



PC
DEPOT



Presentation of Financial Results for the 2nd Quarter of the Year Ending March 2019

November 13, 2018 Announcement
November 20, 2018 Results Briefing



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PC DEPOT CORPORATION

Security Code 7618



PC

FY2018 2Q Financial Results Highlights



Solution service sales – up 10.7% Y/Y

- Launched in September 2017 – “Value Pack (integrated member service product)” which bundles premium service* and devices
 - Robust sales for Mac Value Pack, Windows PC Value Pack, and others
 - *Premium service (our original monthly membership-based maintenance service)
- Steady sales of the membership service hardware solution plan available for the premium members only
- Promotion for increased usage by premium members
 - (such as advertising membership only service on the newspaper flyers)
- Reduction in SGA costs by refraining from temporary actions like (1) short-term hiring and (2) discount sales
- Investment in human resources on a long-term basis → accelerate training, education, and self-motivated study efforts

	FY 2018 ending March,2Q	FY 2019 Ending March,2Q	Change	Y/Y
Units: mil Yen				
Net sales	21,018	20,157	△861	△4.1%
Operating income	1,180	1,273	93	7.9%
Ordinary income	1,228	1,326	97	8.0%
Net income Belonging to Parent company Shareholders	819	897	77	9.4%

PL (Consolidated)



Performance generally in line with the company plan

Units: mil Yen, %	FY 2018 ending March 2Q	FY 2019 ending March 2Q			FY 2019 ending March Annual forecast	
	Results	Results	Change	Y/Y	Forecast	Y/Y
Net Sales	21,018	20,157	△861	△4.1	43,000	△1.4
Products	8,923	6,847	△2,076	△23.3	—	
Services	11,448	12,670	1,222	10.7	—	
Internet related businesses (subsidiary)	617	607	△9	△1.6	—	
Gross Profit	9,860	9,376	△484	△4.9	—	
SGA expenses	8,680	8,103	△577	△6.6	—	
Operating Profit	1,180	1,273	93	7.9	2,400	△19.5
Ordinary Profit	1,228	1,326	97	8.0	2,500	△18.8
Net profit attributable to parent company shareholders	819	897	77	9.4	1,650	△15.8

[Sales]

- For premium members, promoted consulting sales which offer well-planned proposals and well-planned creations for the future

- Suspended ad hoc discount sales

[SGA Costs]

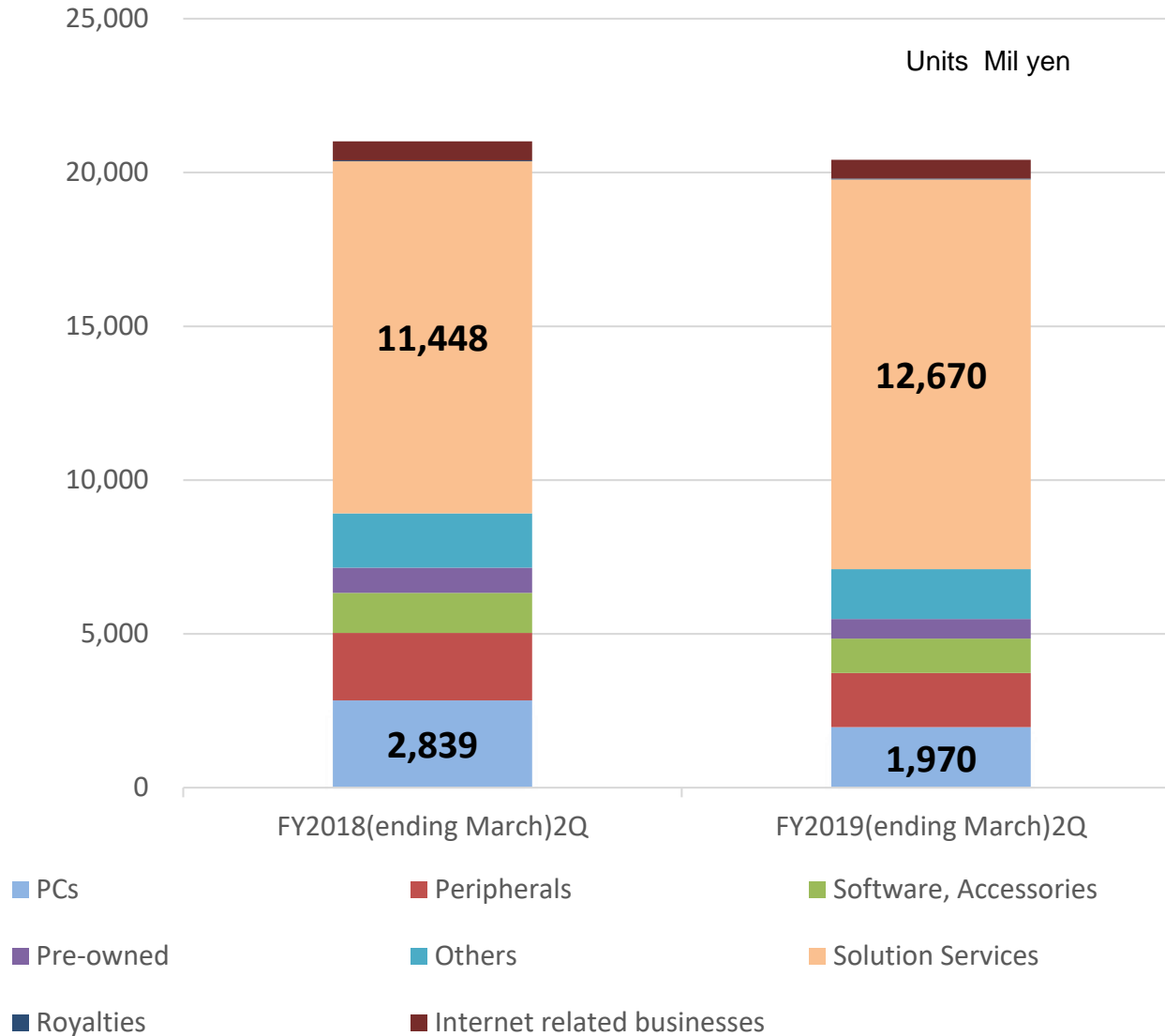
- Investment in human resources on a long-term basis → accelerate training, education, and self-motivated study efforts

