



Long-term Vision and the Medium-term Management Plan

(Based on FY9/2024-FY9/2026)

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

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1. Review



Review of the previous medium-term management plan (major strategies and its evaluation)

**Establishing one-stop solutions
to meet all IT needs of customers
for both software and hardware**

One-stop solutions through
the integration of software
and hardware technologies



Supporting the promotion of
digital transformation
through high added-value

**Strategic theme of
the previous
medium-term
management plan**



Five measures toward achievement	Details	Evaluation
Scale expansion and quality improvement of the system engineering services business	Quality and quantity improvement by focusing on areas of expertise	◎
Creation of optimal house-brand products, solutions, and services	Solution development based on AI/edge technologies	○
Promotion of cybersecurity-related businesses	Sales expansion in the industrial equipment sector	△
Further reinforcement of cooperation with business partners and active promotion of M&A	Promotion of one-stop services through the acquisition of SORD	○
Reinforcement of organizational structure and promotion of work style reform	Promotion of human resources education, realization of work styles based on business characteristics	○

Review of the previous medium-term management plan (financial results and target achievement)



- Revenue and profit increased, but did not reach the target for the final fiscal year
⇒ Final fiscal year Net sales: 95.0% vs. the plan, operating profit: 95.0% vs. the plan

Financial results for PCI-VISION 2023

(Millions of yen)	FY9/2020	PCI-VISION 2023				FY9/2023 (single year)	
		FY9/2021	FY9/2022	FY9/2023	3-year average annual growth	Plan	Result
Net sales	16,758	21,249	25,170	28,491	+19.4%	30,000	28,491
Operating profit	750	1,174	1,445	1,709	+31.6%	1,800	1,709
Operating profit margin	4.5%	5.5%	5.7%	6.0%	-	6.0%	6.0%
Net profit attributable to shareholders of the parent company for the current period	287	670	643	1,008	+52.0%	1,070	1,008
ROE	5.8%	10.7%	8.5%	12.3%	-	-	-
Payout ratio	89.0%	40.7%	48.5%	33.0%	-	-	-

Performance evaluation

- ✓ Provision of one-stop solutions through the integration of software and hardware technologies
⇒ The core strategy of the previous medium-term management plan, but did not progress as planned
- ✓ Material purchase price
⇒ Unexpected weakening of the yen and soaring material prices
⇒ Delayed pass-through for sales prices
- ✓ Group structure
⇒ Unexpected separation of operating companies (also impacted the next medium-term management plan)

Review of the previous medium-term management plan (remaining issues and direction of solutions)

- In the next medium-term management plan, we urgently need to build a foundation for new growth and higher corporate value based on the review of the previous medium-term management plan



Areas	Remaining issues	Direction of medium- and long-term solutions
Business	<ul style="list-style-type: none"> • Establishment of a PCI brand based on the trust of customers • High added-value with one-stop services of software and hardware • Diversification of business portfolio • Increase in corporate value by improving capital efficiency 	<ul style="list-style-type: none"> • Differentiation as PCI brand through the selection and concentration of business areas • Branding by focusing on areas of expertise • Increase in corporate value with ROE/ROIC as indicators
Technology	<ul style="list-style-type: none"> • Providing high value to customers by covering a wide range of advanced technologies • Early acquisition of new technologies with a long-term perspective 	<ul style="list-style-type: none"> • Current and future technology selection based on a technology roadmap • IP acquisition based on R&D activities
Human resources	<ul style="list-style-type: none"> • Enhancement of employee engagement • Enhancement of educational programs for human capital management • Further enhancement of diversity and inclusion 	<ul style="list-style-type: none"> • Enhancement of human capital management • Expansion of educational programs (reskilling, recurrent education) • Promotion of women's empowerment, internationalization of human resources
ESG	<ul style="list-style-type: none"> • Further reduction of environmental impact • Increasing awareness toward solving social issues • Further enhancement of the Group's governance 	<ul style="list-style-type: none"> • Implementation of cutting-edge approaches as an IT company • Practicing purpose-oriented management by spreading the long-term vision • Establishment of the Group's governance with a sense of unity

2. Environment Surrounding Us



The overall trend of the domestic IT services market

- ✓ The size of the domestic IT services market is expected to **expand steadily at an average annual growth rate of around 3-4%** for the time being
- ✓ Companies that increase IT budgets from the previous year are **over 40%** of the total **(the highest in the past 10 years)**



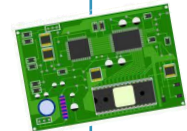
Trend by sector, industry, and company size

