



Presentation of Financial Results
for the 3rd Quarter of the Year Ending
March 2019

February 12, 2019



PC DEPOT CORPORATION

Security Code 7618



FY2018 3Q Financial Results Highlights



Solution service sales – up 5.5% Y/Y

Promotion for increased usage by premium members

Advertisement of members only services on the newspaper flyers

“Build-up of touch points” with premium members => continued to offer well-planned proposals for future digital life

- Proactive implementation of long-term employment, rather than temporary hiring of staff for a short period
- Long-term human resources investment -> accelerated our efforts in encouraging employees to receive training, to enhance their arranging and thinking capabilities, and to enhance their self-motivated intellectual assets accumulation

Units: mil Yen, %	FY 2018 ending March,3Q	FY 2019 Ending March,3Q	Change	Y/Y
Net sales	32,458	30,392	△2,066	△6.4%
Operating income	1,863	2,026	162	8.7%
Ordinary income	1,931	2,108	176	9.2%
Net income Belonging to Parent company Shareholders	1,281	1,423	142	11.1%

PL (Consolidated)



Sales below the target, but profit remained solid

Units: mil Yen, %	FY 2018 ending March 3Q	FY 2019 ending March 3Q			FY 2019 ending March Annual forecast	
	Results	Results	Change	Y/Y	Forecast	Y/Y
Net Sales	32,458	30,392	△2,066	△6.4	43,000	△1.4
Products	13,442	10,399	△3,043	△22.6	—	
Services	18,046	19,033	986	5.5	—	
Internet related businesses (subsidiary)	922	911	△11	△1.2	—	
Gross Profit	14,811	14,100	△711	△4.8	—	
SGA expenses	12,948	12,074	△873	△6.7	—	
Operating Profit	1,863	2,026	162	8.7	2,400	△19.5
Ordinary Profit	1,931	2,108	176	9.2	2,500	△18.8
Net profit attributable to parent company shareholders	1,281	1,423	142	11.1	1,650	△15.8

{Sales}

For premium members, continued to bolster our consulting sales capabilities by offering well-planned proposal and well-planned creation for their future

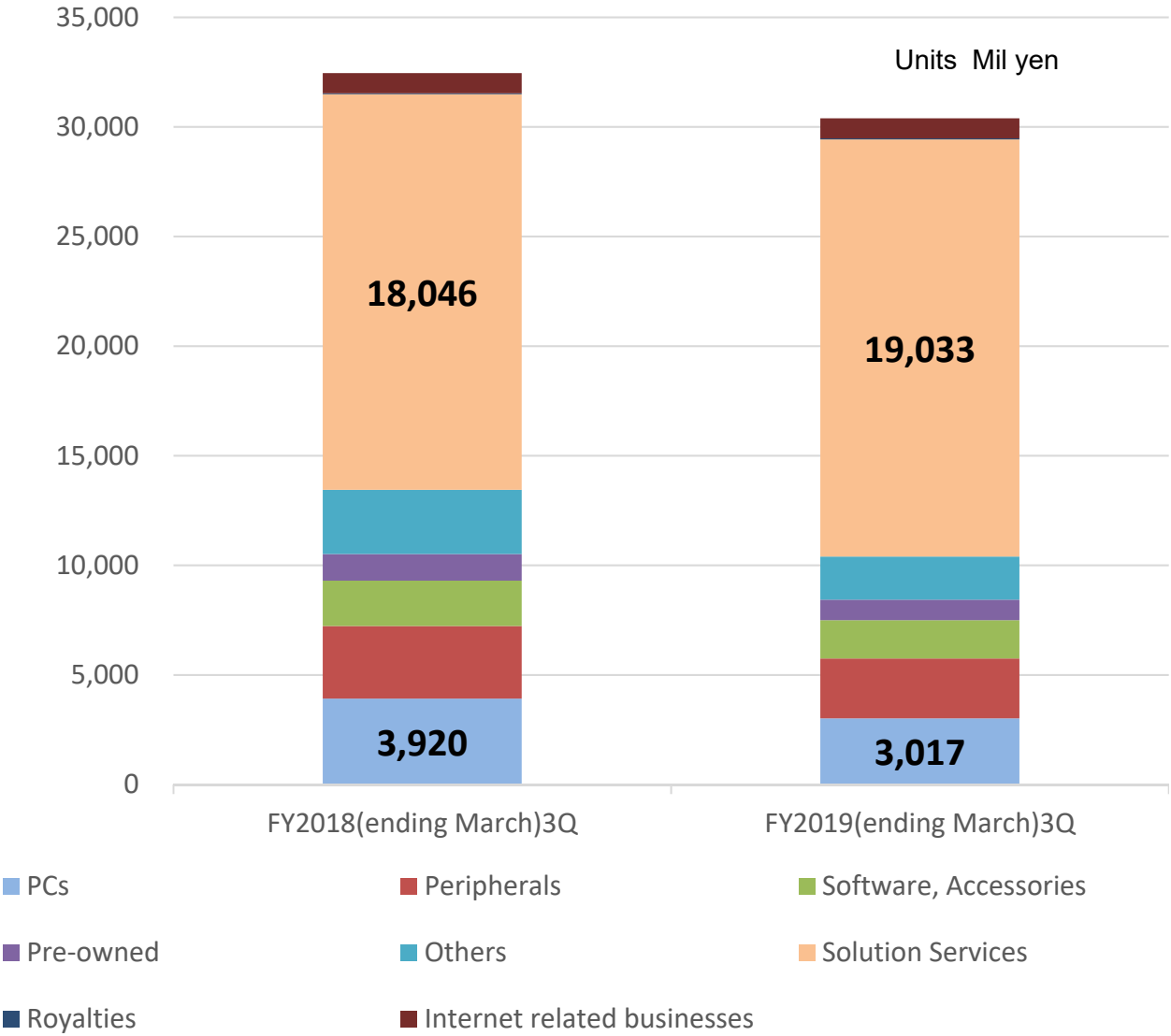
[SGA Cost]

