May 12, 2009

Summary of Financial Results for the Fiscal Year Ended March 31, 2009

Company name: PC DEPOT CORPORATION — Stock Exchange listings: JASDAQ
Securities code: 7618 — URL: http://www.pcdepot.co.jp
Representative: Takahisa Nojima, President and Chief Executive Officer
Contact: Mitsuyoshi Hae, Director, General Manager, Accounting and Finance — Tel: +81-(0) 45-472-7795
Scheduled date of Ordinary General Shareholders' Meeting: June 18, 2009
Scheduled date of filing of Annual Securities Report: June 19, 2009
Scheduled date of payment of dividend: June 19, 2009

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)

(1) Consolidated results of operations

(Percentages shown for net sales, operating income, ordinary income and net income represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 2009	42,899	1.1	1,259	2.5	1,428	6.6	684	(16.1)
Fiscal year ended Mar. 2008	42,439	0.2	1,229	46.5	1,339	20.5	815	59.7

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income on net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 2009	3,108.18	-	8.6	9.3	2.9
Fiscal year ended Mar. 2008	3,673.94	-	11.0	8.9	2.9

Reference: Equity in income (losses) of affiliates (million yen) Mar. 2009: (40) Mar. 2008: (43)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2009	15,873	8,392	51.9	37,439.99
As of Mar. 31, 2008	14,728	7,869	52.4	35,078.17

Reference: Shareholders equity (million yen): Mar. 2009: 8,242 Mar. 2008: 7,722

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 2009	1,846	(2,646)	746	1,802
Fiscal year ended Mar. 2008	756	87	(756)	1,856

2. Dividends

	Dividend per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
(Record date)	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 2008	-	250.00	-	350.00	600.00	132	16.3	1.8
Fiscal year ended Mar. 2009	-	350.00	-	350.00	700.00	154	22.5	1.9
Fiscal year ending Mar. 2010 (forecasts)	-	350.00	-	350.00	700.00		19.3	

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2010 (April 1, 2009 – March 31, 2010)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	20,800	6.9	500	40.6	550	16.9	270	58.4	1,226.45
Full year	45,000	4.9	1,500	19.0	1,600	12.0	800	16.9	3,633.94

4. Other

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Changes in accounting principles, procedures and presentation methods for preparation of consolidated financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

Note: Please refer to "Change in Significant Accounting Policies in the Preparation of Consolidated Financial Statements" on page 26 for further information.

(3) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of period (including treasury stock)

Mar. 2009: 225,020 shares　Mar. 2008: 225,020 shares

2) Number of treasury stock at the end of period

Mar. 2009: 4,873 shares　Mar. 2008: 4,873 share

Note: Please refer to "Per Share Information" on page 38 for the number of shares used in calculating consolidated net income per share.

For reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)

(1) Non-consolidated results of operations (Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 2009	40,620	1.3	997	11.7	1,237	16.7	602	(12.1)
Fiscal year ended Mar. 2008	40,089	1.3	892	49.8	1,060	18.8	685	91.4

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 2009	2,737.91	-
Fiscal year ended Mar. 2008	3,089.52	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2009	13,519	6,971	51.6	31,665.93
As of Mar. 31, 2008	13,094	6,532	49.9	29,674.38

Reference: Shareholders equity (million yen): Mar. 2009: 6,971 Mar. 2008: 6,532

3. Non-consolidated Forecast for the Fiscal Year Ending March 31, 2010 (April 1, 2009 – March 31, 2010)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	19,500	6.1	350	70.6	430	21.7	220	76.6	999.33
Full year	42,500	4.6	1,150	15.3	1,300	5.1	650	7.8	2,952.57

* **Cautionary statement with respect to forward-looking statements**

Earnings forecasts in these materials are based on the judgment of management using information available at the time it was prepared, and embody substantial uncertainly. Actual results may differ from these forecasts due to changes in the business environment and other factors. Please refer to page 4 regarding preconditions or other related matters for the forecast shown above.

1. Results of Operations

(1) Analysis of results of operating

The Japanese economy retreated sharply in the fiscal year under review because strong volatility in crude oil and raw materials prices, and a global economic downturn triggered by the US-originated financial crisis last year, caused a decline in exports, employment adjustment, and wage restraint.

In the retail industry, deteriorating sentiment and concerns over the future caused by the domestic economic downturn triggered a shift from “sound consumption” to “defensive consumption.”

The PC industry saw average selling prices continue to decline overall, but low-priced PCs under 50,000 yen (mini notebook PCs termed “50,000 yen PCs”) were launched last summer and became a hit product. Also, large-screen desktop PCs and high-performance PCs became better buys following continuous declines in average selling prices.

In this environment, PC DEPOT strengthened its lineup and sales of low-priced PCs and products offering greater value, boosting PC sales volumes to 129.5% of the year-ago level. Sales of large-screen monitors, memory, hard disks and other peripheral equipment and related technical services were also firm. So-called “volume benefits” gradually emerged from the second quarter, and continued through the second half.

On the service front, PC DEPOT pro-actively promoted solutions sales. It strengthened technical services to respond to local customers’ cries of “Help!” and leveraged its strengths to bolster PC sales in conjunction with technical services including the confirmation of peripheral equipment responsiveness and the configuration of PCs to block out harmful websites. It also worked to capture more members for its “Premium Service,” a proprietary membership system offering maintenance services for a monthly fee, by launching services for 50,000 yen PCs. This raised the number of Premium Service members to 95,000 at the end of the fiscal year.

Regarding the store network, PC DEPOT opened three new stores in Kanagawa Prefecture, Chiba Prefecture, and Tochigi Prefecture, and closed one store in September. The Ashikaga Store, opened in Tochigi Prefecture, is the largest suburban PC specialty store in Japan with 3,000 square meters of floor space. In line with plans to expand the size of existing stores, PC DEPOT increased floor space in the Ome Store to 1,500 square meters.

In August, PC DEPOT acquired four franchise stores in the northern Kanto managed by K’S HOLDINGS CORPORATION and converted them to directly-managed stores. Also, it opened its first store in Okayama Prefecture, a franchise store managed by KITAMURA PC DEPOT CORPORATION, in November. This increased its network of PC DEPOT stores at the end of the fiscal year to 61 stores comprised of 40 directly-managed stores and 21 franchise stores.

PC DEPOT also opened seven new “PC Clinics” (PC technical service counter stores) as franchises within volume electronics retailers from August, increasing its network of PC Clinics to 21 stores at the end of the fiscal year.

In the Internet-related business, ejworks corporation acquired the ISP businesses of four companies including Kansai Broadband Co., Ltd. in June 2008, to increase its number of provider subscribers. However, corporate demand declined as companies tamped down investment in the face of a decelerating economy. BB Marketing Corp. continued to struggle as its product strengths weakened.

In October, the PC DEPOT Group consolidated its group companies and call centers, and transferred its head offices to strengthen internal control, in order to improve management efficiency.

As a result of the above activities, Group sales totaled 42,899 million yen (+1.1% year-over-year), operating income 1,259 million yen (+2.5%), ordinary income 1,428 million yen (+6.6%), and net income 684 million yen (-16.1%). PC DEPOT Group sales, including those of franchise stores, totaled 58,959 million yen.

Last year, the Group booked an extraordinary income of 363 million yen due to proceeds from the sale of investment securities, and other factors.

(2) Outlook for new fiscal year

PC DEPOT believes the economic environment in the new fiscal year will be marked by continued weakness in personal consumption due to the impact of financial and employment uncertainty since last year.

In the PC industry, PC DEPOT thinks PC sales volumes will continue to rise as the lengthening of PC years of use stabilizes, stable “upgrade” demand stays firm, and lower PC prices stimulate both “upgrade” and “supplemental” demand. It expects higher PC sales volumes to increase sales of peripheral equipment and technical services, but expects fierce sales competition as it forecasts a 5-10% decline in overall average selling prices.

In the PC sales business, PC DEPOT expects to see some temporary buyer restraint in the new fiscal year ahead of Microsoft’s launch of the new operating system “Windows 7,” but then expects the new operating system, along with firm “upgrade” demand, to increase demand for high-performance PCs and high-capacity, high-speed peripheral equipment.

In this environment, PC DEPOT will continue to strengthen its lineup of low-priced PCs under 50,000 yen, and of high-performance PCs and high-capacity, high-speed peripheral equipment compatible with the new operating system. It will also expand its technical service menu for “upgrade” demand, provide pro-active technical support for upgrades and peripheral equipment in response to the new operating system, offer virus countermeasures and data transfers, provide various settings, and in general strengthen its technical service sales so customers can securely use their newly purchased PCs.