- ✓ By sector: Investment in **digital transformation and automation by AI/IoT** is expanding
- ✓ By industry: Both the amount and growth rate of IT investment are high in the **manufacturing industry (especially in the semiconductor and automotive industries)**
 - ✧ In the manufacturing industry, the proportion of software investment is increasing, and the cost of software and semiconductor out of one finished product (e.g., automobile) is particularly increasing
- ✓ By company size: **Medium-size firms'** willingness to invest in IT outstrips that of major companies



Supply and demand outlook for IT human resources market

- ✓ Despite the expanding IT demands, IT human resources are expected to go short due to a decrease in workforce
- ✓ In particular, a **shortage of human resources for IT services using advanced technologies such as AI and IoT** is apparent





Technical capabilities

Technologies with extensive track records such as,

- embedded software development
- designing, manufacturing, and maintenance of embedded PCs
- designing and testing of semi-conductors
- AI-based image analysis



Relationships

Strong customer base including the automotive and semiconductor industries

Extensive partner network including platform holders, package vendors, software houses, and electronics trading firms



Swiftness and high added-value

Swift system integration using cloud platforms such as AWS

In-house manufactured products that apply AI-based image analysis and cloud technologies

3. Long-term Vision PCI X-formation 2032



PX2032 vision statement

We aim to continuously explore the possibilities of IT, contribute to the realization of a secure, safe, and prosperous society (= sustainable society), and be a company that constantly adapts to change and seeks growth.

Ideal state

Establishment of a corporate brand

Presence in areas of mobility, AI-based image analysis, etc.

Evolution into an integrated technology and consulting company

Integration of high technological capabilities and deep understanding of customers

PCI Group's mission: Practice of corporate philosophy

Corporate philosophy

We pursue the happiness of all of our employees and contribute to the development of society through the improvement of customer satisfaction

