May 12, 2014

Summary of Financial Results for the Fiscal Year Ended March 31, 2014 [Japanese standards] (Consolidated)

Company Name: PC DEPOT CORPORATION	Stock Exchange Listing:
Securities Code: 7618	Tokyo Stock Exchange
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Scheduled date of Ordinary General Shareholders Meeting:	June 24, 2014
Scheduled date of Annual Securities Report filing:	June 27, 2014
Scheduled date of dividend payment:	June 25, 2014
Preparation of supplementary references for these Financial Results	Yes
Holding of a briefing on these financial results	Yes

(All amounts have been rounded off to the nearest million yen.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (April 1, 2013 – March 31, 2014)

(1) Consolidated Operating Results (% Figures indicate year-on-year increase/decrease.)

	Net sales		Operating income		Ordinary income		Net income	
	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%
Fiscal year ended March 31, 2014	53,816	4.8	2,310	163.6	2,411	158.4	1,554	248.7
Fiscal year ended March 31, 2013	51,353	3.3	876	58.3	933	30.1	445	59.0

Note: Comprehensive income Fiscal year ended Mar. 31, 2014: 1,552 mil. yen (240.7%)
Fiscal year ended Mar. 31, 2013: 455 mil. yen (56.4%)

	Net inc. per share	Diluted net inc. per share	Return on equity	Ord. inc. (total assets)	Oper. inc. (net sales)
	Mil. yen	Mil. yen	%	%	%
Fiscal year ended Mar. 31, 2014	69.21	68.94	13.4	9.6	4.3
Fiscal year ended Mar. 31, 2013	20.38	20.31	4.6	4.0	1.7

Reference: Equity in income (losses) of affiliates Fiscal year ended Mar. 31, 2014: 8 mil. yen
Fiscal year ended Mar. 31, 2013: (1) mil. yen

(Note) On October 1, 2013, the Company split its common shares at a rate of one to 100 shares. We calculated net income per share and diluted net income per share for the current term on the assumption that the stock split took place at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Mil. yen	Mil. yen	%	Yen
Fiscal year ended Mar. 31, 2014	27,138	13,464	49.5	530.84
Fiscal year ended Mar. 31, 2013	22,933	9,774	42.5	445.96

Reference: Shareholder equity: As of Mar. 31, 2014: 13,445 mil. yen
As of Mar. 31, 2013: 9,756 mil. yen

(Note) On October 1, 2013, the Company split its common shares at a rate of one to 100 shares. We calculated net assets per share on the assumption that the stock split took place at the beginning of the previous consolidated fiscal year.

(3) Consolidated Cash Flow

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	Mil. yen	Mil. yen	Mil. yen	Mil. yen
Fiscal year ended Mar. 31, 2014	2,010	(441)	127	4,679
Fiscal year ended Mar. 31, 2013	1,597	(994)	295	2,982

2. Dividends

	Annual dividend per share					Total dividends (Annual)	Dividend payout ratio (Consolidated)	DOE (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Mil. yen	%	%
Fiscal year ended Mar. 31, 2013	—	350.00	—	350.00	700.00	153	34.3	1.6
Fiscal year ended Mar. 31, 2014	—	350.00	—	5.00	—	203	12.3	1.7
Fiscal year ending Mar. 31, 2015 (forecast)	—	5.00	—	5.00	10.00		—	

(Note) On October 1, 2013, the Company split its common shares at a rate of one to 100 shares.

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2015 (April 1, 2014 – March 31, 2015)

(% Figures indicate year-on-year increase/decrease.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	Yen
First half	24,800	1.5	1,200	29.9	1,250	26.8	720	12.8	28.43
Full year	53,000	(1.5)	2,800	21.2	2,900	20.3	1,740	11.9	68.70

***Notes**

(1) Were there changes in important subsidiaries during the period (changes in specific subsidiaries resulting in modifications of the scope of consolidation): No

New companies: - (Company name)
Excluded companies: - (Company name)

(2) Changes in accounting principles / Changes and restatements of accounting estimates

1) Were there changes in accounting principles caused by revisions to accounting standards: No
2) Were there changes other than 1): No
3) Were there changes in accounting estimates: No
4) Were there any restatements: No

(3) Number of outstanding shares (common shares)

1) Number of shares issued and outstanding as of the end of the period (including treasury stock)
   As of Mar. 31, 2014: 25,952,000 shares
   As of Mar. 31, 2013: 22,502,000 shares
2) Number of shares of treasury stock as of the end of the period
   As of Mar. 31, 2014: 623,800 shares
   As of Mar. 31, 2013: 623,800 shares
3) Average number of shares outstanding during the period
   Fiscal year ended Mar. 31, 2014: 22,465,871 shares
   Fiscal year ended Mar. 31, 2013: 21,878,200 shares

(Note) On October 1, 2013, the Company split its common shares at a rate of one to 100 shares. We calculated the number of outstanding shares at the end of the current term (including treasury stocks), the number of treasury stocks at the end of the current term, and the average number of shares during the current term on the assumption that the stock split took place at the beginning of the previous consolidated fiscal year.

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (April 1, 2013 – March 31, 2014)

(1) Non-consolidated Operating Results (Percentages represent changes from the previous quarter.)

	Net sales		Operating income		Ordinary income		Net income	
	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%
Fiscal year ended Mar. 31, 2014	45,083	5.1	1,831	196.5	2,117	171.5	1,379	267.8
Fiscal year ended Mar. 31, 2013	42,879	(3.4)	617	54.6	780	17.2	375	(8.5)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2014	61.40	61.16
Fiscal year ended Mar. 31, 2013	17.14	17.08

(Note) On October 1, 2013, the Company split its common shares at a rate of one to 100 shares. We calculated net income per share and diluted net income per share for the current term on the assumption that the stock split took place at the beginning of the previous business year.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Mil. yen	Mil. yen	%	Yen
Fiscal year ended Mar. 31, 2014	25,042	11,846	47.2	466.97
Fiscal year ended Mar. 31, 2013	20,980	8,332	39.6	380.03

Reference: Shareholder equity: As of Mar. 31, 2014: 11,827 mil. yen
As of Mar. 31, 2013: 8,314 mil. yen

(Note) On October 1, 2013, the Company split its common shares at a rate of one to 100 shares. We calculated net assets per share on the assumption that the stock split took place at the beginning of the previous business year.

*** Presentation concerning the implementation status of annual audit procedures**

These annual financial results are not subject to an annual audit procedure based on the Financial Instruments and Exchange Act, and at the point in time when these annual financial results were disclosed, auditing procedures regarding annual financial statements based on the Financial Instruments and Exchange Act had not been completed.

*** Explanation and other special notes regarding the appropriate use of the earnings forecast**

Earnings forecasts and other statements on the future contained in this document are based on the information currently available to the Company as well as certain reasonable assumptions. For details on matters regarding earnings forecasts, please see page 3 of the appendix, "1. Operating Results and Financial Condition (1) Analysis of operating results (Forecast for the next fiscal year)."

We will present our financial results on Thursday, May 15, 2014. We will post the materials used in the presentation as well as question-and-answer session on the following website at a later date: http://www.pcdepot.co.jp/co_ir/index.html/.

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1. Operating Results and Financial Condition

(1) Analysis of operating results

(Operating results for the current term)

During the consolidated fiscal year under review (April 1, 2013 to March 31, 2014), because of the Bank of Japan's monetary easing policy and the growth in domestic demand due to the stimulus measures taken by the government, as well as of high stock prices, an improvement in the export environment due to low yen value, and other factors, the Japanese economy continued to recovery though slowly. With a hike in consumption tax rate implemented in April 2014, however, the future of the economy was expected to remain uncertain.

