IT Solution for You!

PCI Holdings, In

PCI Holdings, Inc. (TSE 1st Section, Stock Code: 3918)

Financial Results for the Fiscal Year Ended September 2021

2021.11.17

PCI Holdings, Inc.

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To our stakeholders



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

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

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

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

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

In November 2020, we announced the New Mid-term Management Plan "PCI-VISION 2023" setting a challenging target of 30 billion yen in sales. In January 2021, SORD CORPORATION which provides one-stop services including planning, design, development, testing, manufacturing and maintenance of embedded PCs joined our Group. This will lead to "Realizing One-Stop solution by providing our products through the fusion of hardware and software" set forth in "PCI-VISION 2023."

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

We sincerely appreciate your continued support.



Toyomi Amano, Representative Director and Chairmar

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Executive Summary





[Business environment]

IT investment demand remained steady. This was driven by the trend toward IT infrastructure development and strengthening due to an increase in the number of company introducing remote work to prevent COVID-19, introducing contactless devices, promotion of ICT in the medical industry, priority investment in digital transformation (DX), and other factors.

[Practical Strategy]

To seize new demand boosted by the acceleration of digitization by society, we capture the various changes due to the impact of COVID-19, such as business models and industrial structures of society, and people's lifestyles.

[Business scale expansion]

In January 2021, we acquired SORD CORPORATION, a company engaged in the **embedded solutions business**, including the development, design, and manufacture of embedded PCs, controllers, and peripherals, as a wholly owned subsidiary.

Aim to establish a "One-Stop-Solution" that responds to all IT needs of customers, regardless of software or hardware.

[Promoting the Medium-Term Management Plan]

Promote business activities aimed at sustainable growth based on the 3-year medium-term management plan "PCI-VISION 2023" announced on November 13, 2020.

FY9/21 Financial Results



Consolidated balance sheet



- Noncurrent assets (goodwill) increased as a result of consolidation of SORD CORPORATION.
- Equity ratio increased to 42.8% (40.4% at the end of the previous fiscal year) due to public offering and third-party allotment of shares.

(Million yen)	End-FY9/20	End-FY9/21	(Million yen)	End-FY9/20	End-FY9/21
Current assets	8,625	11,198	Current liabiliti	es 3,588	6,505
Cash and	4,831	3,310	Trade notes accounts pa	950	2,787
deposits Trade	3,292	6,085	Borrowings bonds	and 926	868
receivables Others	501	1,802	Others Noncurrent liab	1,711 1,711 ilities 3,426	,
Noncurrent assets	3,816	6,193	Borrowings a bonds		
Goodwill	979	2,299	Liabilities for retirement be	nefits 159	135
Investment securities	1,385	1,403	Others Total liabilities	512	
Others	1,450	2,490	Total net assets	7,014 5,427	
Total assets	12,442	17,391	Total liabilities and assets	^{i net} 12,442	17,391

Consolidated cash flows



848

▲934

▲254

2,091

▲53

3,298

Despite a temporary decrease in free cash flow due to the acquisition of SORD CORPORATION, • income before income taxes increased thanks to the improved profitability.

(Million yen)	FY9/20	FY9/21	(Million yen)	FY9/20	FY9/21
CF from operating activities	1,329	948	CF from financing activities	827	84
Income before income taxes	588	1,211	Increase (decrease) in borrowings and corporate bonds	858	▲9
Depreciation and amortization	112	155	Dividend payment	▲246	▲2
Amortization of goodwill	104	154			
Increase (decrease) in notes and accounts receivable	724	3	Proceeds from issuance of shares	-	2,0
Increase (decrease) in inventories	▲54	▲276	Others	216	
Increase (decrease) in notes and accounts payable	▲29	25	Balance of cash and equivalents at the end of the period	4,819	3,2
Others	▲116	▲ 326	<cf activities="" from="" operating=""></cf>		
CF from investing activities	▲523	▲3,364	Increase in amortization of goodwill and	inventories due to acqu	isition of SORD
Purchase of property, plant and equipment	▲26	▲42	 CORPORATION Changes in notes and accounts receivables 	ble-trade mainly due to	electronic
Purchase of investment security	▲394	▲143	<cf activities="" from="" investing=""></cf>		
Payments for acquisition of shares in subsidiaries resulting in change in scope of consolidation	_	▲3,090	Temporary increase in expenditures due CORPORATION	to the acquisition of SO	RD
Other	▲102	▲88	<cf activities="" financing="" from=""></cf>		<i>.</i> .
Free cash flow	805	▲2,416	Steady progress in repayment of debt, in	addition to public offeri	ng of new shares

