



Investors' Guide

First Half of the Fiscal Year Ending March 31, 2019
(April 1, 2018 to September 30, 2018)



PC DEPOT CORPORATION

Securities Code : 7618

To Our Shareholders

Shifting the focus in production from quantity and efficiency to creativity
and the focus of creation from current value to future value.



I would like to take this opportunity to extend our heartfelt appreciation for your invaluable support. The first half of the year ending March 31, 2019 saw replacement demand associated with the scheduled end of support for Microsoft Windows 7 in January 2020, demand associated with changes in the way of working and demand for high performance, high-priced PCs and peripherals that are highly functional owing to increased popularity of e-sports. Meanwhile, the smartphone market continued shrinking in spite of the rollout of new iPhones in September, with a longer replacement cycle due to higher-quality devices.

In these circumstances, the PC DEPOT Group has continued the Smart Life Partner (SLP) initiative to provide one-stop support services for sales, repairs and the internet. We have been engaged in this initiative not only for supporting customers experiencing difficulties, but also aimed at becoming a group of digital life planners who provide our premium members well-considered proposals and value creation plans so that they can rely on us for their future digital life.

Such proposals include deliberate use and replacement of devices in their digital life such as data migration from the existing PCs they are currently using to new ones, transfer of telephone directories from their previous smartphones to new ones, seamless shifts to smartphones with inexpensive SIM cards. They also include those for the future of their smart life at home from a comprehensive

perspective such as effective use of their old computers and smart devices that are in their home but no longer used. Through providing such proposals we have endeavored making our premium members’ digital life active on an ongoing basis and create value in their future digital life. To provide such services, our consultants and engineers in charge of premium members form a team and offer plans for future digital life to each premium member. For personnel, we did not hire people only for a short period of time by reducing the number of bargain and other temporary special sales events. Instead, with a priority put on long-term employment, we have invested in human resource initiatives such as launching training programs for developing personnel capable of proposing future values. By shifting our keys of growth strategy from quantity and efficiency to high-quality value creation and productivity increase and spending more time and costs for developing and training personnel with such abilities, we have accelerated an integrated reform of the way of working and learning.

The PC DEPOT Group will continue offering proposals through face-to-face communications between customers and our teams in charge so that customers can rely on us not only for solving their problems but also for making well-considered proposals for their future digital life, while giving priority to responding to premium members. We look forward to the continued support as we make further progress in our efforts.

Takahisa Nojima
President and Chief Executive Officer

Topics

Striving to increase premium member visits to our stores

In order to make digital life of premium members active on an ongoing basis and propose value creation for the future digital life, we have worked on providing premium members with more incentives to visit our stores such as expanding the lineup of member solution hardware plans that are exclusive for premium members and advertising services limited to premium members on leaflets.

We have also focused on increasing premium members through

various approaches, including providing support services to new customers such as instructions on usage and initial settings in order to eliminate beginners’ worries and solving inconveniences and difficulties customers experience with smart devices that they bought at competitors’ stores or on the internet through free-of-charge consultation. Through these initiatives, we offered them plans regarding their future digital life and support services.

Floor space for premium members only / Services exclusive for premium members advertised on leaflets



More spacious section for consultations and support



New stores

PC DEPOT Smart Life
Yokosuka Store (Existing store renovation)
(Opened on June 9, 2018)



PC DEPOT Smart Life
Ome Store (Existing store renovation)
(Opened on June 16, 2018)



PC DEPOT Smart Life
Ashikaga Store (Existing store renovation)
(Opened on July 21, 2018)



PC DEPOT Smart Life
Takamatsuhigashi Bypass Store
(Existing store renovation)
(Opened on November 3, 2018)



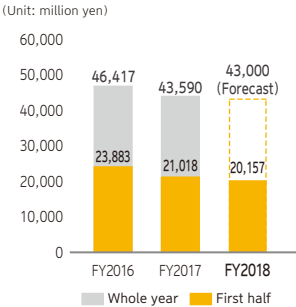
PC DEPOT Smart Life Store
PC DEPOT
PC DEPOT PC clinic

