



Summary of Financial Results for the Six Months Ended September 30, 2015
[Japanese standards] (Consolidated)

November 12, 2015

PC DEPOT CORPORATION

Securities code: 7618

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Scheduled date of quarterly securities report filing:

Scheduled date of dividend payment:

Preparation of supplementary references for these Quarterly Financial Results:

Holding of an IR Briefing on these Quarterly Financial Results:

Stock Exchange Listing:

Tokyo(first section)

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November 12, 2015

December 4, 2015

Yes

Yes

(for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2015 (April 1, 2015–September 30, 2015)

(1) Consolidated Operating Results (Cumulative) (%: Change from the corresponding period of the previous fiscal year)

| | Net sales | | Operating income | | Ordinary income | | Net income belonging to parent company shareholders | |
|-------------------------------------|-----------|-------|------------------|------|-----------------|------|---|------|
| | Mil. yen | % | Mil. yen | % | Mil. yen | % | Mil. yen | % |
| Six months ended September 30, 2015 | 24,540 | 0.7 | 1,678 | 3.1 | 1,724 | 2.6 | 1,111 | 6.5 |
| Six months ended September 30, 2014 | 24,382 | (0.2) | 1,627 | 76.2 | 1,681 | 70.6 | 1,043 | 63.6 |

Note: Comprehensive income Six months ended September 30, 2015: 1,109 mil. yen (5.6%) Six months ended September 30, 2014: 1,050 mil. yen (66.1%)

| | Net quarterly inc. per share | Diluted net quarterly inc. per share |
|-------------------------------------|------------------------------|--------------------------------------|
| | Yen | Yen |
| Six months ended September 30, 2015 | 29.26 | 29.09 |
| Six months ended September 30, 2014 | 27.48 | 27.35 |

Note: On January 1, 2015, the Company split its common shares at a rate of 1 to 1.5 shares. We calculated quarterly net income per share and income per share adjusted for latent shares on the assumption that the stock split took place at the beginning of the 21st fiscal year, the previous consolidated fiscal year.

(2) Consolidated Financial Position

| | Total assets | | Net assets | | Equity capital ratio | Net assets per share |
|--------------------------|--------------|---|------------|---|----------------------|----------------------|
| | Mil. yen | % | Mil. yen | % | % | Yen |
| As of September 30, 2015 | 29,818 | | 16,107 | | 53.9 | 422.97 |
| As of March 31, 2015 | 29,257 | | 15,181 | | 51.8 | 398.81 |

Reference: Shareholder equity As of September 30, 2015: 16,071 mil. yen As of March 31, 2015: 15,151 mil. yen

Note: On January 1, 2015, the Company split its common shares at a rate of 1 to 1.5 shares. We calculated net assets per share on the assumption that the stock split took place at the beginning of the 21st fiscal year, the previous consolidated fiscal year.

2. Dividends

| | Annual dividend per share | | | | |
|--|---------------------------|-----------|-----------|----------|-------|
| | End of 1Q | End of 2Q | End of 3Q | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2015 | — | 5.00 | — | 5.00 | — |
| Fiscal year ending March 31, 2016 | — | 5.00 | | | |
| Fiscal year ending March 31, 2016 (forecast) | | | — | 5.00 | 10.00 |

Note: Recent announcement of revisions to forecasted amounts of dividends: No

Note: On January 1, 2015, the Company split its common shares at a rate of 1 to 1.5 shares. Therefore, the dividend per share (7.50 yen) based on the number of shares prior to the stock split corresponds to 1.5 times the dividend per share for the end of the fiscal year ended March 31, 2015, for the six months ended September 30, 2015, and for the fiscal year ending March 31, 2016 (forecast).

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2016 (April 1, 2015–March 31, 2016)

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

| | Net sales | | Operating income | | Ordinary income | | Net income belonging to parent company shareholders | | Net income per share |
|-----------|-----------|-----|------------------|------|-----------------|------|---|------|----------------------|
| | Mil. yen | % | Mil. yen | % | Mil. yen | % | Mil. yen | % | Yen |
| Full year | 53,000 | 3.3 | 3,750 | 21.4 | 3,800 | 18.5 | 2,430 | 25.2 | 61.15 |

Note: Recent announcement of revisions to earnings forecast: No

* Notes

(1) Were there changes in important subsidiaries during the six months under review (changes in specified subsidiaries resulting in modifications of the scope of consolidation): No
 New companies - (Company name) Excluded companies - (Company name)

