



# MCJ Corporate Profile

Corporate introduction and financial overview

MCJ Co., Ltd.

23/07/2018

Investor Meeting, Hong Kong

# Disclaimer

*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 guarantees of any events or financial results.*

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

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- ❑ **Overview of MCJ Group**
- ❑ **Company Vision and Future Direction; Mid- term Management Plan FY2017.3 - 2019.3**
- ❑ **Stock-related information**



# Overview of MCJ Group

# Overview of MCJ group

## Establishment

Aug, 1998

## # of Employees

2,020<sup>\*1</sup>

<sup>\*1</sup>) at the end of March 2018

## Annual Turnover



**Over 124billion JPY**

Generated record sale and profit for 2 consecutive years since FY2017.3

## Business Domain

**PC related business**



**Comprehensive entertainment business**



## Group Companies

**19 in total**  
(consolidated subsidiaries)

In Japan, Europe and South East Asia

## Market Cap



**86.1billion JPY<sup>\*2</sup>**

<sup>\*2</sup>) As of end of June 2018

## Bourse

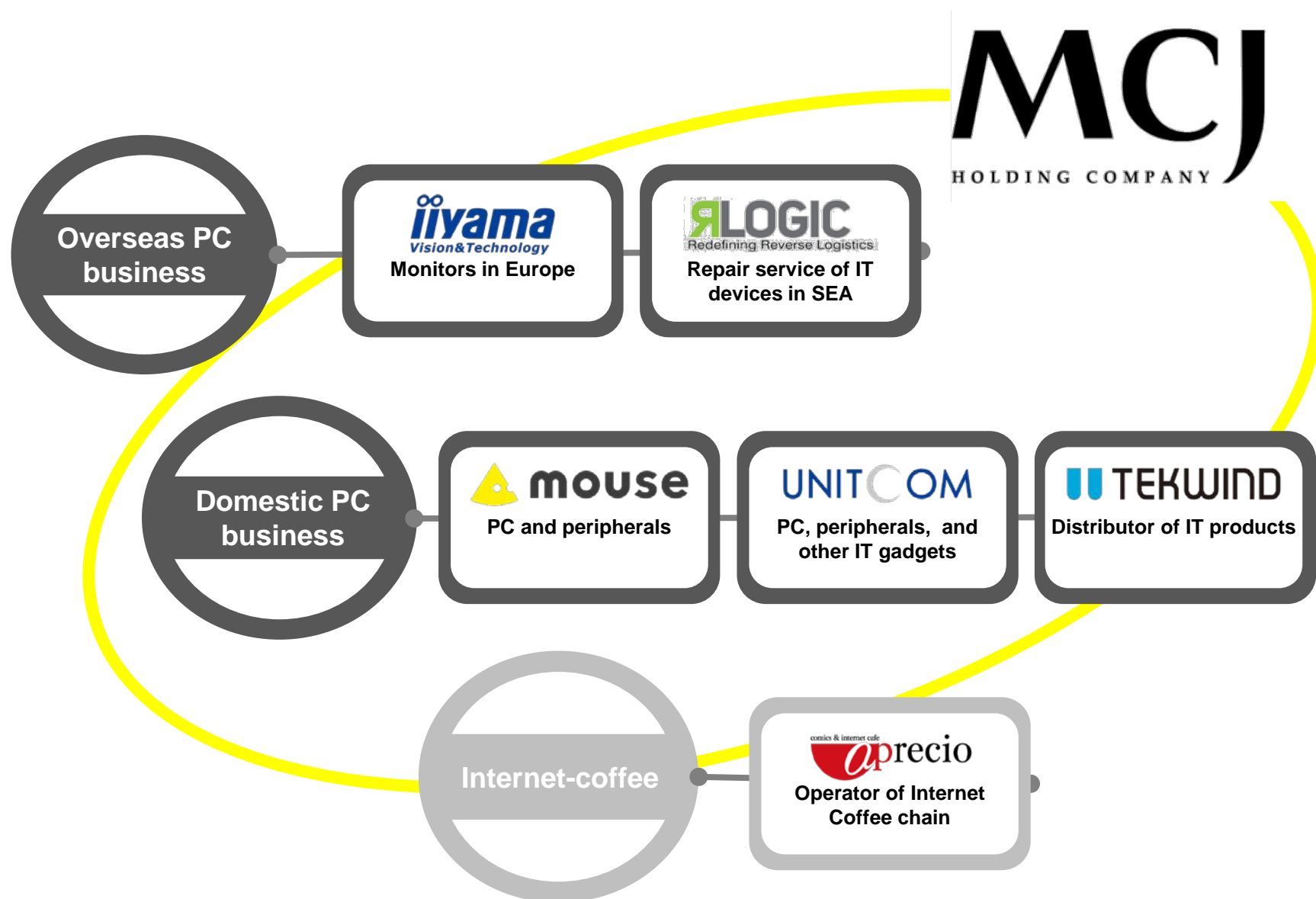
Tokyo  
Stock Exchange  
2<sup>nd</sup> section

**Ticker code: 6670**

## Trading Unit

**100  
shares**

# Our major subsidiaries



## □ Leadership team

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



**Chairman & CEO**

**Yuji Takashima**

**April 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 MCJ 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.)

**March2006** Chairman & CEO, MCJ Co., Ltd.

**July 2006** Chairman & Director, MCJ Co., Ltd.

**Oct. 2006** Director, Mouse Computer Co., Ltd.

**June. 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)

**April 2017** Chairman & CEO, MCJ Co., Ltd. (to present)



**President & COO**

**Motoyasu Yasui**

**July 2001** Joined GDH, Co., Ltd.

**Sep. 2002** Joined MCJ, Co., Ltd.

**June 2004** Manager, Finance and Accounting Department, MCJ, Co., Ltd.

**April 2005** Executive Officer, Management Planning Department, MCJ, Co., Ltd.

**Aug.2007** Manager, Industrial Growth Platform, Inc.

**June 2008** Executive Officer, PIA Corporation

**July 2011** Director, Industrial Growth Platform, Inc.

**Oct. 2013** Senior Specialist, Inspection Bureau of Financial Services Agency

**Oct. 2014** Principal, Industrial Growth Platform, Inc.

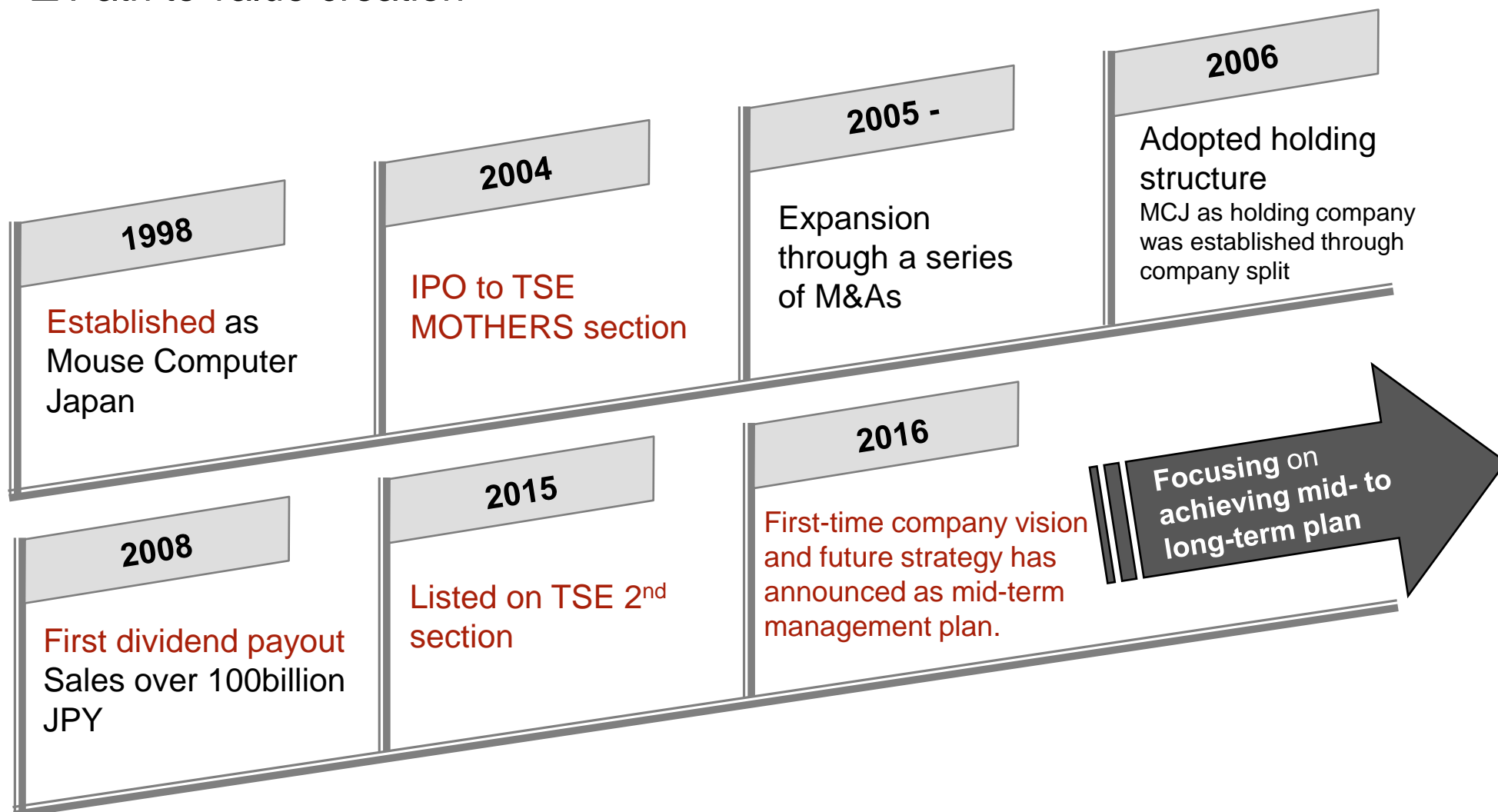
**March 2016** Executive Officer, President's Office, MCJ, Co., Ltd.

