



Financial Results for the Six Months Ended March 31, 2024

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

May 9, 2024

Table of Contents

Major News Releases

1. **Financial Results for the Six Months Ended March 31, 2024**
 2. **Progress of the Medium-term Management Plan**
 3. **Introduction of Business Subsidiary Activities**
 4. **Return to Shareholders**
- (Reference) About the PCI Group**

Major News Releases



Release Date	Classification	Description
Jan. 11, 2024	Timely Disclosure	Notice : Disposal of Treasury Stock as Restricted Stock Compensation
Jan. 12	Shareholders' MTG	Shareholders' Meeting Video (the 19 th Ordinary General Meeting for Shareholders)
Jan 29	Timely Disclosure	Notice : Completion of Payment for Disposal of Treasury Stock as Restricted Stock Compensation
Feb. 7	Timely Disclosure	Consolidated Financial Results for the Three Months Ended December 31, 2023
Feb. 7	Timely Disclosure	Consolidated Financial Results of Q1 FY9/2024 (English)
Feb. 7	Timely Disclosure	Briefing Materials of Financial Results for the Three Months Ended December 31, 2023
Feb. 7	IR Materials	Briefing Materials of Q1 FY9/2024 Financial Results (English)
Feb. 13	Annual Sec. Report	Quarterly Securities Report for the First Quarter of FY9/2024
Feb. 14	IR Materials	Explanatory Video of Financial Results for the Three Months Ended December 31, 2023
Feb. 16	Others	PCI Solutions' "Electronic Seal GMO Sign for Slack" Featured in the Magazine "Gekkan Soumu"
Feb. 19	Others	Unauthorized Access to Cloud Services Provided by PCI Solutions
Feb. 22	Timely Disclosure	Questions and Answers on the Financial Results for the Three Months Ended December 31, 2023

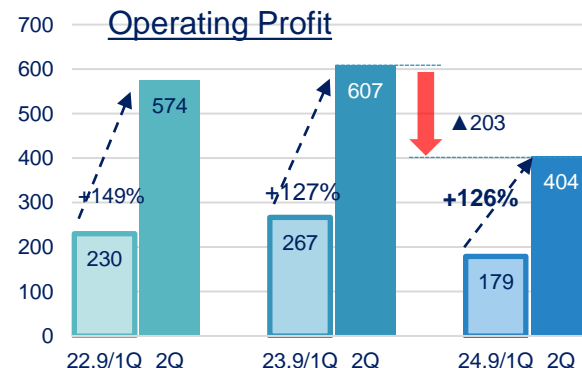
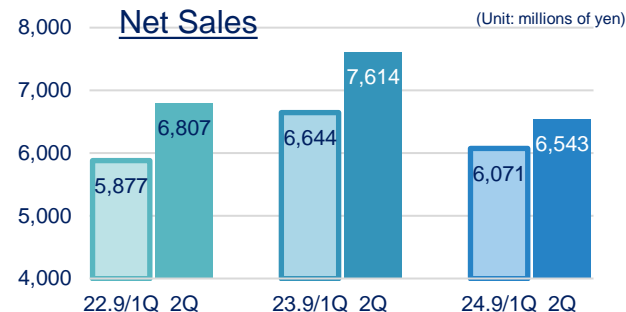
1st Half FY9/2024 Financial Results



Consolidated Financial Results for 1st Half FY9/2024

- Due to the departure of a subsidiary in the previous fiscal year, net sales and each level profit all decreased, but all those increased on a quarterly basis.
- Operating income fell short of the 1H plan by (47) mil. yen, but despite the departure of a high-margin subsidiary, quarterly growth was +126%, on par with the previous year, and the operating margin doubled to 6.2% in 2Q, up +3.2.