Summary of consolidated statements of income



- Substantial increase in sales and profits year-on-year due to the firm corporate ICT investment in DX, shifting to remote work, etc.
- The performance figures of SORD CORPORATION, which became our subsidiary, were only be posted from the third quarter. Each profit margin also improved.

	FY9	/20		FY9/21	
(Million yen)	Full-year	Ratio to sales	Full-year	Ratio to sales	YoY change
SG&A expenses	16,758	100.0%	21,248	100.0%	+26.8%
Operating income	4,499	26.8%	5,693	26.8%	+26.5%
SG&A expenses	3,749	22.4%	4,519	21.3%	+20.5%
Operating income	750	4.5%	1,174	5.5%	+56.5%
Ordinary income	804	4.8%	1,208	5.7%	+50.2%
Net income attributable to owners of parent	286	1.7%	669	3.2%	+133.5%
EPS**	34.85	_	76.12	_	+118.4%



[Consolidation of new company]

In addition to the favorable business environment, both **embedded solutions and business solutions** in the IT solutions business grew due to the inclusion of SORD CORPORATION's performance. **Overall results exceeded the internal plan.**

[Results by business]

In Embedded Solutions, sales rose sharply year-on-year due to strong performance in the telecommunications field, reflecting the shift to remote work, and the effect of M&A. In Business Solutions, sales in the financial, industrial, and distribution sectors were strong, while in IoT/IoE Solutions, sales in the telecommunications and automotive sectors were strong, but some businesses temporarily declined due to restrictions on sales activities caused by COVID-19. The Semiconductor Solutions business continued to perform well, partly due to the strong semiconductor market.

Net sales (Millions of yen)	FY9/20	FY9/21	Ratio to sales	ΥοΥ
IT Solutions Business (A+B)	12,523	16,770	78.9%	+33.9%
Embedded solution (A)	5,082	8,899	41.9%	+75.1%
Business Solution (B)	7,441	7,870	37.0%	+5.8%
IoT/IoE Solutions Business	2,452	2,428	11.4%	▲ 1.0%
Semiconductor Solutions Business	1,781	2,049	9.7%	+15.0%
Total	16,758	21,248	100.0%	+26.8%
				Defere inter comment transfer

*Before inter-segment transfer

Results by business: Embedded Solution









7,870 million yen Net sales Gross profit (+9.3% YoY)

- (+5.8% YoY) 2,045 million yen
- Sales and profits increased year-on-year due to strong demand.
- Solid development projects in the financial, industrial, and distribution sectors, as well as social infrastructure and public sector projects.
- Contracted call center and kitting operations at SORD CORPORATION contributed to profits.
- Strategic downsizing the business of Infinitec Co., Ltd, which is responsible for the education field, due to poor performance, and management integration with PRIVATECH Inc.

*Major subsidiaries recorded in this business

Related business in PCI Solutions INC, CLC corporation, leafnet Co., Ltd., Infinitec Co., Ltd, and SORD CORPORATION





2,428 million yen Net sales Gross profit

- (▲1.0% YoY) **1,222** million yen (+10.9% YoY)
- Despite the strong demand, sales decreased and profits increased due to the impact of COVID-19.
- Improved profitability due to strong performance in ٠ telecommunication business using high-margin company identification numbers.

*Major subsidiaries recorded in this business

Related business in PCI Solutions INC, leafnet Co., Ltd., Infinitec Co., Ltd.





 Net sales
 2,049 million yen (+15.0% YoY)

 Gross profit
 617 million yen (+45.1% YoY)

- Substantial increase in sales and profits year-on-year due to favorable conditions in the semiconductor market caused by the DX trend, shifting to remote work, etc.
- Continued to receive stable inquiries from existing customers for LSI design, evaluation and testing projects, backed by the strong semiconductor market.
- Favorable results in general, including new orders received through collaboration among the Group and with partner companies.
- Continued to invest in R&D to develop new technologies and commercialize in-house products.