Long-term human resources investment → accelerated our efforts in encouraging employees to receive training, to enhance arranging and thinking capabilities, and to enhance their self-motivated intellectual assets accumulation

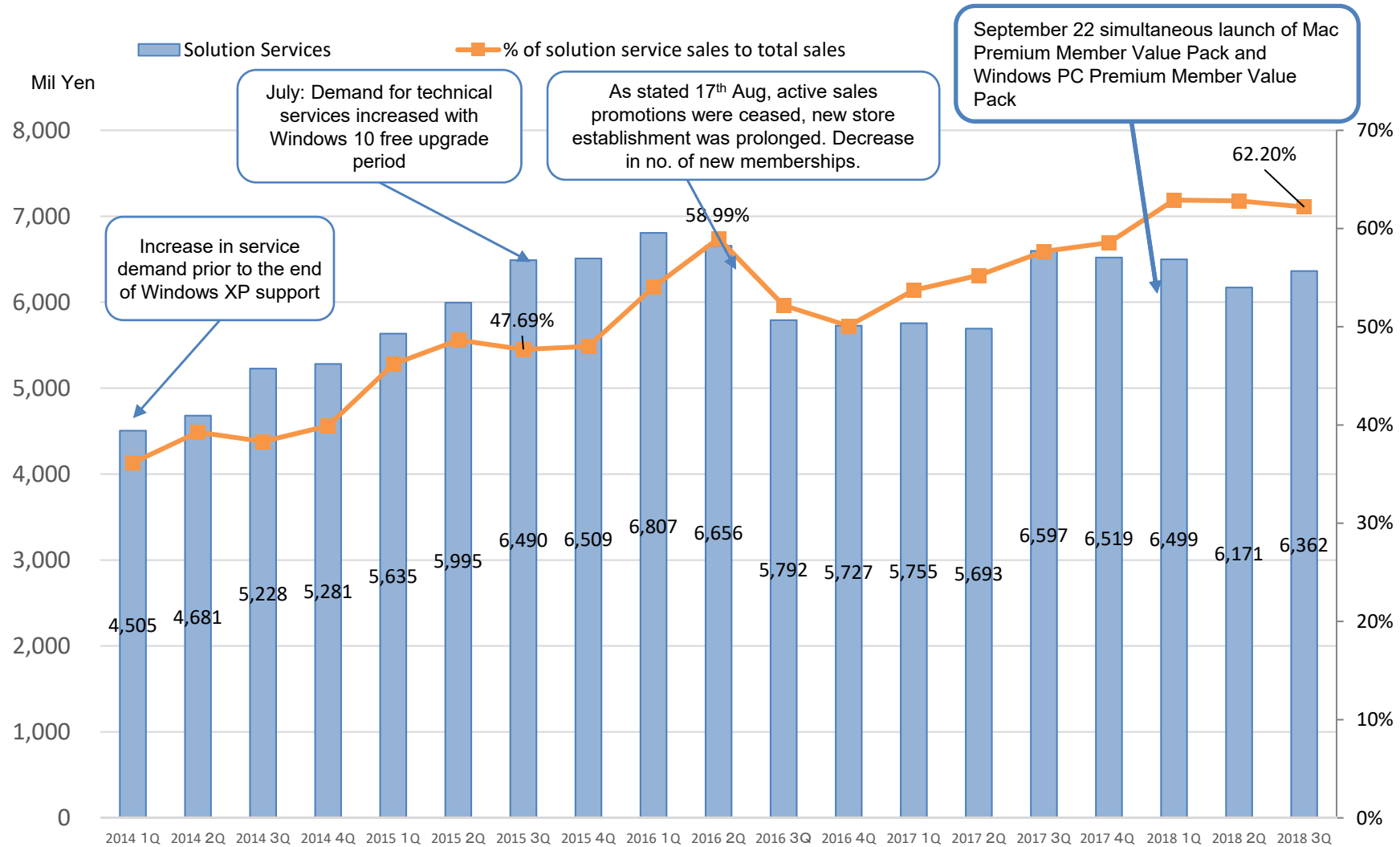
Hiring activities were focused on long-term employment, and refrained from short-term hiring of staff

