (71%)	+34%
サービス	87 (19%)	87 (16%)	+1%
<b>合計</b>	<b>463</b>	<b>544</b>	<b>+17.7%</b>



Next, please.

Finally, there is the network business. This is a trend that has been continuing for some time now, with hardware decreasing by 18% YoY, while software, mainly endpoint security, has grown significantly as the shift to SaaS continues, accounting for 34% of the total. The software category is now accounting for more than 70% of the total, and this classification is becoming increasingly meaningless.

That's all from me.

**Moderator:** Thank you. Next, President Hara will explain our medium-term management plan. Let us begin.

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## 2030年度（2031年3月期）の長期経営目標の修正

	2024年度 経営数値目標	2030年度 長期経営目標	
	2023年5月8日公表	2022年5月9日公表	2023年9月25日公表
連結売上高	1.2 兆円以上	1.3 兆円以上	<b>2.0 兆円以上</b>
連結営業利益	670 億円以上	1,000 億円以上	<b>1,500 億円以上</b>
連結営業利益率	5.6 %以上	7.5 %以上	<b>7.5 %以上</b>
連結当期純利益	500 億円以上		
連結ROE ※1	15 %以上	15.0 %以上	<b>15.0 %以上</b>
運転資本回転率 ※2	3.8 以上		

※1 連結 ROE = 連結親会社に帰属する当期純利益 ÷ 連結自己資本(純資産から非支配株主持分を除いたもの、期末時点)  
 ※2 運転資本回転率 = 年売上高 ÷ 運転資本(売上債権 + 棚卸資産 - 仕入債務、期末時点)



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**Hara:** I, Hara, will now explain the status of the medium-term management plan for FY2022 through FY2024.

First, I would like to explain the upward revision of the long-term management targets. In FY2022, the semiconductor business grew faster than expected due to the ever-expanding demand for semiconductors, market share expansion, and the impact of the weak yen on foreign exchange rates. Sales reached JPY1 trillion, and operating income exceeded JPY60 billion, achieving the initial numerical management targets for FY2022 two years ahead of schedule.

In response to this, we revised upward the numerical management targets of our medium-term management plan in May, as shown here. Based on the upward revision of the medium-term management plan, we have revised our long-term management targets for 2030 upward from consolidated net sales of JPY1.3 trillion to more than JPY2 trillion and from consolidated operating income of JPY100 billion to more than JPY150 billion, which were disclosed through the Tokyo Stock Exchange on September 25.

Together with our vision for 2030 and the realization of a service and solution company, we are committed to managing our business toward this long-term management goal.

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中期経営計画：全体

事業戦略		経営基盤強化
半導体事業	<ul style="list-style-type: none"> <li>● 成長ドメインにおけるシェア拡大</li> <li>● 付加価値ソリューションの拡大</li> <li>● 長期成長に向けた商材開拓</li> <li>● グローバル戦略</li> </ul>	<ul style="list-style-type: none"> <li>● リスクマネジメントの強化</li> <li>● IT・DX戦略</li> <li>● 人的資本の最大化</li> <li>● 財務戦略</li> </ul>
ネットワーク事業	<ul style="list-style-type: none"> <li>● セキュリティビジネスの拡大</li> <li>● Big Dataビジネスの拡大</li> <li>● アプリケーションビジネスの拡大</li> <li>● グローバル戦略</li> </ul>	
CPSソリューション事業 ※1	<ul style="list-style-type: none"> <li>● 6つのテーマにおける社会課題解決型のビジネス開発</li> <li>● CPSプラットフォームの拡大</li> <li>● 長期成長に向けたケイパビリティ強化</li> </ul>	

※1 「サービス・ソリューションモデル」は「CPSソリューション事業」に呼び方を変更しました。



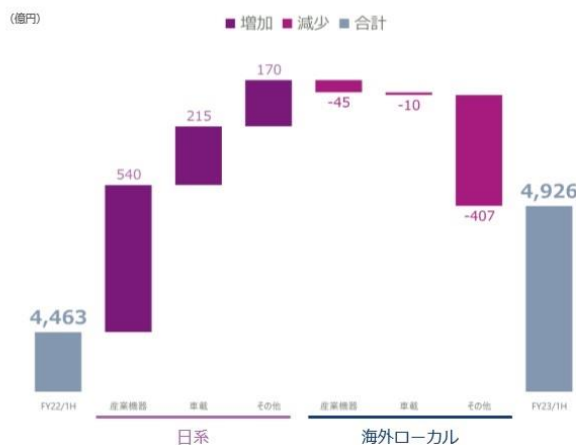
There are no changes to the business strategies in the medium-term management plan.

Our business strategy consisted of the semiconductor business, the network business, and the service and solution model. However, as I will explain later, the service and solution model has entered a growth phase, therefore the name has been changed to CPS solution business.

Toward the year 2030, we will strengthen our management foundation as well as our business strategy in order to create a strong company that has both social and economic value.

成長要因

前年同期比462億円増 (+10.4%) 日系企業向け産業機器・車載市場が成長



日系企業向け

- 産業機器：FA機器/半導体製造装置など幅広い分野で増加
- 車載：高性能化・EV化を背景に増加
- その他：生成AI向け製品の増加

海外ローカル企業向け

- 産業機器：中国市場減速の影響を受けFA機器など減少
- 車載：半導体納期改善による在庫調整
- その他：サーバー向けメモリー需要減少の影響を受けマイナス成長

全体への影響

- 円安による為替影響
- 商圏拡大



Next, I will explain the situation of the semiconductor business.

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I would like to explain the factors behind the YoY growth. Strong performance in the industrial equipment and automotive markets for Japanese-affiliated companies offset negative growth overseas, resulting in overall growth of 10.4%, or JPY46.2 billion.

In the industrial equipment market for Japanese-affiliated companies, sales of factory automation equipment for manufacturing DX and for semiconductor manufacturing equipment continued for the reasons including investment in semiconductor factories accelerated under the initiative of governments in various countries.

In the automotive market, demand is increasing for semiconductors as they are used in a variety of applications including EVs, automation, advanced control, and infotainment functions for a comfortable cabin space.

Sales of products for generative AI also increased due to the Ministry of Economy, Trade and Industry’s move to provide subsidies with a view to accelerating the development of generative AI.

