



Financial Results for the Nine Months Ended June 30, 2023

PCI Holdings, INC.
(TSE Prime Market: 3918)

August 21, 2023

Table of Contents

Major News Releases

1. Financial Report for the Nine Months Ended June 30, 2023
2. Earnings Forecast and Return to Shareholders for the Year Ended September 30, 2023
3. Major Topics for the Third Quarter
4. Overview of the New Medium-term Management Plan “PCI-VISION2026”
5. Sustainability
(Reference) About the PCI Group

News Releases for the Q3 FY9/2023



Release date	Classification	Description
May 9, 2023	Financial Results	Announcement of Financial Results for the Second Quarter of FY9/2023
May 9th	Timely Disclosure	Dividends of surplus (interim dividend)
May 12th	Annual securities report	Semi-annual securities report for the second quarter of FY9/2023
May 16th	Timely Disclosure	Briefing Materials of Financial Results for the Second Quarter of FY9/2023
June 23rd	IR	“Rear-end Vehicle Detection System with AI Camera” registered with the MLIT’s NETIS
June 27th	Timely Disclosure	Announcement of the outline of the Next Medium-term Management Plan “PCI-VISION2026”
June 27th	Timely Disclosure	Changes to operating segments used for reporting (effective from the fiscal year ending September 30, 2024)
June 27th	Timely Disclosure	Transferred all shares of leafnet Co., Ltd. as of September 1. Extraordinary income to be recorded in conjunction with the sale.
June 27th	Other	Formulation and publication of the “PCI Group Human Rights Policy”
June 30th	IR	NSR Inc. became a consolidated subsidiary of PCI Solutions INC. (effective July 6)

Q3 FY9/2023 Financial Results



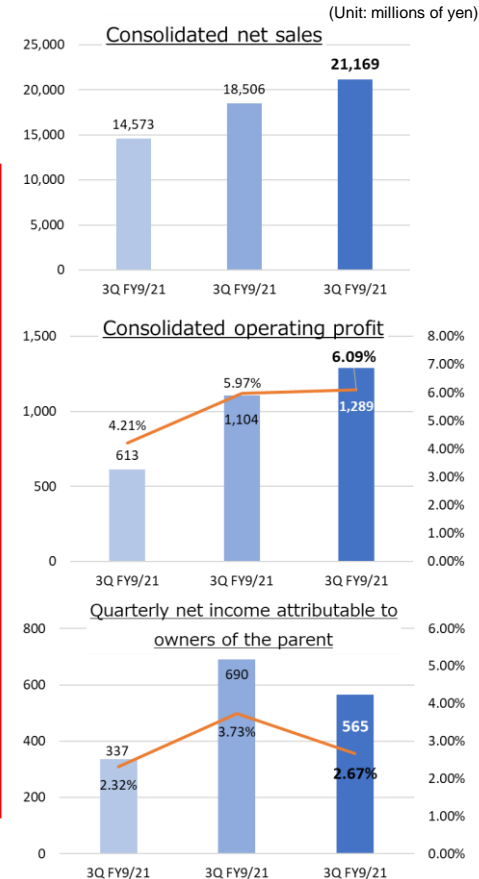
Consolidated Financial Results for the Q3 FY9/2023



- Net sales grew significantly (record high, +14.4% YoY) in line with the expansion of IT demand due to the progress of Digital Transformation (DX)
- Despite the impact of raw material price hikes, operating income also reached a record high as a result of controlling the growth of SG&A expenses

	3Q FY9/2022	3Q FY9/2023	Amount of increase/decrease	Percentage of increase/decrease	Progress rate
Net sales	18,506	21,169	+2,663	+14.4%	70.6%
Gross profit	4,792	5,283	+490	+10.2%	—
Gross profit margin	25.9%	25.0%	▲0.9p	▲3.6%	—
SG&A expenses	3,688	3,994	+306	+8.3%	—
Operating profit	1,104	1,289	+184	+16.7%	71.6%
Operating profit margin	6.0%	6.1%	+0.1p	+2.0%	—
Ordinary income	1,173	1,311	+138	+11.8%	71.7%
Quarterly net income attributable to owners of the parent	690	(Note) 565	▲125	▲18.2%	52.8%
EBITDA	1,384	1,572	+188	+13.6%	—
ROE	8.90%	6.95%	▲1.95p	▲21.9%	—

(Note) Estimated taxes associated with the transfer of shares of leafnet Co., Ltd. on September 1 were recorded as income taxes-deferred in the third quarter of the current fiscal year

