



Presentation of Financial Results for the Year Ending March 2019

May 14, 2019 Announcement
May 21, 2019 Result Briefing



PC DEPOT CORPORATION

Security Code 7618



Fiscal Year 3/2019 Financial Results



Solution service sales – up 2.9% Y/Y

Promotion for increased usage by premium members

Advertising membership only service on the newspaper flyers

“Strengthen points of contacts” with premium members

⇒ Continue to provide well-considered proposals/value creation for future digital life → provide “future plan proposals”

<advance tentative booking> Fiscal year 3/20194Q increase perspective orders → Fiscal year 3/20201Q emergence of real orders → Fiscal year 3/20202Q expected increase in real orders

•Investment in human resources on a long-term basis → accelerate initiatives in training programs for developing creative skills such as compilation, thinking, and expression

•Proactive in long-term employment → store staffs are directly employed by the company

Unit: millions of yen, %	FY 3/2018	FY3/2019	change	Y/Y	forecast	vs forecast
Revenue	43,590	40,447	△3,143	△7.2	43,000	94.1
Operating profit	2,981	2,579	△402	△13.5	2,400	107.5
Recurring profit	3,079	2,685	△393	△12.8	2,500	107.4
Profit attributable to owners of parent	1,958	1,553	△405	△20.7	1,650	94.1

P/L (consolidated)



Solid recurring profit Revenue marginally below the company plan

Units: mil Yen, %	FY 3/2018	FY3/2019			FY 2019 ending March Annual forecast	
	Results	Results	Results	Change	Forecast	Y/Y
Net Sales	43,590	40,447	△3,143	△7.2	43,000	94.1
Products	17,720	13,895	△3,824	△21.6	—	
Services	24,566	25,270	704	2.9	—	
Internet related businesses (subsidiary)	1,241	1,216	△24	△2.0	—	
Gross Profit	20,044	18,663	△1,381	△6.9	—	
SGA expenses	17,062	16,083	△978	△5.7	—	
Operating Profit	2,981	2,579	△402	△13.5	2,400	107.5
Ordinary Profit	3,079	2,685	△393	△12.8	2,500	107.4
Net profit attributable to parent company shareholders	1,958	1,553	△405	△20.7	1,650	94.1

【Revenue】

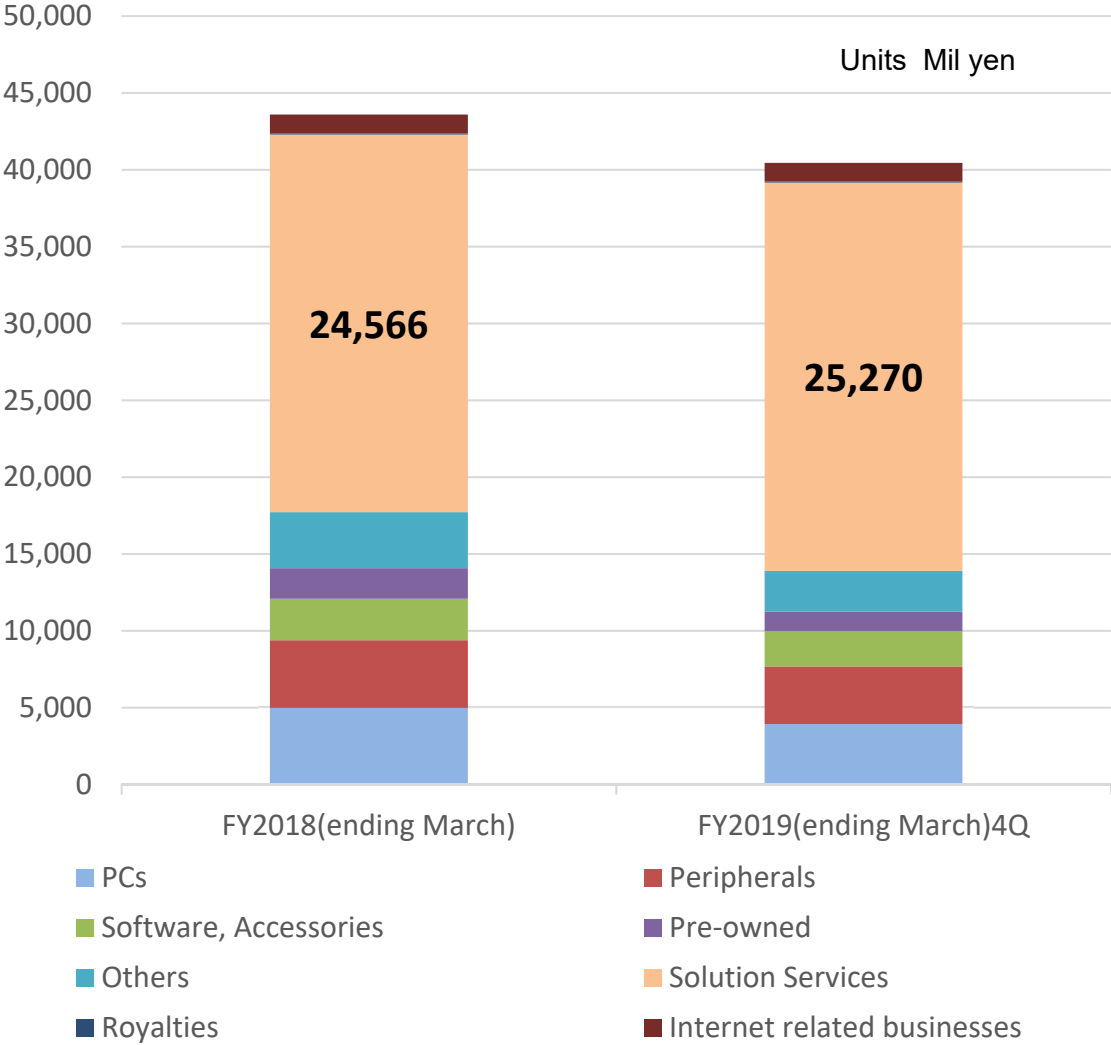
- Continued with our consulting sales service of providing premium members with value creation through well-considered proposals

