



Investors' Guide

First Half of the Fiscal Year Ending March 31, 2017
(April 1, 2016 to September 30, 2016)



PC DEPOT CORPORATION

Securities Code : 7618

To Our Shareholders

Business Results for the Six Months Ended September 30, 2016



I would like to take this opportunity to extend our heartfelt thanks for your invaluable support.

Please find below a summary of the PC DEPOT Group's business results for the six months ended September 30, 2016.

The Japanese economy continued to recover slowly during the second quarter of the term ending March 2017, as a result of certain economic measures led by the government. However, consumer spending still remained uncertain and posted its lowest growth.

Against this backdrop, we in the PC DEPOT Group stepped up sales of Internet devices such as PCs, smartphones and tablets and actively developed related services, continuing with our aim to become a "smart life partner" for customers, providing both products and services in a single outlet. We also provided comprehensive services for communication lines, devices and support, through the provision of support for Windows 10 of which upgrade was offered for free until the end of July, and the launch of our original new brand "JUST PRICE FON" to offer support services bundled with the product referred to as a "low-priced smartphone" that combines a smartphone with MVNO.

However, following the occurrence of an incident regarding our premium services (hereinafter, the "incident") in mid-August, which we viewed as a serious matter, we made efforts to establish a framework for quality improvement. We prioritized the support for existing members by dispatching direct mail to approximately 400,000 existing members before the end of October and verifying their status of use and support received whenever we had a chance to interact with them, such as when they visit or shop at our stores, or call our call center to seek our support. Furthermore, we deployed quality control staff to our stores and the head office apart from sales staff, in order to improve our service quality and to provide explanations. Consequently, the number of sales staff decreased temporarily. With regard to sales promotion, we voluntarily restrained sales promotion activities, including advertising through newspapers.

As a result, consolidated cumulative net sales for the second quarter of the current term were 23.847 billion yen (down 2.8% compared to the same

period of the previous year), and operating income was 2.3 billion yen (up 37.0%). Ordinary profit was 2.357 billion yen (up 36.7%), and net income belonging to parent company shareholders was 1.569 billion yen (up 41.1%).

Forecast for the Six Months Ending March 31, 2017 and our Policies

We sincerely apologize to our loyal customers, shareholders and relevant parties for the great inconvenience and anxiety caused by the incident in August, for which we received much criticism through the Internet and media. We take the incident very seriously and will take appropriate measures going forward.

We offer a concierge-like support services to customers who are not very familiar with PCs, the Internet or smart devices. As a concierge, we need to give consideration and care to our customers. The incident made us realize that the consideration we give to our customers was insufficient when we expanded our business model in response to the recent increase in Internet usage and the speed of increase in service offerings and devices. We believe that we could have made greater effort to commit ourselves to the customers. Going forward, we endeavor to carry out the following measures.

We will establish a new quality control department by splitting the existing sales department and enhance the internal structure for quality control to improve the quality of our stores and services. We will shift the framework for service development going forward to one that incorporates the outside perspective, and change the structure by implementing a new personnel evaluation system with greater value placed on customer satisfaction so as to quickly respond to customers' needs. We will also establish a risk management framework with rigid governance by inviting external experts to participate. In addition, we will focus on basic store creation, thorough education to ensure high customer services, and compliance in order to create stores that are more trustworthy and considerate to customers.

We understand that it is not easy to regain credibility and satisfy customers' expectations. However, we have continued to provide services to our customers even after the incident, with the cooperation from many customers and relevant parties, and provided various support and services to

solve the problems faced by our members. In addition, the external environment for PCs and smart devices is changing, with reports of an increasing number of older people who are beginning to view PCs as a hobby while the percentage of PC usage by young people is declining. It is expected that customers' needs for support and services will continue, in connection with the end of support for Windows VISTA next spring and other problems in using PCs and devices efficiently. We believe that our largest role is to satisfy these needs in various circumstances.