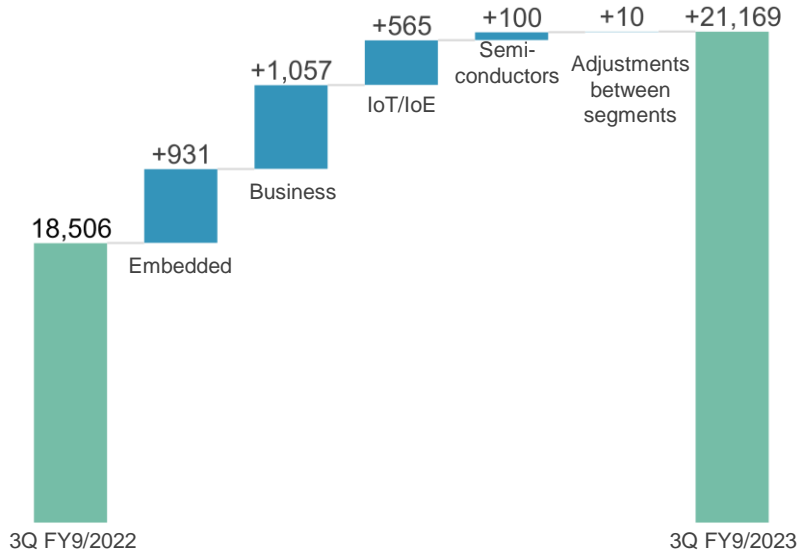


Factors contributing to changes in net sales and operating profit

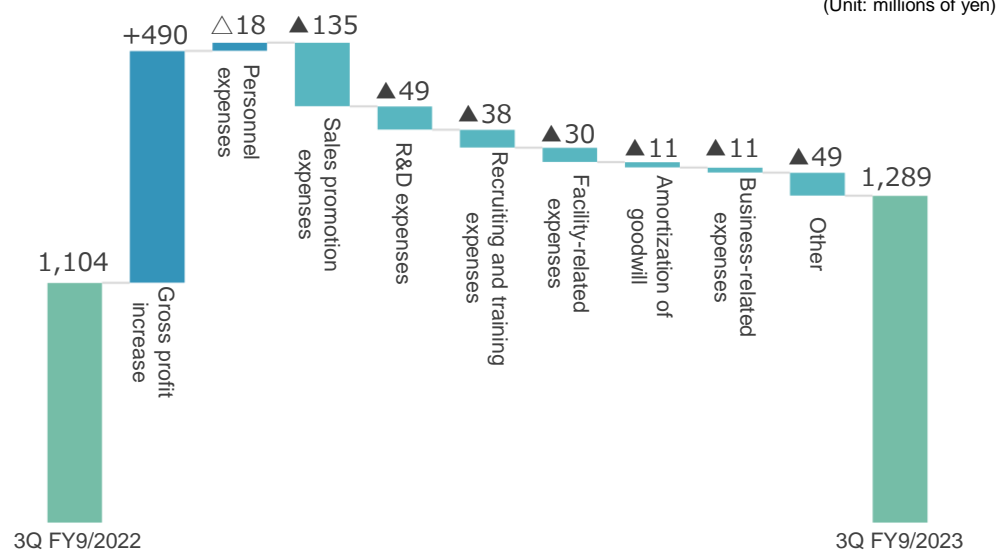


- Net sales increased year-on-year for all business segments
- Continued efforts to improve group-wide personnel efficiency resulted in a decrease in personnel expenses
- For continuous business expansion, investment in sales promotion, R&D, recruiting and training increased.

Net sales



Operating profit



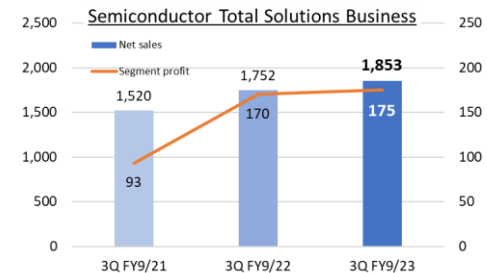
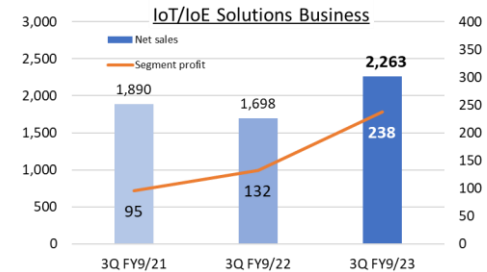
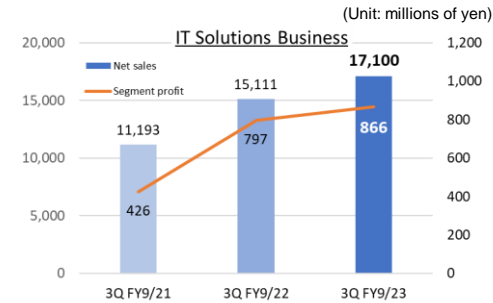
(Unit: millions of yen)