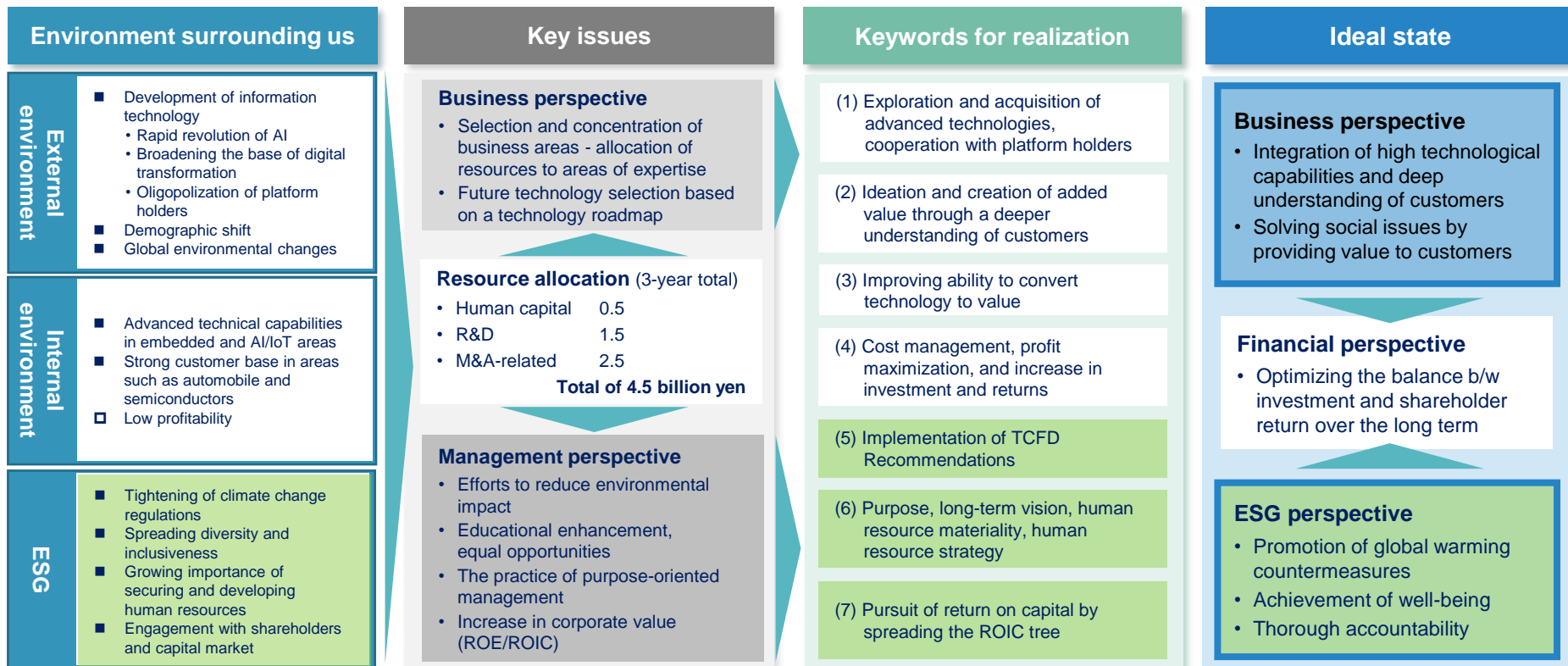
:Achieving well-being

:Fulfilling our social responsibilities

:Closely addressing the genuine needs of our customers

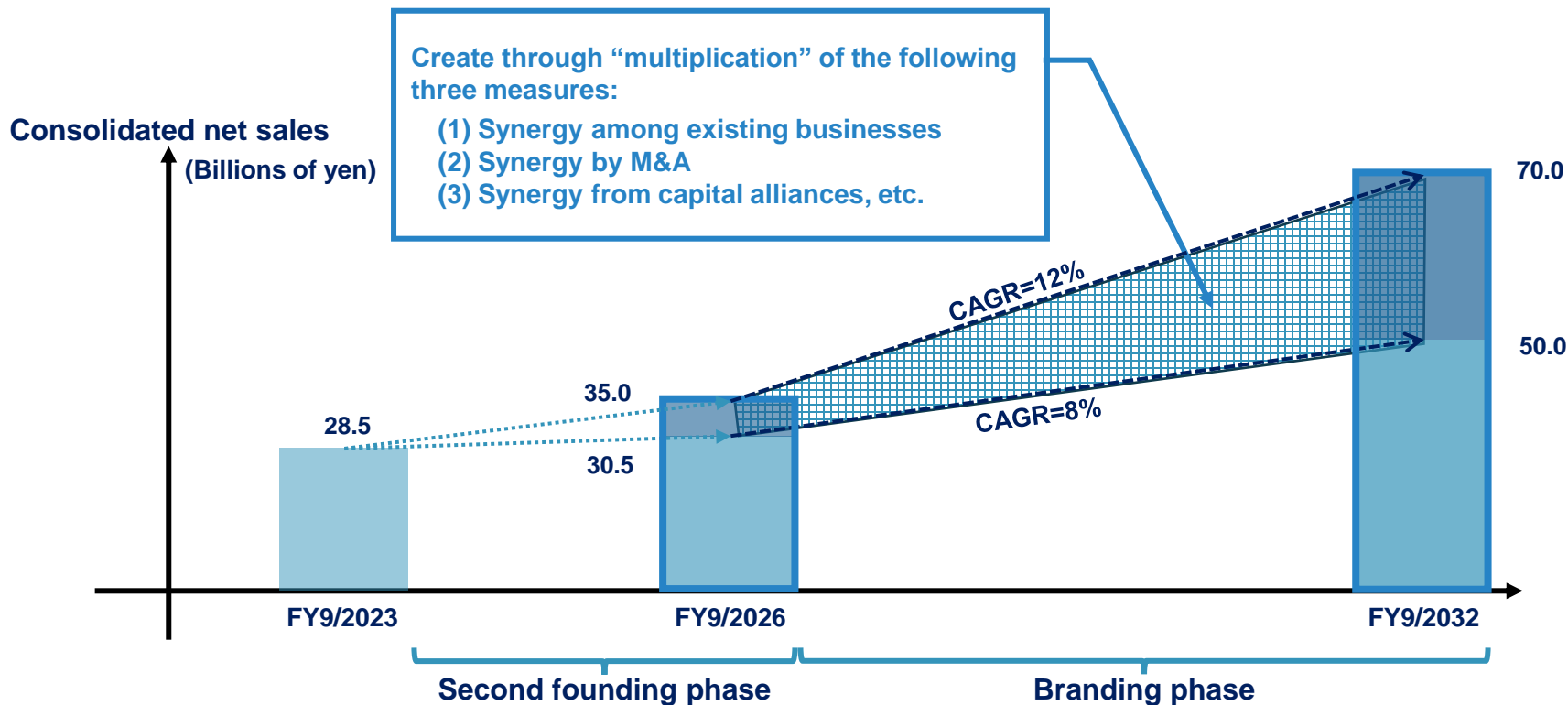
PCI Group operates based on the universal mission to deeply understand the genuine needs of our customers as an IT provider and solve various social issues through our customers by utilizing our strengths related to IT. We will also contribute to the realization of a secure, safe, and prosperous society by continuing to “Positively” “Change” and “Innovate” to meet the demands of the changing ages.