We will make further effort to concentrate on and enhance the quality of our services to the existing customers and members for the rest of the current term and next fiscal year. During the six months ended September 30, 2016, we narrowed the range of premium services we offer as well as certain products. As for store development, we postponed new store openings in the second half of the current term. We will also revitalize our existing stores, through the planned renovation of two stores.

In consideration of the impact of the incident and the economy mentioned above, we revised the consolidated earnings forecast for the fiscal year ending March 31, 2017 as follows: consolidated net sales of 45.5 billion yen (down 12.1% compared to the previous year), consolidated operating income of 2.95 billion yen (down 31.6%), consolidated ordinary profit of 3 billion yen (down 31.3%), and net income belonging to parent company shareholders of 1.99 billion yen (down 30.6%). We will make a concerted effort to regain credibility from our customers, shareholders and relevant parties and improve our earnings as quickly as possible.

Our Group's basic CSR policy defines our mission as using our stores to eliminate the disparities in the information society (bridging the so-called "digital divide") that arise as a result of differences in age, gender, income, education, place of residence, and other factors. In accordance with this policy, we have conducted our business with the aim of becoming solution stores for PCs, the Internet and smart devices that provide reassurance, convenience and kindness to local customers.

Reflecting upon our regret from the incident, we will return to the starting point and make efforts to contribute to the local customers as IT solution stores that provide the benefits of using smart devices and the Internet for a better life.

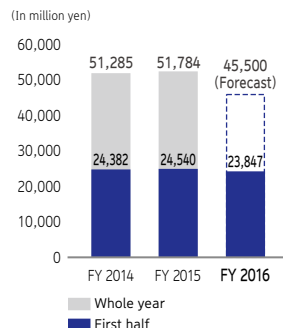
We look forward to your continued support as we make further progress.

December 2016

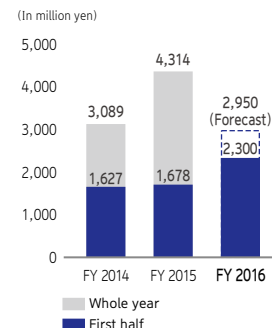
Takahisa Nojima, President and Chief Executive Officer

	First half of FY2015 (Six months ended September 30, 2015) (In million yen)	First half of FY2016 (Six months ended September 30, 2016) (In million yen)	Rate of increase/ decrease
Consolidated net sales	24,540	23,847	- 2.8 %
Consolidated operating income	1,678	2,300	+ 37.0 %
Consolidated ordinary profit	1,724	2,357	+ 36.7 %
Net income belonging to parent company shareholders	1,111	1,569	+ 41.1 %

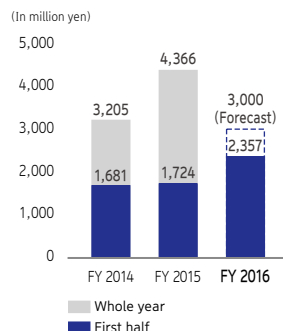
Net sales



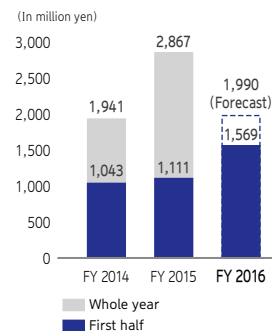
Operating income



Ordinary profit



Net income belonging to parent company shareholders



New stores



PC DEPOT Smart Life Fujimino Store
(Opened on June 18, 2016)



PC DEPOT Smart Life Books Kinokuniya LaLaport Toyosu Store (Opened on June 24, 2016)



PC DEPOT Smart Life Mito Store
(Opened on June 25, 2016)



PC DEPOT Smart Life Matsudo Store
(Opened on September 16, 2016)



PC DEPOT
PC DEPOT Smart Life Stores
PC DEPOT PC Clinics

41 Stores (FC 3 Stores)
29 Stores
58 Stores

Total number of stores:
128 Stores
(As of November 30, 2016)