【SGA cost】

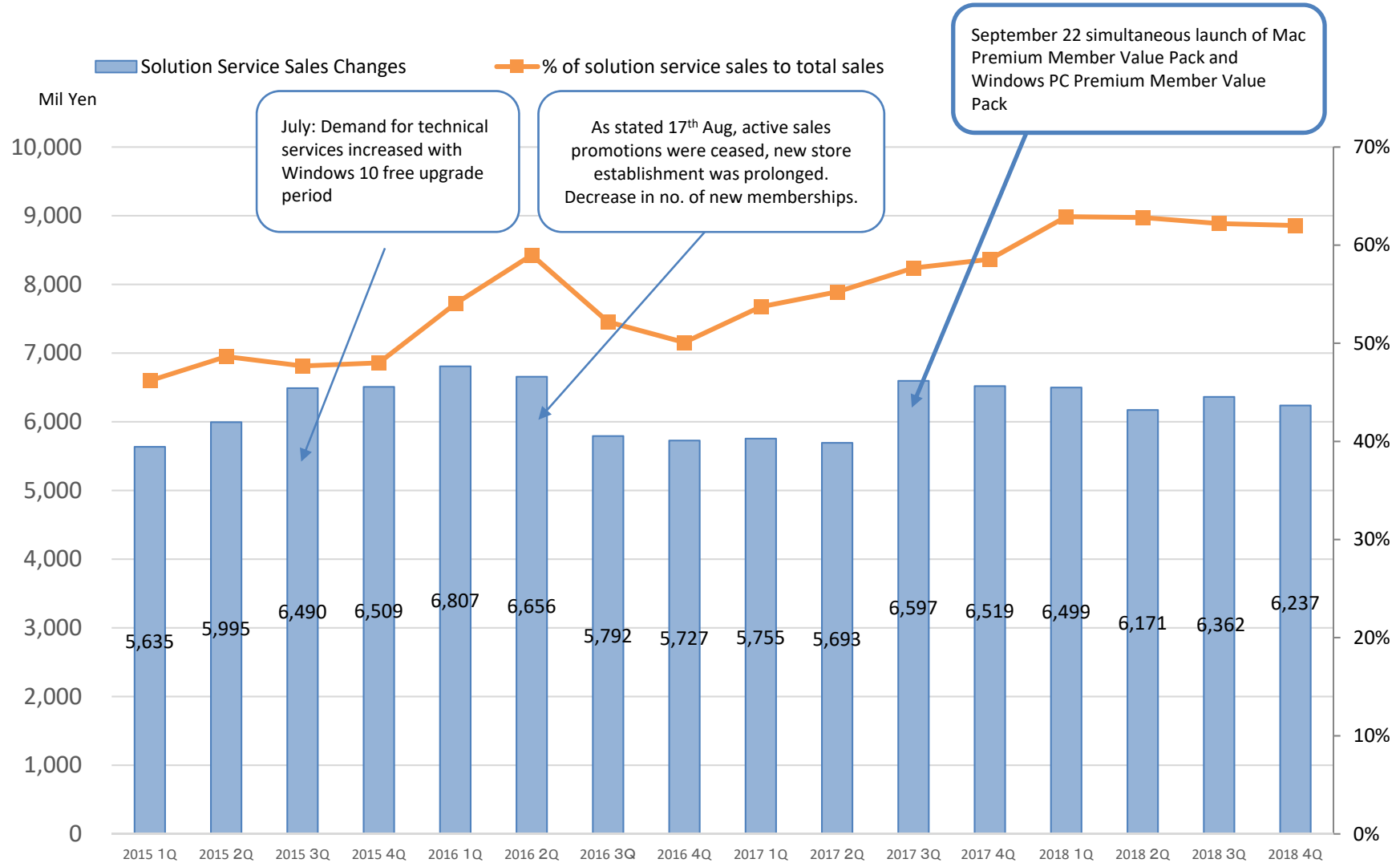
- Investment in human resources on a long-term basis → accelerated initiatives in training programs for developing creative skills such as compilation, thinking and expression,
- Proactive in long-term employment → store staffs hired directly by the company