Financial Results by Business Segment



- **Embedded:** In software, automotive, cameras, etc., performed well. In hardware, orders were received for medical office systems.
- **Business:** Software development for the industrial, distribution, and financial sectors grew. Kitting also contributed to earnings.
- **IoT/IoE:** Telecommunication business using business identification numbers performed well. Image analysis systems supported by AI contributed to sales.
- **Semiconductors:** Continued demand related to LSI design and test development

(Millions of yen)	Net sales		Gross profit		Segment profit	
		YoY change	(Profit margin)	YoY change	(Profit margin)	YoY change
IT Solutions Business	17,100	+13.2%	3,593 (21.0%)	+4.1%	866 (5.1%)	+8.6%
Embedded solutions	9,989	+10.3%	1,674 (16.8%)	▲2.8%	-	-
Business solutions	7,111	+17.5%	1,919 (27.0%)	+11.0%	-	-
IoT/IoE Solutions Business	2,263	+33.3%	1,127 (49.8%)	+38.5%	238 (10.5%)	+80.5%
Semiconductor Total Solutions Business	1,853	+5.8%	562 (30.3%)	+6.8%	175 (9.4%)	+3.0%
Consolidated Financial Results	21,169	+14.4%	5,283 (25.0%)	+10.2%	1,289 (6.1%)	+16.7%



(Reference) New operating segments ...effective from FY9/2024



- The Group's business portfolio will be reorganized as follows
 - The "Engineering Business", which is focused on our core business of software development
 - The "Product/Device Business", which engages in the development of hardware such as embedded computers, and the design and testing of semiconductors on consignment
 - The "ICT Solutions Business" which develops AI and IoT related solutions and service integration

(Millions of yen)		Net sales FY9/2023 3rd Quarter	Gross profit	Segment profit
			(Profit margin)	(Profit margin)
Engineering Business	- Embedded software development - General software development - Kitting - PC operation/call center	9,388	2,422 (25.8%)	994 (10.6%)
Product/Device Business	- Development of embedded computers/controllers - Design/testing of semiconductors - LSI turnkey service	8,193	1,388 (16.9%)	▲92 (-)
ICT Solutions Business	- Solutions using AI - IoT Platforms - Service Integration	3,660	1,472 (40.6%)	378 (10.3%)
Consolidated Financial Results		21,169	5,283 (25.0%)	1,289 (6.1%)

- Clarification of business positioning
- Strategic allocation of management resources

Stable Core Businesses

Growth Drivers

(Reference) Business Companies and Description of Business

...From October 1, 2023 onward



PCI Solutions

SORD

PRIVATECH

- Software engineering company that provides technical capabilities for any industry or field
- Particularly strong in embedded systems development

- The first PC manufacturer in Japan
- 50 years in business and highly reliable technology
- Embedded PC manufacturer

- System engineering company with strengths in semiconductor design and testing technologies
- Testing house located near the Tokyo metropolitan area

Engineering Business
Information technology services that meet customer requirements and specifications in a wide range of industries

- **Embedded software development**
(Manufacturers: mainly for automotive, telecommunications, information appliances, etc.)
- **Enterprise software development**
(System integrators: mainly for finance, distribution, manufacturing, government, etc.)

- **Kitting services**
(System integrators and manufacturers: mainly for medical, retail, etc.)
- **Call center services**
(Manufacturers: PC help desk, etc.)

—

Product/Device Business
Design, development, and sales of hardware products and devices for specific industries

—

- **Development of embedded computers**
(Manufacturers: for medical equipment, printing machines, etc.)
- **Computer development for edge computing**
(System integrators: for medical, retail, etc.)

