



MCJ Corporate Profile

Corporate introduction and financial overview

MCJ Co., Ltd.

16/03/2017

Investor Conference at Singapore



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.

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Overview of MCJ Group (1/2)

Establish

Aug, 1998

of Employees

1,136^{*1}

Annual Turnover



Over 100billion 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



58.3billion JPY^{*2}

Bourse

Tokyo
Stock Exchange
2nd section

Ticker code: 6670

Trading Unit

**100
stocks**

Overview of MCJ Group (2/2)

MCJ, the TSE-listed public company, designs, manufactures, and markets PCs and peripherals, and other IT gadgets. Currently has operation base in Japan and Europe.

Corporate Overview

- » MCJ Co. Ltd
- » Holding company, listed on Tokyo Stock Exchange, with 12 consolidated-subsidaries.
- » Initially established as Mouse Computer and quickly evolved into a company with unique business model encompassing manufacturing, retail and distribution operations.
- » Annual sales over USD 1billion, operating profit over USD 70 million*¹
- » Total Asset: approx. USD 500 million*²
- » Location of headquarters: Tokyo, Nihonbashi
- » # of employees: around 1,100*³

Major consolidated subsidiaries



- » BTO PC maker with multiple sales channels, including EC website and corporate channel.
- » Technology-core of the Group.



- » IT-product retail and service chain with more than 70 stores across Japan.



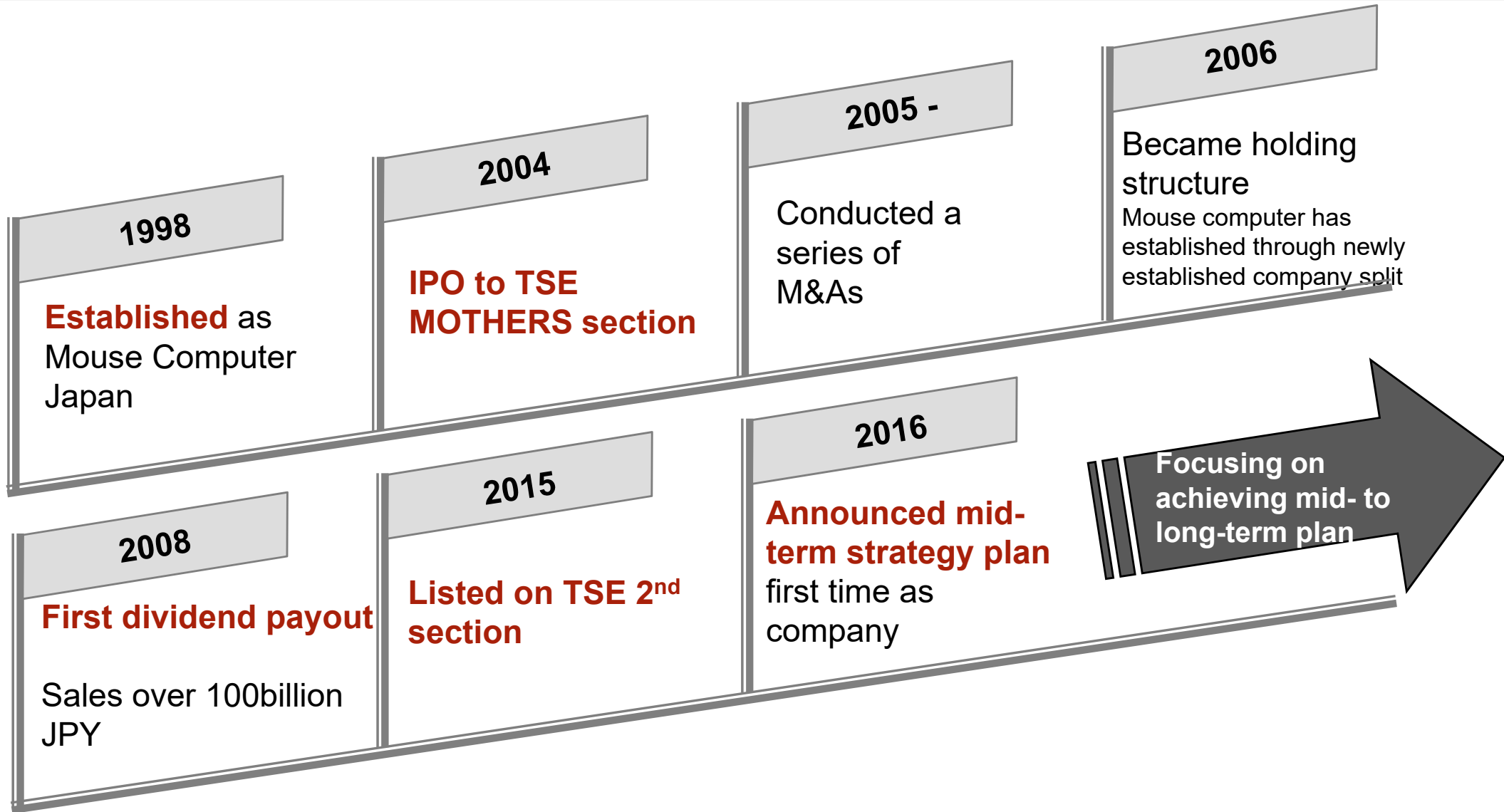
- » Import and distribute business of IT products to corporate customers and retailers. Strong connection with MS, Intel, ASUS and others.



- » High-end monitor, located and operate in Europe.

Our history

Overview of our history, from 1998 to now



Financial results overview up to 3Q of FY2017.3

Despite the weak market trend and large scale marketing expenditure, record profit was achieved as a result of strong demand for our products

