



Presentation of Financial Results for the Year Ending March 2017



May 19th 2017



PC DEPOT CORPORATION



Security Code 7618



Financial Highlights



4Q (cumulative) decreased sales and income

1Q: Higher sales and income - Increase in customers' needs for support following the end of the free upgrade to Windows 10

2Q: Lower sales and higher income - Decrease in sales due to voluntary restraint on sales promotion activities in relation to the incident that occurred in August
We concentrated on supporting existing members by verifying the usage of each member through direct mail, etc.

3Q: Lower sales and lower income - Although we gradually resumed sales promotion activities in November, the decrease in sales continued due to the impact of the quiet period.
As we sold off our long-term inventories by lowering their prices, the gross margin on product sales decreased.
Due to a shortage of customer service staff, sales of service-inclusive products decreased.

4Q: lower sales and income- By limiting the number of service-inclusive products on offer, we aimed to increase the quality of each and every response we gave our customers in customer support.
Although there was a certain amount of demand before the end of Windows Vista Support, there was no extra demand for this particular service.

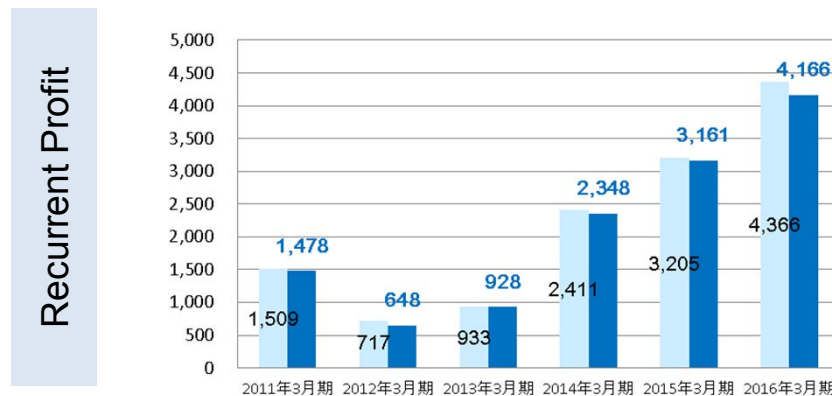
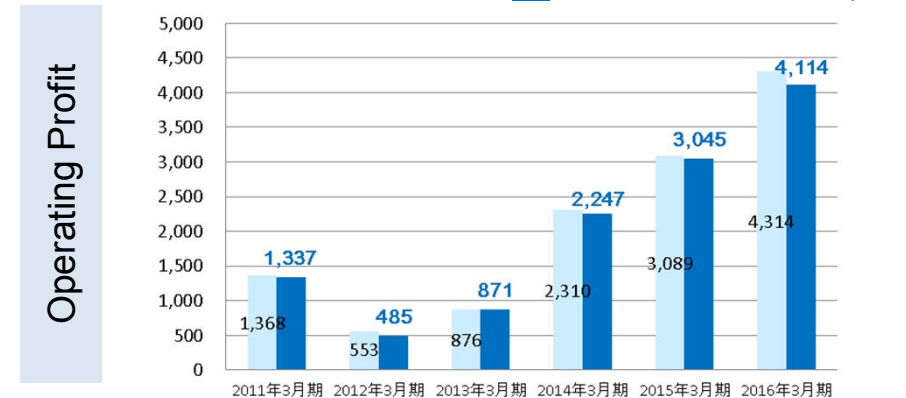
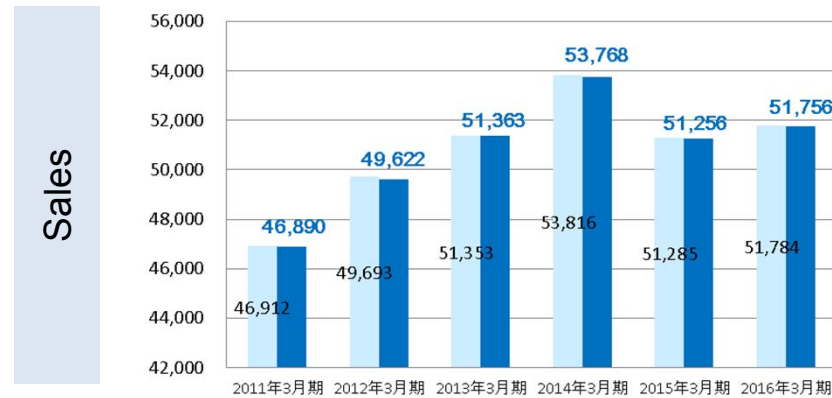
Million yen %	FY 2016	FY 2017	Differences	YoY
Sales	51,756	46,290	△5,466	89.4
Operating Profit	4,114	3,378	△736	82.1
Recurrent Profit	4,166	3,465	△701	83.2
Net profit belonging to parent company shareholders	2,726	2,260	△466	82.9

Modification of past results



Reasons	Due to differences in balance of accounts receivable
Modification Period	FY ending March 2011 to FY ending March 2016