In domestic over-the-counter sales of PCs, due to a shift to high-grade models and the low value of the yen, the unit price per customer rose while the number of PCs sold continued to show a gradual downward trend. However, both the number and value of PCs sold recovered during the second half of the term as the termination of Windows XP support in April 2014 led individual users to replace their old models and as the hike in consumption tax rate caused a certain last-minute rise in demand. In addition, sales of Internet devices such as smartphones and tablet computers continued to be strong.

Against this backdrop, we at 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 to customers, providing both products and services in a single outlet. We also renovated and reopened two test stores: PC DEPOT Smart Life Nishimagome Store (Ota-ku, Tokyo), a new type of PC DEPOT store, in August and PC DEPOT Smart Life Higashifuchu Store (Fuchu City, Tokyo) in November. In January, we decided to accelerate the opening of our new PC DEPOT Smart Life Stores and the renovation of existing PC DEPOT Stores. In February, we opened our third and fourth PC DEPOT Smart Life Stores in Meguro-ku, Tokyo, and Yokohama City, Kanagawa Prefecture, respectively, by remodeling existing PC DEPOT Stores. In terms of service products, we strove to meet latent demand and expand our customer base chiefly by offering solutions that combined content, cloud, and other services, expanding iPhone service product lineups substantially and selling PC DEPOT's original set of Asahi Shimbun Digital's content and iPad. As a result, sales for existing stores and those from services continued to be strong, registering increases compared to the previous year of 4.8% and 28.7%, respectively. As service sales increased, we actively recruited additional personnel. Furthermore, in July, we raised the basic salary for all staff members, including part-time workers. The year 2013 marked the 20th anniversary of PC DEPOT's foundation and saw its new type of stores start full-scale operation. In March of this milestone year, as performance had been good, we paid special bonuses to all staff members including part-time workers who had continuously served the company for a certain period of time. Thus personnel expenses grew, but because we worked to maintain other expenses at reasonable levels, selling, general, and administrative expenses rose only by 5.6% compared to the previous year.

As a result of the above, we posted record-high net sales, operating income, ordinary income, and net income. On a consolidated basis, net sales were 53.816 billion yen (up 4.8% year-on-year (YoY)), operating income was 2.31 billion yen (up 163.6% YoY), and ordinary income was 2.411 billion yen (up 158.4% YoY). Net income for the fiscal year under review was 1.554 billion yen (up 248.7% YoY).

Operating results per business segment are as follows:

1) PC Sales Business

In terms of product marketing, we continued to step up sales of smart devices by increasing the number of stores that handled Apple's MacBook from 26 to 50 and having all 61 directly managed PC DEPOT stores and subsidiaries handle iPads. We also strove to increase PC sales and expand support services as individual users replaced old models with new ones because of the termination of Windows XP support in April 2014 and as last-minute demand rose to a certain degree with a hike in the consumption tax rate approaching.

In terms of services, we stepped up our efforts to offer digital content, providing digital content distribution services such as digital magazines to users of Windows 8/7/VISTA, Mac OS-compatible devices in addition to tablet computers. As of March 31, the number of digital magazines handled had increased to 44 as we expanded the range of services to include Nikkei Business and other economics magazines, *Fujin Gaho* and other women's magazines, and sports magazines. We initiated sales of PC DEPOT's original "iPad and Asahi Shimbun Digital's content" set. As part of our efforts to provide solutions, we substantially improved our membership services for the iPhone, and in order to help replace PCs running Windows XP, we provided support services to our members and installed a Windows XP emergency consultation desk at each store. By actively providing services that met latent demand, such as "ozzio050Home" an IP phone service to transfer calls from installed phones to smartphones, and "ozzio Drive," a 1 TB cloud service, which boasts the industry's largest capacity, we endeavored to acquire new users and increase Premium Service members. Moreover, in order to meet the latent needs of customers who wanted to use their PC safely, we quickly provided technical services and support for PCs, including those purchased at other stores, and because of this and other efforts, the overall sales exceeded those for the previous year.

As a result of these efforts, sales from the Premium Service (maintenance services provided on a monthly fee basis); digital magazines and video-on-demand content services; cloud, IP phone, and other solutions; and technical services and support for PCs and smart devices all continued to be strong.

At the end of the consolidated fiscal year under review, there were 46 directly managed PC DEPOT stores (located in Kanagawa, Tokyo, Chiba, Saitama, Shizuoka, Gunma, Tochigi, and Ibaraki Prefectures) and four for PC DEPOT Smart Life Stores (located in Tokyo and Kanagawa Prefectures). In addition, PC DEPOT Stores Co., Ltd., a subsidiary, operated 11 PC DEPOT stores in the Kyushu, Chubu, Tohoku, and Shikoku regions. With five franchisees in the Kinki and Chugoku regions, we had a total of 66 PC DEPOT stores nationwide. PC DEPOT PC Clinics had 57 stores: 49 stores directly managed by the company, 1 store operated by a subsidiary independently on a trial basis, and 7 franchise stores. Thus, there were 123 PC DEPOT and PC DEPOT PC Clinic stores in total.

As a result of the above, net sales for the PC sales business were 52.396 billion yen (up 5.6% YoY) and ordinary income for the segment was 2.304 billion yen (up 195.0% YoY).

2) Internet-related Business

In the Internet-related business, we worked to step up the outsourcing of the Group-provided Premium Service among group companies, but due to a decrease in the number of ISP members handled by a subsidiary, sales from the business fell, going below those for the previous year.

In terms of profitability, selling and administrative expenses declined due to decreases in the amortization of goodwill and falls in personnel expenses caused by the change of business hours at call centers. Ordinary income for the segment grew.

As a result of the above, net sales for the Internet-related business were 1.419 billion yen (down 19.3% YoY) and ordinary income for the segment was 276 million yen (up 74.5% YoY).

(Forecast for the next fiscal year)

Chiefly because of the Bank of Japan's monetary easing policy and the growth in domestic demand resulting from economic stimulus measures taken by the government, and because of high stock prices and an improvement in the export environment due to the low yen value, the Japanese economy continued to recover albeit slowly. However, the future of the economy is expected to remain uncertain, partly as a result of the hike in consumption tax in April 2014.

Against this backdrop, tablets, smartphones, and other Internet devices continue to spread steadily, and latent demand for services that enable consumers to use such devices well is expected to grow.

During the next consolidated fiscal year, the Group will step up sales of Internet devices. It will also offer more solutions by combining enriched content with quality services. We will provide a combination of such content and services for new Internet devices such as smartphones and tablets. For customers who seek advice on PCs or wish to buy a new PC, we will offer products that combine hardware and software in order to allow them to start using their new devices well. In addition, under the key words of "safety" and "security," we will step up development and marketing of new content and services so that customers in the communities where we operate can use their Internet devices longer, more conveniently, and better.

In terms of store development, as demand for services grows with the diversification of Internet devices, we will make our new type of outlet called the "PC DEPOT Smart Life Store" more complete in order to meet more diverse customer needs. To that end, we plan to remodel 10 existing stores into PC DEPOT Smart Life Stores and open two new ones during the next fiscal year. Taking investment and demand into consideration, we will implement this plan flexibly while ensuring strategic dominance in the Kanto region. We will also continue to revitalize our existing stores because sales of services at such stores are expected to increase.