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

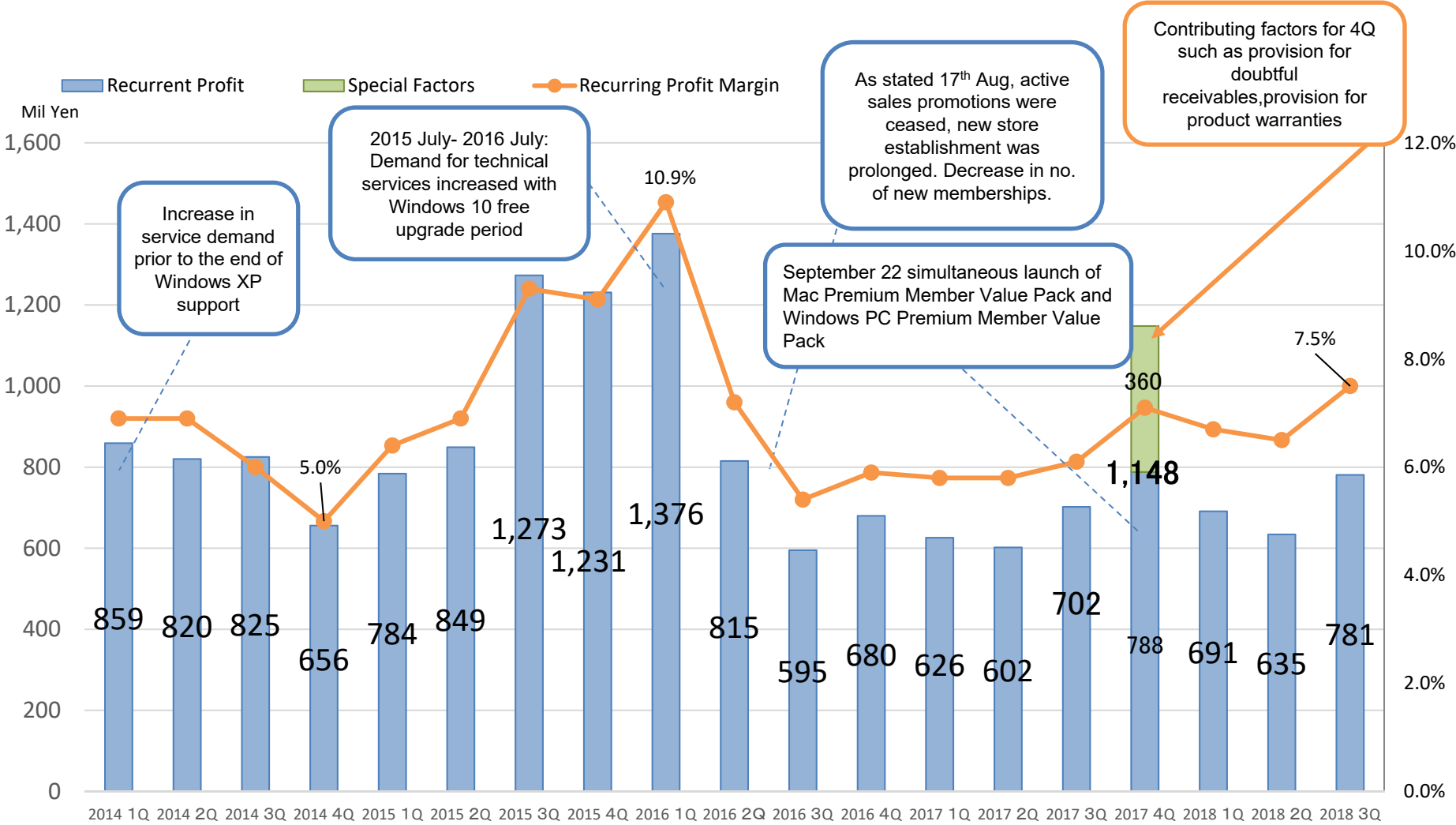
Sales by Product



Quarterly solution service sales/% of total sales



Recurring Profit changes per quarter



Balance Sheet (Consolidated)

