

Presentation of Financial Results
for the 2nd Quarter of the Year
Ending March 2020

November 20, 2019
Announcement

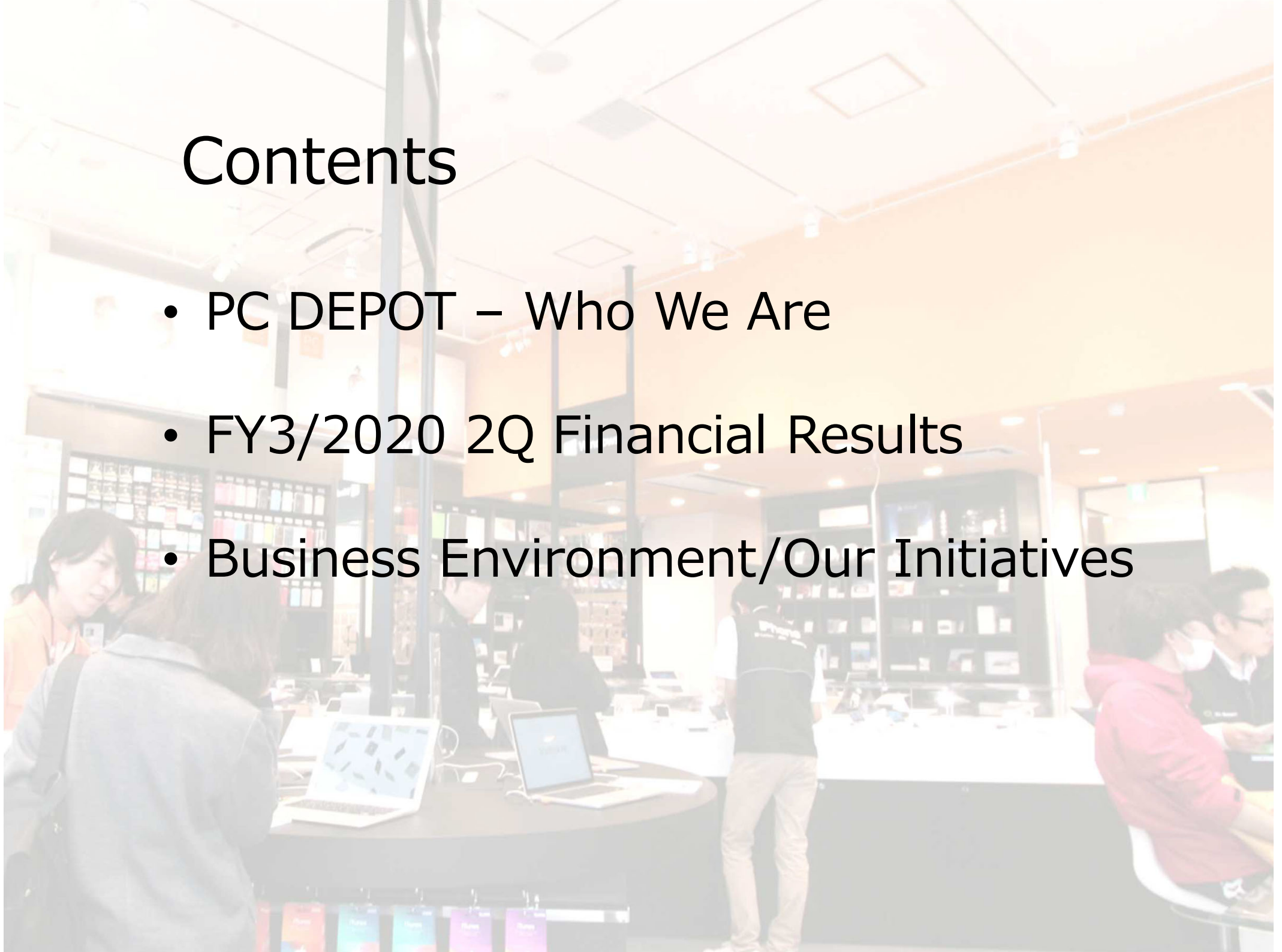
PC DEPOT CORPORATION

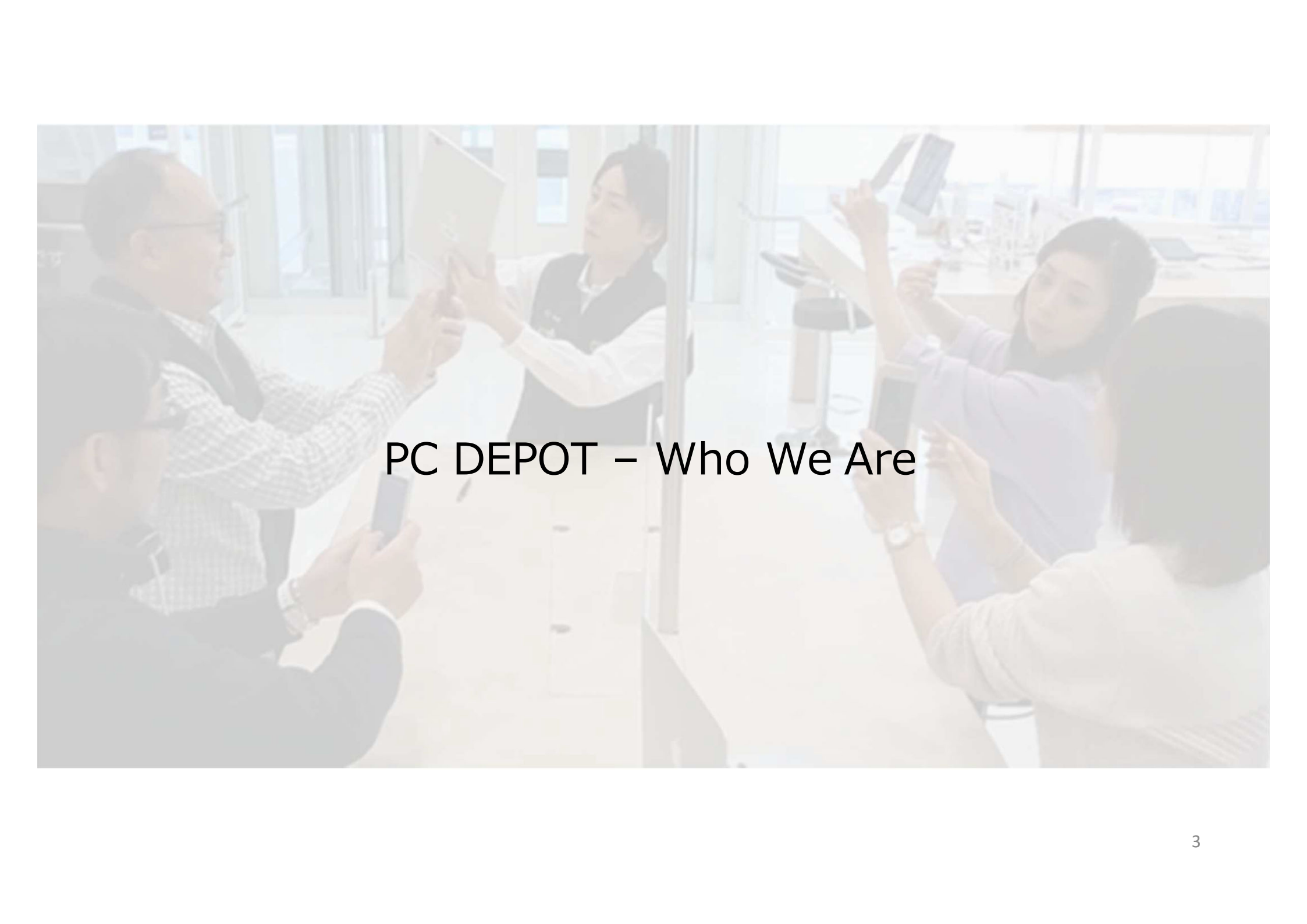
Security Code 7618



Contents

- PC DEPOT – Who We Are
- FY3/2020 2Q Financial Results
- Business Environment/Our Initiatives





PC DEPOT – Who We Are

Long Term Business Performance – PC DEPOT, a company that keeps on evolving and pivoting



