



FY3/2020 Full Year Results Presentation

May 21, 2020

PC DEPOT CORPORATION

PC DEPOT
SMART LIFE



Contents

1

Highlights of FY3/2020 P.4

2

Outlook for FY3/2021 P.11

For Further Growth in Premium Members



Highlights of FY3/2020

禁煙
NO SMOKING
火気厳禁
NO OPEN FLAME
お客様専用ごみ箱
NO GARBAGE BOX

Authorized Reseller

Windows



1

Highlights of FY3/2020

	FY3/2020	FY3/2021	Future
Market	<ul style="list-style-type: none"> Rush demand prior to the consumption tax hike Sep Termination of Windows 7 support service Jan Proliferation of digital payment through smartphones ➔ going online further 	<ul style="list-style-type: none"> Rapid acceleration of daily life going online Going online stimulates demand for PCs/tablets Decline in smartphone demand COVID-19 leading to concerns for shrinking economic activities/worsening employment /decline in income/reduction in consumption 	<ul style="list-style-type: none"> Further changes toward digitization to take place in our daily lives Changes expected in school/company/community with digitization
PC DEPOT	<ul style="list-style-type: none"> Products sales increased due to rush demand Increase in service needs post the support termination Enhanced our lecture menu for smartphones and others Opened Premium Members' lounge 	<ul style="list-style-type: none"> Promotion for new Membership Higher hurdle set in PC sales volume given rush demand last year Boosting service to respond to digitization Improvement in our staffs' proposal capability Decline in smartphone sales 	<ul style="list-style-type: none"> Promotion for new Membership Continue with our effort to resolve digital divide in the community Capable of responding to online demand from existing Premium Members, further enhancing the attractiveness of our Premium Membership

Operating Profit/Ordinary Profit → Increase

Units: mil Yen, %	FY3/2019	FY3/2020		FY3/2020 Forecast	
	Results	Results	Y/Y	Forecast	Y/Y
Net Sales	40,447	39,137	△3.2	41,000	△4.5
Products	13,895	14,972	7.8	—	—
Solution service	25,270	22,878	△9.5	—	—
Internet related businesses(subsidiary)	1,216	1,227	0.9	—	—
Gross Profit	18,663	18,453	△1.1	—	—
SGA expenses	16,083	15,512	△3.6	—	—
Operating Profit	2,579	2,941	14.0	2,600	13.1
Ordinary Profit	2,685	3,018	12.4	2,700	11.8
Net profit attributable to parent company shareholders	1,553	1,718	10.7	1,780	△3.4
EPS (Yen)	30.94	34.18	10.5	39.73	16.2
ROE (%)	6.6	7.0	0.4	7.9	0.9

Net Sales

PC/tablet sales increased with the PC replacement demand coming from Windows 7 support termination as well as demand from telework and online study

In solution service sales, **the service-inclusive product sales fell Y/Y** as we saw more preceding product purchases with well-planned demand creation

4Q

Rising trend in both product sales and solution sales

SGA expenses

Refraining from hiring short-term employment leading to **personnel cost reduction**

SG&A expenses fell Y/Y as a result

* % shown are Y/Y change for the full year

Receivables → Increase

Unit: mil Yen	2019 end of March	2020 end of March	Change
Total current assets	24,589	23,823	△765
Cash and deposits	9,542	8,383	△1,159
Accounts receivable	9,039	9,421	381
Inventory	5,642	5,695	53
Total fixed assets	9,031	9,220	188
Tangible fixed assets	3,977	4,362	385
Intangible fixed assets	608	647	39
Investments & other assets	4,444	4,209	△235
Total assets	33,620	33,043	△577
Total current liabilities	5,499	5,059	△439
Total tangible liabilities	3,962	2,725	△1,236
Total liabilities	9,461	7,784	△1,676
Total shareholder's equity	24,096	25,204	1,108
Total net assets	24,159	25,259	1,099
Total liabilities/ net assets	33,620	33,043	△577

Receivables

Product sales increased on the back of pre-tax hike rush demand and PC replacement demand from Windows 7 support termination
→ Temporary increase in receivables

Inventory

Inventory built up in anticipation of PC replacement demand coming from Windows 7 support termination in January 2020, and in preparation for the COVID-19 outbreak

Operating CF → Decrease

Unit: mil Yen	FY3/2019 Results	FY3/2020				FY3/2020 Results	Changes
		1 Q	2 Q	3 Q	4 Q		
Operating CF	2,563	71	605	815	536	2,029	△534
Investment CF	△721	△243	△412	△195	△98	△949	△228
Financial CF	△2,897	△805	△466	△641	△325	△2,238	658
Cash or cash equivalents at end of term	9,542	8,566	8,292	8,270	8,383	8,383	△1,159

Operating CF

Inventory built up in anticipation of PC replacement demand coming from Windows 7 support termination in January 2020, and in preparation for the COVID-19 outbreak