Continue to explore the potential of IT, contribute to the realization of a secure, safe, and prosperous society, and be a company that constantly adapts to change and seeks growth: PX2032



Management targets

- Aim for 50.0-70.0 billion yen in net sales in the long-term vision to establish a corporate brand
- Sustainably maintain ROE of around 15% to achieve growth with quality



4. Medium-term
Management Plan
PCI-VISION 2026



(Reference) Matrix between Business Companies and Business Segments

...From October 1, 2023 onward



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

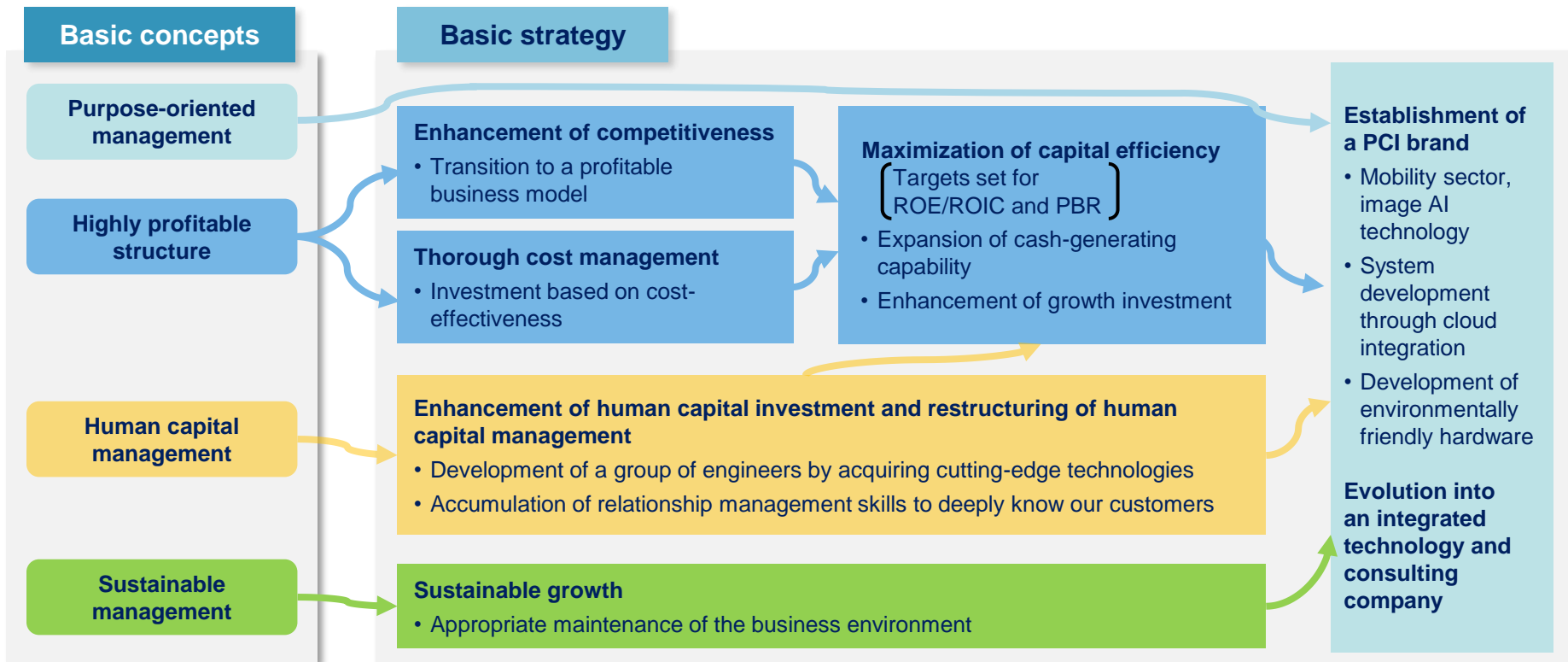
- **Solutions using AI**
- **Cloud service Integration**

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

Mutual collaboration by topic and by project


- The period of the new medium-term management plan is defined as the second founding phase. Through the period, we **1) build a foundation for further growth and 2) conduct proactive and strategic investment to improve the quality of revenue.**




Business strategy: Engineering Business Segment



- The Engineering Business Segment is the backbone of our revenue. Our first priority is to generate sustainable profit, and we will refine our ability to respond to market changes and technical readiness based on these for steady growth with little fluctuation