Past (around 2000) → Present/future

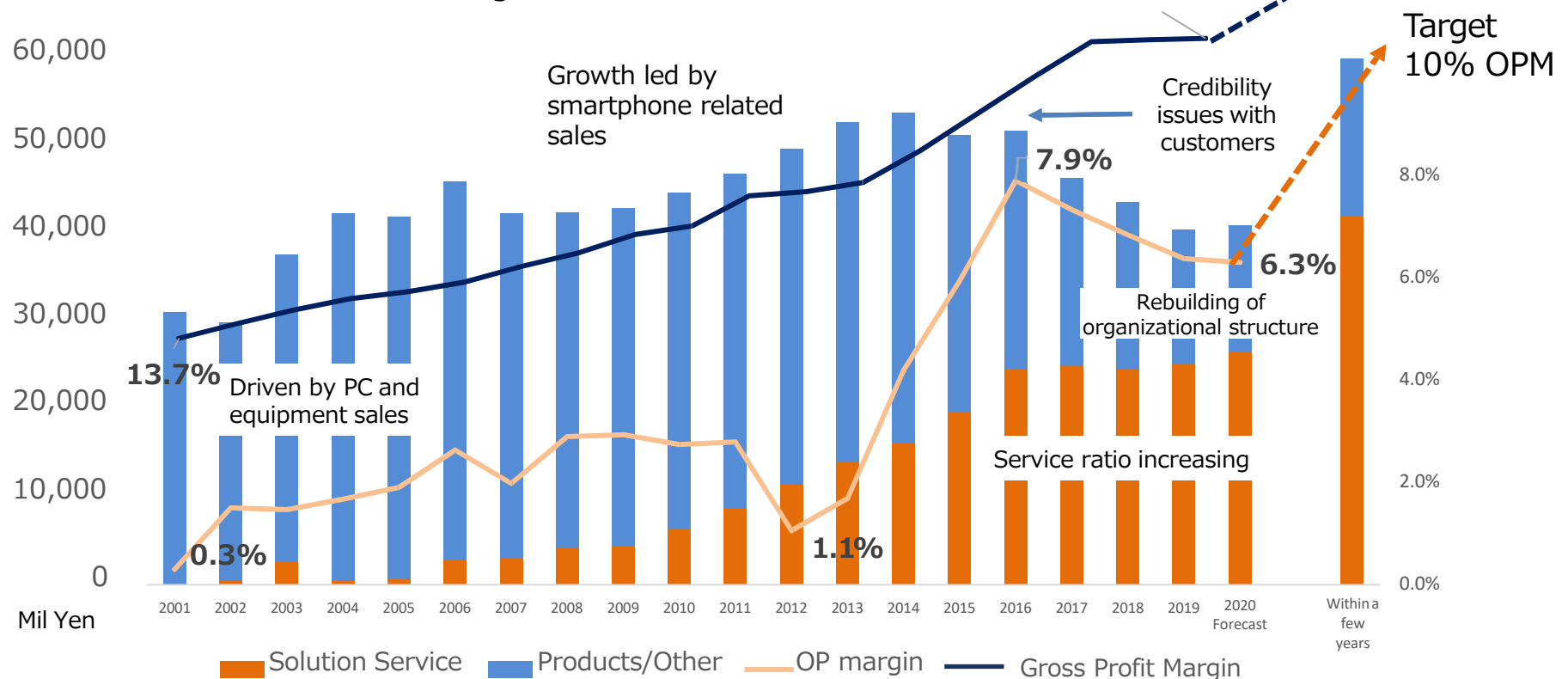
PC → PC, smartphone, IT devices

Equipment → Equipment + service

Sellout → Subscription

Gross profit margin 14% → 46%

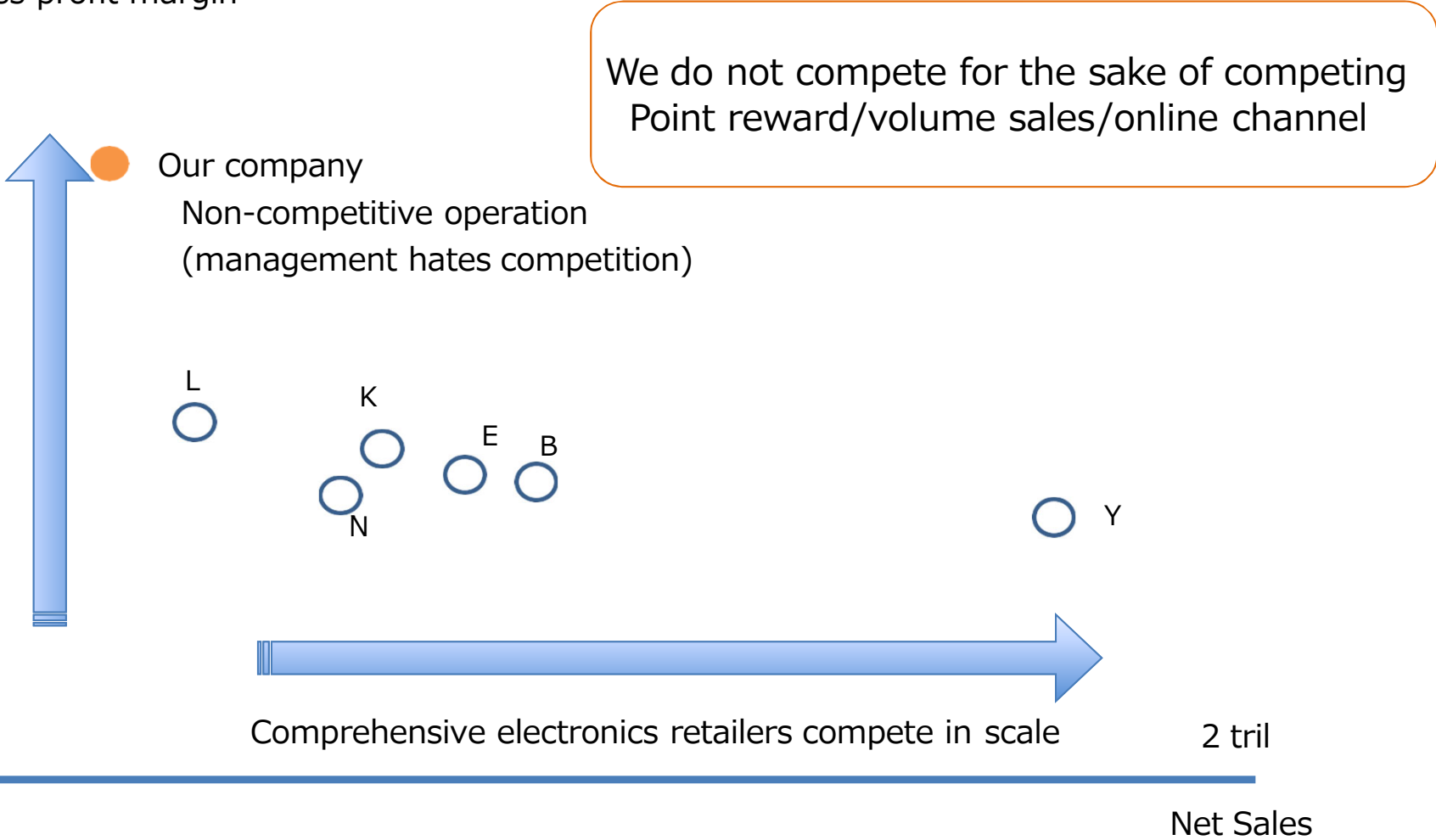
Founder as shareholder → Long-term stakeholders as shareholders



We Do Not Like to Compete



Gross profit margin





FY3/2020 2Q Financial Results

Results Summary



- 1H results
Operating profit increased Y/Y, and was above the plan
- Full year forecast
No revision
- Initiatives for 2H and beyond
Acceleration in sales based on well-planned demand creation

P/L (consolidated)



Operating profit increased Y/Y and was above the plan

Units: mil Yen, %	FY3/2019 2Q	FY3/2020 2Q			
	Results	Results	Y/Y	Forecast	Y/Y
Net Sales	20,157	19,260	△4.5	19,800	△2.7
Products	6,847	7,062	3.1	—	—
Services	12,670	11,559	△8.8	—	—
Internet related businesses (subsidiary)	607	607	△0.1	—	—
Gross Profit	9,376	9,018	△3.8	—	—
SGA expenses	8,103	7,641	△5.7	—	—
Operating Profit	1,273	1,376	8.1	1,100	25.2
Ordinary Profit	1,326	1,431	7.9	1,150	24.5
Net profit attributable to parent company shareholders	897	973	8.5	760	28.1
EPS(YEN)	17.87	19.38	8.4	15.14	28.0
ROE(%)	8.5	6.7	△1.8	5.8	0.9

【Net sales】

- Though declined Y/Y, into the 2Q, we saw rush demand accompanying consumption tax hike, and replacement demand due to the end of Windows 7 OS support into 2Q,

- Solution service sales declined Y/Y due to upfront product purchases as a result of well-planned demand creation

