



PC  
DEPOT



PC DEPOT  
THE COMPUTER SUPERSTORE

# Presentation of Financial Results for the First Quarter of the Year Ending March 2019

August 14, 2018 Announcement



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## PC DEPOT CORPORATION

Security Code 7618



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THE COMPUTER SUPERSTORE



PC

# FY2018 1Q Financial Results Highlights



## Solution service sales - up 12.9% Y/Y

- Launched in September 2017 - “Value Pack (integrated member service product)” which bundles premium service\* and devices  
Favorable sales of Mac Value Pack, Windows PC Value Pack, etc  
\*Premium service (our original monthly membership based maintenance service)
- Steady sales of the membership service hardware solution plan

	FY 2018 ending March,1Q	FY 2019 Ending March,1Q	Change	Y/Y
Units: mil Yen, %				
Net sales	10,713	<b>10,329</b>	△384	△3.6%
Operating income	585	<b>666</b>	81	13.9%
Ordinary income	626	<b>691</b>	65	10.5%
Net income Belonging to Parent company shareholders	415	<b>459</b>	44	10.6%

# PL (Consolidated)

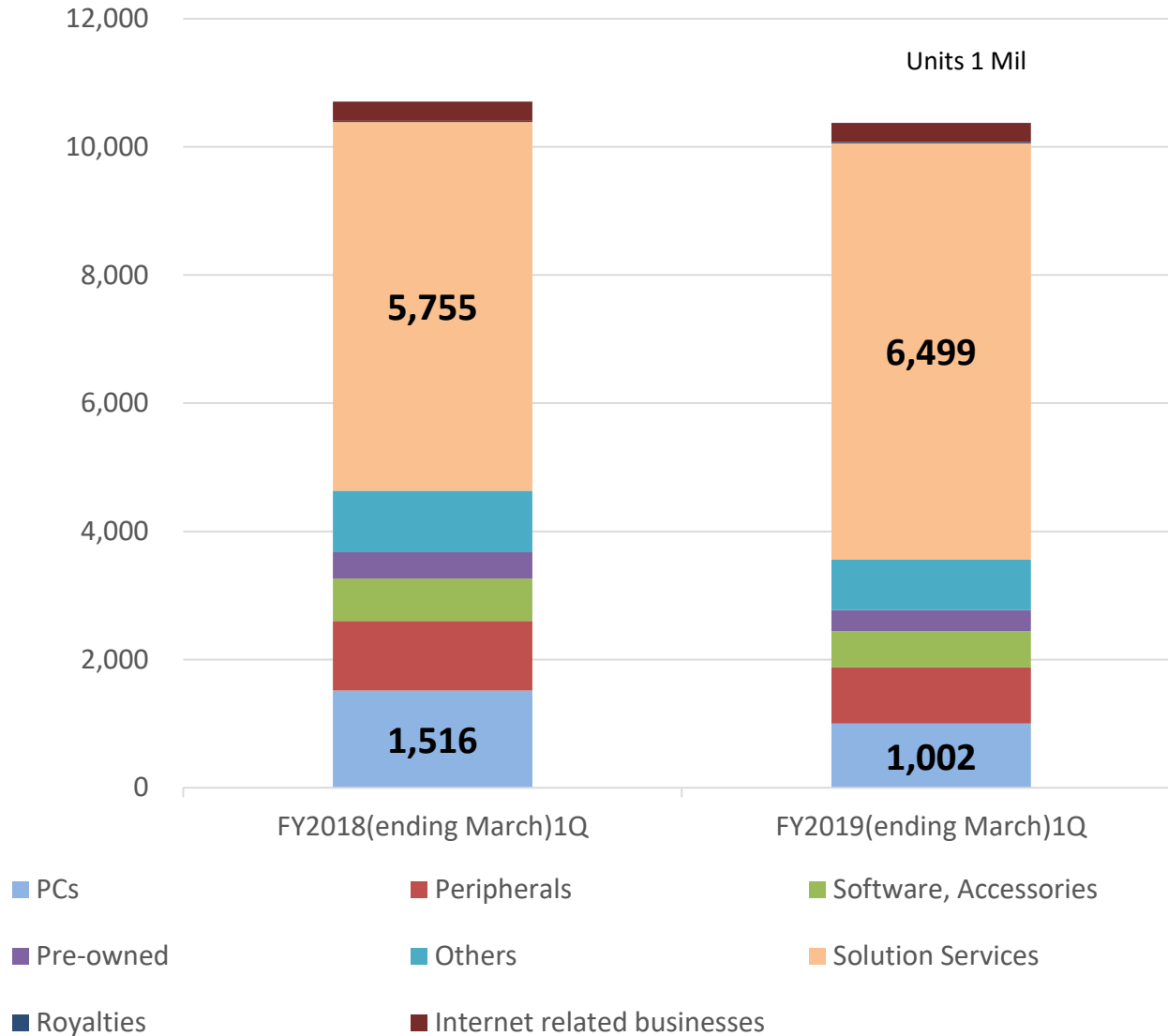


Performance generally in line with the company plan

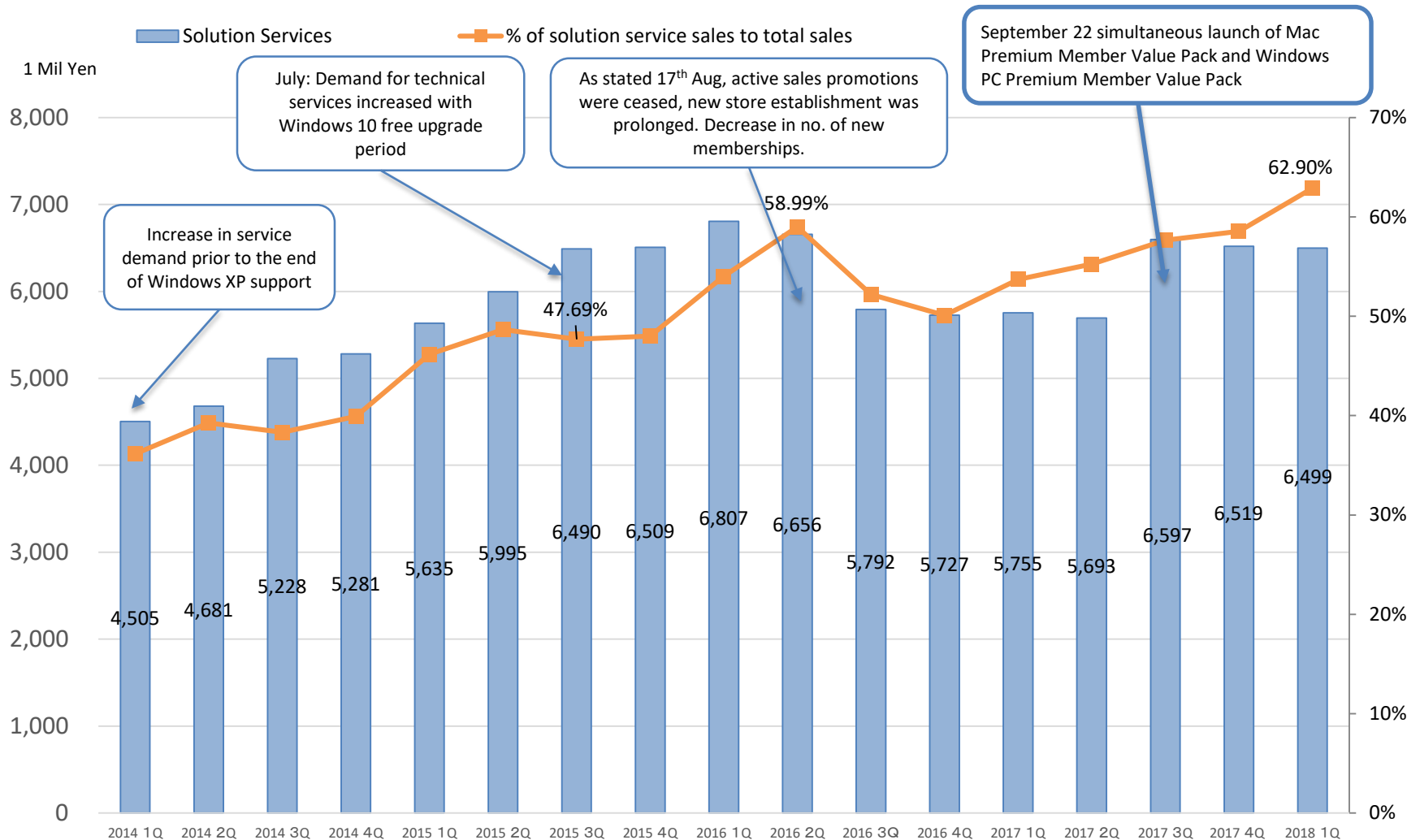
Units: mil Yen, %	FY 2018 ending March 1Q	FY 2019 ending March 1Q			FY 2019 ending March 2Q(Cumulative) forecast		FY 2019 ending March Annual forecast	
	Results	Results	Change	Y/Y	Forecast	%	Forecast	%
Net Sales	<b>10,713</b>	<b>10,329</b>	<b>△384</b>	<b>△3.6</b>	<b>21,000</b>	<b>△0.1</b>	<b>43,000</b>	<b>△1.4</b>