■ Values before and after modification of past results



※For details please see the announcement released on the 15th of May「過年度の連結財務諸表等に関する誤謬の判明及び平成29年3月期決算短信の発表に関するお知らせ」

PL (Consolidated)



Gross Profit in 4Q exceeds that of 3Q

Units: 1 mil yen	FY 2017 ending March				Cumulative Results
	1Q	2Q	3Q	4Q	
Net sales	12,581	11,242	11,068	11,399	46,290
Products	5,465	4,278	4,974	5,382	20,099
Solution services	6,782	6,622	5,760	5,693	24,857
Internet-related business (Subsidiaries)	314	322	315	306	1,258
Gross profit	5,835	5,349	4,817	5,120	21,122
SG&A	4,490	4,558	4,238	4,458	17,744
Operating Profit	1,344	792	580	662	3,378
Ordinary income	1,376	818	598	673	3,465
Net Profit	901	504	439	416	2,260

1Q Sales

Strong sales owing to the increase in customers' last-minute needs for the free upgrade to Windows 10 before its deadline (end of July)

2Q and 3Q net sales The situation in August:

- A quiet period on sales promotion → ended in mid-November
- Due to a shortage of sales staff in connection with the realignment to the quality control department, product sales decreased.
- Decreased sales from technical service and service-inclusive products due to increased focus on the provision of support to existing members
- Sales from premium services with monthly charges increased

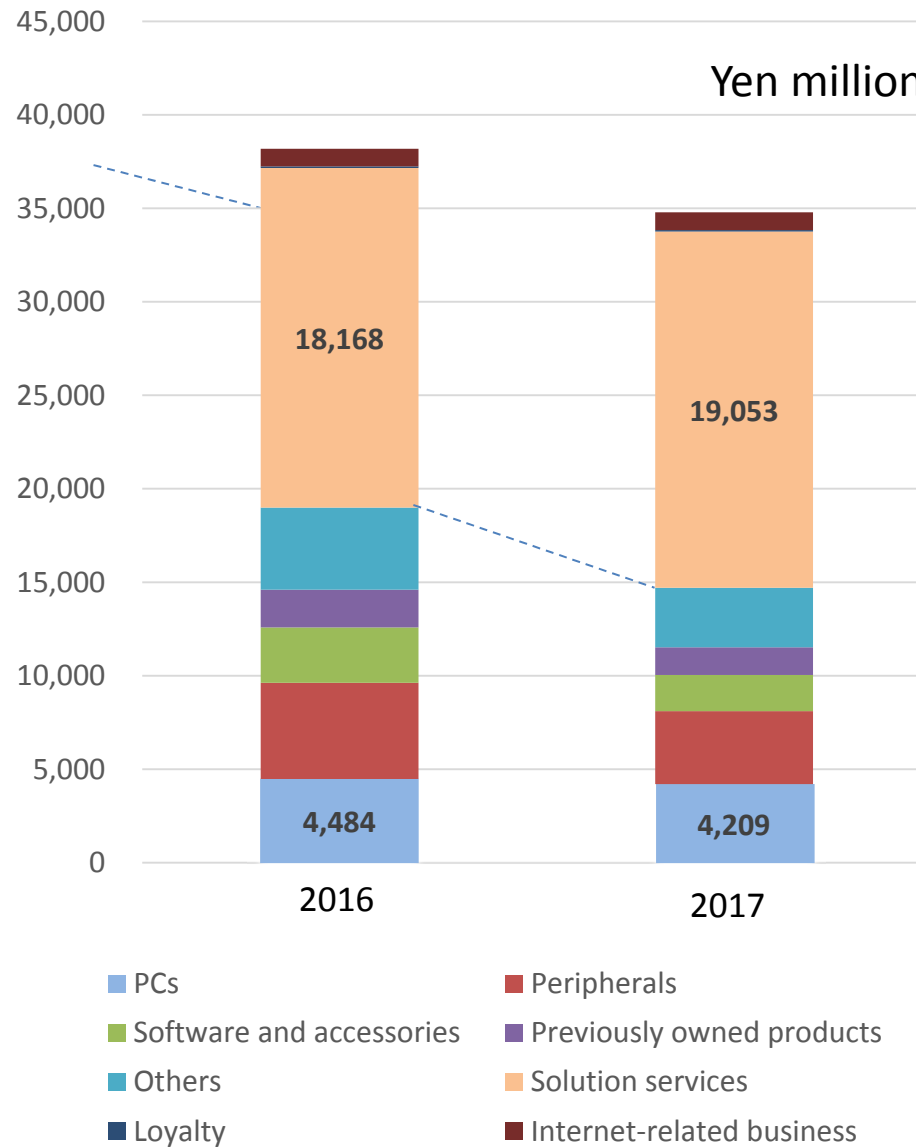
3Q Gross profit

- Due to an adjustment to inventory levels, the gross margin on product sales decreased.
- 4Q gross margin on goods, closer to average year