Increase in receivables

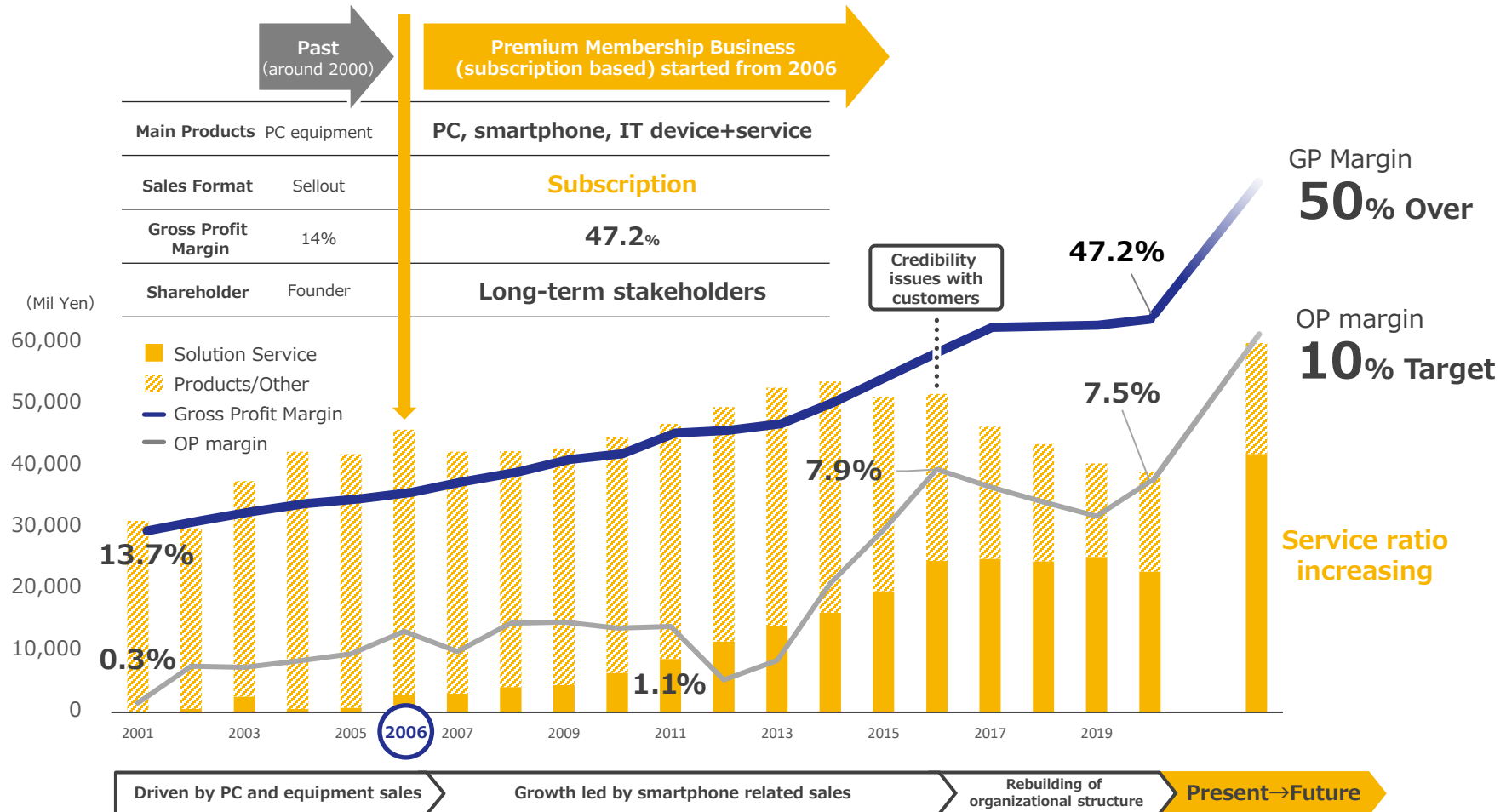
Investment CF

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

1

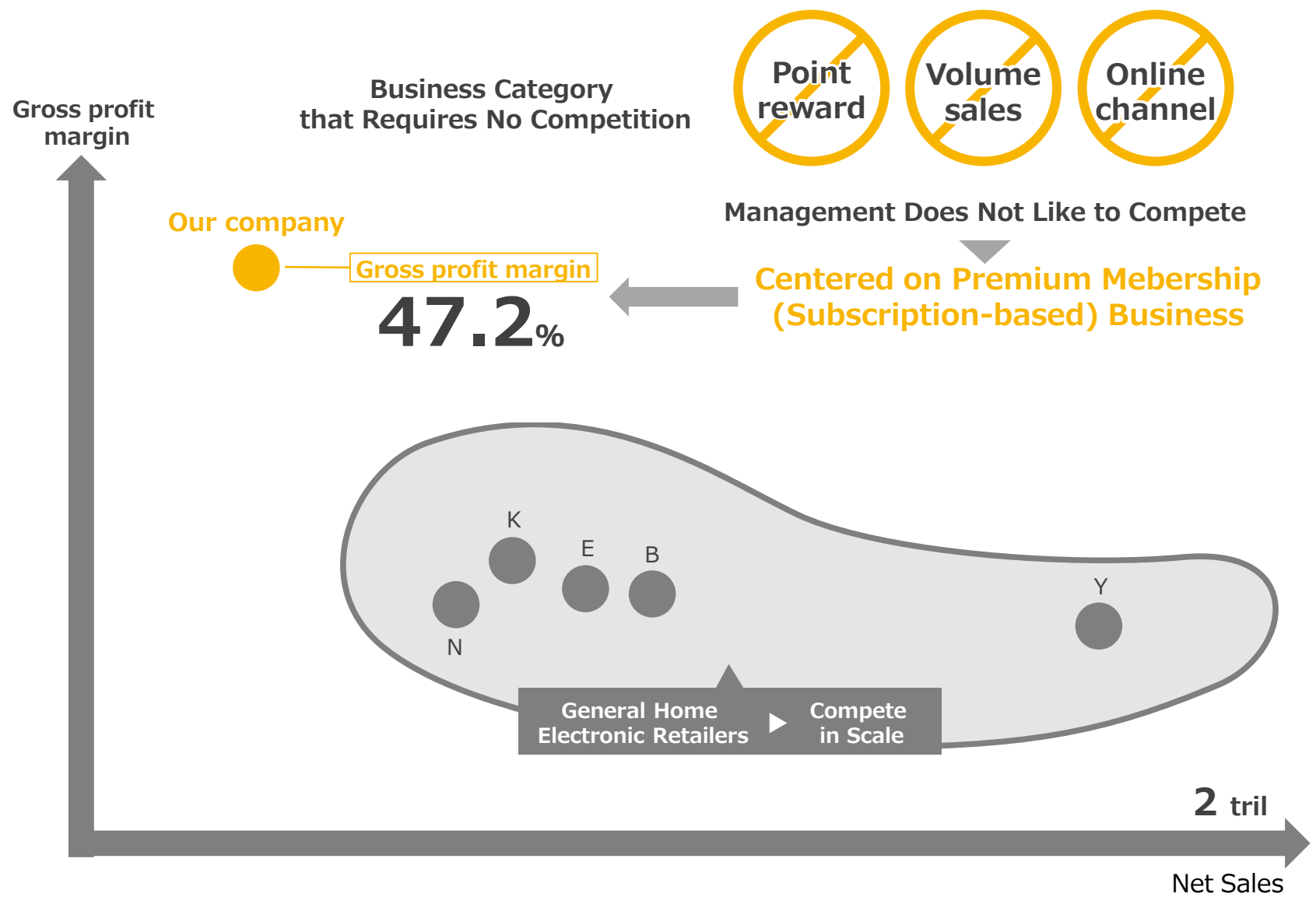
Higher Gross Profit Margin

FY3/2020 | Gross Profit Margin → 47.2%



1

PC DEPOT'S High Gross Profit Margin





Outlook for FY3/2021

For Further Growth in Premium Members

Market

FY3/2020

- Rush demand prior to the consumption tax hike Sep
- Termination of Windows 7 support service Jan
- Proliferation of digital payment through smartphones
 ➔ going online further

FY3/2021

- **Rapid acceleration** of daily life going online
- **Going** online stimulates demand for PCs/tablets
- **Decline** in smartphone demand
- COVID-19 leading to concerns for shrinking economic activities/worsening employment /decline in income/reduction in consumption

Future

- **Further changes** toward digitization to take place in our daily lives
- Changes expected in school/company/community with digitization

PC DEPOT

- Products sales increased due to rush demand
- **Increase** in service needs post the support termination
- Enhanced our lecture menu for smartphones and others
- Opened Premium Members' lounge

- **Promotion** for new Membership