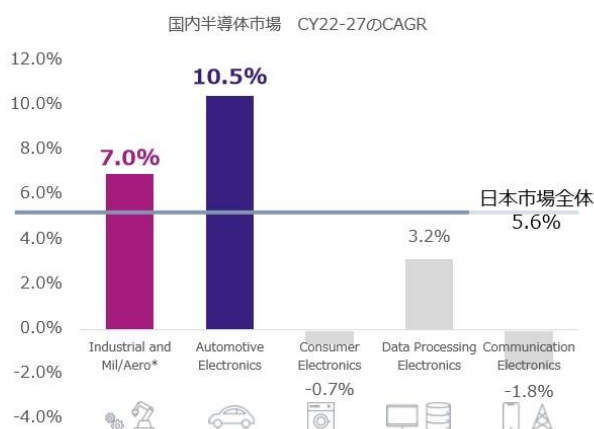
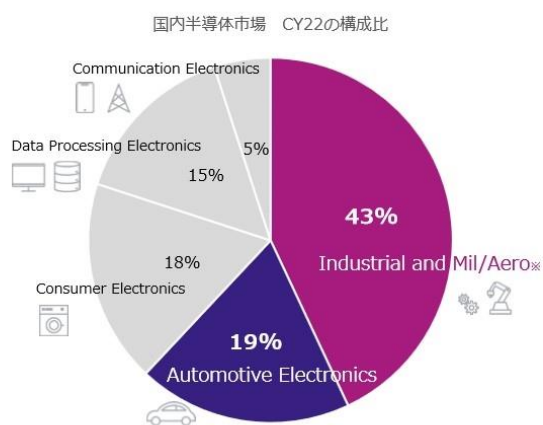
In the local overseas corporate market, the market was negative YoY due to the slowdown in the Chinese market, and was particularly affected by the slowdown in demand for memory for these servers.

As for the overall impact, the semiconductor delivery schedule issue has begun to calm down, and the backlog of orders that had been behind schedule is now being filled. In addition, compared to H1 of last year, the yen has weakened and new commercial distribution channels have been acquired, contributing to the increase in sales.

02. 中期経営計画 | 全社 | **半導体事業** | ネットワーク事業 | CPSソリューション事業 | 経営基盤強化

国内戦略市場（産業機器、車載市場）の状況

産業機器、車載市場が国内半導体市場をけん引



Charts/graphics created by Macnica based on Gartner® research. Calculations performed by Macnica. Revenue Basis ※ Industrial and Military/Civil Aerospace Electronics Source : Gartner® Semiconductors and Electronics Forecast Database, Worldwide, 3Q23 Update, Masatsune Yamaji et al, 4 October 2023 GARTNER is a trademark and service marks of Gartner, Inc. and/or its affiliates and are used herein with permission.



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Here is a chart about the Japanese semiconductor market, showing demand and its growth by market. This pie chart on the left shows the composition of each market. As you can see, industrial equipment accounts for 43%, automotive 19%, and a combined 62%, which is a large share.

In the global market, the communication market, such as smartphones and communication infrastructure equipment, and the data processing market, such as PCs and servers, account for a very large share of the

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market, but in the Japanese market, industrial equipment and automotive equipment account for a large share.

The bar graph on the right shows the five-year average annual growth rate from 2022 to 2027 for each market. While the CAGR for the Japanese market as a whole is 5.6%, industrial equipment is driving market growth at 7% and automotive at 10.5%.

As I mentioned earlier, the industrial equipment market is expected to see long-term demand for semiconductor production equipment as governments around the world invest in semiconductor plants to secure semiconductors in the future. In addition, capital investment in factory automation and machine tools for manufacturing DX is also expected.

In the in-vehicle market, the number of semiconductors installed per vehicle is expected to increase as a result of the accelerating trend toward safety improvements such as ADAS, advanced control systems for automation, and EVs for decarbonization.

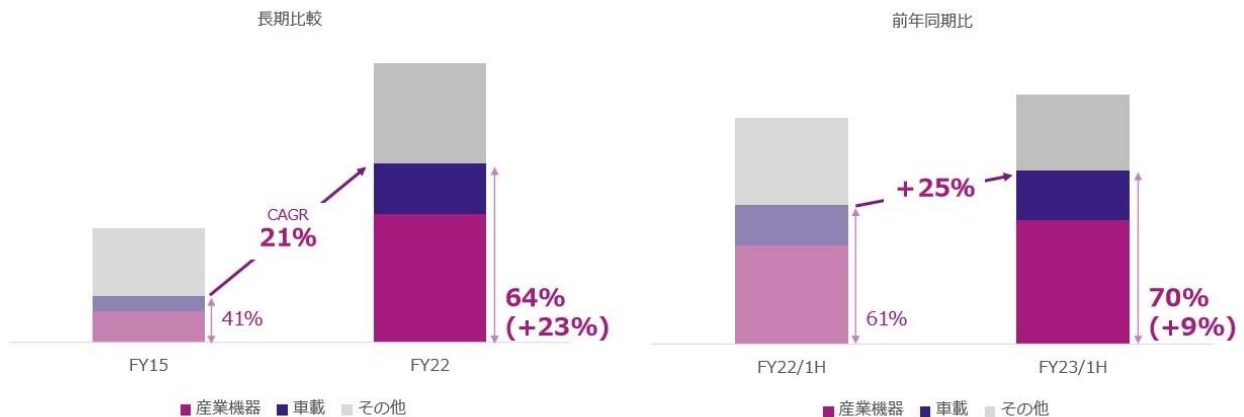
We therefore expect that these two markets, which we have identified as strategic markets, will continue to grow in the future.

02. 中期経営計画

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 [半導体事業](#) | 
 [ネットワーク事業](#) | 
 [GPSソリューション事業](#) | 
 [経営基盤強化](#)

産業機器・車載市場への注力（当社売上）

注力市場である産機・車載市場で売上の70%を占める



This chart shows our sales growth in these two strategic markets.

The long-term comparison on the left shows a growth from 41% of the composition in FY2015 to 64% in FY2022, with a very high average annual growth rate of 21%. By focusing on this industrial equipment and automotive market from a long-term perspective, we have steadily built up a track record.

Compared to H1 of last year, H1 of the year on the right shows a 25% growth in sales and a further increase in the composition of sales from 61% to 70%.

As I explained earlier, the semiconductor market is still a growing market, and we believe that the industrial equipment and automotive markets in particular are expected to continue to grow.