Our 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 order to benefit the local customers whom we serve. In accordance with this policy, we will promote the corporate management in view of CSR and we will expand our network of stores, improve our products and services, and increase the level of safety of Internet devices and Internet data networks. In this way, we will promote group management from a CSR perspective.

In our Internet-related business, in addition to revitalizing our ISP (Internet service provider) business, we will continue to strive to stabilize our business by realizing closer cooperation among Group companies regarding the backup and service systems related to the Group-provided Premium Service.

Our consolidated earnings forecast for the entire fiscal year ending March 2015 is as follows:

Consolidated net sales: 53.0 billion yen (down 1.5% compared to the previous year)

Consolidated operating income: 2.8 billion yen (up 21.2%)

Consolidated ordinary income: 2.9 billion yen (up 20.3%)

Net income for the year: 1.74 billion yen (up 11.9%)

The above forecast is based on currently available information, which contains many uncertainties. Actual business performance may differ from these forecasts due to changes in the business environment and other factors.

(2) Analysis of financial condition

1) Summary of the current fiscal year

Total assets as of the end of the current consolidated fiscal year rose by 4.204 billion yen year on year to 27.138 billion yen. Total liabilities fell by 514 million yen to 13.673 billion yen. Net working capital (the amount obtained by subtracting current liabilities from current assets) totaled 8.735 billion yen, indicating continued financial soundness.

Total capital investments made during the current consolidated fiscal year totaled 746 million yen. These investments were covered by our own funds and loans.

2) Cash flow

Consolidated cash and cash equivalents during the current consolidated fiscal year increased by 1.697 billion yen compared to the previous fiscal year to 4.679 billion yen (compared to an increase of 899 million yen for the previous year).

Cash flow from operating activities increased by 2.01 billion yen (compared to an increase of 1.597 billion yen for the previous fiscal year). Positive factors included a pre-tax net income of 2.458 billion yen, depreciation expenses of 685 million yen, and an increase in accounts payable of 1.417 billion yen. Negative factors included payment of corporate and other taxes totaling 555 million yen and an increase in accounts receivable of 2.84 billion yen.

Cash flow from investment activities decreased by 441 million yen (compared to a decrease of 994 million yen for the previous year) due to an expenditure of 706 million yen associated with the acquisition of fixed assets and an income of 196 million yen from the sale of investment securities.

Cash flow from financial activities increased by 127 million yen (compared to an increase of 295 million yen for the previous fiscal year). Positive factors included an income of 26.8 billion yen due to short-term loans and an income of 2.289 billion yen due to stock issuance, while negative factors included an expenditure of 28.45 billion yen due to the repayment of short-term loans.

(Reference) Trends in cash flow indicators

	FY 2010	FY2011	FY2012	FY2013	FY2014
Shareholder equity ratio (%)	47.7	47.4	40.7	42.5	49.5
Shareholder equity ratio based on market value (%)	29.7	22.2	19.4	21.4	88.9
Interest-bearing debt to cash flow ratio (yrs.)	18.7	4.0	–	4.9	2.9
Interest coverage ratio (multiplier)	4.7	21.7	–	17.1	26.3

The above figures have been calculated as follows:

Shareholder equity ratio: Shareholder equity/Total assets

Shareholder equity ratio based on market value: Market capitalization/Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest payments

Notes:
1. All indices are calculated based on consolidated figures.
2. Market capitalization is calculated based on the number of shares outstanding (excluding treasury stock).
3. Cash flow is calculated using the figures for operating cash flow.
4. Interest-bearing debt includes all interest-incurring debt on the consolidated balance sheets.
5. The interest-bearing debt to cash flow ratio and interest coverage ratio for FY2011 are not listed because operating cash flow was negative.

(3) Basic policy on the distribution of profits and dividends for the current/next terms

We recognize that one important management mission is to return an appropriate amount of our profits to our shareholders. As for return of profits through dividends, our basic policy is to continue to return profits through stable dividends over the long term with a consolidated payout ratio of approximately 20%. This is in overall consideration of store development as the main force behind our business expansion, while also keeping in mind the importance of strengthening our financial standing and enriching retained earnings.

As for payout of the surplus through dividends, our basic policy is to make payments twice per year in the form of an interim dividend and a year-end dividend. These dividends are paid in accordance with the resolution of the board of directors unless otherwise specified by law. In addition, we plan to study our options for acquiring treasury stock, etc. when appropriate, as part of a flexible financial policy and as a method for returning profits to shareholders.

In accordance with the above policy, based on the surplus at the end of the current term, we will increase the year-end dividend from 3.5 yen as initially planned to 5 yen. As a result, the annual dividend will be 355 yen per share, including the interim dividend of 350 yen. The payout ratio will be 12.3%.

As for dividends paid out of the surplus for the next period, while we plan to pay an interim dividend of 5 yen and a year-end dividend of 5 yen (for an annual dividend of 10 yen), in consideration of the necessity of enriching retained earnings in preparation for future business expansion, the payout ratio and dividends, etc. may be revised depending on our business performance.

In order to further improve our business performance, we will allocate our retained earnings mainly to strengthen our financial structure, shift existing stores to PC DEPOT Smart Life Stores and open new ones, ensure stable operation of PC DEPOT and PC DEPOT PC Clinic stores, and develop systems for new services such as the Premium Service.

(4) Business risks

Below, we discuss the major risk factors related to the Group's business performance, share price, and financial condition. From the viewpoint of proactive disclosure to investors, we have also included factors that are not necessarily business risks but which we think are important for investors to know in order to make informed investment decisions and better understand our business activities. Because we recognize the potential for these risks to occur, we will strive to prevent their occurrence and prepare speedy and appropriate responses in the event that they do occur in order to avoid any impact on the Company's business activities.

Forward-looking statements are based on management's judgments as of submission of this report.

1) Business performance

I. PC sales

The percentage of households owning a PC, one of our major products, exceeded 80%, and currently sales occur mainly when customers replace their PCs with new ones or purchase additional PCs. In the future, as the prices of PCs fall further and more new Internet devices such as smartphones, tablets enter the market, we will actively sell such products as well as provide services and support to meet the changes in market conditions, such as making modifications to existing devices and offering additional devices. However, if sales volumes fall sharply because more and more people turn away from PCs, our business performance may be affected.

II. Competition

Through the operation of PC DEPOT, our core business which consists of a chain of comprehensive PC and network stores, we differentiate ourselves from volume electronics retailers by providing technical services and support in addition to offering a rich lineup of PC-related merchandise at our large stores.

Opening new PC DEPOT stores close to volume electronics stores also produces synergy effects; we expect this to attract more customers to our PC DEPOT stores. However, if competitors offer substantial discounts when selling PCs or peripheral equipment, our policy is to respond to such price-cutting competition; in such a case, the resulting fall in gross margins will make PC sales less profitable.

III. Premium Service (Maintenance services provided on a monthly membership basis)

Our company offers the Premium Service to customers who require continued services, including technical services/support and network configuration. We are making efforts to expand our services while maintaining quality so that customers can use the Internet and various Internet devices more safely with a greater sense of security, but a sharp increase in the number of subscribers to these services may affect the Group’s business performance.

IV. ISP

The company and one of its subsidiaries serve as an ISP (Internet Service of Provider). The Group’s operations and business performance may be affected on the event that there is a sudden exodus of the subsidiary’s subscribers or if Internet service is temporarily suspended.

