

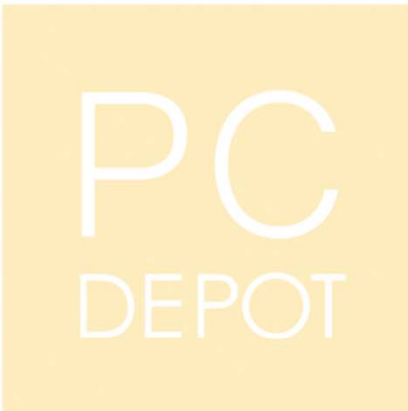


PC
DEPOT



Presentation of Financial Results for the Third Quarter of the Year Ending March 2017

February 13, 2017



PC DEPOT CORPORATION

Securities Code: 7618



Financial Highlights



1 ■ 3Q (cumulative) Lower sales and lower income

1Q of higher sales and income - Increase in customers' needs for support following the end of the free upgrade to Windows 10

2Q of lower sales and higher income - Decrease in sales due to voluntary restraint on sales promotion activities in relation to the incident that occurred in August
We concentrated on supporting existing members by verifying the usage of each member through direct mail, etc.

3Q of lower sales and lower income - Although we gradually resumed sales promotion activities in November, the decrease in sales continued due to the impact of the quiet period. As we sold off our long-term inventories by lowering their prices, the gross margin on product sales decreased.

Due to a shortage of customer service staff, sales of service-inclusive products decreased.

Million yen, %	3Q of FY2015 (cumulative)	3Q of FY2016 (cumulative)	Changes	YoY changes
Net sales	38,201	34,796	△3,405	91.1
Operating income	3,051	2,682	△369	87.9
Ordinary income	3,076	2,759	△317	89.7
Net income belonging to parent company shareholders	2,109	1,811	△298	85.9

PL (Consolidated)



3Q Net sales decreased due to a focus on quality control

Million yen	FY2016			3Q (Cumulative)
	1Q	2Q	3Q	
Net sales	12,598	11,249	10,949	34,796
Products	5,482	4,284	4,949	14,715
Solution services	6,782	6,623	5,648	19,053
Internet-related business (Subsidiaries)	314	322	316	952
Gross profit	5,970	5,442	4,633	16,045
Selling, general and administrative expenses	4,536	4,576	4,250	13,362
Operating income	1,434	866	383	2,682
Ordinary income	1,465	892	402	2,759
Net income belonging to parent company shareholders	990	579	242	1,811

1Q Sales

Strong sales owing to the increase in customers' last-minute needs for the free upgrade to Windows 10 before its deadline (end of July)

2Q and 3Q net sales The situation in August:

- A quiet period on sales promotion→ ended in mid-November
- Due to a shortage of sales staff in connection with the realignment to the quality control department, product sales decreased.
- Decreased sales from technical service and service-inclusive products due to increased focus on the provision of support to existing members
- Sales from premium services with monthly charges increased