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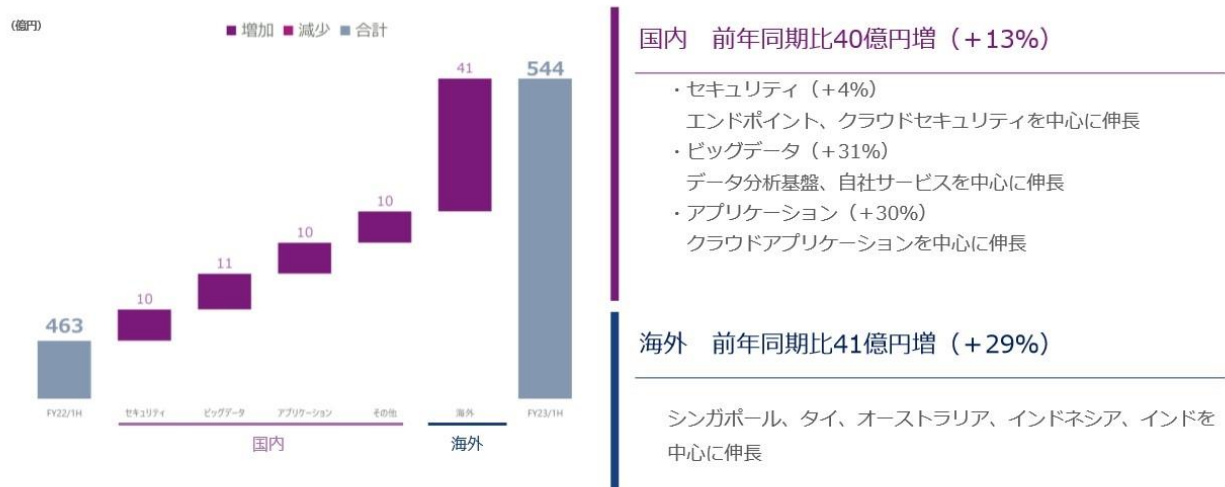


The industrial equipment market has a particularly broad customer base and is a market that is difficult for supplier semiconductor manufacturers to cover directly, and I believe this is a market where a technology trading company such as ours can demonstrate our presence. In addition, since the market has relatively high profit margins, we intend to achieve sustainable growth while steadily increasing our customer base by focusing on these two growth markets, both in the industrial equipment and automotive markets.

02. 中期経営計画 | 全社 | 半導体事業 | **ネットワーク事業** | CPSソリューション事業 | 経営基盤強化

成長要因

前年同期比81億円増 (+18%)、全てのフォーカスエリアで成長



Next, I will explain the status of the network business.

First, the growth factors compared to the same period last year were growth both in Japan and overseas, with overall growth of 18% or JPY8.1 billion. The domestic network business grew by 13% YoY, or JPY4 billion.

In domestic security, endpoint security, which continues to perform well, grew 38%, and cloud security, for which efforts have been stepped up, grew 28%, while gateway security was minus 25%, resulting in an overall growth of 4% or JPY1 billion.

In domestic big data, growth of 31%, or JPY1.1 billion, was driven by continued strong sales of data analysis platform products as well as growth in in-house services supporting intra-company DX and data utilization.

Applications grew by 30%, or JPY1 billion, with growth in cloud products.

The overseas network business grew by 29% YoY, or JPY4.1 billion.

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## セキュリティビジネスの成長戦略

### 既存市場、新市場ともに成長



※「富士キメラ総研『2022ネットワークセキュリティビジネス調査総覧』<セキュリティサービス市場>、<セキュリティ製品市場>について」より。(SAMは当社算出)



MACNICA HOLDINGS, Inc. | 19

As usual, we will explain our growth strategy for the security business in light of market data from Fuji Chimera Research Institute.

The first is our focus market, which is our existing target market. Last fiscal year, we had sales of about JPY50 billion and secured a market share of about 20%. In this area, endpoint security performed well, growing 8% YoY.

The second is the expansion of the target market. Last year, we had sales of JPY700 million and secured a 50% share of the market, but security measures for cloud computing, called CSPM, performed well and grew 115% YoY.

Third is the enhancement of security services, and this area has grown by 12% YoY due to steady orders for ASM, Attack Surface Management, a countermeasure against cyber-attacks that use overseas subsidiaries and other locations as intrusion routes, as well as for integrated monitoring services.

As for the fourth, it is the commercialization of CPS security, which is security for OT and IoT environments. Although the market is still in its infancy, we are developing solutions as a long-term growth market. IoT and OT device management products were introduced and grew 91% YoY.

Fifth, regarding overseas markets, I will explain more in detail later.

### Support

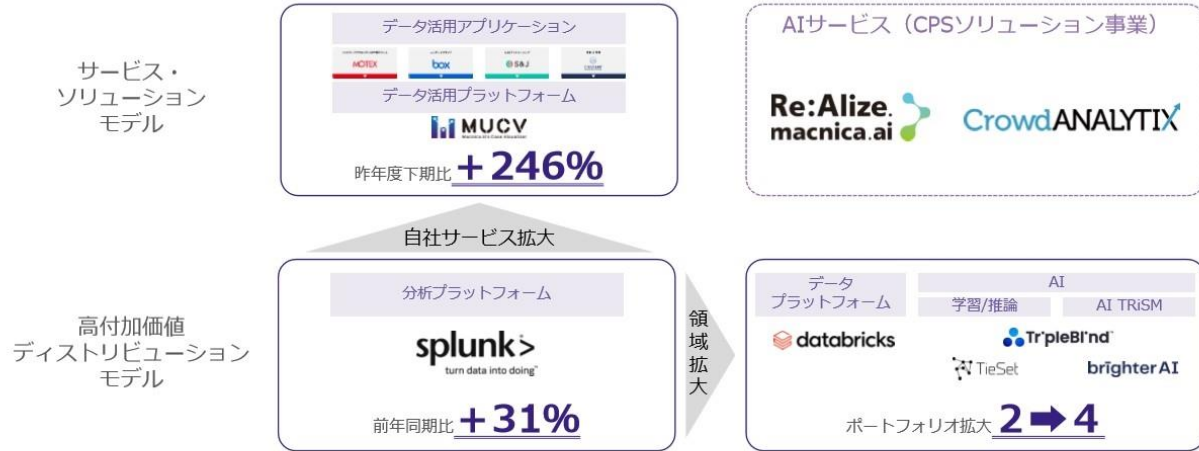
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Big Dataの領域拡大と自社サービス化

ディストリビューションの領域拡大と自社サービスの拡大



Next, we will explain the Big Data area.

The core business in Big Data, the analytics platform and Splunk high-value-added distribution, continued to perform well, growing 31% YoY. In the high value-added distribution model, which has been our forte, we are expanding our domain.

That is the bottom right part, but with AI, especially generative AI, attracting a great deal of attention, we are focusing on data platforms, software and services related to AI learning and inference, and areas called AI Trust, Risk and Security or AI TRiSM, for reliability, fairness, effectiveness, privacy and data protection in the use of AI. We are expanding our portfolio.

From this fiscal year, we have started to sell a solution called Federated Learning in Edge Computing that protects privacy and lowers costs, and a confidential computing solution that enables secure use of sensitive data including personal and medical information in compliance with the latest regulations such as Japan’s Personal Information Protection Law and the EU’s General Data Protection Regulation.