PC DEPOT shop information [Search](#)

www.pcdepot.co.jp/shop

Financial statements (summary)

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

(Unit: million yen)	FY2015	Second quarter of FY2016	Amount of increase/decrease
	As of March 31, 2016	As of September 30, 2016	
Assets			
Total current assets	25,652	25,541	- 111
Total non-current assets	9,622	9,687	65
Total assets	35,275	35,228	- 47
Liabilities			
Total current liabilities	12,271	9,894	- 2,377
Total non-current liabilities	1,347	2,373	1,026
Total liabilities	13,618	12,267	- 1,351
Total net assets	21,656	22,961	1,305
Total liabilities and net assets	35,275	35,228	- 47

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

Assets: The increase of accounts receivable has slowed down due to the decreased sales of service-inclusive products in connection with the voluntary restraint on sales promotion activities and loss of sales opportunities. However, the collection of such accounts receivables is going well. Inventories also decreased.

Liabilities: Short-term loans payable decreased owing to improved cash flow from operating activities. Long-term loans payable increased.

Consolidated income statements (The first half)

(Unit: million yen/%)	First half of FY2015	First half of FY2016	Rate of increase/decrease
	From April 1, 2015 to September 30, 2015	From April 1, 2016 to September 30, 2016	
Net sales	24,540	23,847	- 2.8
Gross profit	10,352	11,412	10.2
Selling, general, and administrative expenses	8,674	9,112	5.0
Operating income	1,678	2,300	37.0
Ordinary profit	1,724	2,357	36.7
Income before income taxes and minority interests	1,698	2,305	35.7
Net income belonging to parent company shareholders	1,111	1,569	41.1

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

Net sales: Net sales from solution services exceeded the expectation in 1Q. However, sales in 2Q decreased due to voluntary restraint on sales promotion activities in relation to the incident in August.

Selling, general, and administrative expenses: Although advertising expenses in 2Q decreased due to voluntary restraint on sales promotion activities, such expenses for the first half of FY2016 increased year-over-year as we concentrated on providing support for existing members.

Consolidated cash flow statements (The first half)

(Unit: million yen)	First half of FY2015	First half of FY2016	Amount of increase/decrease
	From April 1, 2015 to September 30, 2015	From April 1, 2016 to September 30, 2016	
Cash flow from operating activities	504	1,261	757
Cash flow from investing activities	- 409	- 689	- 280
Cash flow from financing activities	- 553	- 586	- 33
Cash and cash equivalents at the end of the period	1,911	4,739	2,828

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

Cash flow from operating activities: Accounts receivable declined due to a decrease in sales of service-inclusive products in 2Q.

Cash flow from investing activities: Cash flow from investing activities increased as a result of new openings of two PC DEPOT Smart Life stores and one PC DEPOT PC Clinic as well as renovation of two existing stores.

Cash flow from financing activities: Cash flow from financing activities decreased due to expenditure for the net change in loans payable and the payment of dividend.

Sales by product category (The first half)

(Unit: million yen/%)	First half of FY2015	First half of FY2016	Rate of increase/decrease
	From April 1, 2015 to September 30, 2015	From April 1, 2016 to September 30, 2016	
PCs	3,090	2,828	- 8.5
Peripherals	3,389	2,706	- 20.1
Accessories and supplies	1,457	896	- 38.5
Software	372	217	- 41.6
Previously owned products and other	3,901	3,117	- 20.1
Total product sales	12,211	9,766	- 20.0
Royalties and other revenue	56	38	- 31.7
Sales from solution services	11,644	13,405	15.1
PC sales business	23,911	23,210	- 2.9
Internet-related business	628	636	1.3
Total	24,540	23,847	- 2.8

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

Sales by product category: Sales of PCs and peripherals decreased due to voluntary restraint on sales promotion activities. Sales from solution services increased year-over-year despite a decrease in sales of technical support and service-inclusive products since 2Q.