- Higher hurdle set in PC sales volume given rush demand last year
- Boosting service to respond to digitization
- Improvement in our staffs' proposal capability
- **Decline** in smartphone sales

- **Promotion** for new Membership
- Continue with our **effort to** resolve digital divide in the community
- Capable of responding to online demand from existing Premium members, **further enhancing the attractiveness** of our Premium Membership

Units: mil Yen, %	FY3/2020 Results		FY3/2020 Forecast	
	Results	Y/Y	Forecast	Y/Y
Net Sales	39,137	△3.2	37,500	△4.2
Operating income	2,941	14.0	2,900	△1.4
Ordinary income	3,018	12.4	3,000	△0.6
Net income belonging to parent company shareholders	1,718	10.7	2,000	16.4
EPS (Yen)	34.18	10.5	39.73	16.2
ROE (%)	7.0	0.4	7.9	0.9

Solution Service Sales

Down **5.0%**

(Previous term results down 9.5%)

Expect lower sales of service-inclusive product as smartphone sales decline

Gross Profit Margin

47.5%

(Previous term results 47.2%)

Capital Investment

1.1 Bil






Depreciation Amount

0.8 Bil

*We estimate the impact of COVID-19 based on information available as of end of April, and no material impact has surfaced thus far. We will promptly disclose should our business outlook require revisions.