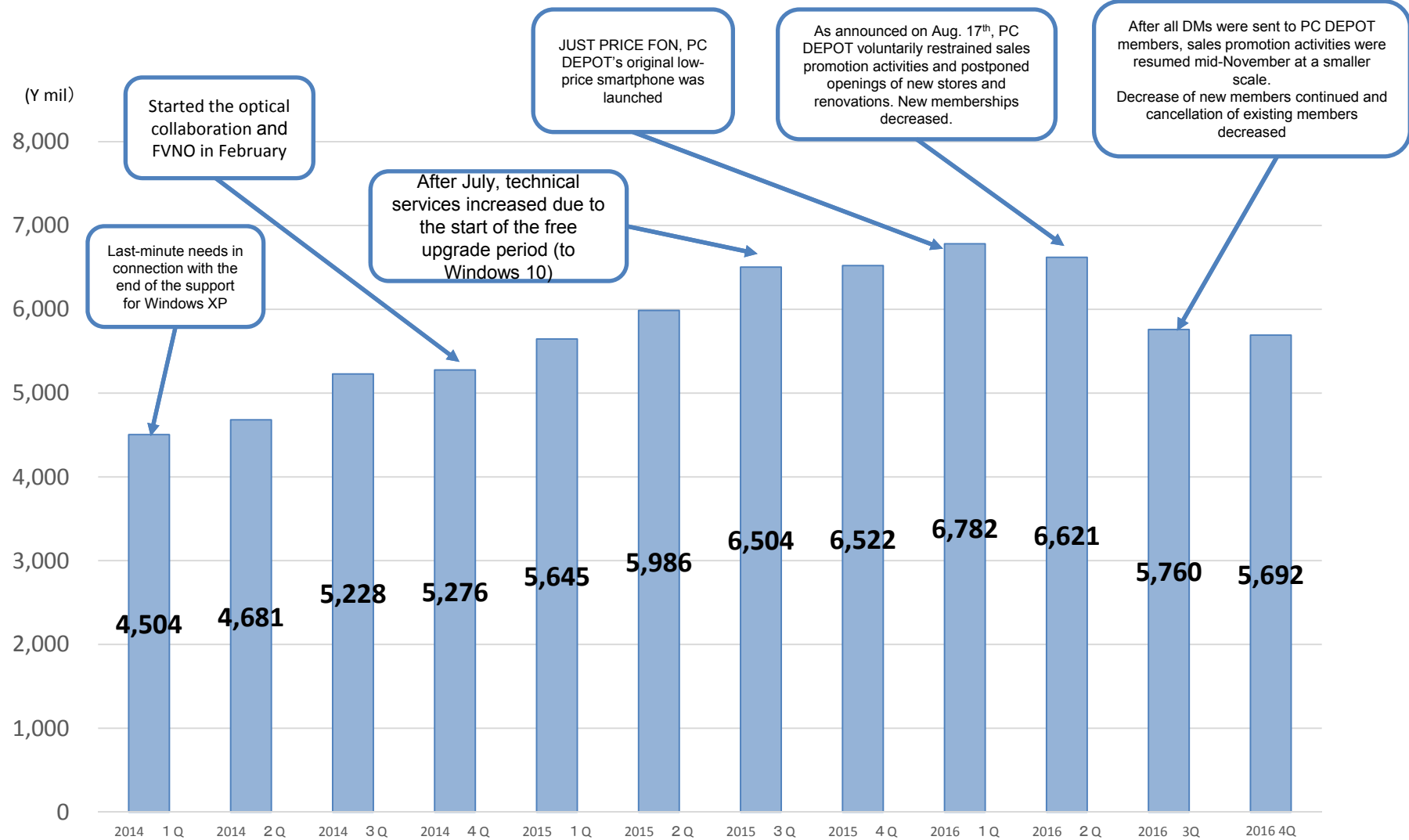
Extraordinary Losses

- 140 million due to refurbishment and relocations

Sales by Product



Sales of Solution Services, changes by quarter



BS (Consolidated)



Decrease in accounts receivable due to consolidation of service-inclusive products line up

Units Million Yen	March 31st 2016	June 30th 2016	Sept. 30th 2016	Dec. 31st 2016	March 31st 2017
Total current assets	25,379	24,462	25,119	25,224	26,070
Accounts receivable	13,282	13,718	13,294	12,484	11,220
Inventories	6,128	6,551	5,895	7,134	6,103
Total non-current assets	9,622	9,748	9,687	9,606	9,506
Property, plants and equipment	5,041	5,089	5,034	4,970	4,857
Intangible assets	804	786	763	746	734
Investments and other assets	3,776	3,872	3,889	3,889	3,914
Total assets	35,002	34,210	34,807	34,831	35,576
Total current liabilities	12,312	11,058	9,949	10,143	6,735
Total non-current liabilities	1,347	1,178	2,373	2,090	5,830
Total liabilities	13,659	12,237	12,323	12,233	12,566
Total shareholders' equity	21,259	21,881	22,386	22,486	22,900
Total net assets	21,342	21,973	22,484	22,597	23,010
Total liabilities and net assets	35,002	34,210	34,807	34,831	35,576

Accounts receivable for service-inclusive products

- March 31st 2016 to June 30th: +500 million yen
- June 30th 2016 to September 30th: - 200 million yen
- September 30th 2016 to December 31st : - 1300 million yen
- December 31st 2016 to March 31st 2017: -1300 million yen

→ Reduction of the number of service-inclusive products on sale slowed down the increase in accounts receivable. Recovery is also favorable.