- **Design and testing of semiconductors**
(For semiconductor manufacturers)
- **LSI turnkey service**
(For electronic device manufacturers)

ICT Solutions Business
Problem solving through consulting and services that utilize ICT in a wide range of fields

- **Solutions using AI**
- **Cloud service Integration**

—

- **IoT solutions**
- **Solutions using AI**

Mutual collaboration by topic and by project

(Reference) Consolidated Balance Sheet



- Total assets increased 562 million yen from the end of the previous consolidated fiscal year to 17,478 million yen. Total liabilities increased 236 million yen to 8,777 million yen.
- Non-current assets increased 301 million yen YoY, mainly due to an increase in goodwill (+245 million yen) from the acquisition of Personal Joho System, Inc.
- The equity-to-asset ratio increased by 0.6 percentage points to 46.5% (7,768 million yen at the end of FY9/22, 8,133 million yen at the end of 3Q of FY9/23).

(Millions of yen)	FY9/2022	3Q FY9/2023
Current assets	11,205	11,465
Cash and deposits	2,629	2,626
Trade receivables	6,123	6,327
Other	2,453	2,512
Non-current assets	5,709	6,011
Property, plant and equipment	952	927
Goodwill	2,150	2,396
Other	2,607	2,687
Total assets	16,915	17,478

(Millions of yen)	FY9/2022	3Q FY9/2023
Current liabilities	6,509	6,844
Trade payables	2,979	2,883
Borrowings and bonds payable	872	958
Other	2,658	3,001
Non-current liabilities	2,031	1,932
Borrowings and bonds payable	1,052	917
Retirement benefit liabilities	128	122
Other	851	891
Total liabilities	8,541	8,777
Total net assets	8,374	8,701
Total liabilities and net assets	16,915	17,478

Business Forecast and Shareholders Returns

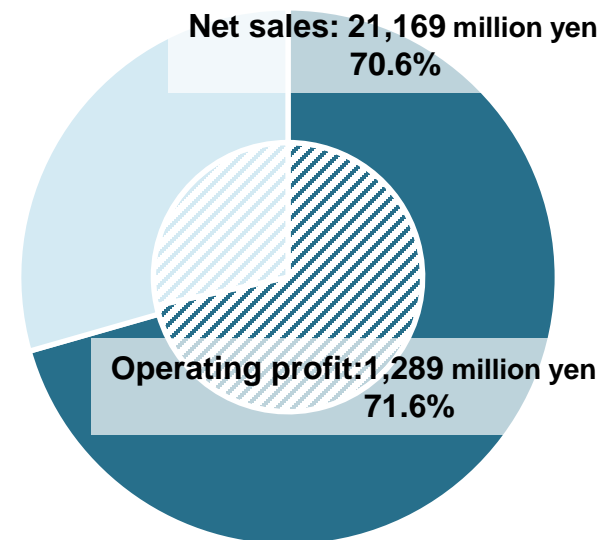


FY9/2023 Full-Year Business Forecast

- The business environment is generally favorable, and we will continue our efforts to accomplish the full-year plan
- The impact of the departure of leafnet Co., Ltd. and other factors are currently being examined