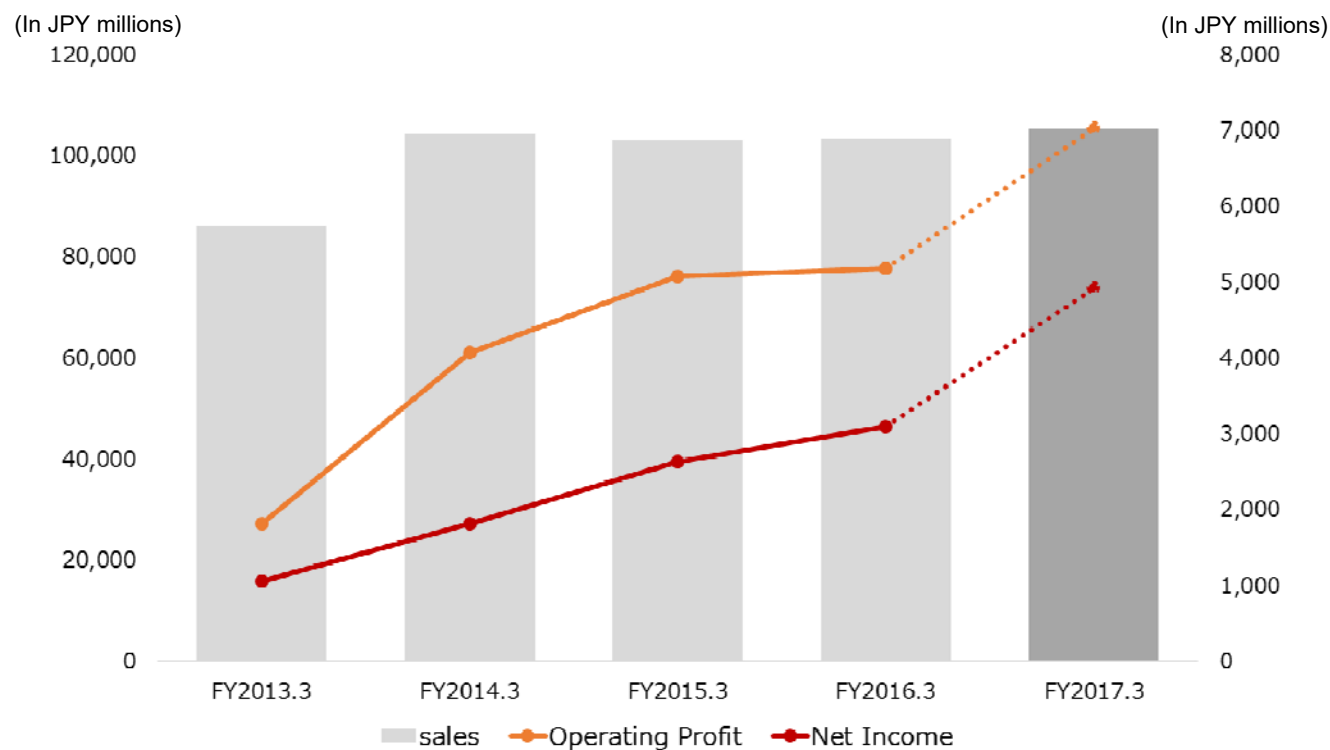
(in JPY millions)

	FY2016.3 3Q		FY2017.3 3Q		Y on Y Change	
	Fig	% to sales	Fig	% to sales	Fig	%
sales	74,740	100.0%	78,034	100.0%	3,293	4.4%
CGS	59,297	79.3%	59,585	76.4%	288	0.5%
Gross Marin	15,443	20.7%	18,448	23.6%	3,004	19.5%
SG&A	11,480	15.4%	12,574	16.1%	1,093	9.5%
Operating Profit	3,962	5.3%	5,874	7.5%	1,911	48.2%
Profit before tax	3,482	4.7%	5,732	7.3%	2,249	64.6%
Net Income	2,287	3.1%	4,108	5.3%	1,820	79.6%

Full-year consolidated performance forecast

Expecting **the highest record sale and profit**
Progressing smoothly towards accomplishing the upward revised plan
which was announced at the end of October 2016

	FY2013.3	FY2014.3	FY2015.3	FY2016.3	(in JPY millions) FY2017.3 (forecast)
sales	85,866	104,003	102,889	103,288	105,288
Operating Profit	1,808	4,061	5,068	5,167	7,021
Net Income	1,054	1,812	2,627	3,087	4,914



What makes us Special?

- Primarily focusing on niche and core market of professionals and semi-professionals.
- » Not directly competing with existing PC makers
 - » Appropriate way to do business in matured market and in terms of prospective future market

Below characteristics enable us to differentiate ourselves and put us in a position to capitalise on specific but lucrative niche market.

✓ “Balance”

- Balance: price, product spec, after sales support and etc.
- Price: competitive
- Product Spec: high-end
- Product quality: Japan-made
- Support: same as domestic “national makers”
- 24/7 call centre, and in-house repair centre
- ...

✓ “Innovative Products”

- Personalized product to each unique user.
- Strong in high-spec Gaming and Creator-PCs.
- Strength both in product development and time-to-market launch : many of our products are “first time in Japan”-kind.
- ...

✓ “Operational Excellence”

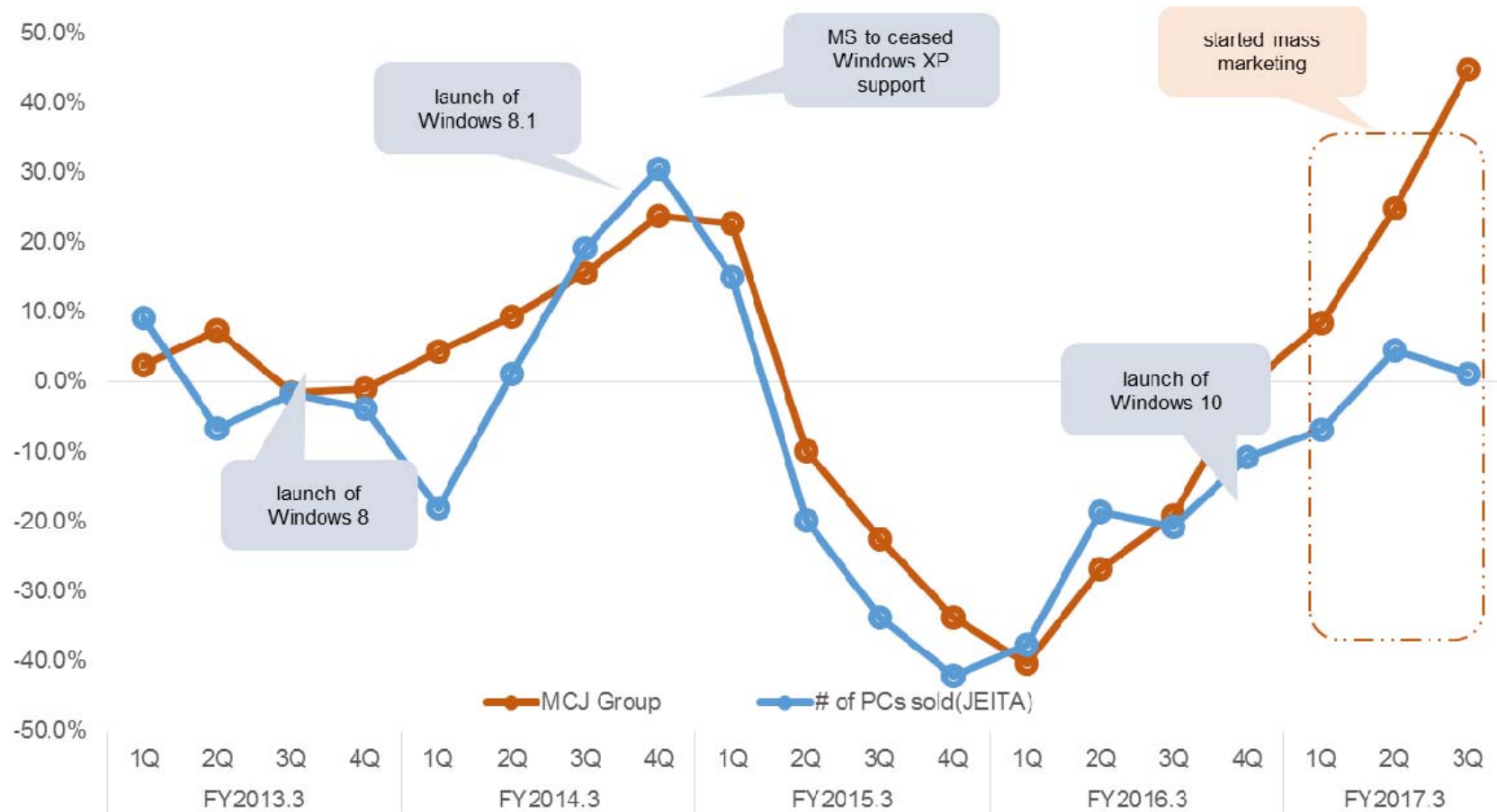
- BTO model: focusing on customers with IT literacy, know their needs.
- Provide tailor-made PCs to each electric retailers
- Low cost operation
- Excellent marketing
- Quick launch of new products
- ...