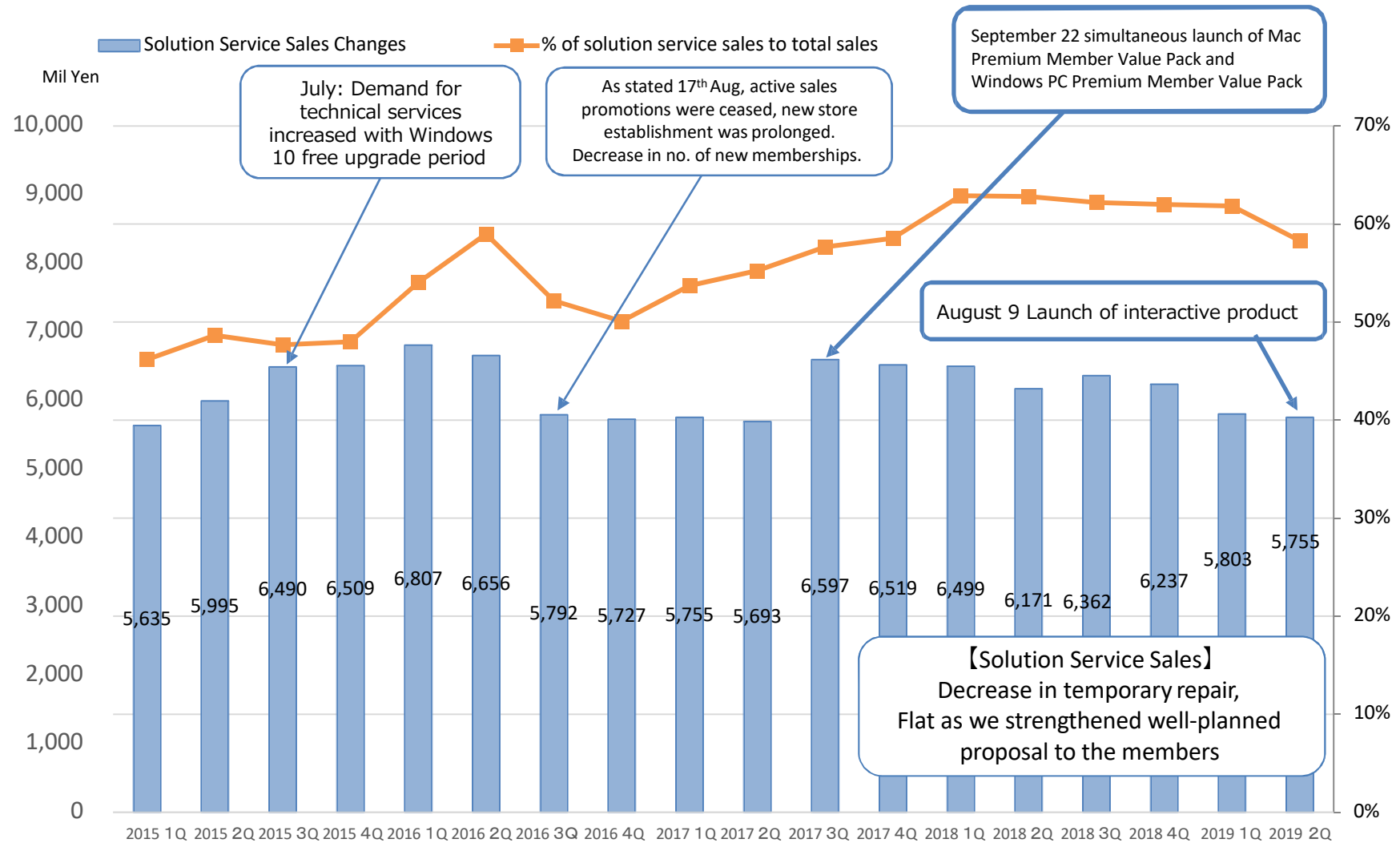
【SG&A expenses】

- Careful hiring of talents toward the realization of planned proposals/demand creation

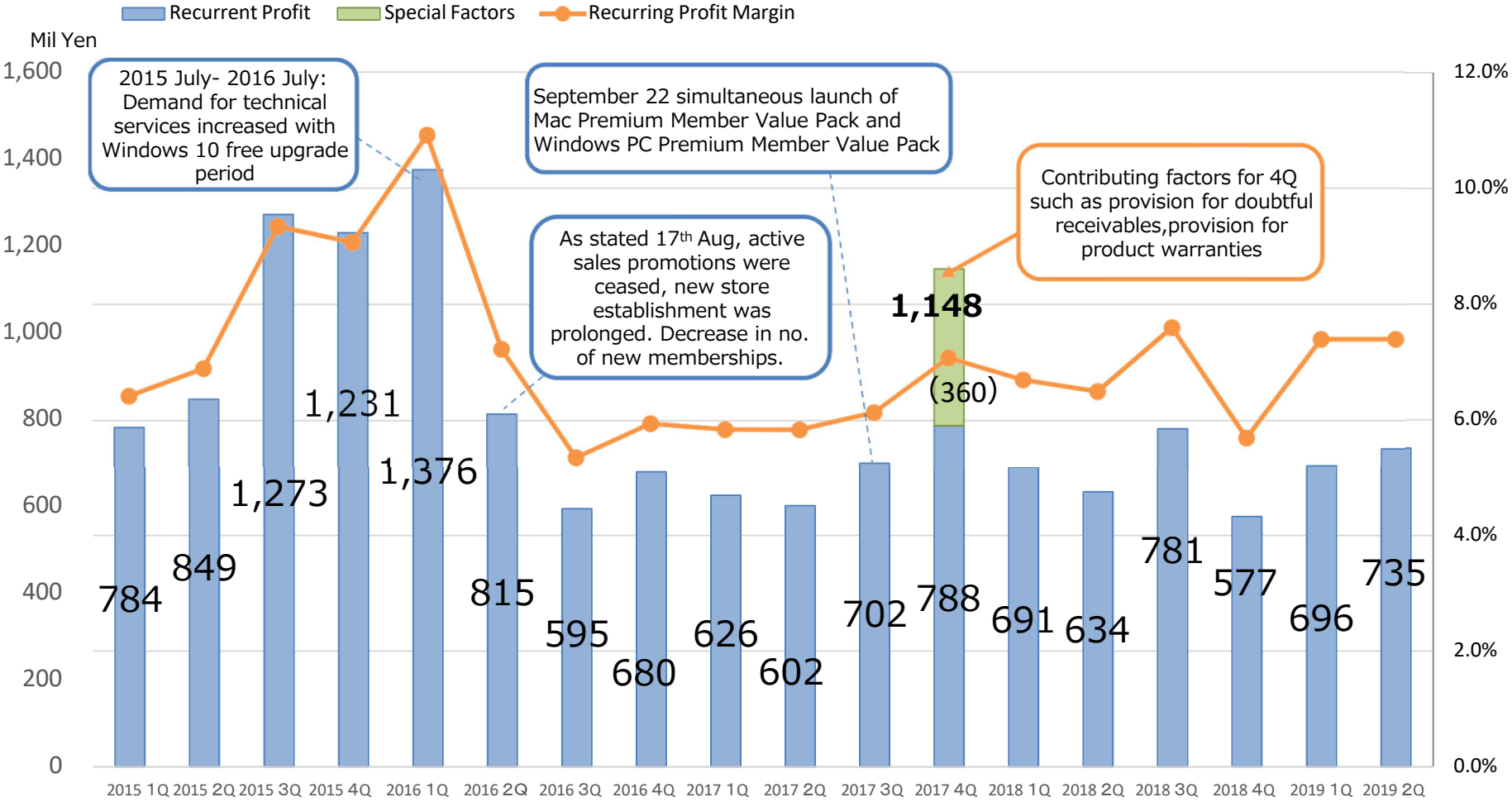
→As a result, SG&A expenses declined Y/Y

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

Solution Service Sales Changes by Quarter



Recurring Profit changes per quarter



Balance Sheet (Consolidated)



Increase in Accounts receivable

Units Mil Yen	2019 end of March	2019 end of September	Change
Total current assets	24,589	23,965	△624
Accounts receivable	9,039	9,393	353
Inventory	5,642	5,838	195
Total fixed assets	9,031	9,189	158
Tangible fixed assets	3,977	4,117	139
Intangible fixed assets	608	644	35
Investments & other assets	4,444	4,427	△16
Total assets	33,620	33,154	△466
Total current liabilities	5,499	4,958	△541
Total tangible liabilities	3,962	3,362	△599
Total liabilities	9,461	8,320	△1,140
Total shareholder's equity	24,096	24,785	689
Total net assets	24,159	24,834	674
Total liabilities/ net assets	33,620	33,154	△466

【Receivables】

Increased product sales on the back of rush demand ahead of consumption tax increase
→Temporary rise in receivables

CF (Consolidated)



Increase in operating CF

Units: mil Yen	FY 2019 (ending March) 2Q Results	FY 2019 (Ending March)			Changes
		1Q Results	2 Q Results	FY 2020 (Ending March) 2 Q Results	
Operating CF	2,241	71	605	677	△1,564
Investment CF	△423	△243	△412	△656	△232
Financial CF	△1,454	△805	△466	△1,271	182
Cash or cash equivalents at end of term	10,961	8,566	8,292	8,292	△2,669

【Operating Cash Flow】

- Increase in inventory due to rush demand ahead of consumption tax hike and PC replacement demand ahead of termination of Windows 7 support service

- Receivables increased with sales of product-integrated solution and merchandise

【Investment Cash Flow】

- Investment in store format changes from PC DEPOT to PC DEPOT Smart Life stores, and renovation of PC DEPOT Smart Life stores

Outlook for Fiscal Year 3/2020



Increase in both revenue and profits

Units: 1 Mil, %	FY 2019 (ending March) Results		FY 2020 (ending March) Forecast	
	Results	YoY	Forecast	YoY
Net sales	40,447	△7.2	41,000	1.4
Operating income	2,579	△13.5	2,600	0.8
Ordinary income	2,685	△12.8	2,700	0.5
Net income belonging to parent company shareholders	1,553	△20.7	1,780	14.6
EPS(YEN)	30.94	—	35.45	14.6
ROE(%)	6.6	△1.9	7.4	0.8

- **Solution Service Sales 5.0%**
(Previous term results 2.9%)
- **Gross Profit Margin 45.0%**
(Previous term results 46.1%)
→ With well-planned demand creation, preceding product sales results in Y/Y decline
- **Capital Investment 1.3 Bil**
- **Depreciation Amount 0.8 Bil**

A photograph of a business meeting in a modern office. Several people are gathered around a table, looking at and holding tablets. The scene is brightly lit with large windows in the background. The image has a light, semi-transparent overlay.