- Temporarily refraining from short-term hiring

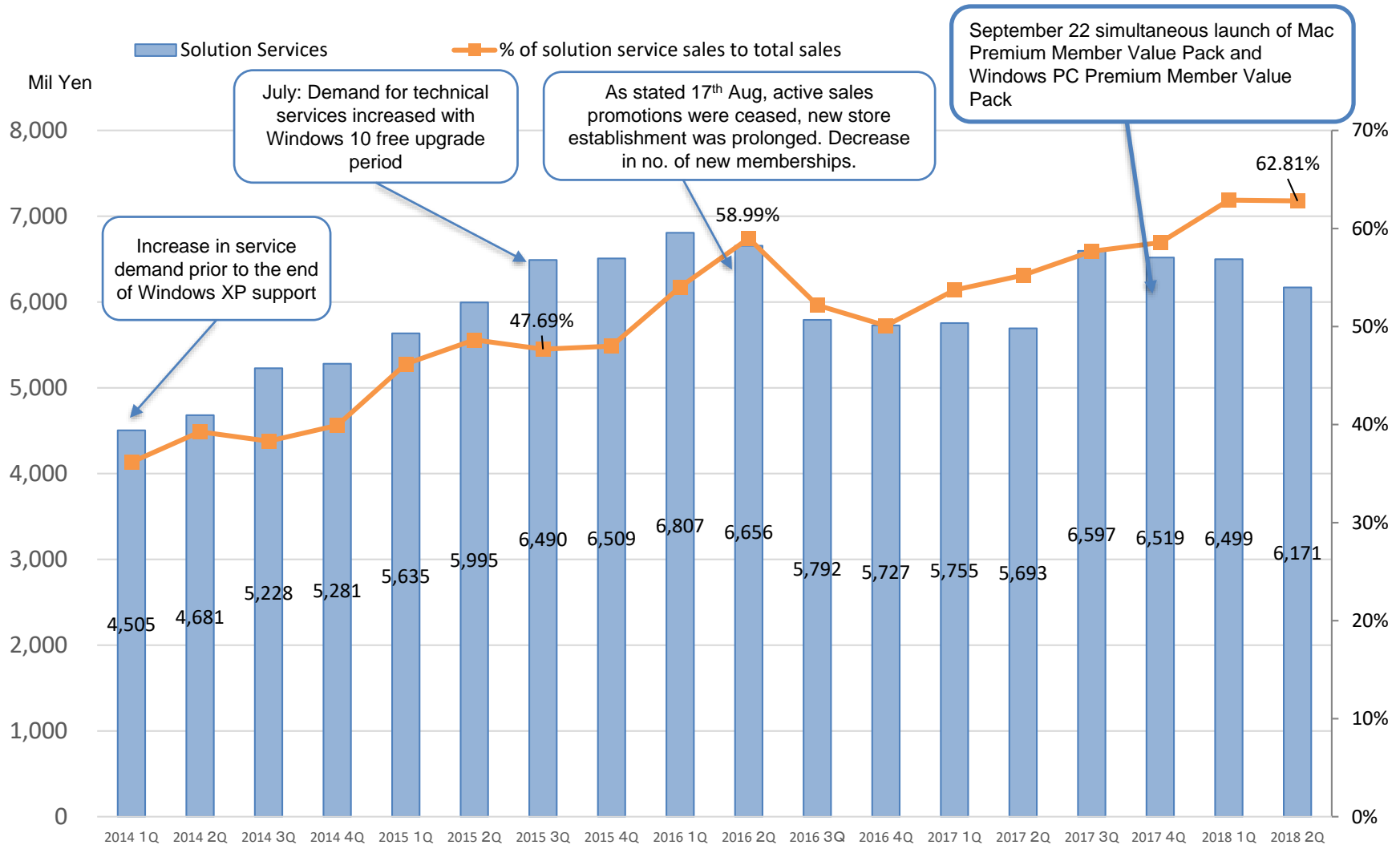
- Suspension of ad hoc discount sales resulted in lower advertisement costs

