



# Presentation of Financial Results for the Year Ending March 2018

May 14, 2018 Announcement  
May 24, 2018 Result Briefing



## PC DEPOT CORPORATION

Security Code 7618



# Summary of Financial Results



- ◆ Windows Vista support termination on April 11, 2017
  - Limited impact on the support service and replacement demand
- ◆ Product Sales
  - Increasing for PC and related devices on the back of demand from the education market, eSports, and others
- ◆ Solution Service Sales
  - Simultaneous launch of new products, “**Value Pack(integrated member service products)**” which bundles premium service※ and devices, on September 22, 2017. Such as Mac Value Pack and Windows PC Value Pack
    - ※Premium service(our original monthly membership based support service)
  - Solid sales growth in the integrated member service products
  - Increasing sales trend in the membership service hardware solution plan for the members
- ◆ Operating Profit → in line with the company plan  
(Factors affecting 4Q profit)
- ◆ Changes in the provision related to warranty, improved loss ratio for the integrated member service product sales receivables, and others leading to 360 million yen contribution to profit

Million yen, %	FY2017 (cumulative)	FY2018 (cumulative)	Changes	YoY	Reference FY 2018	
					Plan	Plan ratio
Net sales	46,417	<b>43,590</b>	△2,826	93.9	46,600	93.5
Operating income	3,402	<b>2,981</b>	△421	87.6	2,420	123.2
Ordinary income	3,467	<b>3,079</b>	△388	88.8	2,500	123.2
Net income Belonging to Parent company shareholders	2,269	<b>1,958</b>	△310	86.3	1,650	118.7