Multiple factors bound together creates our uniqueness; competitive advantage

The trend of PC sales volume in Japan and by the Group






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

Historical trend in the number of PCs sold, domestic market



※ Chart above indicates increase in the number of PCs sold in certain quarter period compared to same period in previous fiscal year

Our products (1/2)

BTO PCs		<ul style="list-style-type: none"> » Build to Order (BTO) PC enable us to cater to the unique needs of each user, with competitive price.
Gaming PCs		<ul style="list-style-type: none"> » Well recognized Gaming PC brand in Japan. » Strong focus on VR-ready PCs. » Our G-turn store in Akihabara is “The place” for attracting and launching new online-games and devices in Japan. » Strong ties with major game-developers.
Stick PCs		<ul style="list-style-type: none"> » First to launch this type of product in Japan. » Stick PC has received “most sophisticated product award” by Nikkei in 2015.
Windows-smartphones and Tablets		<ul style="list-style-type: none"> » First to launch SIM-free Windows 8.1 OS-based smartphone in Japan.
Monitors		<ul style="list-style-type: none"> » Selling high-end monitors, touch panel monitors, digital signage and etc in Europe.

Our products (2/2)

Recently introduced products includes followings;

Our own products (in-house developed)

- ❑ Below products were featured in Microsoft's keynote speech at Computex Taipei 2016.
 - » 3D face recognition camera and fingerprint recognition device, to go with Window's Hello function.
 - » New way to log-in to your PCs, with more ease and secured way.



3D camera



Fingerprint recognition device



Products of alliance partners

- ❑ Focusing on hardware devices such as Virtual Reality (VR) HMD and IOT devices.
 - » Making full use of our high spec PCs and tech-savvy customer base.
 - » Official distributor of HTC's Vive in Japan, and close relationship with Oculus and others.



HTC' s VIVE



Oculus touch, "experience station"

Our value-chain

Domestic value chain which is suitable for BTO PC manufacturing model leads to competitive advantage in many respects