2

Market Under New Lifestyle

	Market	PC DEPOT
 PC	<p>↑ Increase in sales volume with more telework from home and online study</p>	<p>↑ Replacement purchase consultation, internet infrastructure, data transfer, how-to-use online service - Service needs are growing</p>
 Tablet	<p>↑ Increase in sales volume with more telework from home and online study</p>	<p>↑ Online study, how-to-use remote communication - Service needs are growing</p>
 Smartphone	<p>↓ Decline in volume sales. The replacement cycle lengthened with consumers staying home</p>	<p>↑ Remote communication (online call/video call) usage, rate plan revision, how-to-use consultation - Service needs are growing</p>
 Consumer Sentiment	<p>↓ Buying only the essentials, and shopping online</p>	<p>↑ Advise on internet shopping, set-up of purchased items, and how-to-use consultation - Service needs are growing</p>
 Price Sensitivity	<p>↓ Further preference for lower prices</p>	<p>↑ Set-up and enable devices - Service needs are growing</p>

Some products see sales volume decline, but the Premium Membership needs is **likely to see an increase** in line with new lifestyle (hypothesis)

2

Demand to Accelerate with New Lifestyle

Strong Coto (Experience-based) Consumption, the area of our expertise

在宅
ご相談ください
テレワーク・オンラインワーク

This advertisement features a blue and white color scheme. A large white diagonal banner on the left contains the Japanese characters '在宅' (at-home). The background is a light blue world map with several circular icons connected by lines, representing various work-related activities. A central circular inset shows two business people shaking hands. At the bottom, a dark blue banner contains the text 'テレワーク・オンラインワーク' (Telework・Online Work).

在宅
ご相談ください
在宅学習・オンライン授業

This advertisement features a blue and white color scheme. A large white diagonal banner on the left contains the Japanese characters '在宅' (at-home). The background shows a classroom setting with orange desks. Two circular insets show children using a laptop and a group of students. At the bottom, a dark blue banner contains the text '在宅学習・オンライン授業' (At-home Learning・Online Classes).

在宅+在宅
ご相談ください
遠くの親しい人とコミュニケーション始めましょう
遠隔コミュニケーション

This advertisement features a pink and white color scheme. A large white diagonal banner on the left contains the Japanese characters '在宅+在宅' (at-home+at-home). The background shows a smiling family of three. A circular inset shows two women talking on a phone. At the bottom, a pink banner contains the text '遠隔コミュニケーション' (Long-distance Communication).

2

Initiatives for Current Fiscal Year

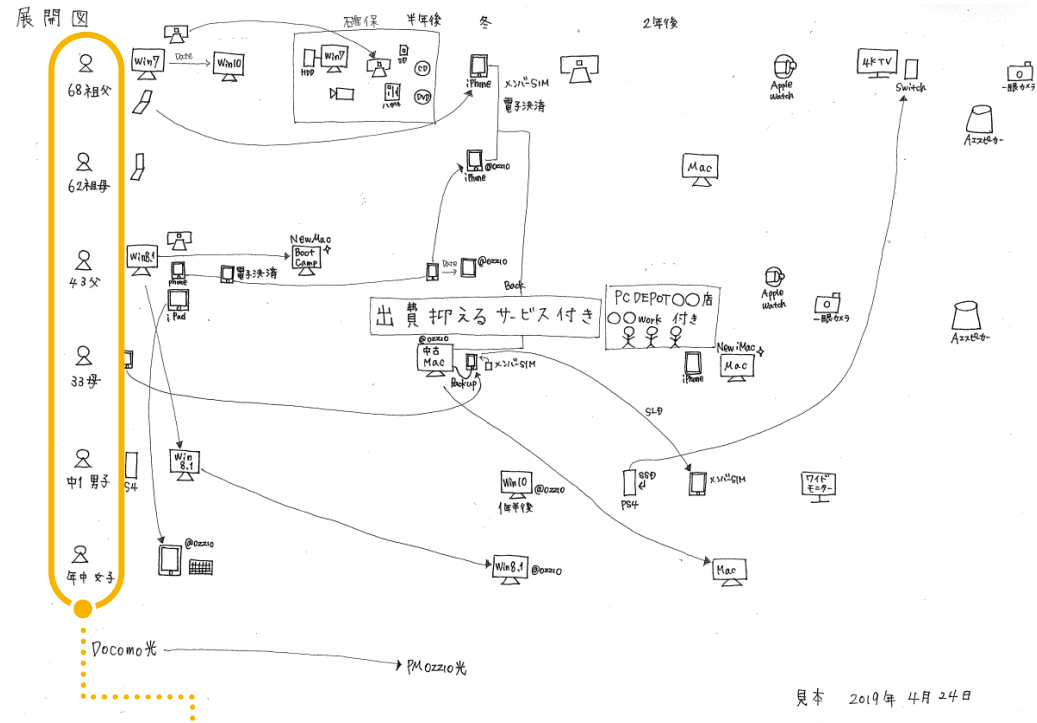
- Existing Premium Membership model that is compatible with new lifestyle ➡ **Expand further**
 - Strengthen measures to increase Premium Membership (family and related persons)
 - Enhance staffs' proposal capability for new lifestyles (smart life)
- New Members ➡ **Expand Premium Membership Base**
- Temporary Decline in Demand (smartphone)
 - ➡ **Create demand for long term**