(2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements: No

(3) Changes in accounting principles / Changes and restatements of accounting estimates
 1) Were there changes in accounting principles caused by revisions to accounting standards: Yes
 2) Were there changes other than 1): No
 3) Were there changes in accounting estimates: No
 4) Were there any restatements: No

(4) Number of outstanding shares (common shares)

| | | | | |
|---|---|-------------------|--|-------------------|
| 1) Number of shares issued and outstanding as of the end of the period (including treasury stock) | 2Q of fiscal year ending March 31, 2016 | 38,928,000 shares | Fiscal year ended March 31, 2015 | 38,928,000 shares |
| 2) Number of shares of treasury stock as of the end of the period | 2Q of fiscal year ending March 31, 2016 | 932,235 shares | Fiscal year ended March 31, 2015 | 937,035 shares |
| 3) Average number of shares during the cumulative quarterly period | 2Q of fiscal year ending March 31, 2016 | 37,991,743 shares | 2Q of fiscal year ended March 31, 2015 | 37,992,271 shares |

Note: On January 1, 2015, the Company split its common shares at a rate of 1 to 1.5 shares. We calculated the number of shares issued and outstanding at the end of each period (including treasury stock), the number of shares of treasury stock at the end of each period, and the average number of shares during each period (quarterly cumulative total) on the assumption that the stock split took place at the beginning of the 21st fiscal year, the previous consolidated fiscal year.

* Presentation concerning the implementation status of quarterly review procedures

These consolidated financial results are not subject to quarterly review procedures based on the Financial Instruments and Exchange Act. Quarterly review procedures have not been completed as of disclosure of these consolidated financial results.

* 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. Actual results may differ materially from the forecasts due to various factors. For details on assumptions and other matters regarding earnings forecasts, please see page 3 of the appendix, "1. Qualitative Information on the Consolidated Financial Results for the Six Months Ended September 30, 2015: (3) Explanation of qualitative information concerning forecasts of consolidated financial results for the fiscal year ending March 31, 2016."

○ Table of Contents for the Appendix

| | |
|---|----|
| 1. Qualitative Information on the Consolidated Financial Results for the Six Months Ended September 30, 2015 | 2 |
| (1) Explanation of operating results | 2 |
| (2) Explanation of financial condition | 3 |
| (3) Explanation of qualitative information concerning forecasts of consolidated financial results for the fiscal year ending March 31, 2016 | 3 |
| 2. Summary Information (Notes) Related Items | 3 |
| (1) Changes in important subsidiaries during the six months under review | 3 |
| (2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements | 3 |
| (3) Changes in accounting principles / Changes and restatements of accounting estimates | 3 |
| 3. Material Events Related to Premise of Going Concern | 4 |
| 4. Quarterly Consolidated Financial Statements | 5 |
| (1) Quarterly consolidated balance sheets | 5 |
| (2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income | 7 |
| (Quarterly consolidated statement of income) | |
| Second quarter of consolidated period | 7 |
| (Quarterly consolidated statement of comprehensive income) | |
| Second quarter of consolidated period | 9 |
| (3) Quarterly consolidated statements of cash flows | 10 |
| (4) Notes on quarterly consolidated financial statements | 12 |
| (Notes on premise of going concern) | 12 |
| (Notes on significant changes in the amount of equity capital) | 12 |
| (Segment information) | 13 |
| (Material subsequent events) | 14 |
| 5. Supplementary Information | 16 |
| Sales results | 16 |

1. Qualitative Information on the Consolidated Financial Results for the Six Months Ended September 30, 2015

(1) Explanation of operating results

During the six months ended September 30, 2015 (April 1, 2015–September 30, 2015), the Japanese economy showed a gradual recovery through the certain amount of influence of the economic measures taken by the government. However, while consumer spending showed signs of a pickup as a consequence of extreme heat, growth remained low, and the future of the economy remains uncertain.

In domestic over-the-counter sales of PCs, there was a certain amount of replacements of PCs for private use with new models following the termination of support for Windows XP in April 2014. However, the replacement demand began tapering off in July, resulting in a drop in sales volume. The PC sales continued to face a severe situation.