V. Uncollectable accounts receivable

As part of our Premium Service, we sell products that combine equipment and services; in the Mobile Virtual Network Operator (MVNO) business, we collect part of the price for information terminals later through monthly service fees. Since accounts receivable increase as such products and services are sold, we are striving to minimize the risk of such accounts becoming uncollectable by stepping up their management. However, if there are more delinquent accounts receivable than expected that cannot be recovered, our business performance may be affected.

VI. Franchise credit losses

In accordance with our franchise contracts, we process the procurement debts of franchise stores as accounts receivable-other (credit) and the credit card settlement amounts of franchise stores as deposits received (debt). We hedge some of the credit loss risks by offsetting these accounts, but we may not be able to recover all or part of the difference if the franchise store’s parent goes bankrupt.

VII. Proprietary brand products

OZZIO is our original private brand. We have adopted an exclusive branding system whereby we convert products developed and manufactured by OEMs to our own brand. Although manufacturing and after-sales responsibilities lie with the manufacturer, we may be liable for damages beyond our duty as a seller in the rare event that an accident or other issue arises related to the products.

VIII. Dependence on particular business partners and products

We primarily handle products such as Internet devices, and those offered by particular manufacturers sometimes become extremely popular mainly because of the technological innovation brought by them or special services developed for them. In such cases, we may increasingly depend on particular products or suppliers if we are allowed to handle them or supplied with them in a stable manner after we start to handle them. Changes of sales and marketing policy by their manufacturers, however, may affect our purchasing of such popular products, preventing us from fully meeting customer demand, and this in turn may affect our business performance.

2) Store openings

I. New store openings

Our business performance is closely related to new store openings. Therefore, a change or delay in store opening plans may impact the Group's business performance.

Similarly, a change or delay in franchise store opening plans may impact the Group's business performance.

II. Store closings

In order to limit the negative impact on overall results as much as possible, we will strive to quickly close stores if their profitability deteriorates due to intensifying market competition. However, losses from such stores' closures and/or losses from delays in opening substitute stores may impact the Group's business performance.

III. Store leases

We generally lease the buildings in which our stores are located. All or a portion of our guarantees and/or deposit money may become unrecoverable if lessors go bankrupt.

IV. Changes to PC DEPOT PC Clinics stores within retailers

As of the end of the consolidated fiscal year, PC DEPOT PC Clinics had 49 directly managed stores; these stores are located within stores owned by K's Holdings Corp. The Group's business performance may be affected in the event that the company experiences difficulty in continuing to operate multiple stores due to the closure of stores or internal stores, etc.

V. Restrictions on opening stores in areas near franchise stores

We may be unable to open new stores in areas near franchise stores.

VI. Franchise store closings

In the event that a PC DEPOT franchise store closes, issues arise concerning after-sales service to customers who purchased merchandise from the store and members' Premium Service. If the franchise store is located outside of our business area, the costs of after-sales service and support may increase. As a result, selling, general and administrative expenses may increase. In such a case, the Group's business performance may be affected.

3) Business structure

I. Dependence on the company president

President and Chief Executive Officer Takahisa Nojima is the founder of the PC DEPOT Group and has been CEO since our founding. Mr. Nojima has a wealth of experience and knowledge about the retail industry, particularly volume electronics retailers, and he plays an extremely important role in decision-making and execution of management policy and business strategy. The Group is working to strengthen information sharing among directors and employee managers at board of directors and management meetings as well as other meetings, and we our strengthening our management organization to develop a management structure that is not overly reliant on Mr. Nojima. However, the Group's business performance may be impacted if Mr. Nojima is unable to continue his activities at the Group for some reason.

II. Human resources

The PC DEPOT Group needs to further bolster its sales staff, technical staff, and workforce in its store development department, service product planning and sales department, administration department, and other group departments in order to further expand our business and respond to the diversification of operations. However, hiring of recent graduates and mid-career workers as well as human resources training may not go as planned, creating problems in appropriately allocating human resources that reduce the Company's competitiveness and ability to expand operations, thereby impacting the Group's business performance.

III. Diversification of Internet devices

We primarily handle Internet devices, including PCs, and such devices include all kinds of products, such as smartphones, tablets, and game consoles. Our policy is to actively handle these products, but if we cannot do so due to changes in the way manufacturers conduct transactions or other factors, the scope of our sales will narrow, which may affect the Group's business performance. We intend to actively handle new Internet devices, but major changes in product lineups at stores may cause inventory losses if costs rise, inventories grow, or products become obsolete, and this may affect the Group's business performance.

IV. Software used to provide technical services and support

The Group strives to improve the safety of Internet devices, such as PCs and Internet data networks, but there is a possibility that an unforeseen virus may contaminate the software used to provide technical services and support at our PC Clinics or the software provided as part of the Premium Service. In such cases, our priority is handling and solving the resulting problems, but if the number of subscribers to the Premium Service declines significantly because of the resultant substantial costs, virus infections, or other factors, the Group's business performance may be affected.

V. Maintenance cost for the Premium Service (Maintenance services provided on a monthly membership basis)

Our Group continuously provides maintenance services to Premium Service members. In the event that a problem occurs with a member's Internet or networking environment, an irregular expense may be required to rectify the problem, thereby impacting the Group's business performance.

VI. Charges for the Premium Service

The Group continues to generate revenue from charges for the Premium Service that we offer to our customers. We minimize risk by making backups of charge system data; however, in the event that service charges cannot be levied due to the loss of customer data, etc., the Group's operations and business performance may be affected.

VII. MVNO

In April 2009, we became a mobile virtual network operator (MVNO); we re-sell mobile services to customers providing via telecommunications' companies networks. We record a certain level of sales and provide services (billed monthly) to customers. However, if telecommunications companies' networks suffer interruptions or suspensions, our sales of telecommunications and related services may decline, thereby impacting our business performance.

VIII. Service offerings

The Group develops unique service offerings for technical services and support as well as for our proprietary Premium Service and provides these to our customers. Delays in developing and providing these service offerings, or difficulties in providing service offerings due to decisions to suspend or terminate sales of related content after having marketed them may affect our business performance.

IX. Mistakes in returning products to their proper owners and procedural mistakes

Customers entrust us with their PCs and other Internet devices at our stores so that we may perform diagnoses and repair services in order to solve their difficulties.

There is a possibility that the Company may make a mistake in returning products we have been entrusted with to their proper owners, or make a mistake in fixing a product. Though the Company practices store oversight to prevent such mistakes, in the rare event that such a mistake occurs, claims for damages may be filed which may impact the Group's business performance.

4) System failures

In the event our POS system is interrupted due to an earthquake or other natural disaster, infrastructure problems such as power outages, computer virus infections, etc. could lead to the suspension of store operations.

Also, system failures related to the Premium Service or the ISP business of our subsidiary could interrupt the Group's ability to provide such services.

This may damage the Group's credibility and/or cause us to miss business opportunities, thereby impacting our business performance.

5) Legal regulations

I. Large-scale Retail Stores Location Law

Our PC DEPOT stores are located along main roads, and their area is between 500–1,000 tsubo (1,650–3,300 m^2). When a store with a selling floor area of more than 1,000 m^2 (approx. 300 tsubo) is opened or expanded, the law may impose restrictions.

Specifically, an inspection conducted in accordance with the law may delay the opening of such stores or the enlargement of existing stores, thereby affecting our store operation strategies as well as our business performance.

