



Press Release

November 8 2016

Company name: PC Depot Corporation
 Representative: Takahisa Nojima, President
 TSE Section 1 Code number: 7618
 Contact: Yuko Matsuo, Director,
 General Manager of President's Office
 Tel: +81-(0)45-472-9838

PC Depot Monthly Sales Report

Sales for the month of October 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	80.9						94.8
Existing stores	100.6	104.6	106.6	107.4	90.1	78.5	82.1						95.6

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	66.6						79.5
Services	115.0	119.9	123.2	121.8	107.6	96.2	94.6						110.7

2. Summary

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

In October 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 80.9% and existing store sales were 82.1% respectively, compared to the same month of the previous year.

The main factors in the decline of sales in October 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 October sales.

The October contract cancellation rate, including contracts that expired in October, 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%, September contract cancellation rate: Normal rate approx. 0.6% + Related to matters disclosed in August approx. 1.0% = 1.6%)

2) Segmental sales

① Product sales

Product sales for October were 66.6% 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 October were 94.6% 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. At the end of October 2016, PC Depot completed sending DM to approx. 400,000 existing customers. We continue to check whether each customer's contract fits their individual needs through communication with customers during store visits, resending direct mail, phone contact through customer support and surveys.

- 2) New organization structure for offering service

We have started offering a new premium service and are promoting migration towards this. We will further enhance, improve and review all customer services including service content, operation and sales staff manner through working with independent advisers on consumer affairs and with other external professionals.

(New measure)

Our internal project, which started in August, has been shifted to the new organization structure.

The project team's responsibility for staff training, operation and strict supervision, which were their main targets, has been implanted into each division. We seek ultimate customer peace of mind by improvement of our overall service quality through sharing information among divisions, collaboration between our headquarters and the store's quality control staff.

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

We have revised our earnings estimate for FY3/2017 which was announced on 10th May 2016. For details, please refer to our press release announced on 8th November 2016, entitled “Notice of revised forecast of financial results for FY3/2017 and change between 1H earnings estimate and actual results”

*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.

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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	80.9			80.9					80.9	94.8
Existing stores	100.6	104.6	106.6	103.8	107.4	90.1	78.5	91.9	97.8	82.1			82.1					82.1	95.6
(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	66.6			66.6					66.6	79.5
Services	115.0	119.9	123.2	119.3	121.8	107.6	96.2	108.3	113.6	94.6			94.6					94.6	110.7

Products				87.9				71.7	80.0										80.0
Services				120.0				110.5	115.1										115.1

(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						125
including PC DEPOT Smart Life	25	25	28	28	28	29	29						29
Renovated Store			1			1	1						3
NEW			3										3
memo			Fujimino Toyosu Mito Kamisu *			Matsudo	Minato Mirai (Relocated)						

* 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 November will be published around December 9.

■ For inquiries regarding this material contact:

IR officer at 045-472-9838 or ir@pcdepot.co.jp

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