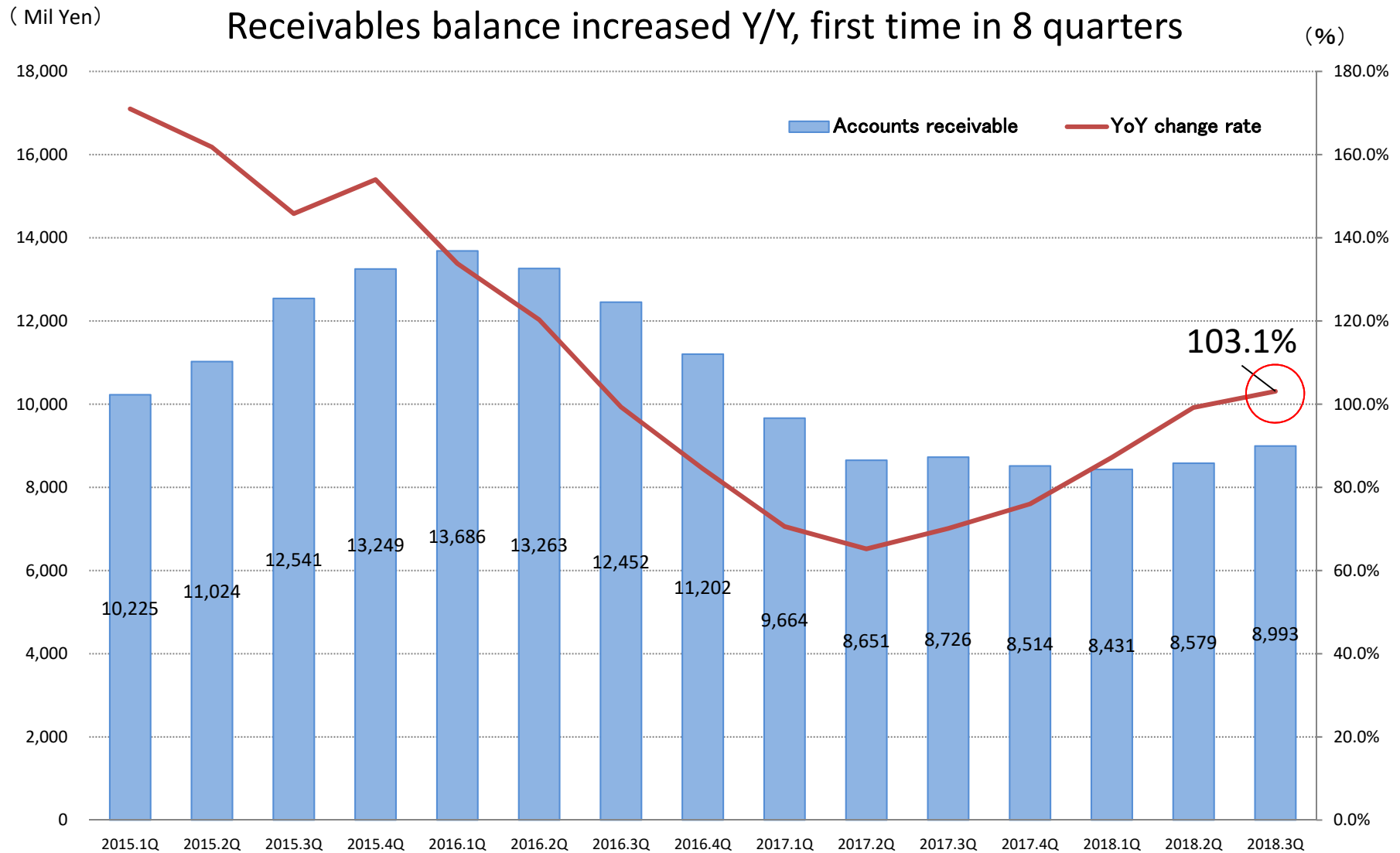


Equity Ratio 68.3%

Units Mil Yen	2018 end of March	2018 end of December	Change
Total current assets	25,702	25,969	267
Accounts receivable	8,514	8,993	478
Inventory	6,125	7,116	990
Total fixed assets	9,351	9,128	△222
Tangible fixed assets	4,440	4,307	△133
Intangible fixed assets	543	529	△13
Investments & other assets	4,367	4,292	△75
Total assets	35,053	35,097	44
Total current liabilities	6,279	6,782	503
Total tangible liabilities	5,523	4,284	△1,239
Total liabilities	11,803	11,067	△736
Total shareholder's equity	23,193	23,965	772
Total net assets	23,250	24,030	780
Total liabilities/ net assets	35,053	35,097	44

[Receivables]
Well-planned proposals for future digital life to our premium members led to an increase in the sales of members only service product "member solution hardware plan"

Accounts Receivables Quarterly Change



CF (Consolidated)



Decrease in operating CF

Units: mil Yen	FY 2018 (ending March) 3Q Results	FY 2019 (Ending March)				Changes
		1Q	2Q	3Q	FY 2019 (Ending March) 3Q Results	
Operating CF	3,973	1,422	819	Δ528	1,712	Δ2,261
Investment CF	Δ463	Δ183	Δ239	Δ125	Δ548	Δ85
Financial CF	Δ1,293	Δ882	Δ571	Δ886	Δ2,340	Δ1,047
Cash or cash equivalents at end of term	9,943	10,954	10,961	9,421	9,421	Δ522

Operating CF
 “Member Solution Hardware Plan”
 launched in September 2017 led to an
 increase in receivables
 → Decrease in operating CF

Investment CF
 Outlays related to PC Depot Smart Life
 store renovations (see page 25)
 1 Q 2 stores
 2Q 1 store (+1 renewal renovation)
 3Q 1 store

※Store openings and renovations for
 the same period last year
 New opening 1 store
 Renovations 6 stores

Preliminary Comparison



	FY2018 (ending March)	FY2019(ending March)				
	Annual Results	Annual Forecast	1Q	2Q	3Q	3Q Results
Services Previous years sales	1.7%減	7.0%+	12.9%+	8.4%+	3.2%+	5.5%+
Gross Profit Margin	46.0%	45.0%	46.7%	46.3%	46.2%	46.4%
Capital Investment	5.8Bil	10Bil~	—	—	—	5.52Bil
Interest bearing debt outstanding	71.9Bil	—	—	—	—	55.06Bil
Renovation to S L P*	8Stores	5~10 stores	2Stores	1Store	1Store	4Stores
Newly opened S L P*	1Store	Flexible	N/A	N/A	—	—
Newly opened PC Clinic	N/A	Flexible	N/A	N/A	—	—