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. In terms of store development, we accelerated the renovation of existing PC DEPOT stores into PC DEPOT Smart Life Stores (a new type of outlet that focuses more on providing services) and reopened stores in Tokyo and Kanagawa Prefectures. As a result, the total number of PC DEPOT Smart Life Stores was 18 as of the end of September 2015. In addition, we have proceeded to introduce a business model for a new type of outlet, "Smart x Solutions (S x S)," in our large-scale stores since last year, making the number of stores that have introduced the business model 26. This allowed PC DEPOT large-scale stores to accelerate sales across the board, including support, services, and content for smart devices. In terms of service products, we offered more solutions that combine content, cloud, and other services. We actively proceeded to provide new services, including a fiber-optic network service called Fixed Virtual Network Operator (FVNO), the wholesaling of fiber-optic network services started in February 2015 by Nippon Telegraph and Telephone Corporation (NTT).

As a result, sales for existing stores and those from solutions services* continued to be favorable, registering year-on-year decrease of 1.6% and increase of 26.8%, respectively, while year-on-year gross profit rose by 8.1%. In terms of expenses, personnel expenses grew due to our active recruitment of additional staff to strengthen our service sales with a wider lineup of service products, the characteristic feature of our business. As a result, selling, general, and administrative expenses rose by 9.1% year-on-year.

Moreover, based on our in-house basic policy for internal control, we focused our efforts on strengthening governance and ensuring compliance. We continuously reviewed and dealt with the major risk factors that influence the operating results, share prices, and financial conditions of the Group. We also concentrated our efforts on addressing business risks. We will promote further improvement in the internal control system in the future.

As a result, for the six months ended September 30, 2015, net sales were 24.54 billion yen (up 0.7% YoY), operating income was 1.678 billion yen (up 3.1% YoY), ordinary income was 1.724 billion yen (up 2.6% YoY), and net income belonging to parent company shareholders was 1.111 billion yen (up 6.5% YoY).

* "Sales from technical services and commissions" were presented as "sales from services" in the fiscal year ended March 31, 2015 and now standardized as "sales from solution services" from the three months ended June 30, 2015. Method of accounting for this item remains unchanged.

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 and the provision of support. As the PC market continued to shrink, the PC sales situation has become increasingly severe since July last year. On the other hand, sales of smart devices such as smartphones and tablets have remained strong.

In terms of services, we promoted the sale of solution services by facilitating our unique service that bundles our support services with an Internet connection as well as various Internet devices such as PCs, Macs, iPhones and iPads. We also actively provided services that meet potential customer demands including offering technical support to those who purchased our products at special prices for their post-purchase concerns such as failing to successfully configure the settings despite trying several times and introducing the periodic checking services.

For our flagship Premium Service (maintenance services provided on a monthly membership fee basis), we strove to acquire new customers by expanding our service-inclusive products that provide Premium Service subscribers with devices and peripherals in combination with support services based on their environment. These service-inclusive products include IoT (Internet of Things) devices. For existing customers, in March 2015, we launched JIMAS, which is a large-scale management system for supporting members by improving overall efficiency in cloud services. Such cloud services include a new cloud system that synchronizes and backs up data both locally and in the cloud, and a cloud service that provides bulk storage space of 4 TB. In this manner, we strove to increase customers' satisfaction by expanding services that allow members to use Internet devices in a more convenient and safe manner.

As a result of these efforts, sales from solution services such as our Premium Service, cloud services, digital magazines, video content services, and IP phone; mobile communication services with Mobile Virtual Network Operators (MVNO); fiber-optic network services with FVNO; and our technical services and support for PCs and smart devices all continued to be strong.

As of September 30, 2015, there were 33 directly managed PC DEPOT stores (located in Kanagawa, Tokyo, Chiba, Saitama, Shizuoka, Gunma, Tochigi, and Ibaraki prefectures) and 18 PC DEPOT Smart Life Stores (located in Tokyo and Kanagawa prefectures). In addition, PC DEPOT STORES Co., Ltd., a subsidiary, operates 13 PC DEPOT stores in the Kyushu, Chubu, Shinetsu, Tohoku, and Shikoku areas. With 3 franchisees in the Kinki and Chugoku regions, we had a total of 67 PC DEPOT stores nationwide. PC DEPOT PC Clinics had 58 stores: 52 stores directly managed by the company and 6 franchise stores, giving us 125 PC DEPOT, PC DEPOT Smart Life, and PC DEPOT PC Clinic stores in total.

As a result, net sales for the PC sales business were 23.911 billion yen (up 0.8% YoY) and ordinary income for the segment was 1.755 billion yen (up 5.4% YoY).

2) Internet-related Business

In our Internet-related business, we worked on stepping up outsourcing of business operations among group companies, but due to a decrease in the number of ISP members handled by subsidiaries, sales from the business fell, dropping below those for the previous year.

