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Press Release

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**Differences between company forecast for the 1<sup>st</sup> half of fiscal year ending March 2017 and actual results; as well as revision of full year forecasts.**

Announcement regarding differences between the company forecast for the 1st half of the fiscal year ending March 2017 and actual results; as well as revision of full year forecasts. PC Depot would like to announce the differences that have occurred between the forecast announced on the 10th of May 2016, and the actual results released today with regard to forecasts for the 1st half of the fiscal year ending March 2017 (1st April 2016 – 31st March 2017). Furthermore, the now revised earnings forecast is as follows.

1. Differences between the forecast and actual results for 1<sup>st</sup> half of fiscal year ending March 2017

	Sales	Operating Profit	Ordinary Profit	Net profit attributable to owners of parent	Net profit per share
	Million yen	Million yen	Million yen	Million yen	yen сен
Previously released forecast (A)	25,300	2,260	2,300	1,550	30.09
<b>Actual result (B)</b>	<b>23,847</b>	<b>2,300</b>	<b>2,357</b>	<b>1,569</b>	<b>30.46</b>
Difference (B - A)	-1,453	40	57	19	
Difference in %	-5.7	1.8	2.5	1.2	
Reference: 1 <sup>st</sup> half results for previous fiscal year ending March 2016	24,540	1,678	1,724	1,111	24.38

2. Revised forecast for fiscal year ending March 2017 (1<sup>st</sup> April 2016 – 31<sup>st</sup> March 2017)

	Sales	Operating Profit	Ordinary Profit	Net profit attributable to owners of parent	Net profit per share
	Million yen	Million yen	Million yen	Million yen	yen сен
Previously released forecast (A)	54,000	4,920	5,000	3,370	65.42
<b>Newly revised forecast (B)</b>	<b>45,500</b>	<b>2,950</b>	<b>3,000</b>	<b>1,990</b>	<b>38.63</b>
Difference (B - A)	-8,500	-1,970	-2,000	-1,380	
Difference in %	-15.7	-40.0	-40.0	-40.9	
Reference: Results for previous fiscal year ending March 2016	51,784	4,314	4,366	2,867	59.79

\*As of the 1<sup>st</sup> of October 2016, PC Depot implemented a 1.2-for-1 share split. We calculated the earnings per share for current quarter assuming that the stock split was effective at the beginning of the previous financial year.

### 3. Reasons for differences and revision of forecasts

#### i) **Concerning the differences between the first-half forecasts and actual results**

Despite last minute demands due to the end of the free upgrade period to Windows 10 (on 29<sup>th</sup> July 2016), as well as the expected decline in sales post-August, business was progressing smoothly and according to initial plans. However, as announced on the 17<sup>th</sup> and 25<sup>th</sup> of August, due to “the company’s response regarding premium services” (referred to as “matters disclosed in August” henceforward), PC Depot has prioritized customer support in all stores and call centers as well as in the main office since mid-August. Moreover, in stores and call centers, personnel have been temporarily reassigned to positions of quality control, resulting in a decline in the sales force and a temporary shortage of sales staff. In addition, due to a company-wide suspension of sales promotion activities including voluntary restraint in newspaper insert advertisements, as well as a decline in product sales and technical support, there was an overall decrease in sales. Total sales in existing stores was 96.9% rather than the expected 100% compared to the previous year.

Due to the reasons stated above, total sales for the first half the fiscal year was 23.847 billion yen (-5.7% compared to initial plans).

As a result of all stores and call centers prioritising customer support and quality control, there was a significant increase of communication fees and DM shipping fees. Personnel expense was flat despite enhancement of quality control because of the temporary reassignment of existing staff. In addition, because of the significant decline in sales promotion activities, there was a decrease in expenses related to advertising, and because of the postponement of plans to open new PC Depot Smart Life stores and upgrade existing PC Depot stores to PC Depot Smart Life stores, renewal and renovation costs were cut short.

Sales of solution services was estimated at 116% compared to the same period in the previous fiscal year, but in actuality was 115.1% declined by 0.9%, resulting in operating profit, ordinary profit and net profit to exceed initial plans ever so slightly.

#### ii) **Concerning the revision of full year forecasts**

Total sales, operating profits and ordinary profit as well as net profit attributable to owner of parents for the fiscal year ending March 2017 is expected to fall behind initial yearly forecasts due to matters disclosed in August 2016.

Based on expected decline in sales after the end of the free upgrade period to Windows 10 (on the 29<sup>th</sup> of July 2016), PC Depot planned active sales promotion activities including increasing sales of PC Depot’s original smart phone product “JUST PRICE FON” as well as plans for store upgrades to PC Depot Smart Life Stores. However due to matters disclosed in August, and as mentioned in i) concerning differences between first-half forecasts and actual results, decline in total sales is expected to continue.

Although PC Depot intends to resume active sales promotion in mid-November, the negative effects of company-wide suspensions and voluntary restraints of sales promotion activities will likely remain. As a result, a decline in product and services sales is expected, resulting in the total sales for existing stores to be re-estimated at 88% of the previous fiscal year, compared to the previously forecast 100%. Total sales forecasts for the 2nd

half of the fiscal year have been amended to 79%, instead of the previously forecast 100%, compared to the previous fiscal year. Sales of premium services are expected to fall short of initial plans due to cancellations or changes to and from premium memberships, but are still expected to exceed results from the previous year. However, due to the decline in sales of repair and technical services and combined-services products, total sales from services will likely be 100% compared to the previously forecast 118%, and for the 2nd half of the fiscal year are foreseen to be 86% compared to the initially estimated 121%.

The plan to open 4 new stores in the fiscal year ending March 2017 saw the realization of 2, with the other 2 being postponed. The postponement of these 2 stores will have a negligible impact on total sales.

Due to the reasons stated above, total sales will likely fall behind the initial forecast by 8.5 billion yen.

Total profit is expected to decline, largely due to the decrease in sales. SG&A costs are expected to fall short of initial forecasts. However, personnel expenses are expected to follow initial forecasts due to the continuation of personnel assignments after matters disclosed in August, resulting in forecasts for total expenses showing no significant differences compared to the previous year.

At the current time our company is prioritising customer support as well as promotion of safe usage of smart devices, Internet and data at our existing stores. Furthermore, we are intensifying our efforts to enhance quality control with the hope of recovering customer trust.

Note: Predicted values contained in this material were calculated using information available to us at the current time and may include inaccuracies. Please be aware that final financial results may differ from the above predictions.

#### **4. Other**

In order to clarify management responsibility for the financial forecasts, a tender for voluntary remuneration reduction by the president and CEO was offered, to suggest the following:

- i) Executive remuneration  
President & CEO: Voluntary reduction of 20% of monthly remuneration
- ii) Period: December 2016 – February 2017

END