※ SLP PC DEPOT Smart Life Stores

FY2019 (ending March) Forecast



Units: Mil yen, %	FY 2018 (ending March) Results		FY 2019 (ending March) Forecast	
	Results	Y/Y	Forecast	Y/Y
Net sales	43,590	△6.1	43,000	△1.4
Operating income	2,981	△12.4	2,400	△19.5
Ordinary income	3,079	△11.2	2,500	△18.8
Net income belonging to parent company shareholders	1,958	△13.7	1,650	△15.8

- **Solution Service Sales**
10.7%+ (Previous term results 1.7%-)
- **Gross Profit Margin**
45.0% (Previous term results 46.0%)
- **Capital Investment 10 Bil~**
- **Depreciation Amount 8.5 Bil**



We target

Recurring
Profit Margin
10%

ROE
Over 15%

For midterm



FY 2019 (ending March) Business Environment & Strategy

Topics (tentative) for FY 3/2019 ★New



-
- May 2018 Launch of Surface new model
Launch of correspondence courses for programming education in accordance with the new official curriculum guidelines
 - Jun Electronic Entertainment Expo (E3 in Los Angeles)
 - Jul Launch of new MacBook Pro 2018
 - Aug e-Sports tournament “EVO 2018” in Las Vegas
Planned launch of Surface Go
Major corporations to participate as official sponsors for Japan eSports Union
 - Sep Consumer electronics trade show (IFA, Germany)
Likely launch new products including iPhone from Apple
 - Oct CEATEC, consumer electronics IT trade show (Makuhari Messe, Japan)
U-22 Programming Contest final selection (Tokyo)
Launch of Surface Pro 6
iPad Pro, Mac Mini new products to be introduced
 - Nov “Pixel 3”, a smartphone by Google, to be launched in Japan
 - Dec Amazon’s “echo show” (a smart speaker with 10.1 inch screen) scheduled to go on sale
 - Jan. 2019 ★Consumer Electronics Show (CES)
 - Mar ★Major banks to introduce digital currencies

Topics (tentative) beyond FY 3/2019

★New



-
- Spring 2019 ★Complete separation of handset costs and communication fees by telecom carriers
- Summer
Leading convenience store chains to introduce their own barcode payment system
e-Sports added to the National Athletic Meet's culture program (Ibaraki prefecture)
Mandatory removal of SIM lock for pre-owned smartphones
- Autumn
★Countermeasure for consumption tax hike
★Rakuten to start mobile telecommunication service
- Not yet fixed**
★Apps for MaaS to be released in Japan
Introduction of digital textbooks (Ministry of Education)
NHK's programs are simultaneously broadcasted on TV and distributed via internet
5G network service will commence in limited areas
5G compatible smartphones to hit the market
Digital therapeutics with insurance coverage to become commercially available
- 2020
5G network service rollout
Aim for 100% facilitation of Wi-Fi to all classrooms
Inclusion of programming course as a required subject in the elementary school education
Plan to introduce digital textbooks (Ministry of Education, Culture, Sports, Science and Technology)
Termination of Windows 7 support service
NVIDIA to collaborate with over 320 companies, aiming for the commercialization of fully automated vehicles
★Online dosage instruction ban to be lifted
- 2021
Inclusion of programming course as a required subject in the junior high school education
- 2022
e-Sports added as medal event to 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

Market Environment → 2H Outlook for PC Depot



1

PC
Tablets
Smartphones



Industry-wide trend



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

Bottoming out of PC is positive

2

Increase in demand from the education market and eSports on the back of growing “experience-based consumption” such as learning and games