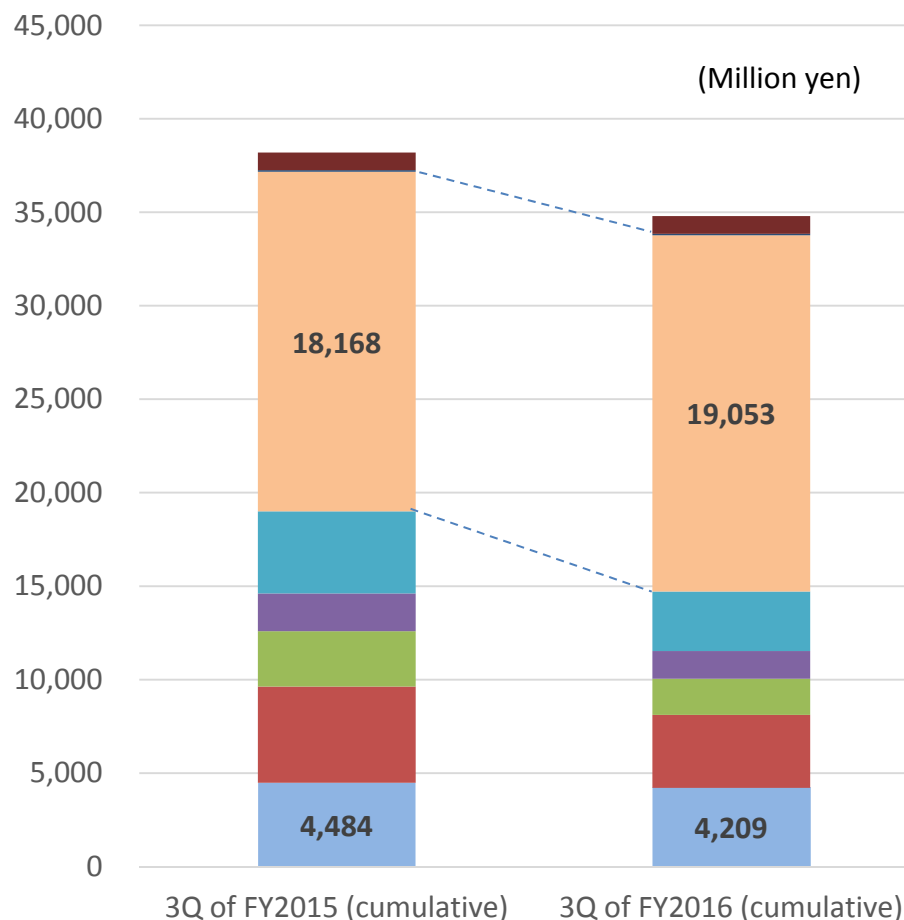
3Q Gross profit

- Due to an adjustment to inventory levels, the gross margin on product sales decreased.

3Q (cumulative) Selling, general and administrative expenses

- Personnel expenses
The staff shortage resulting from the realignment to focus on quality control was not compensated and remained at 105% against 107%, as planned (98.9% against 3Q of FY2015).
→Total number of employees and temporary staff (converted to 8-hour workdays)
2,238 (3Q of FY2015) → 2,244 (3Q of FY2016)
- Advertising expenses
Sales promotion activities resumed in mid-November
→Scaled down compared to 3Q of FY2015, considering the staff shortage
60.3% against 3Q of FY2015

Sales by Product



- PCs
- Software and accessories
- Others
- Loyalty
- Peripherals
- Previously owned products
- Solution services
- Internet-related business

■ Sales from PCs (Year-on-year change)

1Q 93.7%

2Q 88.8% Affected by voluntary restraint on sales promotion activities

3Q 99.1% Sales promotion activities resumed in mid-November
Sale of long-term inventories

Cumulative total 93.9%

■ Sales from solution services (Year-on-year change)

1Q 120.0%

Increase in customers' needs for technical service in connection with the end of the free upgrade to Windows 10

2Q 110.5%

Decreased sales from service-inclusive products due to voluntary restraint on sales promotion activities, as well as decreased number of new members for premium services

3Q 86.6%

Decreased sales of service-inclusive products due to staff shortage

Increased withdrawal of existing members and decreased number of new members for premium services

Cumulative total 104.9%

BS (Consolidated)



Accounts receivable decreased due to the decreased sales of service-inclusive products

Million yen	As of March 31, 2016	As of June 30, 2016	As of September 30, 2016	As of December 31, 2016
Total current assets	25,652	24,810	25,541	25,438
Accounts receivable	13,734	14,243	13,884	12,867
Inventories	6,128	6,551	5,895	7,134
Total non-current assets	9,622	9,748	9,687	9,606
Property, plants and equipment	5,041	5,089	5,034	4,970
Intangible assets	804	786	763	746
Investments and other assets	3,776	3,872	3,889	3,889
Total assets	35,275	34,559	35,228	35,045
Total current liabilities	12,271	11,003	9,894	10,076
Total non-current liabilities	1,347	1,178	2,373	2,090
Total liabilities	13,619	12,182	12,267	12,167
Total shareholders' equity	21,573	22,284	22,863	22,767
Total net assets	21,656	22,376	22,961	22,878
Total liabilities and net assets	35,275	34,559	35,228	35,045

Accounts receivable for service-inclusive products

- As of March 31, 2016
→ as of June 30 +500 million yen
- As of June 30, 2016
→ as of September 30 △200 million yen
- As of September 30, 2016
→ as of December 31 △1,400million yen

→Sales promotion activities were suspended due to a quiet period. Even after the activities resumed, sales of service-inclusive products decreased due to the staff shortage. As a result, the increase of accounts receivable has slowed down. However, the collection of such accounts receivables went well.

Increase in inventories for seasonal reasons

2Q、3Q
New store opening - None
Renovation to change to PC DEPOT Smart Life Store - 1

CF (Consolidated)



CF from operating activities improved

Million yen	Year ending March 2017				Year ended March 2016 3Q (Cumulative) Results	Changes
	1Q	2Q	3Q	3Q Results		
CF from operating activities	109	1,152	1,871	3,132	16	3,116
CF from investing activities	△505	△184	△217	△906	△826	△80
CF from financing activities	△1,365	779	△1,947	△2,533	2,905	△5,438
Cash and cash equivalents at end of period	2,991	1,748	295	4,444	4,466	△22

CF from operating activities

- Level of accounts receivable decreased in connection with the decreased sales from service-inclusive products.