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

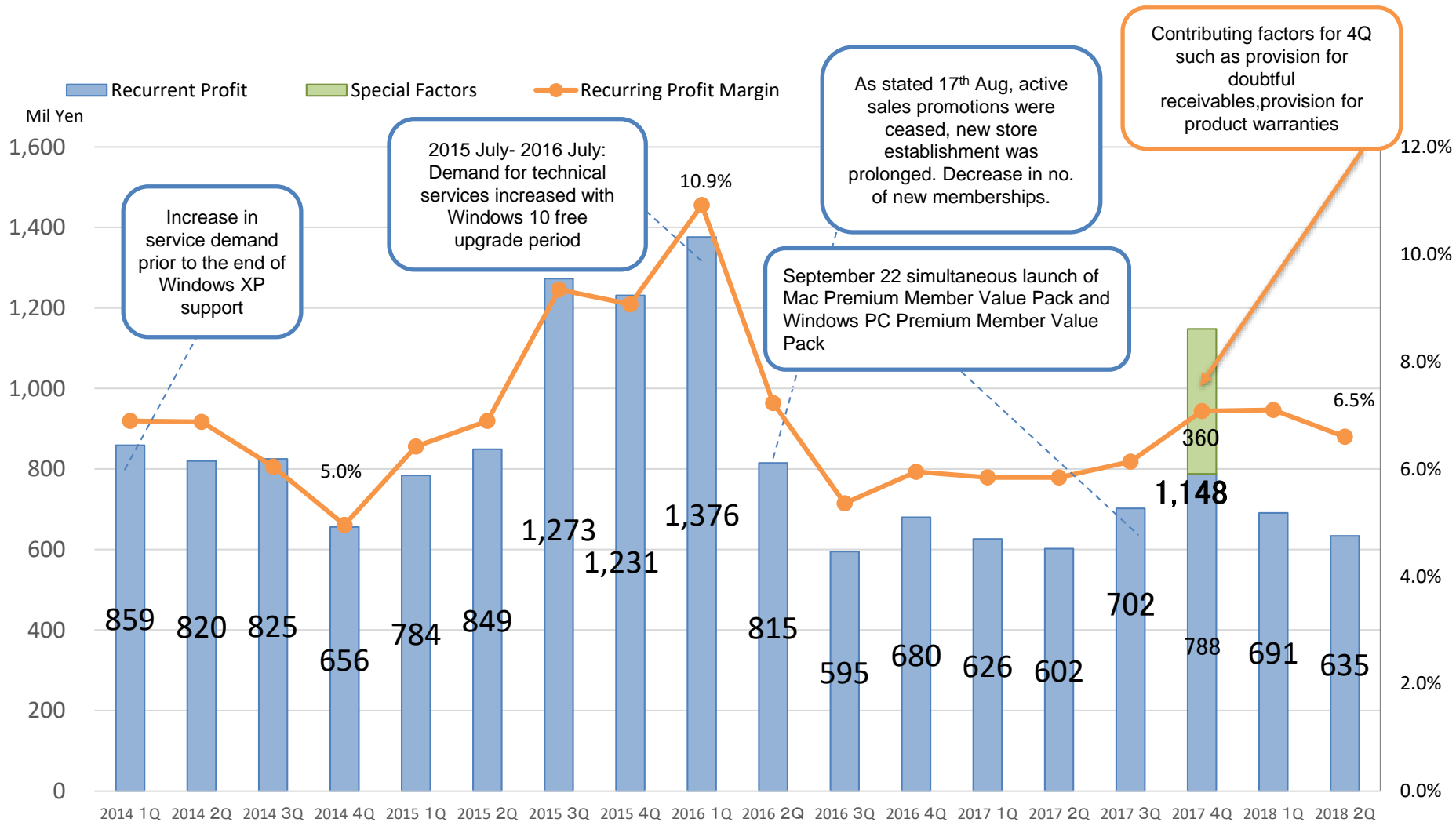
Sales by Product



Quarterly solution service sales/% of total sales



Recurring Profit changes per quarter



Balance Sheet (Consolidated)



Equity Ratio 68.7%

Units Mil Yen	2018 end of March	2018 end of September	Change
Total current assets	25,702	25,310	△391
Accounts receivable	8,514	8,579	65
Inventory	6,125	5,395	△729
Total fixed assets	9,351	9,337	△13
Tangible fixed assets	4,440	4,411	△28
Intangible fixed assets	543	530	△12
Investments & other assets	4,367	4,395	28
Total assets	35,053	34,648	△404
Total current liabilities	6,279	6,216	△63
Total tangible liabilities	5,523	4,601	△922
Total liabilities	11,803	10,817	△985
Total shareholder's equity	23,193	23,764	571
Total net assets	23,250	23,831	581
Total liabilities/ net assets	35,053	34,648	△404

[Receivables]
Increased due to the rising sales of the premium members only "membership service hardware solution plan"

[Inventory]
Expansion and selection of a line-up in our premium members only service products led to inventory reduction

End of September 2018 6,059 Mil
End of September 2019 5,395 Mil

Operating CF Increased

	FY 2018 (ending March) 2Q Results	FY 2019 (Ending March)			Changes
		1Q Results	2Q Results	FY 2019 (Ending March) 2Q Results	
Units: mil Yen					
Operating CF	4,081	1,422	819	2,241	Δ1,839
Investment CF	Δ369	Δ183	Δ239	Δ423	Δ53
Financial CF	Δ2,448	Δ882	Δ571	Δ1,454	994
Cash or cash equivalents at end of term	8,989	10,954	10,961	10,961	1,972

Operating CF

Decreased with rising receivables due to the sales of “membership service hardware solution plan”

Expansion and selection of a line-up in our premium members only service products led to inventory reduction → increase in operating cashflow

Investment CF

Outlays related to PC Depot Smart Life store renovations

1Q June PC Depot Smart Life Yokosuka store
