



Press Release

October 11 2016

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PC Depot Monthly Sales Report

Sales for the month of September in the fiscal year ending March 2017 were as follows:

1. Monthly sales report

1) Sales compared to same month, previous year (Directly managed/subsidiary stores, and PC Clinics)

(%)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	YTD
All stores	100.2	104.5	106.4	106.9	89.5	76.6							97.2
Existing stores	100.6	104.6	106.6	107.4	90.1	78.5							97.8

2) Segmental sales compared to same month, previous year (Directly managed/subsidiary stores, and PC Clinics)

(%)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	YTD
Products	87.2	90.5	90.2	92.7	71.8	56.3							81.6
Services	115.0	119.9	123.2	121.8	107.6	96.2							113.6

2. Summary

1) Monthly sales summary for September (fiscal year ending March 2017)

In September in the fiscal year ending March 2017 PC Depot initially planned its active sales promotion activities based on an expected decline in sales due to the reactions to the end of the free upgrade period to Windows 10 (July 29, 2016). However, due to voluntary restraint of sales promotion activities, sales of technical services and combined-services products in the product sales and services sales categories were significantly lower compared to the same month of the previous year. Despite this, sales of premium services under the monthly maintenance service membership system were higher than those of the same month of the previous fiscal year due to increased memberships. As a result of the above, all stores sales were 76.6% and existing store sales were 78.5% respectively, compared to the same month of the previous year.

The main factors in the decline of sales in September were as follows:

- ① Decline in product sales, technical services, and new premium memberships due to company-wide suspension of sales promotion activities including voluntary restraint in new newspaper insert advertisements and day sales promotions on weekends.
- ② Sales staff shortage due to temporary personnel reassignment
Personnel have been temporarily reassigned to positions of quality control (newly assigned staff that review a customer's contract details) and support staff to deal with matters disclosed in August.

The postponement of plans to open new PC Depot Smart Life stores and upgrade existing PC Depot stores to PC Depot Smart Life stores, and the cancellations of or changes to premium service contracts had no material impact on September sales.

The September contract cancellation rate, including contracts that expired in September, was 1.6% (normal rate approx. 0.6% + impact of matters disclosed in August approx. 1.0%).
(Ref: August contract cancellation rate: Normal rate approx. 0.6% + Related to matters disclosed in August approx. 0.3% = 0.9%)

2) Segmental sales

① Product sales

Product sales for September were 56.3% compared to the same month of the previous year. The main reasons for this were as follows:

- A) PC sales were weak owing to the reactions to the end of the free upgrade period to Windows 10.
- B) Smart phone sales were lower compared to the same month of the previous year due to voluntary restraint on sales promotion activities.

② Service sales

Service sales for September were 96.2% compared to the same month of the previous year. The main factors for this were as follows:

- A) Sales of premium services under the monthly maintenance service membership system were higher than the same month of the previous fiscal year due to increased memberships.
- B) Repair and technical services sales and combined-services products were significantly lower than the those of the same month of the previous year due to voluntary restraint of sales promotion activities and the necessary reassignment of sales and engineering personnel to service support positions.
- C) Sales of PC Depot's original smart-phone product "JUST PRICE FON", launched in April 2016, were lower than forecast because of insufficient sales personnel due to the temporary reassignment of sales staff to positions of quality control.

3. Progress report on the projects announced on August 17, and August 25, 2016

As announced on August 17 and August 25, 2016, PC Depot has commenced the following initiatives to restore the trust of members and other customers:

(Progress report)

- 1) Existing customers: Commenced contacting existing customers to confirm their usage details so they can use our services with peace of mind
 - As of October 10, 2016, PC Depot has contacted approximately 250,000 existing members directly via mail and is scheduled to have contacted all existing customers by the end of October. PC Depot has also been reviewing the usage patterns of directly mailed customers and providing them with a detailed explanation of their current circumstances. Customers wishing to visit a store for explanation can receive it at in-store consultation counters.
- 2) Efforts to improve quality
 - Update company work manual for store and headquarter project staff, and ensure it is fully understood by employees.
 - Strengthen quality control departments and auditing systems.
- 3) Launch of plans that give customers freedom of choice in premium services (New item)
 - ① Until now, PC Depot has offered three-year contracts, but now gives customers the choice between a three-year or one-year contract.
 - ② PC Depot has created the following three support plan types based on the level of support and number devices covered: Light, Regular, and Full Support. Customers can select one of these program for supported devices.
 - ③ By paying an initial technical fee when joining PC Depot, customers can select a plan that reduces the cancellation fee incurred if they choose to cancel services mid-contract.
Please note: These plans will launch at PC Clinics at branches of K's Denki.
- 4) About systems related to upcoming services

In addition to the above efforts, PC Depot is working with external specialists such as advisors on consumer affairs to conduct a review and make improvements to support services as a whole – the content and administration of its support services, and how these services respond to customers.