CF from investing activities

- Increased in connection with the openings of new stores and renovation to PC DEPOT Smart Life Store

CF from financing activities

- Long-term loans payable increased
- Short-term loans payable decreased

Premise Comparison



Sales promotion activities resumed on a smaller scale in mid-November compared to 3Q of FY2015

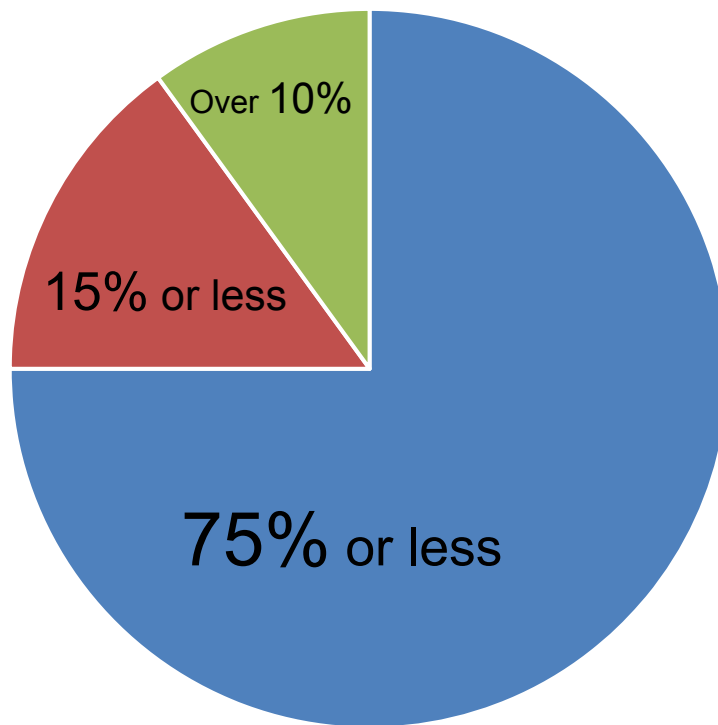
	FY2016				
	Full-year prospects Q2 (restated)	1Q results	2Q results	3Q results	3Q (cumulative) results
Sales for existing stores for the previous fiscal year	88.0%	103.0%	91.9%	86.3%	92.6%
Sales from solution services (SLP concept) for the previous fiscal year	100.0%	120.0%	110.5%	86.6%	104.9%
Gross profit margin	47.0%	47.4%	48.4%	42.3%	46.1%
Capital investments	—	—	—	—	770 million yen
Balance of interest-bearing liabilities	—	—	—	—	5,060 million yen
Renovation to SLP*	Renovation of 3 stores completed Plans for 2 stores to be renovated	1 store	1 store	—	2 stores
Opening of new SLP*	2 stores already opened Opening of 2 stores postponed	2 stores	—	—	2 stores
Opening of new PC Clinics	—	1 store	—	—	1 store

* SLP stands for PC DEPOT Smart Life Store

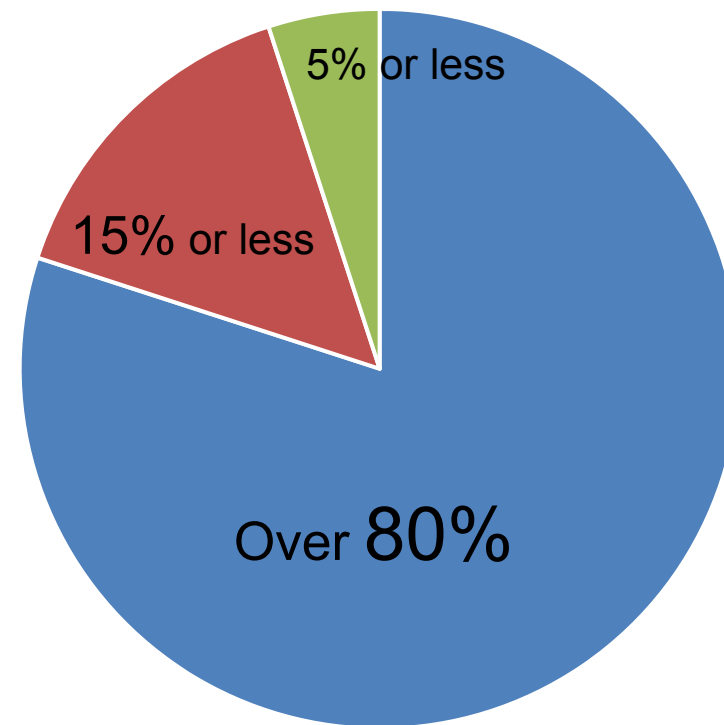
Percentage of Sales from Solution Services to Total Sales - Image



