

IT Solution for You!

PCI Holdings, Inc.



PCI Holdings, Inc.

(TSE Prime Market, Stock Code: 3918)

Financial Results for the Six Months Ended March 31, 2022

May 13, 2022

To our stakeholders



PCI Holdings which was established in 2005 is **still a young pure holding company** with six consolidated subsidiaries engaged in IT-related businesses under our umbrella. Our distinctive Group with the aim of becoming **“a company that contributes to a safe, secure, and prosperous society”** through information technology operates business in four areas.

In the **Embedded solutions business**, in addition to various developments of automobile-related including in-vehicle related, **automated driving (AD and ADAS) and EV**, we develop embedded software such as for communication control for smartphones, heavy and construction machinery and information appliances including digital cameras, provide software technology for the development of advanced technologies including **VR/AR** and **AI** and also provide **one-stop solution** from planning to design, development, testing, manufacturing and maintenance of various manufacturing and testing equipment, etc.

In the **Business solutions business**, taking advantage of our technology-oriented business development we provide IT system to a broad range of industries including finance, distribution and manufacturing, and we also contribute to the **promotion of DX**.

In the **IoT/IoE solutions business**, as a telecommunication corporation with a carrier identification code “0067,” we provide services which the number can be used such as for television prize campaign application and surveys and distinctive ICT services such as a unique brand that produces and distributes mobile content, such as LINE stamps. The business also focuses on cybersecurity field.

In the **Total semiconductor solutions business**, we provide major semiconductor manufacturers with overall semiconductor development services, including LSI design, test, and evaluation.

In November 2020, we announced the **New Mid-term Management Plan “PCI-VISION 2023”** setting a realistic target of 30 billion yen in sales.

Furthermore, to respond to changes in the business environment, the Company changed from a **one-person representative director structure to a two-person structure** as of April 1, 2022.

We will continue to aim for further growth by acting on our words while **executing M&A strategies**.

We sincerely appreciate your continued support.



Toyomi Amano, Chairman

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Executive Summary



Net sales

¥12,685_{mn}

(Q2 FY9/21: +¥4,477mn)
(+54.6%YoY)

Operating income

¥805_{mn}

(Q2 FY9/21: +¥432mn)
(+116.3%YoY)

Net income
attributable to owners of parent

¥509_{mn}

(Q2 FY9/21: +¥294mn)
(+137.2%YoY)

【Business environment】

The increase in the number of companies adopting remote working has led to an increase in **priority software investments** in IT infrastructure development and enhancement, non-contact support, and medical ICT. **IT investment demand has been strong.**

【Practical Strategy】

Capturing rapid demand for digitization in society as a whole, and **focusing on strategic and proactive sales activities.**

【Business Performance】

SORD CORPORATION, which became a subsidiary in January 2021, **made a steady contribution to earnings. Significant YoY growth in both sales and profits. Profit and profit margin improved due to strategic downsizing of low-profit businesses.**

【Advancing the Plan】

Promote PCI-VISION 2023, the second medium-term management plan for FY9/22. Implemented intra-group restructuring for selection and concentration.

Q2 FY9/22 Financial Results



Summary of consolidated balance sheet



- Current liabilities: **Decreased by 434 million yen from the end of the previous fiscal year**, mainly due to a decrease of 148 million yen in electronically recorded bonds and 145 million yen in income taxes payable.
- Noncurrent liabilities : **Decreased by 374 million yen from the end of the previous fiscal year** mainly due to a decrease of 436 million yen in long-term loans payable.
- Equity ratio : **Improved to 46.0% (42.8% at the end of the previous fiscal year)**.

(Million yen)	End-FY9/21	Six months ended March 31, 2022
Current assets	11,198	10,820
Cash and deposits	3,310	2,307
Trade receivables	6,085	6,748
Others	1,802	1,763
Noncurrent assets	6,193	6,208
Property, plant and equipment	946	950
Goodwill	2,299	2,242
Others	2,947	3,015
Total assets	17,391	17,028

(Million yen)	End-FY9/21	Six months ended March 31, 2022
Current liabilities	6,505	6,071
Trade notes and accounts payable	2,787	2,639
Borrowings	868	870
Others	2,849	2,561
Noncurrent liabilities	2,935	2,561
Borrowings	1,925	1,488
Liabilities for retirement benefits	135	212
Others	875	859
Total liabilities	9,441	8,632
Total net assets	7,950	8,395
Total liabilities and net assets	17,391	17,028