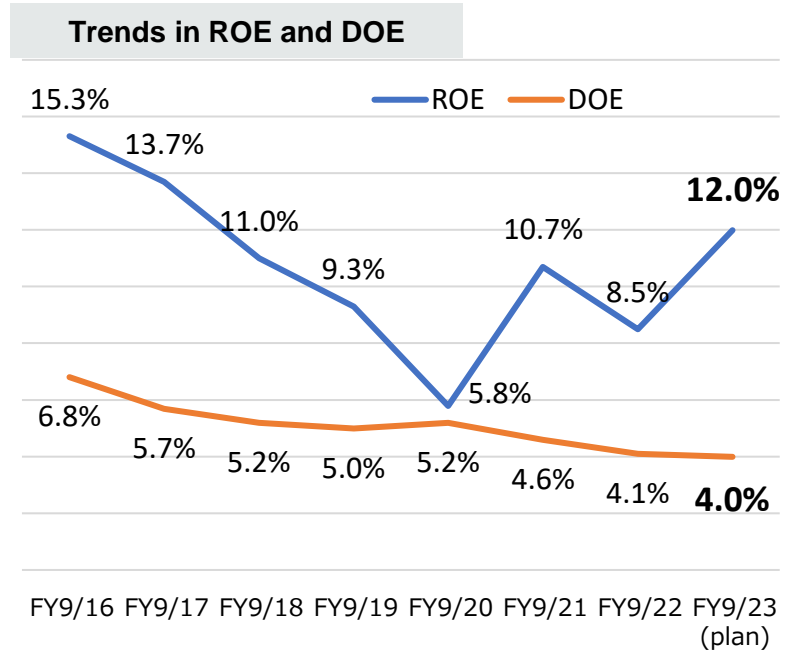
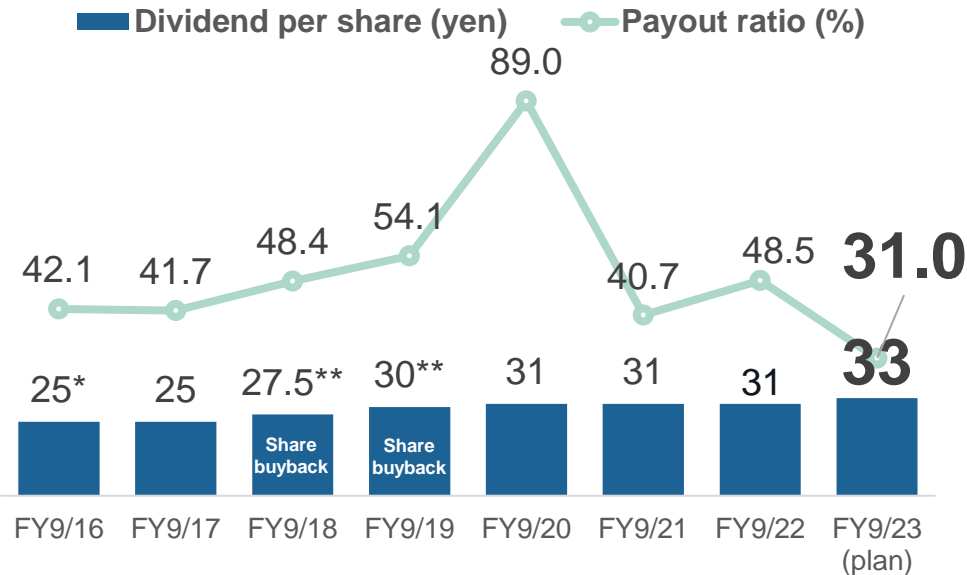
(Millions of yen)	FY9/22 Results	FY9/23 Plan	YoY change
Net sales	25,170	30,000	+19.2%
Operating profit	1,445	1,800	+24.6%
(Operating profit margin)	5.7%	6.0%	+0.3pt
Ordinary income	1,549	1,830	+18.1%
(Ordinary income ratio)	6.2%	6.1%	▲0.1pt
Net profit attributable to shareholders of the parent company for the current period	643	1,070	+66.4%
(Same profit margin)	2.6%	3.6%	+1.0pt
EPS	63.97 yen	106.23 yen	+66.1%
ROE	8.5%	12% or more	+3.5pt or more

Progress rate compared to the full-year plan



Return to Shareholders

- The consolidated dividend payout ratio has remained above 30% since the company was listed on the stock exchange. Going forward, the company aims to achieve a total return ratio of more than 50%, including purchase of treasury shares
- In addition, we will further enhance corporate value by balancing the efficient use of capital with the maintenance of shareholder returns



*FY9/16 includes a commemorative dividend (Commemorative dividend: FY9/16: 5 yen)

**Purchase of treasury shares: FY9/18: approx. 140 million yen worth of buybacks FY9/19: approx. 230 million yen worth of buybacks

***A 1:2 stock split was completed on April 1, 2016 and April 1, 2020 → reflected retroactively

Major Topics for the Third Quarter



(1) leafnet Co., Ltd. transfer

Objectives

Eliminate businesses with low potential for collaboration among businesses within the Group and reorganize to create a more synergistic business portfolio and strengthen the Group's organizational capabilities

Implementation Overview

- (1) Date of transfer: September 1, 2023 (scheduled)
- (2) Shares to be transferred: All 3,600 shares of leafnet Co., Ltd.
- (3) Counterparty: Special purpose company (for the purpose of share acquisition)
- (4) Transfer price: 1,940 million yen (planned)
- (5) Extraordinary income: Gain on sale of shares of subsidiaries and associates (under close examination)

As a result of this transaction, one month's worth of the company's sales and profit is expected to be removed from the consolidated business results (details are under close examination)

leafnet Overview

Description of business: Telecommunications business, Internet-related business

Share capital: 100 million yen
 Date of establishment: July 18, 2001
 Net sales: 1,919 million yen (FY9/2022)
 Operating profit: 336 million yen (same)

(2) NSR Inc. acquisition

Description

NSR Inc. became a subsidiary of PCI Solutions INC. (Effective July 6, 2023)

Company Overview

Description of business: System development
 System evaluation, operation and maintenance

Share capital: 10 million yen
 Date of establishment: July 7, 1991
 Head Office: Kitahorie, Nishi-ku, Osaka City, Osaka Pref.
 Number of employees: 40

(3) Application of AI image analysis technology

(1) AI analysis system for images shot by drone camera

System for detecting abnormalities in solar panel images through drone photography and AI analysis. Developed and commercialized jointly with the Green Power Development Corporation of Japan.