Products	<b>4,639</b>	<b>3,512</b>	<b>△1,126</b>	<b>△24.3</b>	—	—	—	—
Services	<b>5,755</b>	<b>6,499</b>	<b>743</b>	<b>12.9</b>	—	—	—	—
Internet related businesses (subsidiary)	<b>302</b>	<b>300</b>	<b>△1</b>	<b>△0.6</b>	—	—	—	—
Gross Profit	<b>5,032</b>	<b>4,824</b>	<b>△207</b>	<b>△4.1</b>	—	—	—	—
SGA expenses	<b>4,446</b>	<b>4,157</b>	<b>△289</b>	<b>△6.5</b>	—	—	—	—
Operating Profit	<b>585</b>	<b>666</b>	<b>81</b>	<b>13.9</b>	<b>1,100</b>	<b>△6.8</b>	<b>2,400</b>	<b>△19.5</b>
Ordinary Profit	<b>626</b>	<b>691</b>	<b>65</b>	<b>10.5</b>	<b>1,150</b>	<b>△6.4</b>	<b>2,500</b>	<b>△18.8</b>
Net profit attributable to parent company shareholders	<b>415</b>	<b>459</b>	<b>44</b>	<b>10.6</b>	<b>800</b>	<b>△2.4</b>	<b>1,650</b>	<b>△15.8</b>