Summary of consolidated statements of income



(Million yen)	Q2 FY9/21	Q2 FY9/22	YoY
Net sales	8,207	12,685	+54.6%
Gross profit	2,205	3,300	+49.6%
(Gross profit margin)	26.9%	26.0%	▲ 0.9pt
SG&A expenses	1,833	2,495	+36.1%
Operating income	372	805	+116.3%
(Operating income margin)	4.5%	6.3%	+1.8pt
Ordinary income	394	835	+111.5%
(Ordinary income margin)	4.8%	6.6%	+1.8pt
Net income attributable to owners of parent	214	509	+137.2%
(Profit Margin)	2.6%	4.0%	+1.4pt

(Note) From the Q1 of FY9/22, the Company has applied the "[Accounting Standard for Revenue Recognition](#)" and other standards.

Results by business

- Embedded : **Strong performance in automotive-related projects** and an increase in control equipment projects. Development, design and manufacturing of embedded PCs for medical use also contributed to the growth.
- Business : **Social infrastructure construction projects** and projects for **public utilities** performed well.
- IoT/loE : Solutions **for automotive applications** were firm. Net sales decreased due to the **strategic reduction of low-profit businesses**, while **segment income and profit margin improved**.
- Semiconductor: **Strong inquiries from existing customers** and additional orders for circuit board projects contributed to sales. **Continued orders** for projects through collaboration with Group and collaborating partners. Continuously investing in R&D to develop new technologies and commercialize in-house products.

(Million yen)	Net sales		Segment profit	
		YoY		YoY
IT Solutions Business (A+B)	10,446	+76.4%	600	+123.8%
Embedded solution (A)	6,383	+158.3%	-	-
Business Solution (B)	4,062	+17.7%	-	-
IoT/loE Solutions Business	1,093	▲13.8%	75	+20.8%
Semiconductor Solutions Business	1,183	+14.6%	122	+126.0%
Total	12,685	+54.6%	805	

FY9/22 Business forecasts and Shareholder Returns



Our company's four business domains

- Four cross-sectional businesses spanning software and hardware, from software development to semiconductor business. Our strength lies in our knowledge and technological capabilities in both software and hardware.



Business Solutions Business

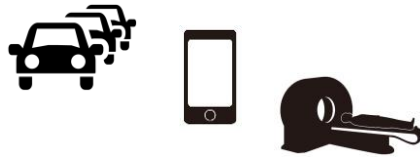


Construction of IT systems for a wide range of industries supporting social infrastructure including financial, manufacturing and public offices

- Related markets

ICT investment in general, including software development and DX

Embedded Solutions Business

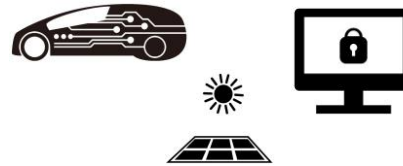


Development of software embedded in automobiles, information appliances, mobile terminals and MRI, etc. and design, testing, planning, manufacturing, sales and maintenance of hardware

- Related markets

DX, IoT, automotive, semiconductor, medical, etc.

IoT/IoE Solutions Business

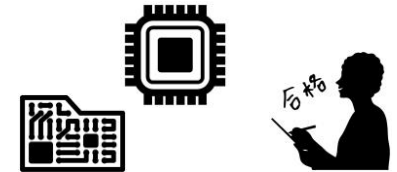


Develop IoT solutions for the automotive and energy industries. Also apply location information and AR/VR technologies

- Related markets

IoT, telecommunications, energy, AR/VR, etc.