# Summary of Financial Results – P/L (Consolidated basis)

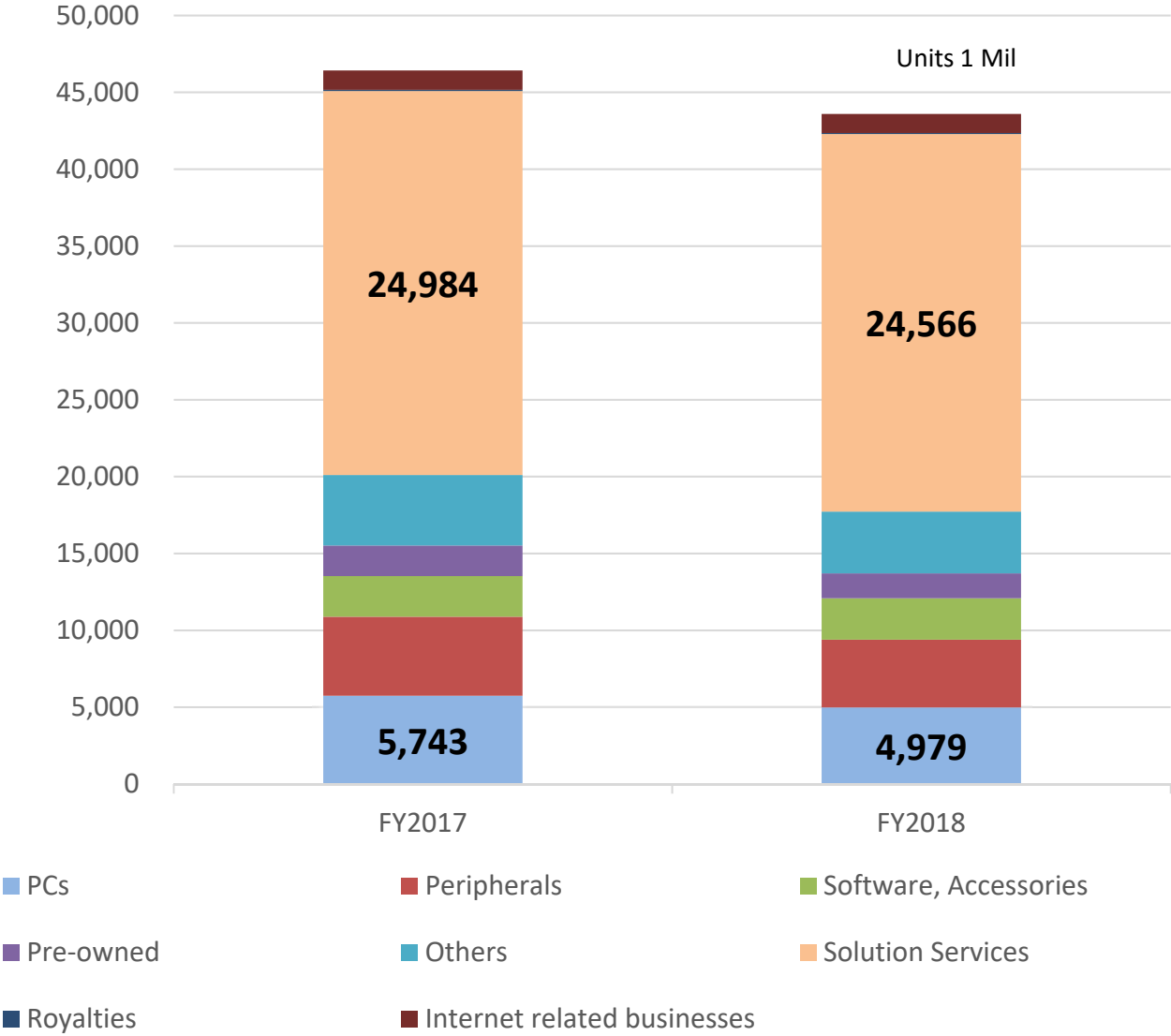


Units: mil Yen, %	FY 2017 ending March		FY 2018 ending March	
	Results	YoY	Results	YoY
Net Sales	46,417	89.7	43,590	93.9
Products	20,099	78.1	17,720	88.2
Services	24,984	101.4	24,566	98.3
Internet related businesses (subsidiary)	1,258	99.3	1,241	98.7
Gross Profit	21,249	97.9	20,044	94.3
SGA expenses	17,846	101.2	17,062	95.6
Operating Profit	3,402	83.3	2,981	87.6
Ordinary Profit	3,467	83.8	3,079	88.8
Net profit attributable to parent company shareholders	2,269	84.3	1,958	86.3