% shown are Y/Y change for the full year, and for the quarter

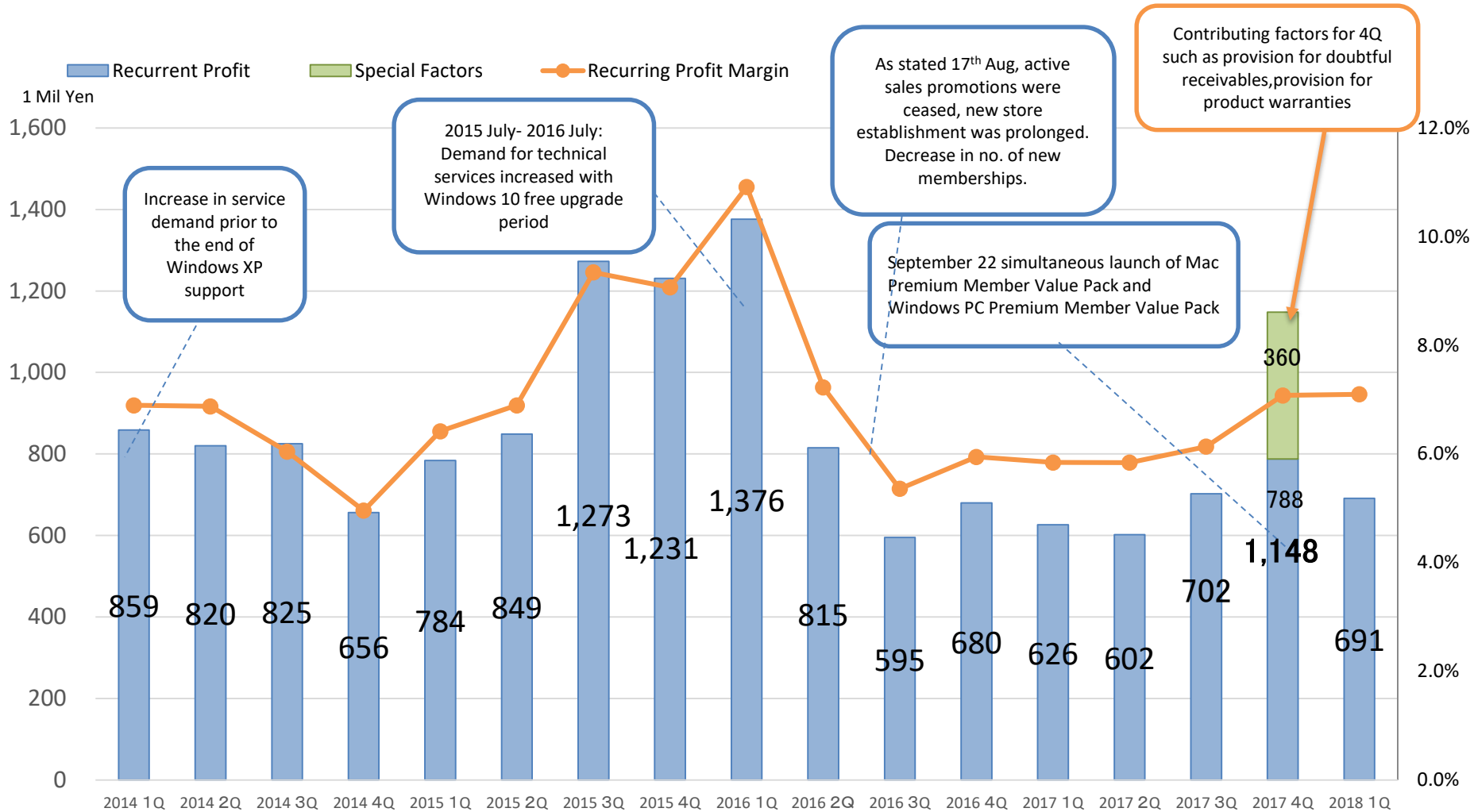
# Sales by Product



# Quarterly solution service sales/% of total sales



# Recurring Profit changes per quarter



# Balance Sheet (Consolidated)



## Equity Ratio 66.7%

Units 1 Mil Yen	2018 end of March	2018 end of June	Change
Total current assets	25,702	25,677	△24
Accounts receivable	8,514	8,431	△82
Inventory	6,125	5,913	△212
Total fixed assets	9,351	9,294	△56
Tangible fixed assets	4,440	4,473	32
Intangible fixed assets	543	539	△3
Investments & other assets	4,367	4,281	△85
<b>Total assets</b>	<b>35,053</b>	<b>34,972</b>	<b>△80</b>
Total current liabilities	6,279	6,513	233
Total tangible liabilities	5,523	5,064	△458
<b>Total liabilities</b>	<b>11,803</b>	<b>11,578</b>	<b>△225</b>
Total shareholder's equity	23,193	23,326	133
<b>Total net assets</b>	<b>23,250</b>	<b>23,394</b>	<b>144</b>
<b>Total liabilities/ net assets</b>	<b>35,053</b>	<b>34,972</b>	<b>△80</b>