First half of FY2016 Results



Second half of FY2016 Prospects

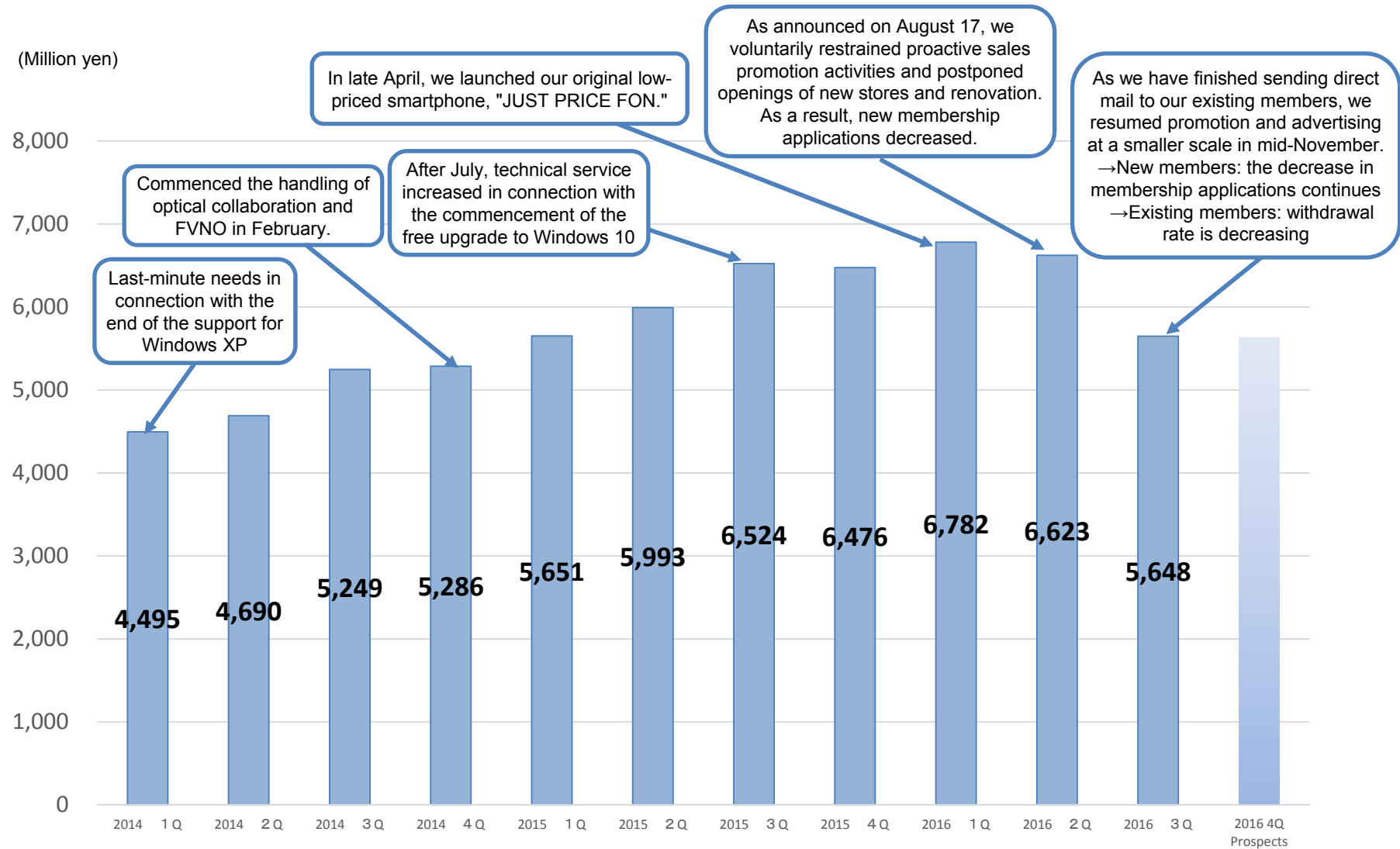


Continuous membership-based support service

Technical service

Service-inclusive products and others

Sales of Solution Services - Changes by Quarter



Solution Services - Support Services-



1. PC clinic & Dr. Smart (Repair and technical support)



Free
consultation

Quick repair

Products
purchased at other
stores are
also welcome

2. Premium services (Continuous support, etc.)



3. Solution services (Contents, communication, Internet service)

Solution Services combine these services with hardware

PC Clinic & Dr. Smart



Technical services and support department to resolve our customers' problems



Engineers, SLP (consultants), and Support desk
Over 1,000 staff (including employees and temporary employees) **assigned to stores**



Increased Focus on Providing Support to Existing Members



We will continue to offer members the solutions to their problems.