Themes	Goals	Approaches	Specific measures
Enhancement of competitiveness	<p>Increase business profitability and create a capital-efficient business model</p>  <p>“Win” by technical capabilities</p>	<ol style="list-style-type: none"> 1. Shift human resources to highly profitable areas through the selection and concentration of business segments 2. Secure technical capabilities for the future (by developing them and through collaboration with cutting-edge startups) 3. Reconfigure engineers' knowledge and skills to business and technological segments of focus 	<ul style="list-style-type: none"> • Increase emphasis on the mobility sector (automobile, construction machinery, etc.) • Increase presence in areas requiring extensive advanced technologies such as the “out-car” sector • Promote reskilling through educational investment using an industry-government-academia scheme • Promote diversity in human resources through partnerships with overseas (especially in Asia)
Thorough cost management	Aim for lean business operations and build resilience to changes in the business environment	<ol style="list-style-type: none"> 1. Optimize the ratio of direct and indirect costs 2. Reduce SG&A expenses by streamlining indirect functions 	<ul style="list-style-type: none"> • Revitalize by reorganization based on a reconsideration of technical and managerial job classifications • Promote labor-saving and streamlining through digital transformation


- The Product/Device Business Segment is our stable core business based on hardware (goods). We will achieve sustainable growth by improving our technical capabilities and building a good customer base including medical device and semiconductor manufacturers. In addition, we will differentiate ourselves and add high value through a comprehensive value proposition by enhancing services around “goods”

Themes	Goals	Approaches	Specific measures
Enhancement of competitiveness	<p>Increase business profitability and create a capital-efficient business model</p>  <p>“Win” by relationships</p>	<ol style="list-style-type: none"> 1. Provide comprehensive value covering multiple steps in the customers' value chain through a combination of products and services 2. Leverage product development and mass production capabilities to develop and market new products in sectors such as IoT and Edge-AI 	<ul style="list-style-type: none"> • Enhance services related to existing businesses such as PC kitting, installation, and maintenance • Provide comprehensive services such as LSI turn-key (from circuit design to prototyping and mass production of LSI)
Thorough cost management	Aim for lean business operations and build resilience to changes in the business environment	<ol style="list-style-type: none"> 1. Optimize procurement and purchasing 2. Reduce SG&A expenses by streamlining indirect functions 	<ul style="list-style-type: none"> • Promote labor-saving and streamlining through digital transformation