Business Environment/Our Initiatives

Market Environment → 2H Outlook for PC Depot



1

PC
Tablets
Smartphones

Industry-wide trend



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

Bottoming out of PC is positive

2

Demand to increase from “coto (intangible goods) consumption” such as education, games, cashless payment, termination of Windows 7 support service, and 5G



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



SHIFT UP the existing services well-planned proposal, well-planned creation

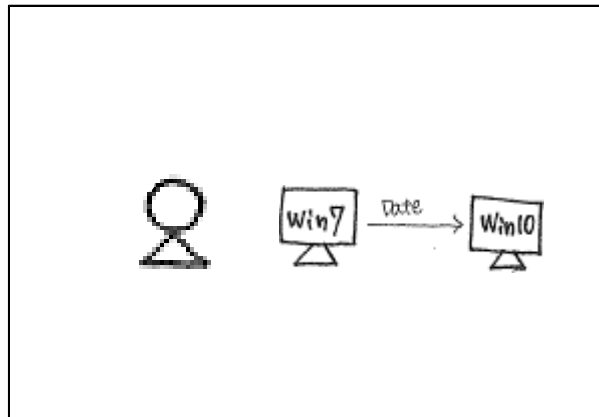
PC Depot premium member benefits become available based on membership

Well-planned Demand Creation (Digital life Plan) that Matches Social Structure



● Conventionally

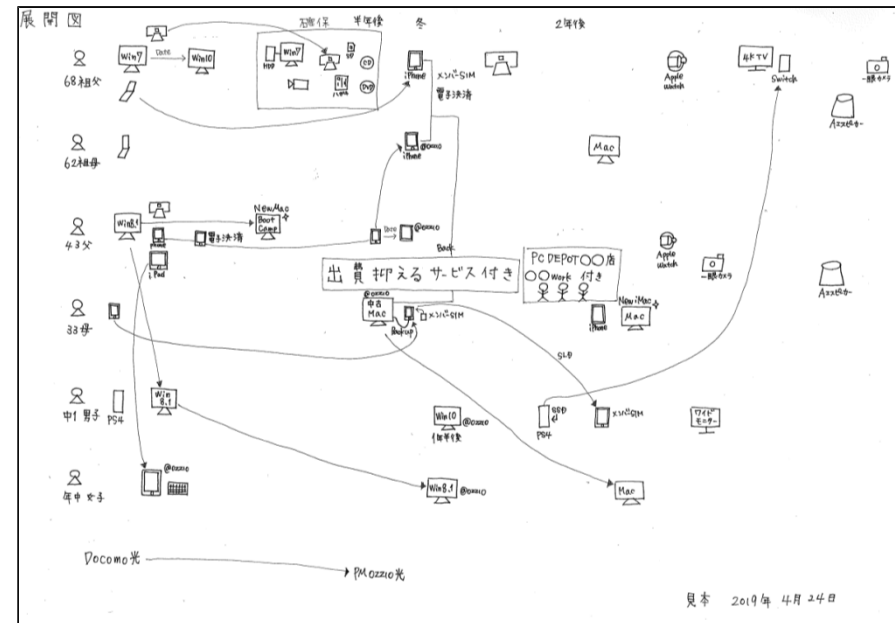
Sell products to individuals



Conventional proposal

● Now and going forward

- Individual → Family members ... Increase in number of users
- Proposals inclusive of future plans to each user



An example of proposal drawing currently used
Planned proposals for next 4-5 years

Change in Social Structure is a Tail Wind

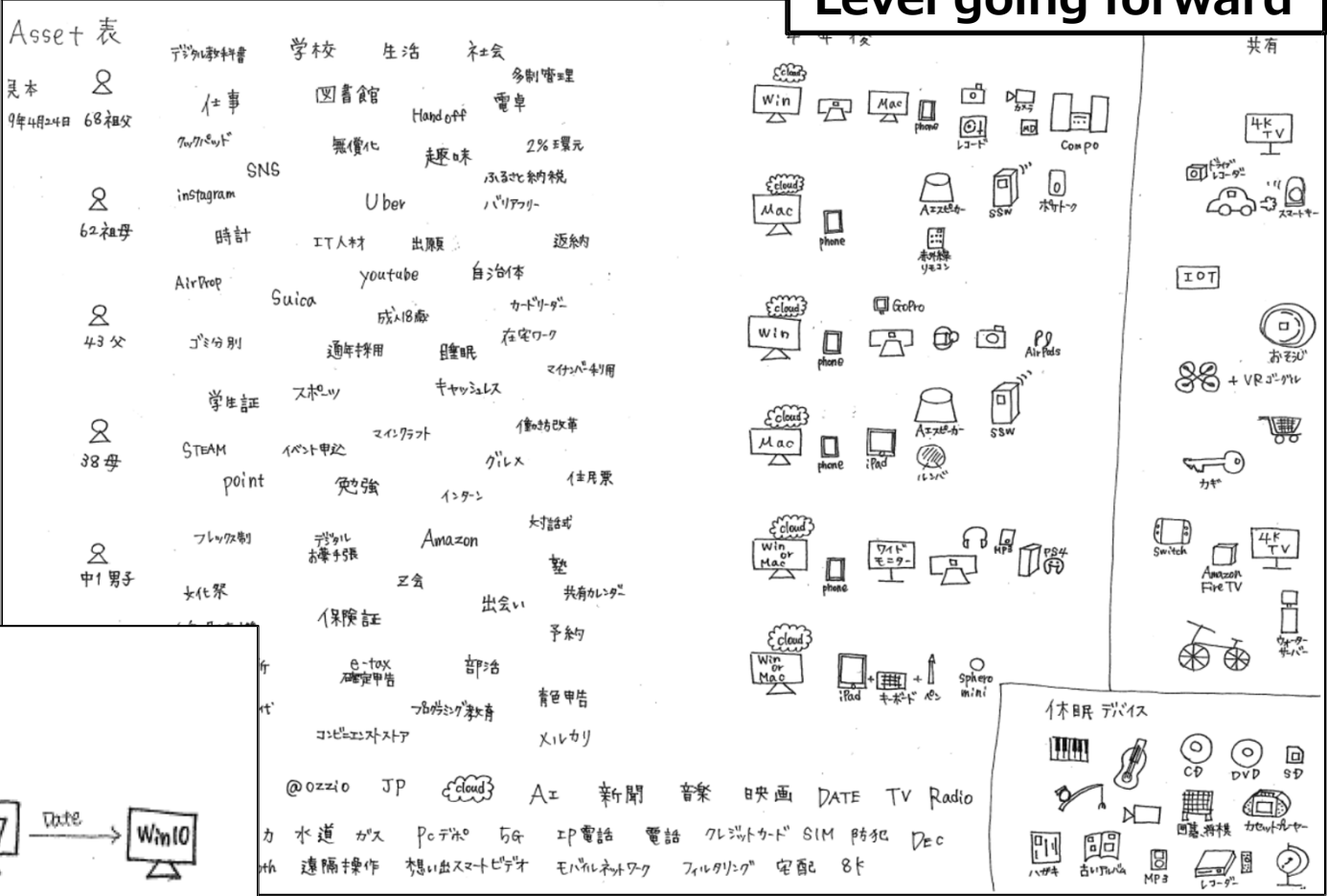


2019	Sep	Mandatory removal of SIM lock for pre-owned smartphones Launch of pre-5G network services in certain limited areas
	Oct	“e-Sports” selected as a culture program in the National Athletic Meet 2019 (Ibaragi prefecture) Implementation of point reward system for cashless payment as a countermeasure to the consumption tax hike Preschool education/nursery to be provided free of charge
	Fall - Winter	5G compatible smartphones to hit the market Digital therapeutics with insurance coverage to become commercially available Apps with transportation service booking/payment system (Maas) become available in Japan NHK to broadcast programs on TV and distribute them online simultaneously Demonstration experiment of online voting to start
2020		Rollout of 5G network commercial service Rakuten to start its mobile carrier business Programming courses to become mandatory in elementary school education Termination of Windows 7 and Office 2010 support services User registration of my number card (individual social security number card) as health insurance card to start
2021		Programming courses to become mandatory in junior high school education Electronics prescription penetration Online drug administration guidance
2022		e-Sports added as a medal event in 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, National universities to introduce AI education in all faculties