Major subsidiaries recorded in this business Related business in PRIVATECH

FY9/21 Results and Recent Topics



Topics for FY9/21

[Business environment]

IT investment demand remained steady. This was driven by the trend toward IT infrastructure development and strengthening due to **an increase in the number of company introducing remote work** to prevent COVID-19, introducing **contactless** devices, **promotion of ICT in the medical industry**, priority investment in **digital transformation (DX)**, and other factors.

[Practical Strategy]

[Business scale expansion]

In January 2021, we acquired SORD CORPORATION, a company engaged in the **embedded solutions business**, including the development, design, and manufacture of embedded PCs, controllers, and peripherals, as a wholly owned subsidiary.

Aim to establish a "**One-Stop-Solution**" that responds to all IT needs of customers, regardless of software or hardware.

To seize new demand boosted by the acceleration of digitization by society, we capture the various changes due to the impact of COVID-19, such as business models and

[Promoting the Medium-Term Management Plan]

industrial structures of society, and people's lifestyles.

Promote business activities aimed at sustainable growth based on the 3-year mediumterm management plan "PCI-VISION 2023" announced on November 13, 2020.







Regardless of software or hardware, Respond to all IT needs of customers Establishing one-stop solutions

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



Business solutions IT services IoT/IoE

Cybersecurity, M&As, business alliances

Business of SORD CORPORATION



- · Embedded PC manufacturer with the top domestic unit sales and value
- One-stop services from development to design, procurement, manufacturing quality assurance, and maintenance and repair. Deals with high-quality development and production based on extensive experience
- The Company's product (released in 1977) was introduced as the "Japan's first personal computer" in the picture book of Shogakukan



The consolidation of SORD CORPORATION has enhanced our knowledge and technical capabilities in hardware



- In addition to our accumulated technological capabilities in software development in the automotive and financial sectors, we have acquired some companies with strong hardware capabilities as subsidiaries, such as PRIVATECH Inc., which is engaged in total semiconductor solutions.
- With the consolidation of SORD CORPORATION to the Group, we have further enhanced our hardware capabilities. We are steadily expanding our business domain to establish a one-stop solution system for both hardware and software.

Software support and technological capabilities

Hardware support and technological capabilities



-Before and after listing

Accumulated embedded technology and software development technology in the automotive field, etc., with major automakers as customers

-By 2020 Full-scale entry into the hardware field by acquiring semiconductor business



-From 2021 Increase hardware support capability by consolidation of SORD CORPORATION



 \rightarrow Hardware and software Strengthen system to provide onestop solutions for both hardware and software

Achievements in "fusion of hardware and software"



- We acquired SORD CORPORATION, one of Japan's leading embedded PC manufacturers, as a wholly owned subsidiary with the aim of realizing "One-Stop solutions through the integration of hardware and software.
- In September 2021, we launched a network camera equipped with Raspberry Pi®, including the possibility of using it as an AI camera.

innovation Camera

SRi series





Details of the network camera SRi series

- A network camera for industrial use developed by SORD's embedded technology with using the Raspberry Pi®, which has been mainly used for education and hobby sectors.
- **Special body** that has acquired safety standards, voluntary restrictions on radio interference, measures against static electricity, heat, and dust.
- The Raspberry Pi® is a network camera developed for industrial use using SORD's embedded technology.

It can be used to analyze the **flow of people** in places where many people gather, **detect people** in facilities, and easily **input various analyses using Al cameras**. By using Raspberry Pi, it is possible to provide **Al and network cameras at a low price**.

- The system is designed to be used in a wide range of applications such as: (1) customer flow monitoring, (2) signage integration, (3) remote meter reading for analog meters, and (4) in factory monitoring.
- Contributing to the promotion of DX for our customers and safety and security for our employees.

FY9/22 Business forecasts



FY9/22 Business forecasts



• Demand for IT investment corporations will remain firm due to changes in lifestyles and work styles, and the rapid acceleration of digitalization and DX.