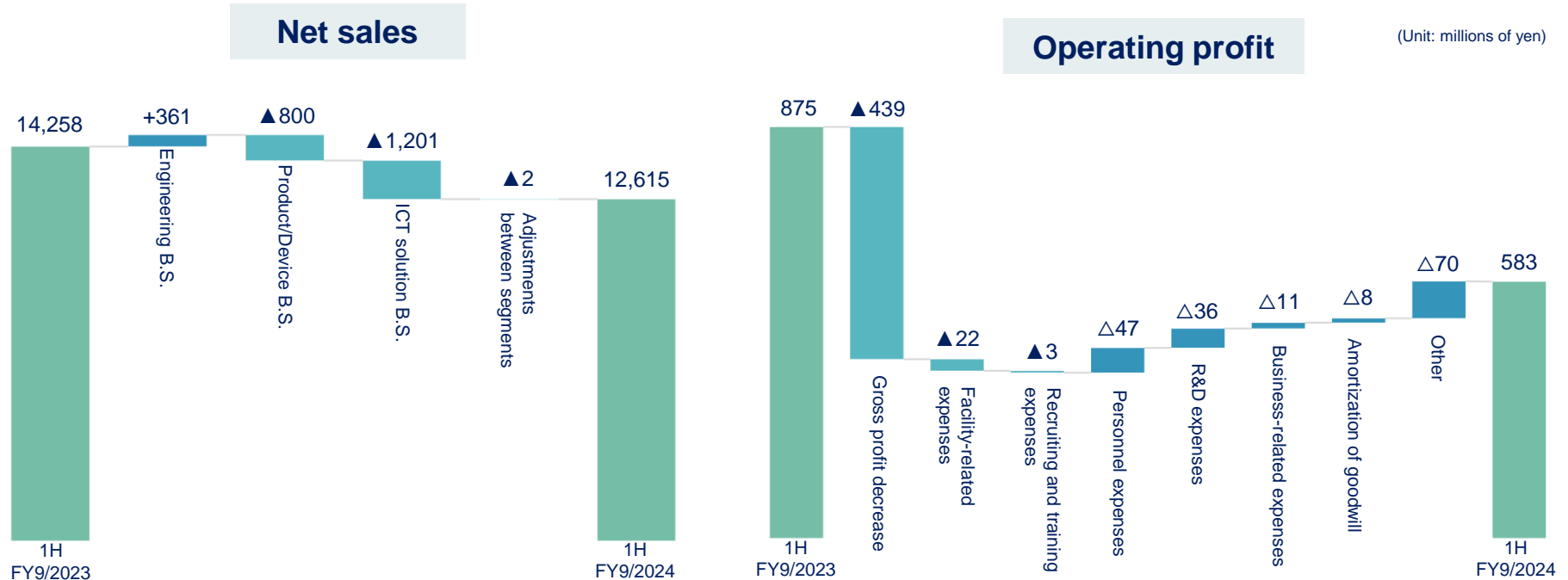
(Unit: millions of yen)	1 st half FY9/2023	1 st half FY9/2024	Amount of increase/decrease	Comparison to 1 st half planned target	Comparison 2Q results with 1Q results
Net sales	14,258	12,615	▲1,643	+15	+471
Gross profit	3,362	2,923	▲439	—	+191
Gross profit margin	23.6%	23.2%	▲0.4p	—	+1.3p
SG&A expenses	2,487	2,339	△147	—	△33
Operating profit	875	583	▲291	▲47	+224
Operating profit margin	6.1%	4.6%	▲1.5p	—	+3.2p
Ordinary income	894	607	▲287	—	+190
Quarterly net income attributable to owners of the parent	503	330	▲173	—	+98
EBITDA	1,056	748	▲307	—	+224



Factors Contributing to Changes in Net Sales and Operating Profit



- Net Sales increased only in the Engineering Business Segment but decreased in the Product/Device and ICT Solutions Business Segments.
- Gross profit declined (439) mil. yen, but the decline in operating income narrowed to (291) mil. yen due to a (147) mil. yen reduction in SG&A expenses.



Financial Results by Business Segment



- **Engineering B.S.** : Shifted engineers due to strong AUTOSAR/BEV-related inquiries. Industrial and distribution applications are also steady due to the trend of digitalization and DX.
- **Product/Device B.S.** : Embedded PCs benefited from purchase and sales price controls. Semiconductors' design and test performed well, and turnkey also contributed to sales.
- **ICT Solution B.S.** : Although the departure of a subsidiary had a significant impact, sales of in-house packages and projects linked to platforms and cloud computing contributed to earnings.