As a result of the above, net sales for the Internet-related business amounted to 628 million yen (down 4.6% YoY) and ordinary income for the segment was 179 million yen (down 9.5% YoY).

(2) Explanation of financial condition

As of September 30, 2015, consolidated total assets were 29.818 billion yen, which represents an increase of 561 million yen from March 31, 2015. Total liabilities were 13.711 billion yen, a decrease of 364 million yen from March 31, 2015. Net working capital (the amount calculated by subtracting current liabilities from current assets) was 8.491 billion yen, indicating continued financial soundness.

Total capital investments made during the six months ended September 30, 2015, totaled 372 million yen. These investments were covered by our own funds, loans, and additional capital.

(3) Explanation of qualitative information concerning forecasts of consolidated financial results for the fiscal year ending March 31, 2016

Net sales, operating income, and ordinary income achieved during the six months ended September 30, 2015, were almost as planned and thus no revisions have been made to the consolidated earnings forecasts for the fiscal year ending March 31, 2016, announced in the Summary of Financial Results on May 12, 2015.

All earnings forecasts are based on information available to the Company as of the date of the forecasts announced, and, depending on various factors, actual results may differ from the forecasts.

2. Summary Information (Notes) Related Items

(1) Changes in important subsidiaries during the six months under review

N/A

(2) Adoption of special accounting methods for preparation of quarterly consolidated financial statements

N/A

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

(Application of accounting standards for business combinations and related standards)

Effective April 1, 2015, the Company applied "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on September 13, 2013, hereinafter referred to as the "Business Combinations Accounting Standards"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on September 13, 2013, hereinafter referred to as the "Consolidated Financial Statements Accounting Standard"), and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on September 13, 2013, hereinafter referred to as the "Business Divestitures Accounting Standard"). As a result, for subsidiaries the Company continues to control, differences arising due to changes in the equity portion are accounted for as capital surplus and costs associated with the acquisition of shares are now accounted for as expenses in the consolidated fiscal year in

which they are incurred. In addition, for business combinations that are implemented after the beginning of FY2015 first quarter, the allocation of the cost of acquisitions, as determined after review of provisional accounting treatment, is reflected in the quarterly consolidated financial statements for the quarter in which the business combination took place. Additionally, the Company has changed the method of presentation for net income and related items and changed the presentation of minority interests item to non-controlling interest item. To reflect these changes, the Company has reclassified its quarterly consolidated financial statements for the six months ended September 30, 2014 and consolidated financial statements for the fiscal year ended March 31, 2015.

Regarding the application of the Business Combinations Accounting Standards, the Company has applied the provisional accounting treatment provided in the Paragraph 58-2 (4) of Business Combination Accounting Standard, the Paragraph 44-5 (4) of Consolidated Financial Statements Accounting Standard and the Paragraph 57-4 (4) of Business Divestitures Accounting Standard, prospectively from the beginning of the first quarter under review.

The application of these standards has no material impact on the consolidated statement of income.

3. Material Events Related to Premise of Going Concern

N/A

4. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Thousands of yen)

| | FY2014 (As of March 31, 2015) | FY2015 Second Quarter (As of September 30, 2015) |
|---|----------------------------------|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,370,487 | 1,911,633 |
| Accounts receivable | 9,906,521 | 11,408,674 |
| Inventories | 6,548,133 | 6,027,290 |
| Accounts receivable - other | 311,754 | 205,487 |
| Deferred tax assets | 467,897 | 521,195 |
| Other | 502,232 | 534,086 |
| Allowance for doubtful accounts | (186,732) | (209,047) |
| Total current assets | 19,920,294 | 20,399,321 |
| Non-current assets | | |
| Property, plants and equipment | | |
| Buildings and structures | 6,513,711 | 6,619,439 |
| Accumulated depreciation | (2,396,246) | (2,587,293) |
| Buildings and structures - net | 4,117,465 | 4,032,146 |
| Tools, furniture and fixtures | 2,094,144 | 2,322,246 |
| Accumulated depreciation | (1,505,499) | (1,597,760) |
| Tools, furniture and fixtures - net | 588,644 | 724,486 |
| Land | 263,011 | 263,011 |
| Construction in progress | 43,802 | 9,852 |
| Other | 375 | 4,629 |
| Accumulated depreciation | (93) | (1,350) |
| Other - net | 281 | 3,278 |
| Total property, plants and equipment | 5,013,204 | 5,032,774 |
| Intangible assets | | |
| Goodwill | 5,174 | 3,104 |
| Other | 782,600 | 851,940 |
| Total intangible assets | 787,775 | 855,045 |
| Investments and other assets | | |
| Investment securities | 194,712 | 193,776 |
| Deferred tax assets | 278,021 | 295,092 |
| Guarantee deposits | 1,639,131 | 1,608,021 |
| Lease deposits | 1,275,631 | 1,290,713 |
| Other | 150,960 | 146,500 |
| Allowance for doubtful accounts | (2,721) | (2,566) |
| Total investments and other assets | 3,535,735 | 3,531,538 |
| Total non-current assets | 9,336,715 | 9,419,357 |
| Total assets | 29,257,010 | 29,818,679 |