 June PC Depot Smart Life Oume store
 2Q July PC Depot Smart Life Ashikaga store

※Store openings and renovations for the same period last year:

New opening 1 store
 Renovations 6 stores

Preliminary Comparison



	FY2018 (ending March)	FY2019(ending March)			
	Annual Results	Annual Forecast	1Q	2Q	2Q Results
Services Previous years sales	1.7%-	7.0%+	12.9%+	8.4%+	10.7%+
Gross Profit Margin	46.0%	45.0%	46.7%	46.3%	46.5%
Capital Investment	5.8Bil	10Bil~	—	—	4.47Bil
Interest bearing debt outstanding	71.9Bil	—	—	—	60.6Bil
Renovation to S L P*	8 stores	5~10 stores	2Stores	1Stores	3Stores
Newly opened S L P*	1 stores	Flexible	N/A	N/A	N/A
Newly opened PC Clinic	0 stores	Flexible	N/A	N/A	N/A

※ SLP PC DEPOT Smart Life Stores

FY2019 (ending March) Forecast



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

▪ **Solution Service Sales**
10.7%+ (Previous term results 1.7%-)

▪ **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

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
★Major corporations to participate as official sponsors for Japan eSports Union
- 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)
★Launch of Surface Pro 6
★iPad Pro, Mac Mini new products to be introduced
- Nov. ★“Pixel 3”, a smartphone by Google, to be launched in Japan
- Dec. ★Amazon’s “echo show” (a smart speaker with 10.1 inch screen) scheduled to go on sale
- 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)
★Mandatory removal of SIM lock for pre-owned smartphones
- Not yet fixed Introduction of digital textbooks (Ministry of Education)
NHK's programs are simultaneously broadcasted on TV and distributed via internet
★5G network service will commence in limited areas
★5G compatible smartphones to hit the market
★Digital therapeutics with insurance coverage to become commercially available
- 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