(Unit: millions of yen)	Net Sales		Gross Profit		Segment Profit		
	1 st Half FY9/2024	YoY Change	(Profit Margin)	YoY Change	(Profit Margin)	YoY Change	
Engineering Business	6,780	+361 (+5.6%)	1,484 (21.9%)	+6 (+0.5%)	591 (8.7%)	▲ 13 (▲2.2%)	Stable Core Businesses
Product/Device Business	4,537	▲ 800 (▲15.0%)	1,011 (22.3%)	+177 (+21.3%)	262 (5.8%)	+109 (+71.5%)	
ICT Solutions Business	1,356	▲ 1,201 (▲47.0%)	452 (33.3%)	▲ 623 (▲58.0%)	111 (8.2%)	▲ 383 (▲77.5%)	Growth Drivers
Consolidated Financial Results	12,615	▲ 1,643 (▲11.5%)	2,923 (23.2%)	▲ 439 (▲13.1%)	583 (4.6%)	▲ 291 (▲33.3%)	

(Reference) Consolidated Balance Sheet



- Total assets decreased by (984) mil. yen from the end of the previous fiscal year to 16,643 mil. yen. Total liabilities decreased by (1,057) mil. yen to 7,470 mil. yen.
- Total net assets increased by +73 mil. yen to 9,172 mil. yen. Equity ratio improved by +3.5 percentage points from the end of the previous year to 52.2%.
- Main reasons for the increase/decrease are 2Q earnings accumulation and debt repayment, in addition to 1Q results/seasonal factors and share repurchases.

(Unit: millions of yen)		FY9/2023	1H FY9/2024
Current assets		12,505	11,685
	Cash and deposits	4,108	3,393
	Trade receivables	6,450	6,255
	Other	1,947	2,037
Non-current assets		5,120	4,956
	Property, plant and equipment	854	881
	Goodwill	1,779	1,689
	Other	2,487	2,386
Total assets		17,627	16,643

(Unit: millions of yen)		FY9/2023	1H FY9/2024
Current liabilities		6,998	6,179
	Trade payables	2,985	2,842
	Borrowings and bonds payable	833	592
	Other	3,180	2,745
Non-current liabilities		1,530	1,291
	Borrowings and bonds payable	755	511
	Retirement benefit liabilities	155	148
	Other	620	632
Total liabilities		8,528	7,470
Total net assets		9,098	9,172
Total liabilities and net assets		17,627	16,643

(Reference) Consolidated Statement of Cash Flows



- Operating CF: Net cash provided by operating activities was 131 mil. yen due to profit before income taxes was 613 mil. yen, while payment of bonuses and income taxes.
- Investing CF: Net cash provided by sales of investment securities amounted to 84 mil. yen. Financing CF used 911 mil. yen due to repayment of borrowings, purchase of treasury shares, and dividend payment.
- Free cash flow was an inflow of 215 mil. yen. Cash equivalents at the end of the first half increased +1,029 mil. yen yoy to 3,339 mil. yen.

(Unit: millions of yen)		1H FY9/2023	1H FY9/2024	(Unit: millions of yen)		1H FY9/2023	1H FY9/2024
CF from operating activities		606	131	CF from financing activities		△218	△911
Breakdown	Profit before income taxes	890	613	Breakdown	Proceeds from long-term borrowings	527	—
	Depreciation	82	74		Repayments of long-term borrowings	△456	△470
	Amortization of goodwill	98	90		Purchase of treasury shares	—	△199
	Decrease (increase) in trade receivables	△593	192		Dividends paid	△160	△171
	Decrease (increase) in inventories	245	△25		Dividends paid to non-controlling interests	△116	△53
	Increase (decrease) in trade payables	282	△142		Cash and cash equivalents	2,310	3,339
CF from investing activities		△695	84				
Breakdown	Purchase of property, plant and equipment	△60	△75				
	Purchase of investment securities	△63	—				
	Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation	△517	—				
Free CF		△88	215				

Progress of the Medium-term Management Plan



Basic Strategies and Measures by Business Segment

- Six months have passed since the start of “PCI-VISION 2026”. Each business segment has started to implement measures and allocate resources based on the basic strategy. While there are some differences between measures, overall progress is steady.

