



Financial Results for the Nine Months Ended June 30, 2024

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

August 9, 2024

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Major News Releases

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(Reference) About the PCI Group

Major News Releases



Release Date	Classification	Description
Apr. 9, 2024	Others	Notice: “National Fresh Food Distribution Forum” hosted by Personal Joho System, Inc. was introduced in several newspaper articles
Apr. 11	Others	Notice: Donation for the damage caused by the earthquake off the coast of eastern Taiwan
May 9	Timely Disclosure	Consolidated Financial Results for the Second Quarter of FY9/2024
May 9	Timely Disclosure	Briefing Materials of Financial Results for the Second Quarter of FY9/2024
May 9	Timely Disclosure	Dividends of Surplus (Interim Dividend)
May 9	Timely Disclosure	Revised Forecast of Dividends for FY9/2024
May14	Annual Sec. Report	Semi-Annual Securities Report for the Second Quarter of FY9/2024
May 28	IR Materials	Explanatory Video of Financial Results for the Second Quarter of FY9/2024
May 28	IR Materials	Script of briefing on the Financial Results for the Second Quarter of FY9/2024
Jun. 4	Timely Disclosure	Questions and Answers on the Financial Results for the Second Quarter of FY9/2024
Jun. 4	Others	Notice: SESSA Partners has issued a sponsored research report on PCI Holdings, INC.
Jun. 8	Others	Notice: Personal Joho System, Inc. wins Business Partner of the Year at GRANDIT AWARD

Q3 FY9/2024 Financial Results

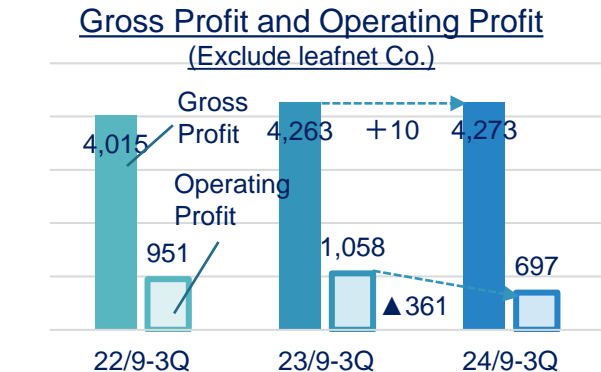
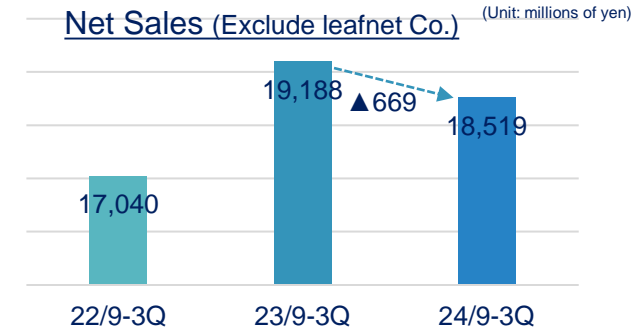


Consolidated Financial Results for Q3 FY9/2024

- Sales and profits at each stage decreased y-o-y, with 95.9% and 72.6% of sales and operating profit, respectively, in progress through 3Q compared with the plan.

<Reference> Amount of increase/decrease y-o-y excluding leafnet Co. Ltd. : Net Sales -669 million yen (mainly due to reducing low-profitability projects), Gross profit +10 million yen (slight increase), Operating profit -361 million yen (mainly due to strategic SG&A expenses)