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 exclusive service for premium members, such as premium member Value Pack which bundles premium service and devices, will grow further

3

Electronics retailers, support service stores, carrier shops, etc

PC sales/support service competitive environment improving



**Well-designed proposal
Well-designed creation**

PC Depot premium member benefits become available based on membership

PC DEPOT Premium Member – image video

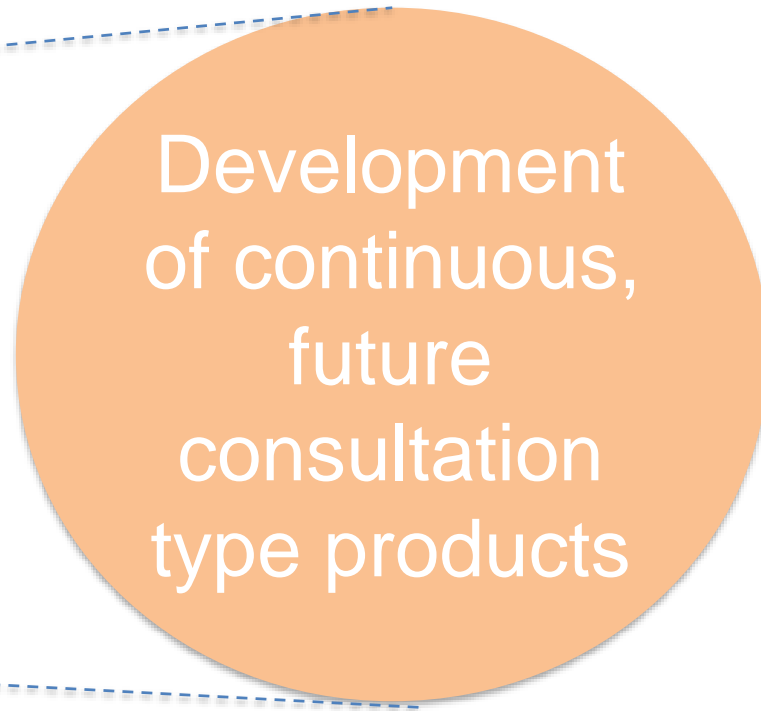
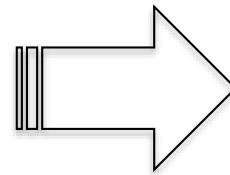


Business model evolution



2006~

2018~



- Solving “problems”
- Sales and marketing to the customers

- Creation of future value
- Planned creation, proposal
- Manufacturing of customer value

Future consultant/engineer sales



Current

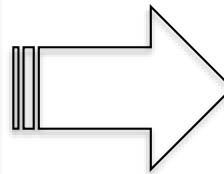
Whatever the devices

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

【Digital Life Planner】
Consultation designer (tentative naming)
Engineer-artisan (tentative naming)
Member Benefit designer (tentative naming)

PREMIUM Member's

Toward the “Future Digital Life”

Convention al model



Solving problems

Immediate response/
immediate value creation



Division of labor in
providing services

SHIFT
UP

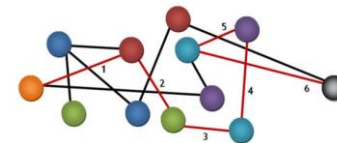
Coming model from next spring

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

PC DEPOT Premium Member



A “well-planned proposal for digital life” for the future will be designed and offered by our dedicated team
Digital life planner (coming next spring)