■ Inventory  
Working toward inventory optimization

## Operating CF Increased

単位:百万円	FY 2018 (ending March) 1Q Results	FY 2019 (Ending March) 1Q Results	Change
Operating CF	2,132	1,422	△709
Investment CF	△173	△183	△10
Financial CF	△892	△882	10
Cash or cash equivalents at end of term	8,792	10,954	2,161

### ■ Operating CF

Increase in receivables on the back of rising integrated member service products sales

### ■ Investment CF

Payments include 2 PC Depot Smart Life store renovations

- June – PC Depot Smart Life Yokosuka store
- June – PC Depot Smart Life Oume store



# Preliminary Comparison



	FY2018 (ending March)	FY2019(ending March)	
	Annual Results	Annual Forecast	1Q Results
Services Previous years sales	1.7%-	7.0%+	<b>12.9%+</b>
Gross Profit Margin	46.0%	45.0%	<b>46.7%</b>
Capital Investment	5.8Bil	10Bil~	<b>2.39Bil</b>
Interest bearing debt outstanding	71.9Bil	—	<b>66.3Bil</b>
Renovation to S L P*	8 stores	5~10 stores	2 stores
Newly opened S L P*	1 stores	Flexible	N/A
Newly opened PC Clinic	0 stores	Flexible	N/A

※ SLP PC DEPOT Smart Life Stores

# FY2019 (ending March) Forecast



	FY 2018 (ending March) Results		FY 2019 (ending March) Forecast	
	Results	Y/Y	Forecast	Y/Y
Units: 1 Mil, %				
Net sales	43,590	△6.1	<b>43,000</b>	<b>△1.4</b>
Operating income	2,981	△12.4	<b>2,400</b>	<b>△19.5</b>
Ordinary income	3,079	△11.2	<b>2,500</b>	<b>△18.8</b>
Net income belonging to parent company shareholders	1,958	△13.7	<b>1,650</b>	<b>△15.8</b>

▪ **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**

## We target

Recurring  
Profit Margin  
10%

ROE  
Over 15%

## For midterm



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

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# Topics (tentative) for FY 3/2019 ★New



- May 2018 Launch of Surface new model
- Launch of correspondence courses for programming education in accordance with the new official curriculum guidelines
- June Electronic Entertainment Expo (E3 in Los Angeles)
- July ★Launch of new MacBook Pro 2018
- August ★e-Sports tournament “EVO 2018” in Las Vegas  
★Planned launch of Surface Go
- Sept. Consumer electronics trade show (IFA, Germany)
- Likely launch new products including iPhone from Apple
- 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 ★New



- 2019 Summer e-Sports added to the National Athletic Meet's culture program (Ibaraki prefecture)
- Not yet fixed Introduction of digital textbooks (Ministry of Education)  
★NHK's programs are simultaneously broadcasted on TV and distributed via internet
- 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