2

Premium Membership Model Facilitates Recovery from Short-term Demand Decline (smartphone)

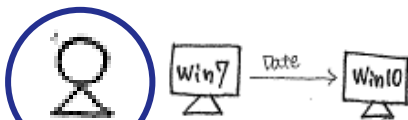
PC DEPOT's Case

An Example of Our Proposal Roadmap for Next 4-5 Years



Orthodox Case

Content of the Proposal



Sell products to **individuals**

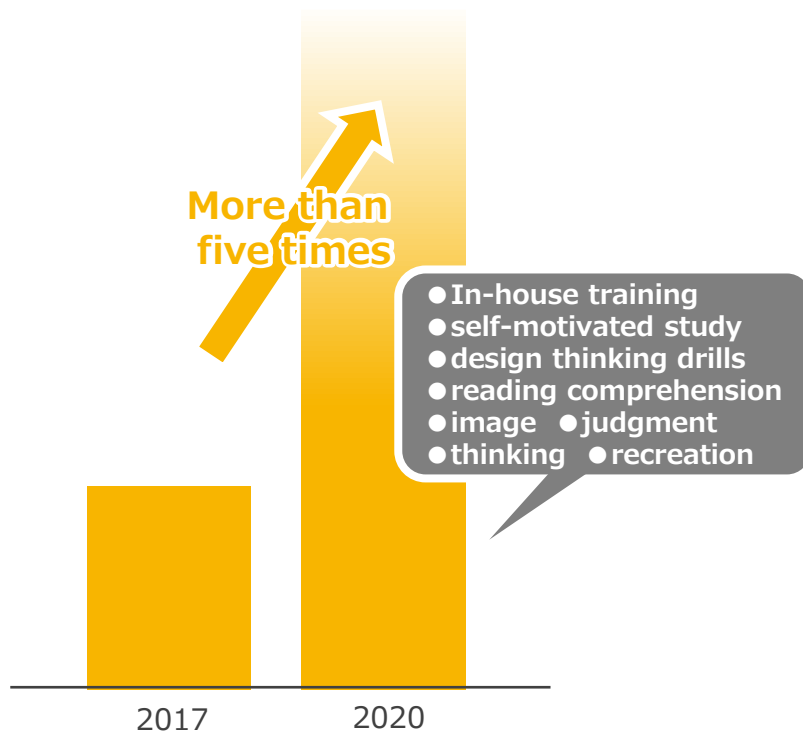
Individual → **Family members** ... Increase in number of users
Proposals inclusive of future plans to each user