**June 2016** Director, Head of Business Development & IR, MCJ, Co., Ltd.

**April 2017** President & COO, MCJ, Co., Ltd.(to present)

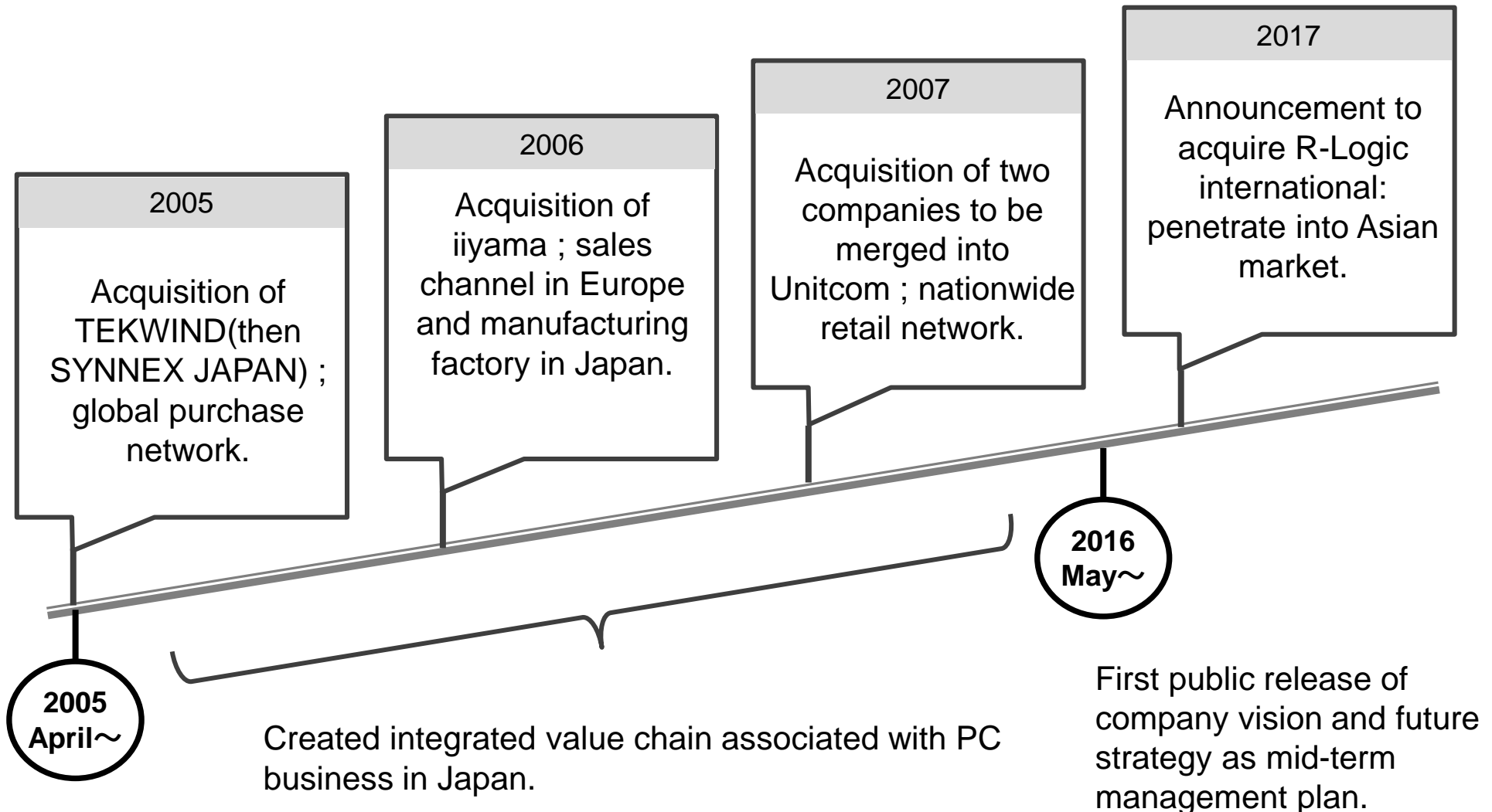
# Our history

## □ Path to value creation



# Expansion trajectory

## □ Business expansion through aggressive M&As



# What makes us unique

- ❑ We differentiate ourselves from other PC makers by target focus and business model

	Feature	Uniqueness
Product	<ul style="list-style-type: none"> <li>❑ Primarily focusing on niche market <ul style="list-style-type: none"> <li>— Gaming and other specialised-PCs</li> </ul> </li> <li>❑ Recently penetrating into more mass-market <ul style="list-style-type: none"> <li>— Increasing brand awareness</li> <li>— Attractive products offering</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>❑ Balance <ul style="list-style-type: none"> <li>— Price</li> <li>— Quality and spec</li> <li>— Repair and after support</li> </ul> </li> <li>❑ Lean management and quick action <ul style="list-style-type: none"> <li>— Time to Market</li> <li>— One of the kind PCs to each user</li> <li>— Low-cost operation</li> </ul> </li> </ul>
Business model	<ul style="list-style-type: none"> <li>❑ BTO manufacturing model</li> <li>❑ Comprehensive Value chain <ul style="list-style-type: none"> <li>— From R&amp;D, manufacturing to after service.</li> </ul> </li> </ul>	