As for our own services, as already announced in the upper left-hand corner, our self-developed data utilization platform and applications on it have been launched smoothly and have grown by 246% compared to H2 of last year.

As for AI-related in-house services shown in the upper right corner, we continue to evaluate the AI execution platform called Re:Alize and the solutions of CrowdANALYTIX, our AI subsidiary in India, as part of our CPS solution business, and are working together across divisions to effectively promote the business.

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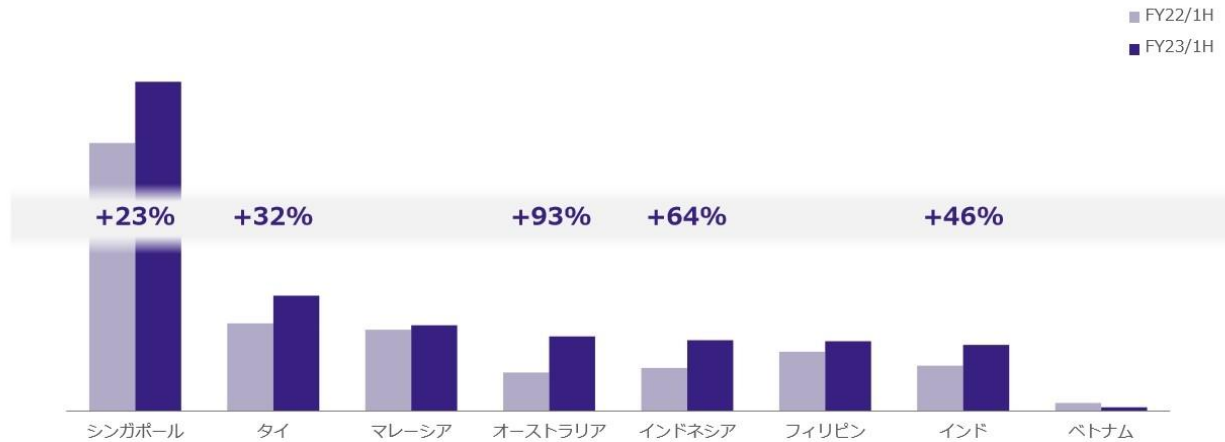
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## 海外ネットワーク事業

前年同期比41億円増（+29%）、シンガポール、タイ、オーストラリア、インドネシア、インドが成長



■ FY22/1H

■ FY23/1H

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※ %表記は前年同期比。

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The overseas network business, I repeat, grew by 29%, or JPY4.1 billion. By country, Singapore, Thailand, Australia, Indonesia, and India have seen significant growth.

The main products common to the Netpoleon Group of wholly owned subsidiaries, network security, ID management, and encryption key management, as well as individual country-specific main products tailored to the maturity of each country's market, are the main growth drivers.

With regard to the acquisition agreement with CyberKnight of Dubai, UAE, announced in March, MACNICA HOLDINGS and Netpoleon are working on the commonization of supplier lines, and will continue to expand their market shares in each region based on strong relationships with suppliers.

## Support

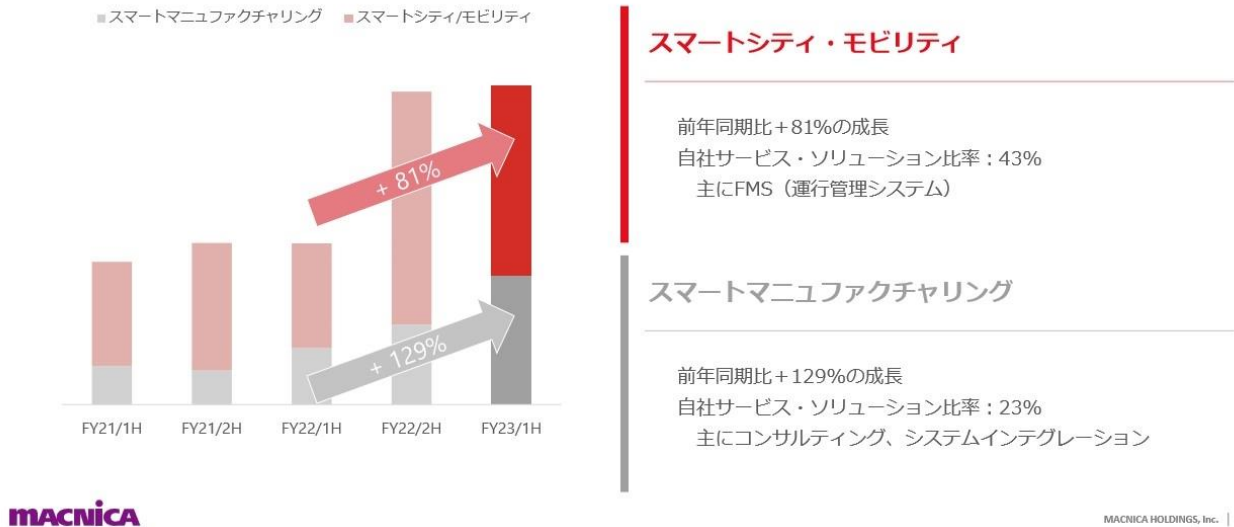
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先行しているCPSソリューション事業

スマートシティ・モビリティとスマートマニュファクチャリングは成長フェーズへ



Next, I will explain the CPS solution business. As we mentioned earlier, this is what we used to call the service and solution model.

The CPS solutions business consists of six themes: smart city/mobility, smart manufacturing, circular economy, healthcare, food agri-tech, and CPS security.

Among these, smart city mobility and smart manufacturing have been launched ahead of the others and are now entering a growth phase.

Smart mobility grew 81% YoY.

Although the focus of attention tends to be on sales of NAVYA, the self-driving EV bus that we have been announcing for some time, our own services and solutions account for a very high 43% of our sales. Our main in-house service and solution is a fleet management system called FMS, which is a solution we provide mainly to public transportation operators.

Smart manufacturing grew 129% YoY.

In this H1, SIEMENS software sales were strong, and the ratio of in-house services and solutions to sales was a little low at 23%, but the bundle ratio of in-house services and solutions is almost 100%, which includes upstream consulting for software sales and downstream system integration are the main components.

This means that the business model is based on software sales followed by system integration sales.

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自動運転バスNAVYAの国内の広がり

RoAD to the L4をビジネスドライバに定常運行に向けて市場が加速

RoAD to the L4

2025年度までに50カ所程度で自動運転移動サービスを実現し、2027年度には本格普及を目指す。

定常運行

4件

実証運行

26件

- 定常運行
- 実証実験



Now, I will explain the status of autonomous driving EV bus and our smart city/mobility business, which had entered a growth phase.