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

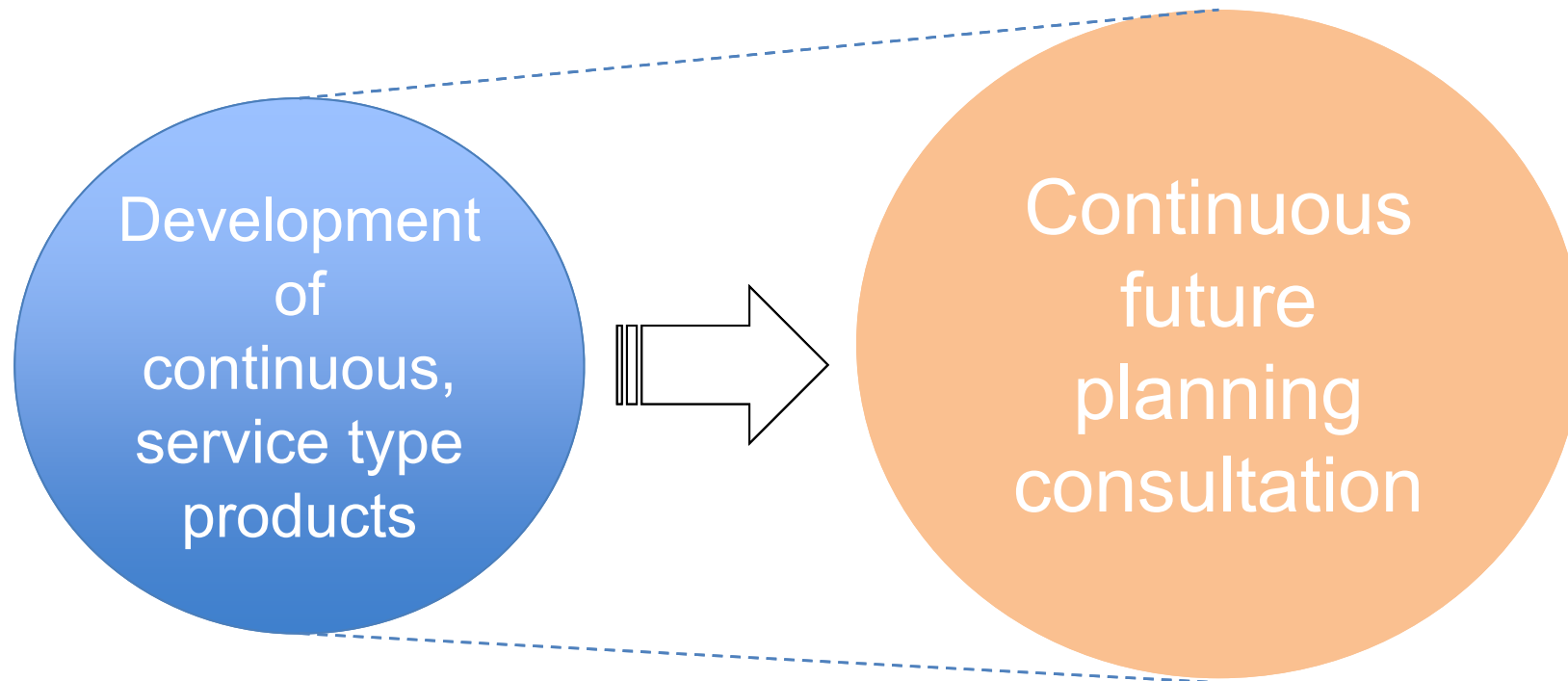
PC Depot premium member benefits become available based on membership

Business model evolution



2006~

2018~



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

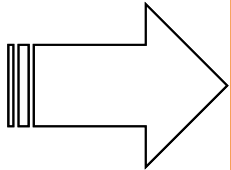
- Creation of future value
- Future planning type creation, proposal
- Manufacture customer value

Future consultant/engineer sales



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

【Digital Life Planner】
Consultation designer (tentative naming)
Engineer-artisan (tentative naming)
Member Benefit designer (tentative naming)

PREMIUM Member's

Toward the “Future Digital Life”



Convention al model



Solving problems
Immediate response/
immediate value creation



Division of labor in
providing services

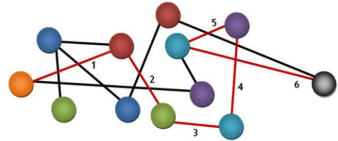
SHIFT
UP

Coming model from next spring

Consultant designer (tentative naming)
Engineer-artisan (tentative naming)
Member benefit designer (tentative naming)



Future value creation
Well-planned proposal
Well-planned creation



Comprehensive
Specialized
Proposal-based

PC DEPOT Premium Member



Our dedicated team to provide “well-planned proposal for digital life”
for the future

Digital life planner (coming this spring)

PREMIUM Member Information

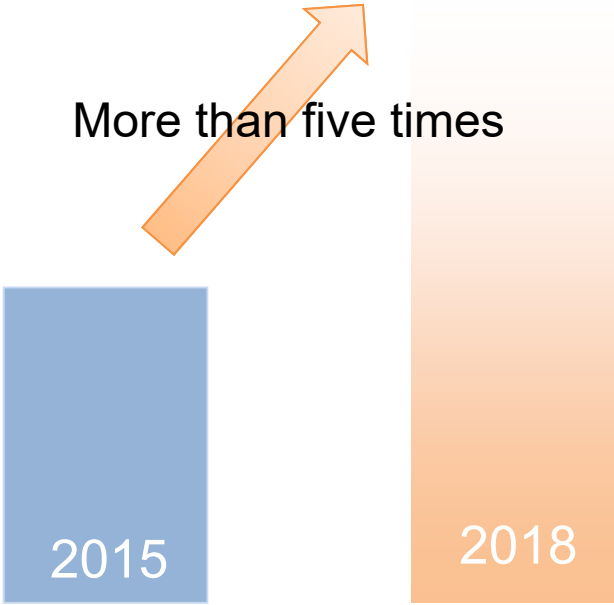
MemberOnly

- Speaker
- Stereo record player
- Audio
- Keyboard
- Sound Bar

PREMIUM Member's

【Digital Life Planner】
Consultation Designer (tentative naming)
Engineer-artisan(tentative naming)
Member Benefit designer(tentative naming)