# Our product lineup 1/2) : specialised PCs



Gaming PC



Creator PC



Trading PC



待望の8画面モデル、kabuパンの発売3周年を記念してラインナップ追加



For Deep learning

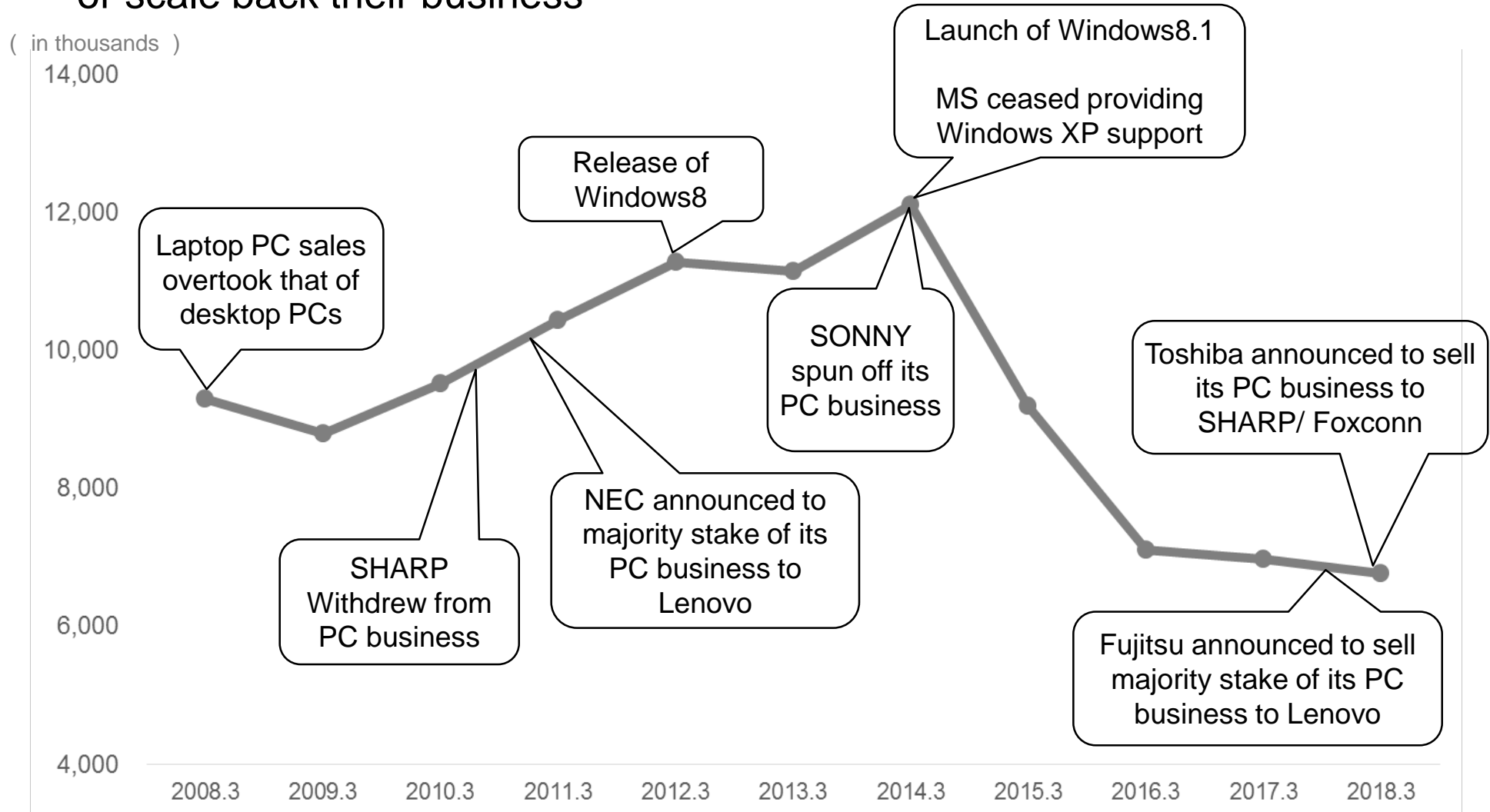


# Our product lineup 2/2) : ordinary PCs

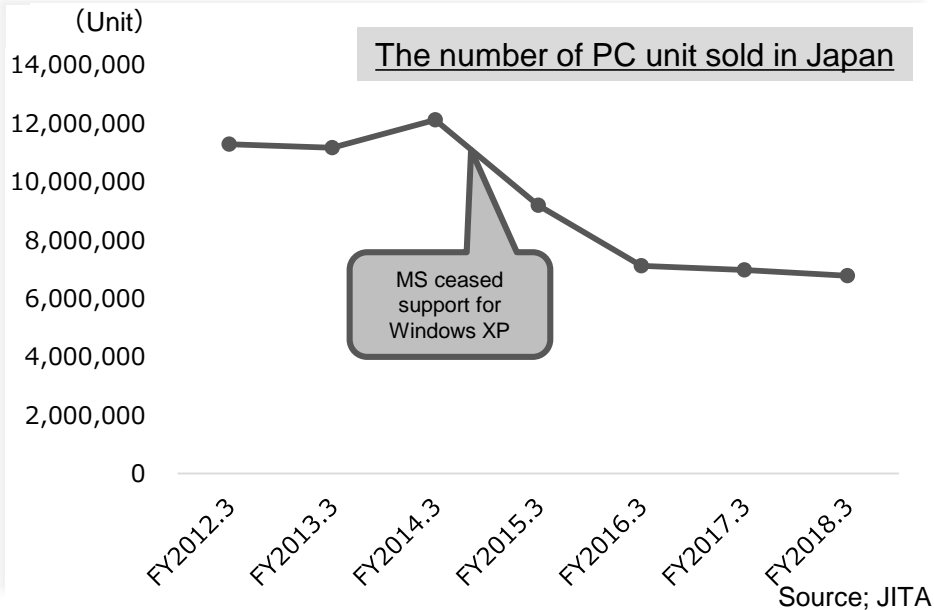


# Domestic PC market, the number of units sold

- ❑ PC business is a declining business as a whole, while many has withdrew or scale back their business



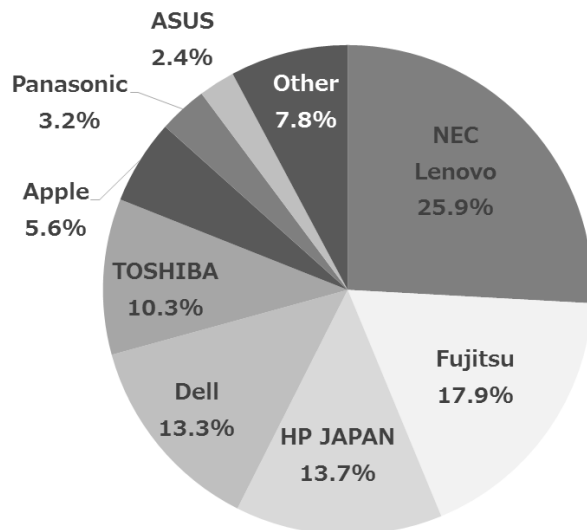
# Market environment: Opportunity for growth



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



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



Source; MM RI

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



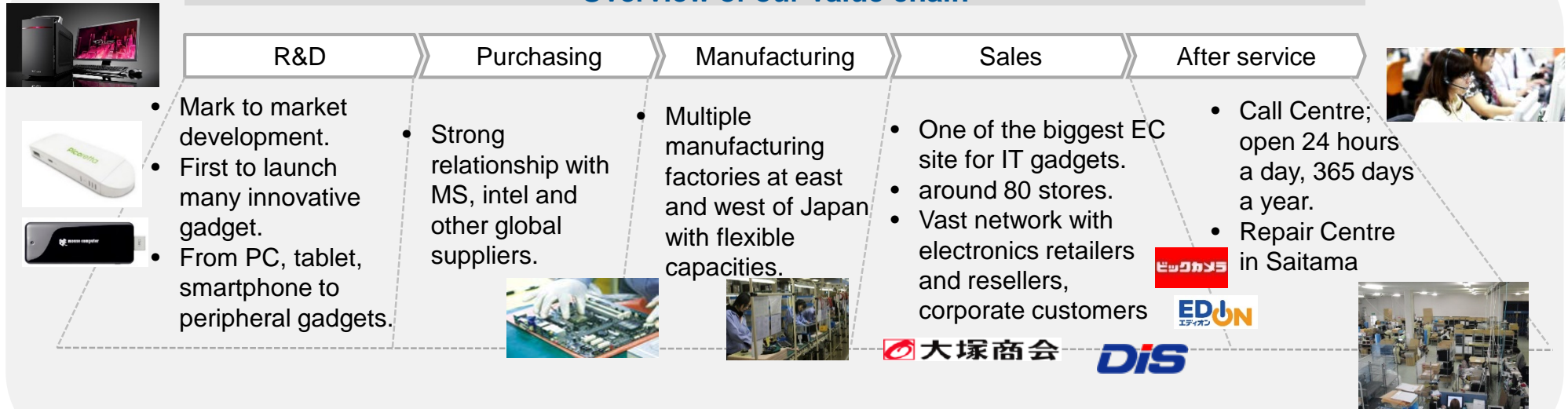
- » Opportunity to growth by increasing market share; continue to strengthen brand awareness and development of competitive products.