44 store
27 store (FC 3 Stores)
58 store

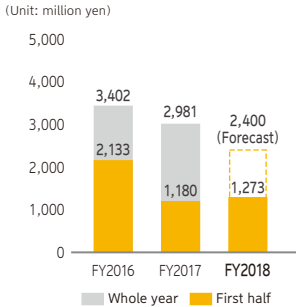
Total number of stores:
129 Stores
(As of November 30, 2018)
PC DEPOT shop information Search
www.pcdetpot.co.jp/shop

Financial highlights

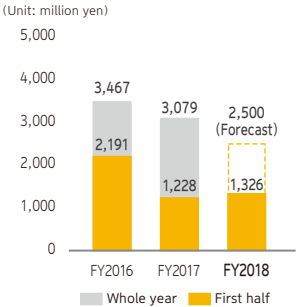
Net sales



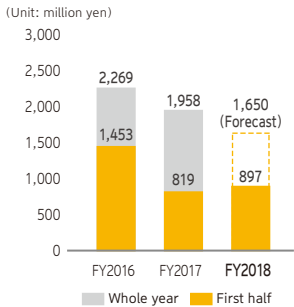
Operating income



Ordinary profit



Net income belonging to parent company shareholders



Financial statements (summary)

Consolidated balance sheet (The end of the second fiscal quarter)

| | FY2017 As of March 31, 2018 | Second quarter of FY2018 As of September 30, 2018 | Amount of increase/decrease |
|----------------------------------|--------------------------------|--|-----------------------------|
| (Unit: million yen) | | | |
| Assets | | | |
| Total current assets | 25,702 | 25,310 | - 391 |
| Total non-current assets | 9,351 | 9,337 | - 13 |
| Total assets | 35,053 | 34,648 | - 404 |
| Liabilities | | | |
| Total current liabilities | 6,279 | 6,216 | - 63 |
| Total non-current liabilities | 5,523 | 4,601 | - 922 |
| Total liabilities | 11,803 | 10,817 | - 985 |
| Total net assets | 23,250 | 23,831 | 581 |
| Total liabilities and net assets | 35,053 | 34,648 | - 404 |

Note: All amounts have been rounded off to the nearest unit displayed.

Assets: Inventories decreased as a result of our expanded lineup of service products exclusive for premium members and inventories being maintained at a reasonable level. Accounts receivable increased owing to the sale of membership service hardware solution plans.
Liabilities: Liabilities fell because of repayment of long-term loans payable.

Consolidated income statements (The first half)

| | First half of FY2017 From April 1, 2017 to September 30, 2017 | First half of FY2018 From April 1, 2018 to September 30, 2018 | Rate of increase/decrease |
|---|--|--|---------------------------|
| (Unit: million yen/%) | | | |
| Net sales | 21,018 | 20,157 | - 4.1 |
| Gross profit | 9,860 | 9,376 | - 4.9 |
| Selling, general, and administrative expenses | 8,680 | 8,103 | - 6.6 |
| Operating income | 1,180 | 1,273 | 7.9 |
| Ordinary profit | 1,228 | 1,326 | 8.0 |
| Income before income taxes and minority interests | 1,217 | 1,314 | 7.9 |
| Net income belonging to parent company shareholders | 819 | 897 | 9.4 |

Note: All amounts have been rounded off to the nearest unit displayed, and percentages have been rounded off to the second decimal point.

Selling, general, and administrative expenses: Advertising expenses decreased due to reduced number of temporary special sales events. For personnel expenses, we did not hire people only for a short period of time. Instead, with a priority put on long-term employment, we have invested in human resource initiatives such as launching training programs for developing personnel capable of proposing future values.

Consolidated cash flow statements (The first half)

| | First half of FY2017 From April 1, 2017 to September 30, 2017 | First half of FY2018 From April 1, 2018 to September 30, 2018 | Amount of increase/decrease |
|--|--|--|-----------------------------|
| (Unit: million yen) | | | |
| Cash flow from operating activities | 4,081 | 2,241 | - 1,839 |
| Cash flow from investing activities | - 369 | - 423 | - 53 |
| Cash flow from financing activities | - 2,448 | - 1,454 | 994 |
| Cash and cash equivalents at the end of the period | 8,989 | 10,961 | 1,972 |

Note: All amounts have been rounded off to the nearest unit displayed.