PREMIUM Member Information

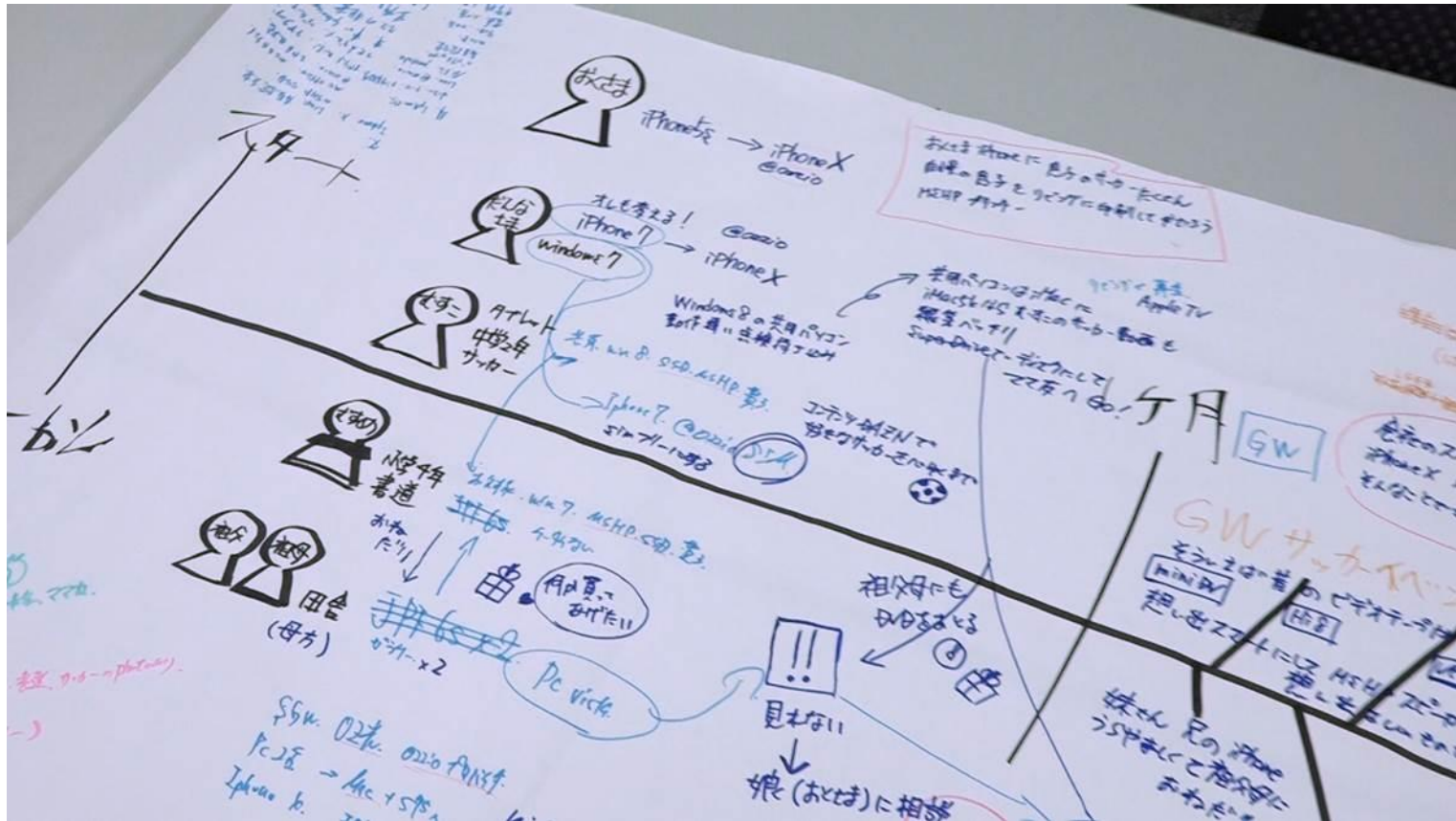
MemberOnly
□本体込込 □延長保証(物損修理保証)

- Speaker
- Stereo record player
- Audio
- Keyboard
- Sound Bar

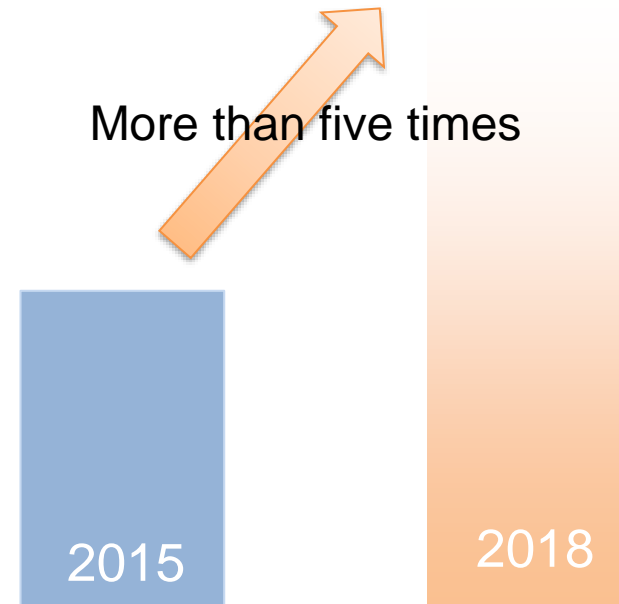
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【Digital Life Planner】
Consultation Designer (tentative naming)
Engineer-artisan(tentative naming)
Member Benefit designer(tentative naming)