As for service products, PC DEPOT will be the first retailer to become a mobile virtual network operator (MVNO), and will add telecommunications functions to its original service product “Premium Service” (a proprietary membership system offering maintenance services for a monthly fee) to make it a comprehensive service product and thereby attract more members.

Regarding store network development, it plans to open 5-6 PC DEPOT stores, mostly large ones, to strengthen the dominance of its store network in the Kanto region. It also plans to scrap unprofitable stores. It also aims to expand its network of PC Clinics, opened as franchise stores within volume electronics retailers, from 21 stores at the end of the current fiscal year under review, to 50 at the end of the new fiscal year, to increase its network of stores providing PC repair and other services.

Based on the slogan of improving the safety/security of PCs, Internet connections, and data, PC DEPOT provides, mainly through its PC Clinics, free diagnosis and other services for PCs regardless of where customers have purchased them, to promote management from the standpoint of CSR. To deal with environmental problems, PC DEPOT sells used products from the standpoint of promoting “reduce, reuse, and recycle.” It is also working to establish a PC Clinic in every store to repair PCs so customers can use them for a long time. Furthermore, it offers a wide range of PC parts. In terms of store management, it promotes TV conferences between headquarters and individual stores to implement eco strategies beginning from immediate surroundings.

In the Internet-related business, PC DEPOT expects corporate investment to continue declining in the new fiscal year due to the economic downturn, but aims to expand the scale of the business through the acquisition of small and medium-sized ISP businesses.

In the new fiscal year, PC DEPOT forecasts net sales of 45,000 million yen (+4.9% year-over-year), operating income of 1,500 million yen (+19.0%), ordinary income of 1,600 million yen (+12.0%), and net income of 800 million yen (+16.9%).

The above forecasts are based on the judgment of management using information available at the time these materials were prepared, and embody substantial uncertainty. Investors should be aware that actual results could differ from these forecasts due to changes in the business environment and other factors.

(3) Analysis of financial position

i. Summary of the current fiscal year

Assets totaled 15,873 million yen at the end of the fiscal year under review, an increase of 1,144 million yen from the end of the previous fiscal year. Liabilities totaled 7,481 million yen, an increase of 622 million yen. Net working capital (calculated by subtracting current liabilities from current assets) totaled 3,469 million yen, a level that suggests sound finances.

Capital investments totaled 1,318 million yen in the fiscal year under review, with investments primarily for the establishment of new stores (Shonandai, Kamagaya, and Ashikaga), the acquisition of four stores in the northern Kanto, and the transfer of the head offices. These capital investments were funded with the Company's own capital and loans.

ii. Cash flows

Cash and cash equivalents totaled 1,802 million yen at the end of the fiscal year under review on a consolidated basis, a decrease of 54 million yen over the end of the previous fiscal year, compared with an 85 million yen increase in the previous fiscal year.

Cash flows from operating activities increased 1,846 million yen in the fiscal year under review (compared with an increase of 756 million yen in the previous fiscal year). The main positive factors were income before income taxes of 1,318 million yen, a decrease in inventories of 626 million yen, and depreciation and amortization of 413 million yen. The main negative factor was income taxes paid of 729 million yen.

Cash flows from investing activities decreased 2,646 million yen in the fiscal year under review (compared with an increase of 87 million yen in the previous fiscal year). The main factors were 2,242 million yen in purchase of noncurrent assets, and 428 million yen in payments for lease and guarantee deposits.

Cash flows from financing activities increased 746 million yen in the fiscal year under review (compared with a decrease of 756 million yen in the previous fiscal year). The main factors were cash dividends paid of 154 million yen, and an increase in loans payable of 911 million yen.

Reference: Trends in cash flow indicators

	FY2004	FY2005	FY2006	FY2007	FY2008
Shareholders' equity ratio (%)	33.2	44.6	47.1	52.4	51.9
Shareholders' equity ratio based on market value (%)	56.3	121.5	54.6	30.2	20.8
Interest-bearing debt to cash flow ratio (years)	2.3	0.7	-	0.6	0.7
Interest coverage ratio (times)	55.3	122.3	-	77.4	176.5

The above figures are calculated as follows:
Shareholders' equity ratio: Shareholders' equity / Total assets
Shareholders' equity ratio based on market value: Market capitalization / Total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows
Interest coverage ratio: Operating cash flows / 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 flows are calculated using the figures for operating cash flows in the consolidated statements of cash flows.
4. Interest-bearing debt includes all debt on the consolidated balance sheets that incur interest.
5. Interest-bearing debt to cash flow ratio and interest coverage ratio for FY2006 are not listed, because operating cash flows were negative.

(4) Policy on the distribution of profits

PC DEPOT views the appropriate distribution of profits to shareholders as an important management theme, and its basic policy is to provide a stable distribution of profits over the long term, targeting a consolidated payout ratio of around 20%, taking into account the need to strengthen the financial structure and enhance retained earnings based on a comprehensive judgment that store development is the largest factor behind expansion of the business.

PC DEPOT plans to pay an annual dividend of 700 yen per share (100 yen higher than the previous fiscal year), based on the above policy, in the current fiscal year under review, consisting of a 350 yen interim dividend and a 350 yen year-end dividend.

In the new fiscal year, PC DEPOT plans to pay an annual dividend of 700 yen per share, based on the above policy, consisting of interim and year-end dividends of 350 yen each, although it expects the business environment to remain harsh.

PC DEPOT will implement share buybacks as appropriate and necessary to conduct a flexible capital strategy. It will also allocate internal reserves to strengthen its financial condition, and to strategically invest in new store openings and the renovation and expansion of existing stores, to further improve earnings.

(5) Business risks

PC DEPOT discusses below the major risk factors to its Group's business performance, share price, or financial condition. From the viewpoint of pro-active disclosure to investors, PC DEPOT also includes factors that are not necessarily business risks but which it thinks are important for investors to know to make informed investment decisions and better understand its business activities. Because PC DEPOT recognizes the potential for these risks to materialize, it will strive to prevent their occurrence and prepare a speedy and appropriate response in the event that they do occur in order to avert any impact on the Company's business activities.

Forward-looking statements are based on the judgment of management as of the submission of this report.

1) Business performance

I. PC sales

Although the household penetration rate for PCs, the Company's mainstay product, now exceeds 80%, an increase in "upgrade" and "supplemental" sales can be expected. Still, the Company's business performance could be impacted were the average selling price of PCs to continue to decline sharply.

II. Competition

PC DEPOT's core business is operating a chain of comprehensive PC stores, and it differentiates itself from volume electronics retailers by providing technical maintenance and support in addition to offering a rich lineup of PC related merchandise at its large stores. Also, it opens stores near volume electronics retailers to increase customer traffic through synergies. However, a significant lowering of PC prices by the competition could reduce the average selling price and lower the profitability of PC sales.

III. Business performance of subsidiaries

One subsidiary of PC DEPOT is involved in the Internet provider business. The Group's business and performance could be impacted in the rare case that the subsidiary sees a sharp outflow of its provider subscribers.

IV. Franchise credit losses

PC DEPOT processes the procurement debts of franchise stores as accounts receivable-other (credit) and the credit card settlement amounts of franchise stores as deposits received (debt) in accordance with franchise contracts. This offset processing hedges some of the risk of credit losses, but PC DEPOT may not be able to recover all or some of the difference if the franchise store's parent body were to go bankrupt.

V. Proprietary brand products

"OZZIO" is PC DEPOT's original brand. PC DEPOT adopts an "exclusive brand system" whereby it converts products developed and manufactured by their original equipment manufacturer to its own brand, and although manufacturing and aftermarket responsibilities lie with the manufacturer, PC DEPOT could be liable for damages beyond its duty as the seller of the products in the rare event that accidents or other issues arise with the products.

2) Store openings

I. New store openings

PC DEPOT's business performance relates closely to its new store openings. A change or delay in store opening plans could therefore impact the Group's business performance.

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

II. Store closings

PC DEPOT will strive to quickly close stores if their profitability deteriorates due to intensifying market competition, in order to limit the negative impact to overall results as much as possible. However, losses from the store's closure, and/or losses from delays in opening a substitute store, could impact the Group's business performance.

III. Store rental

PC DEPOT generally signs rental contracts for the buildings in which its stores are located. All or a portion of guarantees and/or deposit money could become unrecoverable if the lessor were to go bankrupt.