Business Segment	Basic Strategies	Measures	Resource Allocation
Engineering Business	1) Concentrating on profitable business areas 2) Securing and fostering technical capabilities with growth expectations 3) Getting and increasing prime contracts	1) Concentrating on mobility(In/Out), SCM, ERP 2) Accumulation of AUTOSAR/BEV related technologies 3) Expanding work contracts、 Increasing project managers	1) Increasing engineers 2) Investment in education and M&A 3) Developing project-management personnel
Product / Device Business	4) New product development with small volume but high profitability 5) Compound businesses and add value 6) Synergy creation through expanded collaboration with other companies	4) Development of sensor boards and PCs for specific usage 5) · Expansion into PC-related service work · Expansion LSI turnkey services 6) Incorporation of external knowledge	4) Investment in R&D and education 5) Investment in education, Increasing engineers 6) Personnel exchange, Business alliance
ICT Solution Business	7) Clarify and expand areas of strength 8) Solution development based on customer requests 9) Package the solution provided to a customer and sell it to others	7) Focus on integration with cloud services and AI image analysis 8) Strengthening our ability to capture customer needs by salesforce power and cooperation with other companies 9) Increasing project managers, Expanding cooperation with other companies	7) Investment in R&D, Increasing engineers 8) Increasing engineers, Business alliance 9) Developing project-management personnel, Business alliance
Cost Management	10) Simplification of indirect organization 11) Improve procurement and purchasing capabilities 12) Productivity improvement through DX promotion	10) Reorganization and consolidation of indirect functions within the PCI group 11) Review of commercial distribution and strengthening of customer negotiation capabilities 12) Active use of generative AI	10) Decreasing indirect personnel 11) External collaboration, Investment in education 12) Investment in education and equipment

Current Status of Major Businesses



- Clarify basic strategies for major businesses that will contribute significantly to earnings growth in the medium-term management plan.

Business Segment	Major Businesses	Basic Strategies	Current Status
Engineering Business	Industry and Distribution	-Expanding SCM and ERP order volume -Entering Outcar, building on Incar's capabilities	-Orders steady -OutCar slightly struggling
	Mobility	-Following the movement toward electrification and automated driving, expanding mainly in control systems for automobiles, construction machinery	-Engineers concentrated at InCar(AD/ADAS)
	Network	-Selection and concentration of customers and projects -Differentiation through AI/image recognition technology	-Customer selection in progress -Image recognition technology needs improvement
	Infrastructure	-Focus on cloud-based infrastructure systems and networks -Support for migration of mainframe systems to open systems	-Wide coverage technical infrastructure under construction
Product / Device Business	LSI Turnkey Services	-Selection and capture of target customers -Responding to long timeframe results	-Projects No.1 and No.2 in progress
	New Hardware Products	-Creation of board platform for strong customer demand -Development and sales expansion of PC peripherals	-IoT/Edge products and platforms under development
	PCs for Specific Usage	-Capture renewal demand from existing customers -Develop and expand sales channels through regional strategic planning	-New products launched in June. Good impression
ICT Solution Business	DI Solutions	-Development of Amazon Connect related, serverless, etc. -Expanding rear detection and lookout detection with AI cameras	-Shift focus to cloud -Need refinement of AI technology
	ODM Services	-Creating service ideas through collaboration with sensor manufacturers, etc -Synergies within the PCI Group and the Restar Group	-Several PoC projects in progress

(Referencet) Numerical Targets for FY9/2026

- By steadily implementing the basic strategies listed by business segment and practicing management with an awareness of cost of capital and stock price, we aim to achieve the Mid-term Management Plan targets of [ROE \geq 15%], [ROIC \geq 15%], and [PBR \geq 2x] in the fiscal year ending September 2026.