II. Other

In addition to the aforementioned law, our company abides various legal restrictions stipulated for promoting the business and obtains necessary permissions and approvals in order to conduct our businesses. Accordingly, if legal regulations or ordinances are amended unexpectedly, we may incur new costs and the Group's business performance may be affected.

6) Brand

In the event that the brand image of the overall Group is diminished due to improper behavior or rumors about the Company or its directors or employees, whether such rumors are true or not, the Group's operations and business performance may be affected due to diminished confidence in the Group, loss of personnel, difficulty in securing human resources, etc.

7) Similar business models

Our original businesses, including technical services and support as well as the Premium Service offered by our chain of comprehensive Internet device/network stores and the MVNO business (communications with added services), account for part of our sales and profits in our own sales systems. We make various efforts to legally protect our intellectual property (e.g., system patents), but our intellectual property is not fully protected.

Therefore, if competitors imitate our businesses by infringing our intellectual property and competition becomes fierce, our performance may be affected. In addition, if another firm imitates our businesses improperly, the reliability and image of our company may suffer.

8) Internal administrative system

Our Group is working to develop internal controls for legal compliance issues. To establish a more thorough internal administrative system, we have established a general audit and internal control office, and we confirm the attitude toward compliance of board directors, executive officers, and employees by having them sign oaths stating that they will conduct corporate activities in accordance with high ethical principles.

However, in the rare event that directors or employees engage in activities that violate laws or regulations, whether intentionally or due to negligence, this may impact the Group's business performance.

9) Personal information protection

Our Group pays careful attention to personal information protection by strengthening our personal information administrative system and limiting access to personal information acquired and held by the Group. In particular, the ejworks Corporation, a subsidiary, properly administers personal information by complying with the Personal Information Protection Law as a telecommunications company as well as the Guidelines on the Protection of Personal Information in the Telecommunications Industry formulated by the Ministry of Internal Affairs and Communications.

Store operations are carried out according to the basic principle of personal information: “Don’t ask, don’t retain, and don’t bring it in.” Also, call centers for the Premium Service strictly handle personal information according to specific rules, including restrictions on entry/exit and who is allowed to access such information.

However, there is a possibility that personal information may be leaked and/or misused, either intentionally or unintentionally, by persons affiliated with the Group. In the rare event that such a situation occurs, the Group’s credibility may be seriously diminished, thereby impacting our business.

10) M&A

In addition to selling PCs and various other Internet devices, the Group contributes to local communities by providing technical services and support, including free diagnoses. Though the Group can be considered to be in the same industry as volume electronics retailers, we provide distinctive services within the industry and differ substantially in terms of size relative to our peers. Therefore, there is a risk that we may be acquired by one of our industry peers, and this may impact the Group’s business performance.

11) Litigation

It is possible that the Group could become subject to litigation seeking compensation for damages resulting from infringing on the rights or profits of third parties, including customers, trading partners and employees. Not only could this hinder our business expansion and harm our corporate image, there is a possibility that the resulting financial burden could impact the Group’s operations and business performance.

12) Administrative action

It is possible that the Group could become subject to an administrative action or administrative guidance from an administrative agency. In the event that such an action is taken or such guidance is received, not only could this hinder our business expansion and harm our corporate image, there is a possibility that the resulting financial burden could impact the Group’s operations and business performance.

13) Natural disasters

In the event that the store operations of the Group or its franchises are interrupted by natural disasters (e.g., earthquakes, typhoons, flooding, or tsunami) or infrastructure problems (e.g., fires, power outages, rolling blackouts caused by power shortages, etc.), the resulting decline in sales and costs of restoration and supplementing personnel may affect the Group’s operations and business performance.

Moreover, in the event that a disaster occurs or an infectious disease breaks out, because the Company gives top priority to protecting the lives of our employees and customers as well as securing safety and we will suspend operations until risks have been eliminated and safety secured, our business performance may be affected.

In order to prepare for natural disasters and infectious diseases, we will strengthen our crisis management system mainly by reviewing our disaster response manuals and the seismic retrofitting of our stores and by setting response levels for infectious diseases and putting all organizations on an alert status at an early stage.

2. Status of the Corporate Group

(1) Main business operations

The PC DEPOT Group consists of a company that submits consolidated financial statements (the “Company”), two subsidiaries (ejworks corporation and PC DEPOT Stores Co., Ltd.), and one affiliated company (Kitamura PC DEPOT Co., Ltd.). The Group’s main business is providing IT solutions to all users of PCs and other Internet devices.

The positioning of these companies within the Group’s business and their relationships with the Group’s business segments by type are described below. The classification is the same as used for business segments by type.

1) PC Sales Business

We operate PC DEPOT and PC DEPOT Smart Life chain stores, whose main business are to sell Internet devices (e.g., PCs) and related products to home users and provide them with technical services and support. Based on the concept “attractive prices, safety, convenience, and kindness,” we develop stores that meet the needs of local communities. The major products we handle include PCs, smartphones, tablets, and other smart devices as well as peripheral, network, and OA equipment in addition to previously owned products. Further, we provide technical services and support as well as other services such as an agency business for communication channels, an MVNO business (data communications service), and the Premium Service (maintenance services provided on a monthly membership basis).

At the end of the current consolidated fiscal year, we had a total of 66 PC DEPOT stores nationwide: 46 directly managed stores in Kanagawa, Tokyo, Chiba, Saitama, Shizuoka, Gunma, Tochigi, and Ibaraki Prefectures; four PC DEPOT Smart Life stores in Tokyo and Kanagawa Prefectures; 11 stores run by our subsidiary, PC DEPOT Stores Co., Ltd., in the Kyushu, Chubu, Tohoku, and Shikoku regions; and five franchise stores in the Kinki and Chugoku regions.

In addition, at the end of the current consolidated fiscal year, we had a total of 57 PC DEPOT PC Clinic stores (booths that provide technical services and support for PC users) on the premises of volume electronics retailers: 49 directly managed stores; one store run by our subsidiary, PC DEPOT Stores, independently on a trial basis; and seven franchise stores.

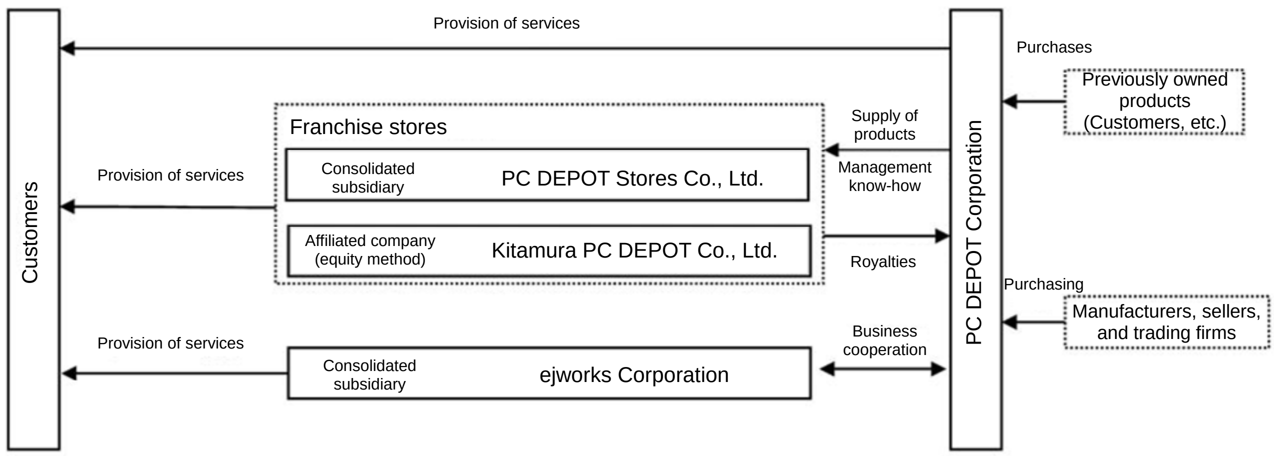
Net sales for the Group consist of the sales of directly managed stores and revenue from royalties paid by franchise stores; net sales do not include sales from products supplied to franchise stores.