# 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



# Extensive sales channel

Our domestic sales channel covers entire B to C and B to B market

To C



Direct channel

Indirect channel

EC website

Direct shop

Electronics retailers

OEM to E-Rs

Consumers in general

- EC website operated by Mouse
- 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 distributors and EC site.

Overseas market



iiyama

Distributers

cooperate and individual users In EU

R-logic

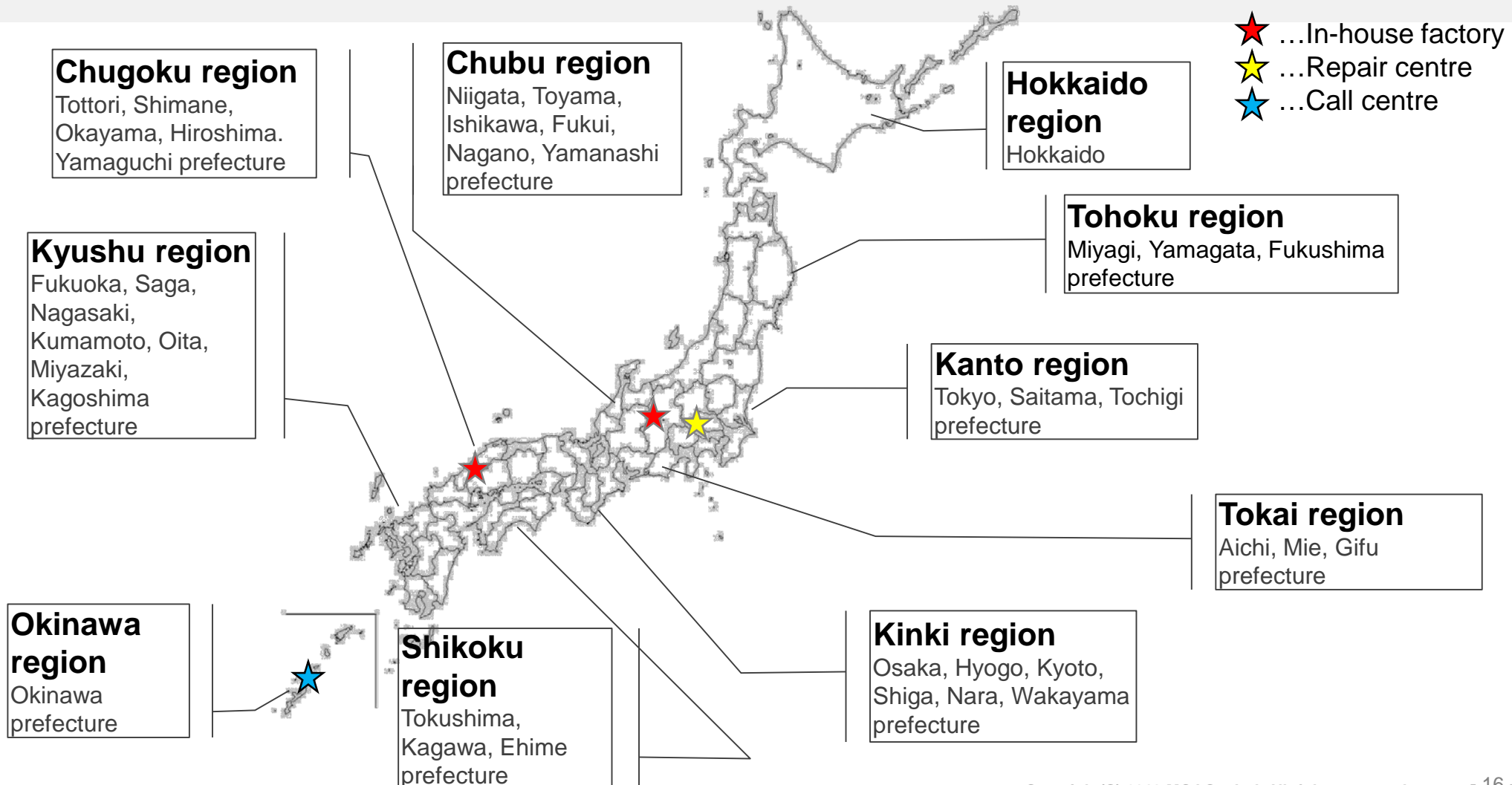
Subcontract from IT makers

In 5 countries all across SEA

- Sales via distributors.
- Subcontract from IT device makers and etc.

