

## **MCJ Corporate Profile**

Corporate introduction and financial overview

MCJ Co., Ltd.

04/12/2017

Investor Conference at Hong Kong

- 101

#### **Disclaimer**



-M-C

This presentation may contain forward-looking statements which are inherently difficult to predict, hence actual result could differ materially for a variety of reasons, both positive and negative, including but not limited to such factors as change in economic conditions, customer spending and fluctuations in foreign exchange rate and so on.

In making these statements, we rely on assumptions and analyses based on our experience and perception of historical trends, current conditions and expected future developments as well as other factors we consider appropriate under the circumstances. We believe these judgments are reasonable, but these statements are not quarantees of any events or financial results.

Hence, we caution readers not to place undue reliance on forward-looking statements.

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#### **Agenda**



□ Overview of MCJ Group

☐ Company Vision and Future
Direction; Mid- term Management
Plan FY2017-2019

□ Shareholder Return Policy



# Overview of MCJ Group

## Overview of MCJ group



<u>-М</u>С

**Establish** 

# of Employees

**Annual Turnover** 

Aug, 1998

1,181\*1



Over 108billion JPY

Three consecutive years since FY2014.3

**Business Domain** 

**PC** related business



Comprehensive entertainment business



**Group Companies** 

12 in total

(consolidated subsidiaries)

Mouse Computer Unitcom
Tekwind
iiyama
aprecio etc..

**Market Cap** 



61.9billion JPY\*2

**Bourse** 

Tokyo
Stock Exchange
2<sup>nd</sup> section

Ticker code: 6670

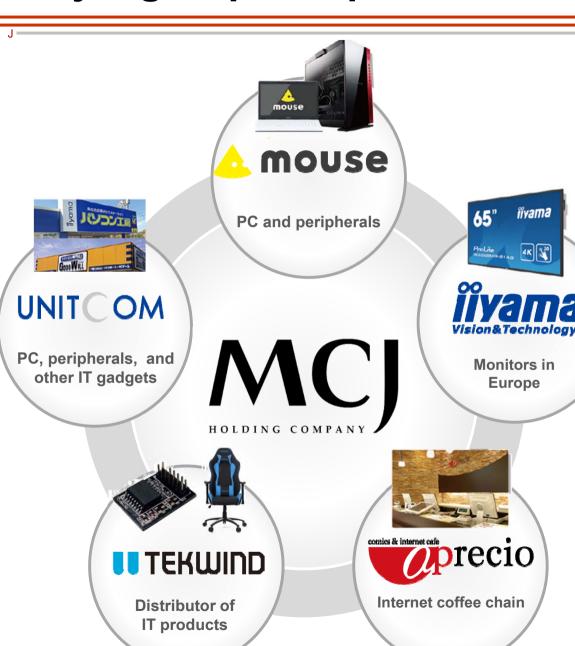
**Trading Unit** 

100 shares

\* 1,2) figures above are at the end of Sep 2017

## Major group companies





#### ☐ 12 group companies

- ➤ PC business; manufacture and sales of personal computers, peripheral devices and monitors. (11 in total)
- Comprehensive entertainment business; "aprecio" operator of internet cafes

## **Our product lineup**

#### **Specialty PCs**

☐ Gaming PC for online games







☐ Creator PC

# DYNAMIC APPROACH IMAGERY OF VISUAL





#### **Ordinary PCs**

☐ PC for corporate users, and consumer PC



#### Other IT devices

"mouse smart home" First-time IoT device under mouse brand.

















Windows Hello related products.

## **Management profile**



#### ☐ Leadership team

#### ➤Our Board consists of 7 members, of which 3 are outside directors



Apr 1993	Joined Takashimaya Clothing Store Co., Ltd. (name changed to Takashima Co. Ltd. and then to Mouse Computer Japan Co., Ltd. before being acquired by MC
	Co., Ltd.)
May 1996	President & CEO, Takashimaya Clothing Store Co., Ltd. (name changed to Takashima Co., Ltd. and then to Mouse Computer Japan Co., Ltd. before being acquired by MCJ Co., Ltd.)
Aug 1998	President & CEO, MCJ Ltd. (currently MCJ Co., Ltd.)
Sep 2005	Director, Synnex Co., Ltd. (currently Tekwind Co., Ltd.)
	Director, Arosystem Co., Ltd. (currently UNIT.COM INC.)
Mar 2006	Chairman & CEO, MCJ Co., Ltd.
Jul 2006	Chairman & Director, MCJ Co., Ltd.
Oct 2006	Director, Mouse Computer Co., Ltd.
Jun 2008	Chairman & President & CEO, MCJ Co., Ltd.
Nov 2012	President & CEO, UNIT.COM INC.
Aug 2013	President & CEO, Iscorporation, Co., Ltd. (currently aprecio Co., Ltd.)
Jan 2017	Director, UNIT.COM INC. (to present)
	Director, aprecio Co., Ltd. (to present)
Apr 2017	Chairman & CEO, MCJ Co., Ltd. (to present)