The growth of the market is accelerating as RoAD to the L4 project, which is led by Ministry of Economy, Trade and Industry or METI in collaboration with Ministry of Land, Infrastructure, Transport and Tourism or MLIT, targets to achieve self-driving mobility services in 50 locations and MLIT's subsidies for self-driving vehicle demonstration experiments.

We have already conducted 26 demonstration tests of automated driving and have moved to in-operation status in four cases.

For future growth, we recently announced a partnership with NTT West. Through NTT West's sales activities for local governments and engineering support for introducing automated driving, we hope to strengthen sales of NAVYA automated EV buses and our own services and solutions, such as operation management systems and remote mobility management systems.

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## 最先端の技術

## ペロブスカイト太陽電池の実用化へ向けた連携・実証を加速

ペロブスカイト  
太陽電池

桐蔭横浜大学 医用工学部, 大学院工学研究科 宮坂 力 特任教授が発明  
高い変換効率・軽量・薄い・曲げられる・印刷技術で量産可能



## 技術連携コンソーシアム

- 宮坂教授を中心とした技術連携コンソーシアムを発足
- 2024年春をめどに試作品開発
- 3年以内の事業化を目指す
- 参画企業  
ベクセル・テクノロジーズ  
マクニカ  
麗光  
MORESCO

## 環境省実証事業

- 港湾などの苛烈環境下におけるペロブスカイト太陽電池の活用に関する技術開発が採択<sup>※1</sup>
- 代表事業者  
マクニカ
- 共同実施者  
ベクセル・テクノロジーズ  
麗光

## 東京都実証事業

- ペロブスカイト太陽電池を用いた空気質モニタリングソリューションの実証事業
- 空気質モニタリングソリューション“AiryQconnect”の省電力化
- 株式会社エネコートテクノロジーのペロブスカイト太陽電池を採用

※1 令和5年度地域共創・セクター横断型カーボンニュートラル 技術開発・実証事業の二次公募で採択。



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In the area of circular economy solutions, we are accelerating collaboration and verification tests for the practical application of perovskite solar cells, which are considered to be a major next-generation solar cell.

Perovskite solar cells weigh one-hundredth of conventional solar panels. And because it is light, thin, flexible, and can be applied, and because it can generate power even with low light levels, it is a cutting-edge technology that will change the concept of power generation in ways never before seen, such as on urban building walls, in curved areas, and indoors, and by using clothing to generate power.

Led by the inventor, Professor Miyasaka, a consortium has been established with Peccell Technologies and others, of which Professor Miyasaka himself is a representative director, to collaborate on technology for production in Japan. We will develop a prototype by the spring of 2024 and aim to commercialize it within three years.

In addition, the Ministry of the Environment selected MHI as a representative company for a demonstration experiment to develop technology for the use of perovskite solar cells in harsh environments such as ports. We will use a portion of the Yokohama Grand Pier in the Minato-Mirai district of Yokohama City to demonstrate practical durability under a variety of conditions, including under harsh conditions such as salt damage, on wavy roofs, and in shapes with larger areas, taking advantage of the characteristics facing the port.

This project aims to bring a product to market within three years, and the members of the Technology Collaboration Consortium will serve as joint implementers.

Meanwhile, the Tokyo Metropolitan Government has begun demonstration tests of air quality monitoring solutions using perovskite solar cells.

This is a demonstration of our air quality monitoring solution, AiryQconnect, which is thoroughly energy-saving and uses perovskite solar cells from EneCoat Technologies, a Kyoto University startup, to ensure independent power supply, freedom of installation location, and low environmental impact with no need for battery replacement. This is a demonstration of air quality observation.

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These projects are to be at the forefront of change, to explore the skills and knowledge that lie beyond the cutting edge, to envision the future, and to create the now. We have also introduced it in the sense that it is a typical example of our purpose.

## 02. 中期経営計画

[全社](#) | 
 [半導体事業](#) | 
 [ネットワーク事業](#) | 
 [CPSソリューション事業](#) | 
 **経営基盤強化**

### 人的資本の最大化

#### 組織診断・コアバリュー診断と継続的な各部門での改善取り組み

##### 組織診断



##### コアバリュー診断



##### 受賞

Career Ownership Management Award 2023

##### 5位

「新卒社員が評価する  
『チームワークに優れた日系大手企業』ランキング」※1

##### 19位

「管理職が推す企業ランキング」※2

※1 オープンワーク株式会社 働きがい研究所調査レポートvol.113より。  
 ※2 「日経ビジネス」電子版2023年10月10日掲載。  
 【特集】管理職 罰ゲーム 管理職が推す企業ランキング 1位は伊藤忠、2位は...  
<https://business.nikkei.com/atcl/gen/19/00583/100300003/>  
 算出方法の詳細は上記WEBサイトをご確認ください。

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Finally, I will explain how we are strengthening our management base.

We have made various efforts to maximize human capital. One of these is the annual organizational assessment that we have conducted since 2013. The survey is conducted by an external research organization to determine how employees feel about nine major categories, including management, communication, human resource development, skills, and motivation.

Since 2014, we have added an organizational diagnosis to our survey to determine the degree to which our core value, TEAMS, has penetrated our employees. Not only did we conduct the survey, but we also provided feedback on the survey results to each department after ensuring that privacy was protected. Based on the results, each department has developed and implemented measures to further develop its strong points and cover up its weak points.

As a result, the overall score on the organizational diagnosis increased from an initial 4.15 to 4.36, and the penetration of core values increased from 4.34 to 4.47.

In May, we received the Career Ownership Management Award for Excellence, and recently, we were ranked fifth in Open Work's ranking of Major Japanese Companies with Excellent Teamwork by new graduates, and 19th in Nikkei Business's ranking of Companies Recommended by Managers. Our efforts to maximize human capital are gradually gaining recognition, and we are making steady progress.

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## IR活動の強化

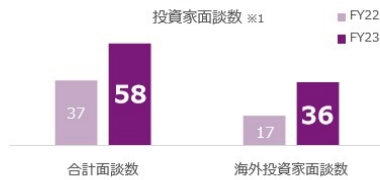
## 初の統合報告書発行・投資家面談の強化

## 指数への組み込み

JPXプライム150指数  
 JPX日経インデックス400  
 TOPIX 500  
 FTSE All-World Index

## 機関投資家との面談

新規・海外投資家との面談を強化  
 海外投資家ロードショー（予定）



MACNICA

## ディスクロージャー

初の統合報告書 “LIMITLESS 2023”を発行  
 統合報告書 ([リンク](#))  
 日本語版 発行済  
 英語版 11月中旬発行（予定）  
 統合報告書説明会 ([リンク](#))  
 スポンサーリサーチ ([リンク](#))  
 決算説明会・IRイベントの全文書き起こし ([リンク](#))  
 日本語版 実施済  
 英語版 本決算発表より実施（予定）  
 IRウェブページの更改（予定）

※1 機関投資家/バイサイドのみ、第1四半期決算発表後～沈黙期間までに実施した面談を集計

MACNICA HOLDINGS, Inc. | 28

IR activities are also being intensified with emphasis.