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

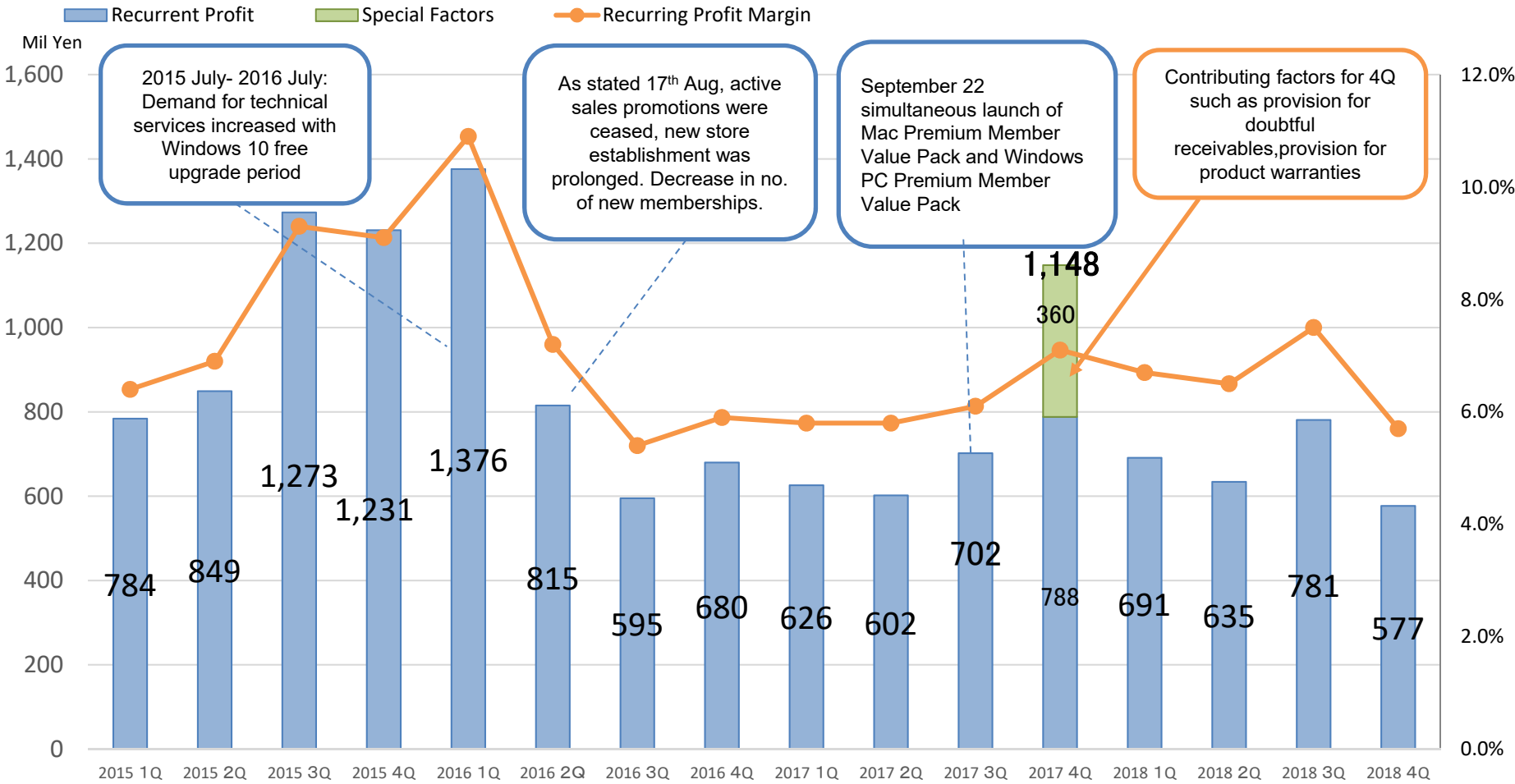
Sales by Product



Solution Service Sales Changes by Quarter



Recurring Profit changes per quarter



Balance Sheet (Consolidated)



Equity Ratio 71.7 %

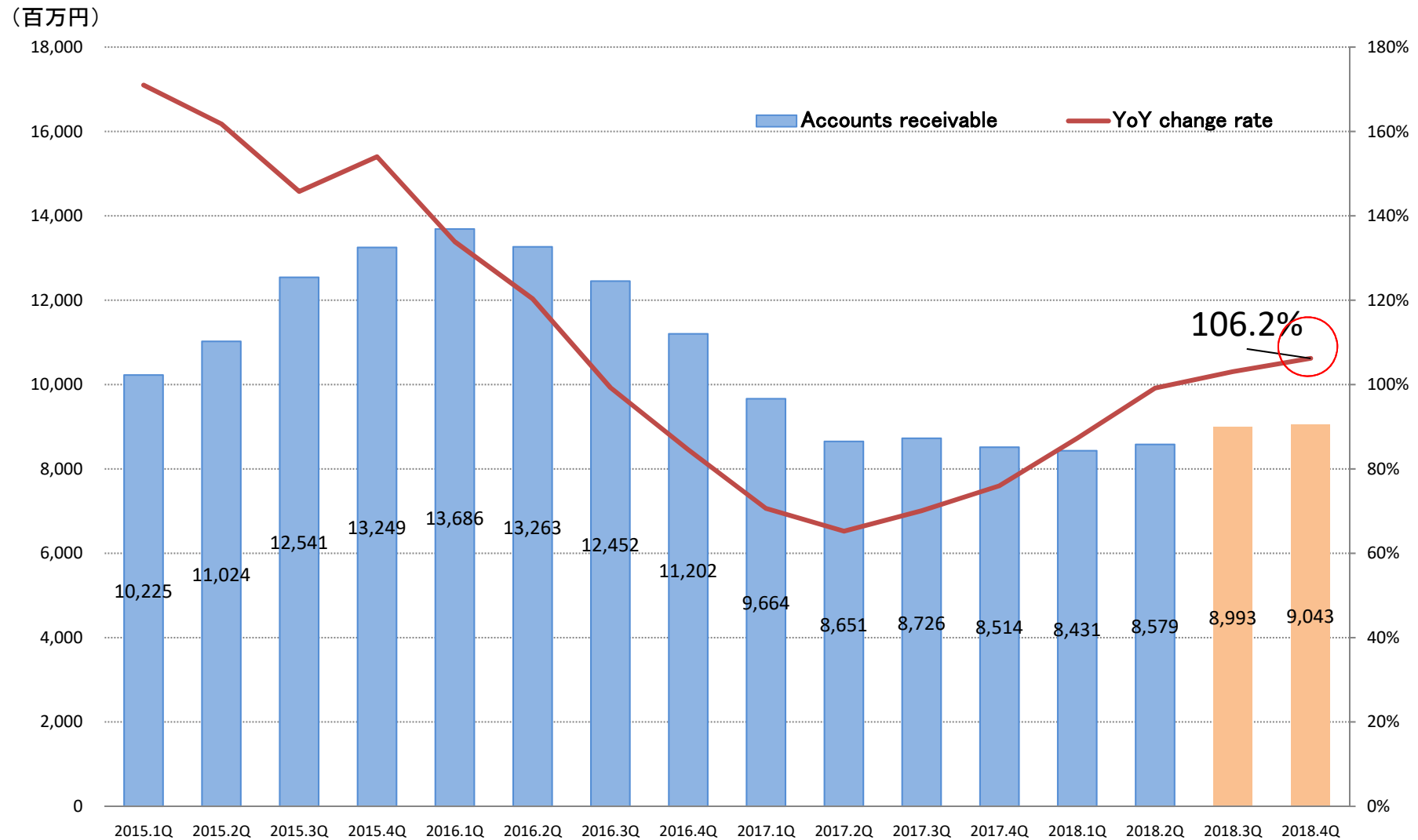
Units Mil Yen	2018 end of March	2019 end of March	Change
Total current assets	25,702	24,589	Δ1,112
Accounts receivable	8,514	9,039	525
Inventory	6,125	5,642	Δ482
Total fixed assets	9,351	9,031	Δ320
Tangible fixed assets	4,440	3,977	Δ462
Intangible fixed assets	543	608	Δ65
Investments & other assets	4,367	4,444	77
Total assets	35,053	33,620	Δ1,432
Total current liabilities	6,279	5,499	Δ780
Total tangible liabilities	5,523	3,962	Δ1,561
Total liabilities	11,803	9,461	Δ2,341
Total shareholder's equity	23,193	24,096	902
Total net assets	23,250	24,159	909
Total liabilities/ net assets	35,053	33,620	Δ1,432