President & COO

Motoyasu Yasui

July 2001	Joined GDH, Co., Ltd.
Sep 2002	Joined MCJ, Co., Ltd.
Jun 2004	Manager, Finance and Accounting Department, MCJ, Co., Ltd.
Apr 2005	Executive Officer, Management Planning Department, MCJ, Co., Ltd.
Aug 2007	Manager, Industrial Growth Platform, Inc.
Jun 2008	Executive Officer, PIA Corporation
Jul 2011	Director, Industrial Growth Platform, Inc.
Oct 2013	Senior Specialist, Inspection Bureau of Financial Services Agency
Oct 2014	Principal, Industrial Growth Platform, Inc.
Mar 2016	Executive Officer, President's Office, MCJ, Co., Ltd.
Jun 2016	Director, Head of Business Development & IR, MCJ, Co., Ltd.
Apr 2017	President & COO, MCJ, Co., Ltd.(to present)
	Copyright(C) 2017 MCJ CoLtd. All rights reserved.

## **Our history**



<u>-М</u>с

☐ Path to value creation

1998

Established as Mouse Computer Japan 2004

IPO to TSE MOTHERS section

2005 -

Expansion through a series of M&As

2006

Adopted holding structure

MCJ as holding company was established through company split

2008

First dividend payout Sales over 100billion JPY 2015

Listed on TSE 2<sup>nd</sup> section

2016

First-time company vision and future strategy has announced as mid-term management plan.

Focusing on achieving mid- to long-term plan

## **Expansion trajectory**

business in Japan.



☐ Business expansion through aggressive M&As 2017 2007 Announcement to 2006 acquire R-Logic Acquisition of two intern Shareholder 2005 Acquisition of companies to be Return Policy ational: iiyama; sales merged into penetrate into Asian channel in Unitcom; nationwide Acquisition of market. continental Europe retail network TEKWIND(then and manufacturing SYNNEX JAPAN); factory in Japan. global purchase network. 2016 May~ First public release of 2005 company vision and future Created integrated value chain associated with PC April^ strategy as mid-term

management plan.

## What makes us unique



☐ We differentiate ourselves from other PC makers by customer segment

#### and business model. Target focus **Business** model ☐ Primarily focusing on niche market □ BTO business model Gaming and other high-end users To cater to specific needs for each user Our feature Cost advantage ☐ Recently penetrating into more massmarket Mark to market product launch By increasing brand awareness

Value chain

- ☐ Our domestic and integrated value chain enable us to;
  - Position ourselves more closely to our customers and technological trend
  - Manufacture with more flexibility and with more quick response time
  - Provide products with stable quality and customer support and, provide customer assurance

#### Our value chain



- ☐ Domestic and integrated value chain
  - » Adopting BTO manufacturing model justifies domestic manufacturing; quality control, delivery time, transportation cost, and etc.

#### Overview of our value chain R&D Purchasing Manufacturing Sales After service One of the · Call Centre; Multiple Strong Mark to market biggest EC site open 24 hours manufacturing development. relationship for IT gadgets. factories at a day, 365 First to launch with MS, intel Around 80 east and west days a year. many innovative and other stores. Repair Centre of Japan with gadget. global Vast network with flexible in Saitama From PC, tablet, suppliers. electronics capacities. smartphone to retailers and peripheral resellers, EDUN IFADUN gadgets. corporate customers ♂大塚商会

## MCJ of group (sales: sales channel)



#### Hold in wide sales channel in whole group

To C



**Direct channel** 

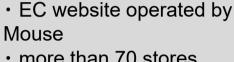
Indirect channel **FC** website

**Direct shop** 

**Electronics retailers** 

**OEM to E-Rs** 

Consumers in general



- more than 70 stores
- all the major E-Rs in Japan.
- Providing OEM products

To B



Direct channel

Indirect channel **Direct sales** 

Companies in general and other entitles



- Sales by our sales employees to many kinds of entities
- Sales via nation-wide IT distributers and EC site.

To Over sea



Indirect channel

**Distributers** 

End users (consumers and companies in general, and etc)