Contact with members

More than 50,000 cases per month[※]

Store visits for
lectures on
operating
instructions

Store visits for
repair diagnoses

Calls to the call
center about
problems

Call for advice on
questions and
problems



Direct mail introducing
services offered for
problems

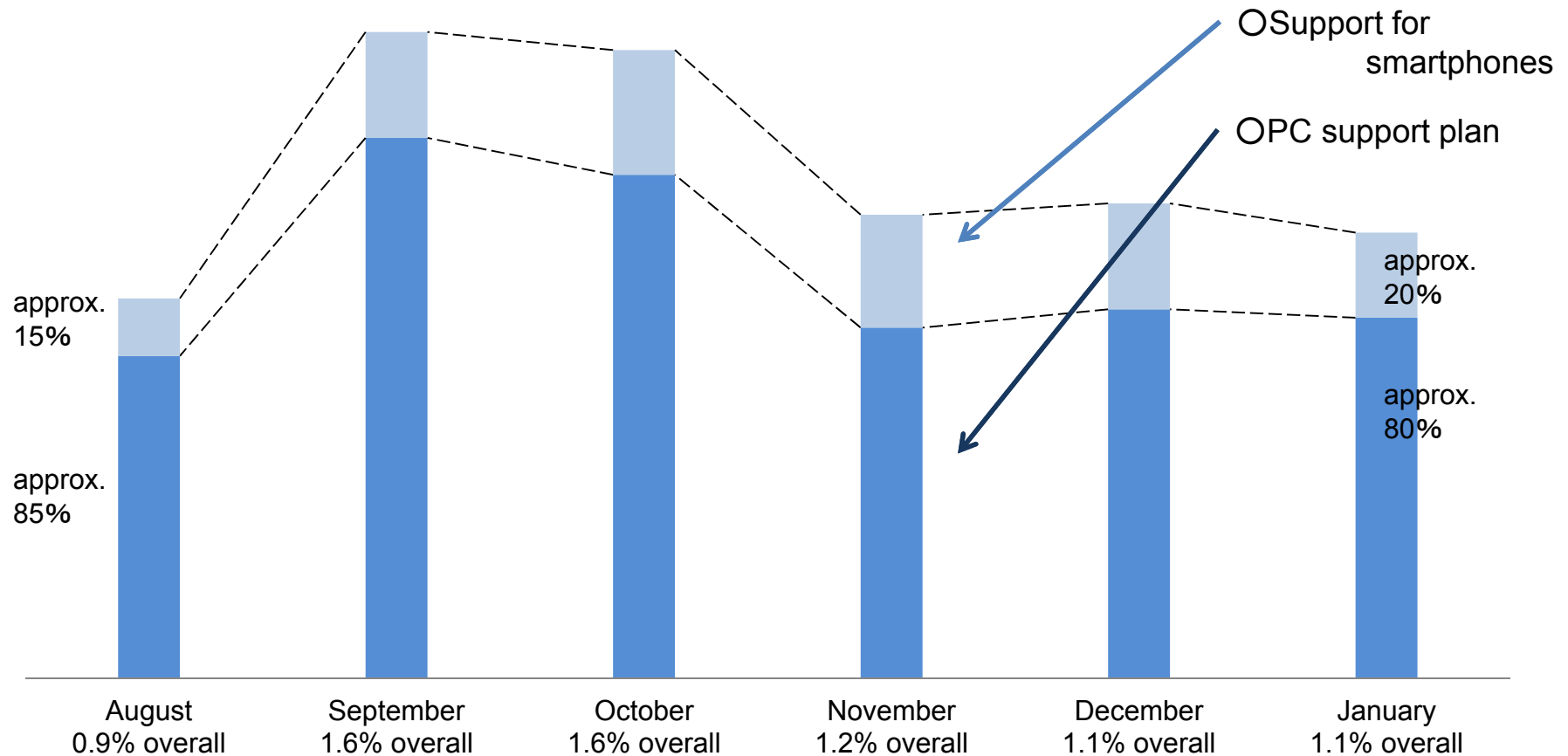


* Monthly average (including estimates)