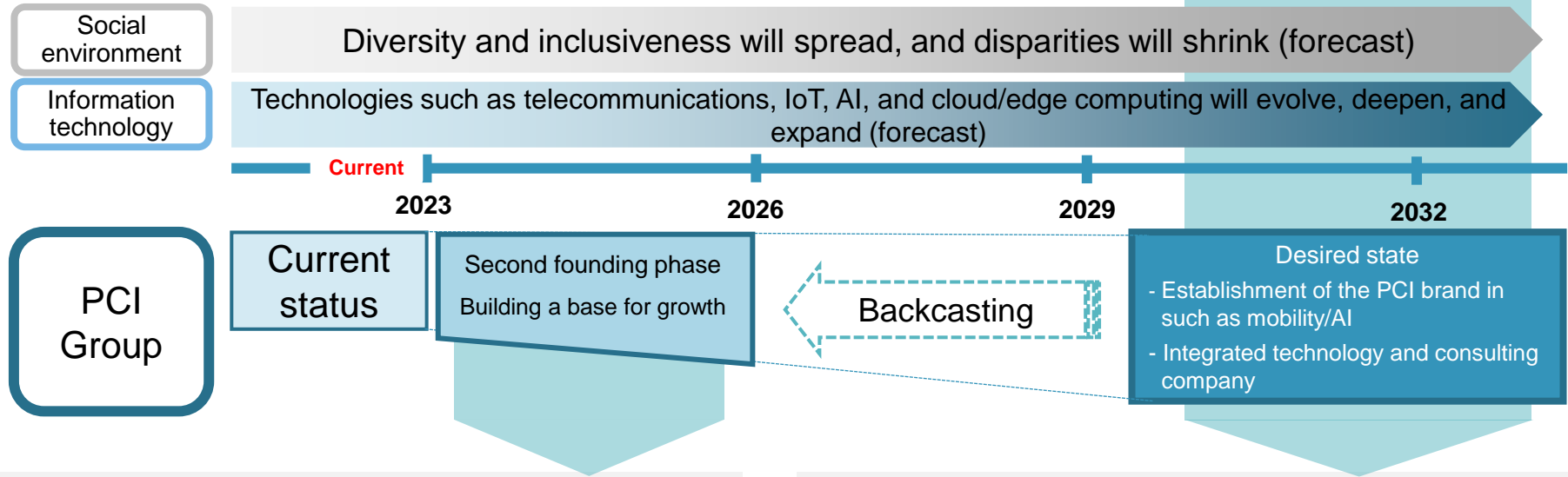
(2) Rear-end Vehicle Detection System with AI Camera

System to ensure the safety of workers on expressways. Registered with the Ministry of Land, Infrastructure, Transport and Tourism's NETIS, and expected to be used in various fields in the future.

Overview of the New Medium-term Management Plan "PCI-VISION2026"



Long-Term Vision and New Medium-Term Management Plan



Next Medium-term Management Plan “PCI-VISION2026”

Concept

Starting period for second founding phase

- Building a base for further growth
- Proactive strategic investment to improve "quality" of revenue

Long-term vision “PCI X-formation 2032”

Statement

Continue to explore the potential of IT, contribute to the realization of a safe, secure, and prosperous society (= sustainable society), and be a company that is always adapting to change and growing

New Medium-term Management Plan “PCI-VISION2026”



Basic
Concept

Purpose-oriented
management

Highly profitable
structure

Human capital
management

Sustainability
management

Base
strategy

(1) Establishment of PCI brand in specific fields and technologies

- Mobility, Image AI technology
- Service integration through cloud integration
- Development of environmentally friendly hardware

(2) Restructuring of human capital management

- Nurture a group of engineers through acquisition of cutting-edge technologies
 - Accumulation of RM capability to gain full understanding of customers
- ⇒ Advocate for becoming an “integrated technology and consulting company”

(3) Pursuit of sustainable growth

- Resolution of materiality issues that have been identified
- Achievement of goals related to TCFD recommendations
- Thorough implementation of the Group’s human rights policy

(4) Maximizing capital efficiency

- Establish ROE/ROIC as return on capital indicators and PBR as market valuation indicators, and manage progress
- Expand capacity for cash generation and strengthen investment for growth