Scene from Training – image video



Initiatives for planned creation



Investment in human resources
for planned creation

In-house training, self-motivated study,
design thinking drills, education and
training, reading comprehension,
image, judgment, thinking,
and recreation

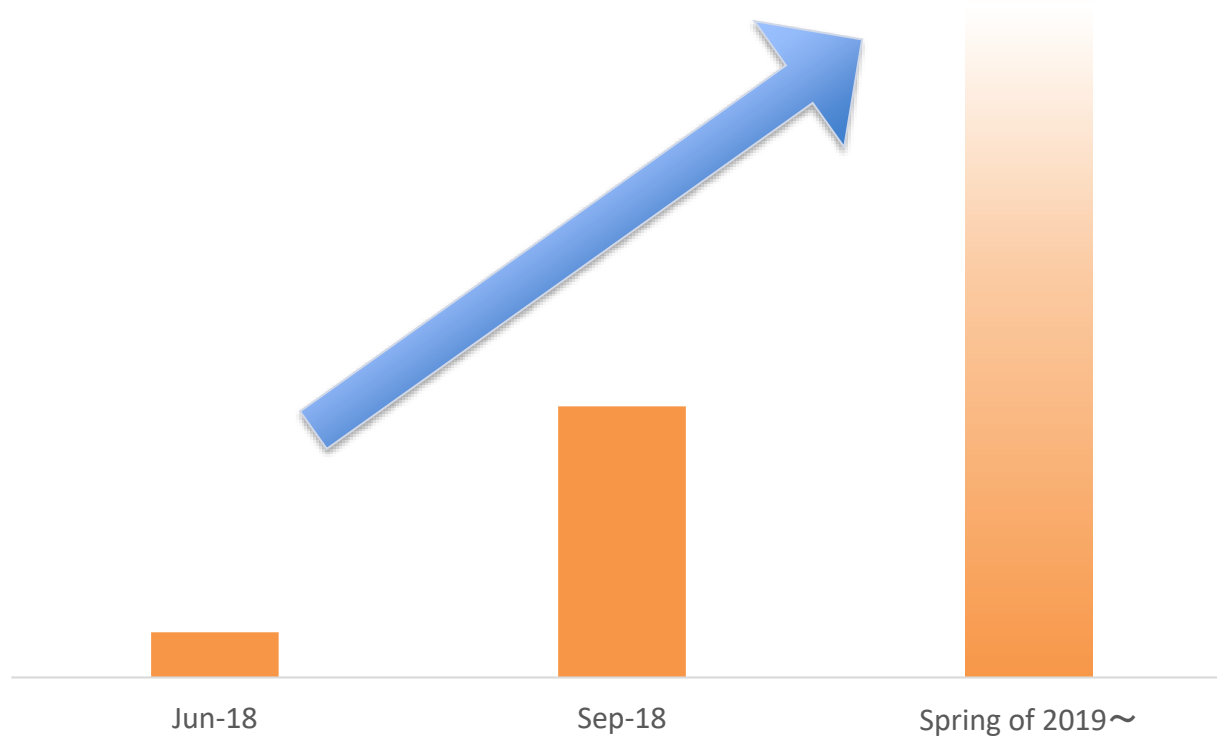
Future value creation – image video



Upgrading stores for future digital life



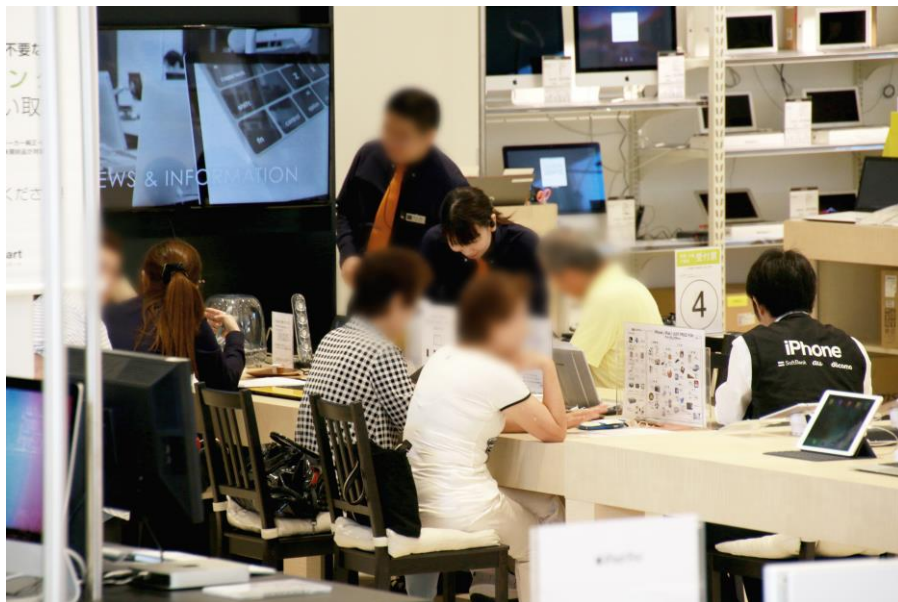
Image for a number of consulting cases



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

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

Sep PC DEPOT Smart Life Makuhari inter Store → Update remodeling

Nov PC DEPOT Takamatsu Higashi Bypass Store → PC DEPOT Smart Life Takamatsu Higashi Bypass Store

Store Development