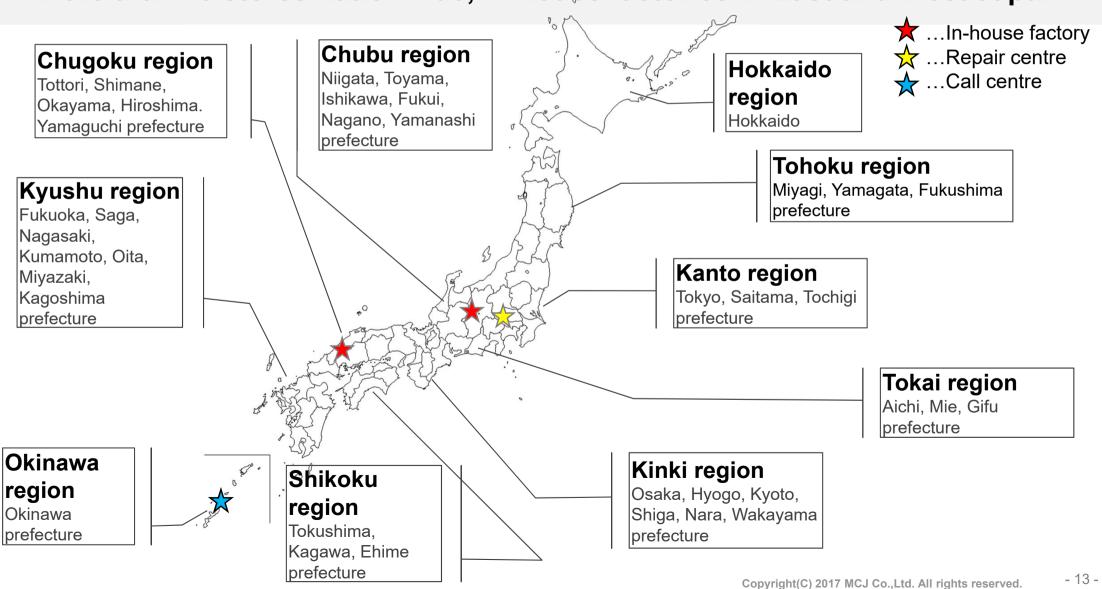


Sales via distributers.

#### Our nationwide business network

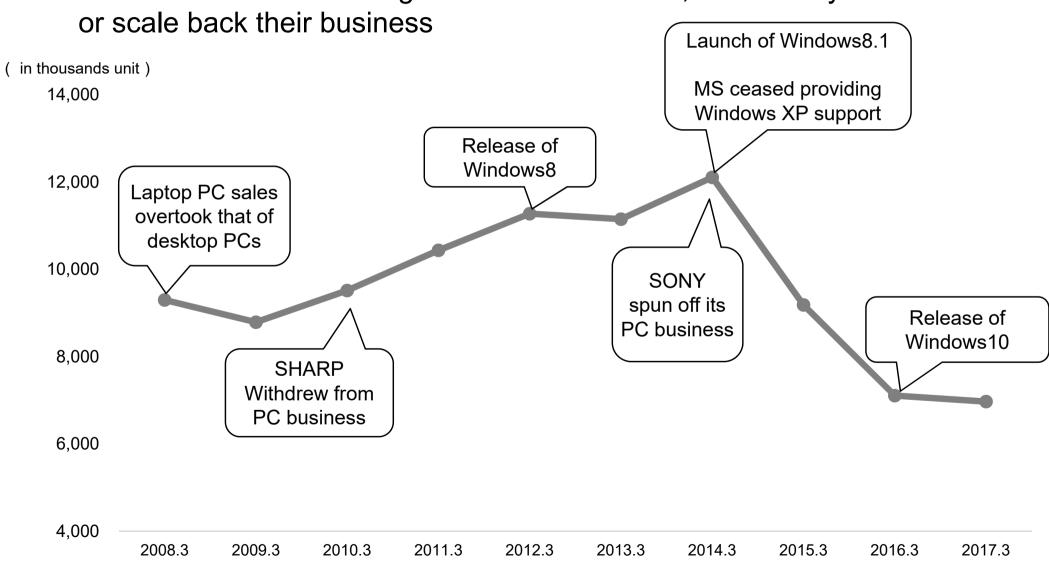


More than 70 stores nationwide, in-house factories in East and West Japan



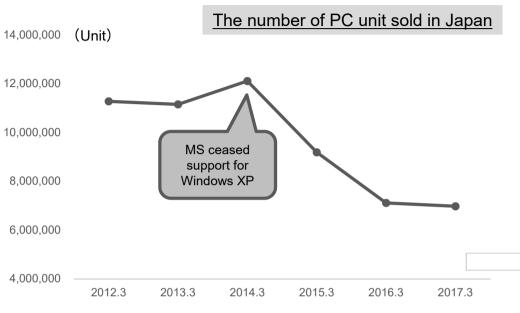
## Domestic PC market, the number of units sold

☐ PC business is a declining business as a whole, while many has withdrew or scale back their business Launch of Windows8.1

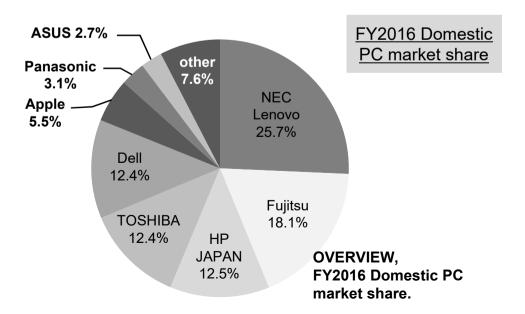


## Market environment: Opportunity for growth





Source: JITA



Shrinking market does not necessary mean there is no opportunity for growth.