Our recent performance has led to our inclusion in many indices. As noted, these include the JPX Prime 150 Index, the JPX Nikkei Index 400, and the TOPIX 500, which will be replaced tomorrow, and the FTSE ALL-World, a benchmark index for global investors.

As a result, many investors became aware of our company, and we received many opportunities to meet with them.

The number of new investor interviews after the end of Q1 was extremely high, especially with overseas investors, which more than doubled compared to the same period last year, accounting for 60% of the total number of interviews. I personally participate in almost all new interviews to the extent possible, explaining our strengths and features, and listening to the opinions of investors.

In September, we published our first integrated report, LIMITLESS 2023. This integrated report will be an easy-to-understand and comprehensive description of our value creation scenario and strengths. Since it was the first time and there were many pages, to make the points easier to understand, we held a live YouTube streaming of the integrated report briefing on October 5.

This video of the presentation is also linked on our website, so we hope that all of you will take the time to view it before reading the report.

In addition to what I have just explained, we are also implementing various other measures to help investors better understand our company, as described to the right. We will continue to strive to further enhance our corporate value through dialogue with investors.

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サステナビリティ経営の推進

サステナブルな成長基盤の更なる強化



Our sustainability initiatives are explained next.

Within the ESG framework, we have formulated policies in each of these categories and are developing business activities based on these policies. With regard to the environment, we are taking steps to reduce climate change in accordance with our Environmental VISION and Environmental Policy and are disclosing our environmental information in the TCFD framework.

In the process, we implemented measures such as switching 100% of the electricity at our headquarters building to renewable energy and were able to receive certification from Kanagawa Prefecture as Aqua de Power Kanagawa.

In addition, social has formulated a human rights policy and a health management declaration. We will continue to work to make these policies known to all of our stakeholders.

On the governance front, we are focusing on group-wide risk management. We will implement a process at the management level to visualize risks for the entire group, including overseas subsidiaries, and monitor them by taking measures to deal with them.

We also continue to strengthen our financial and IT infrastructures, which are critical to our corporate activities. In terms of financing, the Company focuses on hedging foreign exchange risks by using foreign exchange forward contracts.

In addition, by managing and utilizing cash on a global basis, the Group is strengthening optimal control of borrowing throughout the Group.

We are always conscious of the working capital turnover ratio of 3.8, which is an important KPI in the current medium-term management plan and are making optimum use of liquidation of receivables and thorough management of appropriate inventories.

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As for IT, we received the CRM Best Practices Award for CRM, which is part of the core system that went live last year. This award is judged by the CRM Council, a general incorporated association, and is given in recognition of cases that serve as models for the use of CRM.

We are considering further optimization through process mining in the future, which I will discuss on the next page.

02. 中期経営計画 | 全社 | 半導体事業 | ネットワーク事業 | CPSソリューション事業 | **経営基盤強化**

**IT基盤強化**

**更なる効率化に向けたプロセスマイニングの導入**

	テーマ	施策	ステータス
<b>変革</b>			
価値創造	顧客接点の強化	CRM活用促進	新規案件獲得率向上
		顧客向け情報一元化	50%展開済
		プロセスマイニング (営業)	FY23下期導入開始 (予定)
<b>成長</b>			
収益性向上	在庫管理の高度化	SCM活用促進	需要予測精度±10%以内
		RPA等導入	累計1万時間以上の自動化
		プロセスマイニング (オペレーション)	FY23下期導入開始 (予定)
<b>基盤</b>			
変革・成長基盤	IT施策企画・実行力の強化	組織体制強化	採用強化を継続
	ITリスク対応力の強化	セキュリティ対策・運用体制強化	FY23下期ゼロトラストセキュリティ導入開始 (予定)



Here is an overall picture of the striking moves involved in IT. IT plays a role in supporting business transformation and growth, as well as serving as the foundation for business operations.

To support the transformation, we are strengthening our customer contact points. As we mentioned earlier, by using CRM and by centralizing data, we can instantly get a bird's eye view of customer information and respond to customers much faster. In the future, we will continue to use process mining to visualize the sales process and will strive to further improve the quality and quantity of customer service to make it useful.

For IT to support growth, we will implement SCM to forecast customer demand on an AI basis, and automatically incorporate these forecasts into order planning. The important thing here is the accuracy of the forecast, and we have been able to forecast demand with a fairly high degree of accuracy by utilizing our vast amount of transaction data from the past.

Also, we have been able to automate everything from this demand forecasting to the creation of sales plans. The plan is to automate ordering from suppliers in the future. In addition, in order to further improve operational efficiency, process mining will be conducted with respect to operations in order to equalize and automate operations.

It is important to strengthen the foundation, and cyber security measures are very important. We have introduced the world's most advanced security products in the past, and we will further strengthen the global security level by applying the Zero Trust Network to the entire group, while utilizing these products.

Since these IT measures are critical to our future growth, we will continue to strengthen our efforts.

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That's all for now, we are pleased to host MACNICA Exponential Technology again this year.

We hope to have conversations with our splendid guests, introduce cutting-edge technologies, and involve our customers and partners in MACNICA HOLDINGS's purposes to exponentially accelerate the expansion of our business and the solution of social issues.

Investors are also welcome to attend. We hope that all interested parties will register and join us.

Thank you very much for your kind attention.

**Moderator:** Thank you.

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## Question & Answer

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**Moderator [M]:** We will now move on to the question-and-answer session.

Questions from the audience will be given first priority. If you have any questions, please raise your hand and state your affiliation and name before asking your question. If you are participating via the web, please enter your message in the message box at the bottom right of the screen.

We will first take questions from the venue. Are there any?

The second row from the front in the center. Please go ahead.

**Yoshino [Q]:** Thank you for your explanation. My name is Yoshino from Toyo Keizai. Let me ask you two questions.

First, regarding the outlook for the future, I believe that the profit margin is expected to decline slightly in H2 of the year. However, looking at the outlook for semiconductors and networks, it seems that networks, which have relatively higher profit margins, will have a larger growth rate, so I thought that if we simply thought about it, profit margins would increase. Please provide additional information on your thinking on the numbers, and whether any risks have been factored in for H2 of the year. This is the first point.