[Receivables]
Increased purchases/additional service usage by premium members as we provide well-considered proposals/demand creation for future digital life

Accounts Receivables Quarterly Change



With the membership, as solution service sales grow, receivables increase



CF (Consolidated)



Decrease in operating CF

Units: mil Yen	FY 2018 (ending March) Results	FY 2019 (Ending March)				FY 2019 (Ending March) Results	Change
		1Q	2Q	3Q	4Q		
Operating CF	5,045	1,422	819	△528	851	2,563	△2,481
Investment CF	△297	△183	△239	△125	△173	△721	△424
Financial CF	△1,876	△882	△571	△886	△556	△2,897	△1,020
Cash or cash equivalents at end of term	10,597	10,954	10,961	9,421	9,542	9,542	△1,055

Operating CF
Continue to promote a shift to consulting sales which provide well-considered proposals and demand creation for the future to our premium members
→ Increase in receivables
→ Decrease in operating cashflow

Investment CF
Outlays related to PC Depot Smart Life store renovations and PC Depot Smart Life store type-F test renovations
1Q 2 stores
2Q 1 store (+1 renewal renovation)
3Q 1 store
4Q 2 Stores

※Store openings and renovations for the same period last year
New opening 1 store
Renovations 8 stores

Preliminary Comparison



	FY 2019	FY2019(ending March)				
	Annual Forecast	1Q	2Q	3Q	4Q	Results
Services Previous years sales	7.0%+	12.9%+	8.4%+	3.2%+	4.3%—	2.9%+
Gross Profit Margin	45.0%	46.7%	46.3%	46.2%	45.4%	46.1%
Capital Investment	10Bil~	—	—	—	—	9.4Bil
Interest bearing debt outstanding	—	—	—	—	—	49.5Bil
Renovation to S L P ^{※1}	5~10 stores	2 Stores	1 Store	1 Store	2 Stores	6 Stores
Newly opened S L P ^{※1}	Flexible	N/A	N/A	—	—	—
Newly opened PC Clinic	Flexible	N/A	N/A	—	1 Store — 1 Store + ^{※2}	—

※1 SLP PC DEPOT Smart Life Stores
 ※2 PCDEPOT PC Clinic Relocation of store



Consolidated Dividend Payout Ratio

Consolidated dividend payout ratio of 30%
Profit distribution through stable dividend payment
to be maintained

Unit %	FY 3/2017	FY 3/2018	FY 3/2019	FY 3/2020 (PLAN)
Consolidated dividend payout ratio	29.5	33.7	42.0	36.7

Disclosure of announcement on the same day



- Notice regarding executive candidates
- Notice regarding introduction of a Restricted Stock Compensation Plan
- Notice regarding the Plan by the President to Acquire Shares in the Open Market for the Purpose of Distributing Shares to Executives and Regular Employees as a Gift as well as for long term Holdings; and Likely Changes in Major Shareholders

Revision to a Portion of the Shareholder Benefit Scheme



Monthly membership maintenance service

To promote increased usage of “PC DEPOT Premium Membership”

■ “Premium members” can appropriate twice the face value of coupon for payment

- Shareholders → Increase in our service usage
- Premium members → Increase in chances of becoming our shareholders



Shareholders

PREMIUM
Member's

Outlook for Fiscal Year 3/2020



Increase in both revenue and profits

Units: 1 Mil, %	FY 2019 (ending March) Results		FY 2020 (ending March) Forecast	
	Results	YoY	Forecast	YoY
Net sales	40,447	Δ7.2	41,000	1.4
Operating income	2,579	Δ13.5	2,600	0.8
Ordinary income	2,685	Δ12.8	2,700	0.5
Net income belonging to parent company shareholders	1,553	Δ20.7	1,780	14.6

▪ **Solution Service Sales 5.0%**

(Previous term results 2.9%)

▪ **Gross Profit Margin 45.0%**

(Previous term results 46.1%)