(Thousands of yen)

| | FY2014 (As of March 31, 2015) | FY2015 Second Quarter (As of September 30, 2015) |
|---|----------------------------------|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 1,691,643 | 1,716,446 |
| Short-term loans payable | 4,520,000 | 4,900,000 |
| Current portion of long-term loans payable | 1,447,464 | 1,292,464 |
| Accounts payable - other | 1,090,089 | 1,324,901 |
| Income taxes payable | 878,749 | 678,076 |
| Provision for bonuses | 195,162 | 203,000 |
| Provision for merchandise warranties | 307,354 | 422,664 |
| Other | 1,517,221 | 1,370,099 |
| Total current liabilities | 11,647,685 | 11,907,651 |
| Non-current liabilities | | |
| Long-term loans payable | 1,796,797 | 1,206,815 |
| Long-term accounts payable - other | 112,700 | 99,152 |
| Liabilities associated with retirement benefits | 19,826 | - |
| Asset retirement obligations | 404,942 | 408,362 |
| Long-term guarantee deposits received | 93,999 | 89,459 |
| Total non-current liabilities | 2,428,265 | 1,803,789 |
| Total liabilities | 14,075,951 | 13,711,441 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 2,745,734 | 2,745,734 |
| Capital surplus | 3,013,136 | 3,013,136 |
| Retained earnings | 9,493,765 | 10,415,487 |
| Treasury stock | (152,427) | (151,876) |
| Total shareholders' equity | 15,100,208 | 16,022,481 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 51,034 | 48,618 |
| Total accumulated other comprehensive income | 51,034 | 48,618 |
| Stock acquisition rights | 29,816 | 36,137 |
| Total net assets | 15,181,058 | 16,107,238 |
| Total liabilities and net assets | 29,257,010 | 29,818,679 |

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

(Quarterly consolidated statement of income)

(Second quarter of consolidated period)

(Thousands of yen)

| | FY2014 Second Quarter (Apr. 1, 2014–Sep. 30, 2014) | FY2015 Second Quarter (Apr. 1, 2015–Sep. 30, 2015) |
|---|---|---|
| Net sales | 24,382,037 | 24,540,766 |
| Cost of sales | 14,804,970 | 14,187,960 |
| Gross profit | 9,577,066 | 10,352,805 |
| Selling, general, and administrative expenses | | |
| Advertising expenses | 485,148 | 462,828 |
| Sales commissions | 293,729 | 319,561 |
| Directors' compensation | 77,416 | 88,819 |
| Salaries and allowances | 2,842,462 | 3,155,602 |
| Bonuses | 124,319 | 113,143 |
| Provision for bonuses | 183,677 | 203,000 |
| Retirement benefit expenses | 34,800 | 40,507 |
| Supplier expenses | 278,707 | 269,550 |
| Depreciation and amortization | 339,579 | 386,407 |
| Amortization of goodwill | 3,054 | 2,069 |
| Rent expenses on real estate | 1,112,153 | 1,187,726 |
| Other | 2,174,077 | 2,444,864 |
| Total selling, general, and administrative expenses | 7,949,126 | 8,674,081 |
| Operating income | 1,627,939 | 1,678,724 |
| Non-operating income | | |
| Interest income | 1,122 | 1,118 |
| Dividends income | 1,656 | 1,524 |
| Sales incentives | 17,153 | 20,648 |
| Rent income | 70,396 | 70,861 |
| Commission fees | 14,340 | 17,771 |
| Equity in earnings of affiliates | 3,215 | 2,631 |
| Other | 34,650 | 23,410 |
| Total non-operating income | 142,535 | 137,966 |
| Non-operating expenses | | |
| Interest expenses | 29,289 | 29,361 |
| Rent expenses | 57,176 | 57,172 |
| Other | 2,209 | 5,217 |
| Total non-operating expenses | 88,674 | 91,751 |
| Ordinary income | 1,681,800 | 1,724,939 |