Business strategy: ICT Solutions Business Segment

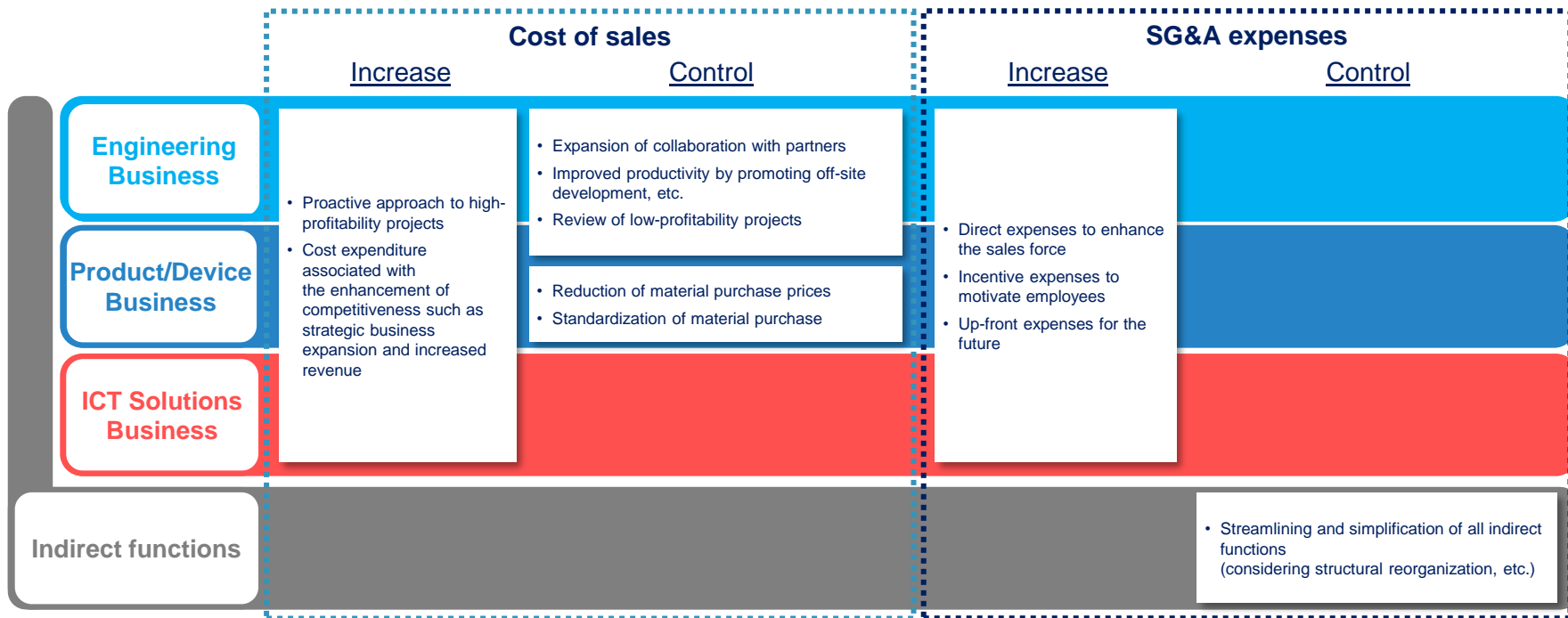


- The ICT Solutions Business Segment is a growth driver of PCI Group, and we will proactively invest our management resources to enhance competitiveness
 - Platform business: Focus on areas of strength such as cloud-related and AI-related and provide swift and high value-added solutions
 - Main frame business and others: Aim for expanded business opportunities through cross-selling with other businesses based on a good customer base

Themes	Goals	Approaches	Specific measures
Enhancement of competitiveness	Increase business profitability and create a capital-efficient business model  “Win” by swiftness and high added-value	<ol style="list-style-type: none"> 1. Focus on services of strength (cloud integration, AI-based image analysis, etc.) and concentrate engineer resources 2. Package and commercialize solutions provided to customers and expand sales to customers with similar needs 3. Keep monitoring the expansion of needs through customer contacts at all times to explore new service areas and proactively acquire necessary technologies 	<ul style="list-style-type: none"> • In cloud integration, swiftly provide added value to customers by combining platform services such as AWS and other applications/in-house developed software • In AI, provide solutions to various needs in anomaly detection-related or smart-cities centered on our strength in image analysis technology
Thorough cost management	Aim for lean business operations and build resilience to changes in the business environment	<ol style="list-style-type: none"> 1. Promote efficiency through the selection and concentration of platform services handled 2. Compress indirect functions and convert them to a customer contact function or a customer needs-capturing function within the Group 	<ul style="list-style-type: none"> • Revitalize by reorganization based on a reconsideration of technical and managerial job classifications • Promote labor-saving and streamlining through digital transformation

Cost management strategy

- Thorough cost management
- **Proactive investment based on cost-effectiveness:** Expanding expenses tied to revenue and reducing indirect expenses
- **Reinforcement of advance spending:** Education and training expenses, R&D expenses, amortization of goodwill, etc.
⇒ Setting improvement of “SG&A expenses/gross profit” ratio as KPI with a target of 65%



Management targets (3-year plan)

■ Organic growth targets

- By implementing strategies by business segment, we aim to increase sales and profit and achieve various management targets over the three years based on the existing business portfolio
- In FY9/2024, revenue and profit is expected to decrease year-on-year due to impacts of the separation of subsidiaries. However, we will use these three years as a period to build a foundation to achieve the long-term vision and focus on growing our business performance and consolidating our foothold.

■ Challenging targets

- We will work on boosting sales and profit through M&A strategies which are considered separately

	FY9/2023 (Millions of yen)	PCI-VISION 2026		3-year changes (*)		Challenging targets
		FY9/2024	FY9/2026	3-year changes	Average annual growth rate	FY9/2026
Net sales	28,491	26,300	30,500	4,539	5.5%	35,000
Operating profit	1,709	1,510	2,750	1,403	26.9%	—
Operating profit margin	6.0%	5.7%	9.0%	+3.8p	—	—
Net profit attributable to shareholders of the parent company for the current period	1,008	880	1,500	711	23.9%	—
EBITDA	2,097	1,850	3,050	1,408	22.9%	3,500
ROIC	11.3%	9.7%	≥15%	—	—	≥15%
ROE	12.3%	10.1%	≥15%	—	—	≥15%
Total payout ratio	33.0%	≥60%	≥50%	—	—	≥50%
PBR	1.25	—	≥2	—	—	≥2

(*) 3-year changes exclude impacts of the separation of leafnet Co., Ltd. and Trackimo GPS Co., Ltd.