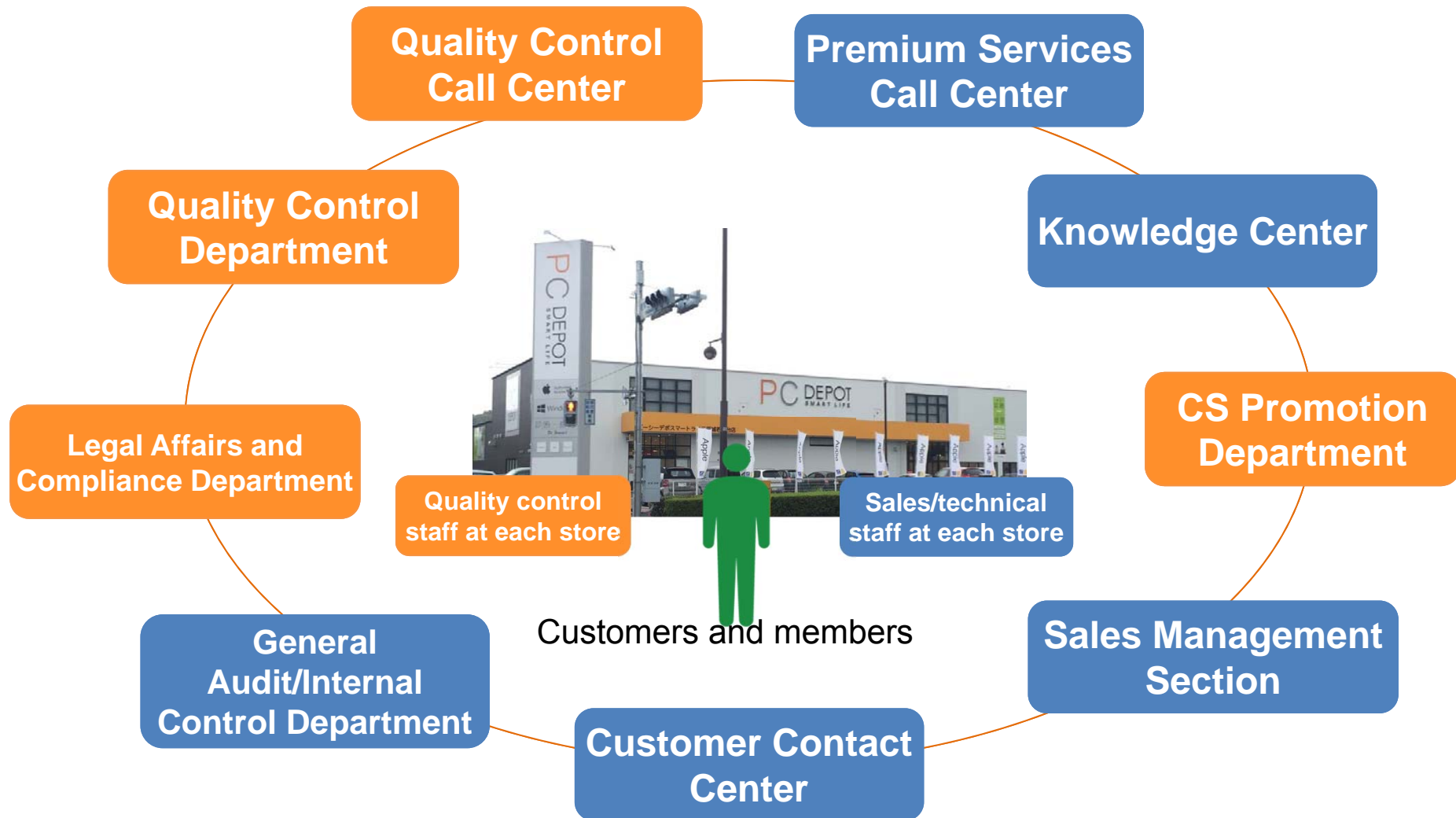
Withdrawal rate for premium services from August (including expirations)



* Average withdrawal rate: 0.6%–0.7%



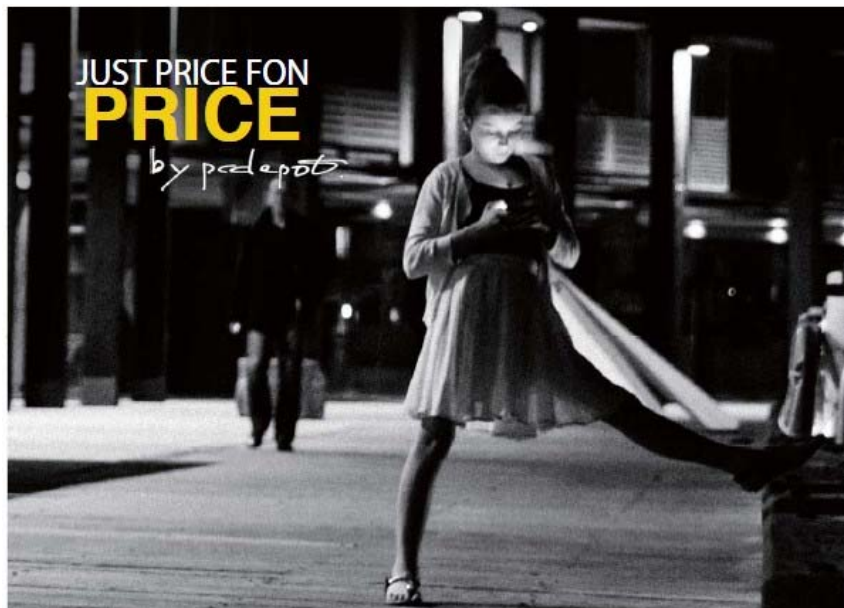
New Framework for Improving Quality, Effective December 2016