IV. Restrictions on opening stores in areas near franchise stores

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

V. Legal regulation concerning store openings

PC DEPOT's new store opening plans may need to be adjusted to comply with the Large-Scale Retail Stores Location Law. Currently, the Company's store opening plans have not been subjected to legal regulation.

Overview of the Large-Scale Retail Stores Location Law

Purpose

The Large-Scale Retail Stores Location Law establishes the procedures for local government bodies to ensure harmony between large-scale retail stores and the nearby living environment, while reflecting the opinions of local residents, based on the viewpoint that it is necessary to respond appropriately to the influence that traffic and environmental issues, caused by customer visits and distribution to and from large-scale retail stores, have on the nearby living environment, in order to promote harmony between large-scale retail stores and the local community.

Overview

(1) Large-scale retail stores are defined as stores with more than 1,000 square meters of sales floor space.

Items targeted for adjustment to promote harmony and community-building with local communities.

i. Satisfying parking demand and other items that need to be considered in order to secure the convenience of retailing and other operations and the convenience of local residents (traffic congestion, car parking, bicycle parking, traffic safety, etc.)

ii. Noise pollution and other items that need to be considered to prevent a deterioration in the nearby living environment

(2) Prefectures and government-designated cities are to be in charge of implementing the law. At the same time, the opinions of cities, towns, and villages need to be reflected, and opportunities need to be secured for a wide range of residents to express their views.

3) Business structure

I. Dependence on president

President and Chief Executive Officer Takahisa Nojima is the founder of the PC DEPOT Group and has been its CEO since founding. Mr. Nojima has a wealth of experience and knowledge about the retail industry and volume electronics retailers in particular, and 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 Director meetings, management meetings, and other meetings, and strengthen management organization, to prepare a management structure that is not overly reliant on Mr. Nojima. However, the Group's business and performance could be impacted were Mr. Nojima unable to continue his activities at the Group for some reason.

II. Human resources

The PC DEPOT Group will need to further bolster its sales staff, technical staff, and its workforce in the store development department, service product planning & sales department, the administration department, and other group departments, to further expand the business and respond to the diversification of operations. However, the hiring of new graduates and mid-career workers, and human resources training, may not go as planned, creating problems in the appropriate allocation of human resources that reduces the Company's competitiveness and ability to expand operations, thereby impacting the Group's business and performance.

III. The addition of PC functions to mobile phones and TVs

The household penetration rate for PCs exceeds 80%, and domestic PC shipments are rising on a volume basis due to "upgrade" and "supplemental" demand. However, a rising number of people, particularly among younger generations, access the Internet through mobile phones. Also, more people are connecting to the Internet through their TVs.

These trends could cause PC sales volumes to decline, thereby impacting the Group's business and performance.

IV. Software used to provide technical maintenance and support

The PC DEPOT Group strives to improve the safety of PCs, Internet, and data, but the possibility exists that an unforeseen virus could infect the software it uses to provide technical maintenance and support at PC Clinic, or the software it provides in "Premium Service," a proprietary membership service that offers maintenance services for a monthly fee.

PC DEPOT would make a priority of resolving and tackling the problem if it occurred, but this could be very costly and a virus and/or other problems could cause a significant decline in the number of "Premium Service" members, thereby impacting the Group's business and performance.

V. MVNO

PC DEPOT from April 2009 became a mobile virtual network operator (MVNO) in which it re-sells mobile services to customers using the networks of existing telecommunications companies. PC DEPOT books a certain level of sales, and provides monthly-rate services to customers. However, its telecommunications sales and related service sales could decline if the networks of existing telecommunications companies are interrupted or suspended, thereby impacting the Company's business performance.

VI. Delays in developing service products

The PC DEPOT Group develops and provides its own distinct service products in the field of technical maintenance and services. Delays in developing and providing service products could lower the Group's competitiveness, thereby impacting its business and performance.

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

PC DEPOT receives customers' PCs at its stores in order to provide inspection and repair services to answer their cries of "Help!"

There is the possibility that the Company could make a mistake in returning products received from customers to their proper owners, or make mistakes in fixing products. The Company uses store oversight to prevent and curb such mistakes from occurring, but in the rare event that such a mistake occurs, damage claims may be made which could impact the Group's business and performance.

VIII. Delays in the sale of the next-generation operating system Windows 7

PCs that use Microsoft's Windows operating system are the mainstay product in the core PC sales business, but delays or cancellations in the launch of new operating systems could cause a certain level of decline in sales and/or an increase in costs.

4) System trouble

POS system trouble caused by natural disasters (earthquakes, etc.) or a computer virus could suspend store operations.

Also, system trouble related to "Premium Service," a proprietary membership service that provides maintenance services for a monthly fee, or the provider business of a subsidiary, could interrupt the Group's ability to provide these services.

This could damage the Group's credibility and/or cause it to lose business opportunities, thereby impacting its business and performance.

5) Brand

PC DEPOT is the franchise headquarters that provides PCs and related merchandise and technical services. Trouble at companies with which it concludes franchise contracts could lower the brand image of the overall Group, which in turn could diminish trust in the Group, cause an outflow of human resources, and make it difficult to retain human resources, thereby impacting the Group's business and performance.

6) Compliance

The PC DEPOT Group is working to develop internal control for compliance. To establish a more thorough internal administrative system, it has established a legal and screening department, and confirms the compliance posture of board directors, executive officers, and employees regarding the conducting of corporate activities with high ethical principles by having them sign oaths and confirmation documents.

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

7) Protection of personal information

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

Communications.

Store operations are conducted according to the basic principle regarding personal information of “Don’t ask, don’t hold, and don’t bring in.” Also, call centers for “Premium Service,” a proprietary membership service that offers maintenance services for a monthly fee, handle personal information strictly according to certain rules including restrictions on entry/exit and who is allowed to access personal information.

However, the possibility is not zero that personal information might leak outside and/or be misused either intentionally or unintentionally by persons affiliated with the PC DEPOT Group. In the rare event that such a situation occurs, the Group’s credibility would be seriously diminished, thereby impacting its business activities.

8) M&A activity

The PC DEPOT Group, in addition to selling PCs and other related merchandise, contributes to local communities by providing technical maintenance and support including free diagnosis. The Group may be considered to be in the same industry as volume electronics retailers, but it provides distinct services within the industry, and differs substantially in terms of size relative to its peers. There is a risk, therefore, that it could be acquired by industry peers, and this could impact the Group’s business and performance.

9) Natural disasters

Natural disasters (earthquakes, typhoons, etc.) that occur in regions where the PC DEPOT Group or franchisees operate stores could damage stores and/or cause vacancies in positions due to the death or injury of directors or employees. This could cause sales to decline, and new costs to emerge to restore stores to their original state and replenish the workforce, thereby impacting the Group’s business and performance.

10) Domestic pandemic from new influenza viruses

Besides the seasonal flu, a global pandemic from new influenza viruses could break out, and if this increased the number of infected people in Japan to a dangerous level, some stores operated by the Group – and perhaps the entire store network – might suspend their operations. In addition, subsidiaries might be unable to continue business for a certain period. This could have a major impact on the Group’s business and performance.

11) Directors

I. Shares owned by the President and CEO

Takahisa Nojima, President and Chief Executive Officer of PC DEPOT, owned 46.76% of the Company’s outstanding shares at the end of March 2008, and in the rare event that something were to happen to the president and his shareholdings were to be sold on the market, this could impact the price formation of the Company’s share.

II. Relatives of the President and CEO

Takahisa Nojima, President and Chief Executive Officer of PC DEPOT, is the younger brother of Mr. Hiroshi Nojima, the Director and Representative Executive Officer of NOJIMA CORPORATION (based in Yokohama, Kanagawa Prefecture), and is a major shareholder of the said company’s share. The two companies compete with one another in the sale of PCs and related merchandise, but the two groups have no business relationship whatsoever.

12) Stock options and dilution

PC DEPOT offers stock options, in the form of new share acquisition rights, to directors, auditors, and employees of the Company and its subsidiaries, for the purpose of raising their morale and motivation to improve earnings. However, the exercise of stock options dilutes the value of each share.

It could also impact the price formation of the Company’s share, depending on the share price, by disrupting the supply-demand balance over the short term.

2. Corporate Group

(1) Business content

The PC DEPOT Group consists of PC DEPOT CORPORATION ("the Company") which submits these consolidated financial statements, two subsidiaries (ejworks corporation and BB Marketing Corp.), and two affiliates (PC DEPOT Max Co., Ltd. and KITAMURA PC DEPOT CORPORATION) whose primary business is to provide IT solutions to all PC home users.