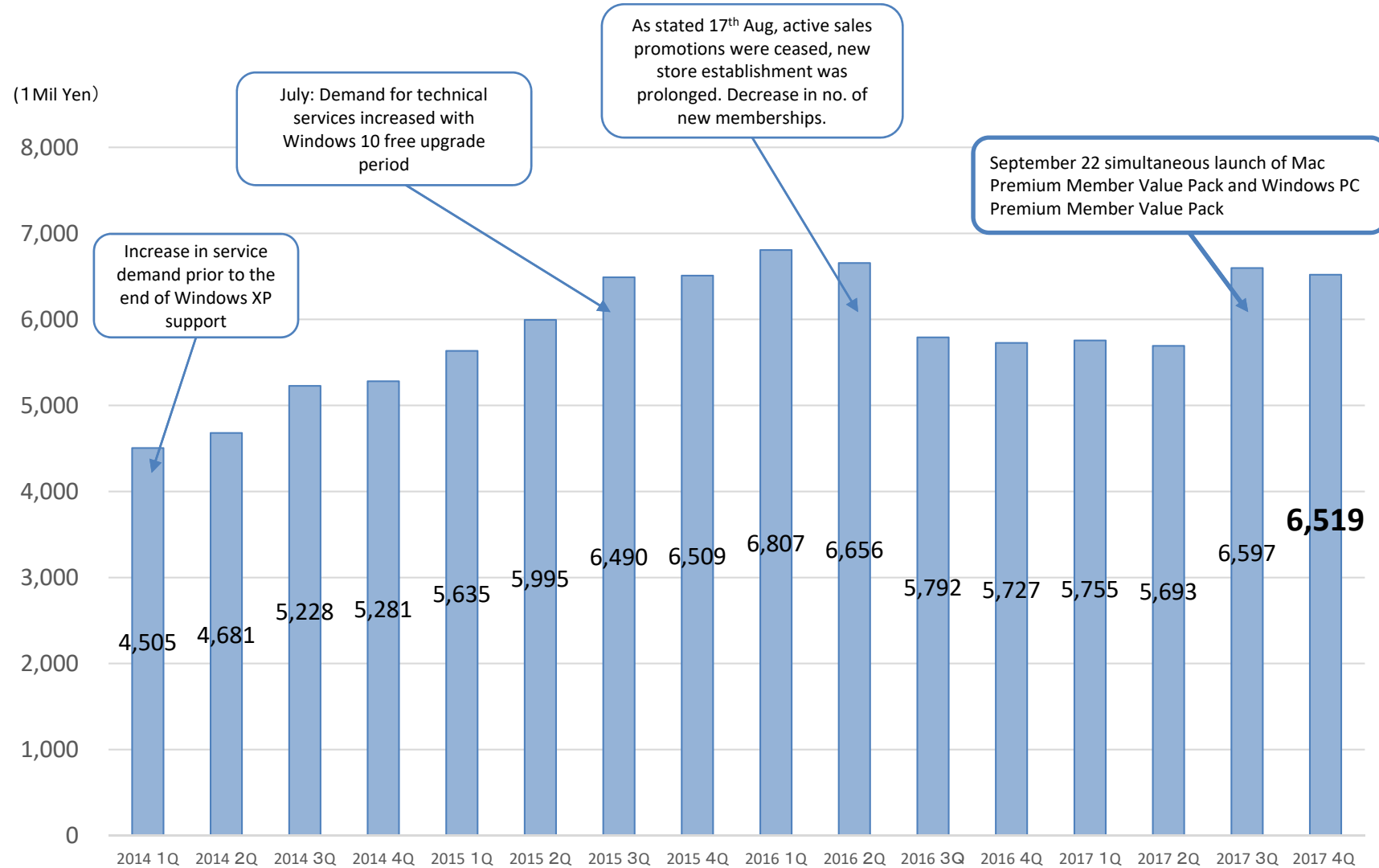
Gross Profit Margin  
46.0%

Recurring Profit Margin  
7.1%

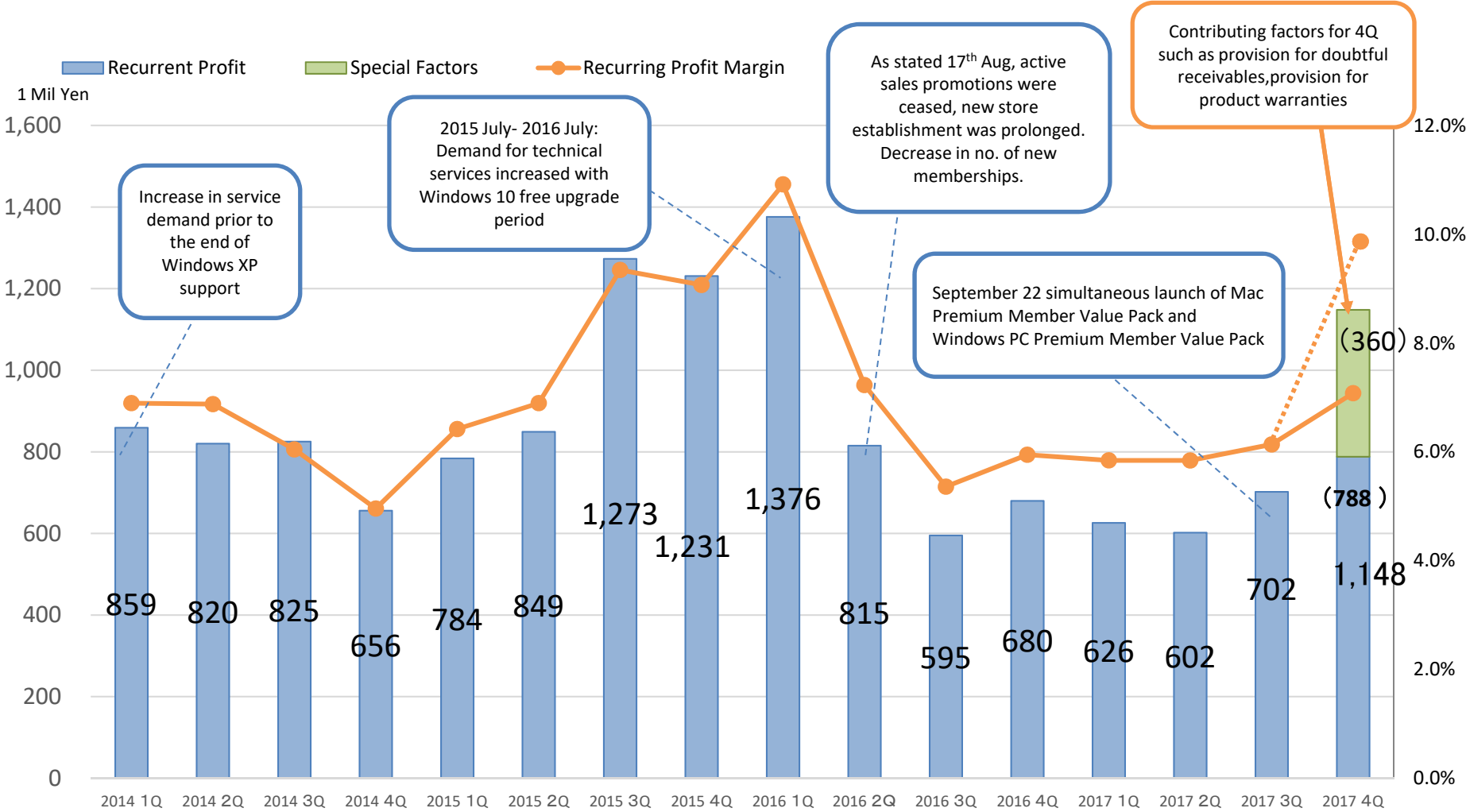
# Sales by Product



# Solution Service Sales Changes by Quarter



# Recurring Profit changes per quarter



# Balance Sheet (Consolidated)



Equity Ratio 66.2%

Units 1 Mil Yen	2017 end of March	2017 end of June	2017 end of Septem ber	2017 end of Decem ber	2018 end of March	Changes
Total current assets	26,123	26,060	24,730	28,175	26,251	128
Accounts receivable	<b>11,202</b>	9,664	<b>8,651</b>	<b>8,726</b>	<b>8,514</b>	<b>Δ2,687</b>
Inventory	6,103	6,496	6,059	8,247	6,125	21
Total fixed assets	9,506	9,451	9,494	9,289	8,801	Δ704
Tangible fixed assets	4,857	4,839	4,925	4,783	4,440	Δ416
Intangible fixed assets	734	690	661	591	543	Δ190
Investments & other assets	3,914	3,921	3,907	3,914	3,817	Δ96
Total assets	35,629	35,512	34,225	37,465	35,053	Δ575
Total current liabilities	6,786	7,062	6,857	8,726	6,279	Δ506
Total tangible liabilities	5,830	5,349	4,856	6,079	5,523	Δ307
Total liabilities	12,617	12,411	11,713	14,805	11,803	Δ814
Total shareholder's equity	22,901	22,981	22,382	22,515	23,193	291
Total net assets	23,011	23,100	22,511	22,659	23,250	238
Total liabilities/ net assets	35,629	35,512	34,225	37,465	35,053	Δ575

Simultaneous launch of integrated member service products from September 22 → Increase in receivables

2Q Share Buyback → acquired 1,324,200 shares with acquisition cost of 999,966,618 yen

# CF (Consolidated)



## Operating CF Increased

Units: 1 Mil Yen	FY2018 (ending March)					FY2017 March	Changes
	1Q	2Q	3Q	4Q	Full Year		
Operating CF	2,132	1,949	△107	1,071	5,045	4,292	752
Investment CF	△173	△196	△93	165	△297	△1,090	793
Financial CF	△892	△1,556	1,155	△583	△1,876	△229	△1,646
Cash or cash equivalents at end of term	8,792	8,989	9,943	10,597	10,597	7,726	2,871