- » High-spec PC market including gaming PC is a case in point.
- » Steady growth driven, in part, by market growth can be achieved.

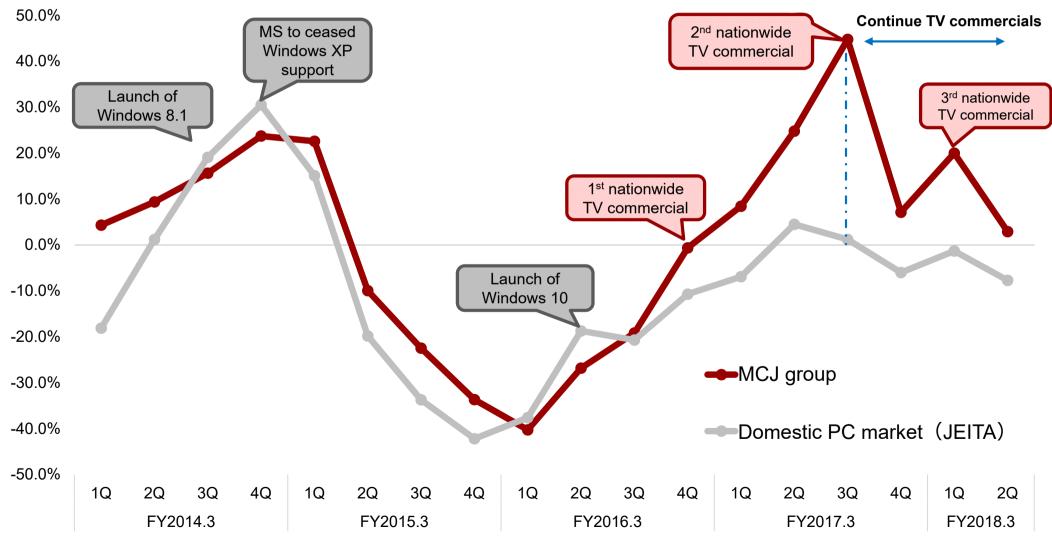
As our market share is still small, domestic PC market still is a huge market to cultivated for us.

Opportunity to growth by increasing market share, with continue to strengthen brand awareness and development of competitive products.

#### Unit sold by MCJ, as compared to market trend



☐ Continue to outperform market trend, as mass marketing contributed significantly, in addition to demand increase from niche market

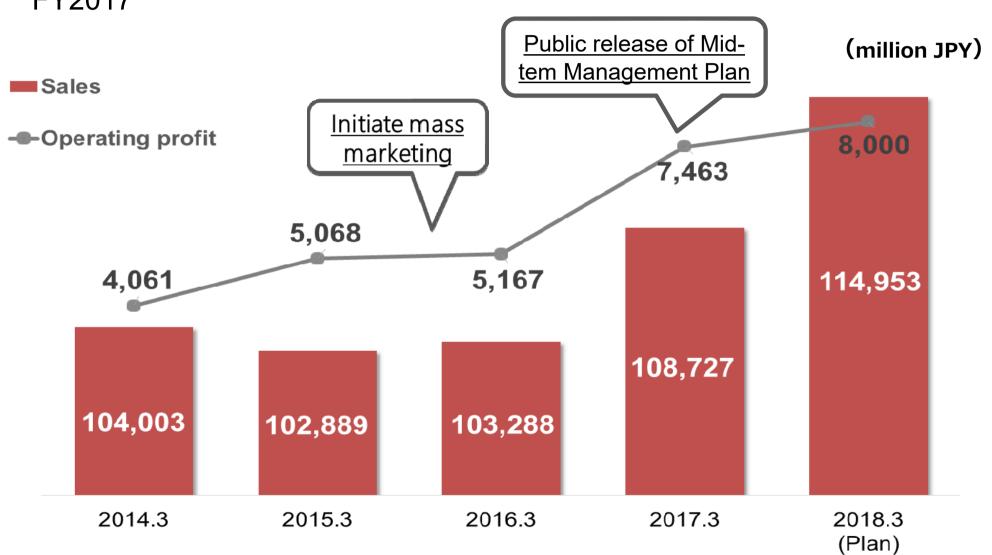


<sup>\*</sup>Above compares actual results for each quarter to the same period of the previous year.

#### Financial result and forecast for FY2018



☐ All time high sales and operating profit for two consecutive periods from FY2017



#### 2

#### Financial overview of major group companies



- □ PC and PC peripherals
  - Integrated sales channels including E commerce.

Mass marketing × competitive products × better after support

( million JPY )	FY2016.3	FY2017.3	Y on Y Change
Sales	28,843	32,615	13.1%
Operating profit	1,207	2,270	88.0%



## **TEKWIND**

- A variety of IT devices and products
  - Distributor; to electronic retailers and corporate customers

Focus more on better margin products and sales channel.