	FY9/2023 Result	FY9/2026 Plan (Note1)	FY9/2026 Spread Plan	
PBR(x)	1.24	\geq 2.00		
ROE(%)	12.3	\geq 15.0	(+6.0~6.5)	Cost-Equity Ratio(%) (8.5~9.0)
Net Profit Margin(%)	3.5	\geq 4.9		
ROA(%)	165.0	(150.0~160.0)		
Financial Leverage	2.11	(2.00~2.20)		
PER(x)	10.5	(13.3)		
Cost-Equity Ratio(%) (Note 2)	8.5~9.0	(8.5~9.0)		
Expected Growth Rate(%)	1.0~1.5	(1.0~1.5)		
ROIC(%)	11.3	\geq 15.0	(+7.0 around)	WACC(%) (8.0 around)

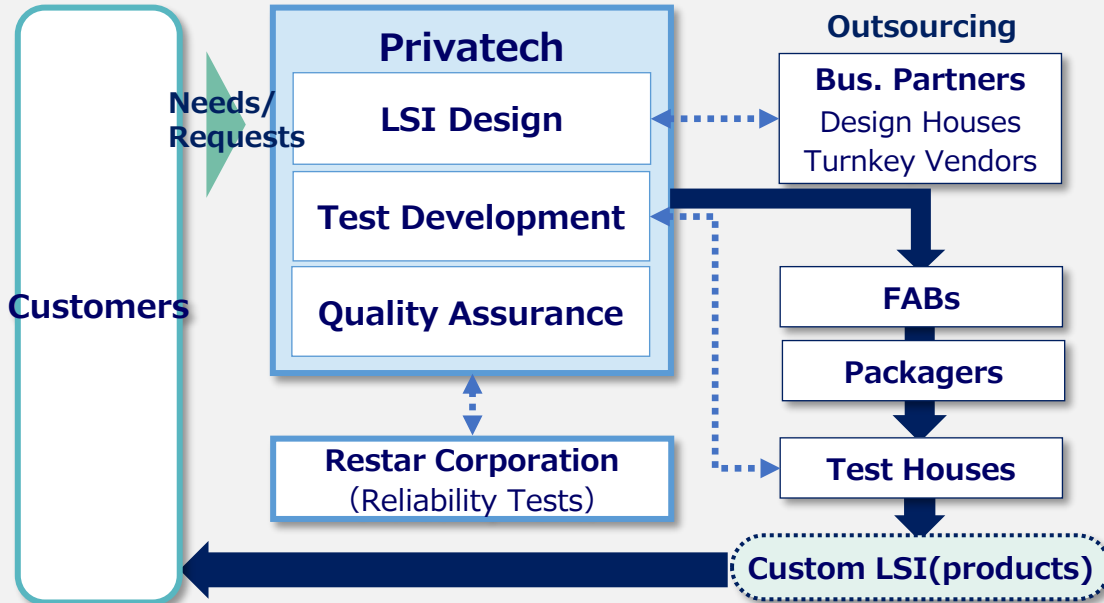
(Note 1) Figures with () indicate internal targets, (Note 2) Estimated cost of shareholders' equity: CAPM: approx. 9.0%, implied: approx. 8.5%

Introduction of Business Subsidiary Activities



- Integrated services from design to prototyping and mass production of LSIs optimized for the applications, quality, and performance demanded by customers
- Combining Privatech's strengths with the capabilities of external partners allows us to undertake any process in the service flow