Below is a description of the positioning of companies within the Group, and relationships among different business segments. This shows the same classification with business segments.

i. PC Sales Business

The Company operates "PC DEPOT," a chain of stores firmly entrenched in their local communities whose core operation is the sale of personal computers, related merchandise, and technical services, targeting primarily home users. The basic concept of these stores is to provide "attractive prices, safety, convenience and kindness" The stores handle PCs, peripheral equipment, network equipment, mobile equipment, and audio-visual equipment, they purchase used products and restore and resell them, and they sell various technical services and infrastructure environments.

The Company acquired four franchise stores managed by K'S HOLDINGS CORPORATION in August 2008, expanding the dominance of its store network to the northern Kanto area. It operated 40 directly-managed stores as of March 31, 2009 in Kanagawa, Tokyo, Chiba, Saitama, Shizuoka, Gunma, Tochigi, and Ibaraki prefectures, and 21 franchise stores in the Tohoku, Chubu, Shikoku, and Kyushu regions.

The Company also changed the format of the 14 PC Clinic stores (PC technical service counter stores) it opened in volume electronics retailers to franchise stores operated by K'S HOLDINGS CORPORATION, and continues to open more stores. There were 21 PC Clinic franchise stores at the end of the fiscal year under review.

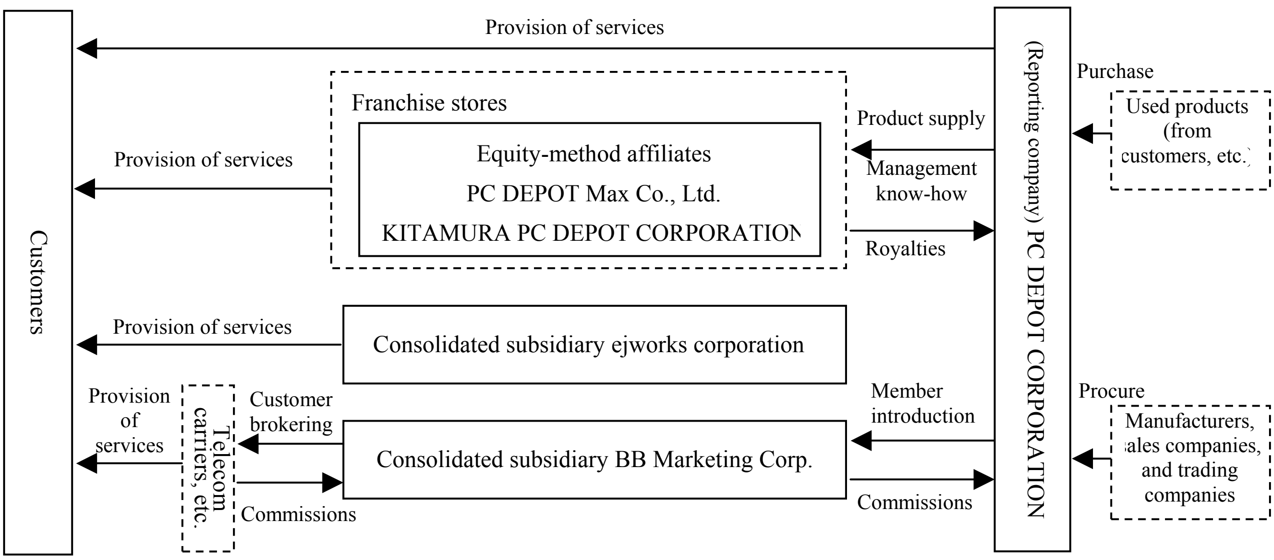
The Group books only sales from directly-managed stores and income from royalties from franchise stores in its sales figures, and does not include product supply sales to franchise stores.

ii. Internet-related business

As for subsidiaries, ejworks corporation operates an Internet services provider business, Web production and other IT solutions businesses, and BB Marketing Corp. operates sales agencies that handle subscription applications for Yahoo!BB and other providers.

Business Diagram

This is a business diagram of the items described below.



3. Management Policies

(1) Basic management policy

PC DEPOT's basic philosophy is "the Company exists for customers," "individual growth translates into growth for the Company," and "growth for the Company contributes to society." Its basic management policy is to 1) provide products and services that satisfy as many customers as possible, 2) have respect for self-development and merit backed by a vision of a retailing professional, and 3) become an essential company that produces results recognized by society and is helpful to the local community.

Based on this basic policy, the Company aims as a comprehensive PC roadside retailer to develop stores that satisfy customers by ensuring a lineup of merchandise that meet the needs of primarily home users from beginners to advanced users, and build stores that are the largest in their respective region.

Many problems arise in using PCs such as breakdowns, virus infections, data damage, and the necessity for various settings. The Company aims to meet demand for specialized technical maintenance and support to resolve such problems by establishing PC Clinics in all its stores to improve the safety of local customers' PCs, Internet, and data. Specifically, it aims to capture new customers that are feeling inconvenienced by providing free diagnosis and offering a large service menu. Also, to meet demand for ongoing technical service support, it offers a unique "Premium Service" (a proprietary membership service that offers maintenance services for a monthly fee) to boost service sales, improve customer satisfaction, and raise productivity.

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

In the Internet-related business as well, the Company focuses on responding to cries of "Help!" from PC users, and as an Internet comprehensive services operator, on providing solutions and supporting customers' Internet usage.

The Company aims to create a challenging corporate culture where all employees view contribution to society as a common value, and where a spirit of public service and professional growth is cultivated.

Through these efforts, the Company aims to realize high growth prospects and productivity, and to continue to expand corporate value to meet the expectations of shareholders.

(2) Performance targets

The PC DEPOT Group aims, in line with its shareholder-focused policy, to lift ROE and ROA above 9% through improvements in capital efficiency, productivity, and profitability.

(3) Medium to long-term business strategy

PC DEPOT believes that constant change is important. It will continue to promote store management supported by customers, and aims to expand the size of its business and create a lean corporate structure. It looks to expand market share by growing its unique business model fusing products, services, and membership support, and by expanding its area coverage through the opening of dominant stores and franchise stores. It aims to make the company Japan's No.1 IT solutions store while contributing to local society.

(4) Challenges

1. Expansion of the store network

PC DEPOT will strengthen new "dominant" PC DEPOT store openings, as well as the development of large-scale stores through a scrap & build policy, now that the PC household penetration rate is 80%, PCs have become everyday products, and customers' needs have diversified. It will also promote the franchising of PC Clinic stores. Overall, it will strive to expand its store network to provide an environment in which local customers can use PCs and the Internet securely.

2. Falling average selling prices

PC average selling prices fell approximately 20% in the current fiscal year under review, and PC DEPOT forecasts prices will fall another 5-10% in the new fiscal year. It also expects the average selling prices of peripheral equipment and technical services to continue to decline. To cope, it will pro-actively handle products with Internet connections and examine other new genres, and will substantially expand its provision of “light” technical services for a low price. Also, it will invest in data-related capital equipment in the second quarter to lower operational costs.

3. Secure store management

All kinds of accidents involving customers (revolving door accidents, elevator accidents, etc.) are occurring at stores recently. Also, the risk of accidents rises as store numbers and employees increase, and the prevention of such accidents is important.

To this end, PC DEPOT has established a “Cyber Sheriff Center” within its head office that conducts “store rounds” of nationwide stores via store cameras connected through broadband. It will manage its stores based on the thinking that “safety is more important than cost,” and will work to prevent accidents and other dangers going forward.

4. Expansion of service products

PC DEPOT will broaden its service structure so customers can securely use PCs, and will continue to commercialize services that solve customers’ cries of “Help!”

It will also expand the service menu of “Premium Service,” a proprietary membership service that offers maintenance services for a monthly fee, for customers that request ongoing maintenance, to strive to become a store that provides services that meet the community’s needs.

5. Administration of franchisees

In addition to PC DEPOT stores, the Company began promoting the franchise of PC Clinic stores from August 2008, and understands the importance of administering the franchisees. It also believes in the importance of company manuals, education, and thoroughness in quality management, and plans to deal with these issues by strengthening oversight of the PC DEPOT and PC Clinic store networks.

6. Increase in store opening expenses

PC DEPOT plans to continue opening new “dominant” stores primarily in the Kanto region. It previously opened stores with average sales floor space of 900 square meters, but will move to increase the number of large-sized stores primarily through new store openings. While concerns exist that larger stores will increase rent, personnel expenses, and other costs, it plans to tamp down increases in selling, general and administrative expenses via improvements in the cost structure.