Plan by business segment



- **Engineering Business:**
 - Increase revenue and profit by focusing on the mobility sector and reviewing low-profitability sectors
 - Maintain around 50% of the Group's net sales as the backbone of the Group's performance
- **Product/Device Business:**
 - Maintain and expand a strong customer base to increase sales, take in hardware-related services, and shift the increased cost to sales, thereby significantly improving gross profit margin from FY9/2023
- **ICT Solutions Business:**
 - Proactively invest management resources as a growth driver that leads the Group for a 36% increase in net sales and a 95% increase in gross profit margin from FY9/2023

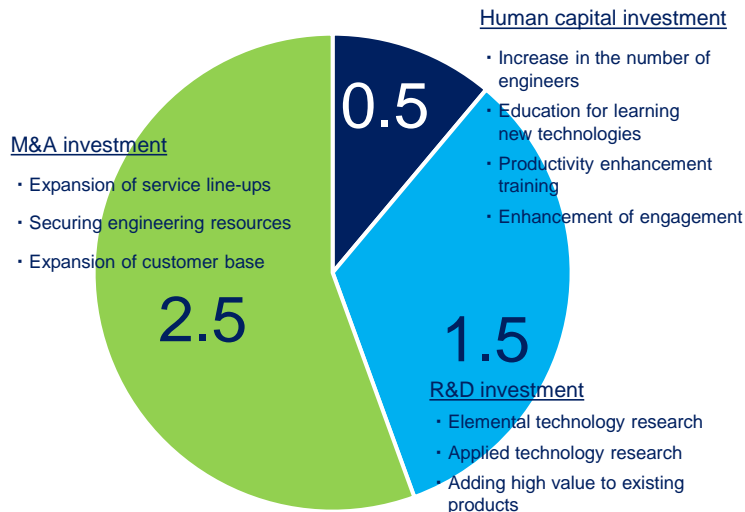
(Millions of yen)	Net sales			Gross profit			Gross profit margin		
	FY9/2024	FY9/2026	vs. FY9/2023 (*)	FY9/2024	FY9/2026	vs. FY9/2023 (*)	FY9/2024	FY9/2026	vs. FY9/2023 (*)
Engineering	13,800	14,870	2,117	3,240	3,760	729	23.5%	25.3%	1.5p
Product/device	10,210	12,250	1,435	2,370	2,940	1,015	23.2%	24.0%	6.2p
ICT solutions	2,290	3,380	896	810	1,230	599	35.4%	36.4%	11.0p
Consolidated	26,300	30,500	4,539	6,420	7,930	2,340	24.4%	26.0%	4.5p

(*) Comparison with FY9/2023 excludes impacts of the separation of leafnet Co., Ltd. and Trackimo GPS Co., Ltd.

- Effectively use the cash generated by enhanced competitiveness and cost management (operating cash flow of 5.0 billion yen in 3-year cumulative total <Note>) <Note> 7.0 billion yen of funding in total with expense-based growth investments (human capital, R&D)
- ⇒ Ensuring balance between growth investment and shareholder returns

Growth investment

3-year investment (billions of yen)



Flexible allocation based on the progress of strategies and business performance

Shareholder returns

Dividends

- Maintaining continuous dividend increase
- Planning +2 yen for FY9/2024 (+1 yen for the interim, +1 yen for the year-end)
 - Payout ratio is expected to exceed 40%

Purchase of treasury shares

- Planning to continue purchasing for a certain amount each year
- Planning 0.2 billion yen for FY9/2024

Maintaining a total payout ratio of at least 50%

⇒ Planning at least 60% for FY9/2024

5. Sustainability



Basic policy for sustainability

Corporate ethos

We pursue the happiness of all of our employees and contribute to the development of society through the improvement of customer satisfaction

Course of conduct

1. Achieving stable business growth
2. Providing solutions tailored to users
3. Aiming to become a company supported by users
4. Positively (P) change (C) and innovate (I)
5. Striving to be a company that satisfies all stakeholders

Materiality (key perspectives)

(1) Achieving a secure, safe and prosperous society through the pursuit of efforts to positively change and innovate	Business aspect (technology)
(2) Providing truly beneficial solutions to our customers	Business aspect (customers)
(3) Contributing to the creation of a sustainable global environment	Environment (E)
(4) Developing human resources who find joy in the development of society, business growth, and self-realization	Society (S) and human capital
(5) Fostering a corporate culture that values diversity, fairness, and inclusion	Society (S) and the entire society
(6) Pursuing fair and just corporate activities that can fulfill accountability	Governance (G)