( million JPY )	FY2016.3	FY2017.3	Y on Y Change
Sales	33,443	33,809	1.1%
Operating profit	524	665	27.0%

## UNIT OM

- □ PC, PC peripherals and other IT devices.
  - Nationwide retail network with more than 70 stores.

Focus more on EC sales and corporate customers, while undertaking business restructure of retail business.

( million JPY )	FY2016.3	FY2017.3	Y on Y Change
Sales	28,334	27,468	∆3.1%
Operating profit	513	559	8.9%





- Development and sales of monitors
  - Operate in continental Europe only

Focus on growing product-lines and penetrate into new market.

( million JPY )	FY2016.3	FY2017.3	Y on Y Change
Sales	19,412	22,633	16.6%
Operating profit	2,531	3,627	43.3%





# Company Vision and Future Direction; Mid-term Management plan FY2017-2019

## Corporate vision and future direction



#### synergies

#### **Hardware**

Expand into other hardware to deal with

#### **Backgro** und

- # Diversity as means to access to and share information, and in user needs.
- Hardwar continue to exist irrespective of its form as a meant to connect to information.
- Hardware as a whole is a growing business.
- Direction in our vision
- Expand into hardware other than PC, tablets, etc.
- Wearable, VR, AR, drone, IoT...
- Continue to seek innovation from hardware area.
- Means to
- ☐ Development within group, using own resources.
- ☐ Collaborate more with Start-ups
- > Active investment to start-ups, along with providing business support using our value chain

#### Contents and Service

Venture into related business to go with hardware

- # Hardware and related services are compensate for each other as one **business**
- More stable business than hardware.
- More growth potential than hardware.
- □ Venture into services that can be related to hardware
- ☐ Contents for consumer, software for corporate...
- Seek innovation from service area
- ☐ Alliance with, and/or equity investment to startups
- ☐ Utilise M&As to expand our business domain
- New M&A policy in accordance with the vsion

## Positioning of each period in Mid-term plan



☐ Current mid term plan is positioned as period to build management foundation for achieving long-term vision; investment period for future growth.

Current mid-term plan

#### I.1st year

~ 2017.3

## Preparation period for subsequent years

- Setting clear direction by composing long term vison.
- Setting execution policy and method in accordance with the plan.

 Focus on team building and execution.

Preparation

Step1

#### II. 2<sup>nd</sup> - 3<sup>rd</sup> year

~ 2019.3

## Execution period on mid-term plan

- Organic growth to diversify the types of hardware to deal with.
- Actual execution of M&As and alliance strategy.
- Focus on building foundation to achieve long-term vision..

Execution

Step2

#### ■. Following period

~ beyond

## Period of continuous execution to achieve long-term vision

- To be express in next mid-term plan.
- • •

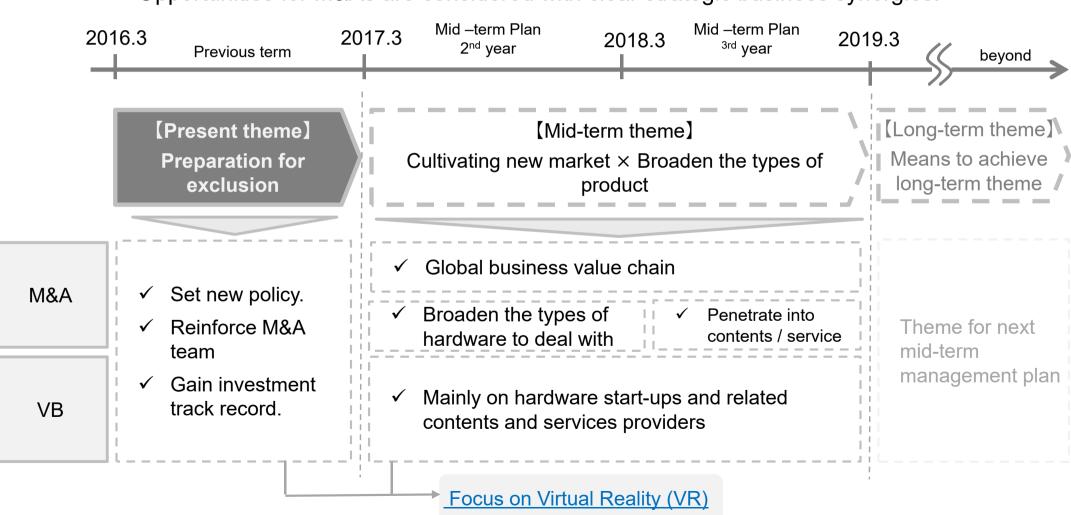
Realisation

Step3



#### M&A and start-up investment (current assumption)

- ☐ M&As account for significant part as a way to achieve our long-term vision
  - ➤ M&As will be conducted within the range of FCF and cash on hand.
  - Opportunities for M&As are considered with clear strategic business synergies.