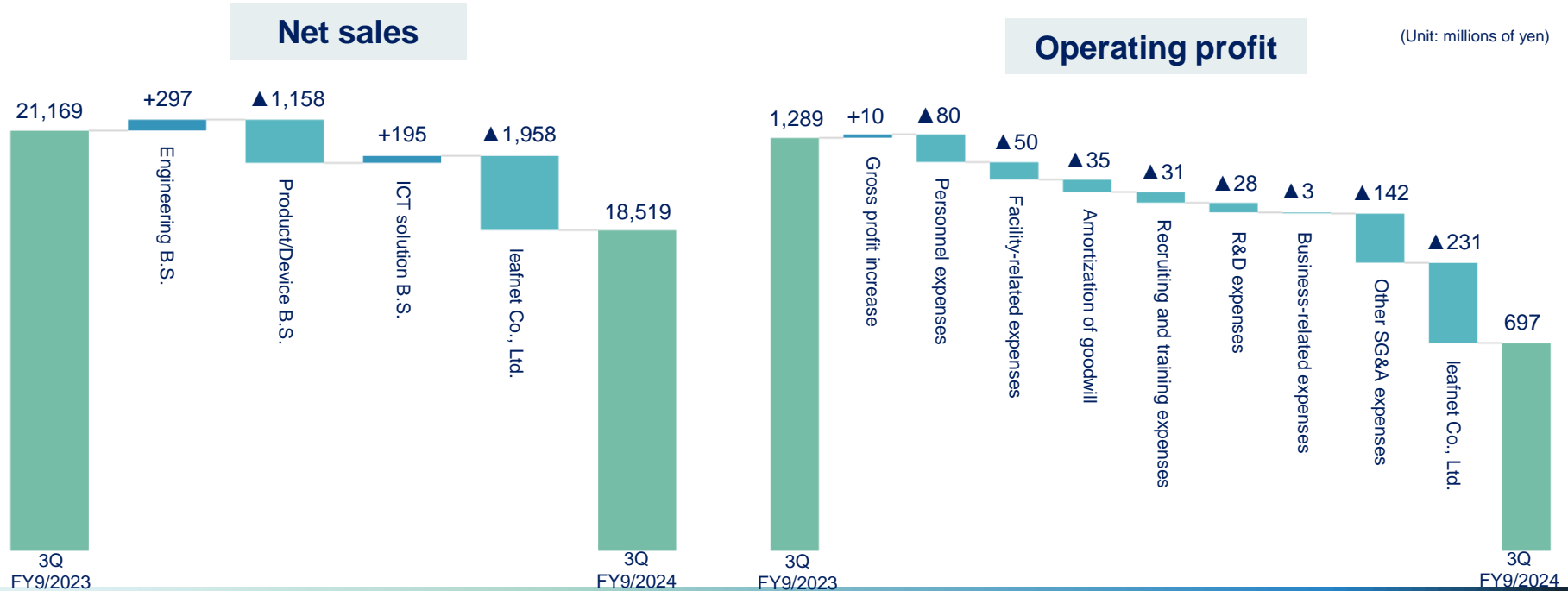
(Unit: millions of yen)	3Q FY9/2023	3Q FY9/2024	Amount Increase/ Decrease	Exclude	Progress Percentage of Plan to 3Q
				leafnet Co.	
Net sales	21,169	18,519	▲2,649	▲655	95.9%
Gross profit	5,283	4,273	▲1,009	+11	—
Gross profit margin	25.0%	23.1%	▲1.9p	+0.8p	—
SG&A expenses	3,994	3,576	△417	—	—
Operating profit	1,289	697	▲592	▲360	72.6%
Operating profit margin	6.1%	3.8%	▲2.3p	▲1.2p	—
Ordinary income	1,311	702	▲608	—	—
Quarterly net profit attributable to owners of the parent	565	356	▲208	—	—
EBITDA	1,572	943	▲629	—	—



Factors Contributing to Changes in Net Sales and Operating Profit



- Sales in the Engineering Business continued to grow, while sales in the Product/Device Business declined due to reducing low-profitability projects. On the other hand, the ICT Solutions Business secured a slight increase in sales, excluding the impact of leafnet Co. Ltd.
- While gross profit increased only slightly, operating income declined sharply due to higher SG&A expenses for personnel, facilities, R&D, etc., coupled with the impact of leafnet Co. Ltd.