(Millions of yen)	FY9/21 Results	FY9/22 Forecasts	ΥοΥ
Net sales	21,248	26,500	+24.7%
Operating income	1,174	1,400	+19.2%
(Operating Income Margin)	5.5%	5.3%	-0.2pt
Ordinary income	1,208	1,420	+17.5%
(Ordinary Income Margin)	5.7%	5.4%	-0.3pt
Net income attributable to owners of parent	669	820	+22.4%
(Profit Margin)	3.1%	3.1%	±0pt
EPS	76.12 yen	81.61 yen	+7.2%

FY9/22 1H Business forecasts



• Although economic activity in Japan and overseas will continue to be unstable, we expect a gradual recovery trend in FY9/22.

(Million yen)	FY9/21 1H Results	FY9/22 1H Forecasts	YoY change (%)
	8,207	12,900	+57.2%
Net sales	372	535	+43.7%
Operating income	4.5%	4.1%	-0.4pt
(Operating Income Margin)	394	543	+37.5%
Ordinary income	4.8%	4.2%	-0.6pt
(Ordinary Income Margin)	214	305	+42.0%
Net income attributable to owners of parent	2.6%	2.4%	-0.2pt
EPS	26.07円	30.35円	+16.4%

Our company's four business domains



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



Market overview by business segment



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



Focus areas and future industry positioning outlook



• Strengthen the system for providing one-stop solutions in IT services by expanding into both software and hardware, and differentiate ourselves from peers



Progress of the Mediumterm Management Plan





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

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



Business solutions IT services IoT/IoE

Cybersecurity, M&As, business alliances

Medium-term Management Plan "PCI- VISION 2023" Quantitative Targets



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

Medium-Term Management Plan Targets -Changed from challenge targets to realizable targets

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





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



① Expansion and qualitative improvement of system engineering services business

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

2 Creation of optimal proprietary brand products/solutions/services

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

③ Promotion of cyber security-related business

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

<u>4 Further strengthen collaboration with business alliance partners and promote aggressive M&A</u>

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

(5) Reinforcement of organizational structure and promotion of work style reform

 \rightarrow Strengthen recruitment and training of human resources and promote work style reform

Integrated production and sales concept through collaboration with Restar Holdings Corporation



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

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



Initiatives for SDGs, Carbon Neutral and Shareholder Returns



Our SDGs policy



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



Aiming for "safe, secure, and prosperous society"



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



Shareholder returns



- Targeting a consolidated dividend payout ratio of 30% to 50%, maintaining a payout ratio of over 30% since listing
- · Aiming to improve comprehensive returns, aiming to improve overall returns.
- <u>Actively implement measures toward further improvement in corporate value aiming for listing on the Prime</u> <u>market</u>



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

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

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

Appendix



Company Profile



Corporate profile



Corporate name	PCI Holdings, Inc.	Capital	2,091.89 million yen (as of the end of Sep. 2021)
Established	April 2005	Net sales (Consolidated)	21,248 million yen (FY9/21 result) 26,500 million yen (FY9/22 forecast)
Listing	Tokyo Stock Exchange 1 st Section (Stock code: 3918)	Operating income (Consolidated)	1,174 million yen (FY9/21 result) 1,400 million yen (FY9/22 forecast)
Location	1-21-19 Toranomon, Minato-ku, Tokyo, 105-0001	No. of employees (consolidated)	1,636 employees (as of Sep. 30, 2021)
Representative	Toyomi Amano, Representative Director and Chairman	Consolidated subsidiaries	PCI Solutions INC. SORD CORPORATION leafnet Co., Ltd. CLC corporation PRIVATECH Inc.

Executive structure and list of bases



PCI Group bases

Executive structure

(To be officially determined upon approval at the 17th Ordinary General Meeting of Shareholders to be held on December 22, 2021)

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

Launched a YouTube channel "PCI NETWORK"!



In February 21, we established a YouTube channel which is produced and distributed by our staff. We introduce the background of investor relations news releases and business contents, Q&As and topics.



Precautions



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

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





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Positively, Change, Innovate

~Aggressively Continue Change and Innovation~