Semiconductor Solutions Business



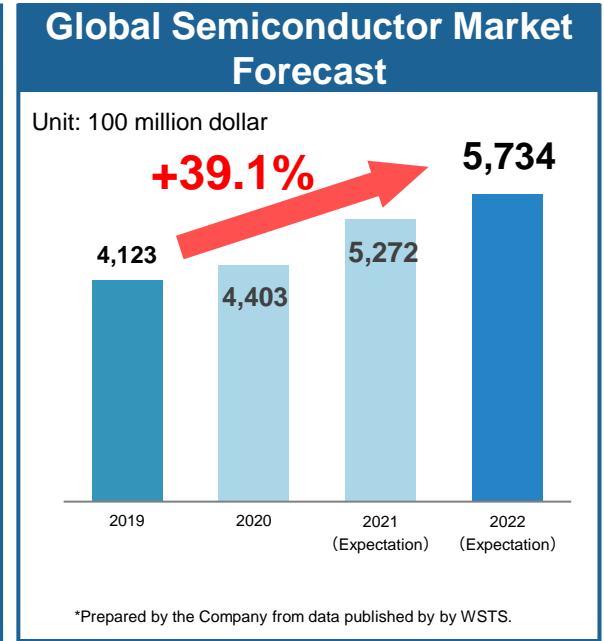
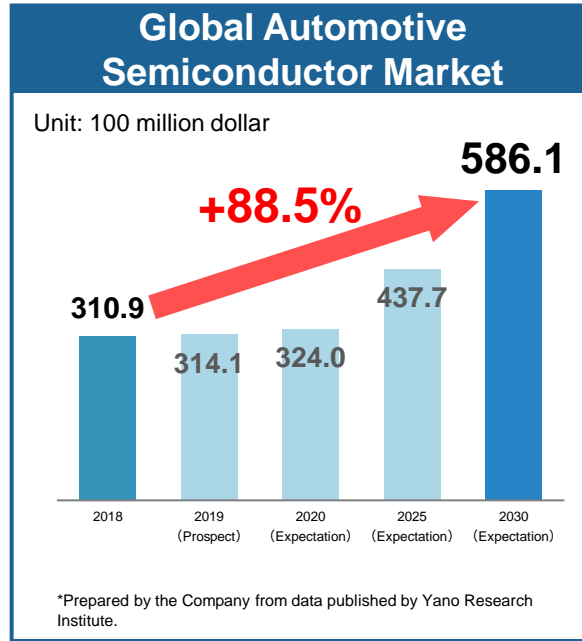
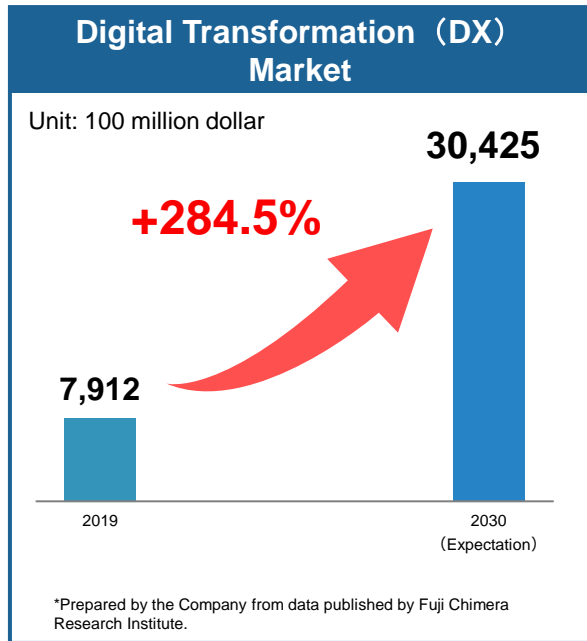
Provide services related to overall development from design to testing, etc. in the semiconductor field essential for information society

- Related markets

Semiconductors, IoT, communications, etc.

Market overview by business segment

- The digitalization of society will be accelerated by the COVID-19 crisis, and the DX market will continue to grow steadily.
- With the rapid digitization of society, the shift to EVs, and the full-scale adoption of automated driving, the automotive and semiconductor markets are expected to remain strong over the long term, and both software and hardware markets will be growth targets.