2) Internet-related Business

Our subsidiary, ejworks corporation, is engaged in the ISP (Internet service provider) business and IT solutions business (e.g., web development).

[Business system chart]

The foregoing is illustrated on the following business system chart.



(Status of affiliated companies)

Name	Address	Capital or amount of investment (Unit: JPY 1,000)	Major business operations	Percentage of voting rights (%)	Relationship details
(Consolidated subsidiary) ejworks Corporation (Note 2)	Kohoku-ku, Yokohama City	211,068	ISP business	100.0	Acting as an agency for subscribers Outsourcing of payment systems Two director is sent from PC DEPOT Corp.
(Consolidated subsidiary) PC DEPOT Stores Co., Ltd. (Note 2)	Kohoku-ku, Yokohama City	240,000	Sales of PCs and related products	100.0	Supply of products Provision of management know-how Financial support Four directors are sent from PC DEPOT Corp.
(Affiliated company (equity method)) Kitamura PC DEPOT Co., Ltd.	Kochi City, Kochi Prefecture	160,000	Sales of PCs and related products	40.0	Supply of products Provision of management know-how Two directors are sent from PC DEPOT Corp.

(Notes) 1. None of the companies listed above submit financial statements to stock exchanges.
2. These companies are categorized as specified subsidiaries.

3. Management policy

(1) Basic management policies

PC DEPOT's guiding principles are "We exist for our customers," "Individual growth is Company growth," and "Our growth contributes to society." Our basic management policies are (1) provide products and services that satisfy as many customers as possible; (2) backed by a vision of what it means to be a professional retailer that provides all kinds of services, respect the ideas of self-development and meritocracy; and (3) become an indispensable company that produces results recognized by society and that contributes to local communities.

Based on these basic policies, as a comprehensive Internet device and network big box retailer, the Company aims to develop stores that satisfy customers by providing a lineup of merchandise that meet the needs primarily of home users, from beginners to advanced users, and by building stores that are the largest in their respective regions. It will also develop a chain of PC DEPOT Smart Life Stores, a new type of outlet which mainly offers Internet devices and related services as a smart life partner of users. These stores are designed to meet all customer needs from purchases of new and additional equipment to computer settings and continued support in a single place. Some of them will be newly opened ones and others opened by remodeling existing stores, particularly those in urban areas. In addition, while using PCs or other Internet devices, many problems can arise such as breakdowns, virus infections, and data loss, in addition to the need to configure various settings. In order to meet demand for specialized technical services and offer support to resolve such problems, we have set up permanent PC Clinics in all of our stores to improve the levels of safety of our customers' PCs, Internet access, data, and networks.

Specifically, we aim to acquire new customers who feel inconvenienced by their devices by providing free diagnoses and offering a varied menu of services. Further, we offer the unique Premium Service (maintenance services provided on a monthly membership basis) to meet the demand for continued provision of technical services and support. In this service, in order to ensure that our customers can use their smartphones, tablets, and other Internet devices more conveniently with a greater sense of security even as they employ a wider range of such devices, we strive to expand our product and service lineups and enhance customer satisfaction both after purchase and during use.

Through the sale of the aforementioned products and services as well as the development of stores that meet the needs of local communities, the Company aims to realize stores that customers feel offer "attractive prices, safety, convenience and kindness."

Moreover, in order to satisfy the needs of a greater number of customers who desire technical services and support, we operate both directly managed and franchised PC DEPOT PC Clinic stores, which provide repair, support, and other technical services for Internet devices (e.g., PCs).

Also, in the Internet-related business, the Company is focusing on supporting PC users, and as a comprehensive Internet services operator, on providing solutions and supporting customers' Internet usage.

The Company aims to create a challenging corporate culture where all employees endeavor to contribute to society and which cultivates a spirit of aspiring to public service and professional growth.

Through these efforts, we hope to increase our potential and improve our productivity, maximize our corporate value, and meet our shareholders' expectations.

(2) Performance targets

The policy of the Group is to improve capital efficiency, productivity, and profitability by increasing ROA (return on assets) while emphasizing the interests of our shareholders. Based on this policy, we aim to maintain an ROE (return on equity) of 10% or more in a stable manner.

(3) Medium- to long-term business strategy

We believe that constant change is important and we will continue to manage our stores with the support of our customers as well as aim to expand the size of our business and realize a lean corporate structure.

We will further develop our proprietary business model by combining products, services, and subscriber support as well as expand our business territories by achieving strategic dominance and by franchising, thereby steadily increasing our market share.

We aim to make the Company Japan's top IT solutions provider while contributing to local communities.

(4) Challenges

The major issues facing the PC DEPOT Group (the "Group") are as described below.

1) Expansion of solution-oriented sales

We aim to distinguish ourselves from our competitors by selling IT solutions, which combine our unique services with manufacturers' products and services. In particular, we developed most of the service products that account for approximately 30% of our total sales on our own, representing a major area of growth in the Internet marketplace. We will expand our solution sales by working closely with manufacturers of PCs and other Internet devices as well as service providers, including telecommunications carriers, software vendors, and content developers, in addition to developing unique services.

2) Development of a new type of store

As an increasing number of products other than PCs (such as smartphones and tablets) are connected to the Internet, new customer needs are surfacing while existing ones are diversifying. In order to meet these new and diversifying needs more precisely, we will develop a new type of outlet called the PC DEPOT Smart Life Store by opening new ones or remodeling existing PC DEPOT stores and making the offerings of these establishments more complete.

3) Effective expansion of store networks

We will strive to effectively expand our store networks, which consist of three types of outlets—PC DEPOT, PC DEPOT Smart Life, and PC DEPOT PC Clinic stores—while making a multifaceted analysis of regional and market characteristics as well as investments and recovery. In particular, the network of directly managed stores and franchised ones will be expanded in a way that meets market conditions.

4) Increasing the level of safety of store operations

As we increase the numbers of stores and employees, the risk of in-store accidents increases as well, and we recognize the importance of avoiding such accidents.

Accordingly, the headquarters establishes Knowledge Center and patrols stores across the nation (visual patrols conducted via in-store cameras over broadband connections).

Under the concept of "prioritizing safety over costs," we operate stores and reduce the risk of accidents, etc.

5) Quality management of stores

Since we directly operate PC DEPOT and PC DEPOT Smart Life as well as PC DEPOT PC Clinic stores, it is important to manage the quality of each store. Performing thorough quality control as well as producing manuals and educating employees is essential. To do so, we are strengthening our auditing of all PC DEPOT, PC DEPOT Smart Life and PC DEPOT PC Clinic stores.

6) Fortification of organizational strength to support business expansion

The major challenge in expanding our business is to secure sales personnel, and the major challenge in expanding our services is to secure engineers. We will stably secure human resources by turning part-time and contract workers into regular employees. Further, in order to improve the quality of human resources, we will expand our training programs, which up to now have mainly targeted regular employees, to include part-time workers.