7. Securing human resources for store network expansion

The outlook for the business environment does not warrant optimism given competition among industries and formats including competition between companies and among Internet retailers and manufacturers that sell directly.

As the store network expands, PC DEPOT believes that securing human resources, and sales staff and engineers in particular, is an important challenge, and aims to secure stable human resources through the conversion of part-timers and contract workers into regular employees. It will also strive to improve the quality of its human resources by expanding educational activities that previously targeted mainly regular employees to include part-timers as well.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(Thousands of yen)

	FY2007 (As of Mar. 31, 2008)	FY2008 (As of Mar. 31, 2009)
Assets		
Current assets		
Cash and deposits	1,856,947	1,802,500
Accounts receivable-trade	1,575,721	1,779,891
Inventories	5,072,297	4,446,137
Accounts receivable-other	890,985	617,034
Deferred tax assets	182,533	179,572
Other	292,971	340,811
Allowance for doubtful accounts	(7,055)	(9,291)
Total current assets	9,864,402	9,156,656
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,505,569	1,934,096
Accumulated depreciation	(528,904)	(610,238)
Buildings and structures, net	976,664	1,323,858
Tools, furniture and fixtures	1,058,963	1,305,535
Accumulated depreciation	(728,572)	(860,345)
Tools, furniture and fixtures, net	330,391	445,190
Other	105,958	138,715
Accumulated depreciation	(2,217)	(1,499)
Other, net	103,741	137,215
Total property, plant and equipment	1,410,797	1,906,264
Intangible assets		
Goodwill	304,867	1,382,385
Other	358,394	315,607
Total intangible assets	663,262	1,697,992
Investments and other assets		
Investment securities	216,904	270,440
Deferred tax assets	68,983	65,911
Guarantee deposits	1,376,754	1,389,868
Lease deposits	1,046,506	1,208,756
Other	81,372	177,896
Total investments and other assets	2,790,520	3,112,873
Total noncurrent assets	4,864,580	6,717,130
Total assets	14,728,982	15,873,787

(Thousands of yen)

	FY2007 (As of Mar. 31, 2008)	FY2008 (As of Mar. 31, 2009)
Liabilities		
Current liabilities		
Accounts payable-trade	2,719,983	2,618,767
Short-term loans payable	-	60,000
Current portion of long-term loans payable	162,000	370,056
Accounts payable-other	1,808,197	1,499,323
Income taxes payable	562,063	445,287
Provision for bonuses	76,227	80,658
Provision for merchandise warranties	108,797	49,785
Other	297,228	563,735
Total current liabilities	5,734,497	5,687,612
Noncurrent liabilities		
Long-term loans payable	305,000	948,280
Provision for retirement benefits	8,894	25,378
Provision for directors' retirement benefits	139,283	158,835
Long-term guarantee deposited	671,825	661,666
Total noncurrent liabilities	1,125,003	1,794,160
Total liabilities	6,859,501	7,481,772
Net assets		
Shareholders' equity		
Capital stock	1,601,196	1,601,196
Capital surplus	1,888,605	1,888,605
Retained earnings	4,414,514	4,944,667
Treasury stock	(186,226)	(186,226)
Total shareholders' equity	7,718,090	8,248,243
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,263	(5,941)
Total valuation and translation adjustments	4,263	(5,941)
Minority interests	147,127	149,713
Total net assets	7,869,481	8,392,014
Total liabilities and net assets	14,728,982	15,873,787

(2) Consolidated statements of income

(Thousands of yen)

	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
Net sales	42,439,166	42,899,424
Cost of sales	32,715,797	32,214,037
Gross profit	9,723,369	10,685,386
Selling, general and administrative expenses		
Advertising expenses	1,103,707	1,094,203
Sales commission	369,594	369,693
Directors' compensations	111,398	133,163
Salaries and allowances	2,331,740	2,619,547
Bonuses	192,339	225,618
Provision for bonuses	76,227	80,658
Retirement benefit expenses	38,659	49,939
Provision for directors' retirement benefits	19,069	22,083
Depreciation	259,377	340,463
Amortization of goodwill	199,968	212,593
Rent expenses on real estates	1,441,997	1,629,954
Supplies expenses	241,531	397,427
Other	2,108,003	2,250,063
Total selling, general and administrative expenses	8,493,613	9,425,409
Operating income	1,229,755	1,259,976
Non-operating income		
Interest income	6,519	6,402
Dividends income	1,260	1,260
Sales incentives	65,345	72,412
Rent income	85,049	114,138
Commission fee	38,364	33,307
Other	64,464	105,247
Total non-operating income	261,002	332,769
Non-operating expenses		
Interest expenses	9,780	10,459
Commission fee	1,137	-
Rent expenses	86,234	107,840
Equity in losses of affiliates	43,194	40,020
Other	10,440	5,627
Total non-operating expenses	150,787	163,948
Ordinary income	1,339,971	1,428,798
Extraordinary income		
Reversal of allowance for doubtful accounts	2,423	-
Gain on sales of investment securities	356,400	-
Other	4,363	-
Total extraordinary income	363,187	-

(Thousands of yen)

	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
Extraordinary loss		
Loss on retirement of noncurrent assets	15,642	16,375
Loss on valuation of investment securities	28,800	9,457
Loss on sales of investment securities	860	-
Impairment loss	58,398	-
Head office transfer cost	-	43,634
Loss on closing of stores	-	4,619
Loss on valuation of inventories	-	36,366
Other	13,399	-
Total extraordinary losses	117,102	110,453
Income before income taxes	1,586,056	1,318,344
Income taxes-current	737,298	606,281
Income taxes-deferred	10,221	13,951
Total income taxes	747,519	620,232
Minority interests in income	22,966	13,856
Net income	815,570	684,255

(3) Consolidated statements of changes in net assets

(Thousands of yen)

	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	1,601,196	1,601,196
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	1,601,196	1,601,196
Capital surplus		
Balance at the end of previous period	1,888,605	1,888,605
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	1,888,605	1,888,605
Retained earnings		
Balance at the end of previous period	3,724,122	4,414,514
Changes of items during the period		
Dividends from surplus	(111,485)	(154,102)
Decrease in surplus due to decrease of equity-method affiliates	(13,692)	-
Net income	815,570	684,255
Total changes of items during the period	690,392	530,153
Balance at the end of current period	4,414,514	4,944,667
Treasury stock		
Balance at the end of previous period	(68,003)	(186,226)
Changes of items during the period		
Purchase of treasury stock	(118,222)	-
Total changes of items during the period	(118,222)	-
Balance at the end of current period	(186,226)	(186,226)
Total shareholders' equity		
Balance at the end of previous period	7,145,920	7,718,090
Changes of items during the period		
Dividends from surplus	(111,485)	(154,102)
Decrease in surplus due to decrease of equity-method affiliates	(13,692)	-
Net income	815,570	684,255
Purchase of treasury stock	(118,222)	-
Total changes of items during the period	572,169	530,153
Balance at the end of current period	7,718,090	8,248,243

(Thousands of yen)

	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	26,132	4,263
Changes of items during the period		
Net changes of items other than shareholders' equity	(21,868)	(10,205)
Total changes of items during the period	(21,868)	(10,205)
Balance at the end of current period	4,263	(5,941)
Minority interests		
Balance at the end of previous period	128,574	147,127
Changes of items during the period		
Net changes of items other than shareholders' equity	18,553	2,585
Total changes of items during the period	18,553	2,585
Balance at the end of current period	147,127	149,713
Total net assets		
Balance at the end of previous period	7,300,627	7,869,481
Changes of items during the period		
Dividends from surplus	(111,485)	(154,102)
Decrease in surplus due to decrease of equity-method affiliates	(13,692)	-
Net income	815,570	684,255
Purchase of treasury stock	(118,222)	-
Net changes of items other than shareholders' equity	(3,315)	(7,619)
Total changes of items during the period	568,853	522,533
Balance at the end of current period	7,869,481	8,392,014

(4) Consolidated statements of cash flows

(Thousands of yen)