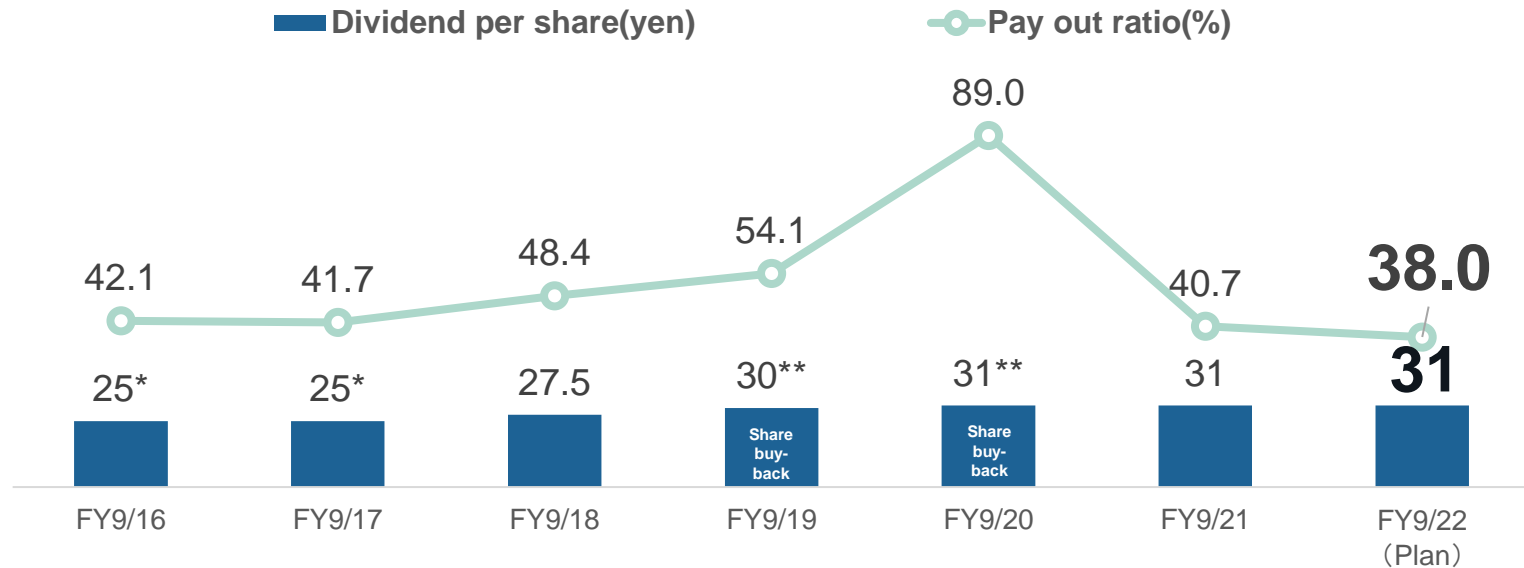
FY9/22 Business forecasts

- Strong demand continues for IT investment in the corporate society due to changes in lifestyles and working styles, and the rapidly advancing accelerate of digitization and DX

(Millions of yen)	FY9/21 Results	FY9/22 Forecasts	YoY
Net sales	21,248	26,500	+24.7%
Operating income	1,174	1,400	+19.2%
(Operating Income Margin)	5.5%	5.3%	-0.2pt
Ordinary income	1,208	1,420	+17.5%
(Ordinary Income Margin)	5.7%	5.4%	-0.3pt
Net income attributable to owners of parent	669	820	+22.4%
(Profit Margin)	3.2%	3.1%	-0.1pt
EPS	76.12yen	81.61yen	+7.2%

Shareholder returns

- Targeting a consolidated dividend payout ratio of 30% to 50%, maintaining a payout ratio of over 30% since listing
- Aiming to improve comprehensive returns, aiming to improve overall returns.



*FY16/9 includes commemorative dividend (commemorative dividend FY16/9: 5 yen)

**Purchase of treasury stock FY9/18: Repurchase of approximately 140 million yen, FY9/19: Repurchase of approximately 230 million yen

***Stock split of 1:2 on April 1, 2016 and 1:2 on April 1, 2020; graphs have been retroactively adjusted for this split

Medium-term Management Plan “PCI-VISON 2023”