Initiatives for planned creation



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

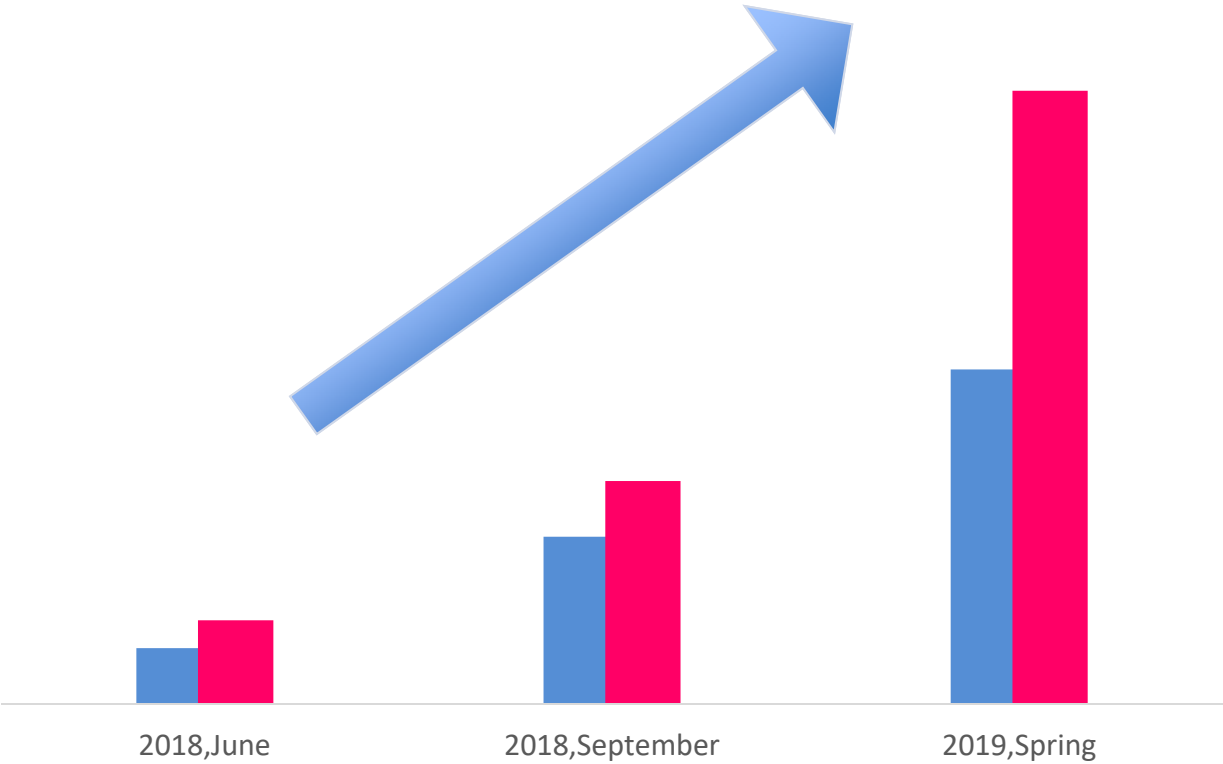
SHIFT UP PC Depot smart life stores



Image for a number of consulting cases - flow and stock



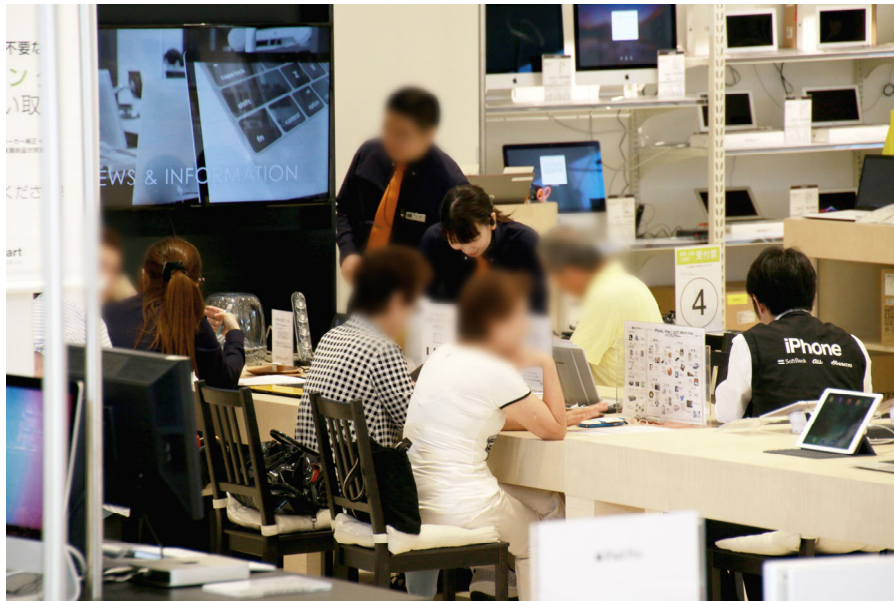
■ consulting cases ■ flow and stock



Edusocialment & Live



- Education Learning-style, children, education, family, work-style
- Social Engagement across generations, repair/reuse devices, idle asset utilization
- Entertainment Fun, FACE to FACE communication, experience LIVE



Minecraft (Microsoft Corporation) • Nintendo (Nintendo Co., Ltd.) • homebuilt computer
• LEGO Education (LEGO) • Osmo Coding (Osmo) ETC

Store Development



Store Renovation

- Renovation  →  5-10 stores planned
- Smart Life store minor renovation Flexibly execute