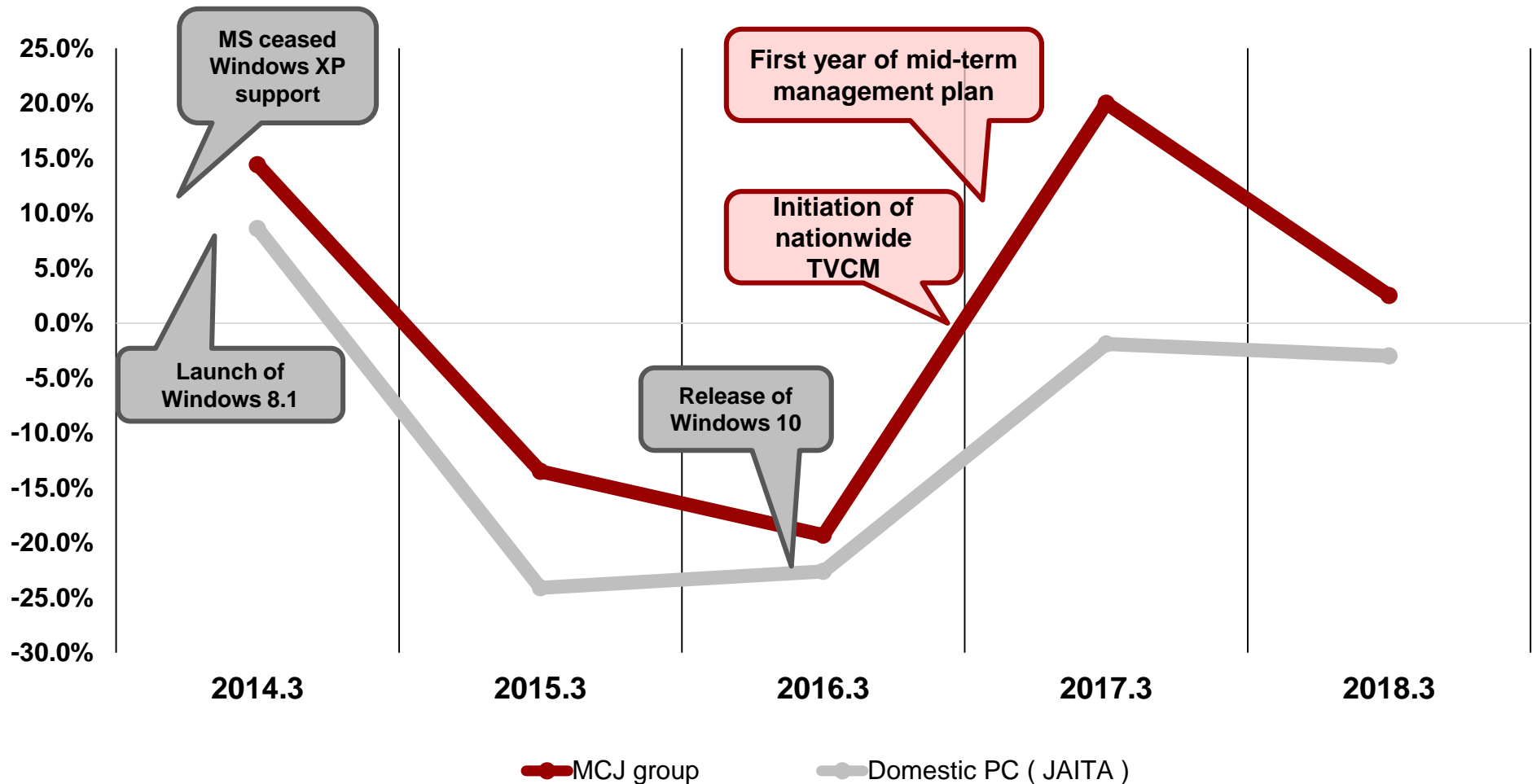
# Our nationwide business network

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



# Unit sold, as compared to market trend

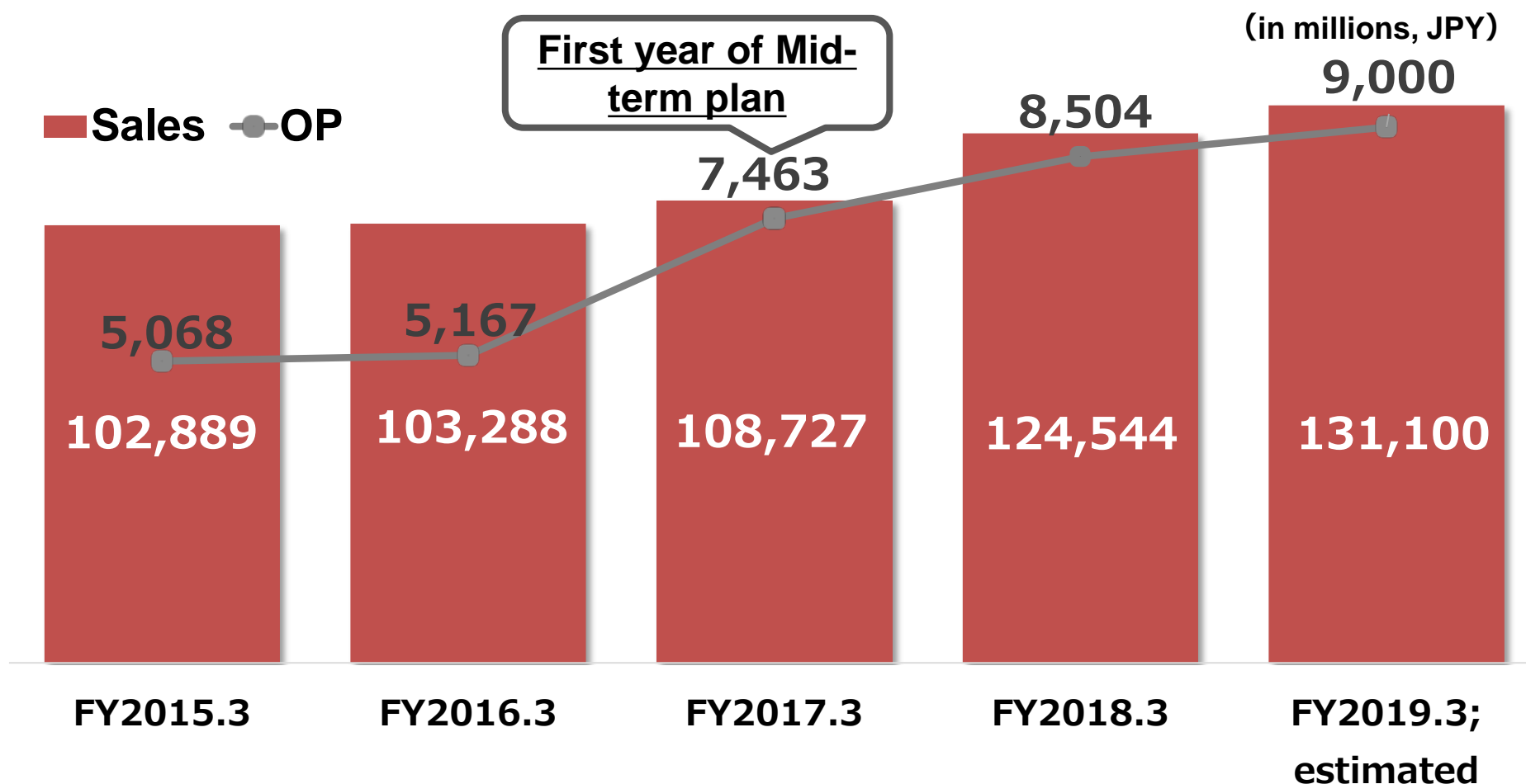
- Continue to outperform market trend, as mass marketing contributed significantly, in addition to demand increase from niche market



\*The above graph compares actual results for each quarter (accounting period) with the same period of the previous year.

# Financial result and forecast for FY2019.3

**Expect to achieve all-time high sale and profit in FY2019.3;  
3 consecutive years after release of Mid-term plan**



# Financial overview of major group companies



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

Mass marketing × competitive products  
× better after support

In millions, JPY	FY2017.3	FY2018.3	% Change
Net sales	32,615	36,665	12.4%
Operating profit	2,270	1,952	△14.0%



- ❑ 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.

In millions, JPY	FY2017.3	FY2018.3	% Change
Net sales	27,468	30,299	10.3%
Operating profit	559	750	34.1%



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

Focus more on better margin products  
and sales channel.

In millions, JPY	FY2017.3	FY2018.3	% Change
Net sales	33,809	30,815	△8.9%
Operating profit	665	760	14.2%



- ❑ Development and sales of monitors
    - Headquartered and operates in Europe
- Focus on growing product-lines and penetrate into new  
market.

In millions, JPY	FY2017.3	FY2018.3	% Change
Net sales	22,633	28,006	23.7%
Operating profit	3,627	4,208	16.0%



# **Company Vision and Future Direction; Mid-term Management plan FY2017.3 – 2019.3**

# Corporate vision and future direction

M C J M C J



## Hardware

*Expand into other types of hardware*

## Contents and Service

*Venture into related business to go with hardware*

### Background

# Diversity as means to access to and share information, and in user needs.

- Hardware continue to exist irrespective of its form as a means to connect to information.
- Hardware as a whole is a growing business.

# Hardware and related services are compensate for each other as one business

- More stable business than hardware.
- More growth potential than hardware.

### Direction in our vision

- Expand into hardware other than PC, tablets, etc.
- Wearable, VR, AR, drone, IoT...
- Continue to seek innovation from hardware area

- Venture into services that can be related to hardware
- Contents for consumer, software for corporate...
- Seek innovation from service area