**Operating CF**  
 Increase in receivables and inventories on the back of integrated member service products sales

**Investment CF**

- PC DEPOT Smart Life Store, newly opened in Roppongi in July
- Expenditure due to renovation of eight PC DEPOT smart life stores

<2016April~2017March>

- Newly opened PC DEPOT Smart Life Store (2 stores)
- Renovation of PC DEPOT Smart Life Store (5 store)

**Cash Flow from Financing Activities**  
 Share buyback in 2Q



# Preliminary Comparison



	FY2018 (ending March)					
	Annual Forecast	1Q	2Q	3Q	4Q	Full Year Results
Existing Stores Previous years sales	100.0%	85.6%	92.1%	103.6%	96.1%	94.0%
Services Previous years sales	100.0%	84.6%	85.5%	113.9%	113.8%	98.3%
Gross Profit Margin	44.0%	47.0%	46.9%	43.3%	47.0%	46.0%
Capital Investment	10 Bil ~	—	—	—	—	5.8Bil
Interest bearing debt outstanding	—	—	—	—	—	71.9Bil
Renovation to S L P*	5~10 stores	2 stores	4 stores	N/A	2 stores	8 stores
Newly opened S L P*	Flexible	N/A	1 stores	N/A	N/A	1 stores
Newly opened PC Clinic	Flexible	N/A	N/A	N/A	N/A	0 stores

※ SLP PC DEPOT Smart Life Stores

# Store development



## New Store Openings & Renovations

### New store

21th July PC DEPOT Smart Life Roppongi Store



### Renovations

① 10<sup>th</sup> June PC DEPOT Smart Life Tama New Town Store



② 17<sup>th</sup> June PC DEPOT Smart Life Koshigaya Store



③ 9<sup>th</sup> Sep. PC DEPOT Smart Life Makuhari inter Store



④ 16<sup>th</sup> Sep. PC DEPOT Smart Life Oyama Store

⑤ 23<sup>th</sup> Sep. PC DEPOT Smart Life Nagano Store

⑥ 30<sup>th</sup> Sep. PC DEPOT Smart Life Tokorozawa Store

⑦ 2<sup>nd</sup> Mar. PC DEPOT Smart Life Sayama Honten

⑧ 16<sup>th</sup> Mar. PC DEPOT Smart Life Sakado Store



# Dividends and shareholder policies



## Consolidated dividend payout ratio

we will aim at a consolidated dividend payout ratio of approximately 30%

Our basic policy is to continue to return profits through stable dividends.