**Regardless of software or hardware,
respond to all IT needs of customers
establishing one-stop solutions**

**Embedded Solutions
Product design and test
plan, manufacture, sale,
maintenance**



**Business solutions
IT services · IoT/loE
Cybersecurity**

**M&As, business alliances, abundant human resources to meet
customer needs**

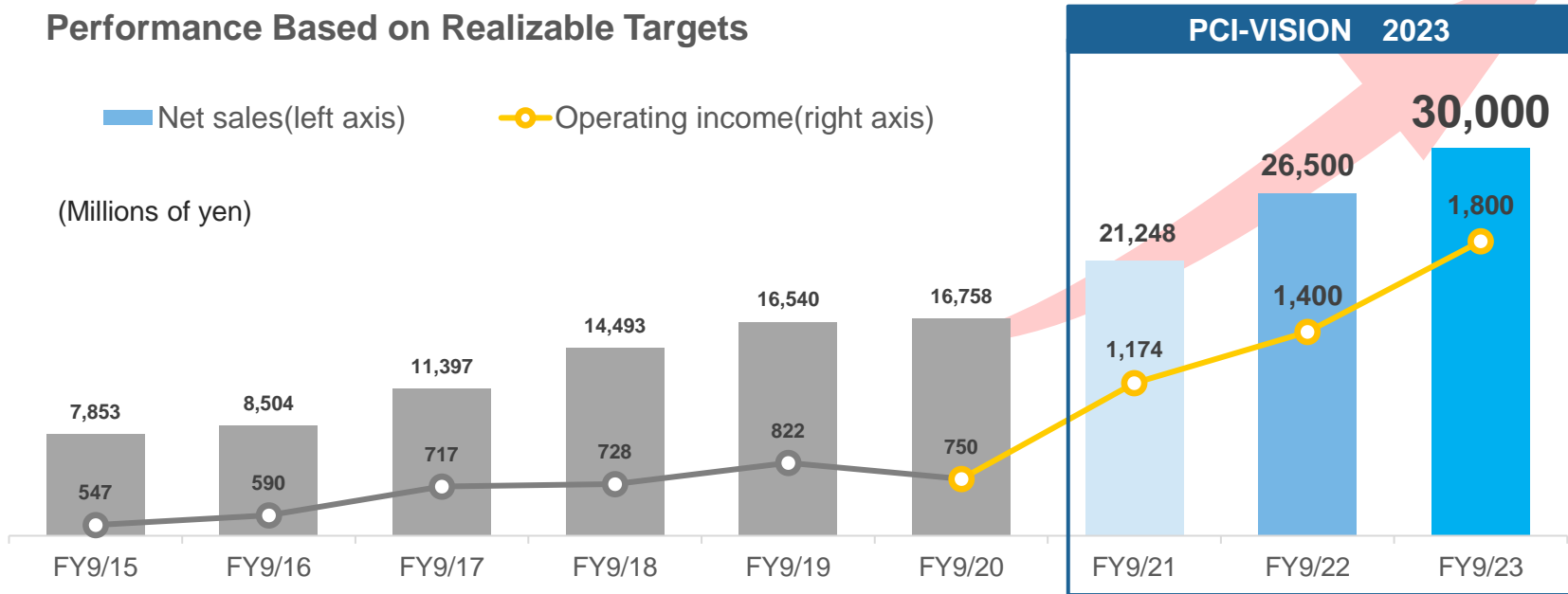
Medium-Term Management Plan Targets

-Changed from challenge targets to realizable targets



- Significant growth by taking on the challenge for targets→ Aiming to exceed 30 billion in net sales!
- With the consolidation of SORD CORPORATION into a wholly owned subsidiary in January 2021, we have shifted our targets for net sales of 30 billion yen and operating income of 1.8 billion yen from "Challenge Targets" to "Realizable Targets".

Performance Based on Realizable Targets



Medium-term Management Plan "PCI- VISION 2023"

Quantitative Targets



(Millions of yen)	FY9/21 Results	FY9/22 Plan	FY9/23 Plan
Net sales	21,248	26,500	30,000
Operating income	1,174	1,400	1,800
Net income attributable to owners of parent	669	820	1,050
Net income per share (yen)	76.12	81.61	104.5
ROE	10.7%	10% or more	12% or more
Consolidated dividend payout ratio	40.7%	38.0%	30%~50%
Ratio of dividends to consolidated net assets	4.6%	4.0% or more	

5 main strategies in the Medium-term Management Plan and their progress

① Expansion and qualitative improvement of system engineering services business

→ Demand is recovering from the COVID-19 disaster. To win cutting-edge projects in the digital society, including the start of entry into the Smart City business.

② Creation of optimal proprietary brand products/solutions/services

→ Deepen cultivation of AI and other advanced technologies and establish a one-stop solution provision system.

③ Promotion of cyber security-related business

→ Expand sales of "AppGuard® " and enhance other solution lineups.

④ Further strengthen collaboration with business alliance partners and promote aggressive M&A

→ Strengthen ties with existing business partners, identify companies that are expected to create synergies with the Company's business, and promote M&As.

⑤ Reinforcement of organizational structure and promotion of work style reform

→ Strengthen recruitment and training of human resources and promote work style reform

Integrated production and sales concept through collaboration with Restar Holdings Corporation



- We will develop high value-added products based on our knowledge of software and hardware, using parts and materials procured from Restar Holdings, which is strong in electronics products, and sell them to major domestic and overseas customers connected to Restar Holdings Corporation, enabling us to provide **one-stop solutions that integrate production and sales.**

Collaborating with Restar Holdings to provide one-stop solutions that integrate manufacturing and sales!

Manufacturing

Utilizing the knowledge of an electronics trading company, Restar Holdings will be able to efficiently procure parts and materials, and provide a one-stop solution that integrates production and sales. PCI's technical capabilities (combination of software development of the main unit and hardware knowledge of SORD CORPORATION, etc.) will enable the development of high value-added products.

Supplier
Intel
SONY
SAMSUNG,
etc.

Procurement of
parts and
materials



Sales
of
parts,
etc.