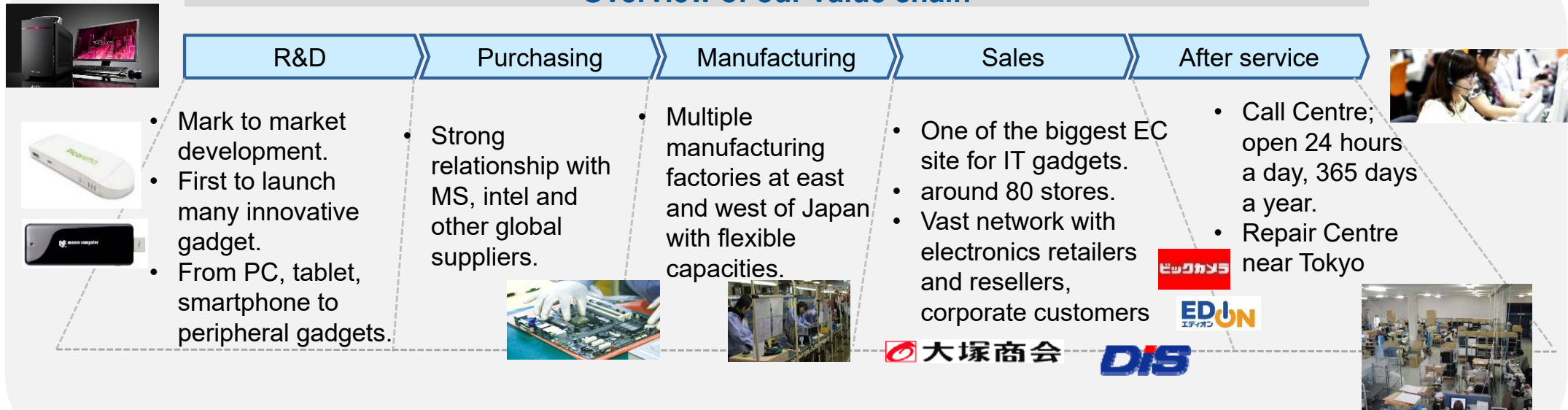
Our value chain

- ✓ Domestic
- ✓ Comprehensive

Overview

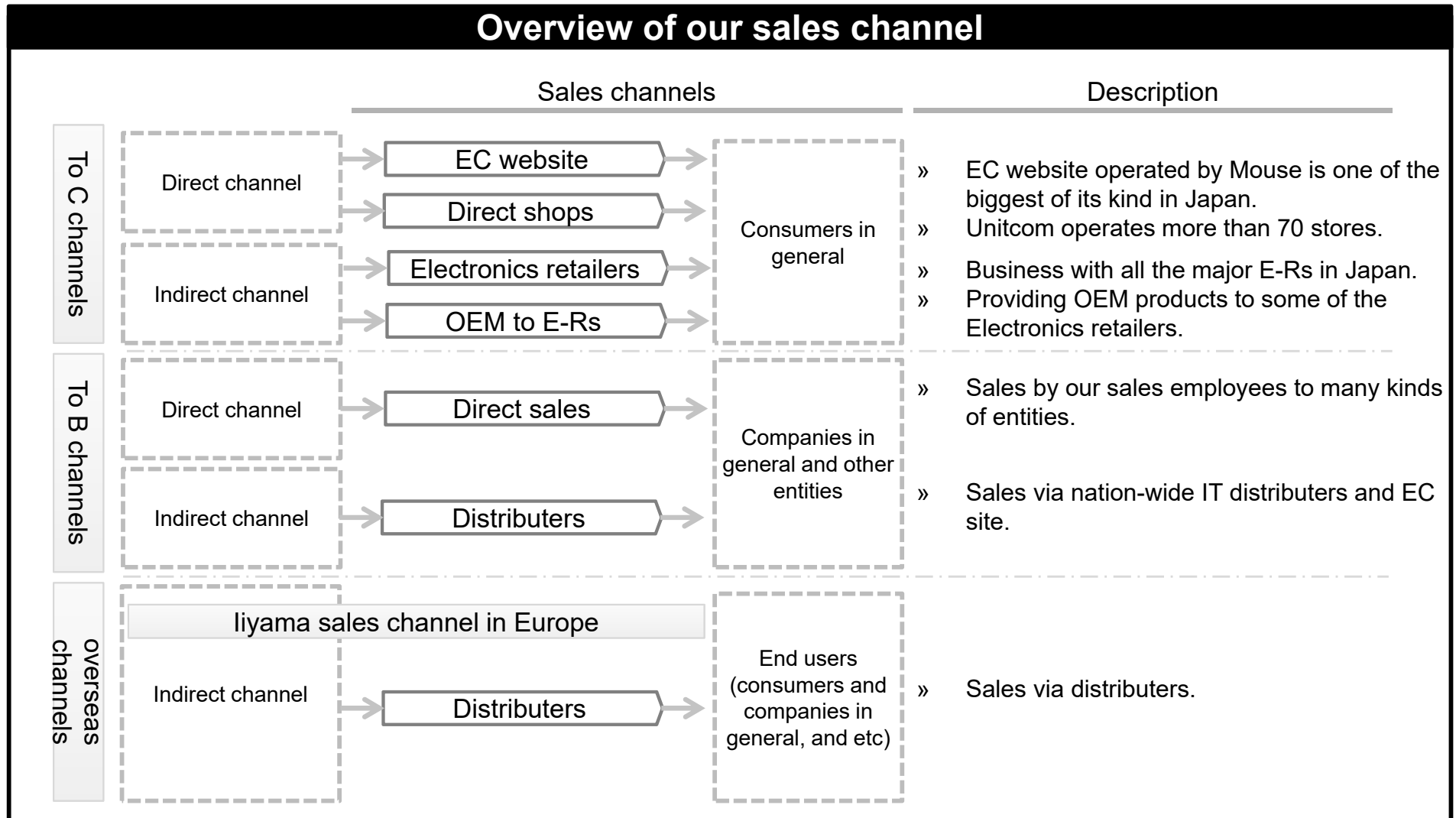
- » Comprehensive and domestic value chain = “Quality × Speed”
- » “iiyama trust” as reassurance of our product quality.
- » Repair and support function plays a significant role in our brand perception from customers.

Overview of our value chain



Our sales channels

Established effective sales channels for both C and B consumers as well as overseas client



Our nationwide business network

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

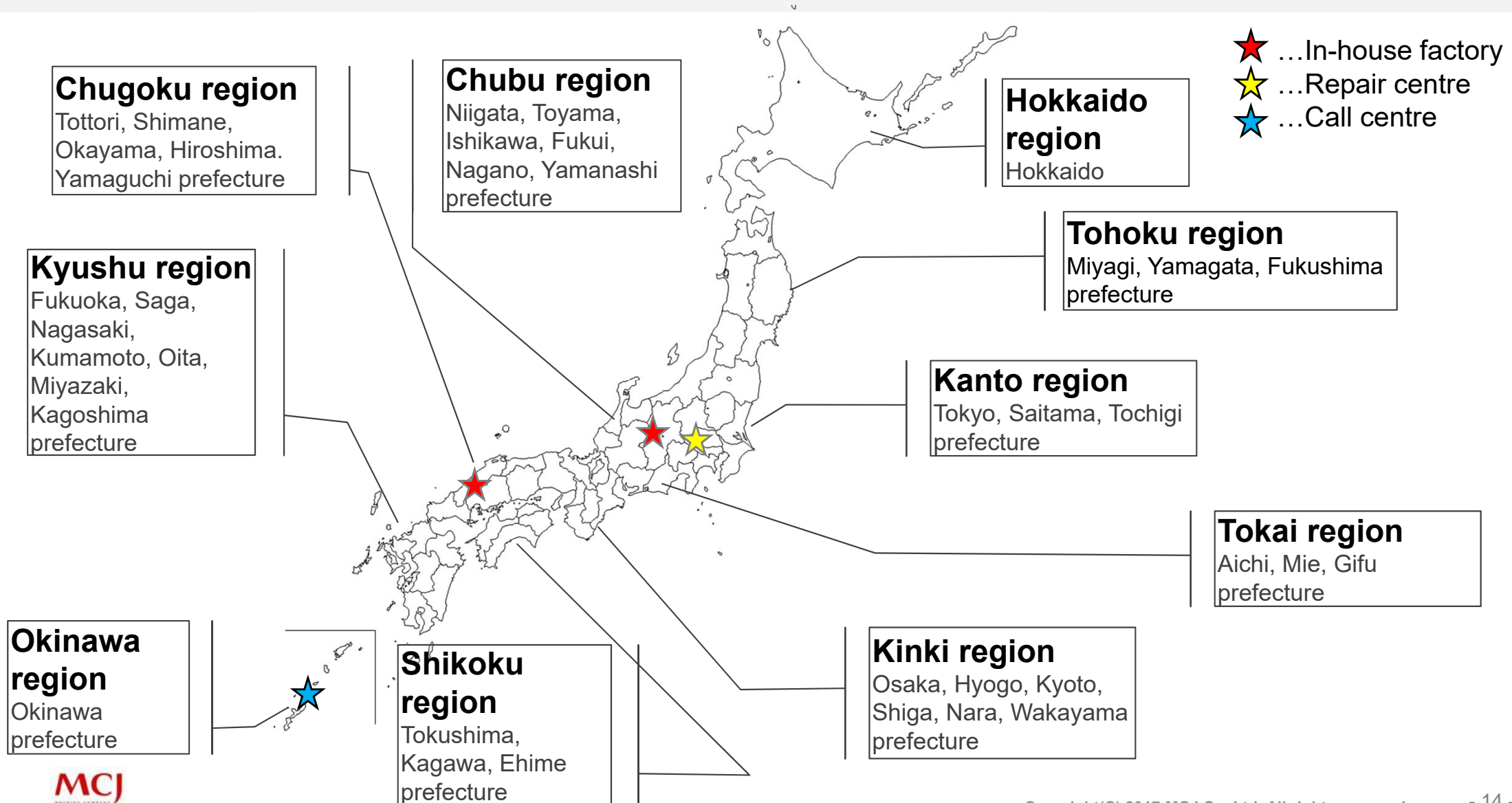


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Growth strategy of each existing group company

	Growth strategy	Overview
Mouse computer	<ul style="list-style-type: none"> ✓ Mass marketing × innovative product launch ✓ More efficient sales practice 	<ul style="list-style-type: none"> » Increase brand awareness in mass market while continue to develop innovative products. » Strengthen relationship with IT distributors and etc.
Unitcom	<ul style="list-style-type: none"> ✓ Focus more on high-margin business ✓ Sale-mix reform 	<ul style="list-style-type: none"> » Allocate more resources on such service as repair and etc to increase profitability. » Focus more on EC and corporate sales channel.
Tekwind	<ul style="list-style-type: none"> ✓ New product sourcing ✓ Solution business 	<ul style="list-style-type: none"> » Sourcing for unique products with high margin. » To concentrate more on corporate clients. » Penetrate into server and storage business.
iiyama	<ul style="list-style-type: none"> ✓ New product launch ✓ Sales and marketing reform 	<ul style="list-style-type: none"> » Continuous launch of new innovative products. » Geographical expansion. » More marketing activities.
Aprecio	<ul style="list-style-type: none"> ✓ Efficient store management ✓ Unique service to each location 	<ul style="list-style-type: none"> » More in-depth profitability management of each location. » Different service and menus depending on local taste of each location.