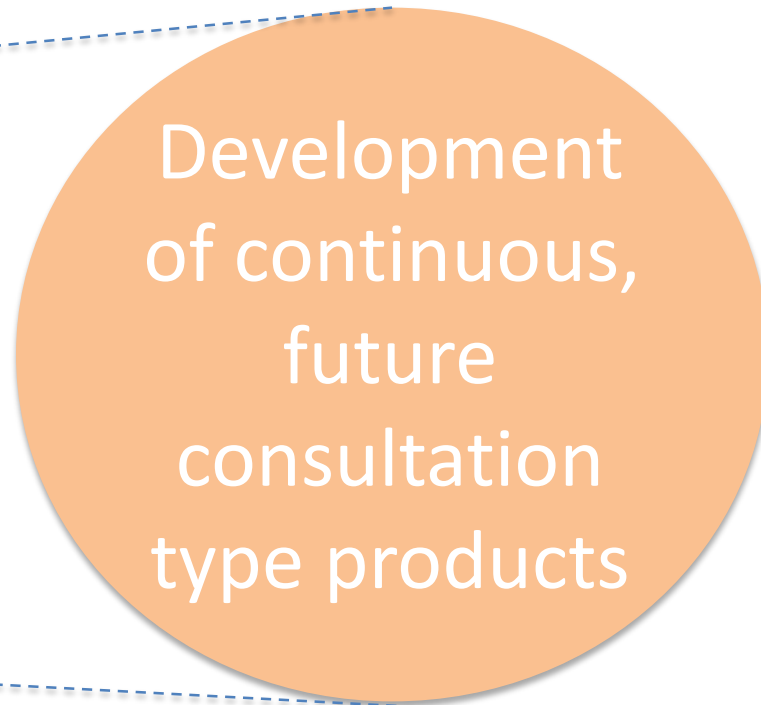
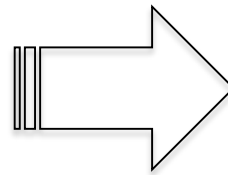
Based on the membership, benefit of support service benefit from devices

# Business model evolution



2006~

2018~



- Solving our customers' problems

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



## Current

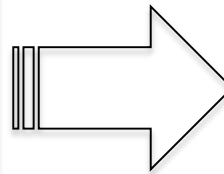
Whatever the devices

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

**Consultation designer** (tentative naming)  
**Engineer-artisan** (tentative naming)  
**Member Benefit designer** (tentative naming)

PREMIUM  
Member's

# Edusocialment & Live



- Education** Learning-style, children, education, family, work-style
- Social** Engagement across generations, repair/reuse devices, idle asset utilization
- Entertainment** Fun, FACE to FACE communication, experience LIVE



Minecraft ( Microsoft Corporation ) • Nintendo ( Nintendo Co., Ltd. ) • homebuilt computer  
• LEGO Education ( LEGO ) • Osmo Coding ( Osmo ) ETC

# Toward the “Future Digital Life”

## Conventional model



Store manager



Engineer staff



Sales staff



Smart life partner



Operation staff

SHIFT

### Solving problems

Immediate response/  
immediate value creation



Division of labor in  
providing services

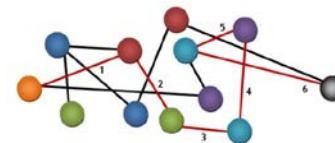
## Coming model from next spring

**Consultant designer** (tentative naming)  
**Engineer-artisan** (tentative naming)  
**Member benefit designer** (tentative naming)



### Future value creation

Well-planned proposal  
Well-planned creation



Comprehensive  
Specialized  
Proposal-based

## 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

July PC DEPOT Ashikaga Store → PC DEPOT Smart Life Ashikaga Store

# Store Development

(Excluding FC, as of 14 August. 2018)



## PC DEPOT



## PC DEPOT Smart Life



## PC DEPOT PC Clinic

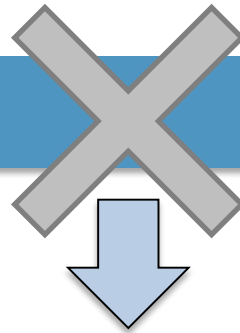


	PC DEPOT	PC DEPOT Smart Life	PC DEPOT PC Clinic
Store style	Suburban type, large-scale store	Large scale urban store, Small-medium scale store	In-store PC Clinic counter
Directly operated	13 stores	42 stores	53 stores
Subsidiary operated	12 stores	1 stores	5 stores
Total	25 stores	43 stores	58 stores



Mass consumption

Mass volume sales



## Business model continuation/evolution

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

**Conventional  
production area**  
Big historical data  
Robotization  
Higher efficiency








**SHIFT**



**Our production area**  
Future consulting,  
creative, well-planned  
Enhanced sales  
communication capability



※写真はイメージです。

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