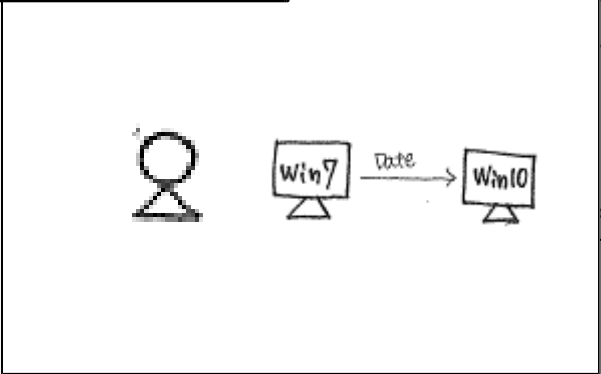
Planned Demand Increase in Line with Social Structure Change



Level going forward



Level in 2018



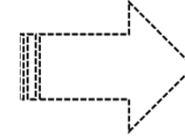
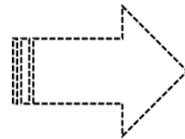
Advancement of Business Model “Coto Level 2.0”



Since establishment ~ 2006

2006~

2019~



“Coto Level 1.0”

Turning point of service industry

“Coto Level 2.0”

Era of mass consumption and mass sales

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

- Customer value generation
- Demand creation through well-considered proposals

Well-planned proposal is to provide structured solutions to members’ concerns, needs, and wants

Image of Well-planned Demand Creation



新規メンバー募集中！

はじめましょうスマートライフ
専任担当者がお手伝いします

*詳細、お申込みは、お気軽にお問い合わせください

Image of Planned Demand Build-up for Next 4 Years



Visualization of replacement cycle for members and their families' devices in next 4 years



Enabling accumulation in number of users and devices through planned demand, which lead directly to future sales

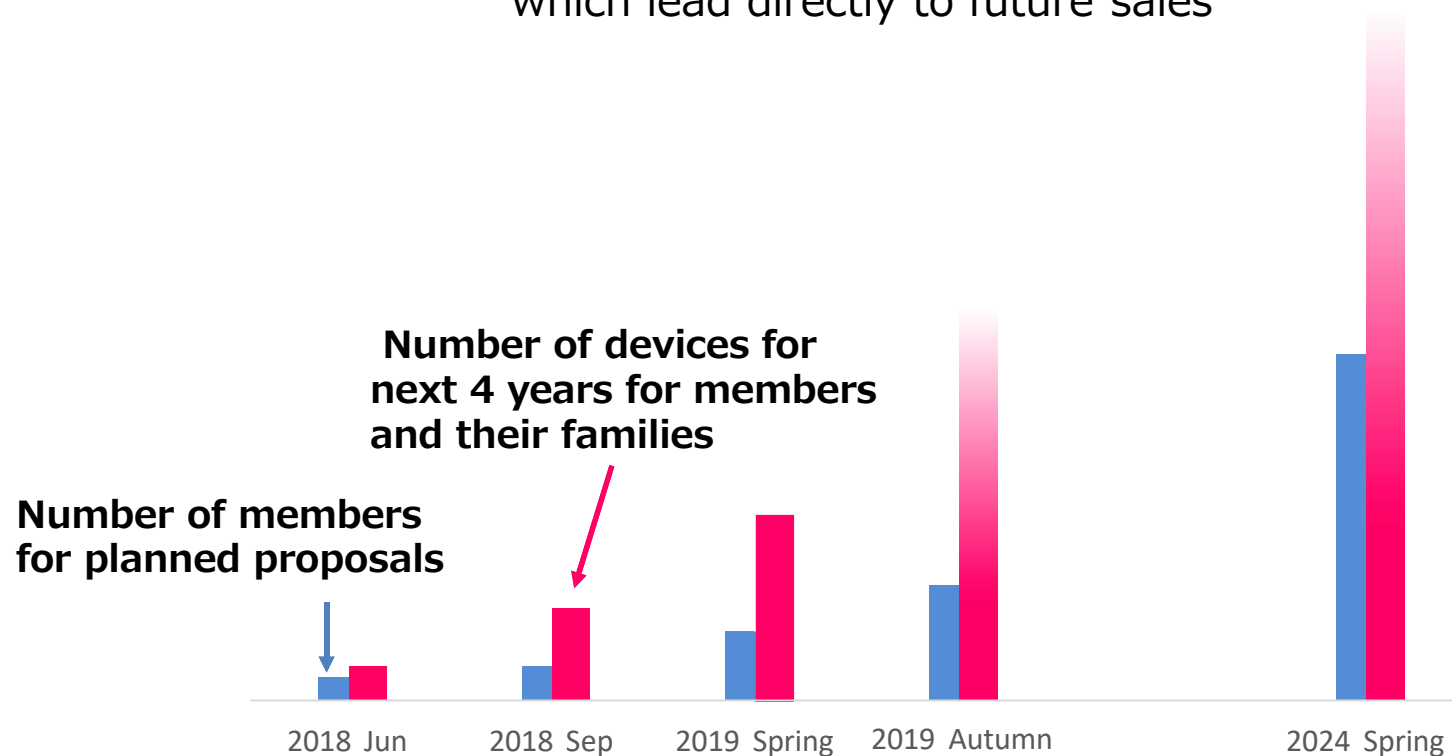
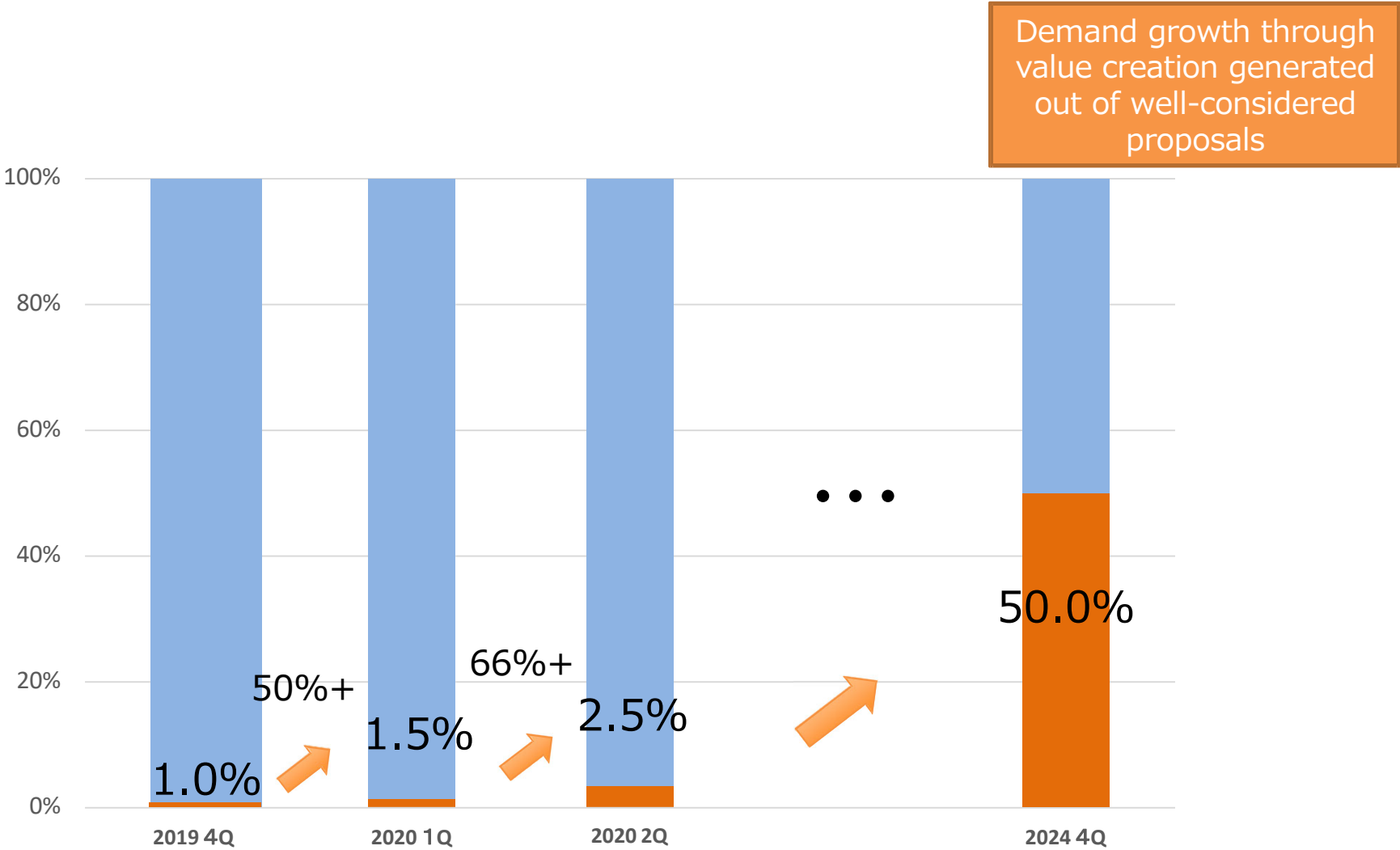