	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
Net cash provided by (used in) operating activities		
Income before income taxes	1,586,056	1,318,344
Depreciation and amortization	336,284	413,718
Impairment loss	41,210	-
Amortization of goodwill	199,968	212,593
Increase (decrease) in allowance for doubtful accounts	713	2,236
Increase (decrease) in provision for bonuses	4,895	4,431
Increase (decrease) in provision for merchandise warranties	(73,827)	(59,012)
Loss (gain) on sales of investment securities	(355,540)	-
Loss (gain) on valuation of investment securities	28,800	9,457
Increase (decrease) in provision for directors' retirement benefits	13,972	19,551
Increase (decrease) in provision for retirement benefits	8,894	16,483
Interest and dividends income	(7,779)	(7,662)
Interest expenses	9,780	10,459
Foreign exchange losses (gains)	1,679	175
Loss on retirement of noncurrent assets	15,642	16,375
Equity in (earnings) losses of affiliates	43,194	40,020
Loss on closing of stores	-	4,619
Head office transfer cost	-	43,634
Decrease (increase) in notes and accounts receivable-trade	174,837	(204,170)
Decrease (increase) in inventories	(236,577)	626,160
Decrease (increase) in accounts receivable-other	163,493	273,950
Increase (decrease) in notes and accounts payable-trade	(740,096)	(101,216)
Increase (decrease) in accounts payable-other	(197,008)	(180,346)
Decrease (increase) in other assets	28,948	(42,916)
Increase (decrease) in other liabilities	123,990	170,708
Other, net	28,899	(5,784)
Subtotal	1,200,434	2,581,813
Interest and dividends income received	4,982	5,283
Interest expenses paid	(9,955)	(11,591)
Income taxes paid	(438,722)	(729,255)
Net cash provided by (used in) operating activities	756,739	1,846,250
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(132,426)	(884,247)
Proceeds from sales of property, plant and equipment	-	16,469
Purchase of intangible assets	(339,134)	(1,358,674)
Purchase of investment securities	(54,000)	(120,000)
Proceeds from sales of investment securities	1,060,503	-
Proceeds from share of profits on investments in partnership	21,190	2,356
Payments for lease and guarantee deposits	(519,427)	(428,524)
Proceeds from collection of lease and guarantee deposits	62,640	139,017
Repayments of guarantee deposits received	(10,514)	(10,158)
Other, net	(1,801)	(2,811)
Net cash provided by (used in) investing activities	87,029	(2,646,572)

(Thousands of yen)

	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	-	2,460,000
Decrease in short-term loans payable	(50,000)	(2,400,000)
Proceeds from long-term loans payable	-	1,040,000
Repayment of long-term loans payable	(473,625)	(188,664)
Purchase of treasury stock	(118,222)	-
Cash dividends paid	(110,061)	(154,013)
Cash dividends paid to minority shareholders	(4,413)	(11,271)
Net cash provided by (used in) financing activities	(756,322)	746,051
Effect of exchange rate change on cash and cash equivalents	(1,679)	(175)
Net increase (decrease) in cash and cash equivalents	85,766	(54,446)
Cash and cash equivalents at beginning of period	1,771,180	1,856,947
Cash and cash equivalents at end of period	1,856,947	1,802,500

Going Concern Assumption

FY2007 (Apr. 1, 2007 – Mar. 31, 2008)
Not applicable.

FY 2008 (Apr. 1, 2008 – Mar. 31, 2009)
Not applicable.

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

Item	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
1. Scope of consolidation	(1) Number of consolidated subsidiaries: 2 ejworks corporation BB Marketing Corp. Value Space Co., Ltd. is not included in the consolidation since it was liquidated at the end of August 2007. However, the consolidated statements of income include the accounts of this company up to August 31, 2007, the date of completion of procedures for the liquidation of the subsidiary. (2) Number of non-consolidated subsidiaries: None.	(1) Number of consolidated subsidiaries: 2 ejworks corporation BB Marketing Corp. (2) Same as on the left.
2. Application of equity method	(1) Number of affiliates accounted for under equity method: 2 Name of companies: PC DEPOT Max Co., Ltd. KITAMURA PC DEPOT CORPORATION On July 3, 2007, KITAMURA PC DEPOT CORPORATION was established and treated as an equity-method affiliate. Internet Service Partners Corporation is no more an equity-method affiliate due to the sale in December 2007 of Internet Service Partners shares held by the Company. Q&A Corporation is no longer an equity-method affiliate due to lowering of the Company's equity stake as a result of the partial sale in February 2008 of Q&A shares. (2) Affiliates not accounted for under equity method: None.	(1) Number of affiliates accounted for under equity method: 2 Name of companies: PC DEPOT Max Co., Ltd. KITAMURA PC DEPOT CORPORATION (2) Affiliates not accounted for under equity method: None.
3. Fiscal year of consolidated subsidiaries	The fiscal years of consolidated subsidiaries end on the closing date of consolidated financial statements.	Same as on the left.
4. Accounting standards (1) Valuation standards and methods for principal assets	(1) Marketable securities Available-for-sale securities Securities with market quotations Stated at fair value at the end of the fiscal year. (Unrealized gain or loss is included in net assets. Cost of securities sold is determined by the moving-average method.)	(1) Marketable securities Available-for-sale securities Securities with market quotations Same as on the left.

Item	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
	Securities without market quotations Stated at cost determined by the moving-average method. As for investments in limited liability investment partnerships and similar investment associations, the Company books the net value of proportional holdings based on the most recent available financial report of the association, according to the financial settlement date stipulated in the association contract. (2) Inventories Merchandise Stated at cost determined by the moving-average method. However, books are stated at cost determined by the retail inventory method. ―――――	Securities without market quotations Stated at cost determined by the moving-average method. (2) Inventories Merchandise Mainly stated at cost determined by the moving-average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins). (Change in accounting policy) In prior years, inventories for regular sales purposes were computed primarily by the moving average cost method. With the adoption of “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9: July 5, 2006) from the current fiscal year, inventories are computed primarily by the moving average cost method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins). The effect of this change was to decrease gross profit, operating income and ordinary income by 33,500 thousand yen, and income before income taxes by 69,866 thousand yen. The impact on segment operations is shown in the Segment Information section.
(2) Depreciation and amortization of principal depreciable assets	(1) Property, plant and equipment Depreciation of property, plant and equipment is calculated using the declining-balance method, except for buildings (excluding attached structures) acquired on or after April 1, 1998, which are depreciated using the straight-line method. Useful life of principle assets is as follows: Buildings and structures: 6-47 years Tools, furniture and fixtures: 3-15 years (Change in accounting policy) Assets acquired on or after April 1, 2007 are depreciated according to the depreciation method stipulated in the revised standard, in line with revisions to the Corporation Tax Law including Law No. 6 to Partially Revise the Income Tax and Other Laws (March 30, 2007) and Government Ordinance No. 83 to Partially Revise Corporation Tax Law Ordinances (March 30, 2007). The effect of this change on earnings is minimal. As the impact on the segment information is also minimal, its description is omitted.	(1) Property, plant and equipment (excluding lease assets) Same as on the left. ―――――

Item	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
	(Additional information) The Company has adopted the revised Corporation Tax Law and changed the method of depreciation of assets acquired on or before March 31, 2007. Accordingly, the difference between the residual value of such an asset and the value equivalent to 5% of its acquisition cost, as computed by the previous Corporation Tax Law, is depreciated by the straight-line method over a period of five years starting from the year following the year in which the value of an asset falls to 5% of its acquisition cost. The effect of this change on earnings is minimal. As the impact on the segment information is also minimal, its description is omitted. (2) Intangible assets Amortization of intangible assets is calculated using the straight-line method. Goodwill is amortized by the straight-line method over a period of five years. Software development costs are amortized over an expected useful life of five years by the straight-line method. (3) Long-term prepaid expenses Long-term prepaid expenses are amortized using the straight-line method. ――――――	(2) Intangible assets (excluding lease assets) Same as on the left. (3) Long-term prepaid expenses Same as on the left. (4) Lease assets Depreciation of lease assets is calculated using the straight-line method with no residual value, assuming the lease period to be the useful life of the asset. For finance lease transactions where there is no transfer of ownership beginning on or before March 31, 2008, depreciation is calculated using an accounting method that is based on the method used for ordinary lease transactions.
(3) Recognition of significant allowances	(1) Allowance for doubtful accounts To prepare for credit losses on receivables, an allowance equal to the estimated amount of uncollectible receivables is provided for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectibility. (2) Provision for bonuses To properly reserve for employee bonus obligations, an amount accrued for the fiscal year among the estimated future obligations is designated in the reserve amount.	(1) Allowance for doubtful accounts Same as on the left. (2) Provision for bonuses Same as on the left.