Investment
strategy
(3-Year total)

- Human capital : 0.5
 - R&D : 1.5
 - M&A- related : 2.5
- Total : 4.5 billion yen**

Management
targets
(FY9/2026)

- Consolidated net sales: 35 billion yen
- EBITDA: 3.5 billion yen
- ROE, ROIC: 15% or more
- PBR: 2 times or more

(1) Identification and disclosure of materiality

- The Sustainability Committee has identified six materialities based on the long-term vision

Materiality (key issues)	Key perspectives (ESG perspectives)
(1) Realization of a safe, secure, and prosperous society through the proactive pursuit of change and innovation	Business perspective (technology)
(2) Provide solutions that are truly beneficial to customers	Business perspective (customers)
(3) Contribute to the creation of a sustainable global environment	Environment (E)
(4) Nurturing human resources who enjoy social development, business growth, and self-fulfillment	Society (S) and human resources
(5) Corporate culture that values diversity, fairness, and inclusiveness	Society(S) and society in general
(6) Pursuit of fair and accountable corporate activities	Governance (G)

(2) Formulation of the “PCI Group Human Rights Policy”

- Established in accordance with the United Nations Human Rights Council’s “Guiding Principles on Business and Human Rights”

Items
1. Basic human rights policy
2. Scope of application
3. Fulfillment of the responsibility to respect human rights
4. Application of laws and regulations
5. Education and training
6. Remedies and corrections
7. Human rights due diligence
8. Dialog and consultation
9. Persons in charge
10. Information disclosure

- First integrated report prepared and published by the Group (based on FY9/2022)
- The report includes a summary of the values that the PCI Group upholds, the desired image and plans for achieving it, and our approach and specific measures for sustainability management and human resource development

Contents

I. 価値創造基本方針

企業理念	4
当社グループの事業概要	6
社長メッセージ	8
会長インタビュー	16
長期ビジョン「PCI X-formation 2032(PX2032)」	20
サステナビリティ経営	24
財務責任者メッセージ	26
価値創造プロセス	30

II. 価値創造ロードマップ

中期経営計画「PCI-VISION2023」の回顧	32
次期中期経営計画「PCI-VISION2026」 (2024年9月期～2026年9月期)骨子	34
成長戦略	38
グループ会社事業戦略	46
社員座談会 PCIホールディングスグループの使命、そして未来	54

III. 価値創造を支える経営基盤

サステナビリティ重要課題(マテリアリティ)の特定とSDGs	58
環境	60
社会	64
ガバナンス	68
取締役一覧・執行役員	78

IV. データブック

連結財務諸表	80
財務/非財務データ	84
会社概要・株式情報	86



Company Profile



Corporate Philosophy

We pursue the happiness of all our employees through customer satisfaction, and contribution to the development of society.

The meaning of PCI
Positively, Change, Innovate

Corporate Name	PCI Holdings, Inc.	Capital	2,091.89 million yen (As of September 30, 2022)
Established	April 2005	Net sales (Consolidated)	25,170 million yen (FY9/2022 results) 30,000 million yen (FY9/2023 forecast)
Listing	Tokyo Stock Exchange Prime Market (Securities code: 3918)	Operating profit (Consolidated)	1,445 million yen (FY9/2022 results) 1,800 million yen (FY9/2023 forecast)
Location	1-21-19 Toranomom, Minato-ku, Tokyo, 105-0001	No. of employees (Consolidated)	1,708 (As of March 31, 2023)
Representatives	Toyomi Amano, Chairman Kunio Yokoyama, President	Consolidated subsidiaries	PCI Solutions INC. SORD CORPORATION leafnet Co., Ltd. PRIVATECH Inc.

leafnet Co., Ltd. is scheduled to leave the PCI Group as of September 1, 2023

Composition of the PCI Group...After September 1, 2023



PCI Holdings



Representatives: Toyomi Amano
Kunio Yokoyama
Established: April 2005
Capital: 2,091 million yen

<https://www.pci-h.co.jp/>

- Group company integration
- Corporate action planning and promotion
- Internal control and internal auditing of the entire group
- Centralized management of finance, accounting, procurement of funds, etc.