Unit 1 %	FY 3/2016	FY 3/2017	FY 3/2018	FY 3/2019 (Plan)
Consolidated dividend payout ratio	17.1	29.5	33.7	39.5

# FY2019 (ending March) Forecast



	FY 2018 (ending March) Results		FY 2019 (ending March) Forecast	
	Results	YoY	Forecast	YoY
Units: 1 Mil, %				
Net sales	43,590	93.9	<b>43,000</b>	100.4
Operating income	2,981	87.6	<b>2,400</b>	71.1
Ordinary income	3,079	88.8	<b>2,500</b>	72.1
Net income belonging to parent company shareholders	1,958	86.3	<b>1,650</b>	72.7

▪ **Solution Service Sales**  
**107.0%** (Previous term results 98.3%)

▪ **Gross Profit Margin**  
**45.0%** (Previous term results 46.0%)

▪ **Capital Investment 10 Bil~**

▪ **Depreciation Amount 8.5 Bil**



## FY 2019 (ending March) Business Environment & Strategy

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# Topics (tentative) for FY 3/2019

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- Launch of Surface new model
- May 2018 Launch of correspondence courses for programming education in accordance with the new official curriculum guidelines
- June Electronic Entertainment Expo (E3 in Los Angeles)  
Apple likely to launch educational apps “ClassKit API” and “Classroom”
- Sept. Consumer electronics trade show (IFA, Germany)  
Likely launch of new models such as iPhone9, iPhone X plus
- Oct. CEATEC, consumer electronics IT trade show (Makuhari Messe, Japan)  
U-22 Programming Contest final selection (Tokyo)
- Not yet fixed Launch of Home Pod Japanese version

# Topics (tentative) beyond FY 3/2019

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- 2019 Summer eSports added to the National Athletic Meet's culture program (Ibaraki prefecture)
- 2020 5G network service rollout
  - Aim for 100% facilitation of WiFi to all classrooms
  - Inclusion of programming course as a required subject in the elementary school education
  - Plan to introduce digital textbooks (Ministry of Education, Culture, Sports, Science and Technology)
  - Termination of Windows 7 support service
  - NVIDA to collaborate with over 320 companies, aiming for the commercialization of fully automated vehicles
- 2021 Inclusion of programming course as a required subject in the junior high school education
- 2022 E-Sports added as medal event to Asian Games
- 2023 Termination of Windows 8.1 support service
- 2024 Standardized university entrance examination may shift to CBT format
- 2025 Termination of Windows 10 support service

# Market Environment → 2H Outlook for PC Depot



1

PC  
Tablets  
Smartphones

Industry-wide trend



PC Above last year's level?  
Tablets Decline  
Smartphones Robust sales of iPhone

**Bottoming out of PC is positive**

2

Increase in demand from the education market and eSports on the back of growing “experience-based consumption” such as learning and games  
**The need for support will increase.**



**With the increased need for support, we will strengthen support services, and increase quality of support.**

The demand for our “Member Service Inclusive Products”, such as Premium Member Value Pack which bundles premium service and devices, will increase further

3

Electronics retailers, support service stores, carrier shops, etc  
PC sales/support service competitive environment improving