Newly opened

- 1Q 2 Smart Life stores
- 1 Personal Computer Clinic Store

Renovations to Smart Life Stores

- 1Q 1 store
- 2Q 1 store
- 3Q -
- 4Q 2 stores

CF (Consolidated)



CF from operating activities increased

Units: Million Yen	Fiscal Year ending in March 2017					FY March 2016	Differences
	1Q	2Q	3Q	4Q	Full Year		
CF from operating activities	109	1,152	1,871	1,175	4,307	516	3,790
CF from investing activities	△505	△184	△217	△220	△1,127	△970	△156
CF from financing activities	△1,365	779	△1,947	2,325	△207	2,837	△3,045
Cash and cash equivalents at end of period	2,991	4,739	4,444	7,726	7,726	4,754	2,971

CF from operating activities
 ■ Level of accounts receivable decreased in connection with the decreased sales from service-inclusive products.

CF from investing activities
 ■ Increased in connection with the openings of new stores and renovation to PC DEPOT Smart Life Store

CF from financing activities
 ■ Long-term loans payable increased
 ■ Short-term loans payable decreased

Difference between forecast and actual results



	FY 2017 ending March					
	Full Year Forecast Q2 (revised)	1Q results	2Q results	3Q results	4Q results	Full Year Results
Sales for existing stores for the previous fiscal year	88.0%	103.0%	91.9%	86.3%	79.9%	89.7%
Sales from solution services (SLP concept) for the previous fiscal year	100.0%	120.2%	110.6%	88.5%	87.3%	100.8%
Gross profit margin	47.0%	46.4%	47.6%	43.5%	44.9%	45.6%
Capital investments	—	—	—	—	—	1.02 bil yen
Balance of interest-bearing liabilities	—	—	—	—	—	7.39 bil yen
Renovation to SLP*	Renovation of 2 stores completed Plans for 2 stores to be renovated	1 store	1 store	—	2 Stores	4 Stores
Opening of new SLP*	2 stores already opened Opening of 2 stores postponed	2 stores	—	—	—	2 Stores
Opening of new PC Clinics	—	1 store	—	—	—	1 Store

* SLP stands for PC DEPOT Smart Life Store

Estimate for FY 2018 ending March



Units: million yen	FY 3/2017		FY 3/2018	
	Actual	Against Previous Year (%)	Estimation	Against Previous Year (%)
Sales	46,290	89.4	46,600	100.7
Operating Profit	3,378	82.1	2,420	71.6
Recurrent Profit	3,465	83.2	2,500	72.2
Net Profit	2,260	82.9	1,650	72.9

▪ **Same Store YoY**

100.0%

(Previous year 89.7%)

▪ **Sales for solution-services**

100.0%

(Previous year 100.8%)

▪ **Gross Profit margin**

44.0%

(Previous year 45.6%)

▪ **CAPEX: 1 billion yen**

▪ **Depreciation : 900 million yen**



FY 3/2018 Outlook & Strategy

FY 3/2018 Topics (scheduled)



-
- April '17 Window's VISTA support period ends

 - May
 - Cyberattacks increase world wide, causing widespread damage
 - Windows 10 for Folklore released
 - Education Edition of Minecraft now includes code learning function
 - New Surface product may be released

 - June
 - New Apple product may be released
 - Worlds largest video game conference & show, Electronic Entertainment Expo (E3) to be held in LA
 - Japan E-Sports League 2017 Summer scheduled to be held

 - Sept. World's largest trade show for consumer electronics, the IFA scheduled to be held in Berlin, Germany

 - Fall
 - Electronics companies expected to release new products: Apple to release new iPhone/iPad?
 - Expected program updates for iPhone and Windows 10
 - Fall Creators Update due to be released
 - Late 2017
 - Google Home predicted release within the year
 - MS Speaker device predicted to be released within the year

 - Jan. '18 Consumer Electronics Show scheduled in Las Vegas, US

 - Feb. Mobile World Congress (MWC) scheduled in Barcelona

 - March Largest global event for digital industry, CeBIT to be held in Germany

Topics post April 2018 (scheduled)



2020 5G communications network to start

Bring Wi-Fi to all primary, secondary and high schools in Japan (Ministry of Internal Affairs and Communications Policy)

Programming to become a compulsory class in primary schools

Digital textbooks to be implemented in some classes

Windows 7 support ends

NVIDIA and Audi aiming for Level 4 of completely automatic operation in cars

2023 E-Sport will become a medal event at the Asian Games

Support for Windows 8.1 will end

2024 Computerized university exams (CBT method) to replace traditional exam method

Market Environment



First Half Forecast



1

PC
Tablets
Smartphones

Total: industry



PC Increase YoY?
Tablets Decrease?
Smartphones Shift to low-price smartphones

PC demand bottom out
=> Positive

2

With the release of new products such as low-price SIMs and low-price smartphones, the demand for support will increase



Increased use of new products is positive for our company. Will therefore strengthen support services.