In addition, our core business is providing IT solutions—offering our unique services related to Internet devices and software—and we plan to develop new products and services to handle the increasing number of new products that connect to the Internet. To this end, we will work to fortify our organizational strength mainly by developing personnel systems for motivating employees and part-time workers to accomplish these goals, clarifying the duties and responsibilities of individuals and organizations, and improving our recruitment systems.

7) Promotion of corporate social responsibility (CSR) activities

We operate a chain of comprehensive Internet device and network specialized stores, and believe that we must keep in mind our social mission and carry out business administration from the viewpoint of CSR. Our basic CSR policy is to use 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, and our mission is to realize it through the stores.

Our stores strive to improve the safety of all of our customers’ PCs and other devices, Internet access, data, and networks by, for example, offering free diagnoses of PCs no matter where such PCs were purchased. We will make efforts to increase our value to society by providing all kinds of IT solutions so that local customers find our stores indispensable.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(Thousands of yen)

	FY2012 (As of Mar. 31, 2013)	FY2013 (As of Mar. 31, 2014)
Assets		
Current assets		
Cash and deposits	2,982,430	4,679,944
Accounts receivable- trade	4,098,813	6,939,300
Inventories	*1 5,986,284	*1 5,775,344
Accounts receivable- other	*2 305,257	*2 367,462
Deferred tax assets	217,761	359,612
Other	465,537	473,385
Allowance for doubtful accounts	(64,542)	(100,654)
Total current assets	13,991,542	18,494,396
Non-current assets		
Property, plants and equipment		
Buildings and structures	6,016,530	6,101,079
Accumulated depreciation	(1,769,209)	(2,069,865)
Buildings and structures- net	4,247,321	4,031,214
Tools, furniture and fixtures	1,958,847	1,951,425
Accumulated depreciation	(1,487,122)	(1,462,433)
Tools, furniture and fixtures- net	471,724	488,991
Land	263,011	263,011
Construction in progress	91,442	53,628
Other	1,910	—
Accumulated depreciation	(1,814)	—
Other- net	95	—
Total property, plants and equipment	5,073,594	4,836,845
Intangible assets		
Goodwill	155,339	10,299
Other	362,767	626,440
Total intangible assets	518,107	636,740
Investments and other assets		
Investment securities	*3 290,047	*3 162,114
Deferred tax assets	228,872	265,797
Guarantee deposits	1,387,660	1,349,135
Lease deposits	1,268,206	1,248,874
Other	175,895	147,642
Allowance for bad debts	—	(2,945)
Total investments and other assets	3,350,681	3,170,618
Total non-current assets	8,942,384	8,644,204
Total assets	22,933,926	27,138,601

(Thousands of yen)

	FY2012 (As of Mar. 31, 2013)	FY2013 (As of Mar. 31, 2014)
Liabilities		
Current liabilities		
Accounts payable- trade	2,087,529	3,506,024
Short-term loans payable	2,550,000	900,000
Current portion of long-term loans payable	1,849,608	1,727,399
Accounts payable- other	*2 886,250	*2 1,179,507
Income taxes payable	333,804	860,571
Provision for bonuses	163,335	158,980
Provision for merchandise warranties	77,735	159,903
Other	1,061,176	1,266,510
Total current liabilities	9,009,438	9,758,897
Non-current liabilities		
Long-term loans payable	3,479,993	3,244,261
Long-term accounts payable- other	122,760	122,760
Provision for retirement benefits	11,682	—
Liabilities associated with retirement benefits	—	15,924
Asset retirement obligations	391,370	398,227
Long-term guarantee deposits	144,031	133,872
Total non-current liabilities	4,149,837	3,915,046
Total liabilities	13,159,276	13,673,944
Net assets		
Shareholder equity		
Capital stock	1,601,196	2,745,734
Capital surplus	1,868,598	3,013,136
Retained earnings	6,403,667	7,805,442
Treasury stock	(151,298)	(151,298)
Total shareholder equity	9,722,165	13,413,014
Other comprehensive income		
Valuation difference on available-for-sale securities	34,559	32,244
Total other comprehensive income	34,559	32,244
Subscription rights to shares	17,924	19,397
Total net assets	9,774,649	13,464,656
Total liabilities and net assets	22,933,926	27,138,601

(2) Consolidated statement of income and consolidated statement of comprehensive income

(Consolidated statement of income)

(Thousands of yen)

	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)	FY2013 (Apr. 1, 2013 – Mar. 31, 2014)
Net sales	51,353,958	53,816,005
Cost of sales	*1 35,219,237	*1 35,386,774
Gross profit	16,134,721	18,429,231
Selling, general and administrative expenses		
Advertising expenses	1,644,017	1,276,646
Sales commissions	546,283	597,537
Directors' compensation	126,676	148,514
Salaries and allowances	4,800,448	5,355,480
Bonuses	365,097	501,137
Provision for bonuses	163,335	158,980
Retirement benefit expenses	59,212	64,803
Provision for directors' retirement benefits	842	—
Supplier expenses	534,365	643,786
Depreciation	701,865	644,742
Amortization of goodwill	259,097	145,039
Rent expenses on real estate	2,234,636	2,222,728
Other	3,822,330	4,359,384
Total selling, general and administrative expenses	15,258,209	16,118,781
Operating income	876,511	2,310,449
Non-operating income		
Interest income	2,844	3,482
Dividends income	3,775	3,775
Sales incentives	74,089	41,062
Rent income	117,056	136,374
Commission fees	38,236	36,362
Investment return based on the equity method	—	8,160
Other	75,801	85,032
Total non-operating income	311,803	314,251
Non-operating expenses		
Interest expenses	94,219	77,991
Rent expenses	97,166	113,512
Equity in losses of affiliates	1,950	—
Commissions paid	56,475	—
Other	5,436	21,961
Total non-operating expenses	255,248	213,464
Ordinary income	933,065	2,411,235
Extraordinary income		
Gains from business transfers	41,721	17,000
Profit on sale of investments securities	—	63,600
Other	766	—
Total extraordinary income	42,487	80,600

(Thousands of yen)

	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)	FY2013 (Apr. 1, 2013 – Mar. 31, 2014)
Extraordinary losses		
Losses on sales of investment securities	—	504
Impairment losses	*3 96,738	—
Losses on retirement of non-current assets	*2 39,747	*2 33,131
Other	5,904	—
Total extraordinary losses	142,390	33,636
Income before income taxes and minority interests	833,162	2,458,199
Income taxes- current	471,260	1,080,775
Income taxes- deferred	(88,062)	(177,497)
Total income taxes	383,198	903,277
Income before minority interests	449,964	1,554,921
Minority interests in income	4,010	—
Net income	445,954	1,554,921

(Consolidated comprehensive statement of income)

(Thousands of yen)

	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)	FY2013 (Apr. 1, 2013 – Mar. 31, 2014)
Income before minority interests	449,964	1,554,921
Other comprehensive income		
Valuation difference in available-for-sale securities	5,736	(2,315)
Total other comprehensive income	* 5,736	* (2,315)
Comprehensive income	455,701	1,552,606
(Breakdown)		
Comprehensive income related to parent company shareholders	451,690	1,552,606
Comprehensive income related to minority shareholders	4,010	—

(3) Consolidated statement of changes in net assets

FY2012 (Apr. 1, 2012 – Mar. 31, 2013)