Major group company: mouse computer (1/2)



BTO PC manufacturer, and market leader in niche PC market

□ Major PC brand

- » Corporate model 【Mouse Pro】
- » Gaming PC 【G-Tune】
- » Creator PC 【DAIV】 etc..



□ Other products

- » Windows Hello related products
 - Face recognition camera
 - Finger print reader
- » Windows-based Smartphone “MADOSMA”
- » Stick PC etc..



Major group company: mouse computer (2/2)



mouse

» Mass marketing × innovative product development

Financial result up to 2Q of FY2017.3

(in JPY millions)

	FY2016.3 2Q	FY2017.3 2Q	Y on Y Change
sales	13,446	14,713	9.4%
Operating Profit	700	1,374	96.2%
Net Income	446	1,057	137.1%

- ❑ Sales continue to grow as our brand awareness increases.
- ❑ Strong demand for our high-end products contributed significant increase in GMR.
- ❑ OP increased as a result, despite significant increase in marketing and other variable expenses.

- ❑ Our “G-tune” brand continue to have strong position in the gaming PC market in Japan.
 - » Demand for VR gradually picks up in Japan.
 - » Sponsorship to many VR-related events.
- ❑ 2,400 units of “MADOSMA”, the Smartphone, has been adopted by Hokkoku Bank.
- ❑ New product launch; [see page above](#).

Major group company: unitcom (1/2)

UNITCOM

Retail-store operator with more than 70 stores all across Japan

□ Shop brand

- » Goodwill
- » PC ko-bo
- » Mineo shop

□ Repair support

- » One-coin quick check-up service
- » Repair and setting service for PC and Smartphone
- » Second-hand goods



Major group company: unitcom (2/2)



» **Business model restructure** × **sales channel development**

Financial result up to 2Q of FY2017.3

(in JPY millions)

	FY2016.3 2Q	FY2017.3 2Q	Y on Y Change
sales	13,668	12,721	Δ 6.9%
Operating Profit	99	251	152.9%
Net Income	23	236	922.4%

- ❑ Sales plunges as 13 non-performing stores has ceased operation during previous FY.
- ❑ Profitability has increased as we continue to focus more on high-margin products and service.

- ❑ Business model restructure to focus more on high-margin business and sales channels
 - » BTO PCs.
 - » Repair service with monthly fees.
 - » Focus more on EC and corporate customers.
- ❑ Leverage its nationwide store network for new business.
 - » Selling start-up-products, such as IOT devices.
 - » Provide space to try out VR products.
 - » Acts as satellite shop for MVNO*1.

Major group company: tekwind (1/2)



Trading company for comprehensive IT related devices • parts

□ Products

- PC parts/Industrial PC parts
- System/Network devices
- Software
- Peripherals • etc.
- Original brand

Provide services as a Multi-distributor which connects foreign companies with domestic market

□ Authorized distributor for...

- Microsoft
- Intel
- ASUS etc. More than 50 clients.

Main clients

PC parts/ Industrial PC parts

System/ Network equipment



Peripherals, etc.

Software

Original Brand

Major group company: tekwind (2/2)



- » IT products distributor, formally Synnex Japan
- » Official distribution partner of Microsoft, Intel and around 50 companies.

Financial result up to 2Q of FY2017.3

(in JPY millions)

	FY2016.3 2Q	FY2017.3 2Q	Y on Y Change
sales	15,462	14,808	Δ 4.2%
Operating Profit	145	342	135.8%
Net Income	106	575	440.5%

- ❑ Sales decreased as over all demand for PC related products continue to decrease.
- ❑ Profitability has improved, as intentional shift to higher-margin products and sales channel reform began to work.

❑ New products sourcing.

- » Unique and only products in Japan, such as gaming chairs.



❑ High-margin products.

- » Such products as HDD for security cameras and small servers.

Major group company: iiyama (1/2)



Development and sales of high quality monitors for Europe market

□ Market coverage

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

□ Products

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



Major group company: iiyama (2/2)



- » Manufacturer of high-quality monitors
- » Located and operate in Europe

Financial result up to 2Q of FY2017.3

(in JPY millions)

	FY2016.3 2Q	FY2017.3 2Q	Y on Y Change
sales	8,949	10,930	22.1%
Operating Profit	1,222	1,765	44.4%
Net Income	788	1,042	32.1%

- ❑ Strong demand for such products as touch-monitors and digital-signage continue to drive sales growth.
- ❑ Continue to maintain high-level of gross margin as demand for our high-end products remain strong.

- ❑ Focus on high-quality monitors.
 - » Continued push to touch monitors and digital signage.
 - » Demand for our desktop monitors picked up strongly this fiscal year.
- ❑ High-level sales and shipment.
 - » Brand awareness continue to increase along with newly-started marketing activity.

Major group company: aprecio

M
C
J

comics & internet cafe



- » Operator of multi-function cafés
- » Many of customers are Gaming PC users



Financial result up to 2Q of FY2017.3

(in JPY millions)

	FY2016.3 2Q	FY2017.3 2Q	Y on Y Change
sales	1,514	1,794	18.4%
Operating Profit	236	220	Δ 6.9%
Net Income	158	91	Δ 42.4%

- ❑ Sales increase as the number of stores increase as a result of merger with subsidiary internet café operator.
- ❑ 2Q result was affected hugely by one-time event, hence, despite strong OP performance of 1Q, OP decreased.

❑ Merger with subsidiary.

- » The number of stores has increased 10, compared to the same period, previous year.
- » Franchisee has opened one new store.

❑ Marketing function.

- » Experience marketing of our group products.
- » Product marketing survey for other companies.