(Thousands of yen)

| | FY2014 Second Quarter (Apr. 1, 2014–Sep. 30, 2014) | FY2015 Second Quarter (Apr. 1, 2015–Sep. 30, 2015) |
|---|---|---|
| Extraordinary income | | |
| Gain on sales of non-current assets | 14 | - |
| Total extraordinary income | 14 | - |
| Extraordinary losses | | |
| Losses on sales of non-current assets | 151 | - |
| Losses on retirement of non-current assets | 17,175 | 6,406 |
| Losses on transition to a defined contribution pension plan | - | 19,716 |
| Total extraordinary losses | 17,326 | 26,122 |
| Quarterly net income before income taxes | 1,664,488 | 1,698,817 |
| Income taxes - current | 672,346 | 656,358 |
| Income taxes - deferred | (51,856) | (69,218) |
| Total income taxes | 620,490 | 587,140 |
| Net income | 1,043,998 | 1,111,676 |
| Net income belonging to non-controlling shareholders | - | - |
| Net income belonging to parent company shareholders | 1,043,998 | 1,111,676 |

(Quarterly consolidated statement of comprehensive income)
 (Second quarter of consolidated period)

(Thousands of yen)

| | FY2014 Second Quarter (Apr. 1, 2014–Sep. 30, 2014) | FY2015 Second Quarter (Apr. 1, 2015–Sep. 30, 2015) |
|--|---|---|
| Net income | 1,043,998 | 1,111,676 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 6,740 | (2,415) |
| Total other comprehensive income | 6,740 | (2,415) |
| Comprehensive income | 1,050,739 | 1,109,261 |
| (Breakdown) | | |
| Comprehensive income related to parent company shareholders | 1,050,739 | 1,109,261 |
| Comprehensive income related to non-controlling shareholders | - | - |

(3) Quarterly consolidated statements of cash flows

(Thousands of yen)

| | FY2014 Second Quarter (Apr. 1, 2014–Sep. 30, 2014) | FY2015 Second Quarter (Apr. 1, 2015–Sep. 30, 2015) |
|--|---|---|
| Net cash provided by operating activities | | |
| Quarterly net income before income taxes | 1,664,488 | 1,698,817 |
| Depreciation and amortization | 362,682 | 417,603 |
| Amortization of goodwill | 3,054 | 2,069 |
| Increase (decrease) in allowance for doubtful accounts | 32,214 | 22,314 |
| Increase (decrease) in provision for bonuses | 24,697 | 7,837 |
| Increase (decrease) in net defined benefit liability | 1,723 | (19,826) |
| Increase (decrease) in provision for merchandise warranties | 66,665 | 115,310 |
| Interest and dividends income | (2,779) | (2,643) |
| Interest expenses | 29,289 | 29,361 |
| Foreign exchange losses (gains) | (596) | 15 |
| Equity in (earnings) losses of affiliates | (3,215) | (2,631) |
| Losses (gains) on sales of property, plants and equipment | 136 | - |
| Losses on retirement of non-current assets | 17,175 | 6,406 |
| Decrease (increase) in notes and accounts receivable - trade | (102,268) | (1,502,152) |
| Decrease (increase) in inventories | (54,796) | 520,843 |
| Decrease (increase) in accounts receivable - other | (79,433) | 106,266 |
| Increase (decrease) in notes and accounts payable - trade | (933,329) | 11,077 |
| Increase (decrease) in accounts payable - other | (217,275) | 157,357 |
| Decrease (increase) in other assets | (5,001) | (32,312) |
| Increase (decrease) in other liabilities | (52,108) | (157,266) |
| Other | 15,964 | 28,722 |
| Subtotal | 767,287 | 1,407,170 |
| Interest and dividend income received | 1,695 | 1,616 |
| Interest expenses paid | (27,980) | (28,887) |
| Income taxes paid | (849,019) | (874,961) |
| Net cash provided by operating activities | (108,017) | 504,937 |