Well-designed proposal  
Well-designed creation

Based on the membership, benefit of support service benefit from devices



# Premium Services (continuous support)



## Solving our customers' problems



PREMIUM Member



Any device regardless of

How old it is

Where it was bought

Support for anyone in the family

We will find a solution for **any kind of problem**

Backups Security  
Updates Internet/Wi-Fi e.t.c.  
Accounts



# FULL SUPPORT

# Solving our customers' problems

## Premium Service(Current)

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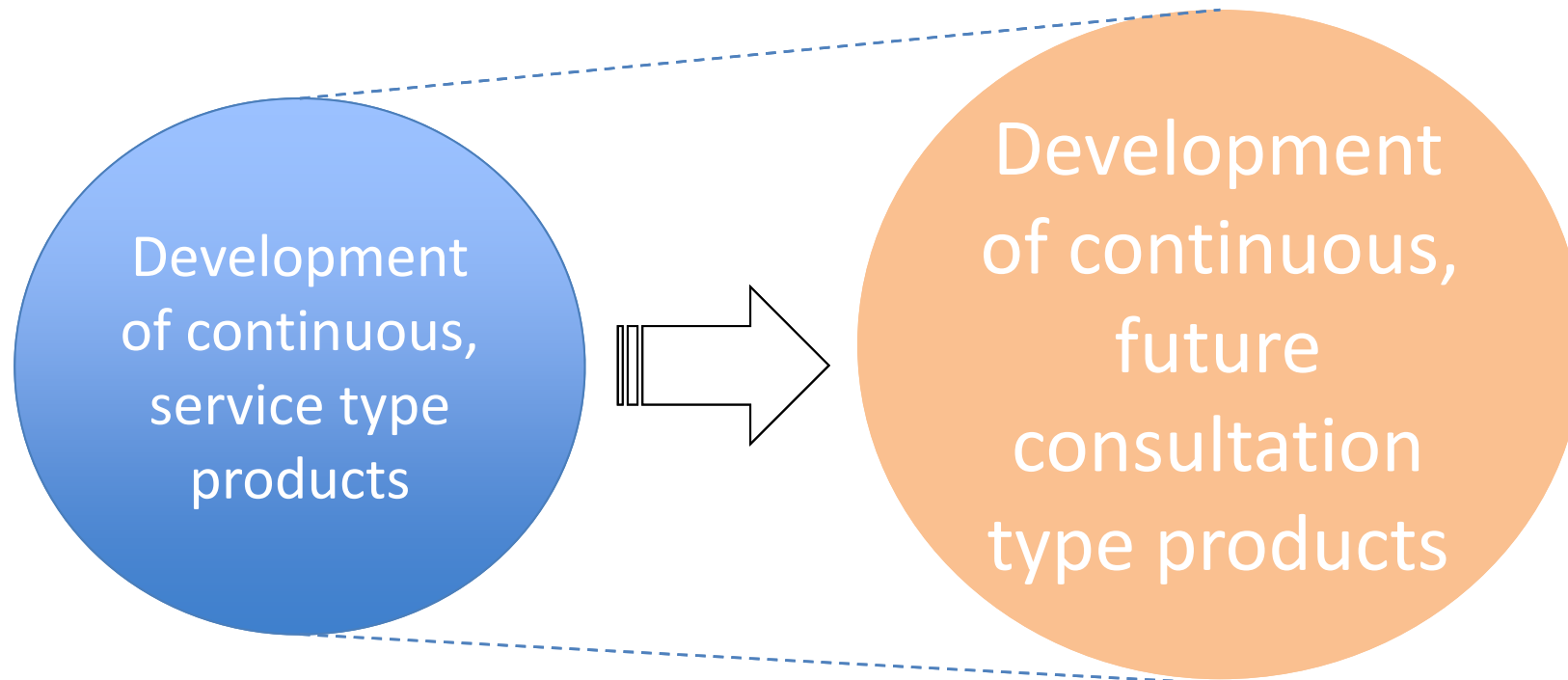


# Business model evolution



2006~

2018~



- Solving our customers' problems

- Creating future value
  - Strengthen membership
  - Become a digital life planner of the community

# Enhance production and productivity through “investment” in human resources



## Ways to learn

- Reeducation, education programs for mid-career employees
- Self-thinking based education
- Self-reliance based learning, knowledge, humanity building
- Change the way of thinking for the creation of future

## Operation/ Management structure

- Increase in the number of store holidays
- Reduction in operating hours
- Store operation that promotes standardized work style
- Downsizing sales/mass consumption promotional events
- Focus on sustainable sales products
- Sales structure with systematic standardized sales plan



## Work style, productivity

- Support strategic thinking
- Designing the system that facilitates future careers paths
- Support work arrangement that accommodates child care
- System capable of supporting nursing care needs in the future
- Support system for personal development
- Extension of retirement age