▪ **Capital Investment 13 Bil**

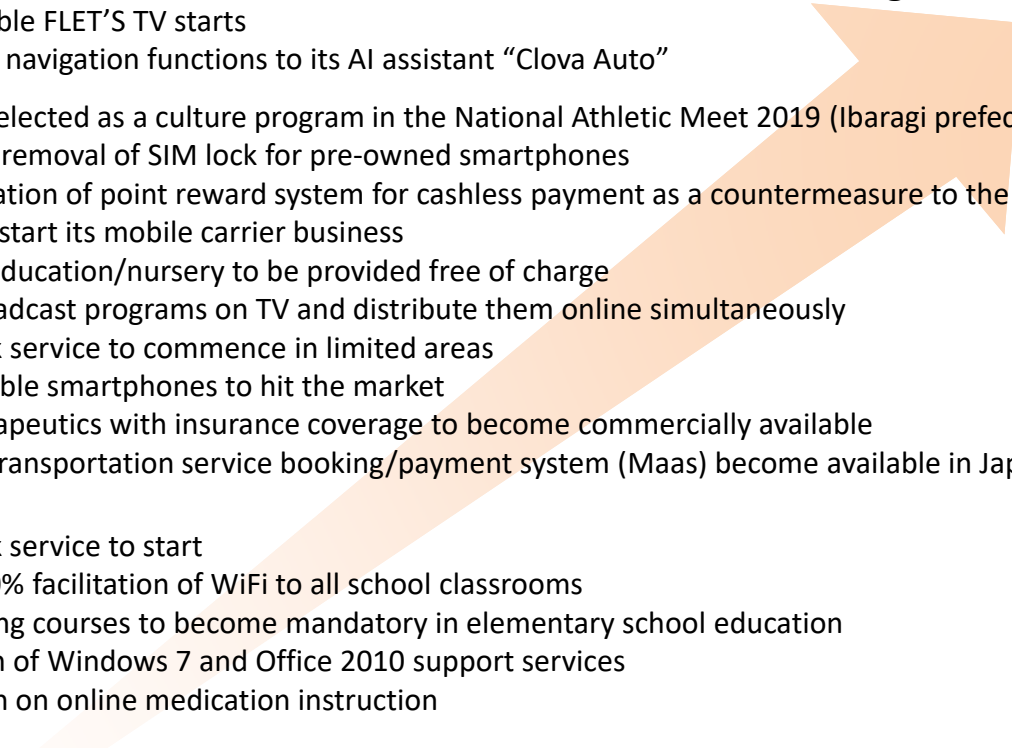
▪ **Depreciation Amount 8 Bil**



FY 2020 (ending March)
Business Environment & Strategy

Topics (tentative) for FY3/2020 onward



2019	Spring	Windows 10 update	 <p>Contributing factors to the growth of well-considered proposals</p>
	Summer	Expansion of electronic payment usage 8K compatible FLET'S TV starts LINE to add navigation functions to its AI assistant "Clova Auto"	
	Fall –	"e-Sports" selected as a culture program in the National Athletic Meet 2019 (Ibaragi prefecture)	
	Winter	Mandatory removal of SIM lock for pre-owned smartphones Implementation of point reward system for cashless payment as a countermeasure to the consumption tax hike Rakuten to start its mobile carrier business Preschool education/nursery to be provided free of charge NHK to broadcast programs on TV and distribute them online simultaneously 5G network service to commence in limited areas 5G compatible smartphones to hit the market Digital therapeutics with insurance coverage to become commercially available Apps with transportation service booking/payment system (Maas) become available in Japan	
2020		5G network service to start Aim for 100% facilitation of WiFi to all school classrooms Programming courses to become mandatory in elementary school education Termination of Windows 7 and Office 2010 support services Lifting a ban on online medication instruction	
2021		Programming courses to become mandatory in junior high school education	
2022		e-Sports added as a medal event in 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 → 1H 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

Demand to increase from “coto (intangible goods) consumption” such as education, games, cashless payment, termination of Windows 7 support service, and 5G

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

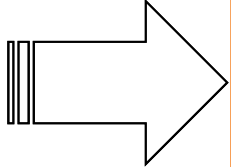
PC Depot premium member benefits become available based on membership

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



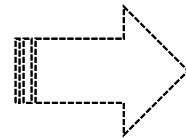
PREMIUM Member's

Premium member
Dedicated team (consists of 3-5 staffs)
【Digital Life Planner】

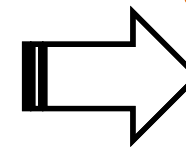
Advancement of Business Model Coto Level 2.0



2006~



2018~



2019~



Accelerate further
Increase in stocks



Numbers to become
evident in 1Q

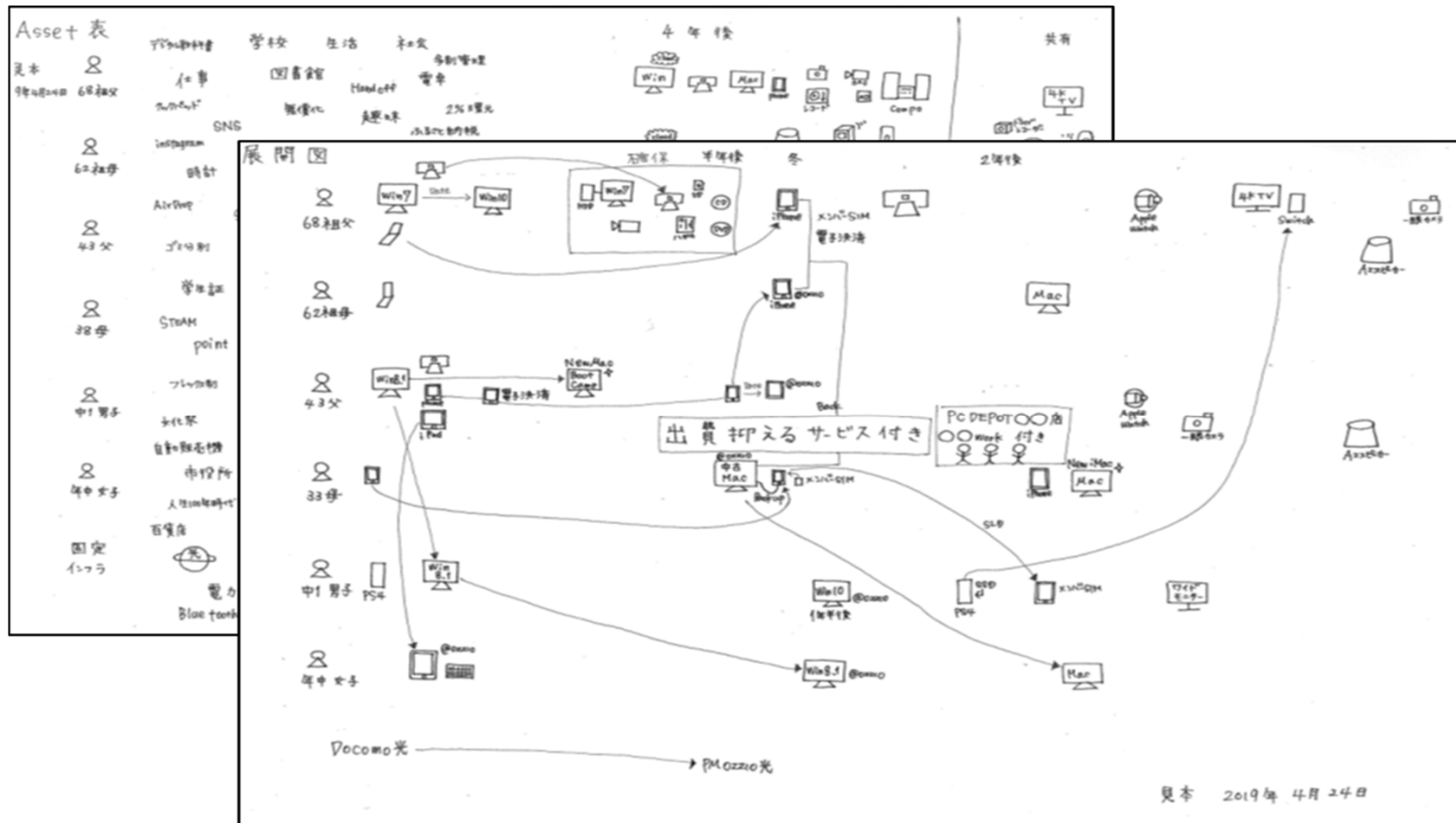
- Solving “problems”
- Sales and marketing to the customers