Examples of Solution Services (Low-priced Smartphones)



Integrated full support for "communications fees and smartphone"



docomo・au
SoftBank・その他キャリア

電話番号・メール
そのまま
即日開通^{※1}

新規・他社
東換えOK

JUST PRICE FON
PRICE
by padapots

全部込み
格安スマートフォン

① 本体代	② 基本料	③ 物損修理保証	④ Member サポート
ASUS Zenfone 2 Laser 5インチ	4GB データ定額 3年プラン	0円	0円
0円	月々 2,990円	0円	0円
FUJITSU arrows M01 5インチ	4GB データ定額 3年プラン	0円	0円
0円	月々 3,990円	0円	0円
HUAWEI P9 lite 5.2インチ	4GB データ定額 3年プラン	0円	0円
0円	月々 3,990円	0円	0円
ASUS Zenfone3 5.2インチ	4GB データ定額 3年プラン	0円	0円
0円	月々 3,990円	0円	0円
VAIO Phone Biz 5.5インチ	4GB データ定額 3年プラン	0円	0円
0円	月々 4,990円	0円	0円

※1 契約開始から10日間以内の故障は修理が無料です。ただし、修理に要する部品が在庫切れの場合は、同等の機種に交換させていただきます。また、修理に要する部品が在庫切れの場合は、同等の機種に交換させていただきます。また、修理に要する部品が在庫切れの場合は、同等の機種に交換させていただきます。

Store openings and renovation



Plans for store openings and renovation for the year ending March 2017

[Store openings]

Second half **2** stores
→ **Postponed**

<Target area for store openings>

Shinjuku-ku Shibuya-ku Minato-ku Chiyoda-ku Chuo-ku Shinagawa-ku



[Renovation plan]
Second half
roughly **2** stores

February 18, 2017 Opened after renovation
PC DEPOT Smart Life Funabashi Store (Chiba)

February 25, 2017 Opened after renovation
PC DEPOT Smart Life Niiza Store (Saitama)

Store Network (excluding franchise stores, as of December 31, 2016)



PC DEPOT



PC DEPOT SMART LIFE



PC DEPOT PC Clinic



Store type	Suburban large-scale stores	Small-to-medium-scale stores in the Tokyo metropolitan area	In-shop type PC clinic counter
Directly managed stores	25 stores	29 stores	53 stores
Subsidiary operation	13 stores	-	5 stores
Total	38 stores	29 stores	58 stores





Supplementary material

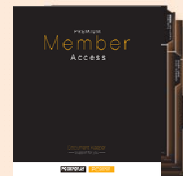
Premium Services



Digital concierge



PREMIUM
Member



Any device,

no matter when you purchased it,

where you purchased it,

or who uses it in your family,

will be covered by the **services**
we provide.

Backup
Updates
Account settings

Security
Wi-Fi connection, etc.



Full support

Premium Services



We support your digital life in all aspects, not just PCs.

If you have any questions or problems with your PC, tablet or smartphone, please feel free to ask us.

プレミアムサービスシリーズ
Memberサポート
家でも外でも
マルチネットワーク
プラン

月額 4,500円

パソコンサポート
インターネットサポート
データバックアップ
クラウドストレージ
スマートフォンのサポート

プレミアムサービスシリーズ
Memberサポート
室内
WiFi
ホームネットワーク
プラン

3ヶ月 3,500円

安全なネット
データバックアップ
クラウドストレージ
スマートフォンのサポート

プレミアムサービスシリーズ
Memberサポート
インターネット設定
パソコン
プラン

3ヶ月 2,500円

インターネット設定
データバックアップ
クラウドストレージ
スマートフォンのサポート

プレミアムサービスシリーズ
Memberサポート
スマートフォン
プラン

2ヶ月 1,000円

スマートフォン
データバックアップ
クラウドストレージ
スマートフォンのサポート

Premium Services



**Available at all PC
DEPOT Stores**



Premium Services



Before



Premium Services



After



PC DEPOT Smart Life Store Ver. 0 Ver. 1



Small-sized format in central Tokyo

- PC DEPOT Smart Life Aoyama Store
- PC DEPOT Smart Life Azabu-Juban Store
- PC DEPOT Smart Life Store in Books Kinokuniya LaLaport Toyosu Store



Suburban, small to medium-sized stores in the vicinity of Tokyo

- Kanagawa 10 stores
- Saitama 1 store
- Chiba 1 store
- Tokyo 11 stores
- Ibaraki 2 stores