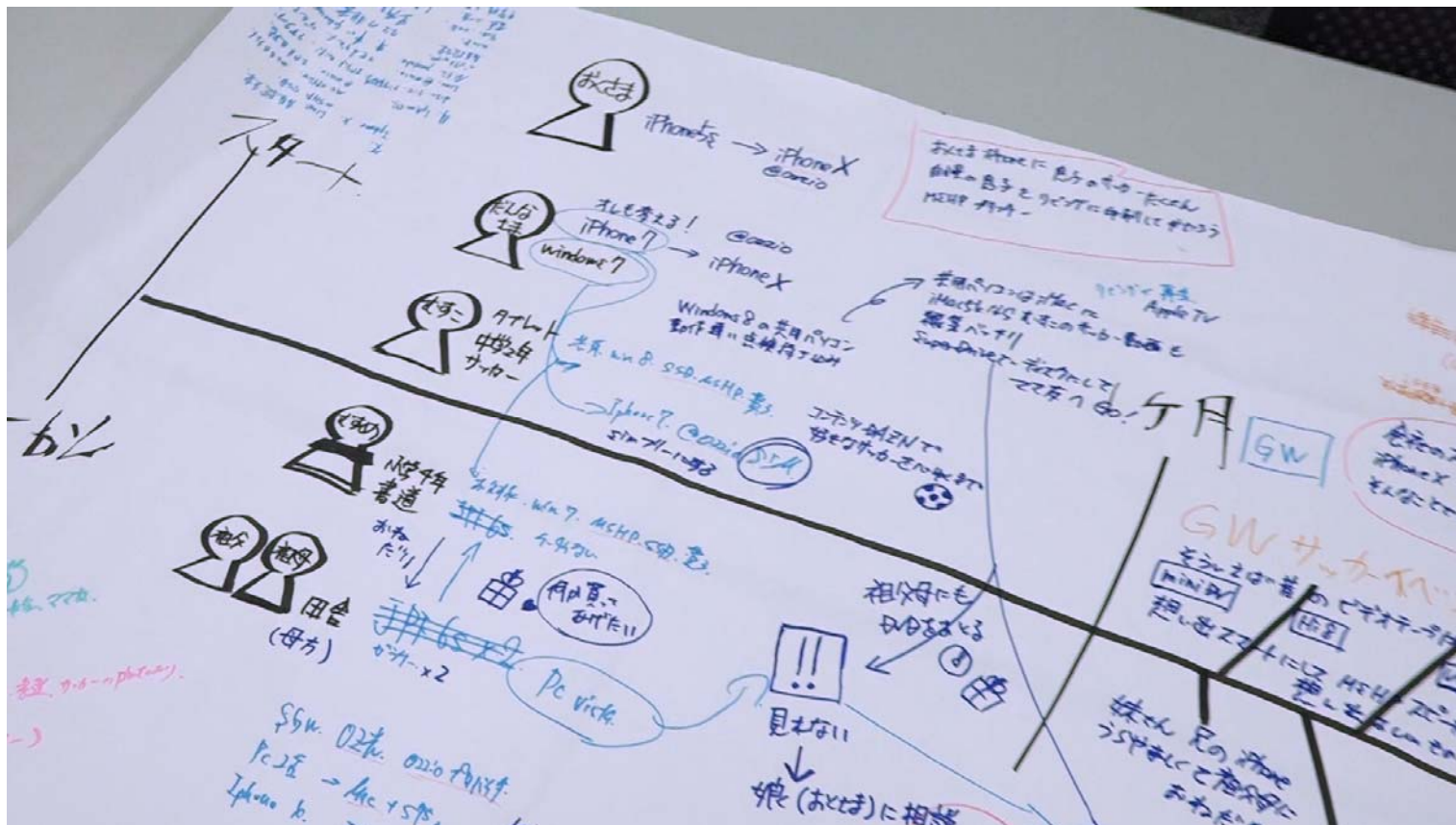
Maintain the work system that provides ample opportunities for long-term employment and diversity

Education  
Learning, Knowledge

Social  
Social contribution/  
CSR , Humanity

Entertainment  
Fun, Rewarding

# Scene from Training – image video



# Future consultant/engineer sales



## Current

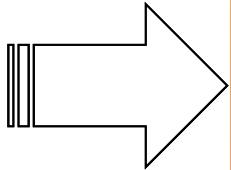
Whatever the devices

Whenever you bought them

Wherever you bought them

Whoever it is in your family

We provide solutions to your problems



## Future

Whatever the devices available going forward

Whenever you buy them

Wherever you buy them

Not only your family  
but also your friends and neighbors

We design and create value for the future



PREMIUM Member



PREMIUM Member's

**Digital Life Planner** (tentative naming)  
**Consultation Designer** (tentative naming)

# Future Consulting – image video

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# Store Development



## Store Renovation

- Renovation



5-10 stores planned

- Smart Life store minor renovation

Flexibly execute

## Store Closures

- Smart Life stores
- PC Clinic

Flexibly respond

## Renovation Plan

June PC DEPOT Yokosuka Store → PC DEPOT Smart Life Yokosuka Store  
PC DEPOT Oume Store → PC DEPOT Smart Life Oume Store

# Store Development

(Excluding FC, as of 24<sup>st</sup> May. 2018)