Financial Results by Business Segment



- **Engineering B.S.** :Mobility (embedded systems), industrial/retail (enterprise systems), etc. remain strong. Rising labor and outsourcing costs are putting pressure on profits.
- **Product/Device B.S.** :Although sales decreased due to reducing low-profitability projects and production adjustments by customers, profit margins at each stage improved.
- **ICT Solution B.S.** : System construction using no-code, cloud DB, etc. is performing well, but profit margins need further improvement.

(Unit: millions of yen)	Net Sales		Gross Profit		Segment Profit		
	3Q FY9/2024	YoY Change	(Profit Margin)	YoY Change	(Profit Margin)	YoY Change	
Engineering Business	10,104	+297 (+3.0%)	2,168 (21.5%)	▲105 (▲4.6%)	758 (7.5%)	▲90 (▲10.7%)	Stable Core Businesses
Product/Device Business	6,412	▲1,158 (▲15.3%)	1,391 (21.7%)	+90 (+6.9%)	278 (4.3%)	+14 (+5.5%)	
ICT Solution Business	2,080	▲1,786 (▲46.2%)	752 (36.2%)	▲994 (▲56.9%)	230 (11.1%)	▲529 (▲69.6%)	Growth Drivers
<Reference> Exclude leafnet Co.	2,080	+195 (+10.4%)	752	+11 (+1.6%)	230	▲194 (▲45.7%)	
Consolidated Financial Results	18,519	▲2,649 (▲12.5%)	4,273 (23.1%)	▲1,009 (▲19.1%)	697 (3.8%)	▲592 (▲45.9%)	

Consolidated Financial Results Forecast for FY9/2024



- Although demand for software development in response to the progress of DX continues to be strong, sales in the hardware field have declined due to customer circumstances, and labor and outsourcing costs are trending higher than expected, leading to a downward revision of the full-year earnings forecast.

➤ Net sales: 25,300 (Revision to initial plan ▲1,000) mil. yen

Mainly due to lower sales in the Product/Device Business as a result of production adjustments by customers.

➤ Operating profit: 1,030 (ditto ▲480) mil. yen

Increase in personnel and subcontracting costs in the Engineering Business and increase in unutilized personnel due to customer factors in the Product/Device Business were the main factors.

➤ Ordinary income: 935 (ditto ▲615) mil. yen

In addition to lower operating income, this was due to expenses incurred in response to the tender offer by Restar Corporation, which was announced today.

➤ Net profit attributable to owners of the parent: 770 (ditto ▲110) mil. yen

Impacted by gains on stock transfers.

(Unit: millions of yen)	FY9/2023 Result	FY9/2024 Forecast	Amount Increase/Decrease	Revision to Initial Plan
Net sales	28,491	25,300	▲3,191	▲1,000
Gross profit	6,935	5,740	▲1,195	—
Gross profit margin	24.3%	22.7%	▲1.6p	—
SG&A expenses	5,225	4,710	△515	—
Operating profit	1,709	1,030	▲679	▲480
Operating profit margin	6.0%	4.1%	▲1.9p	▲1.6p
Ordinary income	1,774	935	▲839	▲615
Net profit attributable to owners of the parent	1,008	770	▲238	▲110

(Reference) Consolidated Balance Sheet



- Total assets amounted to 15,889 million yen, down 1,738 million yen from September 30, 2023. Liabilities were 6,810 million yen, down 1,718 million yen.
- Net assets were 9,078 million yen, a slight decrease of -19 million yen YoY. As a result, return on equity was 54.2%, up 5.5% point.
- While profits accumulated, cash and deposits decreased by 307 million yen from the end of March 2024 due to the payment of interim dividends, repayment of loans and bonds, etc.

(Unit: millions of yen)		FY9/2023	3Q FY9/2024
Current assets		12,505	11,077
	Cash and deposits	4,108	3,086
	Trade receivables	6,450	5,624
	Other	1,947	2,367
Non-current assets		5,120	4,811
	Property, plant and equipment	854	857
	Goodwill	1,779	1,643
	Other	2,487	2,311
Total assets		17,627	15,889

(Unit: millions of yen)		FY9/2023	3Q FY9/2024
Current liabilities		6,998	5,636
	Trade payables	2,985	2,563
	Borrowings and bonds payable	833	486
	Other	3,180	2,587
Non-current liabilities		1,530	1,174
	Borrowings and bonds payable	755	384
	Retirement benefit liabilities	155	152
	Other	620	638
Total liabilities		8,528	6,810
Total net assets		9,098	9,078
Total liabilities and net assets		17,627	15,889

Major Topics



Sponsored Research Report on PCI Holdings, INC.