2

Human Resources Development to Ensure Planned Demand Creation

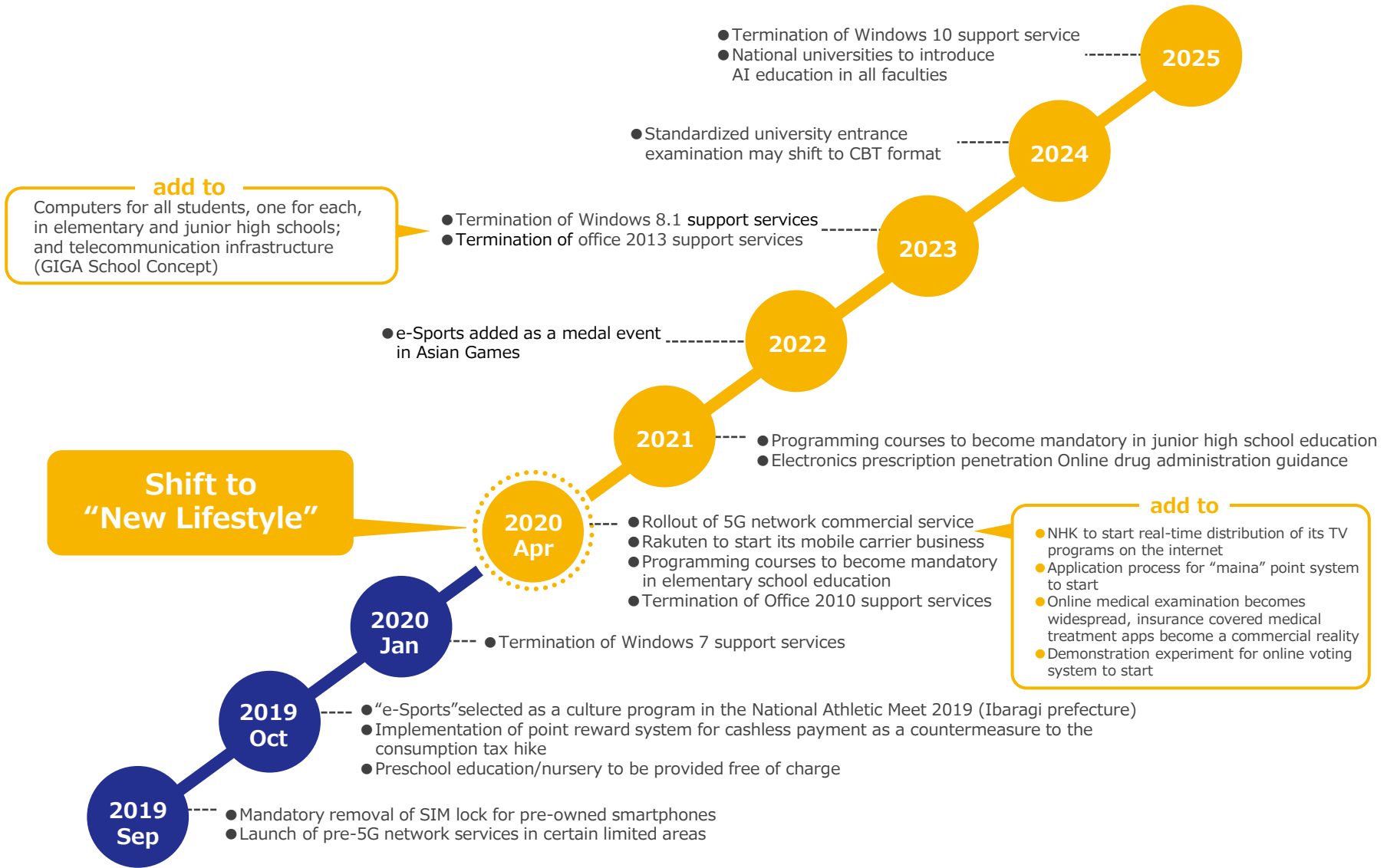
Past 2.5 Years
70% of CEO's time dedicated to
human resources development

Investment in human resources
for planned creation



2

Rapid Changes in Social Structure



Our Response to the Rapid Transformation of Digital Divide



Reduce Digital Divide by Age, Gender, Income, Education, Place of Residence



- Provide consultation to the whole family, not just to an individual member
- Able to provide services/products without coming into our store
- Offering support to products purchased elsewhere
- Variety of programs for children like PC assembly kit

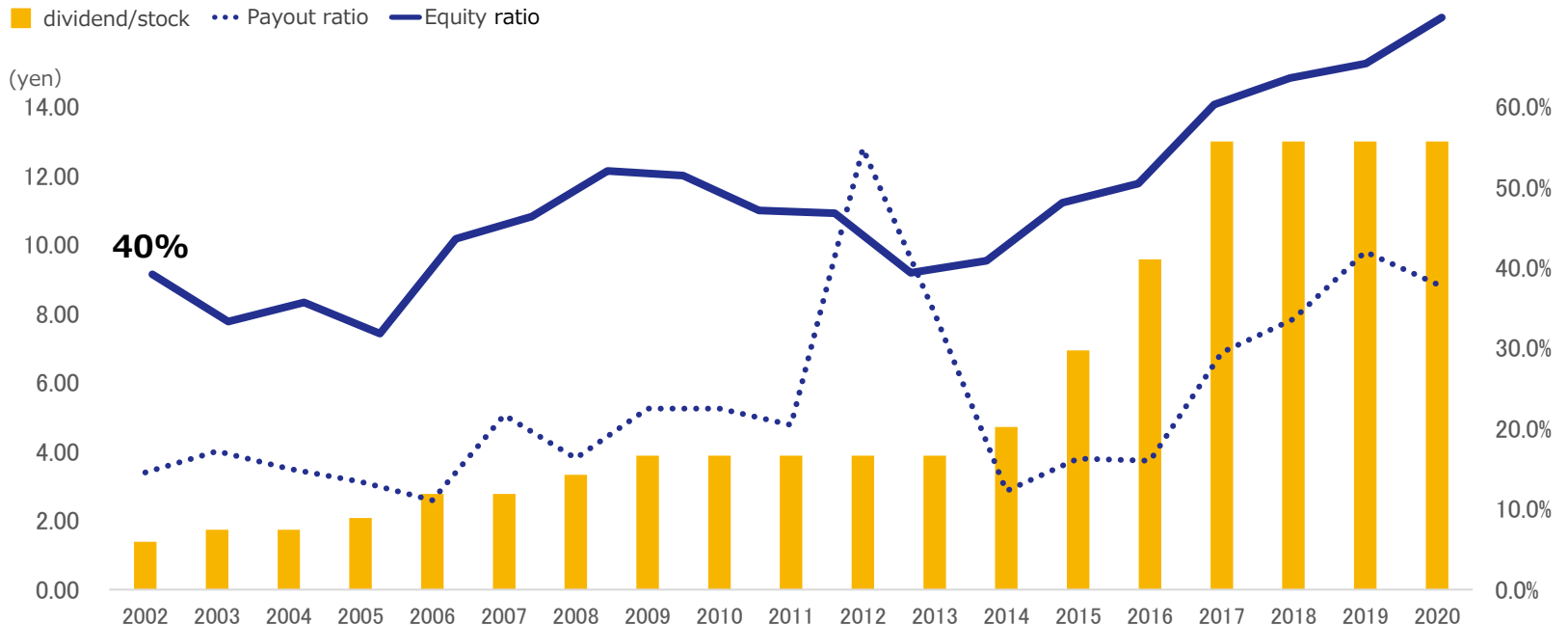
Considering to boost shareholder return with 15% ROE target