(Thousands of yen)

| | FY2014 Second Quarter (Apr. 1, 2014–Sep. 30, 2014) | FY2015 Second Quarter (Apr. 1, 2015–Sep. 30, 2015) |
|--|---|---|
| Net cash provided by investment activities | | |
| Purchases of property, plants and equipment | (362,369) | (232,241) |
| Proceeds from sales of property, plants and equipment | 20 | - |
| Purchases of intangible assets | (122,463) | (189,912) |
| Payments for lease and guarantee deposits | (55,480) | (31,559) |
| Proceeds from collection of lease and guarantee deposits | 70,104 | 51,877 |
| Repayments of guarantee deposits received | (4,794) | (4,539) |
| Other | (2,824) | (3,429) |
| Net cash provided by investment activities | (477,807) | (409,805) |
| Net cash provided by (used in) financing activities | | |
| Increase in short-term loans payable | 3,600,000 | 28,200,000 |
| Decrease in short-term loans payable | (3,900,000) | (27,820,000) |
| Repayment of long-term loans payable | (942,417) | (744,982) |
| Cash dividends paid | (126,583) | (189,538) |
| Decrease (increase) in treasury shares | (46) | 551 |
| Net cash provided by (used in) financing activities | (1,369,046) | (553,969) |
| Effect of exchange rate changes on cash and cash equivalents | 596 | (15) |
| Net increase (decrease) in cash and cash equivalents | (1,954,275) | (458,853) |
| Cash and cash equivalents at the beginning of the period | 4,679,944 | 2,370,487 |
| Cash and cash equivalents at the end of the quarter | 2,725,669 | 1,911,633 |

(4) Notes on quarterly consolidated financial statements

(Notes on premise of going concern)

N/A

(Notes on significant changes in the amount of equity capital)

N/A

(Segment information)

[Segment information]

I. FY2014 second quarter (April 1, 2014 to September 30, 2014)

1. Information on net sales and income or loss by reportable segment

| | Reportable segment | | | Adjustment | Amount on quarterly consolidated statements of income |
|--------------------|--------------------|---------------------------|------------|------------|---|
| | PC Sales Business | Internet-related Business | Total | | |
| Net sales | | | | | |
| External customers | 23,722,993 | 659,043 | 24,382,037 | - | 24,382,037 |
| Inter-segment | 805 | 358,548 | 359,353 | (359,353) | - |
| Total | 23,723,799 | 1,017,591 | 24,741,390 | (359,353) | 24,382,037 |
| Segment income | 1,665,804 | 198,403 | 1,864,208 | (182,407) | 1,681,800 |

(Note) 1. The negative 182,407 thousand yen adjustment in segment income includes a negative 181,375 thousand yen due to inter-segment eliminations of dividends received.

2. Segment income is reconciled to ordinary income in the quarterly consolidated statements of income.

2. Information on impairment losses of non-current assets or goodwill, etc. by reportable segment

(Significant impairment losses related to non-current assets)

N/A

(Significant changes in the amount of goodwill)

N/A

(Significant gains on negative goodwill)

N/A

II. FY2015 second quarter (April 1, 2015 to September 30, 2015)

1. Information on net sales and income or loss by reportable segment

| | Reportable segment | | | Adjustment | Amount on quarterly consolidated statements of income |
|--------------------|--------------------|---------------------------|------------|------------|---|
| | PC Sales Business | Internet-related Business | Total | | |
| Net sales | | | | | |
| External customers | 23,911,875 | 628,890 | 24,540,766 | - | 24,540,766 |
| Inter-segment | 856 | 473,322 | 474,179 | (474,179) | - |
| Total | 23,912,732 | 1,102,213 | 25,014,945 | (474,179) | 24,540,766 |
| Segment income | 1,755,035 | 179,587 | 1,934,623 | (209,684) | 1,724,939 |

(Note) 1. The negative 209,684 thousand yen adjustment in segment income includes a negative 210,236 thousand yen due to inter-segment eliminations of dividends received.

2. Segment income is reconciled to ordinary income in the quarterly consolidated statements of income.

2. Information on impairment losses of non-current assets or goodwill, etc. by reportable segment

(Significant impairment losses related to non-current assets)

N/A

(Significant changes in the amount of goodwill)

N/A

(Significant gains on negative goodwill)

N/A

(Material subsequent events)

(Issuance of new shares)

The issuance of new shares was resolved at the meeting of the board of directors held on October 13, 2015. For the issuance of new shares (public offering), payment was made in full as of November 4, 2015.

The details were partially modified at the meeting of the board of directors held on October 15, 2015. The changes made are stated as follows:

1. Issuance of new shares by way of offering (public offering)

- (1) Class and number of shares to be issued: 4,300,000 shares of common stock
- (2) Issue price per share: 858 yen
- (3) Total issue price: 3,689,400,000 yen
- (4) Amount to be paid per share: 809.05 yen
- (5) Total amount to be paid: 3,478,915,000 yen
- (6) Amount of stated capital and legal capital surplus to be increased:
Amount of stated capital to be increased: 1,739,457,500 yen
Amount of legal capital surplus to be increased: 1,739,457,500 yen
- (7) Subscription period: Thursday, October 22, 2015–Friday, October 23, 2015
- (8) Payment date: Wednesday, November 4, 2015

(Note) Underwriters will underwrite new shares at the amount to be paid and offer new shares at the issue price.