- Customer value generation
- Demand creation through well-considered proposals

Image of Demand Creation through Well-considered Proposals



Premium member
Dedicated team (consists of 3-5 staffs)
Example of a consultation sheet by our digital life planner



Coto Level 2.0



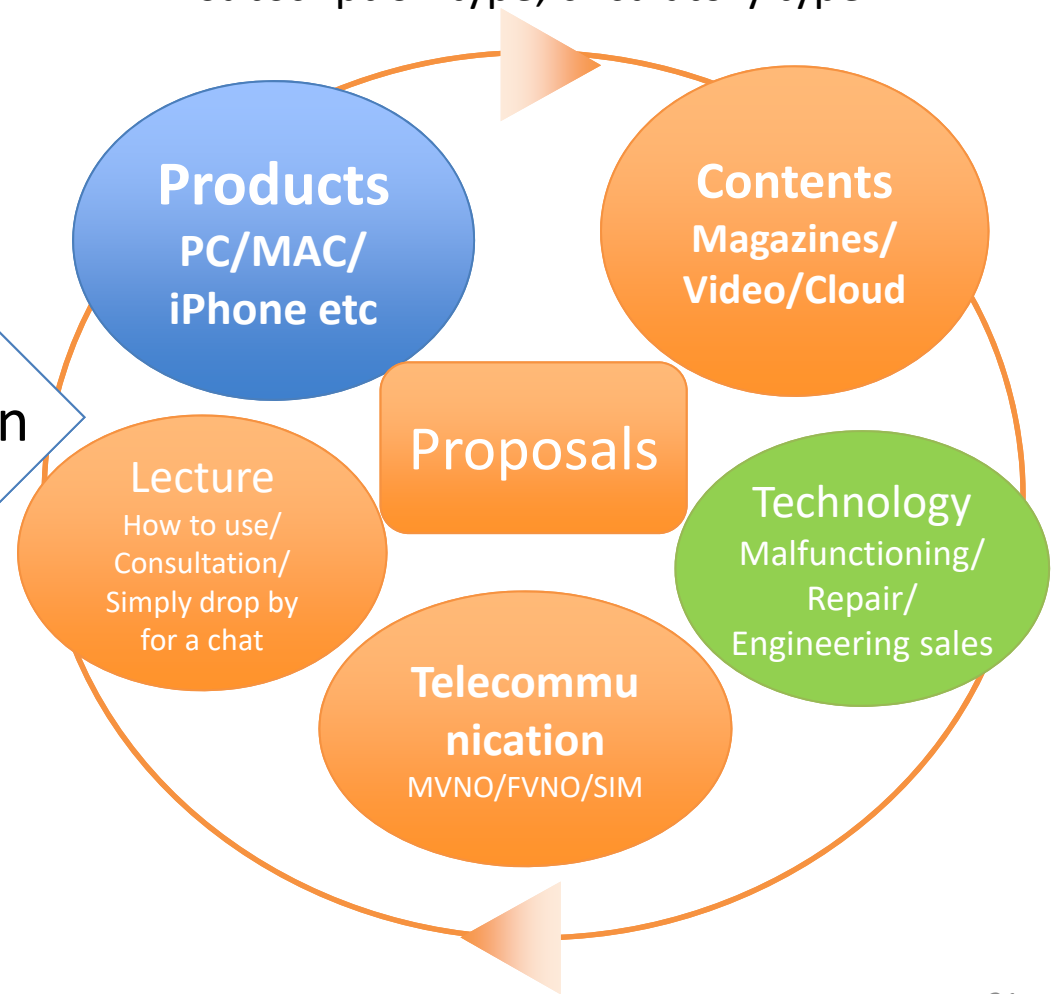
Image of our company
Membership system,
subscription type, circulatory type



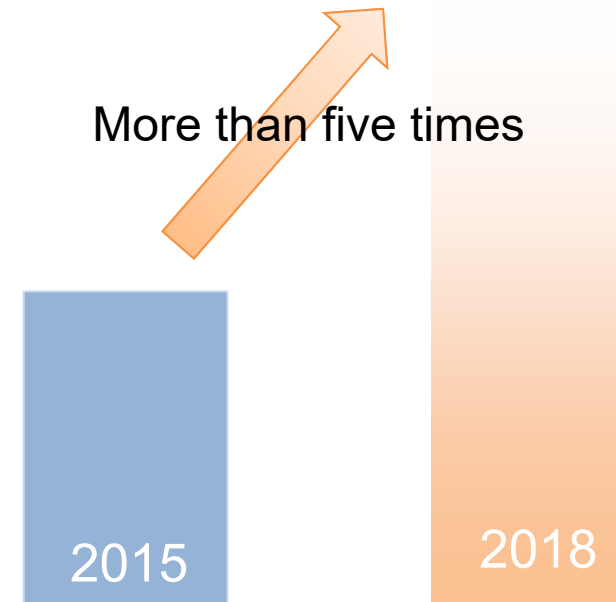
Premium member
Dedicated team
(consists of 3-5 staffs)
【Digital Life Planner】