3

Demand for PCs will increase with the increased consumption of games and educational materials. The need for support will increase.



With the increased need for support, we will strengthen support services, and increase quality of support.

Solution Services - Support Services-



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



Free
consultation

Quick repair

Products
purchased at other
stores are
also welcome

2. Premium services (Continuous support, etc.)



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

Solution Services combine these services with hardware

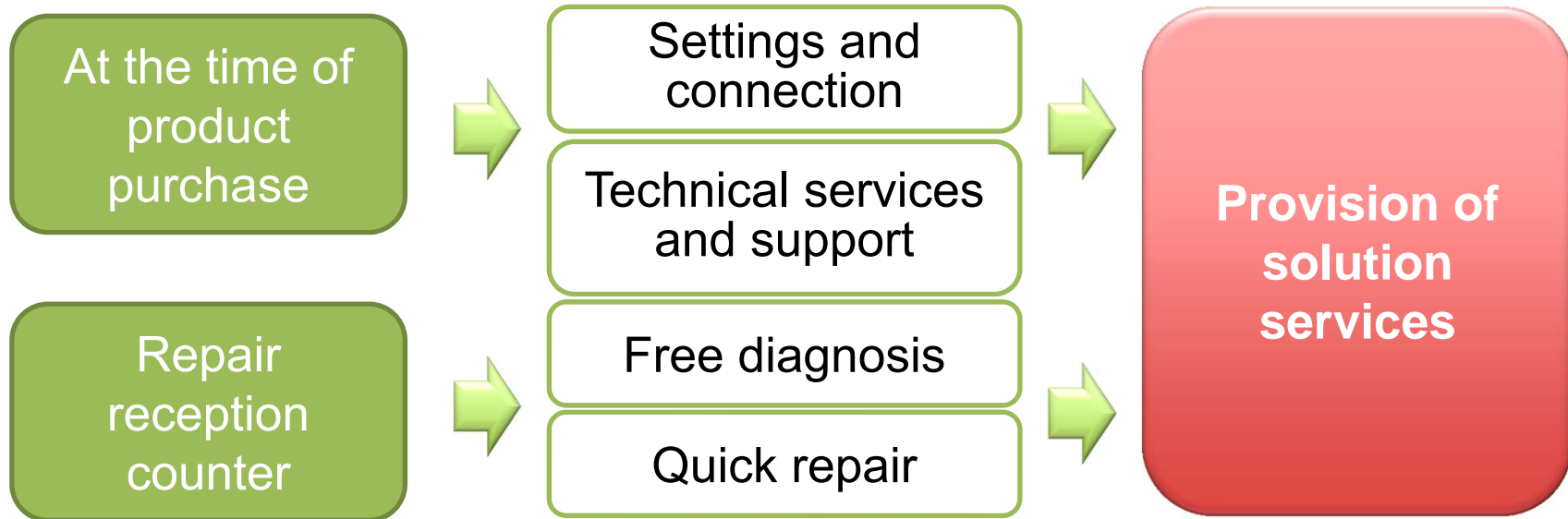
PC Clinic & Dr. Smart



Technical services and support department to resolve our customers' problems



Engineers, SLP (consultants), and Support desk
Over 1,000 staff (including employees and temporary employees) **assigned to stores**



2, Premium Services (continuous support)



Digital Concierge



PREMIUM Member



Any device regardless of

How old it is

Where it was bought

Support for anyone in the family

We will find a solution for **any kind of problem**

- Backups
- Security
- Updates
- Internet/Wi-Fi e.t.c.
- Accounts



FULL SUPPORT

2, Premium Services (continuous support)



We support all kinds of digital life.

Please consult our staff about any problems you encounter with your tablets, smartphones or any other device.