LSI Turnkey Service Flow



Strengths of Privatech

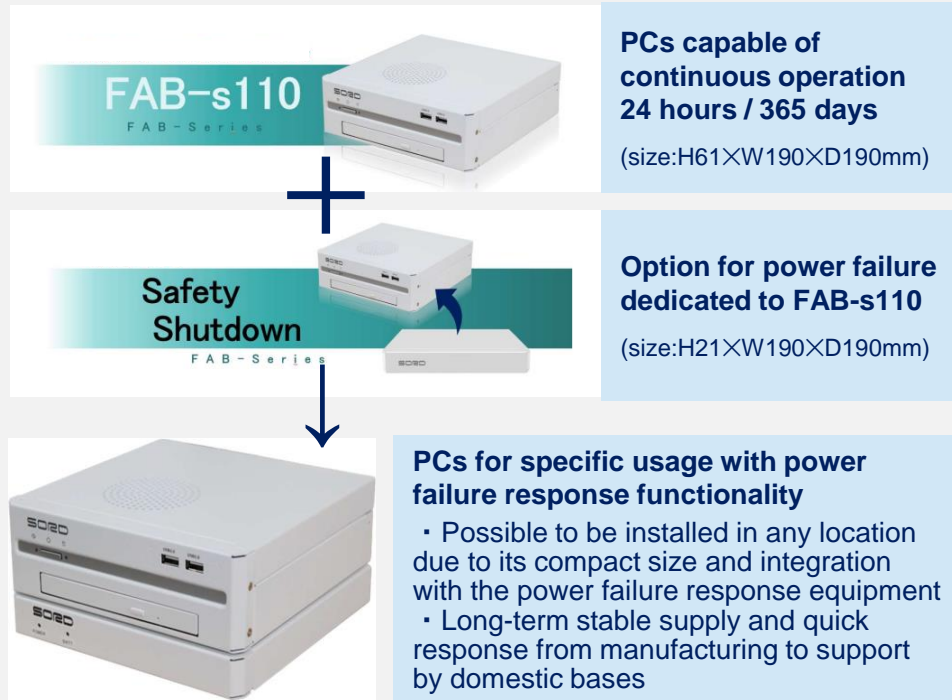
LSI development capabilities cultivated through businesses with major semiconductor manufacturers

Seamless support from LSI design to test development made possible by talented engineers (# of designers ≥ 50 , # of test engineer ≥ 80)

Collaboration with partners such as design houses and test houses

Cost competitiveness generated by digital design tools utilizing cloud design environments as well as overseas partners

• SORD Corporation exhibited at Japan IT Week (Kansai: January 2024, Tokyo: April 2024, respectively) FAB-s110, a personal computer for specific usage, and Safety Shutdown, an optional function of the PCs, which SORD plans to sell from June this year.



Anticipated Use Cases



Digital signage for information boards

FAB-s110 and Safety Shutdown can be used in combination to continue functioning even in the event of a power failure.



Restaurant ordering terminals

Combination of FAB-s110 and touch panel for ticket sales and order terminal



Behind Display



Under Display

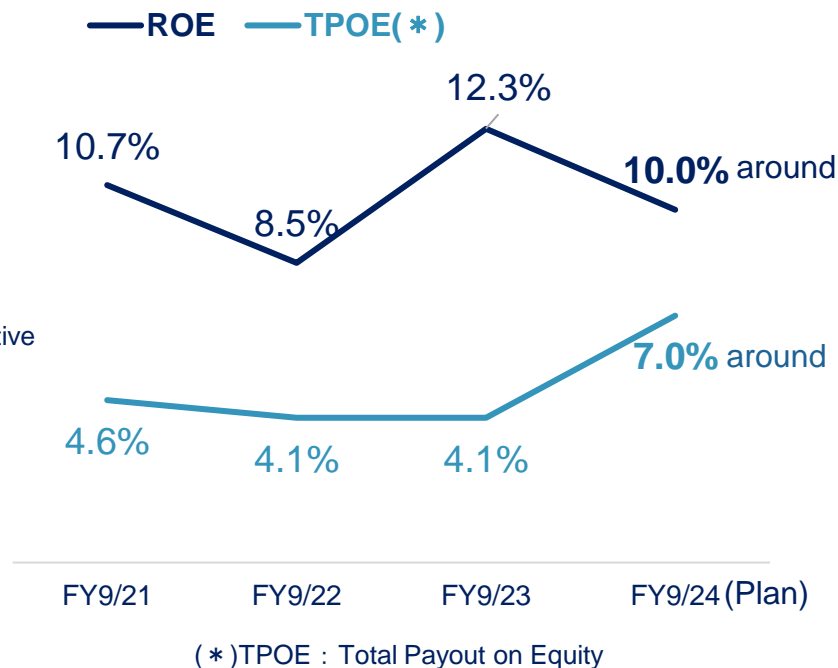
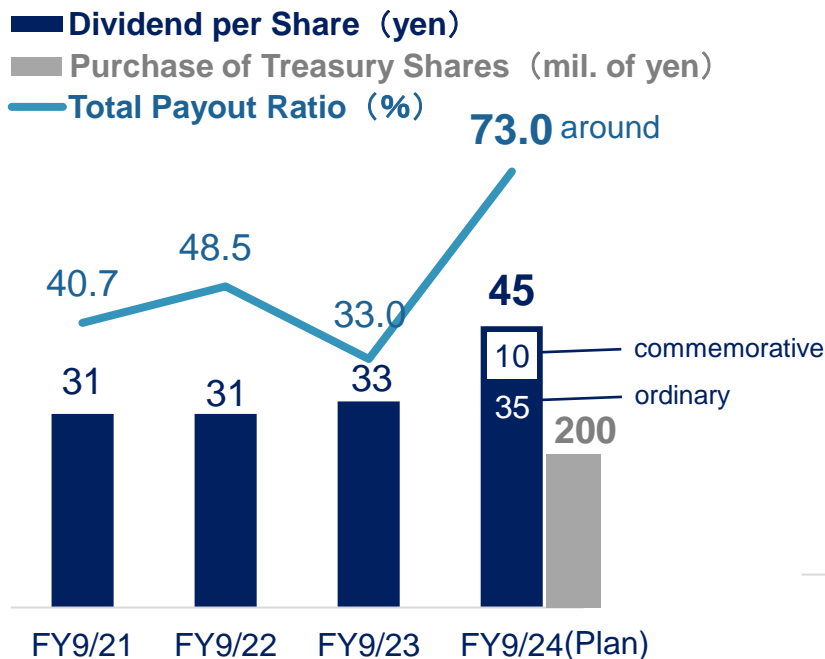
Location