Built-in

Demand creation through
well-considered proposals



Human Resource Development that Enables Well-considered Creations



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

Smart Life Type-F Rollout Started



SHIFT UP to PC DEPOT Smart Life Ver 1 Type-F



Install consulting and designing counters

※PC Depot Smart Life store Ver1 Type-F

Rearrange the lounge and member solutions

Plan to introduce in 2-3 stores every quarter going forward

Image of Consulting

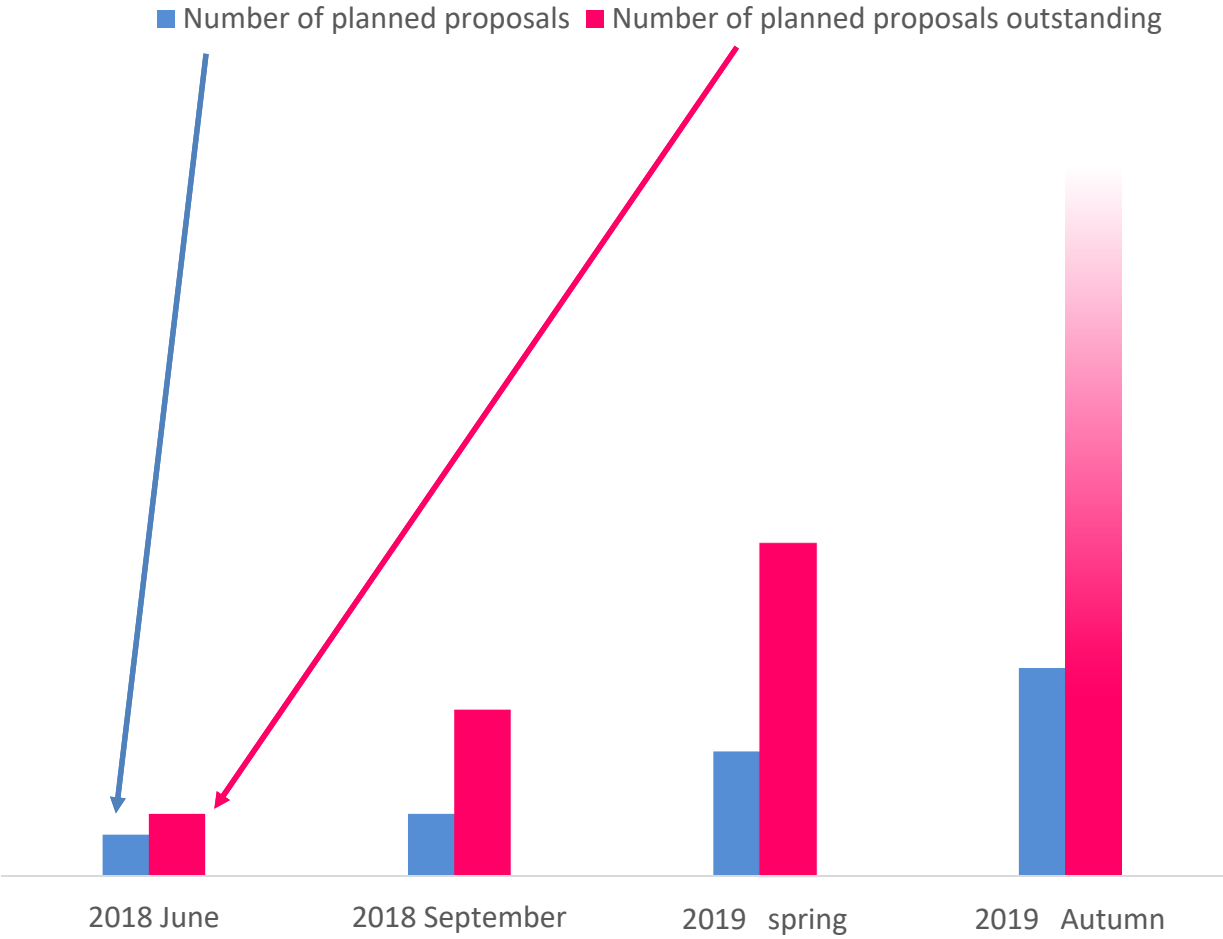
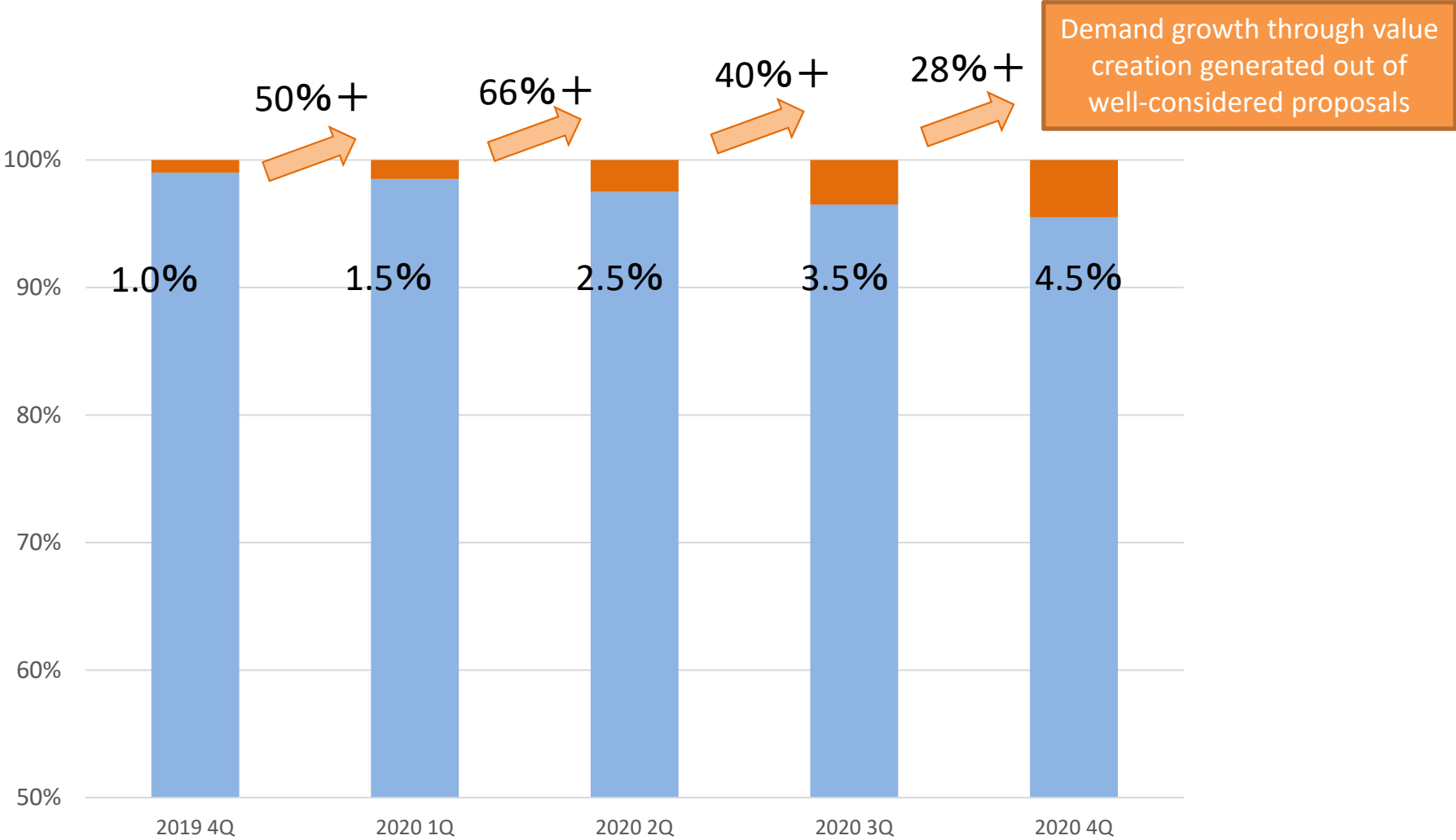