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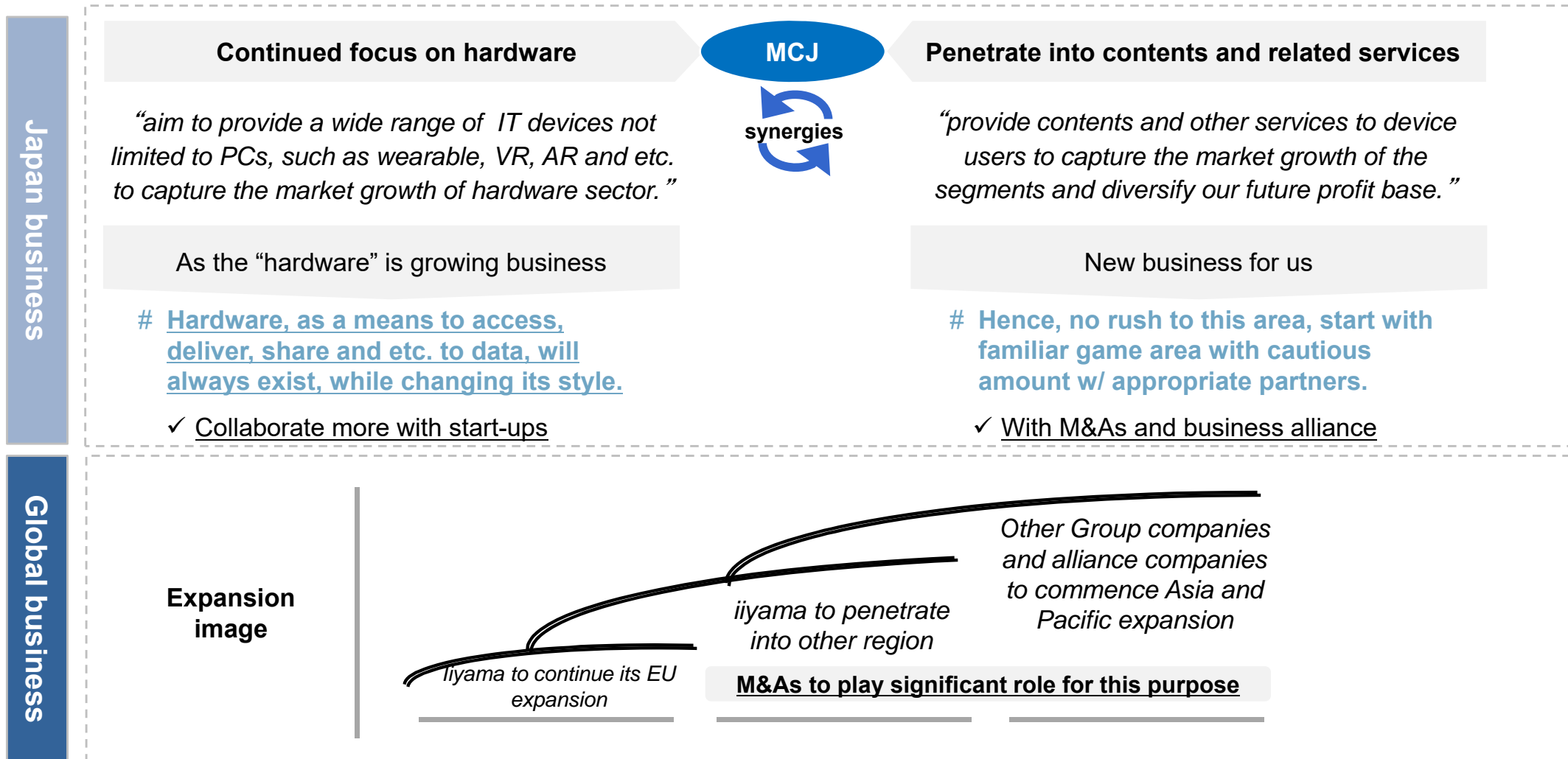
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Our future expansion strategy as Group; Overview of Long-term Vision

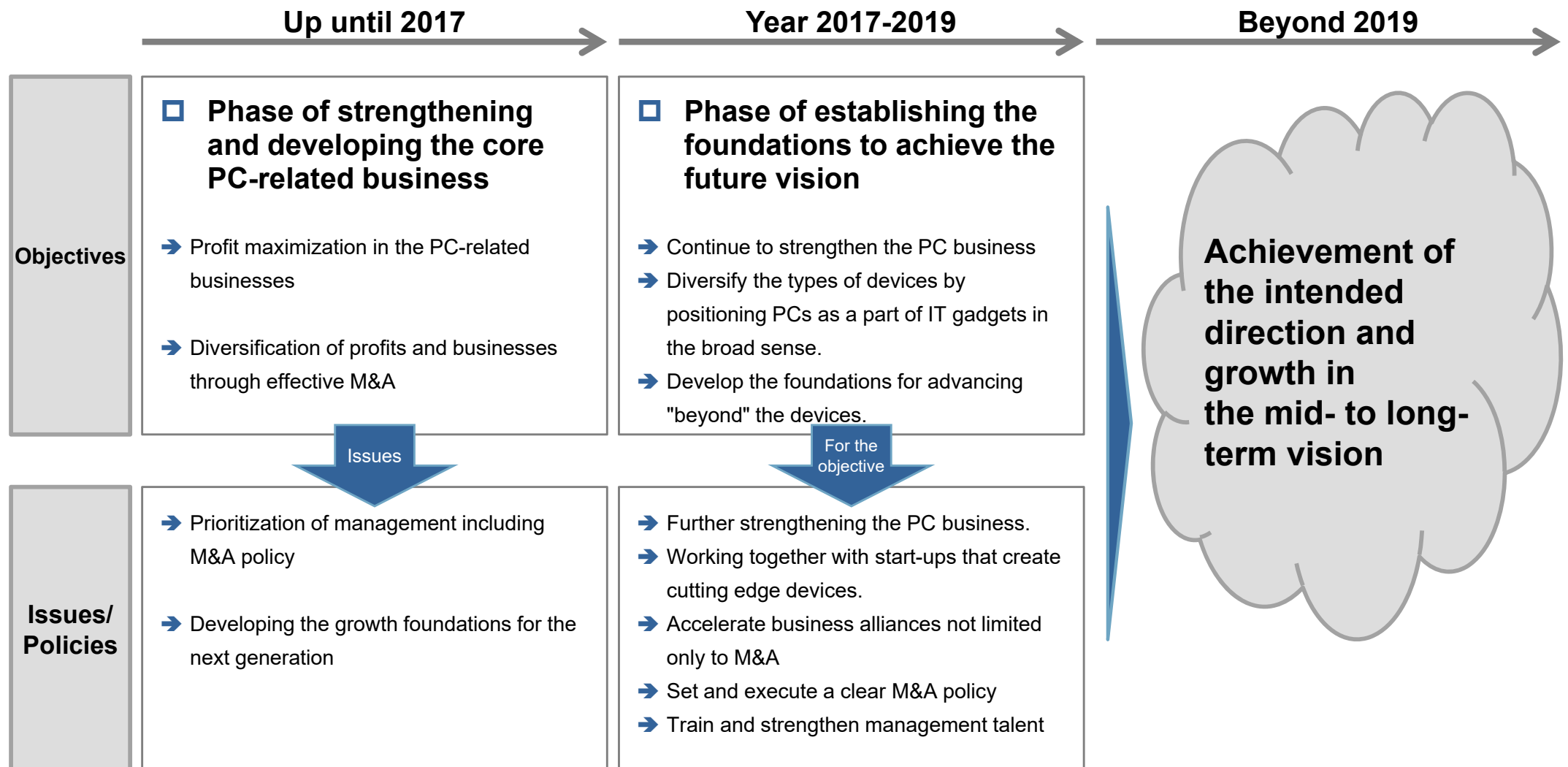
- “hardware × contents and services” = multiple devices × multiple services
 » Capture innovative trend and hence, growth, both from hardware and related services