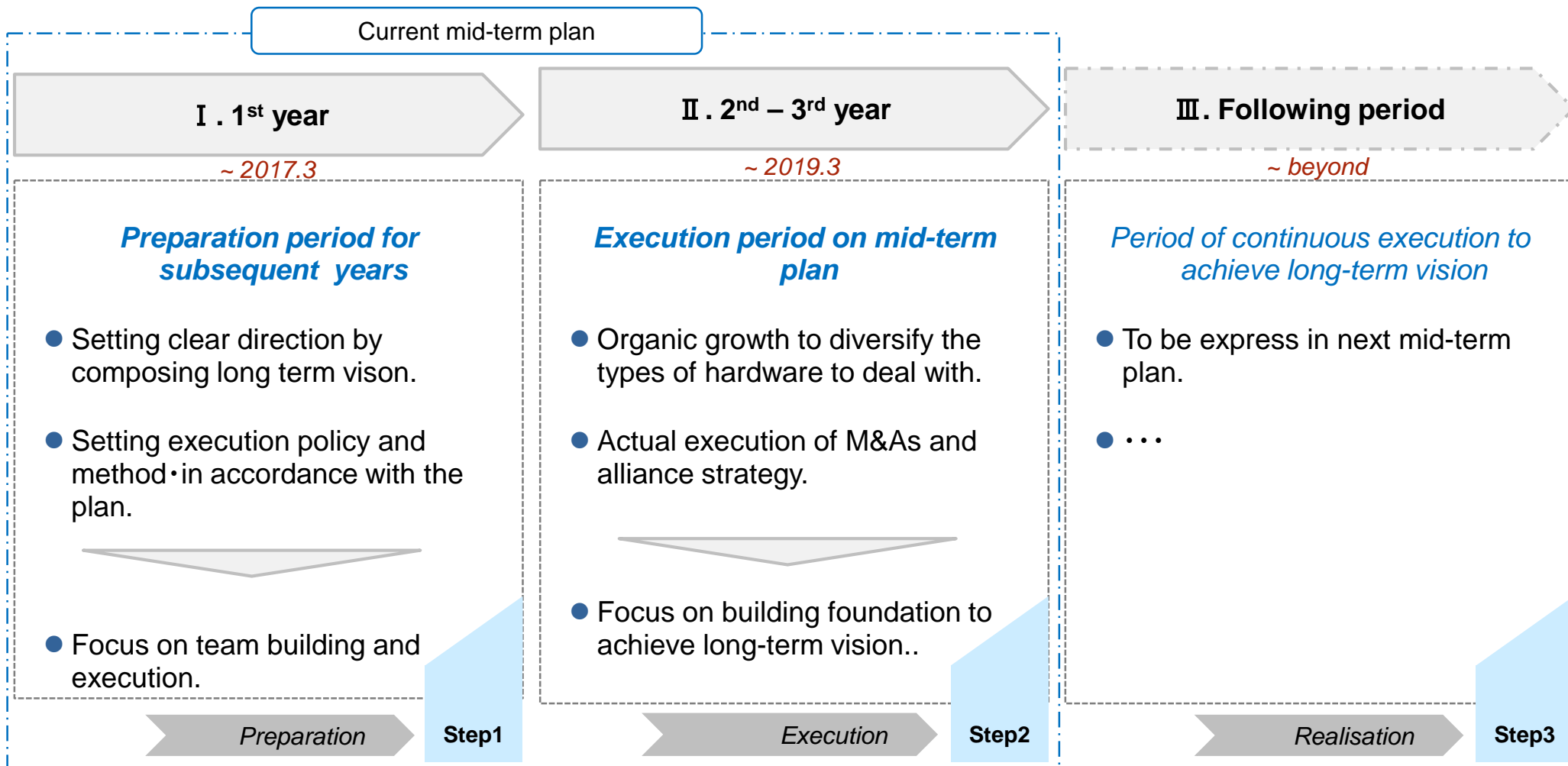
### Means to achieve

- 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

- Alliance with, and/or equity investment to start-ups
- Utilise M&As to expand our business domain
- New M&A policy in accordance with the vision

# Planed path toward achieving 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.



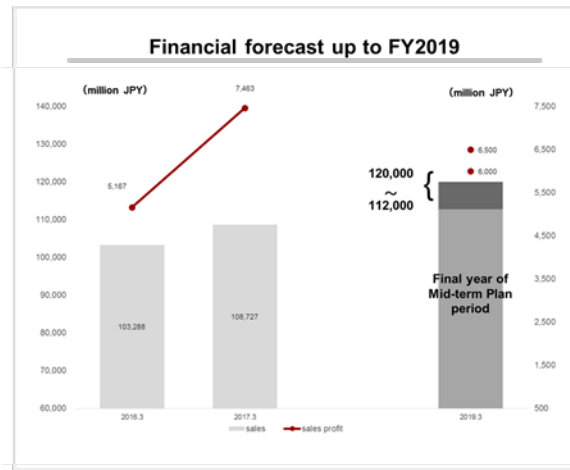
# KPI : actual vs target

		Target	Actual
Actual vs target FY2018.3	OP ratio	Around 5%	<u>6.8%</u>
	ROIC	Above 10%	<u>17.5%</u>
	ROE	Above 10%	<u>18.6%</u>
	Payout ratio	Above 30%*1	<u>30.1%</u>
	KPI	<ul style="list-style-type: none"> <li>❑ Posted record high sales for 2 consecutive years</li> <li>❑ Also posted record high operating and other profit for 2 consecutive years</li> </ul>	
	Growth Strategy	<ul style="list-style-type: none"> <li>❑ Continue to spend Ad expense for mass marketing, business restructure, and etc. for sales and profit expansion.</li> <li>❑ Development and sales of IT devices other than PC through in-house development and alliance with start-ups, etc.</li> <li>❑ M&amp;A: R-logic, repair service provider for IT products in South East Asia</li> </ul>	

\*1 initial target was above 20%, when the mid-term plan was originally announced

# Our intention for this ongoing Mid-term plan

## Mid-term Plan Summary



### Note to forecast

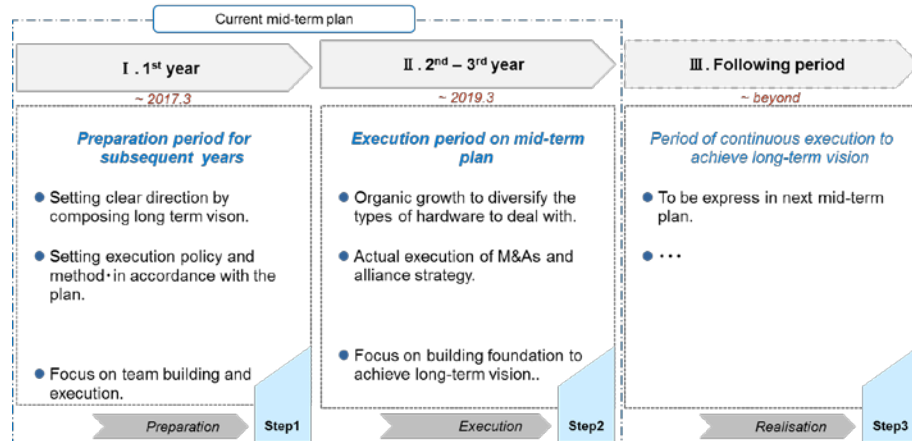
- ❑ Left mentioned forecast include only organic growth and exclude any impact of M&As.
- ❑ Committed to achieve sales level of over JPY120 billion in FY2019.
- ❑ Assumption for operating profit is to exceed previous fiscal year, irrespective of initially set level of JPY 6-6.5 billion.

## Our Intention

- ❑ To build up profitability in our current business
  - » Seek increase both in sales and profit.
  - » Seek to achieve increased profit compared to previous year despite the business investment.



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



- ❑ Aggressively making investment to create and sustain future growth.
  - » Seek to accumulate investment fund through increased profitability mentioned above.
  - » Seek to obtain the source for future income through investment.