Return to Shareholders



Return to Shareholders

- As the fiscal year ending September 2024 marks the 20th anniversary of the company's founding, a commemorative dividend (10 yen added to the year-end dividend) will be paid in addition to the existing plan to increase dividends.
- Combined with the 200 million yen share buyback already implemented, the total payout ratio for the fiscal year ending September 2024 is expected to be around 73%.



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 million yen (As of September 30, 2023)
Established	April 2005	Net sales (Consolidated)	28,491 million yen (FY9/2023 results) 26,300 million yen (FY9/2024 forecast)
Listing	Tokyo Stock Exchange Standard Market (Securities code: 3918)	Operating profit (Consolidated)	1,709 million yen (FY9/2023 results) 1,510 million yen (FY9/2024 forecast)
Location	1-21-19 Toranomom, Minato-ku, Tokyo, 105-0001	No.of employees (Consolidated)	1,597 (As of March 31, 2024)
Representatives	Toyomi Amano, Chairman Kunio Yokoyama, President	Consolidated subsidiaries	PCI Solutions INC. SORD CORPORATION PRIVATECH Inc.

Composition of the PCI Group



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 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%

Business Companies and Description of Business



PCI Solutions

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

SORD

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

PRIVATECH

- 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**

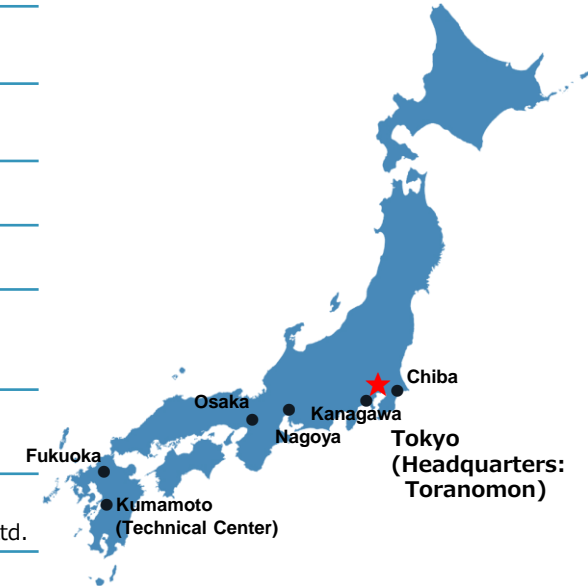
Mutual collaboration by topic and by project

Executive Structure and List of Offices

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 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



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.

Contact information

Group Strategy and IR Section, PCI Holdings,INC. (Hiroyuki Kogure)

E-mail : ir@pci-h.co.jp

Positively, Change, Innovate