Cash flow from operating activities: Cash flows from operating activities increased due to factors such as declines in net income before income taxes and inventories and increase in depreciation.
Cash flow from investing activities: Cash flows from investing activities decreased due to factors such as expenditures associated with the acquisition of tangible and intangible fixed assets.
Cash flow from financing activities: Cash flows from financing activities decreased due to factors such as the repayment of long-term loans payable and the payment of dividends.

Sales by product category (The first half)

| | First half of FY2017 From April 1, 2017 to September 30, 2017 | First half of FY2018 From April 1, 2018 to September 30, 2018 | Rate of increase/decrease |
|-------------------------------------|--|--|---------------------------|
| (Unit: million yen/%) | | | |
| PCs | 2,839 | 1,970 | - 30.6 |
| Peripherals | 2,195 | 1,762 | - 19.7 |
| Accessories and supplies | 1,025 | 867 | - 15.4 |
| Software | 275 | 246 | - 10.7 |
| Previously owned products and other | 2,586 | 2,000 | - 22.7 |
| Total product sales | 8,923 | 6,847 | - 23.3 |
| Royalties and other revenue | 28 | 32 | 12.0 |
| Sales from solution services | 11,448 | 12,670 | 10.7 |
| PC sales business | 20,401 | 19,549 | - 4.2 |
| Internet-related business | 617 | 607 | - 1.6 |
| Total | 21,018 | 20,157 | - 4.1 |

Note: All amounts have been rounded off to the nearest unit displayed, and percentages have been rounded off to the second decimal point.

Sales from solution services: Solution service sales were on the increase as a result of further expanding our lineup of member solution hardware plans exclusive for premium members.

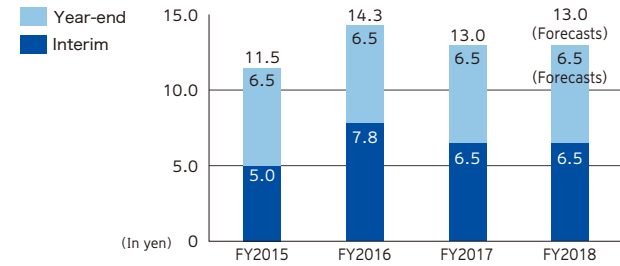
Share Information

(as of September 30, 2018)

Dividend performance

Our basic policy is to continue to return profits through stable dividends over the long term with a consolidated payout ratio of approximately 30%, while keeping in mind the importance of strengthening our financial standing and enriching retained earnings.
We will pay an interim dividend of 6.5 yen and the year-end dividend of 6.5 yen for the year ended March 31, 2019.

Dividend per share (yen per share)



Shareholders benefits

Every year we present registered shareholders owning 100 or more shares as of March 31 with shareholder vouchers that can be used for purchases at our stores under the following conditions: these complementary tickets for shareholders can be used at PC DEPOT stores, PC DEPOT Smart Life stores, PC DEPOT PC Clinics, PC DEPOT Internet Shops, and Total Service Call Center (by mail). For details of how to use, please see the notice enclosed with complementary ticket for shareholders or access our website.



| Number of shares held | A. Shopping special benefit | B. Technical service special benefit |
|------------------------|-----------------------------|--------------------------------------|
| 100 shares or more | Equivalent to 1,000 yen | Equivalent to 2,000 yen |
| 400 shares or more | Equivalent to 2,000 yen | Equivalent to 4,000 yen |
| 1,000 shares or more | Equivalent to 3,000 yen | Equivalent to 6,000 yen |
| 5,000 shares or more | Equivalent to 10,000 yen | Equivalent to 20,000 yen |
| 10,000 shares or more | Equivalent to 20,000 yen | Equivalent to 40,000 yen |
| 40,000 shares or more | Equivalent to 50,000 yen | Equivalent to 100,000 yen |
| 100,000 shares or more | Equivalent to 70,000 yen | Equivalent to 140,000 yen |

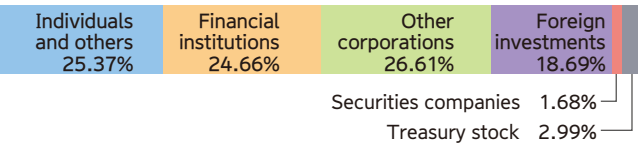
Status of shares

Total number of shares authorized to be issued 160,200,000 shares
Total number of shares outstanding 52,622,400 shares
Number of shareholders 6,443 persons