# Summary of action and actual result;FY2018.3

## Increase profit / capital efficiency × Investment for future with increased profit

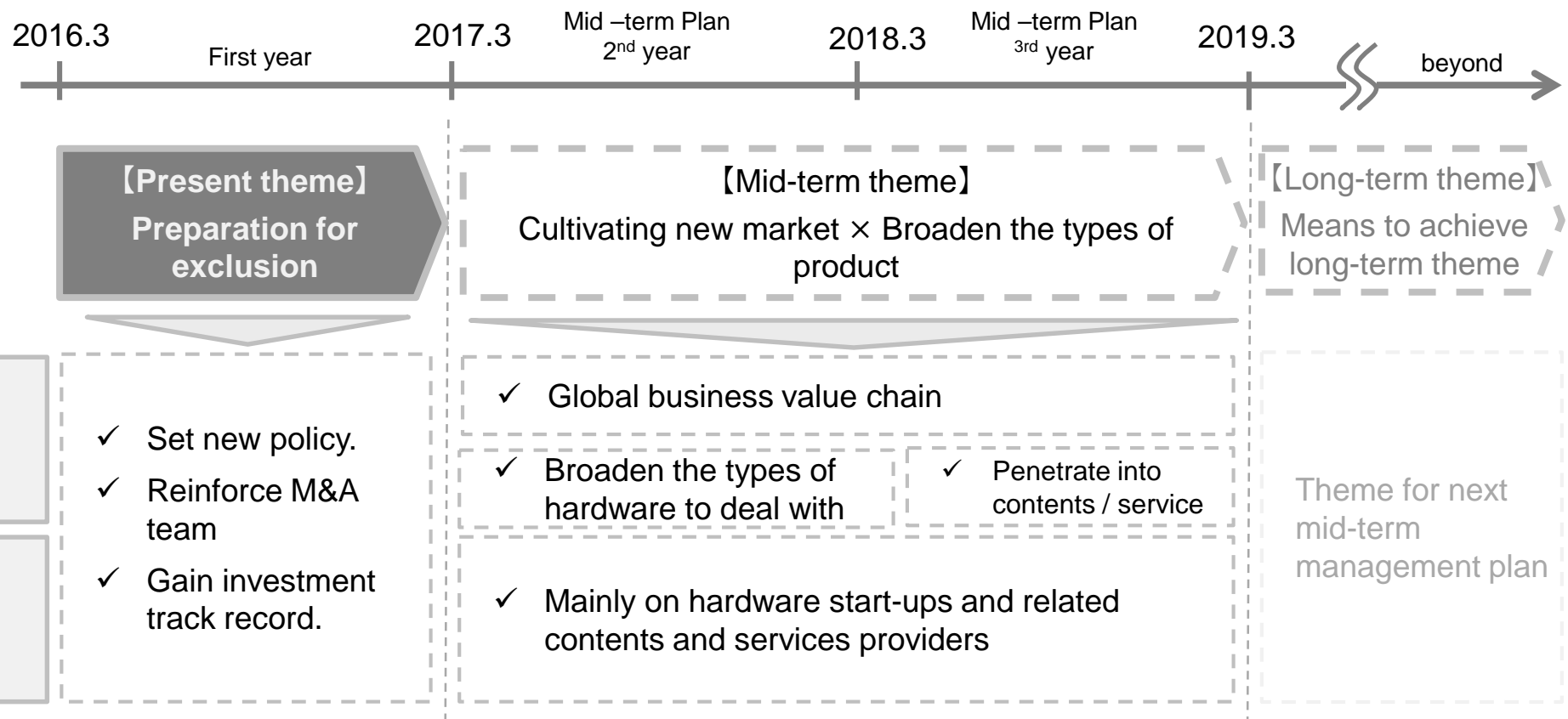
- |  |  |   |
|--|--|---|
| <p>✓ <u>P/L</u></p> <ul style="list-style-type: none"> <li>Profit enhancement activity throughout the group</li> <li>Sales Growth* : 20.6%</li> <li>Sales Profit Ratio* : 64.6%</li> </ul> <p>*% increase compared to FY2016.3</p> | <p>✓ <u>B/S</u></p> <ul style="list-style-type: none"> <li>More shareholder return</li> <li>Better capital efficiency through portfolio management</li> <li>Monitor ROIC and ROE as KPI</li> </ul> | <p>✓ <u>Action along with mid-term plan</u></p> <ul style="list-style-type: none"> <li>Strategic action as set in the plan</li> <li>Mass marketing</li> <li>Penetrate in to SEA</li> <li>Start-Up investment</li> </ul> |
|--|--|---|

(unit: JPY)

	FY2016.3	FY2017.3	FY2018.3	
Sales	103,288 million	108,727 million	<b>124,544 million</b>	Record high sales and profit; 2 consecutive years
Operating Profit	5,167 million	7,463 million	<b>8,504 million</b>	
OP Ratio	5.0%	6.9%	<b>6.8%</b>	All KPIs exceeded the target ratio
ROIC	11.6%	17.4%	<b>17.5%</b>	
ROE	13.0%	19.1%	<b>18.6%</b>	
Payout Ratio	20.5%	25.1%	<b>30.1%</b>	

# M&A and start-up investment direction

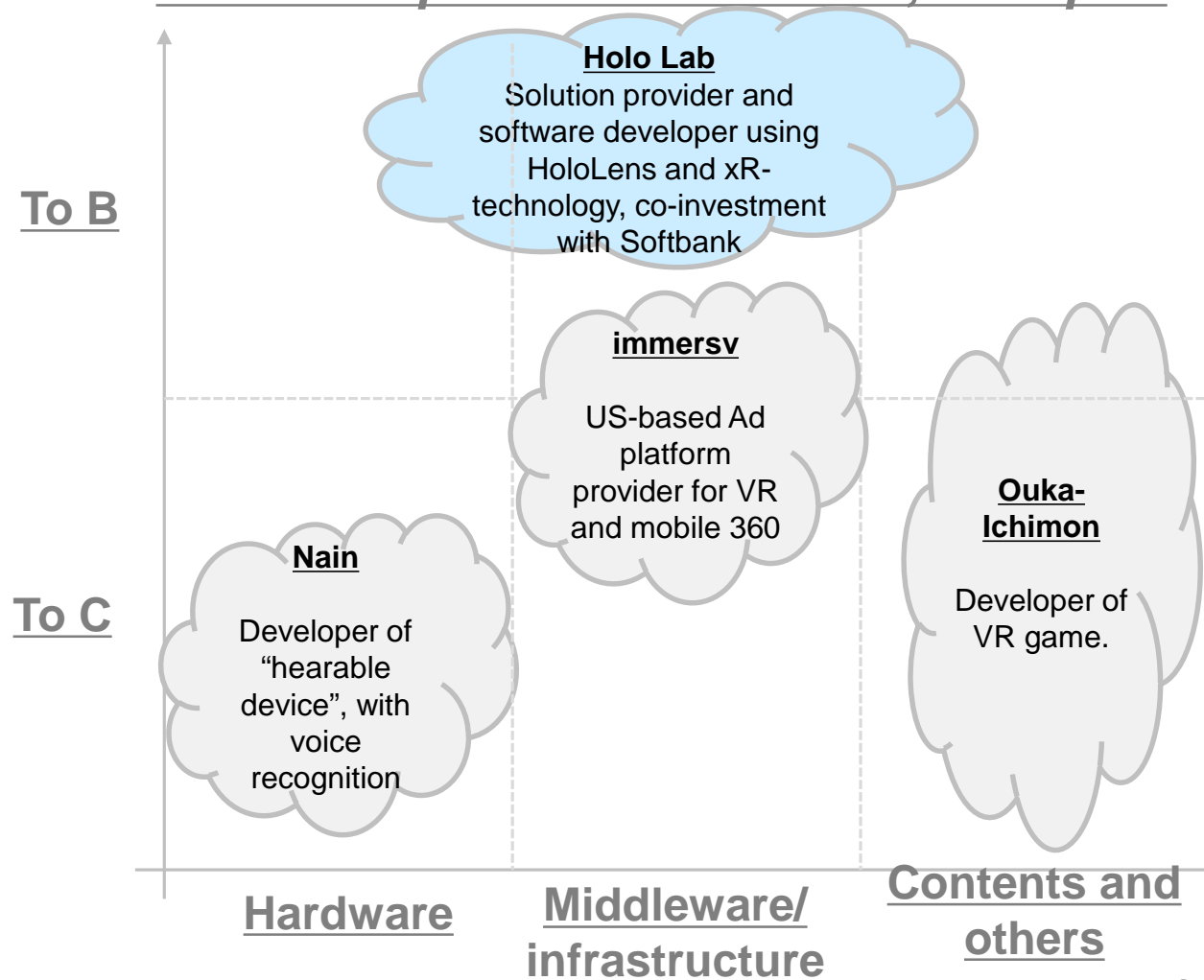
- M&As account for significant part as a way to achieve our long-term vision
  - M&As will be conducted within the range of FCF and cash on hand.
  - Opportunities for M&As are considered with clear strategic business synergies.



# Start-up investment; examples

- Investment track record in accordance with the management plan.

## Our start up investment record, examples



- ❑ 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~

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

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

Collaboration in purchase and busienss

- » 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



- » Support R-logic for its business and geographical expansion.
- » Install proper governance and admin-function into R-logic

- » 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.

#### Back ground

#### KPI

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

#### 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.

### 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.

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

- ❑ 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.