- Prepared and published a research report on the PCI Group's business and future prospects from an analyst's perspective (published on June 4, 2024 in Japanese, June 17, 2024 in English).

Objectives

- Conducting objective analysis and evaluation of our group by outside analysts
- Prepare reports that are easy to understand for shareholders, investors, and other external stakeholders

Major Comments and Responses

- The PCI Group has a wide range of businesses that are difficult to understand, but the report helped me understand them better.
- I understand the PCI Group's strengths and areas of expected future growth, as well as some of the growth strategies currently underway.
- The average share price (closing price) for the month before and after June 4, the publication date, outperformed the Nikkei 225 (+1.1%), from 935.7 to 962.5 yen (+2.9%).

Report URL

https://ssl4.eir-parts.net/doc/3918/ir_material_for_fiscal_yr6/157308/00.pdf
(Sessa Partners Inc. web sight)

2024.6.4

PCI Holdings | 3918

TSE Standard

Towards "Comprehensive Consulting Company" utilizing the embedded technology

Summary

Corporate profile :

PCI Holdings, Inc. (hereafter, the Company) is an IT provider of IT-related services and hardware, mainly focusing on embedded system technology such as embedded software, embedded computers, and the like. Though it is a relatively young company, born in 2005, it has grown up to be large enough to have net sales of ¥28,500 mn for FY2023/9 with approximately 1,600 employees along with organic growth and acquisition of many companies. Going forward, it will change the corporate structure and make it more profitable by investing its cashflow from its core businesses, the Engineering Business and the Product/Device Business, into the ICT Solutions Business, which has considerable potential growth fields such as solution development using AI, IoT platform and the like.

Business trends:

Though the result for 2Q, FY2024/9 showed a decrease in net sales and profits mainly due to the sale of stocks of leafnet Co., Ltd., a subsidiary of the Company, on the one hand, it showed the beginning of a positive effect from cost management. The Engineering Business posed a fall in profits due to a cost increase caused by business partners, although it benefitted from auto-related business expansion and advancements in digitalization and digital transformation. In the ICT Solution Business, net sales and profits decreased as leafnet Co., Ltd. was out of the scope of consolidation, and the mainframe-based solution business was in a drop-off period. In the Product/Device Business, on the other hand, profitability improved remarkably. Reason: though the sales in embedded computer/controller fell due to the Company's proactive review of unprofitable and low-profit projects, the review helped the profitability recover significantly together with optimization of selling prices and reexamining procurement prices. For FY2024/9, the Company doesn't change its forecast, although operating profit has not increased enough. The Company thinks it is possible to catch up with the original target for two reasons: 1) it will continue to focus on the optimization of sales and purchase prices, and 2) it will make up for the delay in progress in the Engineering Business.

Share price insight:

As of May 22, 2024, PER and PBR were 10.5x and 1.06x, respectively, the lowest level since the listing. One of the reasons for the slump in the share price is the dilution caused by equity financing (fundraising via the issuance of stock) in the past. However, the level of profits is expected to increase. As a result, the valuation will also rise going forward, supported by increased demand for automotive embedded software, optimization of sales and procurement prices, appropriate personnel allocation, etc.