Human resources strategy

- (1) Human resources strategy fully engaged with management strategy
- (2) Construction and operation of a dynamic human resources portfolio
- (3) Adaptation to corporate culture

The kind of human resources we seek

- Integrated technology consultant (capable of creating innovation from the perspective of digital transformation)
- Relationship manager



Current condition

Human resources materiality

Approaches

KPI (note)

Support

Visualization of human resources portfolio

Quantification of human resources

- Criteria (knowledge, skills, mindset)
- Types (value x rarity)

The number of personnel and growth rate by type of human resources

Leveraging of human resources by reskilling

Promotion of protean careers

The number of reskilled personnel, cost and time of training per personnel

Cross-group development of human resources

Group-wide education and training system

Degree of satisfaction with education and training, cost and time of training per personnel

Communication within the Group

Dialogue, personnel exchanges, career path setting

The number of exchange meetings held, the number of personnel exchanges

A corporate culture that encourages challenges

Challenging target setting, engagement

Percentage of challenging target-setting

Development of executives

Advanced succession planning

Increase in the number of next-generation candidates

Engagement scores

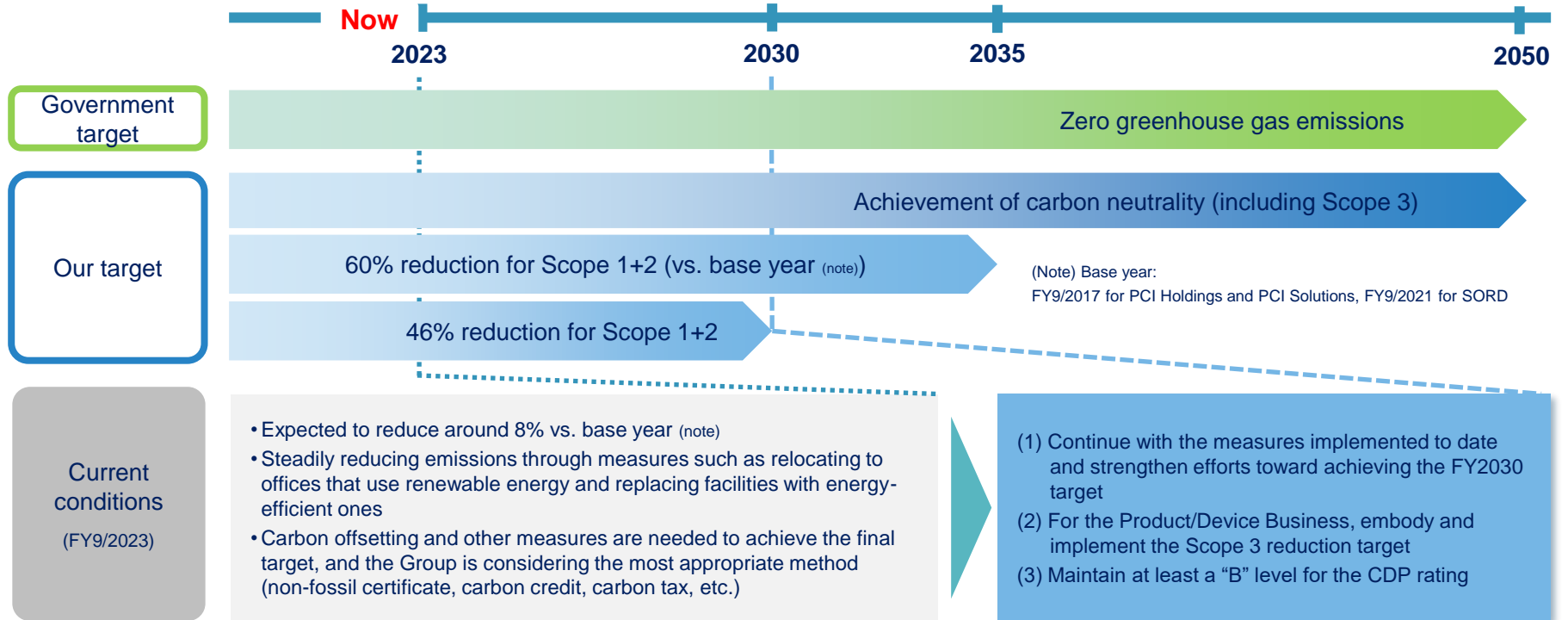
Digital transformation, HR tech

(Note) Including items under review

Contribution to the creation of a sustainable global environment



- Long-term and sustainable activities beyond the timeline of the medium-term management plan are needed
- According to the endorsement statement to TCFD (FY9/2023), continue activities in line with the recommend results regularly



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