Role of the Mid-Term Management Plan in the Mid- to Long-term Vision

◆ The mid-term plan is for establishing the foundations for realizing the intended direction and growth

➤ Balancing between “profitable growth” and advance investment

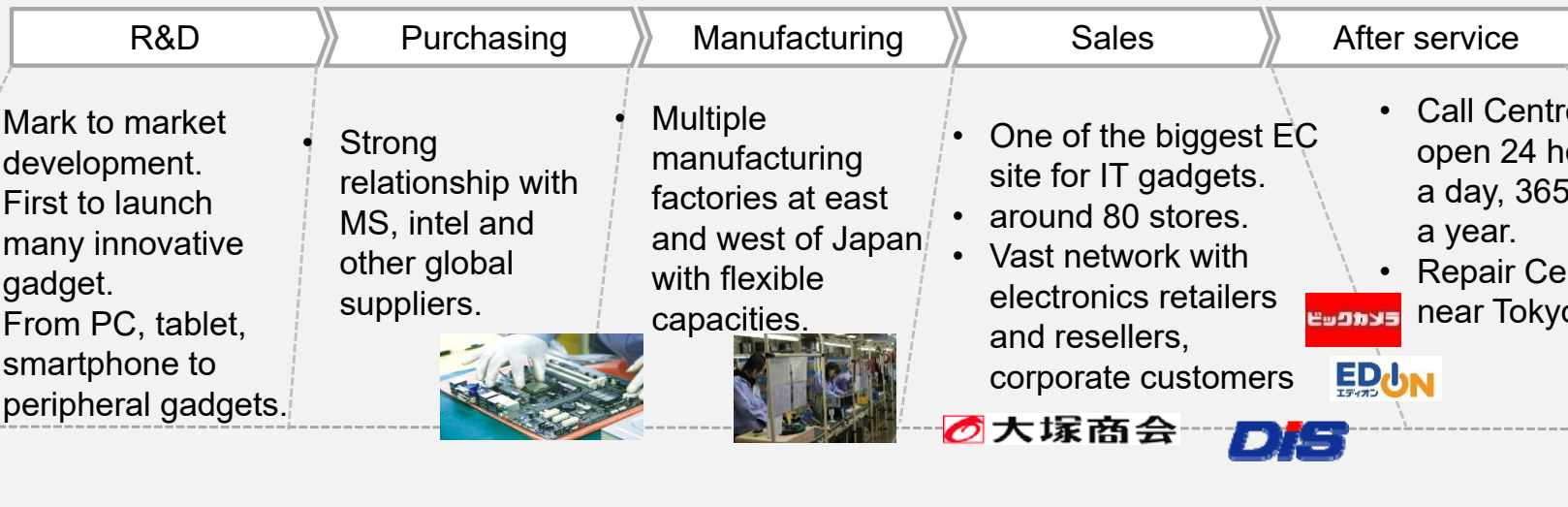


Our start-up investment policy and target

Be the business platform for start-ups, using our extensive value chain to support their business growth.

» Aim: Broaden out product lineup and joint R&Ds, utilize as new product sourcing

Overview of our value chain



Investment policy

- » To focus on the investment along with business growth support to start-ups, by providing tailor-made support for each start-ups, using out comprehensive value chain and global network.
- » Our primary investment focus will be on hardware start-ups and related service providers.
- » Also aim to become local partner in Japan to foreign start-ups providing such function as sales and after-sales support function.

Our M&A policy and target

Our M&A strategy as a way to achieve our mid- to long-term goal is as follows;

- » Aim: to strengthen and complement our existing hardware business.
- » M&As will be conducted within the range of FCF and cash on hand.

Major policy concerning M&A and business alliances

Existing businesses (1)

Strengthening of value chain

Existing businesses (2)

Strengthening of product and customer axes

New businesses

Policy

- » Aim to strengthen existing value chain functions such as current development, purchase, sale, maintenance, etc.
- » Aim to supplement functions that the group either doesn't have or is vulnerable in.
- » Aim to strengthen existing business based on handled products and clients.
- » Aim to develop new product groups and customer segments including industries (not just limited to devices; e.g. software, etc.)
- » Investment outside of existing business fields not dependent on IT devices
- » Do not limit fields, for example, software, security, content, etc., but also do not bet excessively on specific fields.