Image of Demand Creation in Sales (sales composition)



Store Development



Store Renovation

- Renovation
- Smart Life store minor renovation
- Smart Life Type-F renovation



5-10 stores planned
Flexibly execute
2-3 stores per quarter

Store Closures

- Smart Life stores
- PC Clinic

Flexibly respond



Store Development

(Excluding FC, as of 21 May 2019)



PC DEPOT



PC DEPOT Smart Life



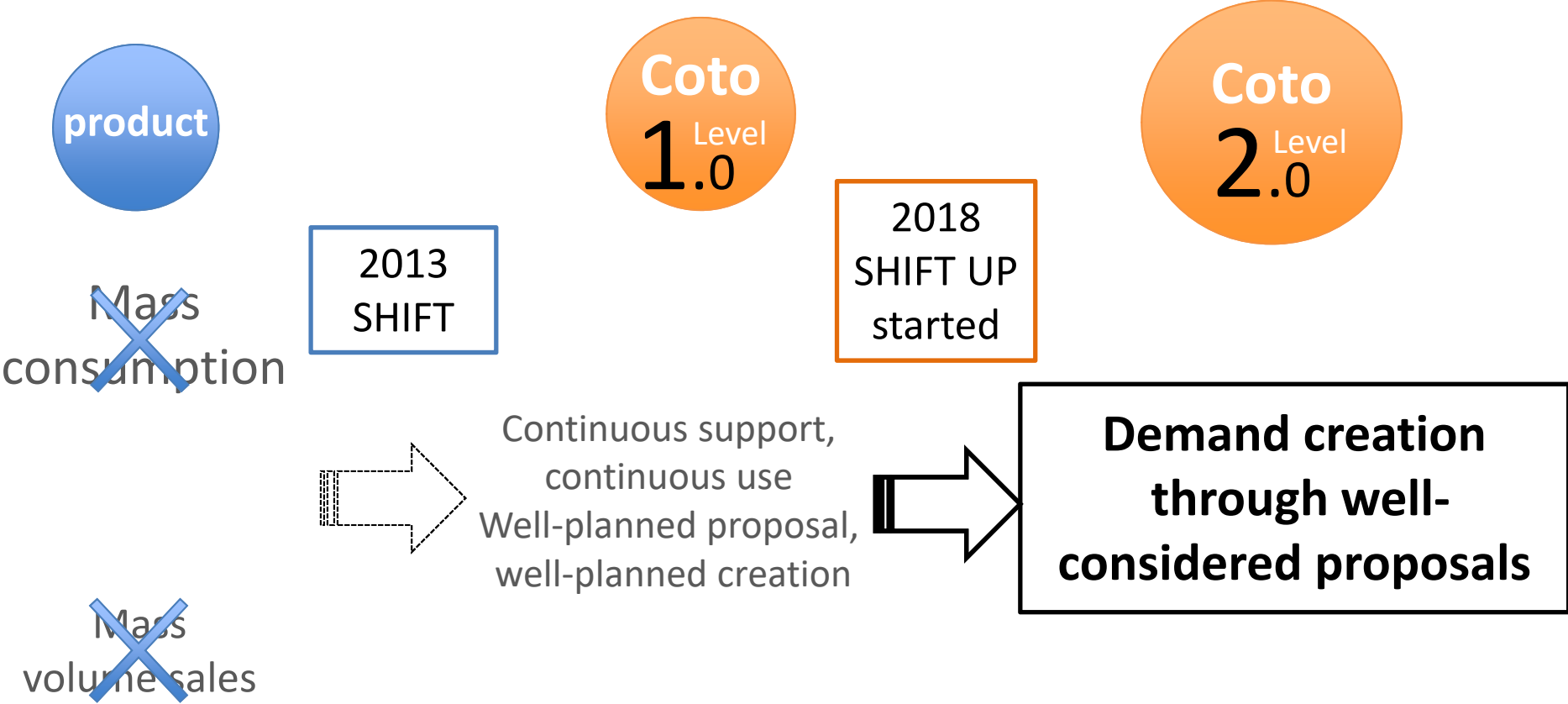
PC DEPOT PC Clinic



Store style	Suburban type, large-scale store	Large scale urban store, Small-medium scale store	In-store PC Clinic counter
Directly operated	12 stores	43 stores	53 stores
Subsidiary operated	10 stores	3 stores	5 stores
Total	22 stores	46 stores	58 stores



Fiscal Year 3/2020 Continue with Our Strategy



Outlook for Fiscal Year 3/2020



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▪ **Capital Investment 13 Bil**

▪ **Depreciation Amount 8 Bil**



We target

Recurring
Profit Margin
10%

ROE
Over 15%

For midterm

PC DEPOT



※写真はイメージです。

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