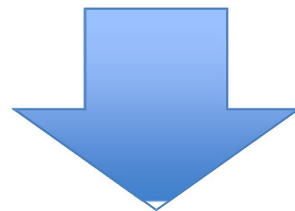
Image of Sales Growth from Planned Proposals



Changes Brought by Well-planned Demand Creation



- | | |
|--------------------------------------|-------------------------|
| • Purchase with appointment | Sales increase |
| • Engagement by Call Center | Cost decrease |
| • Reduction in member churn rate | Sales increase |
| • Reduction in newspaper flyers | Less profit fluctuation |
| • Longer member retention rate | Increase in profit |
| • Increase in member visit frequency | Increase in profit |

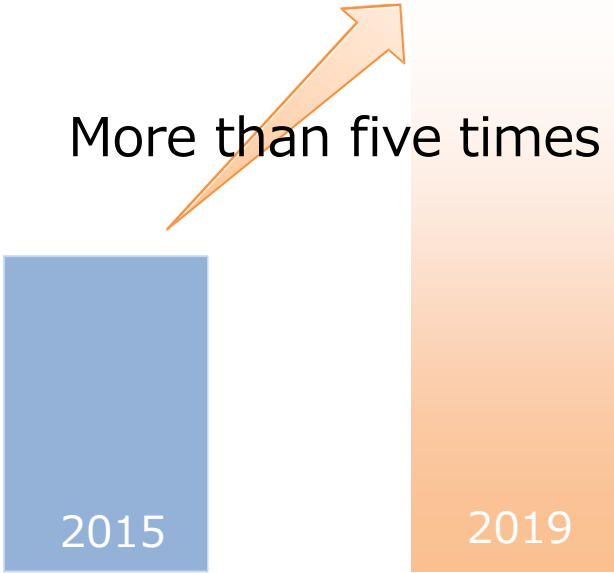


Corporate value expansion

Human Resources Development to Ensure Planned Demand Creation



70% of CEO's time dedicated to human resources development



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

Dedicated Staff for Each and Every Member

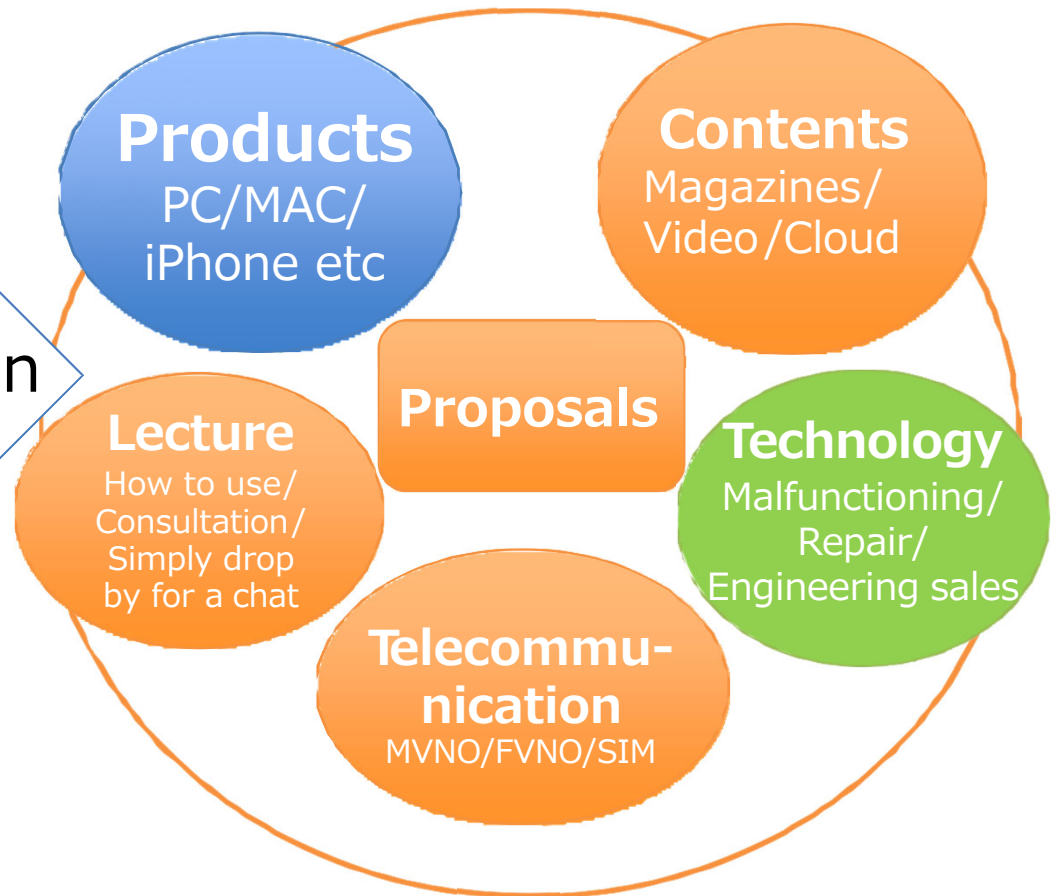
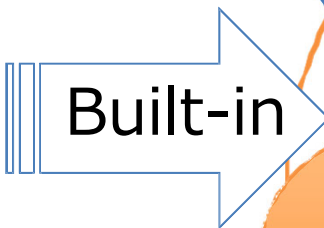