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



2

Dividends and shareholder policies

Consolidated dividend payout ratio of 30%

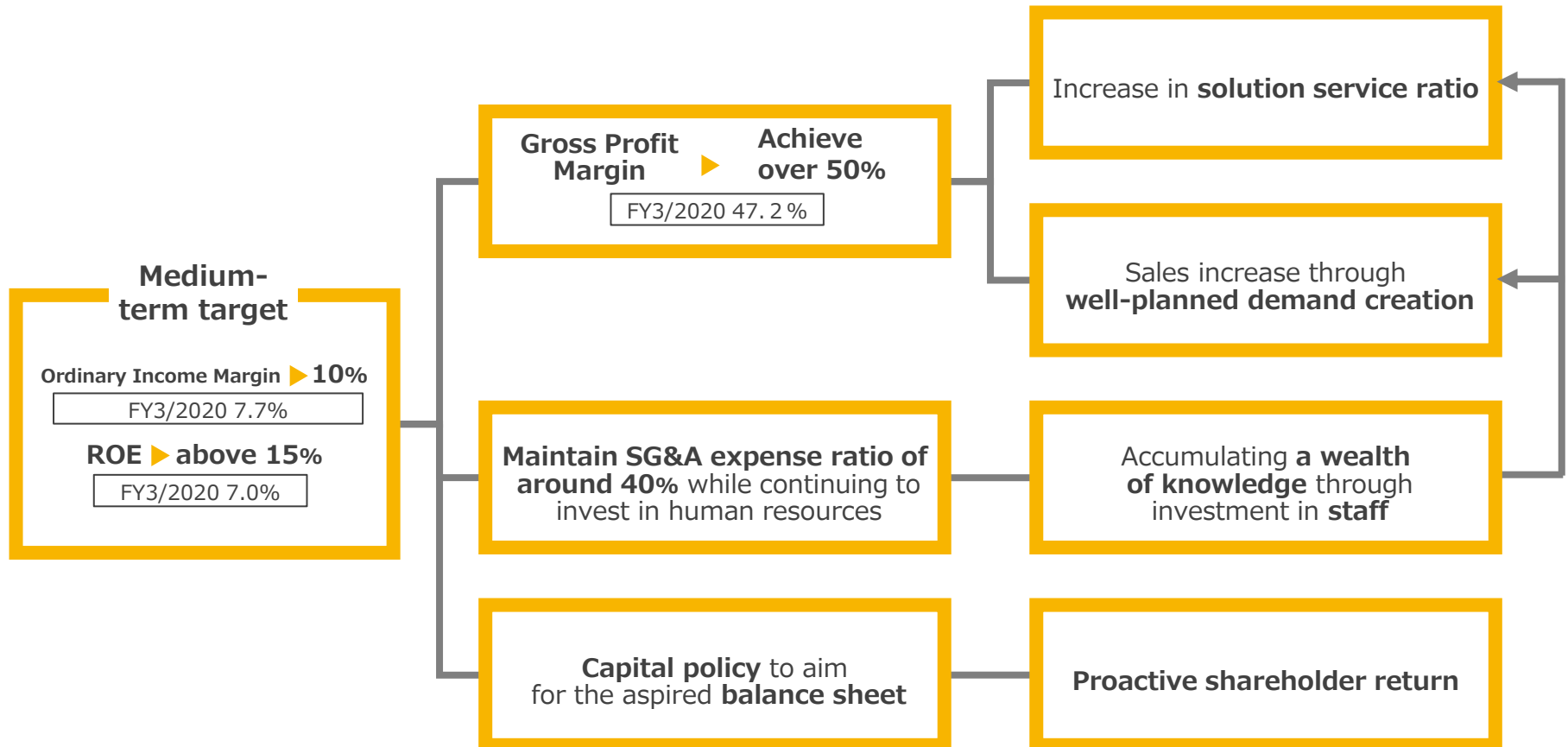
Profit distribution through stable dividend payment to be maintained