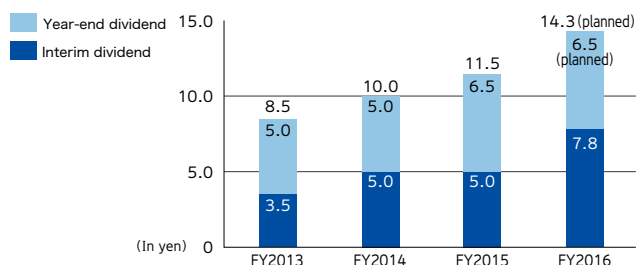
Dividend performance

Our basic policy is to continue to return profits through stable dividends over the long term with a consolidated payout ratio of approximately 20%, while keeping in mind the importance of strengthening our financial standing and increasing retained earnings.

We will pay an interim dividend of 7.8 yen and the year-end dividend of 6.5 yen for the year ended March 31, 2016.

Dividend per share (yen per share)

* While the Company conducted a 1:1.2 stock split on October 1, 2016, the interim dividend will be paid based on the number of shares before the stock split. The year-end dividend will be paid based on the number of shares after the stock split.



Complementary ticket for shareholders

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).



Number of shares held	A - Benefits for purchases	B - Benefits for technical services
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

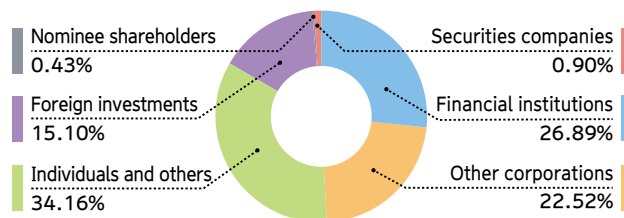
Status of shares

Total number of shares authorized to be issued 133,500,000 shares
 Total number of shares outstanding 43,852,000 shares
 Number of shareholders 9,199 people

Major shareholders

Name of shareholder	Number of shares held (shares)	Voting rights ratio
TN HOLDINGS CO., LTD.	9,000,000	20.62%
Takahisa Nojima	4,215,800	9.66%
Japan Securities Finance Co., LTD	3,205,200	7.34%
JAPAN TRUSTEE SERVICES BANK, LTD (TRUST ACCOUNT)	2,313,700	5.30%
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	2,111,900	4.83%
Mizuho Bank, Ltd.	1,182,000	2.70%
TRUST & CUSTODY SERVICES BANK, LTD. (TRUST ACCOUNT E)	733,500	1.68%
Kinuyo Nojima	726,750	1.66%
Deutsche Bank AG London 610	678,950	1.55%
MSCO CUSTOMER SECURITIES	668,600	1.53%

Composition of shareholders



Company profile

Corporate name	PC DEPOT CORPORATION
Business outline	Direct management of PC DEPOT, which consists of a chain of comprehensive internet device and network stores, PC DEPOT 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	823 (consolidated)
Consolidated subsidiaries	ejworks Corporation PC DEPOT STORES CORPORATION

Board members (As of June 23, 2016)

President and CEO	Takahisa Nojima
Managing Director	Hideki Saitoh
Director	Takayuki Shimano
Director	Nobuyuki Tanaka
Director	Kazuya Shinozaki
Director	Yuko Matsuo
Director	Tsukasa Yamaguchi
Director	Junichi Ishihara
Outside Director	Hidehiro Takayama
Outside Director	Hideaki Izawa
Outside Director	Atsuomi Obayashi
Outside Director	Mineo Fukuda
Corporate Auditor	Masayuki Ishii
Outside Auditor	Kazuo Yamamoto
Outside Auditor	Masaki Nishimura
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
1-4-5 Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan

Contact info

Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Department
7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081, Japan
Tel: 0120-232-711 (toll free)

Investor Relations website

http://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 receive emails with new information related to investor relations at our company. Registration is free.



www.pcdepot.co.jp

PC DEPOT CORPORATION

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