# Stock related information

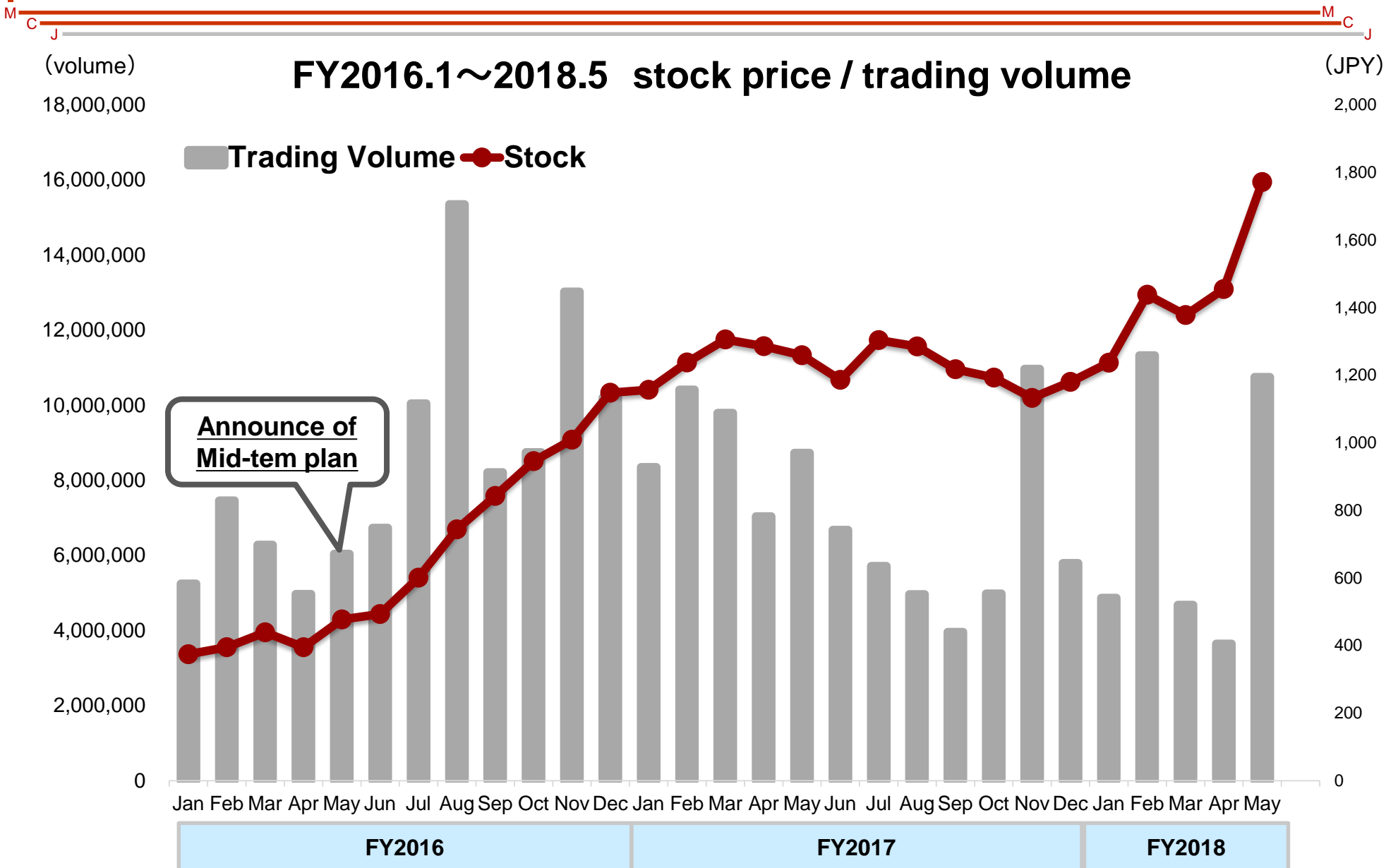
# Return to shareholders: Dividend

- Planned Payout Ratio for FY2019.3 at this moment is 30%, up 10% compared to FY2016.3, the year before mid-term management plan.

					Before Stock split	After Stock split
					Reference	Plan
	FY2015.3	FY2016.3	FY2017.3	FY2018.3	FY2019.3	2019.3
Dividend per share	10	13	26	36	36.72	18.36
Dividend payout ratio	18.6%	20.5%	25.1%	30.1%	30.0%	30.0%

- Continuous increase of dividend payout ratio is clearly stated on our Mid-term Management Plan.
  - As to the FY2018.3, dividend for a share became almost tripled, as a result of increase in payout ratio, along with strong financial result.
  - Payout ratio for FY2019.3 is expected to be 30% as of now.

# Historical stock price and trading volume

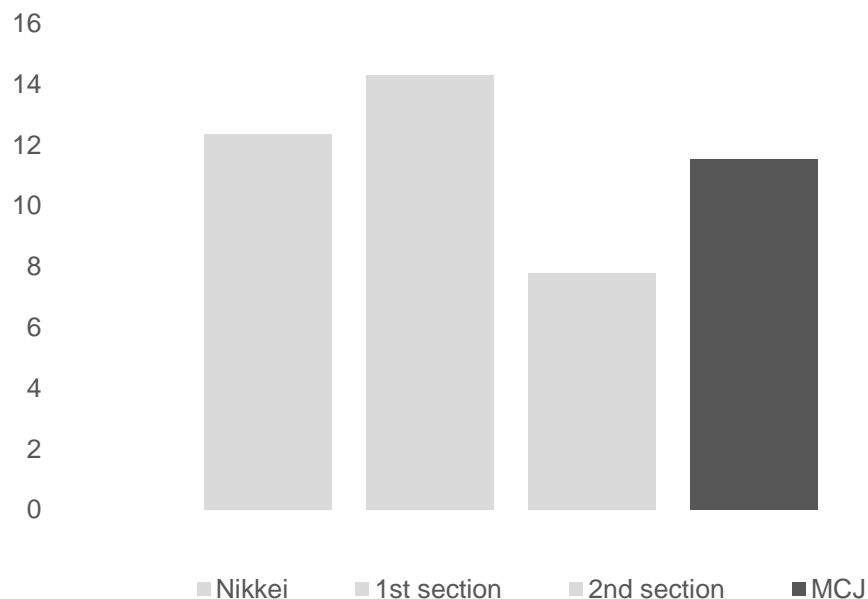


# Major market indicator

- ☐ Attractive valuation considering our growth potential and higher than average dividend yield ratio.

## PER compared to market average

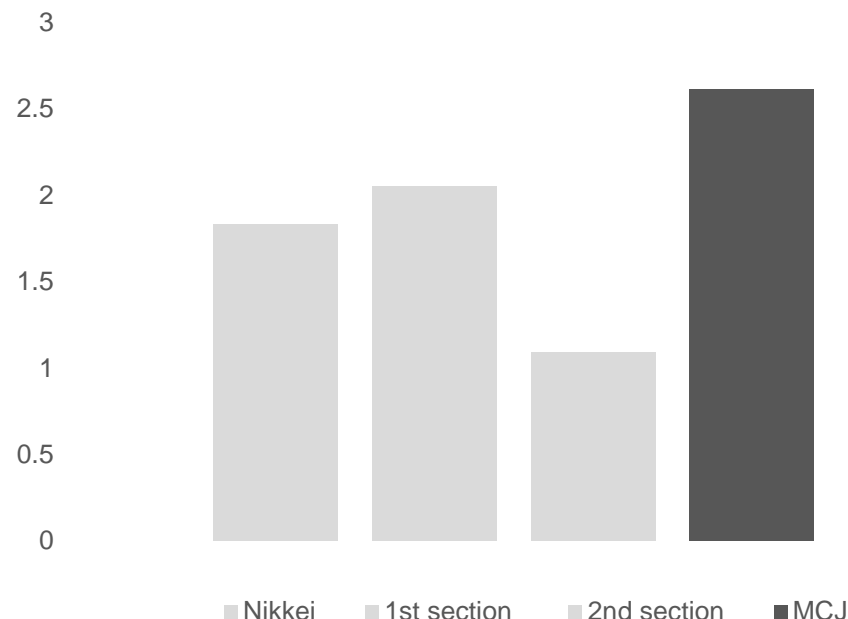
(times)



Figures above represent previous fiscal year

## Dividend yield ratio compared to market average

(%)



Figures above represent previous fiscal year

Source) The Nikkei ( <https://www.nikkei.com/markets/kabu/japanidx> )

# Summary

- ☐ **Steady growth by identifying the niche market and by aggressive marketing, even though the PC industry as a whole is stagnant.**
- ☐ **Clear growth strategy stated on company vision and future direction; “Hardware × Contents・Service”**
- ☐ **Earn stable profit both in domestic and overseas market.**
- ☐ **Proven financial track record with strong sales and profit growth.**
- ☐ **Strong financial performance, attractive valuation, and active returns to shareholders**

**MCJ**  
HOLDING COMPANY