(Excluding FC, as of 13 November, 2018)



PC DEPOT



PC DEPOT Smart Life



PC DEPOT PC Clinic

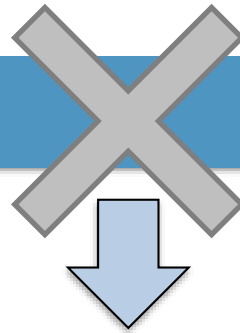


Store style	Suburban type, large-scale store	Large scale urban store, Small-medium scale store	In-store PC Clinic counter
Directly operated	13 stores	42 stores	53 stores
Subsidiary operated	11 stores	2 stores	5 stores
Total	24 stores	44 stores	58 stores



Mass consumption

Mass volume sales



Business model continuation/evolution

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

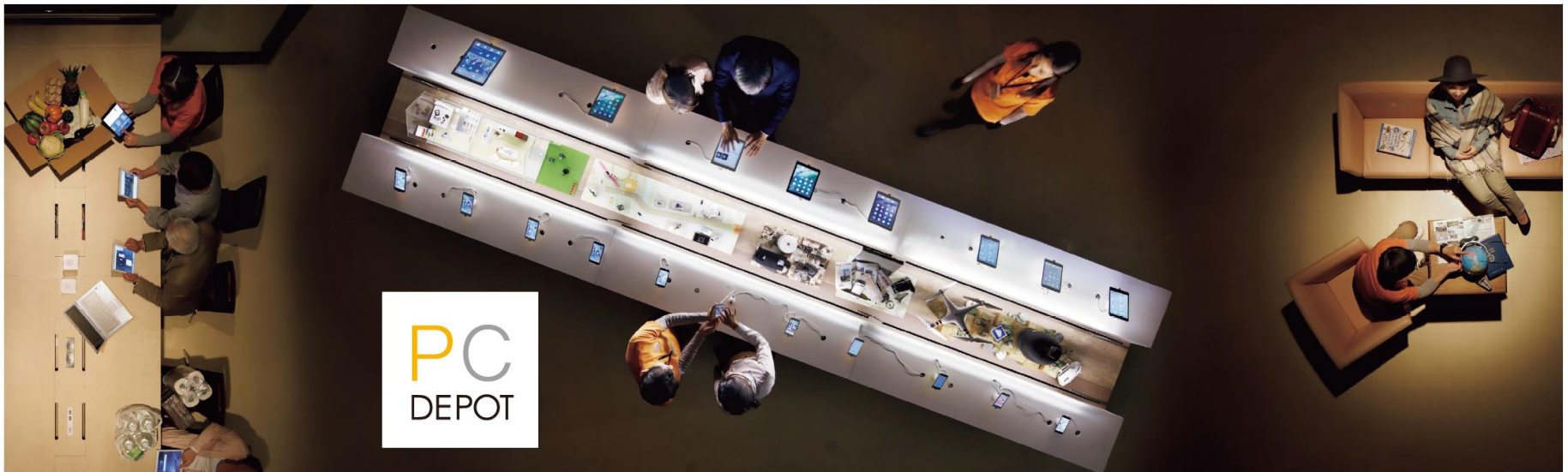
**Conventional
production area**
Big historical data
Robotization
Higher efficiency

**SHIFT
UP**

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

Future PC DEPOT – image video





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