PCI Group Embedded Solutions Business

[Service related]

- Application development
- Platform development



[Software and components]

- Middleware
- Development tools



[Hardware related]

- Design, development and manufacturing
- Industrial embedded PCs



Solution
provision



Solution
proposal

Sales

Sales to:
Industrial equipment
In-vehicle equipment
Precision equipment
Major consumer
electronics
manufacturers etc.

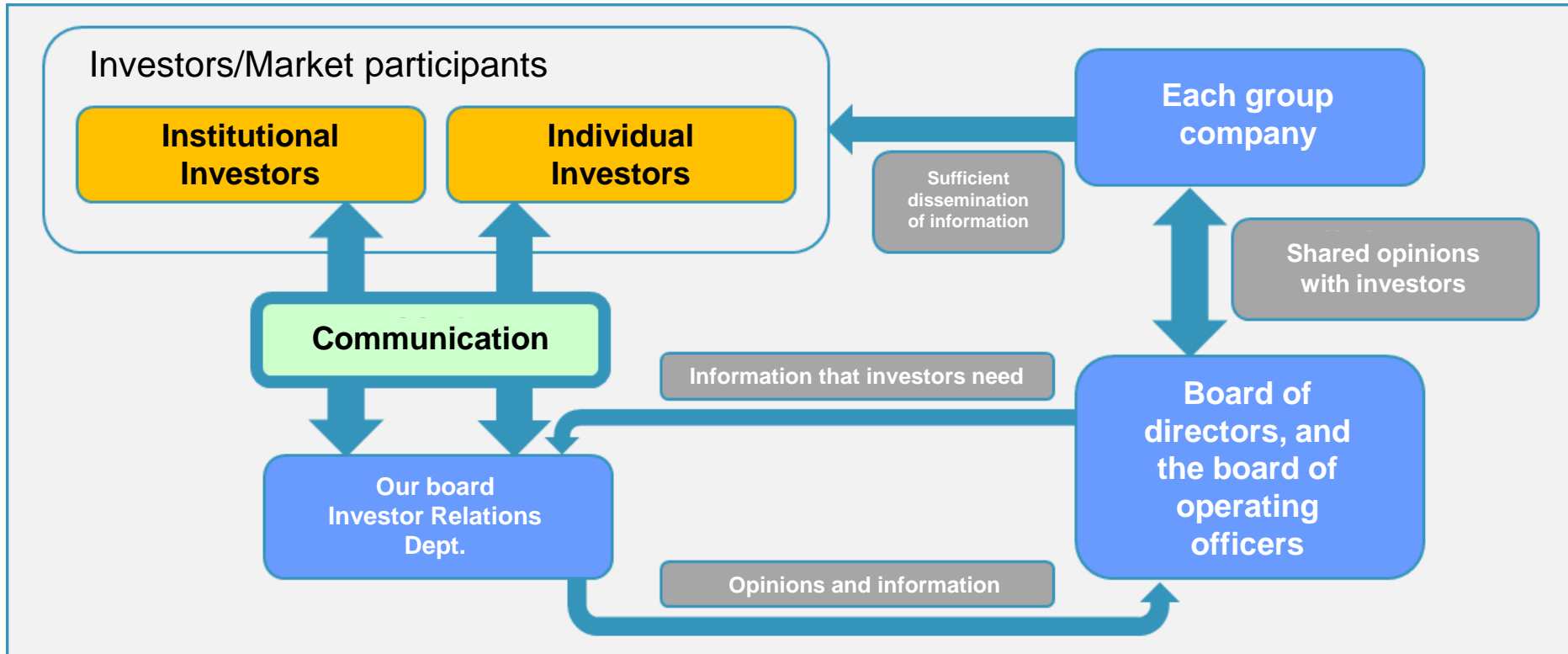
PCI's products will be provided to Restar Holdings as comprehensive hardware and software solutions. Restar Holdings will be able to sell high value-added products that add solutions to its existing products to leading electronics customers in Japan and overseas.

Investor Engagement



Promoting Investor engagement and its feedback

Establish a system to reflect opinions and information obtained through IR activities in management/business



PCI's SDGs



Our SDGs policy

- Our Group will contribute to a **“safe, secure, and prosperous society”** with IT, and will work on SDGs under four themes from both business and corporate activities.