プレミアムサービスシリーズ
Memberサポート
家外でも
マルチネットワーク
プラン
4,500円
スマートフォン
プラン

Multi Network Plan

プレミアムサービスシリーズ
Memberサポート
宅内
WiFi
ホームネットワーク
プラン
3,500円

Home Network Plan

プレミアムサービスシリーズ
Memberサポート
インターネット設定
パソコン
プラン
2,500円

PC Plan

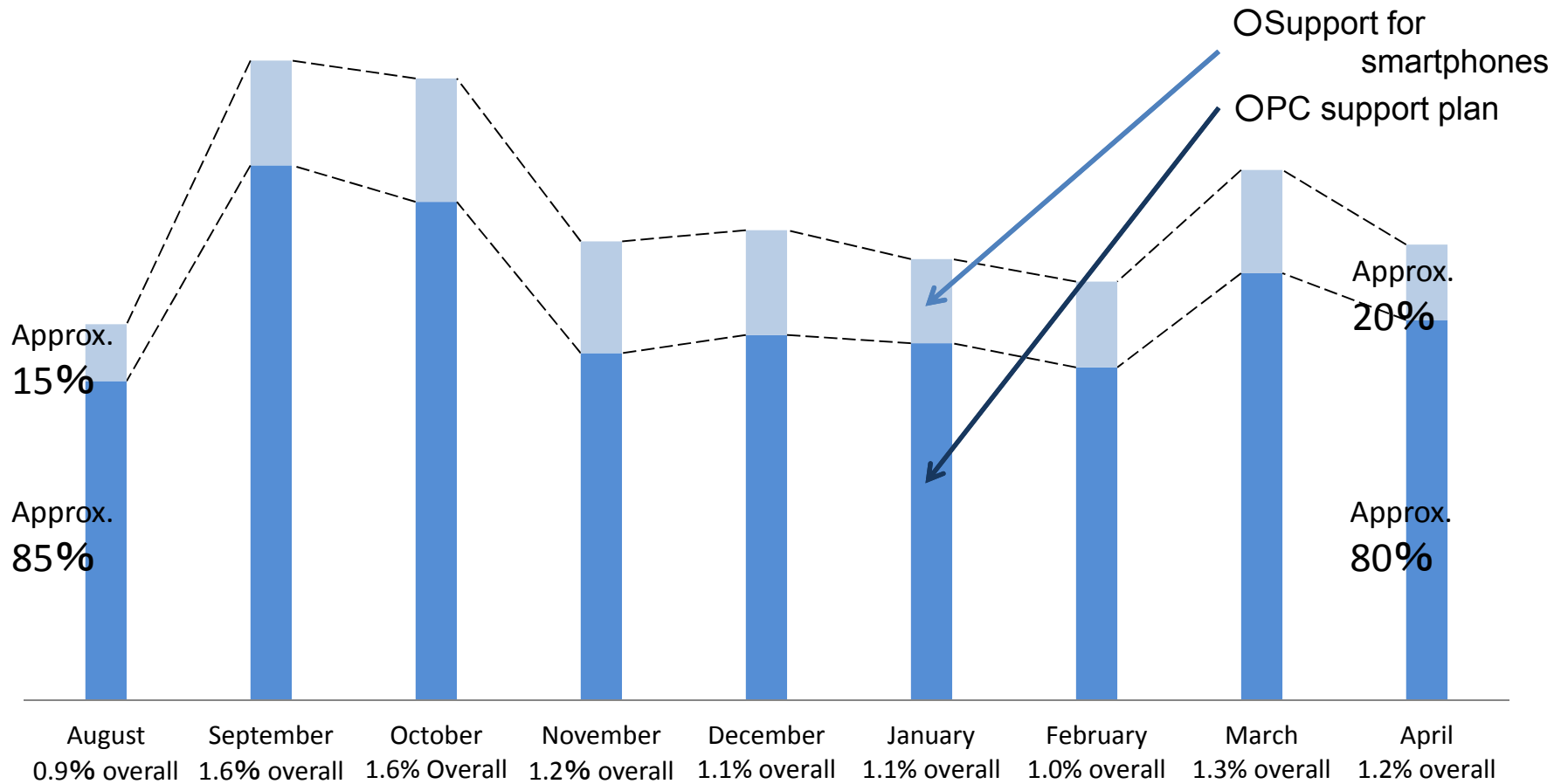
プレミアムサービスシリーズ
Memberサポート
スマートフォン
プラン
1,000円

Smartphone Plan

Withdrawal rate for premium services from August (including expirations)



* Average withdrawal rate: 0.6%–0.7%



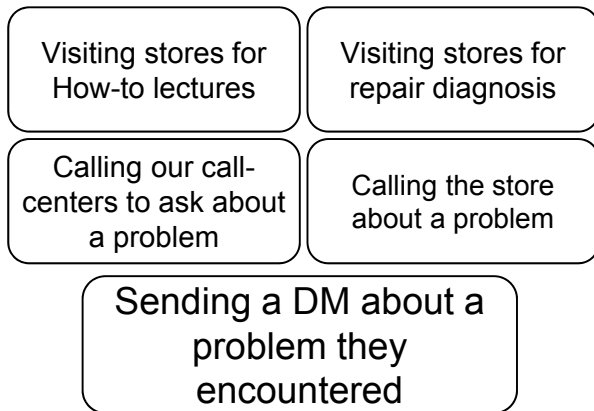
Continuous support for members



Continue to find solutions for every 'problem' each of our members encounter

Contact with members
Over 50000 cases/month

※monthly average, inc. estimates



A structure for quality improvement to support a "reassuring, convenient, and kind store"



Conventionally a division with multiple roles
 A new, improved division created by dividing roles from previous divisions



Examples of solution-services: Contents iPad



Weekly Diamond Digital Magazine + iPad



週刊ダイヤモンド (デジタル版)

The most popular business magazine sold in stores, Weekly Diamond Magazine. Released every Monday. 710 yen (paper magazine)

PC DEPOT ORIGINAL SET (including an iPad 2017)

2200 yen (excluding tax) /month
iPad 2017 付

Examples of solution-services: Cloud Service







A multi-functional and large capacity cloud service, essential living in an IoT digital era

- Automatic backup of data + restore data at stores without having to bring anything in



Automatically backup important data and information such as your settings, documents, photos, address log, music and more. We can also transfer backup data from the cloud to a newly purchased laptop, without the customer having to bring in their laptops or computers into the store.