	FY3/2017	FY3/2018	FY3/2019	FY3/2020	FY3/2021 (Plan)
Unit: %					
Consolidated dividend payout ratio	29.5	33.7	42.0	38.0	32.7

2

Path to Value Creation

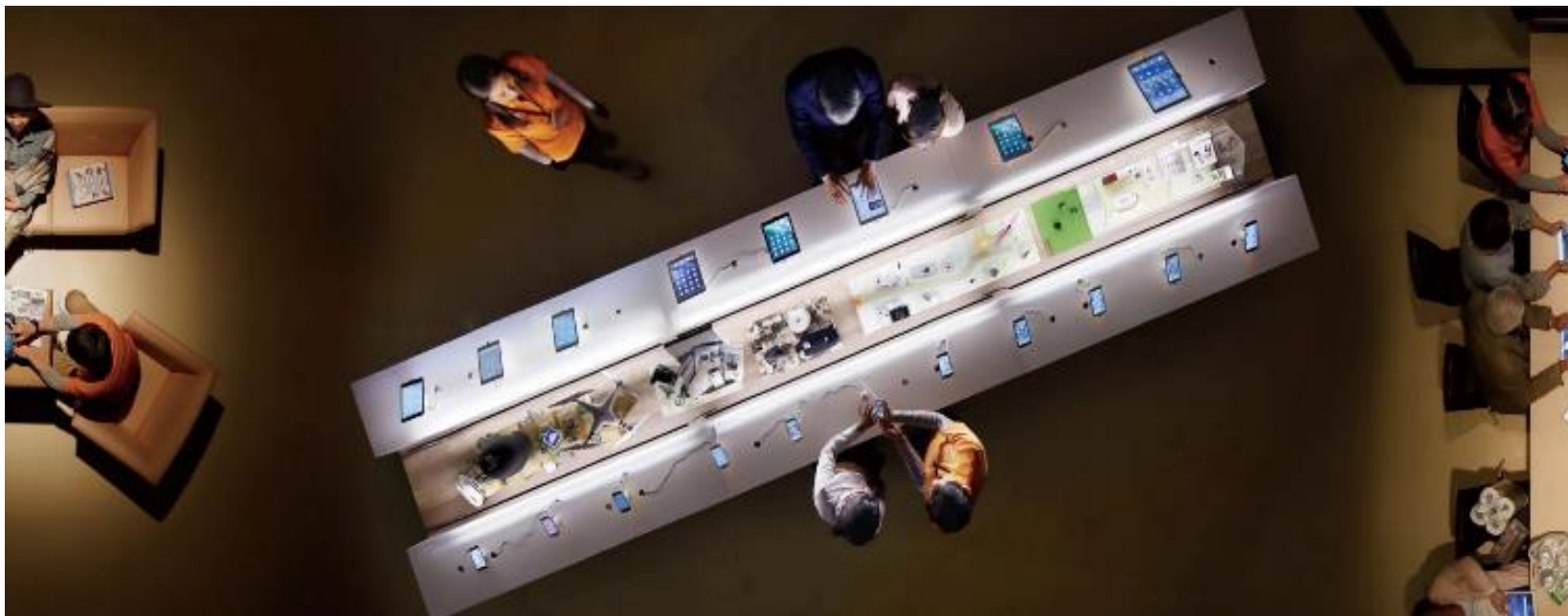
Aim for corporate value enhancement through quality, not through scale



2

COVID-19 Impact in May

	Environment	PC DEPOT
External Environment	<ul style="list-style-type: none"> Promotion of telework from home Proliferation of online study Expansion of online communication Start of online medical examination, online application 	<ul style="list-style-type: none"> Product sales increased driven by telework from home, online study, and remote communication Service demand which utilize these features increased
Safety Measures	<ul style="list-style-type: none"> Refraining from operation Reduced outings and contact cases Increase in shopping by car Avoiding the use of public transport 	<ul style="list-style-type: none"> Prioritizing services to our Premium Members, and focus on support that require urgent attention Increase in next scheduled appointment booking Our dedicated staff stay connected by giving phone calls to Premium Members Reduced operating hours, increase in store closure days Restrain advertisement Thorough management of staff health condition
Products	<ul style="list-style-type: none"> Slowdown in supply chains Out of stock products 	<ul style="list-style-type: none"> Secure immediate inventory Delay in incoming shipment of some products and decline in shipment volume
Hiring	<ul style="list-style-type: none"> Postpone hosting event-type meetings Hold online company information sessions 	<ul style="list-style-type: none"> Hosting an online company information meeting and interviews Part-time job applications on the rise
Cash Management	<ul style="list-style-type: none"> Uncertainty over economic outlook And concern for its duration 	<ul style="list-style-type: none"> Currently more than adequate level Securing working capital to prepare for the protracted impact



*写真

新しいスタイルの  Windows  Authorized Reseller   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。

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.