#### **Start-up investment**



☐ Investment track record in accordance with the management plan.

#### Hardware start-up

#### Nain

(Nov, 2016)

- Start-up company that develop and manufactures "hearable" products.
- Wireless earphone × voice recognition.
- Enable user to use their smartphones without toughing, for e-mails, instant messages, twitter, news and other text- based apps.



#### **VR-Infrastructure**

#### <u>Immersv</u>

(Jul, 2017)

- lmmersy, US based start up company that develops and provides AD platform for mobil360° and VR.
- » Its platform delivers interactive 360° and VR ads, similar to pre-roll advertisement on YouTube.
- The company act as meditates to advertiser and app providers.

ımmersv

#### **Contents start-up**

#### **Oukaichimon**

(Nov, 2016)

- Developer of VR-gaming contents and is a seed stage start-up company.
- The company has launched its first title for VIVE on Aug 2017 and set to release PSVR version soon.
- » VR games for PC-based HMDs are to follow.





## M&A: R-logic International Pte Ltd (1/2



- ☐ Announced acquisition of R-logic by taking 60% shares
  - » Transaction is scheduled to be completed at the end of January 2018
- ☐ Overview of R-Logic

Company name	R-Logic International Pte Ltd		
Address	3014A Ubi Road 1 #04-01 Singapore 408703		
Representative director	Tan Keng Boon		
Business domain	Repair and support services for IT devices in southeast asian countries		
Equity	SG\$ 610K <sup>*1</sup>		
consolidated figures	Sales SG\$ 38,957K		
FY2017.3*1 Net Income SG\$ 3,119K			
The year established 1999/03/01			
Major Shareholders	Tan Keng Boon, Tan Wai Boon, Lim Chwee Heng, Chia Chee Leong		

X1 consolidated F/S figure above is before audited figures

## M&A: R-logic International Pte Ltd (2/2



- ☐ Transaction was conducted with the aim to penetrate into Asian market in the future
  - » To strengthen our brand image with splendid support function (differentiation by customer support)
  - » Repair and support function is integral part fro selling hardware, yet difficult to start from scratch as it requires tech-expertise and difficult to generate profit if own it in-house (avoid fixed cost associated with repair function, while owing necessary function)
- ☐ Image for future direction

present

Short term∼

Mid term∼

Long term∼

Collaboration in

purchase and busienss

Penetrate into Asia market as a Group, and support R-logic to expand its business

- Acquisition of infrastructure to penetrate into Asia market
- » Conduct M&A to own repair function, which is tech-centre and requires scale for making profit
  - X
- » Support R-logic for its business and geographical expansion.
- » Install proper governance and adminfunction into R-logic

Group companies to penetrate into Asia. Support alliance companies go into the region

- R-logic to assist group companies for its future Asia operation
- » Utilise repair function to build brand image × avoid fixed cost
  - Position R-logic as a support function for other Japanese hardware companies, to assist others from repair and support

function.

- » Collaboration to create global supply chain
- Mutually setting up sales channels
- Collaboration in geographical expansion
- » · ·

## Significant KPIs for management



☐ Financial policy and KPIs for the management

#### **Management KPI**

# # Focus on profit management of each company and business portfolio management.

## ■ Setting KPIs that can be apply both to existing and new business.

■ Numbers indicate floor percentage, taking active M&As into consideration.

#### **Shareholder Return**

- # Position shareholder return as one of priorities and set stable shareholder return method.
  - Better shareholders return along with more IR activity.
  - Payout ratio based on stable growth in mind.

**KPI** 

Back

ground

- ☐ Operating Profit ratio: around 5%
- □ ROE: Above 10%
- □ ROIC: Above 10%

☐ Target divided payout ratio: Above25% (originally, target was set to be more than 20% but was upwardly revised.)

#### Notes to KPI

- ☐ OP ratio: target ratio to balance both growth and profitability as sound entity to sustain future growth.
- ROE/ROIC: set floor rate considering tentative decline as a result of planed M&As and etc.
- ☐ FCF to be used mainly on M&As, return to shareholders and equity reserve on B/S.
- ☐ Continue to strengthen shareholder return based on future financial projection.