Image of our company
Membership system,
subscription type, circulatory type



**Premium member
Dedicated team
[Digital Life Planner]**

Demand creation through
well-considered proposals



Initiatives for Well-planned Demand Creation



① Contents Enhancement

● Trial experience



● workshop



● Feel experience Education



Action



Initiatives for Well-planned Demand Creation

② Smart Life Promotion



● Future Design Works



● Member lounge



● Member lounge



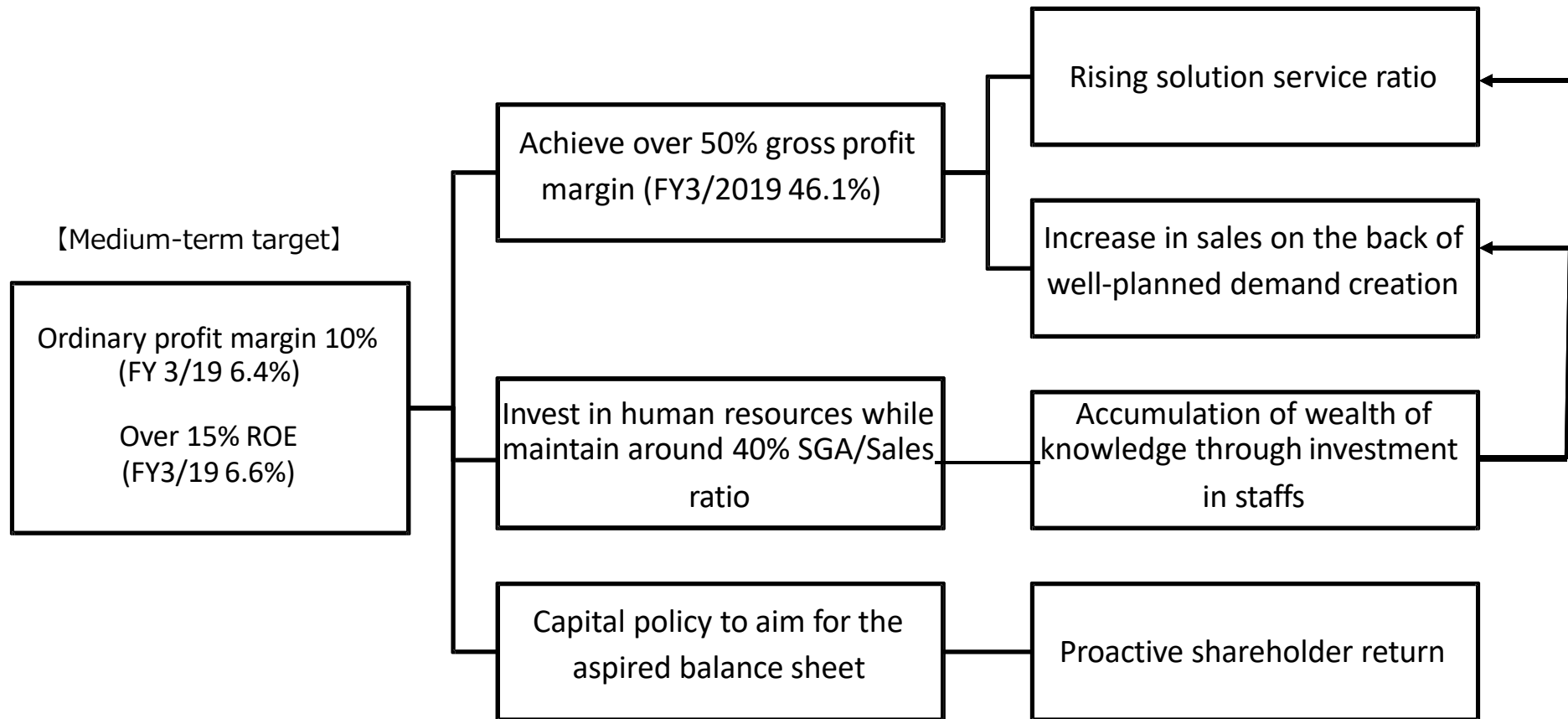
● Trial experience space



● Feel experience space



Path to Value Creation

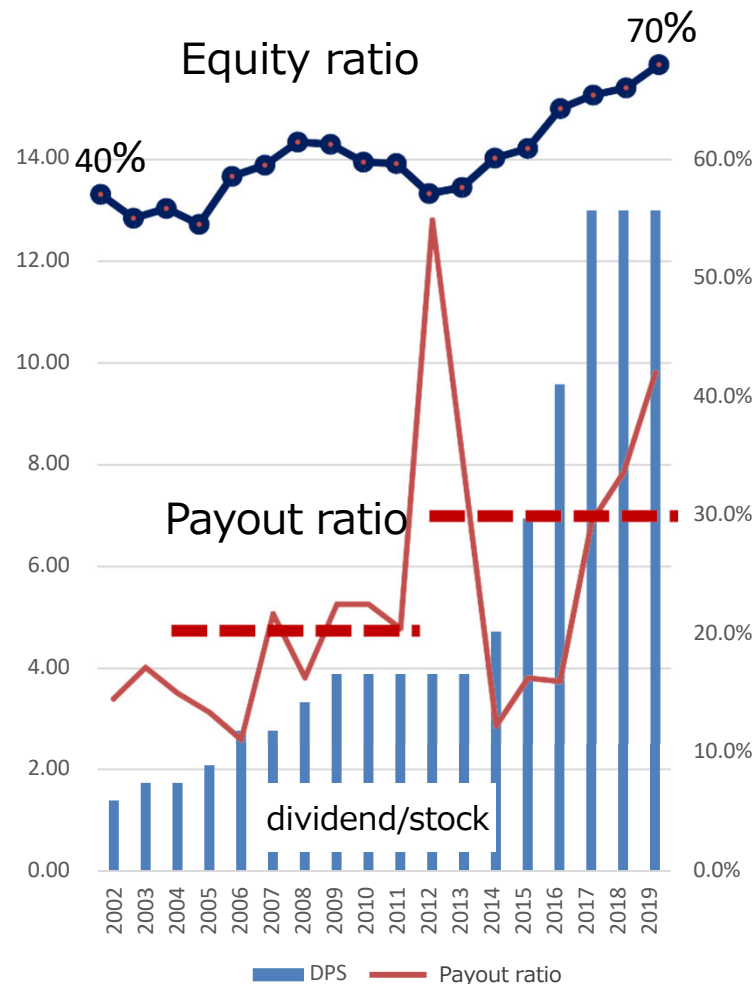


Aim for corporate value enhancement through quality, not through scale

Capital Policy



Considering to boost shareholder return with 15% ROE target



【Up to now】
Consolidated payout ratio of around 30%, profit distribution through a stable dividend

【Going forward】
To achieve 15% ROE, aim for optimal financial balance for the future, and consider to strengthen shareholder return

PC DEPOT



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

販売・修理^{*}・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

* スマートフォンの機器故障による修理は、メーカーまたはキャリアショップでの対応が必要になる場合がございます。



Appendix

Preliminary Comparison



	FY 3/2020				FY 3/2019
	1 Q	2Q	2Q Results	Annual Forecast	Annual Results
Services Previous years sales	10.7%-	6.7%-	8.8%-	5.0%+	2.9%+
Gross Profit Margin	48.2%	45.5%	46.8%	45.0%	46.1%
Capital Investment	0.28Bil	—	0.57Bil	1.3Bil	0.94Bil
Interest bearing debt outstanding	4.46Bil	—	4Bil	—	4.95Bil
Renovation to S L P*	2 Stores	1 Store	3 Stores	5~10 Stores	6 Stores
Newly opened S L P*	—	—	—	Flexible	—
Newly opened PC Clinic	—	—	—	Flexible →5 stores in 2H	—

※ SLP PC DEPOT Smart Life Stores

Solution Services



1 • PC clinic & Dr. Smart (Repair and technical support)

Free
consultation

Quick repair

Products
purchased at
other stores are
also welcome

2 • Premium Membership (Continuous support, etc.)

As an example

マルチネットワークコース
今お持ちのパソコン・スマホ・タブレットも最大5台サポート

PCサポート

- インターネット安全対策
 - ウイルスSTOP
 - 詐欺サイトSTOP
 - どこでもインターネット
- PCトラブルサポート
 - 24時間受付
 - リモートサポート
 - 100%解決保証
- スマホサポート
 - 故障修理
 - データ移行
 - アプリインストール
 - アプリLINEデータ移行

使い方レクチャー

初心者から上級者まで、幅広いレベルの講座をご用意。お持ちのデバイスに合わせて、最適な講座をおすすめいたします。

講座料 **250円以上** 付
講座レクチャー **300円以上** 付

マルチネットワークコース 3ヶ月
月々 **4,500円** 税別
追加5台+ 毎月 **2,000円** 税別

3 • Solution services (Contents, communication, Internet service)

Solution Services combine these services with hardware

1. PC clinic & Dr.Smart

(Repair and technical support)