With an aging population and the increasing prevalence of IT in society, PC Depot believes that through its solutions centered on its premium service it can provide support to those experiencing difficulties with technology, and make a significant contribution to breaking down the “digital divide”. This attitude is encapsulated in PC Depot’s slogans: *“tsukaitai no ni tsukaenai”* and *“tsukaete ita noni tsukaenakunatta”* (English translation: *“Want to use, but can’t use”* and *“Could use but now can’t anymore”*). PC Depot and its employees are committed to delivering the highest quality of services to its customers.

4. Outlook

PC Depot will continue to pursue the measures announced on August 17 and August 25, 2016. While at this stage it is not yet possible to quantify the impact that the cost of these measures will have on results, any expected effects on business results for the year ending March 2017 will be disclosed promptly.

Business results for the six months ending September 2016 and the monthly sales report for October 2016 are scheduled to be announced on or around Tuesday November 8, 2016.

<p>*All figures contained in this material are preliminary POS figures for the purpose of providing a progress report in a timely manner. Please be aware that these figures will differ from the final financial results.</p>
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PC DEPOT CORPORATION-Monthly Report for the Term Ending March 31, 2017

1. Net sales compared to the same month of the previous year (directly managed stores and subsidiary stores)

	April	May	June	First quarter	July	August	September	Second quarter	First half total	October	November	December	Third quarter	January	February	March	Fourth quarter	Second half total	Full year
All stores	100.2	104.5	106.4	103.6	106.9	89.5	76.6	90.9	97.2										97.2
Existing stores	100.6	104.6	106.6	103.8	107.4	90.1	78.5	91.9	97.8										97.8
(Reference: Previous year)																			
All stores	88.9	102.8	104.4	97.9	103.0	102.3	103.8	103.0	100.4	103.9	95.7	99.1	99.4	104.3	107.6	98.5	103.2	101.3	100.9
Existing stores	86.4	100.4	100.8	95.2	100.4	100.3	99.8	100.2	97.6	103.4	96.0	98.7	99.2	103.7	106.6	99.3	103.1	101.1	99.5

2. Net sales compared to the same month of the previous year by segment (directly managed stores and subsidiary stores)

	April	May	June	First quarter	July	August	September	Second quarter	First half total	October	November	December	Third quarter	January	February	March	Fourth quarter	Second half total	Full year
Before correction																			
Products	85.6	88.7	88.4	87.5															
Services	116.8	121.9	125.1	121.2															
(Reference: Final financial results)																			
After correction																			
Products	87.2	90.5	90.2	89.2	92.7	71.8	56.3	73.8	81.6										81.6
Services	115.0	119.9	123.2	119.3	121.8	107.6	96.2	108.3	113.6										113.6
(Reference: Previous year)																			
Products	76.7	93.4	93.5	86.6	91.0	89.0	89.6	89.9	88.2	89.2	82.3	88.8	86.9	94.6	93.5	86.9	91.6	89.2	88.7
Services	112.9	118.2	120.2	117.0	122.1	123.9	124.0	123.4	120.2	124.1	112.3	114.4	116.5	118.7	123.2	113.1	118.1	117.3	118.6

3. Changes in the number of stores (including directly managed stores, subsidiary stores, and PC Clinics)

Beginning of the year	April	May	June	July	August	September	October	November	December	January	February	March	Full year
123	123	123	125	125	125	125							125
including PC DEPOT Smart Life	25	25	28	28	28	29							29
Renovated Store			1			1							2
NEW			3										3
memo			Fujimino Toyosu Mito Kamisu *			Matsudo							

* PC Clinic in K's Denki Kamisu Store

* Net sales compared to the same month of the previous year in Section 1 are calculated using POS data from PC DEPOT and PC DEPOT Smart Life stores directly run by PC DEPOT or its subsidiary as well as from PC DEPOT PC Clinic stores.

* Net sales from services are the sum of the preliminary figures for technical service fees, various commissions, and communication charges, etc. The data transmission charges for MVNO business are included in the net sales from services.

* All figures contained in this material are preliminary POS figures. Net sales from services are approximate and include anticipated rebates, etc. It should be noted that these figures will differ from the final financial results.

* Subsidiary stores are the ones managed by PC DEPOT STORES CORPORATION.

■ Announcement

The monthly report for October will be published around November 8.

■ For inquiries regarding this material contact:

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Please be aware that these figures will differ from the final financial results.