**Hara [A]:** Thank you very much.

In the semiconductor business, our original plan called for a recovery in H2 of the year, including the economic recovery in China, and in the midst of various trade frictions between the US and China, we had a memory business for data centers, which we are particularly focused on, and we expected that this business would start to recover from around the end of the year, and had prepared a plan for it.

Since it is still very difficult to predict the outlook for this area, we have decided to leave the recently revised plan unchanged.

Since it is very difficult to see the situation in this area, we have set our forecasts in this manner. We expect to see some movement in Q3, so if there are any changes in the plan, we would like to revise it accordingly.

**Yoshino [Q]:** Thank you for the details.

My other question is a detailed one, but in the section related to the mid-term plan, as an explanation of the network business, I think you mentioned that you are increasing market share through sales tailored to the maturity level of each country's individual situation. I think it would be interesting to see how it relates to strategies for corporate acquisition, but I would appreciate it if you could give me some concrete examples of how problems occur differently in Japan than in other countries. Thank you.

**Hara [A]:** This may sound a bit conceptual, but I think that compared to the level of maturity of customers in Japan in cyber security measures, the ASEAN region that I have explained this time is probably two or three years behind, and conversely, the situation will be similar to Japan in about two years' time.

Therefore, in these areas, Japan is currently experiencing a situation similar to what we experienced about two years ago, and if we can provide this success in Japan, including knowledge, to the ASEAN region, I believe the region will stand firm.

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Beyond that, there is CyberKnight in the Middle East, which we recently announced an M&A agreement with, and its maturity level is expected to rise again in two years' time. We believe that the level of maturity will gradually approach that of Japan, Europe, and the US.

**Yoshino [Q]:** I think that because there are countries with high and low maturity of security measures, it is possible to take advantage of the difference between the countries with advanced security measures and those with low maturity, so it is easier to increase the rate of growth in the countries that come after. Is this correct?

**Hara [A]:** Yes, we will be able to provide solutions that we have been working on to some extent with a higher level of experience. In Japan, for example, we are not only distributing cyber security software, but also creating original platforms and solutions to solve individual customer issues.

We will be able to offer these products to the ASEAN region once they have been completed to a higher degree of perfection. I think it will be possible to support profitable models at an early stage.

**Yoshino [M]:** Thank you very much.

**Moderator [M]:** Thank you. Are there any other questions?

Then the person in the front left. Please go ahead.

**Nakayama [Q]:** Thank you. This is Nakayama from Daiwa Asset Management. Let me ask you a few questions as well.

The first thing I wanted to ask you is that the situation in the external environment is becoming much more suspicious. In particular, companies that have been strong in the industrial equipment field and have performed well in the past have recently seen poor performance, including several FA manufacturers, and appear to be starting to lose their footing.

Looking again at your company's Q2 results by sector, there were some sectors where Q1 results were also a little difficult, but the momentum in all sectors deteriorated a little, and the same is true for industrial equipment. We would like to know your company's view of the current situation by sector.

However, on the other hand, we understand that your company's high competitiveness is one of your weapons and that there are areas where you can grow by adding to the market your own individual factors, including the transfer of commercial distribution. I would appreciate it if you could introduce any such efforts to overcome the external factors from here. This is my first question.

**Hara [A]:** Thank you very much. As you can see from Q1 and Q2 figures, industrial equipment sales are down. However, as I explained in the announcement of Q1 results, the reason for this is that the order backlog, which had been delayed in delivery, was pulled in very quickly, and sales that were originally expected in Q2 were received in Q1. I think it would be more accurate to divide the total of H1 by two.

However, as Mr. Nakayama mentioned, as far as we have seen in the earnings announcements of various companies, it is difficult to see demand, especially from China. We also feel that the situation is not optimistic for H2 of the year.

In response to this, as I have mentioned in the past, we have been pursuing a strategy to increase our market share and have been developing new suppliers to increase our market share in the automotive and industrial machinery markets.

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The general idea is to cover the slight decline in the industrial equipment and automotive markets with an additional market share. That is the type of situation we are considering for this fiscal year.

So, although there are various situations in each segment, the situation in the industrial machinery and automotive sectors is such that we can only hope that China's economy will recover as quickly as possible.

On the other hand, as for the next fiscal year, data on semiconductors still shows growth, so we are hoping to somehow make a strong showing in H2 of this fiscal year and hold out for the next fiscal year by expanding our business area.

**Nakayama [Q]:** I understand. Thank you.

May I ask one point, for a follow-up. Automotive is probably okay, but I'd like to ask about the industrial equipment area. You mentioned earlier about expanding the trade area.

On one hand, the external environment is deteriorating a bit, and you have given us a hint that you will offset the external environment by expanding your trading area. Is it correct to imagine that the sales momentum of your company's industrial equipment will, in a sense, maintain the level of this Q2 in H2 and jump up toward the next term?

Is it correct to understand that it is quite difficult to maintain the momentum of the industrial machinery with only this commercial area transfer, since it is exactly at the stage where it is still getting worse? I would appreciate it if you could add to this point as well.

**Hara [A]:** It is a very difficult situation, but if you look at the plan, I think that if we manage to endure at roughly the same pace as in Q2, we will be able to realize this plan. I think we can realize our full-year plan, so that is what we are thinking about. However, the external environment in this area is really changing from moment to moment, so I can't say too clearly.

On the other hand, there are reports that machine tools in North America are returning to normal, so it is difficult to say what the situation is, but we are hoping to maintain this level of demand.

On the other hand, there is still a large backlog of orders, so I believe that to some extent we can make calculations in this sense.

**Nakayama [Q]:** I understand. Thank you.

My second question is about the profit of Q2 of the network business. Network sales are growing. When we looked at the contents of network, the shift to software rather than hardware has been gradually occurring due to the shift to cloud computing, and the increase in software was partially offset by the decrease in hardware, so the growth rate of the network had been a little sluggish. But I think the financial results showed that the situation has cleared up a little.

On the other hand, looking at the profit, the profit of the network business in Q1 and Q2 looks quite different, so I would like to ask for additional information on how this should be interpreted.

**Hara [A]:** As I mentioned last time, the network is negatively affected by the depreciation of the yen, and we took various measures last year to reduce the impact of the depreciation by setting prices linked to the ongoing exchange rate, and I think these measures are gradually taking effect.

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On the other hand, the yen has been rapidly weakening again, and this has had a slight impact. Another thing is that there were some major spot projects in Q1 and Q2, and I think this is the reason why the overall profit margin is declining.

Also, in terms of operating income, we are in the phase of making up-front investments while continuing to secure personnel for future expansion, so these are the results we are seeing now. In the next mid-term plan and the long term after that, I believe that we will be able to aim for the traditional operating margin of network cybersecurity and revive it, and we will take firm action in that direction.