Secure, Safe, and Prosperous Society



Contribution through business

"Safety and security" created by the IoT society

Build a foundation for industry and technological innovation through M&A

Contribution as a company

Contribution by utilizing the network of our Group

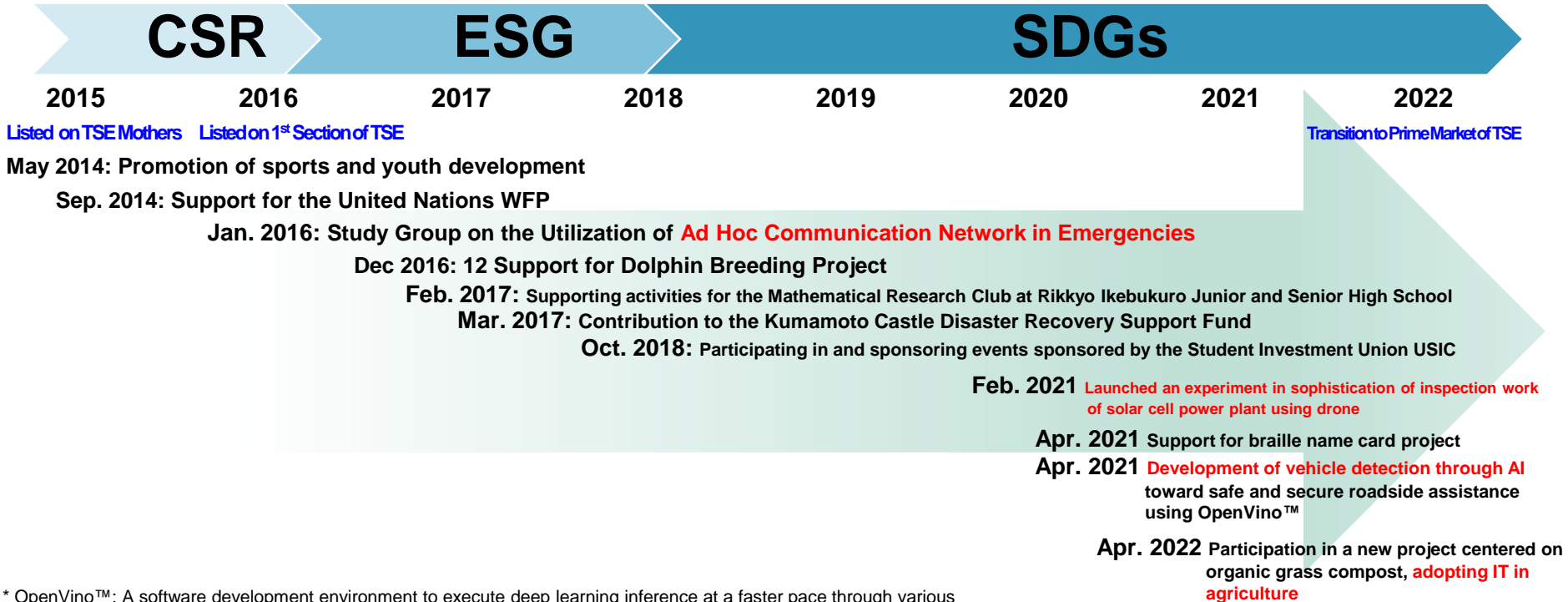
Developing the next generation by providing accumulated knowledge



Aiming for “safe, secure, and prosperous society”



- We will continue our social activities focusing on contribution to “safe, secure, and prosperous society”
- We will continue to work toward “the realization of carbon neutral in 2050”



Transition to Prime Market of TSE

* OpenVino™: A software development environment to execute deep learning inference at a faster pace through various hardware such as Intel's CPU, built-in GPU, Intel@FPGA and Intel@Movidius™VPU