¥mn,%	Net Sales	YoY	Operating Profit	YoY	Ordinary Profit	YoY	Net Profit	YoY	EPS	DPS
2021/3 C	16,758	1.3	750	(8.8)	805	(4.5)	287	(37.6)	34.85	31.00
2022/3 C	21,249	26.8	1,174	56.5	1,209	50.2	670	133.4	76.12	31.00
2023/3 C	25,170	18.5	1,445	23.1	1,549	28.1	643	(4.0)	63.97	31.00
2024/3 C	28,491	13.2	1,710	18.3	1,775	14.6	1,008	56.8	100.09	33.00
2025/3 CE	26,300	(7.7)	1,510	(11.1)	1,550	(12.7)	880	(12.7)	88.62	45.00

INITIATION



Focus Point

ROE expected to continue to increase. Reason: an increase in sales in embedded software due to the stronger demand supported by social advancement in computerization, together with the cost management such as optimization of selling and procurement prices and streamlining of back office. The ICT Solutions Business aims to establish the business model.

Key Indicators

Share price (6/3)	945
YH (24/1/30)	1,030
YL (24/2/15)	918
10YH (15/8/19)	3,082
10YL (20/3/13)	706
Shrs out. (mn shrs)	10.12
Mkt cap (¥ bn)	9.563
EV-LTM (¥ bn)	52.44%
Equity ratio (23/9)	1.11x
FY23/9 P/B (act)	1.11x
FY24/9 P/E (CE)	10.66x
FY23/9 ROE (act)	9.85%
FY24/9 DY (CE)	4.8%

Stock Price Chart 52 Weeks



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Tender Offer for Shares of PCI Holdings, Inc.



- PCI Holdings, INC. expressed an opinion in favor of the tender offer by Restar Corporation for the company's common stock on August 9, 2024.
- The company also expressed a neutral opinion as to whether shareholders should tender their shares in the tender offer.
- Capital and business alliance agreement was signed with Restar Corporation on the same day.
- The Company's shares are expected to remain listed on the Tokyo Stock Exchange Standard Market after the completion of the Tender Offer.

Schedule	Commencement Date of the Tender Offer	August 13, 2024
	Closing Date (scheduled)	September 20, 2024
	Commencement Date of Settlement (scheduled)	September 27, 2024
Restar Corporation	Location	10-9, Konan 2-chome, Minato-ku, Tokyo
	Representative	Representative Director, Chairman and President Kunihiro Konno
	Main Businesses	Sales & technical support of semiconductors and electronic components, LSI design & development, contracted reliability testing services, etc.
	Date of Establishment	October 1, 2009
	Capital Stock	4,383 million yen
	Listed Market	TSE Prime Market (3156)

Business opportunities and synergies created through collaborative relationship with Restar

- The ability to leverage Restar's customer and supplier base is expected to improve order efficiency and purchasing power.
- In the information service business, by building a business promotion structure centered on the Company within the Restar Group, the Company will be able to further expand orders. This will be possible by combining the high technological capabilities and abundant experience and know-how of the Company with the extensive customer base and business base of the Restar in the fields of embedded (industrial) systems for the electrical equipment manufacturing industry and LSI design and testing for the semiconductor manufacturing industry, which are the core of our business and areas in which our group has a competitive edge.
- Restar and the Company plan to discuss in good faith the establishment of specific measures to transfer the Restar Group's LSI design, evaluation and quality inspection business to the Company's group, which is expected to expand the cooperative relationship.
- In the field of business (enterprise) systems, the Company will establish a business structure centered on our group in the construction, maintenance, and operation of the Lester Group's information systems. This will enable us to absorb the business know-how of the Leicester Group, which focuses on the wholesale business, and strengthen our ability to undertake the upstream processes.

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) 25,300 million yen (FY9/2024 forecast)
Listing	Tokyo Stock Exchange Standard Market (Securities code: 3918)	Operating profit (Consolidated)	1,709 million yen (FY9/2023 results) 1,030 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)



50%

PCI Solutions



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

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

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

SORD



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

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

Embedded PC sales, design,
manufacturing, and maintenance
services

Privatech



<https://privatech.jp>

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

Semiconductor solutions
Software and hardware development
FPGA development

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.)

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Product/Device Business

Design, development, and sales of hardware products and devices for specific industries

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- **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**

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- **ODM services** (IoT solutions)
- **SI services** (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	Taneaki 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.

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Positively, Change, Innovate