Technological service/support



At the time of product purchase



Settings and connection

Technical services and support

Repair reception counter



Free diagnosis

Quick repair



2. Premium Membership (Continuous support, etc.)



マルチネットワークコース

今お持ちのパソコン・スマホ・タブレットまで最大5台サポート

PCサポート

- インターネット安全対策
- ウイルスSTOP service
- 詐欺サイトSTOP service
- どこでもインターネット

使い方レクチャー

※250円以上付

スマホサポート

※300円以上付

体験付商品

3ヶ月 月々 **4,500円** 別

※加入料10,000円(税込) 送料別

マルチネットワークプラスコース

今お持ちのパソコン・スマホ・タブレットまで最大10台サポート

PCサポート

- インターネット安全対策
- ウイルスSTOP service
- 詐欺サイトSTOP service
- どこでもインターネット

使い方レクチャー

※250円以上付

スマホサポート

※300円以上付

体験付商品

3ヶ月 月々 **6,500円** 別

※加入料10,000円(税込) 送料別

モバイルインターネットコース

今お持ちのパソコン・スマホ・タブレットまで最大5台サポート

PCサポート

- インターネット安全対策
- ウイルスSTOP service
- 詐欺サイトSTOP service
- どこでもインターネット

使い方レクチャー

※250円以上付

スマホサポート

※300円以上付

体験付商品

3ヶ月 月々 **7,000円** 別

※加入料10,000円(税込) 送料別

ホームネットワークコース

今お持ちのパソコン・スマホ・タブレットまで最大5台サポート

PCサポート

- インターネット安全対策
- ウイルスSTOP service
- 詐欺サイトSTOP service
- どこでもインターネット

使い方レクチャー

※100円以上付

スマホサポート

※200円以上付

体験付商品

3ヶ月 月々 **3,500円** 別

※加入料10,000円(税込) 送料別

組立PCコース

今お持ちのパソコン・スマホ・タブレットまで最大5台サポート

PCサポート

- インターネット安全対策
- ウイルスSTOP service
- 詐欺サイトSTOP service
- どこでもインターネット

使い方レクチャー

※100円以上付

スマホサポート

※200円以上付

体験付商品

3ヶ月 月々 **3,000円** 別

※加入料10,000円(税込) 送料別

PC&スマートフォンコース

今お持ちのパソコン・スマホ・タブレットまで最大5台サポート

PCサポート

- インターネット安全対策
- ウイルスSTOP service
- 詐欺サイトSTOP service
- どこでもインターネット

使い方レクチャー

※250円以上付

スマホサポート

※300円以上付

体験付商品

3ヶ月 月々 **3,000円** 別

※加入料10,000円(税込) 送料別

スマートフォン/タブレットコース

今お持ちのスマートフォン・タブレット1台サポート

スマートフォンサポート

- ウイルスSTOP service
- 詐欺サイトSTOP service
- どこでもインターネット

使い方レクチャー

※150円以上付

スマホサポート

※100円以上付

体験付商品

3ヶ月 月々 **2,000円** 別

※加入料10,000円(税込) 送料別

パーツコース

今お持ちのパソコン・スマホ・タブレットまで最大5台サポート

PCサポート

- インターネット安全対策
- ウイルスSTOP service
- 詐欺サイトSTOP service
- どこでもインターネット

使い方レクチャー

※100円以上付

スマホサポート

※200円以上付

体験付商品

3ヶ月 月々 **1,500円** 別

※加入料10,000円(税込) 送料別

スマートフォン/タブレットライトコース

今お持ちのスマートフォン・タブレット1台サポート

スマートフォンサポート

- ウイルスSTOP service
- 詐欺サイトSTOP service
- どこでもインターネット

使い方レクチャー

※100円以上付

スマホサポート

※100円以上付

体験付商品

2ヶ月 月々 **1,000円** 別

※加入料10,000円(税込) 送料別

3. Solution Service Premium members only products



-PREMIUM- Member

MacBook Air

専任担当
が
今後はサポート

PC使いこなしもサポート
インターネット/スマホ連携準備対応
ご使用中機器の再活用

今お使いのPCから
データ引越し
ご使用中PCのデータをまるごと使えます

Apple Care
修理の要/無償修理
代替機提供

データ引越し
バックアップ
2人分

今中・お持ちのスマホをまるごとサポート
マルチプラットフォームコース
最大**5**台サポート

専任担当がサポートします

入会費 5,000円	店頭支払金 2.5万円	5ヶ月	4ヶ月	3ヶ月	2ヶ月	1ヶ月
25,000円	25,000円	25,000円	25,000円	25,000円	25,000円	25,000円
月々	月々	月々	月々	月々	月々	月々
8,000円	6,500円	7,000円	7,500円	8,500円	8,000円	6,000円
8,500円	6,500円	5,500円	7,000円	7,000円	5,000円	5,500円
9,000円	7,000円	7,000円	7,000円	7,000円	7,000円	7,000円
10,000円	8,000円	8,000円	8,000円	8,000円	8,000円	8,000円

お持ちのPC下取り

Windows 7PC 最大1万円
Windows 8PC 最大2万円

上級プリンタ付コース iPad付コース
プリンタ iPad付コース 29,800円

1万円

Member

デジタル雑誌定期購読付
iPad

日経ビジネス

中国が世界を染める
デジタルビジネス

日経ビジネス

（ビシーアボオリジナル）

iPad 10.2 インチ 32GB 白

10,000円

月々3,250円

Member

デジタル雑誌

専任担当がサポート

お好きなデジタル雑誌 1冊1,500円

3,750円



Enhance production and productivity through “investment” in human resources



Ways to learn

- Reeducation, education programs for mid-career employee
- Enhance self-learning thinking capability
- Self-reliance based learning, Knowledge accumulation, Enhance humanity
- Change the way of thinking for the creation of future

Operation Management structure

- Sales structure with systematic standardized sales plan
- 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



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

Premium Membership



Started from October 2018

Current

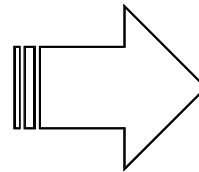
Whatever the devices

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

Premium member Dedicated team
【Digital Life Planner】

Store Development (Excluding FC, as of 20 November 2019)



PC DEPOT



PC DEPOT Smart Life



**PC DEPOT
PC Clinic**



Figures in brackets are changes during the year



Store style	Suburban type, large-scale store	Large scale urban store, Small-medium scale store	In-store PC Clinic counter
Directly operated	11 stores (△ 1)	44 stores (+ 1)	55 stores (+ 2)
Subsidiary operated	8 stores (△ 2)	5 stores (+ 2)	5 stores
Total	19 stores (△ 3)	49 stores (+ 3)	60 stores (+ 2)



Initiatives for Well-planned Demand Creation Smart Life Promotion



FY3/2020 Store Development

Store Renovation	•Renovation  → 	5-10 stores planned
	•Smart Life store minor renovation	Flexibly execute
	•Smart Life Type-F renovation	2-3 stores per quarter
Store Closures	•Smart Life stores	Flexibly respond
	•PC Clinic	<u>5 stores in 2H</u>

•Renovation

- Jun PC DEPOT Smart Life Handa Inter Store, Kagoshima Store
- Sep PC DEPOT Smart Life Kamagaya Store
- Nov plan PC DEPOT Smart Life Mishima Store, Oota Store



•Smart Life Type-F renovation

- Apr PC DEPOT Smart Life Sayama Store, Himonya Store
- Jun PC DEPOT Smart Life Heiwadai Store
- Oct PC DEPOT Smart Life Niiza Store
- Dec plan PC DEPOT Smart Life Kohoku Flagship Store



•PC Clinic New Store

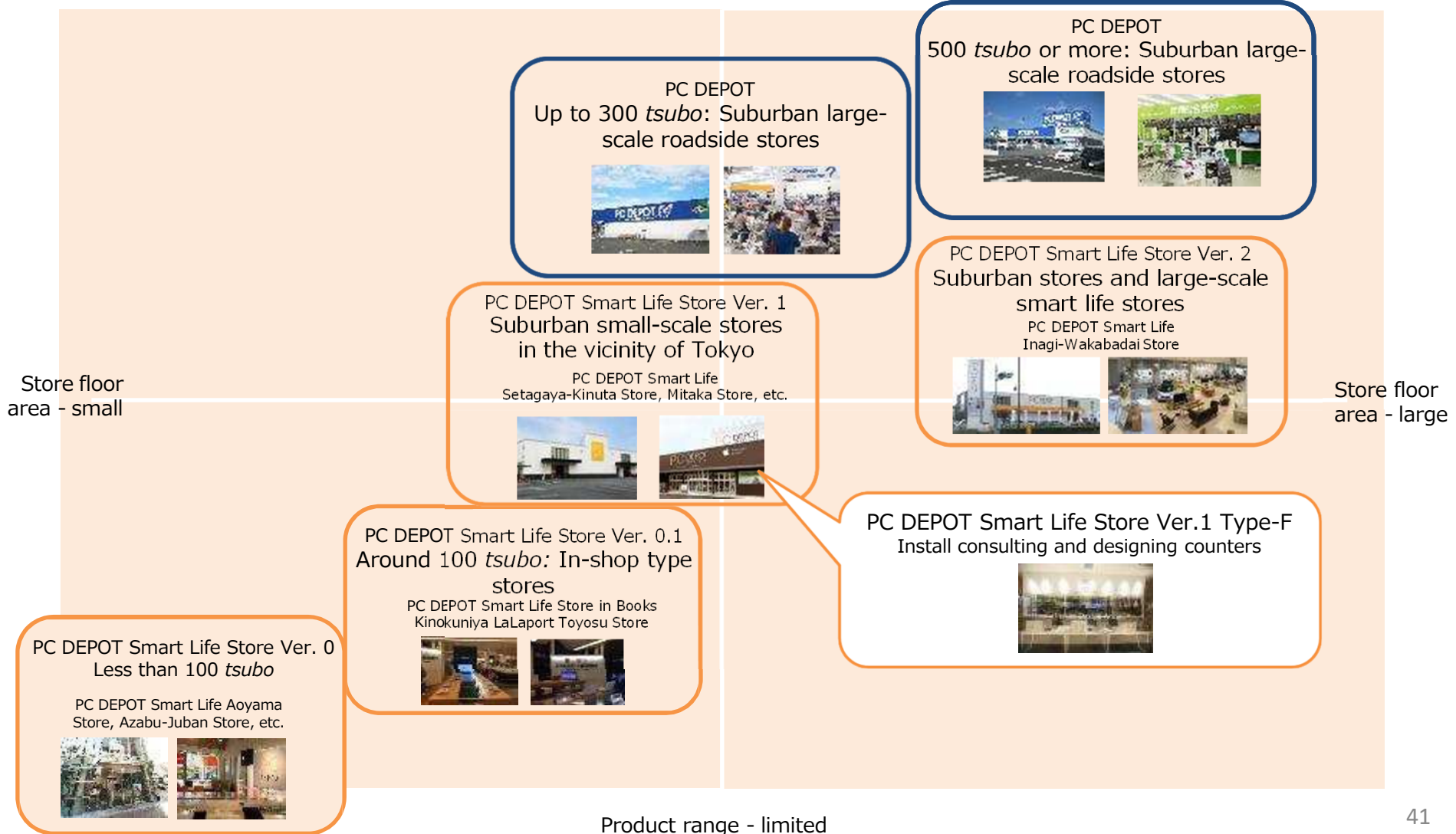
- Oct PC DEPOT PC Clinic K's Denki Ageo Store
- PC DEPOT PC Clinic K's Denki Honjo Store



Store Development (PC DEPOT Smart Life Stores)



Product range - extensive



Product range - limited

Inquiries



**General Stakeholder Relations Office
(Persons in charge: Matsuo and Takeda)**

**TEL: +81-45-472-9838
E-mail: ir@pcdepot.co.jp**



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.