Store Closures

- Smart Life stores
 - PC Clinic
- Flexibly respond

Renovation Plan

- Jun PC DEPOT Yokosuka Store → PC DEPOT Smart Life Yokosuka Store
- PC DEPOT Oume Store → PC DEPOT Smart Life Oume Store
- Jul PC DEPOT Ashikaga Store → PC DEPOT Smart Life Ashikaga Store
- Sep PC DEPOT Smart Life Makuhari inter Store → Update remodeling
- Nov PC DEPOT Takamatsu Higashi Bypass Store → PC DEPOT Smart Life Takamatsu Higashi Bypass Store

SHIFT UP PC Depot smart life stores



Install consulting and designing counters

※PC Depot Smart Life store Ver1 Type-F

Rearrange the lounge and member solutions

Plan to introduce in 3-5 stores every quarter going forward

Store Development

(Excluding FC, as of 2 February 2019)



PC DEPOT



PC DEPOT Smart Life

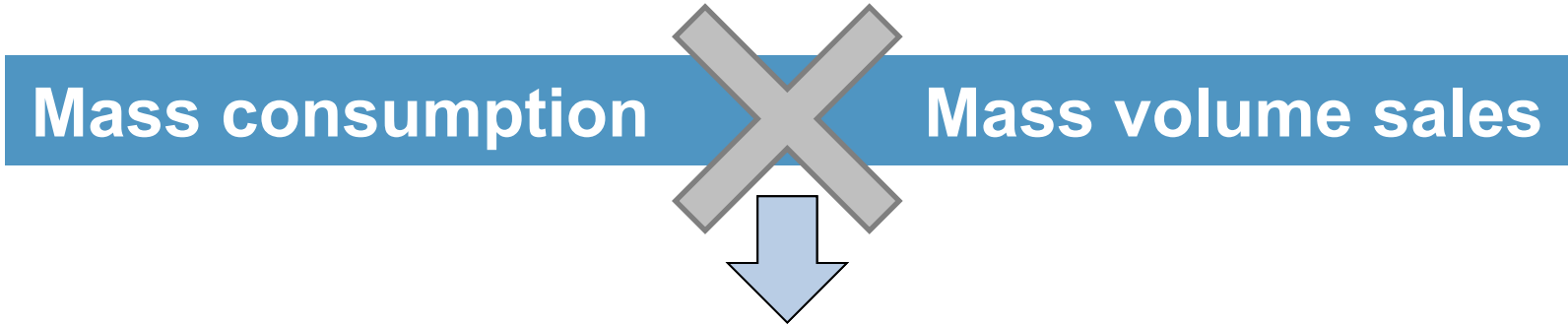


PC DEPOT PC Clinic



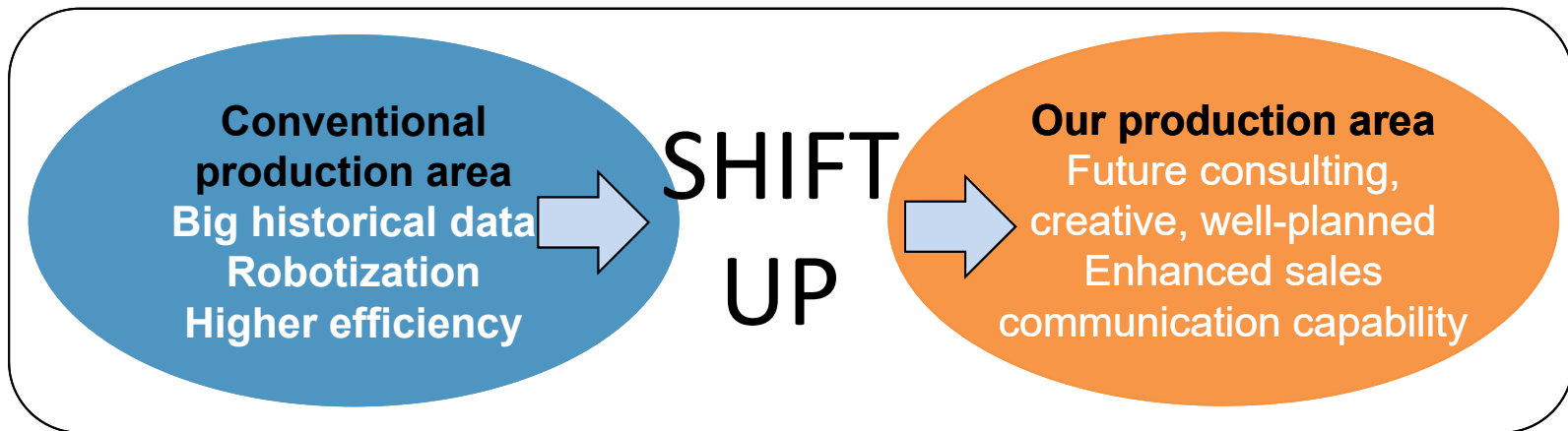
Store style	Suburban type, large-scale store	Large scale urban store, Small-medium scale store	In-store PC Clinic counter
Directly operated	13 stores	42 stores	53 stores
Subsidiary operated	11 stores	2 stores	5 stores
Total	24 stores	44 stores	58 stores





Business model continuation/evolution

Continuous support, continuous use
Well-planned proposal, well-planned creation



PC DEPOT



※写真はイメージです。

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

We provide support for all areas including sales, repairs, and Internet services. We also provide support for devices that were bought online, or at other stores. Please let us know if you have anything you need help with.



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