PC DEPOT Smart Life Store Ver. 2



Suburban, large PC DEPOT Smart Life stores
(PC DEPOT Smart Life Inagi-Wakabadai Store (Inagi City, Tokyo))



View of the outside of the store



Smart x solutions (Quick lecture)

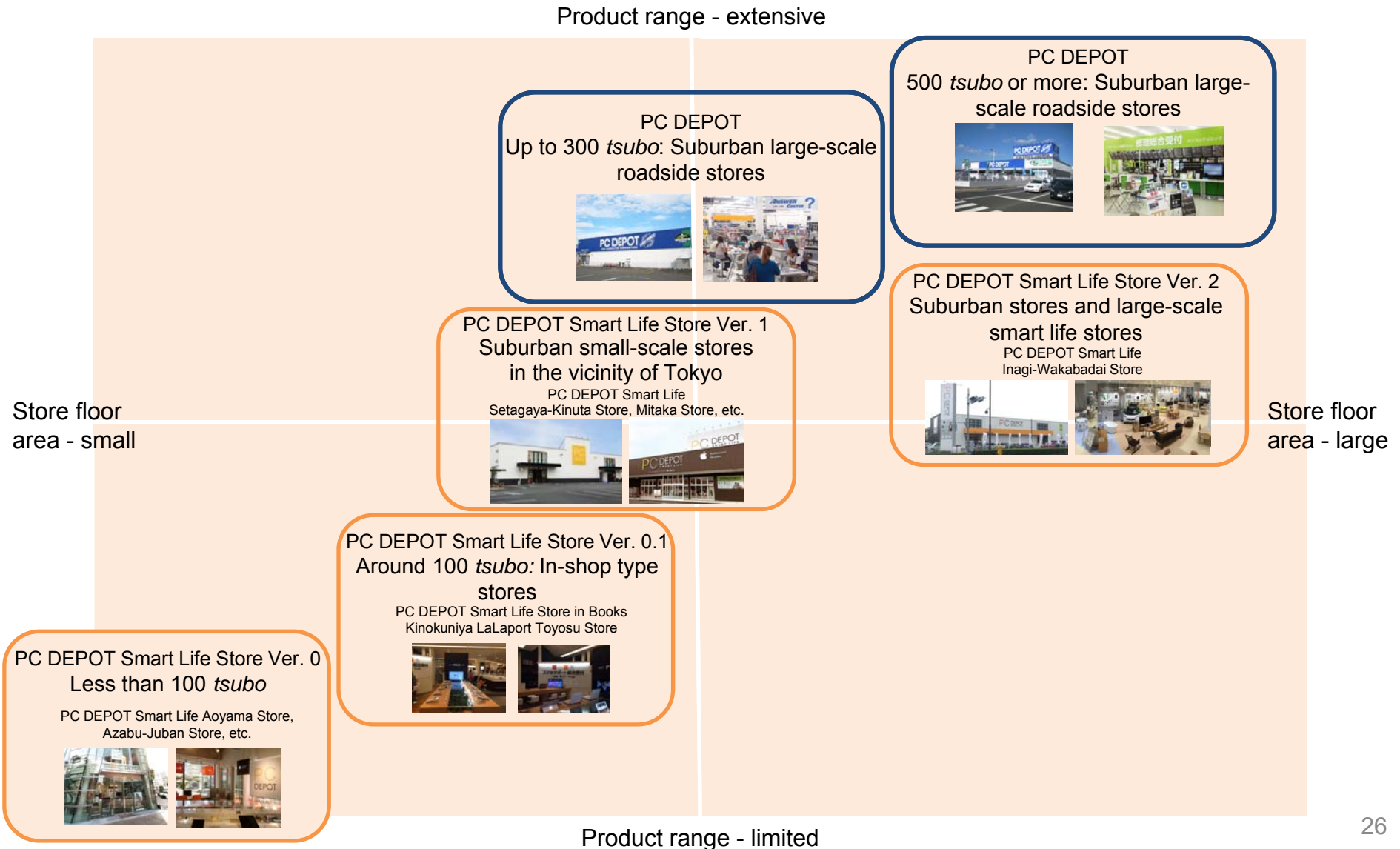


Common space



Dr. Smart (Diagnosis and repair reception counter)

Store Development (PC DEPOT Smart Life Stores)



Inquires



**Corporate Planning Office
(Persons in charge: Matsuo and Takeda)**

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Forecast results included in this document are forecast judged based on information available at the time of the presentation of this document. They reflect a number of uncertainties, and, as a result, actual results may differ materially from these forecasts of operating results or other matters due to various factors. Investors should understand the assumptions as described above, and make any investment decisions based on their own judgment.