Company Profile



Corporate profile



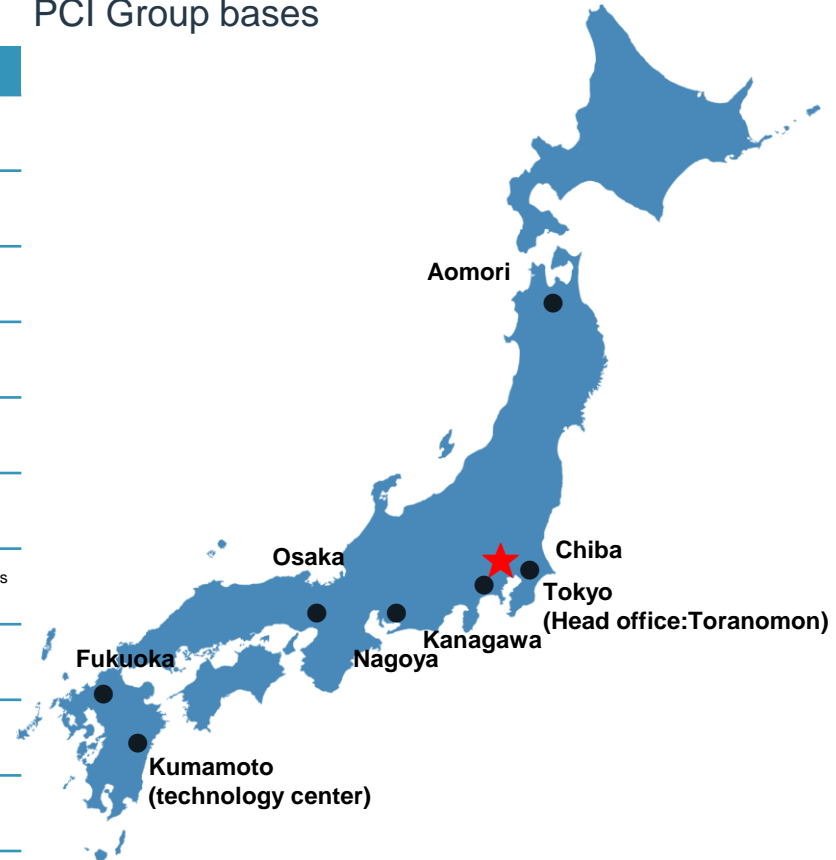
Corporate name	PCI Holdings, Inc.	Capital	2,091.89 million yen (as of the end of Sep. 2021)
Established	April 2005	Net sales (Consolidated)	21,248 million yen (FY9/21 result) 26,500 million yen (FY9/22 forecast)
Listing	Tokyo Stock Exchange Prime market (Stock code:3918)	Operative income (Consolidated)	1,174 million yen (FY9/21 result) 1,400 million yen (FY9/22 forecast)
Location	1-21-19 Toranomom, Minato-ku, Tokyo, 105-0001	No.of employees (Consolidated)	1,682 employees (as of Mar. 31, 2022)
Representative	Toyomi Amano, Chairman Kunio Yokoyama, President	Consolidated subsidiaries	PCI Solutions INC. SORD CORPORATION leafnet Co., Ltd. CLC corporation PRIVATECH Inc.

Executive structure and list of bases

Executive structure

Title	Name	Career, etc.
Chairman	Toyomi Amano	Executive Managing Director, NCR Corporation Director, The Shinkin Banks Information System Center
President	Kunio Yokoyama	Managing Executive Officer, Deputy Director of Corporate Divisions, Sumitomo Mitsui Banking Corporation President & CEO, Sumitomo Mitsui DS Asset Management Company, Limited Representative Director, President and Chief Executive Officer, Japan Post Co., Ltd.
Executive Managing Director	Yasuhiro Horibe	Executive officer, General Manager of Solutions business division, Mitsubishi Research Institute, Inc. Representative Director, PCI Solutions INC.
Executive Managing Director	Takefumi Oka	Representative Director, leafnet Co., Ltd. Vice-Chairman, Japan Unified Communications Service provider Association (JUSA)
Director	Naohiro Iguchi	Director of Management planning office, Profit Cube Inc. Director and General Manager of Management Planning Headquarters,
Director	Kazuya Sugizono	Director, General Manager of Administration Division Director, Finance and Accounting Office
External Director (full-time auditor, etc.)	Yuzuru Miyahara	General Manager of System Solutions Headquarters, Director, transcocosmos inc.
External Director (auditor, etc.)	Takanori Sato	Vice-Chairman, Tokyo Bar Association Representative, Yamabuki Law Firm
External Director (auditor, etc.)	Akiko Takahara	Mitsubishi Corporation External Director (auditor, etc.), Wantedly, Inc. Auditor, vivid garden Inc.
External Director (auditor, etc.)	Shinnosuke Maki	Representative, Shinnosuke Maki CPA Firm Representative partner, Tax Accountant Corporation MS Partners

PCI Group bases



YouTube channel “PCI NETWORK”

A YouTube channel produced and distributed by in-house personnel.

This channel introduces the background of IR news, business content, Q&A and topics.



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channel registration
and viewing
[>> Channel](#)



Precautions

No information in this material is intended to solicit the purchase or sale of our shares. The statements regarding business forecasts and future forecasts contained in this material are forecasts determined by us based on the information obtained at the time of preparation of the material, and include potential risks and uncertainties.

Therefore, please be aware that the actual results may differ from these forecasts due to various factors. Please note that we and the information provider are not responsible for any damages incurred based on this information.

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(Excluding Saturdays, Sundays and national holidays)

QR for our IR movies
(or click here)



Positively, Change, Innovate

~ Aggressively Continue Change and Innovation ~