## PC DEPOT



## PC DEPOT Smart Life

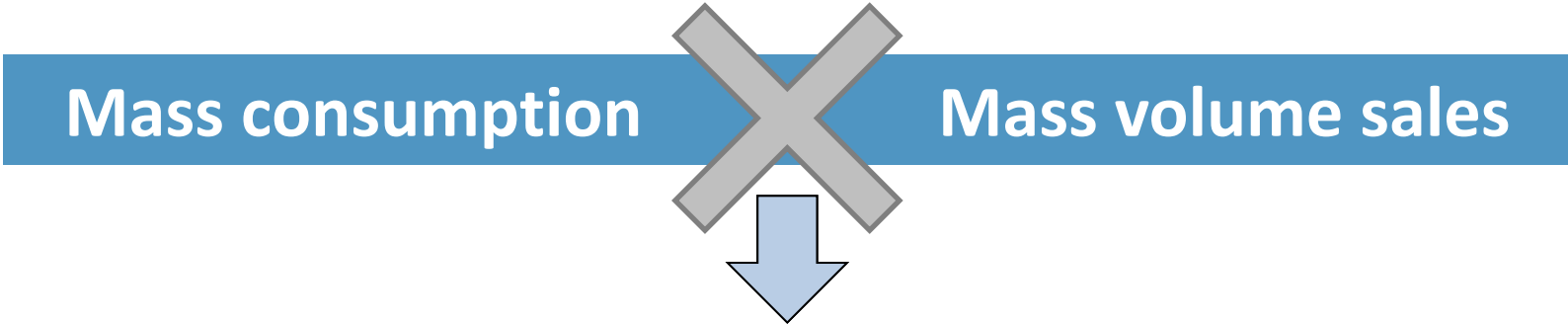


## PC DEPOT PC Clinic



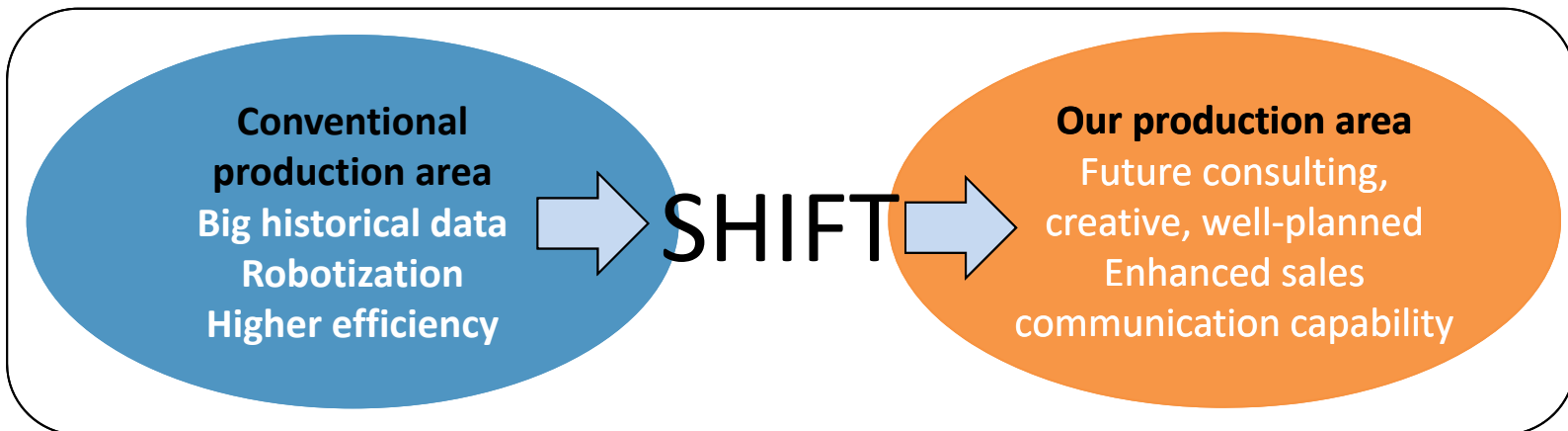
Store style	Suburban type, large-scale store	Large scale urban store, Small-medium scale store	In-store PC Clinic counter
Directly operated	16 stores	39 stores	53 stores
Subsidiary operated	12 stores	1 stores	5 stores
Total	28 stores	40 stores	58 stores





## Business model continuation/evolution

Continuous support, continuous use  
Well-planned proposal, well-planned creation



# Future PC DEPOT – image video



# PC DEPOT



※写真はイメージです。

新しいスタイルの Windows Authorized Reseller docomo au SoftBank 総合専門店

## 販売・修理<sup>\*</sup>・インターネット全てサポートする店舗です

インターネット・通販など、よその店舗で購入されたもの、なんでもご相談ください

We provide support for all areas including sales, repairs, and Internet services. We also provide support for devices that were bought online, or at other stores. Please let us know if you have anything you need help with.



## We target

Recurring  
Profit Margin  
10%

ROE  
Over 15%

## For midterm



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All financial forecasts and predictions made in this presentation were based on information available at the time of release of this document. The information included reflect a number of uncertainties and actual financial results may differ greatly from out forecasts due to various uncontrollable factors. We ask any investors to only make investment decisions with a full understanding of the above, based on their own judgements.

# Inquiries

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