Item	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
	(3) Provision for merchandise warranties To provide for five-year after-sales service cost for merchandise, an estimated amount is reserved based on the historical performance.	(3) Provision for merchandise warranties Same as on the left.
	(4) Provision for retirement benefits To properly reserve for employees' retirement benefits, an allowance is provided for the amount deemed to have accrued at the end of the current fiscal year based on the projected benefit obligations and pension assets at the end of the fiscal year.	(4) Provision for retirement benefits Same as on the left.
	(5) Provision for directors' retirement benefits To properly reserve for directors' retirement benefits, an allowance is provided for the aggregate amount payable at the end of the current fiscal year pursuant to the Company's rules on directors' retirement benefits.	(5) Provision for directors' retirement benefits Same as on the left.
(4) Accounting for significant leases	Finance leases other than those, which are deemed to transfer the ownership of the lease assets to the lessees, are accounted for by the method similar to that applicable to ordinary operating leases.	―――――
(5) Other significant accounting policies in the preparation of financial statements	Accounting for national and local consumption taxes National and local consumption taxes are accounted by the tax-exclusion method.	Accounting for national and local consumption taxes Same as on the left.
5. Valuations on assets and liabilities of consolidated subsidiaries	Assets and liabilities in consolidated subsidiaries are evaluated based on their full market value.	Same as on the left.
6. Amortization of goodwill and negative goodwill	Goodwill is amortized by the straight-line method over a period of five years.	Same as on the left.
7. Scope of cash and cash equivalents on statements of cash flows	For the purpose of statements of cash flows, cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of 3 months or less, that are readily convertible known amounts of cash and present insignificant risk of change in value.	Same as on the left.

Change in Significant Accounting Policies in the Preparation of Consolidated Financial Statements

FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
―――――	(Accounting Standards for Lease Transactions) In prior years, the Company accounted for finance leases where there is no transfer of ownership as ordinary lease transactions for accounting purposes. In the current fiscal year, the Company started to apply “Accounting Standards for Lease Transactions” (ASBJ Statement No. 13: originally issued on June 17, 1993 by Section 1 of the Business Accounting Deliberation Counsel, and revised on March 30, 2007 by Accounting Standards Board of Japan) and “Guidance on Accounting Standards for Lease Transactions” (ASBJ Guidance No. 16: originally issued on January 18, 1994 by Accounting Standards Committee of the Japanese Institute of Certified Public Accountants, and revised on March 30, 2007 by Accounting Standards Board of Japan), and using an accounting method for leases that is based on the method used for ordinary purchases and sales. For finance leases where there is no transfer of ownership that started prior to the fiscal year when these standards were first applied, the Company continues to use an accounting method that is based on the method used for ordinary lease transactions. The application of these standards does not have a material effect on earnings.

Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheets

(Thousands of yen)

FY2007 (As of Mar. 31, 2008)		FY2008 (As of Mar. 31, 2009)	
*1. Breakdown of inventories		*1. Breakdown of inventories	
Merchandise	5,071,826	Merchandise	4,445,364
Work in process	471	Work in process	773
Total	5,072,297	Total	4,446,137
*2. Accounts payable for purchases made jointly with franchise stores are paid after the Company has received the amount due from the franchise stores for their portion of these purchases. The Company posts these joint purchase accounts payable as “Accounts payable-other” and the amounts due from franchise stores as “Accounts receivable-other”. At the end of the fiscal year, “Accounts payable-other” totaled 733,993 thousand yen and “Accounts receivable-other” totaled 1,271,595 thousand yen.		*2. Accounts payable for purchases made jointly with franchise stores are paid after the Company has received the amount due from the franchise stores for their portion of these purchases. The Company posts these joint purchase accounts payable as “Accounts payable-other” and the amounts due from franchise stores as “Accounts receivable-other”. At the end of the fiscal year, “Accounts payable-other” totaled 456,236 thousand yen and “Accounts receivable-other” totaled 922,243 thousand yen.	
*3. The following items are applicable to affiliates		*3. The following items are applicable to affiliates	
Investment securities (equity)	17,768	Investment securities (equity)	100,516

Notes to Consolidated Statements of Income

(Thousands of yen)

<table>
<tr><th>FY2007
(Apr. 1, 2007 – Mar. 31, 2008)</th><th>FY2008
(Apr. 1, 2008 – Mar. 31, 2009)</th></tr>
<tr><td>―――――</td><td>*1. Ending inventories are shown after reductions in book values to reflect declines in profitability and following inventory valuation losses are included in the cost of sales.
33,500</td></tr>
<tr><td>*2. Breakdown of loss on retirement of noncurrent assets
Structures 10,061
Tools, furniture and fixtures 5,581
Total 15,642</td><td>*2. Breakdown of loss on retirement of noncurrent assets
Buildings and structures 11,189
Tools, furniture and fixtures 3,631
Other 1,554
Total 16,375</td></tr>
<tr><td>*3. The Group recognized an impairment loss on noncurrent assets for the following groups of assets
<table>
<tr><th>Location</th><th>Usage</th><th>Item</th></tr>
<tr><td>Kanagawa</td><td>Retail stores</td><td>Buildings and structures
Other property, plant and equipment
Lease assets</td></tr>
<tr><td>Tokyo</td><td>Retail stores</td><td>Buildings and structures
Other property, plant and equipment
Lease assets</td></tr>
</table>
The Group attempts to recognize impairment losses by grouping retail stores as the smallest units for generating cash flows. For stores where business activities are consistently unprofitable and there is a small probability of recovering the entire amount of noncurrent assets for that asset group, the Company reduces the book value of that asset group to the amount that can be recovered. The resulting noncurrent asset impairment loss of 58,398 thousand yen was recognized as an extraordinary loss.

* Breakdown of impairment loss
<table>
<tr><th rowspan="2">Location</th><th colspan="3">Impairment loss</th></tr>
<tr><th>Buildings and structures</th><th>Other</th><th>Total</th></tr>
<tr><td>Kanagawa</td><td>26,732</td><td>16,162</td><td>42,895</td></tr>
<tr><td>Tokyo</td><td>5,808</td><td>9,694</td><td>15,503</td></tr>
</table>
Net sales prices are used to determine the value of noncurrent assets that can be recovered for an asset group. Residual values are determined mainly by tax law regulations, etc. that are used for appraisals for fixed asset taxes and for calculating depreciation.</td><td>―――――</td></tr>
<tr><td>―――――</td><td>*4. Head office relocation expenses represent expenses incurred during the fiscal year to restore the previous building to its original condition, losses on the disposal of equipment and facilities, and other items.</td></tr>
</table>

Notes to Consolidated Statements of Changes in Net Assets

FY2007 (Apr. 1, 2007 – Mar. 31, 2008)

1. Type and number of outstanding shares and treasury stock (Shares)

	Number of shares as of Mar. 31, 2007	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of Mar. 31, 2008
Outstanding shares				
Common shares	225,020	-	-	225,020
Total	225,020	-	-	225,020
Treasury stock				
Common shares (Note)	1,748	3,125	-	4,873
Total	1,748	3,125	-	4,873

Note: The increase in the number of treasury stock (3,125 shares) was due to the purchase of treasury stock based on the Board of Directors' resolution.

2. Items related to acquisition rights for new shares and treasury stock

Not applicable.

3. Dividends

(1) Dividend payment

Resolution	Type of share	Total amount of dividend (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Shareholders' Meeting on Jun. 21, 2007	Common shares	55,818	250	Mar. 31, 2007	Jun. 21, 2007
Board of Directors meeting on Nov. 13, 2007	Common shares	55,667	250	Sep. 30, 2007	Dec. 10, 2007

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Total amount of dividend (Thousands of yen)	Source of funds	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on May 13, 2008	Common shares	77,051	Retained earnings	350	Mar. 31, 2008	Jun. 19, 2008

FY2008 (Apr. 1, 2008 – Mar. 31, 2009)

1. Type and number of outstanding shares and treasury stock (Shares)

	Number of shares as of Mar. 31, 2008	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of Mar. 31, 2009
Outstanding shares				
Common shares	225,020	-	-	225,020
Total	225,020	-	-	225,020
Treasury stock				
Common shares	4,873	-	-	4,873
Total	4,873	-	-	4,873

2. Items related to acquisition rights for new shares and treasury stock

Not applicable.