<p>Automatically sync data</p>  <p>Ozzio cloud will automatically sync with your devices</p>	<p>Automatically backup settings information</p>  <p>The settings on any device can be automatically backed up on ozzio cloud. The backup data can be restored and used with the purchase of a new device.</p>
<p>Check saved data from another device</p>  <p>The information and data stored on ozzio cloud can be checked not only on your registered laptop but from any device.</p>	<p>Automatically save new photos onto the cloud</p>  <p>New photographs taken by your selected device can be stored automatically onto ozzio cloud.</p>

* インターネットにつながらないデバイスは、同期・バックアップの機能はお使いいただけません。

Store Development



Renovation Plans

5-10 Stores per year



Scheduled renovated store openings

June 10th 2017: PC DEPOT Smart Life Tama Newtown Store

June 17th 2017: PC DEPOT Smart Life Koshigaya Store

Store Development



Store Development



PC DEPOT Smart Life Store & PC DEPOT PC Clinic

Flexible on the opening plan depending on circumstances

PC DEPOT Smart Life Store Roppongi (provisional)

Due to open July 2017



※This image is just an example of what it might look like

Store Development

(Excluding FC, as of the 31st of March 2017)



PC DEPOT



PC DEPOT Smart Life



PC DEPOT
PC Clinic



Store Style	Suburban Large	In Tokyo Small to medium	Within the store PC Clinic Counter
Directly Operated	23 stores	31 stores	53 stores
Operated by Subsidiary	13 stores	-	5 stores
Total	36 stores	31 stores	58 stores