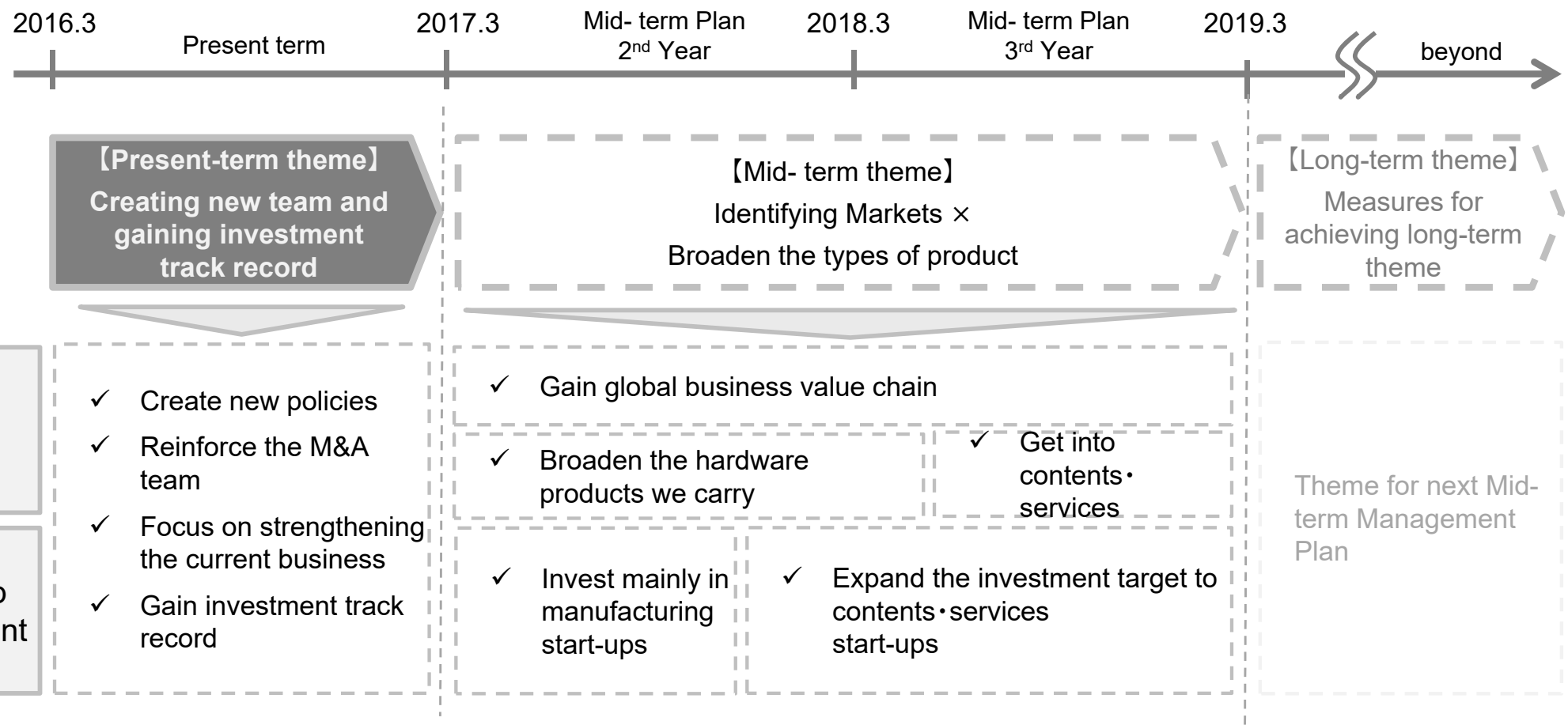
Objectives, etc. of M&A

- » Based on needs for expanding value chain functions possessed by each of the group companies.
- » Aim to re-strengthen the operational foundations for expanding business in future.
- » Set individual themes that correspond to the immediate sales needs and sales strategies of each group company.
- » Aim to expand types of devices we carry and strengthen commercial distribution in line with this.
- » Aim for synergies with the device business through advancing into businesses that utilize devices.
- » Aim to seek business fields that can be a pillar of the future business.

Mid- term Management Plan : Policy for 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 considered within the range of FCF and cash on hand
- » M&As are considered with clear strategic business synergies



Recent strategic moves in consistent with our expansion plan

Strategic investment to take equity stake in start-ups, both in hardware and contents sector.

» Publicly announced investments so far were as follows;

Hardware start-up

Investment to “Nain”

- » Nain is a start-up company that develops and manufactures “hearable” products.
- » Wireless earphone × voice recognition
- » Enable users to use their smartphones without touching, for E-mails, instant messages, twitter, news and text-based apps.



Contents start-up

Investment to “Oukaichimon”

- » Oukaichimon is a developer of VR-gaming contents and is a seed stage start-up company.
- » Currently in the process of developing VR game for PSVR, and aim to launch its first title within 2017.
- » VR games for PC-based HMDs are to follow.

《Mid-term Management Plan》 Entering the VR related business

Entering the growing market of VR with both hardware and contents

Hardware

- Offer high-spec PCs which work as infrastructures for VRHMD*1

Manufacture and market various VR-ready PCs

- Market VR-Ready “OcuFes*2 Supervision PC” by gaming PC brand “G-tune” (mouse computer)
- Market VR-Ready laptop by Creator-PC brand “DAIV” (mouse computer)
- Market laptop for VR development (Vive recommended) by “iiyama PC” brand “SOLUTION∞(Solution infinity)” (Unitcom)



- Promote and market VRHMD

Handling the various VR devices

- **Started carrying the HTC Vive**
 - Installed demonstration device for some of the physical stores (Unitcom)
 - Started selling VR-Ready PC and HTC Vive as one set (Unitcom)
 - Started selling HTV Vive headset as a sales agency in Japan (aiuto)
- **Started carrying the Oculus Touch**
 - Provided space to try out the product in 5 directly-managed stores (mouse computer)



Contents

- Start-up investment

Invest to “Oukaichimon”

- First investment project for contents business
- Capture the growth of PSVR
- By promote dissemination of VR contents (which there are not enough of right now), it's expected to also have positive influence on hardware sales.



*1 Abbreviation for Head Mount Display. VR device to wear on the head.

*2 VR developers organization “NPO OcuFes” (Representative Director : Kenji Takahashi, Location: Tokyo)

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Significant KPIs for management

Management considers below KPIs as significant indicators.

- » M&As are positioned as major method to achieve our long-term goal, however, we intend to keep below level as group as a whole, as minimum level.

KPIs in target	Target figure and our intention		
	Actual for FY2016.3	Target fig	Background and intention
OP ratio <operating profit /sales>	5.0%	<u>around5%</u>	» Balancing sound sales growth and profitability as sound entity to sustain future growth. » Actual fig for 2017.3 up to 3Q is 7.6%
ROIC <NOPAT ^{*1} / invested capital in business ^{*2} >	11.6%	<u>Above 10%</u>	» Manage different types of business using ROIC as mutual KPI. » While keeping eyes on sound capital return.
ROE <Net income/shareholders equity ^{*2} >	13.0%	<u>Above 10%</u>	» Same as above ROIC, and aim to maximize the shareholders' interest and value.
Dividend payout ratio <dividend/Net Income>	20.5%	<u>Above 20%</u>	» To increase TSR ^{*3} » Management is committed to create and increase value for our shareholders.

*1) $\text{NOPAT} = \text{OP} \times (1 - \text{tax rate})$

*2) average *3) Total Shareholder Return

Return to shareholders: Dividend

Upwardly revised the dividend payout ratio for FY2017.3 from 20.0% to 25.0%

	Actual Results			Initial forecast	Revised forecast
	FY 2014.3	FY 2015.3	FY 2016.3	FY 2017.3	FY 2017.3
Divident per share	5.46 JPY	10.00 JPY	13.00 JPY	14.50 JPY	25.27 JPY
Dividend Payout ratio	15.0%	18.6%	20.5%	20.0%	25.0%

- ❑ Upwardly revised the Dividend Payout Ratio from the initial forecast of 20.0% to **25.0%**.
- ❑ Upwardly revised the Net Income from the initial forecast of 3.5 billion yen to 4.9 billion yen.
 - As the result, revised the estimated year-end dividend per share to **25.27 JPY**.

※ The dividend for the FY 2017.3 is listed on the assumption that it'll be approved at the annual meeting of shareholders which is scheduled to be held in June 2017

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Conclusions

- ☐ Growth by identifying the niche market even though the PC industry as a whole is stagnant.
- ☐ Earn stable profit both in domestic market and overseas
- ☐ Focus on growing market of VR as Group.
- ☐ Growth strategy by both “Hardware × Contents・Service”
- ☐ Strong performance, great financial indicators, and active returns to shareholders