#### Result for FY2017



☐ Actual results for each KPI for FY2017 is as follows;

Tar		target		2017.3 Actual	2016.3 Actual
rget a	ROIC Above 10%  ROE Above 10%  17.4%	6.9%	5.0%		
nd ac			17.4%	11.6%	
			19.1%	13.0%	
ratio	Payout ratio	Above25%*1	<b>/</b> [	25.1%	20.5%

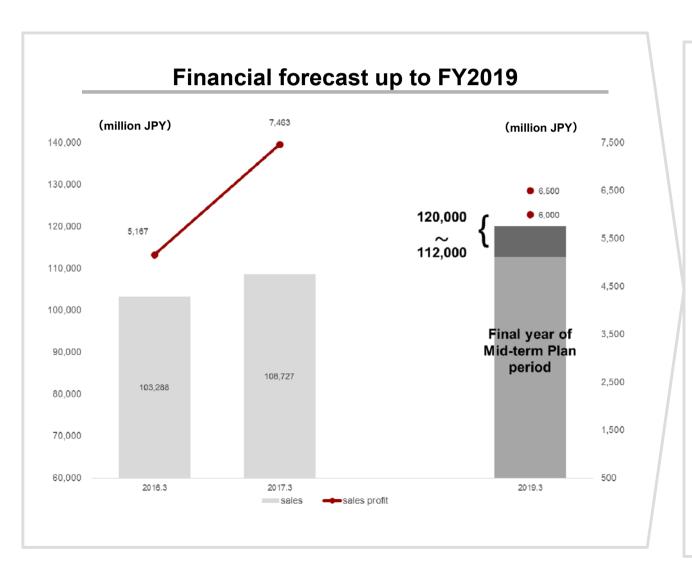
- Management does not intend to continue to increase above ratio, except for payout ratio, at this moment.
  - » Continuous initial investment for the future growth is expected for revenue expansion at this stage; intend to seek increase operating profit as amount, instead of steady growth in ratio for now.
  - » Active M&As are also expected for future growth; possibility to tentatively affect ROE and ROIC in negative way.
  - » Continue to increase payout ratio, at least keep the current ratio as it is.

forecast

#### Note to our financial forecast



- ☐ Aim to achieve annual sales over JPY 120 billon for FY2019
  - » Continue to strengthen strategic direction set by mid-term management plan



#### **Note to forecast**

- ☐ Left mentioned forecast include only organic growth and exclude any impact of M&As.
- ☐ Committed to achieve sales level of over JPY120 billion in FY2019.
- ☐ Assumption for operating profit is to exceed previous fiscal year, irrespective of initially set level of JPY 6-6.5 billion.



# **Shareholder Return Policy**

#### Return to shareholders: Dividend



☐ Planed Payout Ratio for FY2018 at this moment is 25%, same as previous fiscal year.

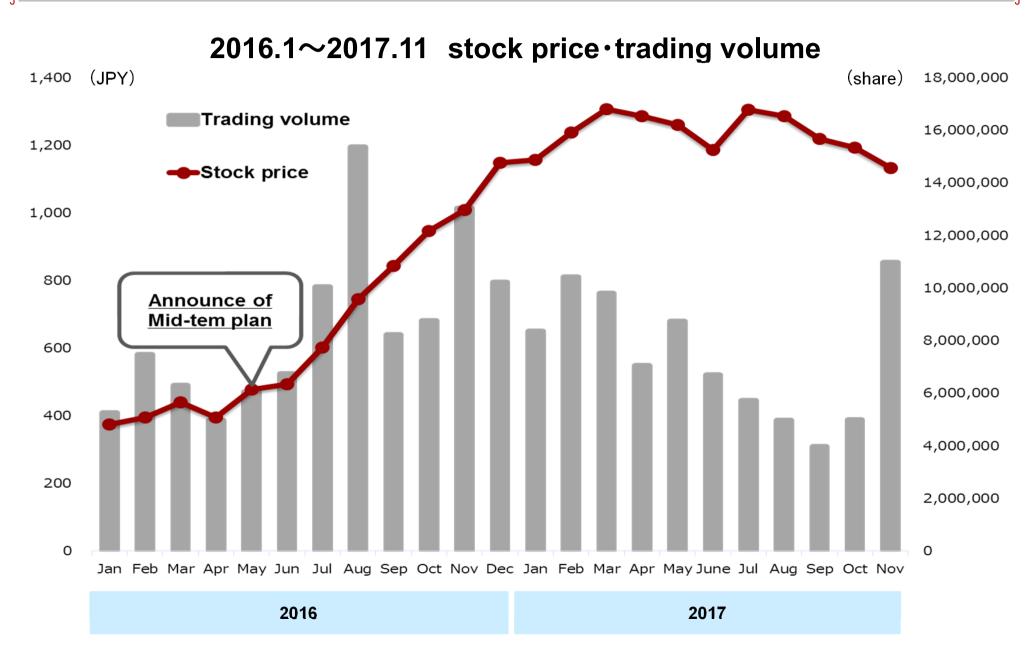
	Actual results			Initial forecast	Revised forecast
	FY2014.3	FY2015.3	FY2016.3	FY2017.3	FY2018.3
Divident per share	5.46JPY	10.00JPY	13.00JPY	26.00JPY	28.13JPY
Divident payout ratio	15.0%	18.6%	20.5%	25.1%	25.0%

- ☐ Continuous increase of payout ratio is clearly stated on our Mid-term Management Plan.
  - ➤ As to the FY2017, dividend for a share became double, as a result of increase in payout ratio, along with strong financial result.
  - > Payout ratio for FY2018 is expected to be stay as 25% as of now.