Capital and business alliances



Restar Holdings Corporation

(TSE Prime Market:3156)



100%

PCI Solutions



<https://www.pci-sol.com/>

Representatives: Toyomi Amano
Motomasa Moriya
Established: September 2012
Capital: 360 million yen

Embedded development,
financial systems, IoT solutions,
IT infrastructure building,
sales and maintenance of mainframe

100%

SORD



<https://www.sord.co.jp/>

Representative: Yuji Sudo
Established: April 1970
Capital: 499 million yen

Embedded PC sales, design,
manufacturing, and maintenance
services

50%

Privatech



<https://privatech.jp>

Representative: Yasuhiro Yamashita
Established: April 1989
Capital: 100 million yen

Semiconductor solutions
Software and hardware development
FPGA development

50%

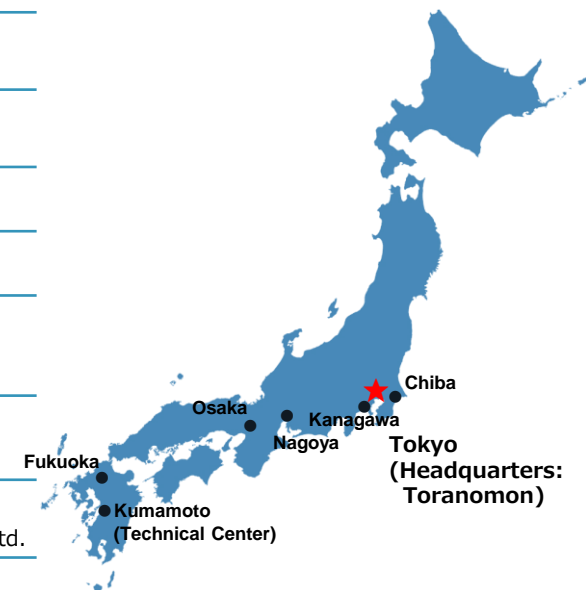
Executive Structure and List of Offices...From September 1, 2023



Executive structure

Position	Name	Career, etc.
Chairman	Toyomi Amano	Managing Director, NCR Japan, Ltd. Director, The Shinkin Banks Information System Center Co., Ltd.
President	Kunio Yokoyama	Managing Executive Officer, Sumitomo Mitsui Banking Corporation President and CEO, Sumitomo Mitsui DS Asset Management Co., Ltd. President and CEO, JAPAN POST Co., Ltd.
Senior Managing Director	Yasuhiro Horibe	Executive Officer, General Manager of the Solution Business Division, Mitsubishi Research Institute, Inc. President and Representative Director, PCI Solutions INC.
Director	Naohiro Iguchi	General Manager, Corporate Planning Office, Profit Cube Inc.
Director	Kazuya Sugizono	General Manager, Finance & Accounting Office, Profit Cube Inc.
Outside Director	Taneki Ono	Partner and Managing Director, Goldman Sachs Japan Co. Ltd. Executive Officer, Sumitomo Mitsui Banking Corporation Senior Managing Executive Officer, JAPAN POST Co., Ltd. President and Representative Director, Japan Post Capital Co., Ltd.
Outside Director (Full-time Audit & Supervisory Committee Member)	Hirokazu Ohira	Assistant Director, Special Finance Division, Banking Bureau, Ministry of Finance Director, Financial Consulting Division, Deloitte Touche Tohmatsu LLC Director and Chairman of the Board, Regional Financial Laboratory, Inc.
Outside Director (Audit & Supervisory Committee Member)	Akiko Takahara	Mitsubishi Corporation Outside Director (Audit & Supervisory Committee Member), Wantedly Inc. Outside Director (Audit & Supervisory Committee Member), LiB Consulting Co., Ltd.
Outside Director (Audit & Supervisory Committee Member)	Masahiro Nomura	Asahi Audit Corporation (currently KPMG AZSA & Co.) Representative Director, Avance Consulting Inc. Agata Global Tax Corporation Secretary, The Japanese Institute of Certified Public Accountants, Tokyo Chapter
Outside Director (Audit & Supervisory Committee Member)	Takako Sakae	Ministry of Agriculture, Forestry, and Fisheries Igaki Law & Patent Office

List of offices



Precautions

No information in this material is intended as a solicitation to buy or sell our stock.

The forecasts and other forward-looking statements contained in this material are based on the information available to us at the time the material was prepared and involve potential risks and uncertainties.

Therefore, please be aware that, due to various factors, actual results may differ materially from those projected in the forward-looking statements. In the event that you suffer any loss or damage based on this information, neither our Company nor the information providers shall be liable for any loss or damage.

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Office Hours: 9:00 - 17:00 (except Saturdays, Sundays and national holidays)

**Click here for IR video ->
(or click here)**



Positively, Change, Innovate