**Nakayama [Q]:** Thank you very much.

One last point. This is about the new CPS solution business. It is my understanding that upfront investment has been a drag on overall profits, and this year was the period to turn around there.

In the earlier presentation, what are the profits from this CPS? I think that sales are close to what you envisioned, but it is a little difficult to see how profits are progressing in relation to what you originally envisioned and how this will lead to the next fiscal year and beyond. Please give us an update here.

**Hara [A]:** For the current fiscal year, we are looking at JPY9 billion in sales. We are still a little behind in this area, but we are getting some forecasts that are somewhat close.

Although operating income is expected to improve considerably, it is not yet up to the break-even, and we make the break-even in the final year of the medium-term plan, which is next fiscal year.

Profits are also improving, GP is rising, and as I mentioned earlier, the ratio of services and solutions is increasing, as is the ratio of recurring revenue, so profits and GP are rising in tandem with sales in this sense.

We are also considering various investments for the future, such as the acquisition of various dynamic capabilities, or the acquisition of new capabilities.

There is a certain timing involved in this area of investment, so we need to take advantage of this timing to make effective investments over the long term. It is still difficult to see how the breakthrough in OP and operating income will be for the current and next fiscal years.

However, gross profit above operating income is expanding steadily, just as sales are, so we will take this into consideration as we work to achieve our goals.

**Nakayama [Q]:** Thank you very much.

I also understand, as you also explained earlier, that CPS will be quite vital for the next mid-term plan. However, it is not possible to read from the current disclosure that the GP ratio is improving, which is a good response to the sales alone, from this presentation. I would appreciate it if you could carefully disclose how the CPS is progressing with an eye to the next mid-term plan.

**Hara [A]:** Yes. Thank you.

**Moderator [M]:** Thank you very much. Are there any other questions?

Then the person in the fourth row from the front. Please wait a moment. Thank you.

**Shiromoto [Q]:** My name is Shiromoto from [inaudible].

I'm afraid this is a bit basic, and may be a bit detailed, but I have two points.

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This is the first point. You mentioned that sales of other products have been growing quite a bit, and there were items related to generative AI. First of all, I would like to know the definition of these AI-related items, i.e., are they only NVIDIA's chips or do they also include HBM memory? If NVIDIA's new chips or other manufacturers are going to launch products related to generative AI in the future, could you tell us about the business opportunities for your company in this area?

**Hara [A]:** The other items here include boards, so-called embedded items, and so on. As you know, other products include NVIDIA's GPU boards for generative AI, and GPU servers, I guess you would call them. That's roughly where the majority of the situation is, and we are expanding in that area.

How far the demand will go depends on the needs of Japanese customers in terms of how they will utilize AI internally, but I believe that about JPY20 billion of the demand is for NVIDIA, so I think the pace will go up at least that much.

**Shiromoto [Q]:** Thank you very much.

Sorry, what about JPY20 billion worth of NVIDIA?

**Hara [A]:** JPY20 billion in H1 of the year was GPU boards and GPU servers.

**Shiromoto [Q]:** Understood, thank you very much.

I have a follow-up question around other businesses. On the other hand, looking at the gross profit margin from Q1 to Q2, the GPU ratio for other businesses dropped from 19.4% to 13%, is there any reason for this?

**Hara [A]:** The profit margin of GPU servers is that kind of profit margin.

**Shiromoto [M]:** I see.

**Hara [A]:** The profit margin on servers and boards alone is not that high, but we are trying to add value by turning them into services and solutions, and also by providing construction services. That side is going to go up firmly, but that's the way it is when you look at it as a stand-alone product.

**Shiromoto [Q]:** Understood, thank you very much.

Secondly, I know this is a bit detailed and I don't want to get into too much detail, but in the integrated circuits sub-segment, ASIC, ASSP, and analog sales were each down YoY in Q2 alone. What are the reasons for this and what are your future prospects? That's all from me.

**Hara [M]:** Are you talking about Q1 and Q2 growth rates of ASIC, ASSP, and analog? Or the YoY comparisons?

**Shiromoto [Q]:** YoY please. About the minus 38%, minus 2.9% and minus 6.8% compared to the previous year.

**Hara [A]:** I see. Please wait a moment.

As for ASICs and ASSPs, since the target market is basically for telecommunication infrastructure and other such elements, I think that the YoY sales are down due to the current decline in those areas. I think this area will be very much linked to market factors.

As for analog, there were some direct sales by certain suppliers, which may have had some impact, but I think this is also a temporary situation. The overall impact is not expected to be that great, since it will only be a change in policy at one of our suppliers.

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**Shiromoto [Q]:** Thank you very much.

By the way, about the outlook for these businesses from Q2 to Q3, or something about the delivery date actually being pushed back, or something else, the outlook. I know you have explained the situation at foot.

**Hara [A]:** Well, at this point, I have not heard of any major movements, such as a big drop or rise in this field, as a topic at this stage.

**Shiromoto [M]:** Thank you very much.

**Moderator [M]:** Are there any other questions? Is it okay? Are there any more from the venue?

Now it is time for me to introduce you to some of the questions we have received from the Web. Now, a question from the Web.

**Participant [Q]:** What is the amount of positive foreign exchange and amount of operating income or loss from Q1 to Q2? Thank you.

**Okawara [A]:** Regarding the foreign exchange within operating income or loss. The sensitivity to exchange rates, the average for the fiscal year as a whole is about JPY50 million per yen on an ordinary income basis. We believe this is a positive result of the weak yen. Therefore, the actual cost was JPY138, while the budget was JPY130, so the yen depreciated by about JPY8. We have calculated that the benefit would have been about JPY400 million.

However, this is very complicated and depends on timing, so I cannot say exactly how much it will be. That's all from me.

**Moderator [M]:** Thank you very much. Now, we have one more question from the Web.

**Participant [Q]:** What were the factors behind the increase in consumer products and other standard ICs from Q1 to Q2? Thank you.

**Hara [M]:** Sorry, one more time, please.

**Participant [Q]:** What were the factors behind the increase in consumer products and other standard ICs from Q1 to Q2?

**Hara [A]:** In the consumer area, as I recall, the demand for home video game consoles has risen. I think that is a positive increase.

As for the other IC areas, I think that is the area that has increased this time with the transfer of commercial distribution. The transfer of new commercial distribution channels has added to the fact that many of our suppliers' products there were standard ICs.

**Moderator [M]:** Thank you.

We will now conclude the question-and-answer session.

This concludes the presentation of MACNICA HOLDINGS' financial results for Q2 of FY2023. Thank you very much for taking the time out of your busy schedule to join us today.

**Hara [M]:** Thank you very much.

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