Major shareholders

| Name of shareholder | Number of shares held (shares) | Voting rights ratio (%) |
|--|--------------------------------|-------------------------|
| TN HOLDINGS CO.,LTD. | 10,800,000 | 21.20% |
| Takahisa Nojima | 5,058,960 | 9.93% |
| THE MASTER TRUST BANK OF JAPAN, LTD.(TRUST ACCOUNT) | 3,195,800 | 6.27% |
| HIKARI TSUSHIN, INC. | 2,549,700 | 5.00% |
| JAPAN TRUSTEE SERVICES BANK,LTD. (TRUST ACCOUNT) | 2,452,400 | 4.81% |
| Trust & Custoday Services Bank,Ltd.(TRUST ACCOUNT B) | 1,736,200 | 3.40% |
| PC DEPOT CORPORATION | 1,573,505 | — |
| Mizuho Bank, Ltd. | 1,418,400 | 2.78% |
| BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) | 1,326,874 | 2.60% |
| MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB | 1,005,300 | 1.97% |



Composition of shareholders




For shopping
(Use as A)

 or 

For repairs and checkups
(Use as B)

 or 

For payments of Premium Service*
(Use as B)



*Please mail your complimentary stockholder tickets to our company to use them.

Company Profile / Information for Shareholders

(as of September 30, 2018)

Company profile

Corporate name PC DEPOT CORPORATION
Business outline Direct management of PC DEPOT, which consists of a chain of comprehensive PC and network stores, PC DEOPT Smart Life Stores, and PC DEPOT PC Clinics, which provides PC repairmen and technical services, and management of the franchise headquarters.
Head office 3-1-9, Shinyokohama kohoku-ku, Yokohama-shi, Kanagawa 222-0033 Japan
Phone number : 045-472-7795 (Japan)
Date of establishment August 1994
Date of stock exchange listings October 1999
Capital ¥ 4,737,610,000
Number of employees 815(consolidated)
Consolidated subsidiaries ejworks Corporation
PC DEPOT STORES CORPORATION

Board members

(As of June 27, 2018)

| | | | |
|-------------------|------------------|-------------------|-------------------|
| President and CEO | Takahisa Nojima | Outside Director | Mineo Fukuda |
| Managing Director | Hideki Saitoh | Outside Director | Hidetaka Fukuda |
| Director | Takayuki Shimano | Outside Director | Yumiko Masuda |
| Director | Nobuyuki Tanaka | Corporate Auditor | Koji Suzuki |
| Director | Kazuya Shinozaki | Outside Auditor | Kazuo Yamamoto |
| Director | Yuko Matsuo | Outside Auditor | Masaki Nishimura |
| Director | Tomoyuki Wada | Outside Auditor | Yoshinari Noguchi |

Information for shareholders

Business Fiscal Year
From April 1 to March 31 of the following year
Ordinary General Shareholders' Meeting
June annually
Settlement Date of Shareholders to Whom Dividends of Retained Earnings Are Paid
September 30 and March 31
Record dates other than the above are determined through resolution of the Board of Directors.
Method of Public Notification
Public notifications are made by electronic means (URL:http://www.pcdepot.co.jp). However, in the event of problems preventing electronic announcements due to an accident or other unavoidable cause, details will be published in the Nikkei newspaper.
Administrator of Shareholder Registry / Special Account Management Institution
Mitsubishi UFJ Trust and Banking Corporation
Contact info
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Department
New Tokyo Post Office P.O. Box 29 137-8081, Japan
Tel : 0120-232-711 (toll free)

Information

Inquiries about making a change of address, dividend transfers, purchases of less than one stock share, and more
Please inquire to the organization where you have opened an account such as a stock brokerage corporation. As for paperwork procedures related to stocks registered in special accounts, please inquire to Mitsubishi UFJ Trust and Banking Corporation.
Inquiries on dividend payables
Please ask the shareholder registry administrator at the Mitsubishi UFJ Trust and Banking Corporation.

Investor Relations website



Don't miss the letters from the President to stakeholders published on our website!

https://www.pcdepot.co.jp/co_ir/



The "Q&A with top management" page answers questions about our strategies and businesses every month.

PC DEPOT IR Email Transmission
Currently accepting registration at our IR website. Registered users will be sent emails with new information related to investor relations at our company. Registration is free.



www.pcdepot.co.jp

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