(Thousands of yen)

	Shareholder equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder equity
Balance at the end of the previous period	1,601,196	1,868,598	6,110,861	(151,298)	9,429,358
Changes in items during the period					
Dividends from surplus			(153,147)		(153,147)
Net income			445,954		445,954
Net changes in items other than shareholder equity					
Total changes in items during the period	–	–	292,806	–	292,806
Balance at the end of the current period	1,601,196	1,868,598	6,403,667	(151,298)	9,722,165

	Other accumulated comprehensive income		New share subscription rights	Minority interests	Total net assets
	Valuation difference in available-for-sale securities	Total other accumulated comprehensive income			
Balance at the end of the previous period	28,823	28,823	13,304	92,423	9,563,909
Changes in items during the period					
Dividends from surplus					(153,147)
Net income					445,954
Net changes in items other than shareholder equity	5,736	5,736	4,620	(92,423)	(82,066)
Total changes in items during the period	5,736	5,736	4,620	(92,423)	210,739
Balance at the end of the current period	34,559	34,559	17,924	–	9,774,649

FY2013 (Apr. 1, 2013 – Mar. 31, 2014)

(Thousands of yen)

	Shareholder equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder equity
Balance at the end of the previous period	1,601,196	1,868,598	6,403,667	(151,298)	9,722,165
Changes in items during the period					
Issuance of new shares	1,144,537	1,144,537			2,289,075
Dividends from surplus			(153,147)		(153,147)
Net income			1,554,921		1,554,921
Net changes in items other than shareholder equity					
Total changes in items during the period	1,144,537	1,144,537	1,401,774	—	3,690,849
Balance at the end of the current period	2,745,734	3,013,136	7,805,442	(151,298)	13,413,014

	Other accumulated comprehensive income		New share subscription rights	Total net assets
	Valuation difference in available-for-sale securities	Total other accumulated comprehensive income		
Balance at the end of the previous period	34,559	34,559	17,924	9,774,649
Changes in items during the period				
Issuance of new shares				2,289,075
Dividends from surplus				(153,147)
Net income				1,554,921
Net changes in items other than shareholder equity	(2,315)	(2,315)	1,472	(842)
Total changes in items during the period	(2,315)	(2,315)	1,472	3,690,007
Balance at the end of the current period	32,244	32,244	19,397	13,464,656

(4) Consolidated statements of cash flow

(Thousands of yen)

	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)	FY2013 (Apr. 1, 2013 – Mar. 31, 2014)
Cash flow from operating activities		
Income before income taxes	833,162	2,458,199
Depreciation and amortization	728,668	685,918
Amortization of goodwill	259,097	145,039
Increase (decrease) in allowance for doubtful accounts	18,021	36,112
Increase (decrease) in provision for bonuses	7,226	(4,355)
Increase (decrease) in provision for directors' retirement benefits	(28,284)	-
Increase (decrease) in provision for retirement benefits	5,976	4,242
Losses (gains) on sales of investment securities	—	(63,600)
Increase (decrease) in provision for merchandise warranties	6,881	82,168
Interest and dividend income	(6,620)	(7,257)
Interest expenses	94,219	77,991
Foreign exchange losses (gains)	(1,038)	(833)
Equity in (earnings) losses of affiliates	1,950	(8,160)
Losses (gains) on sale of fixed assets	—	504
Impairment losses	96,738	—
Retirement non-current expenses	39,747	33,131
Losses (gains) from businesses transfers	(41,721)	(17,000)
Decrease (increase) in notes and accounts receivable- trade	(479,071)	(2,840,487)
Decrease (increase) in inventories	1,299,409	210,939
Decrease (increase) in accounts receivable- other	167,076	(72,841)
Increase (decrease) in notes and accounts payable- trade	(1,418,579)	1,417,666
Increase (decrease) in accounts payable- other	(225,738)	255,227
Decrease (increase) in other assets	123,751	(9,470)
Increase (decrease) in other liabilities	408,386	211,865
Other	84,807	42,251
Subtotal	1,974,068	2,637,252
Interest and dividend income received	3,929	4,909
Interest expenses paid	(93,287)	(76,440)
Income taxes paid	(287,452)	(555,557)
Net cash provided by (used in) operating activities	1,597,258	2,010,164

(Thousands of yen)

	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)	FY2013 (Apr. 1, 2013 – Mar. 31, 2014)
Cash flow from investment activities		
Purchases of property, plants and equipment	(844,602)	(332,766)
Income from sale of tangible fixed assets	—	44
Purchases of intangible assets	(135,078)	(374,042)
Proceeds from sales of investment securities	—	196,100
Purchases of investments in subsidiaries	(160,200)	—
Income from business transfers	41,721	17,000
Payments for leases and guarantee deposits	(15,832)	(37,577)
Proceeds from collection of leases and guarantee deposits	104,922	96,481
Repayment of guarantee deposits received	(10,158)	(10,158)
Proceeds from guarantee deposits received	12,000	—
Other	12,563	3,905
Net cash provided by (used in) securities investment	(994,664)	(441,013)
Cash flow from financing activities		
Increase in short-term loans payable	30,250,000	26,800,000
Decrease in short-term loans payable	(29,800,000)	(28,450,000)
Proceeds from long-term loans payable	1,700,000	1,500,000
Repayment of long-term loans payable	(1,698,237)	(1,857,941)
Income from issuance of new shares	—	2,289,075
Cash dividends paid	(155,534)	(153,604)
Cash dividends paid to minority shareholders	(497)	—
Net cash provided (used in) financing activities	295,730	127,529
Effect of exchange rate changes on cash and cash equivalents	1,038	833
Net increase (decrease) in cash and cash equivalents	899,362	1,697,513
Cash and cash equivalents at the beginning of the period	2,083,068	2,982,430
Cash and cash equivalents at the end of the period	2,982,430	4,679,944

(Sales by product category)

(Segment) Product category	FY2012 (April 1, 2012 to March 31, 2013)		FY2013 (April 1, 2013 to March 31, 2014)		YoY change (%)
	Amount (yen)	Pct. of sales (%)	Amount (yen)	Pct. of sales (%)	
(PC sales business)					
PCs	13,426,483	26.2	13,259,717	24.6	98.8
Peripherals	11,016,066	21.5	9,722,041	18.1	88.3
Accessories and supplies	4,845,933	9.4	4,164,143	7.8	85.9
Software	1,393,895	2.7	1,560,811	2.9	112.0
Previously owned products and other	6,126,318	11.9	7,278,017	13.5	118.8
Total product sales	36,808,697	71.7	35,984,730	66.9	97.8
Royalties and other revenue	170,153	0.3	174,301	0.3	102.4
Sales from technical services and commissions	12,616,711	24.6	16,237,866	30.2	128.7
Total	49,595,562	96.6	52,396,899	97.4	105.7
(Internet-related business)	1,758,396	3.4	1,419,106	2.6	80.7
Grand total	51,353,958	100.0	53,816,005	100.0	104.8

(Notes) 1. The above amounts do not include sales tax, etc.
2. Inter-segment transactions are written off by offsetting.
3. Sales of franchise stores from which royalties and other revenues are earned total 3,172,519,000 yen.

* We are changing our business structure, and starting from the first quarter of the current consolidated fiscal year, we used different sales categories for PCs and other products; previously owned products/other; and technical services and commissions. The results for the previous consolidated fiscal year are also shown using the same categories.