Management Target



We target

Recurrent Profit
Margin
10%

ROE
Over 15%

for mid term

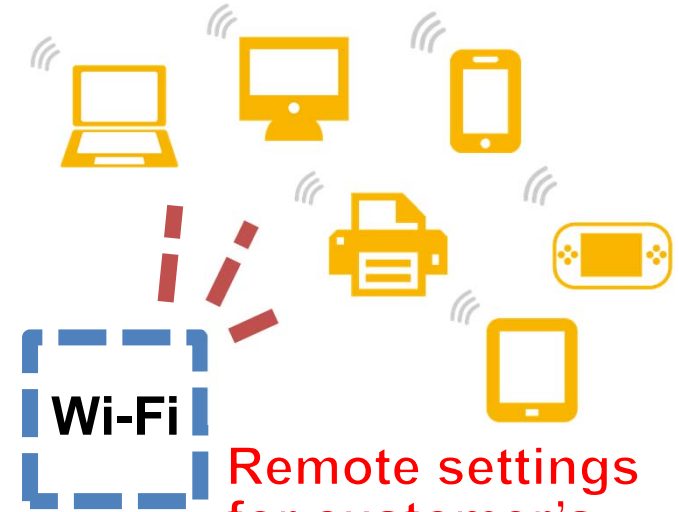


Appendix

Premium Services



Available at all PC DEPOT Stores



Remote settings for customer's home network from our stores



Premium Services



Before



Premium Services



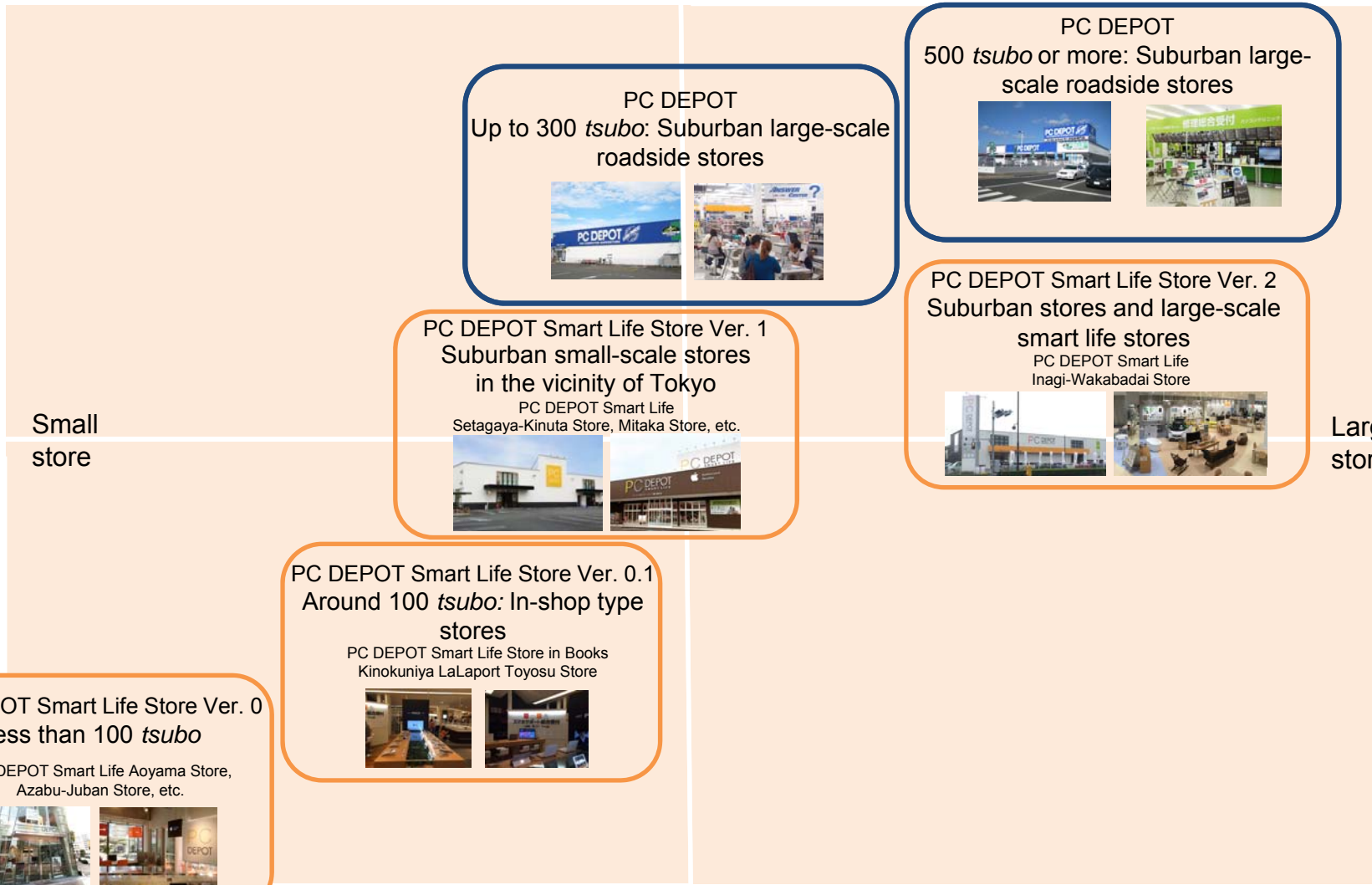
After



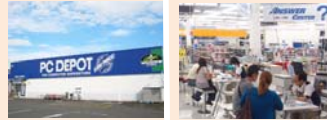
Store Development (PC DEPOT Smart Life Stores)



Product range - extensive



PC DEPOT
Up to 300 *tsubo*: Suburban large-scale roadside stores



PC DEPOT
500 *tsubo* or more: Suburban large-scale roadside stores



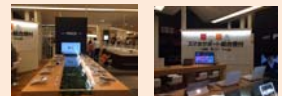
PC DEPOT Smart Life Store Ver. 1
Suburban small-scale stores in the vicinity of Tokyo
PC DEPOT Smart Life Setagaya-Kinuta Store, Mitaka Store, etc.



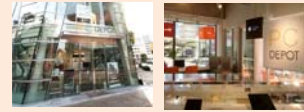
PC DEPOT Smart Life Store Ver. 2
Suburban stores and large-scale smart life stores
PC DEPOT Smart Life Inagi-Wakabadai Store



PC DEPOT Smart Life Store Ver. 0.1
Around 100 *tsubo*: In-shop type stores
PC DEPOT Smart Life Store in Books Kinokuniya LaLaport Toyosu Store



PC DEPOT Smart Life Store Ver. 0
Less than 100 *tsubo*
PC DEPOT Smart Life Aoyama Store, Azabu-Juban Store, etc.



Product range - limited

PC DEPOT Smart Life Store Ver. 0 Ver. 1



Small-sized format in central Tokyo

Suburban, small to medium-sized stores in the vicinity of Tokyo

- PC DEPOT Smart Life Aoyama Store
- PC DEPOT Smart Life Azabu-Juban Store
- PC DEPOT Smart Life Store in Books Kinokuniya LaLaport Toyosu Store

- Kanagawa 10 stores
- Saitama 1 store
- Chiba 1 store
- Tokyo 11 stores
- Ibaraki 2 stores



PC DEPOT Smart Life Store Ver. 2



Suburban, large PC DEPOT Smart Life stores (PC DEPOT Smart Life Inagi-Wakabadai Store (Inagi City, Tokyo))



View of the outside of the store



Smart x solutions (Quick lecture)



Common space



Dr. Smart (Diagnosis and repair reception counter)



Financial results for the fiscal year 2017 and past financial years are under audit as of the 19th of May 2017. Therefore all information, data and numbers in this presentation are based on information available to us at the time of release of this document, and may be corrected or modified with the release of the correction report.

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.

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