2. Secondary offering of shares (secondary offering by way of over-allotment)

- (1) Number of shares to be sold: 790,900 shares
The number of shares mentioned above is the maximum number of shares to be sold. The above number may decrease, or the secondary offering by way of over-allotment may be canceled entirely, depending on market demand. The final number of shares to be sold will be determined on the issue price determination date, in consideration of the market demand.
- (2) Selling price per share: 858 yen
- (3) Total selling price: 678,592,200 yen
- (4) Subscription period: Thursday, October 22, 2015–Friday, October 23, 2015
- (5) Delivery date: Thursday, November 5, 2015

3. Issuance of new shares by way of third-party allotment

- (1) Class and number of shares to be issued: 790,900 shares of common stock (Note)
- (2) Amount to be paid per share: 809.05 yen
- (3) Total amount to be paid (maximum amount): 639,877,645 yen (Note)
- (4) Amount of stated capital and legal capital surplus to be increased:
Amount of stated capital to be increased (maximum amount): 319,938,823 yen (Note)
Amount of legal capital surplus to be increased (maximum amount): 319,938,822 yen (Note)
- (5) Subscription period (date): Friday, November 20, 2015
- (6) Payment date: Tuesday, November 24, 2015
- (7) Allotted party and the number of shares to be allotted: 790,900 shares to Nomura Securities Co., Ltd.

(Note) The number of shares and amount assume a case where Nomura Securities subscribes to all new shares, and the shares are issued.

4. Use of proceeds to be raised

Of the sum of the net approximate proceeds of a maximum of 4,087,792,645 yen from the capital increase by way of public offering and third-party allotment, 1 billion yen is to be appropriated for capital investments in new store openings, 1.5 billion yen for capital investments in renovating existing stores such as the shift toward

PC DEPOT Smart Life Stores, and 500 million yen for system improvements with regard to content development and a core computer system by the end of March 2018. In addition, by the end of March 2017, 1,087,792,645 yen is to be appropriated for the payment of purchased goods, which is a prior investment for expanding the sales of service-inclusive products provided on a monthly membership fee basis.

5. Supplementary Information

Sales results

(Sales by product)

| | FY2014 Second Quarter (Apr. 1, 2014–Sep. 30, 2014) | | FY2015 Second Quarter (Apr. 1, 2015–Sep. 30, 2015) | | YoY change (%) |
|-------------------------------------|---|-------------------|---|-------------------|-------------------|
| | Amount (thousands of yen) | Pct. of sales (%) | Amount (thousands of yen) | Pct. of sales (%) | |
| (PC sales business) | | | | | |
| PCs | 4,878,504 | 20.0 | 3,090,721 | 12.6 | 63.4 |
| Peripherals | 3,872,612 | 15.9 | 3,389,602 | 13.8 | 87.5 |
| Accessories and supplies | 1,572,234 | 6.4 | 1,457,583 | 5.9 | 92.7 |
| Software | 548,724 | 2.3 | 372,091 | 1.6 | 67.8 |
| Previously owned products and other | 3,587,126 | 14.7 | 3,901,726 | 15.9 | 108.8 |
| Total product sales | 14,459,202 | 59.3 | 12,211,724 | 49.8 | 84.5 |
| Royalties and other revenue | 78,097 | 0.3 | 56,043 | 0.2 | 71.8 |
| Sales from solutions services | 9,185,694 | 37.7 | 11,644,107 | 47.4 | 126.8 |
| Total | 23,722,993 | 97.3 | 23,911,875 | 97.4 | 100.8 |
| (Internet-related business) | 659,043 | 2.7 | 628,890 | 2.6 | 95.4 |
| Total | 24,382,037 | 100.0 | 24,540,766 | 100.0 | 100.7 |

- (Notes) 1. The above amounts do not include consumption 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 701,717,000 yen.
4. This item was presented as "sales from technical services and commissions" in the fiscal year ended March 31, 2015 and now standardized as "sales from solutions services" from the three months ended June 30, 2015. Method of accounting for this item remains unchanged.
5. "Sales from solution services" contains product sales derived from the sale of service-inclusive products.