## **Stock price: Trading volume**



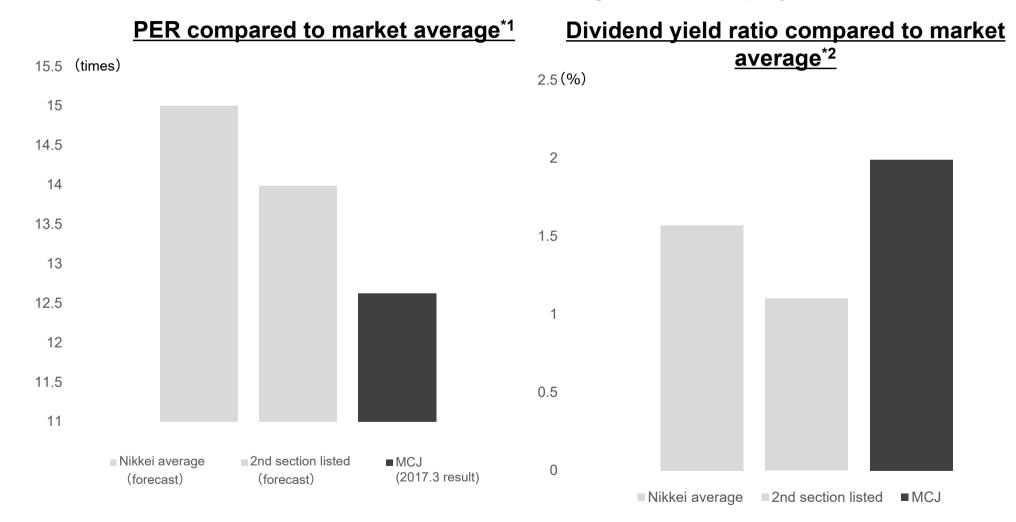
<u>-М</u>С



## **Major market indicator**



 Our PER is lower than that of market average, despite strong growth and sound financial record, and above average dividend payout ratio



<sup>\*1)</sup> Nikkei

<sup>\*2)</sup> Tokyo Stock Exchange, Inc.

#### **Summary**



□ Steady growth by identifying the niche market and by aggressive marketing, even though the PC industry as a whole is stagnant.

- ☐ Earn stable profit both in domestic and overseas market.
- ☐ Focus on growing market of VR as Group.
- ☐ Clear growth strategy stated on company vision and future direction; "Hardware × Contents · Service"
- ☐ Strong financial performance, great financial indicators, and active returns to shareholders



# **Appendix**

<introduction of major group companies>

## Group company: Mouse computer







#### <u>Increase brand awareness × competitive products × better after support</u>

- □ Barad awereness
  - Corporate PC [MousePro]
  - Gaming PC (G-Tune)
  - Creator's PC (DAIV) etc...
- □ Unique
  - Related with Windows Hello
  - → facial recognition camera「CM01」
  - ➤ Finger print leader [FP01] etc..

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g.			
15			
	1		







( million JPY )	FY2016.3	FY2017.3	Y on Y Change
Sales	28,843	32,615	13.1%
Operating profit	1,207	2,270	88.0%



## **Group company: UNITCOM**



# UNIT OM

#### Retail network restructure × sales channel development

- More than 70 stores in Japan
  - Shop-brand
    - PC ko-bo AKIBA STARTUP
    - Goodwill
    - Mineo-shop etc..

( million JPY )	FY2016.3	FY2017.3	Y on Y Change
Sales	28,334	27,468	∆3.1%
Operating profit	513	559	8.9%

- ☐ Repair support
  - One-coin quick check-up service
  - Repair and setting service for PC and Smartphone
  - Second-hand goods etc..
- □ Provide space to try out VR

Sales VIVE and PC set, VR set up service etc..



July 28<sup>th</sup> 2017
Open at Tokyo/Akihabara



## **Group company: TEKWIND**



# **TEKWIND**

## Focus on better margin channels and products

- ☐ Trading company for comprehensive IT rerated devices
  - Microsoft
  - Intel
  - ASUS etc..

( million JPY )	FY2016.3	FY2017.3	Y on Y Change
Sales	33,443	33,809	1.1%
Operating profit	524	665	27.0%

- □ Provide services as a <u>Multi-distributor</u> which connects foreign companies with domestic market
  - PC device/ industrial PC devices
  - system/network
  - Software
  - Accessory
  - House brand device etc..



## Group company: iiyama





#### Focus on growing product categories × penetrate into new countries

# ☐ Europe market [ products ]

- PC-monitor
- Consumer-touch panel
- Industrial touch panel
- Large display etc..

( million JPY )	FY2016.3	FY2017.3	Y on Y Change
Sales	19,412	22,633	16.6%
Operating profit	2,531	3,627	43.3%

#### [coverage]

- England
- Holland
- Germany
- France
- Poland etc..