3. Dividends

(1) Dividend payment

Resolution	Type of share	Total amount of dividend (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on May 13, 2008	Common shares	77,051	350	Mar. 31, 2008	Jun. 19, 2008
Board of Directors meeting on Nov. 4, 2008	Common shares	77,051	350	Sep. 30, 2008	Dec. 8, 2008

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Total amount of dividend (Thousands of yen)	Source of funds	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on May 12, 2009	Common shares	77,051	Retained earnings	350	Mar. 31, 2009	Jun. 18, 2009

Notes to Consolidated Statements of Cash Flows

(Thousands of yen)

Item	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)		FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	
*1. Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets for the current fiscal year is made as follows	Cash and deposits	1,856,947	Cash and deposits	1,802,500
	Time deposits with maturities longer than three months	-	Time deposits with maturities longer than three months	-
	Cash and cash equivalents	1,856,947	Cash and cash equivalents	1,802,500

Deferred Tax Accounting

(Thousands of yen)

FY2007 (Apr. 1, 2007 – Mar. 31, 2008)

1. Significant components of deferred tax assets and liabilities	
(Deferred tax assets)	
Current assets	
Accrued enterprise tax denied	43,099
Accrued business office taxes denied	6,278
Provision for bonuses denied	30,980
Provision for merchandise warranties denied	44,215
Loss on valuation of inventories denied	28,849
Adjustments to accounts receivable-trade	20,371
Other	8,739
Total	182,533
Noncurrent assets	
Provision for directors' retirement benefits denied	56,494
Impairment loss on noncurrent assets denied	37,908
Excess depreciation	19,348
Loss on valuation of investment securities denied	67,770
Provision for retirement benefits denied	-
Other	4,105
Sub-total	185,627
Valuation reserve	(113,724)
Less deferred tax liabilities (noncurrent)	(2,919)
Total	68,983
Total deferred tax assets	251,517
(Deferred tax liabilities)	
Noncurrent liabilities	
Valuation difference on available-for-sale securities	2,919
Less deferred tax assets (noncurrent)	(2,919)
Total	-
Total deferred tax liabilities	-
Difference: Deferred tax assets (net)	251,517
2. Significant sources of difference between the statutory and effective tax rates	
Effective tax rate	40.6%
(Adjustment)	
Entertainment expenses, etc. not deductible for tax purpose	0.1%
Per capita residential tax	1.7%
Tax on retained earnings	2.2%
Changes in valuation reserve	2.4%
Equity in losses of affiliates	1.1%
Other	(1.0)%
Effective tax rate	47.1%

FY2008 (Apr. 1, 2008 – Mar. 31, 2009)

1. Significant components of deferred tax assets and liabilities	
(Deferred tax assets)	
Current assets	
Accrued enterprise tax denied	36,049
Accrued business office taxes denied	6,797
Provision for bonuses denied	32,779
Provision for merchandise warranties denied	20,232
Loss on valuation of inventories denied	53,683
Adjustments to accounts receivable-trade	26,189
Other	3,841
Total	179,572
Noncurrent assets	
Provision for directors' retirement benefits denied	64,424
Impairment loss on noncurrent assets denied	21,583
Excess depreciation	32,379
Loss on valuation of investment securities denied	86,413
Provision for retirement benefits denied	10,313
Other	4,419
Sub-total	219,534
Valuation reserve	(153,622)
Total	65,911
Total deferred tax assets	245,484
2. Significant sources of difference between the statutory and effective tax rates	
Effective tax rate	40.6%
(Adjustment)	
Entertainment expenses, etc. not deductible for tax purpose	0.3%
Per capita residential tax	1.8%
Tax on retained earnings	1.9%
Changes in valuation reserve	1.6%
Equity in losses of affiliates	1.2%
Other	(0.4)%
Effective tax rate	47.0%

Segment Information

a. Operating segment information

FY2007 (Apr. 1, 2007 – Mar. 31, 2008) (Thousands of yen)

	PC sales business	Internet-related business	Total	Elimination or corporate	Consolidated
I Net sales, operating income and ordinary income					
Net sales					
(1) External sales	39,340,466	3,098,700	42,439,166	-	42,439,166
(2) Inter-segment sales and transfers	749,330	224,650	973,980	(973,980)	-
Total	40,089,796	3,323,350	43,413,147	(973,980)	42,439,166
Operating expenses	39,204,105	2,979,314	42,183,419	(974,008)	41,209,411
Operating income	885,691	344,036	1,229,727	28	1,229,755
Ordinary income	1,007,191	349,107	1,356,298	(16,327)	1,339,971
II. Assets, depreciation, impairment loss and capital expenditures					
Assets	12,934,792	1,974,065	14,908,857	(179,875)	14,728,982
Depreciation	281,581	181,042	462,624	(28)	462,596
Impairment loss	58,398	-	58,398	-	58,398
Capital expenditures (Notes 2)	921,956	157,284	1,079,241	-	1,079,241

Notes: 1. Operating segments are determined in accordance with the characteristics of each business activity. The activities of each segment area as follows.

PC sales business: Sales of personal computers and related merchandise (includes income from royalties)

Internet-related business: Internet service provider business of a subsidiary, website production business, Internet-related services, business involving Yahoo! BB, and agency services for SoftBank mobile phone subscriptions

2. Capital expenditures include long-term prepaid expenses, lease and guarantee deposits, and construction assistance fund receivables used for opening of stores.

FY2008 (Apr. 1, 2008 – Mar. 31, 2009) (Thousands of yen)

	PC sales business	Internet-related business	Total	Elimination or corporate	Consolidated
I Net sales, operating income and ordinary income					
Net sales					
(1) External sales	40,335,463	2,563,960	42,899,424	-	42,899,424
(2) Inter-segment sales and transfers	284,736	98,230	382,966	(382,966)	-
Total	40,620,200	2,662,190	43,282,390	(382,966)	42,899,424
Operating expenses	39,622,464	2,399,949	42,022,413	(382,966)	41,639,447
Operating income	997,735	262,241	1,259,976	-	1,259,976
Ordinary income	1,197,729	263,126	1,460,856	(32,058)	1,428,798
II. Assets, depreciation, impairment loss and capital expenditures					
Assets	13,349,336	2,656,334	16,005,671	(131,883)	15,873,787
Depreciation	390,054	251,996	642,050	-	642,050
Impairment loss	-	-	-	-	-
Capital expenditures (Notes 2)	1,248,061	70,043	1,318,105	-	1,318,105

Notes: 1. Operating segments are determined in accordance with the characteristics of each business activity. The activities of each segment area as follows.

PC sales business: Sales of personal computers and related merchandise (includes income from royalties)

Internet-related business: Internet service provider business of a subsidiary, website production business, Internet-related services, business involving Yahoo! BB, and agency services for SoftBank mobile phone subscriptions

2. Change in accounting policy

Accounting Standards for Measurement of Inventories

As mentioned in the section on “Change in Significant Accounting Policies in the Preparation of Consolidated Financial Statements,” the Company and its consolidated subsidiaries have adopted “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9: Accounting Standards Board of Japan, July 5, 2006) effective from the current fiscal year.

Compared with the previous method, this change decreased operating income and ordinary income in the PC sales business by 33,500 thousand yen in the current fiscal year.

3. Capital expenditures include long-term prepaid expenses, lease and guarantee deposits, and construction assistance fund receivables used for opening of stores.

b. Geographical segment information

FY2007 (Apr. 1, 2007 – Mar. 31, 2008)

Geographic segment information is not presented since the Company did not have consolidated subsidiaries or branch offices in areas other than Japan.

FY2008 (Apr. 1, 2008 – Mar. 31, 2009)

Geographic segment information is not presented since the Company did not have consolidated subsidiaries or branch offices in areas other than Japan.

c. Overseas sales

FY2007 (Apr. 1, 2007 – Mar. 31, 2008)

Overseas sales information is not presented since we had no overseas sales.

FY2008 (Apr. 1, 2008 – Mar. 31, 2009)

Overseas sales information is not presented since we had no overseas sales.

Related Party Transactions

FY2007 (Apr. 1, 2007 – Mar. 31, 2008)
Not applicable.

FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
Not applicable.

Business Combinations

Application of the Purchase Method

FY2007 (Apr. 1, 2007 – Mar. 31, 2008)
Summary of business combinations (business acquisition)

1.

Name of the company involved	FUJISOFT INCORPORATED
Description of acquired business	Internet service provider
Reason for combination	The aim is to increase the number of provider subscribers
Date of combination	May 1, 2007
Legal method of combination	Acquisition of business by the Company’s subsidiary ejworks corporation
Name of post-combination company	ejworks corporation

(1) Period of business results of the acquired business included in the consolidated financial statements

May 1, 2007 to March 31, 2008

(2) Acquisition cost and other particulars

1) Acquisition cost of the acquired business: 85 million yen
2) Breakdown of the cost of acquisition
Acquisition cost: 80 million yen
Cash expenditure for the acquisition (due diligence cost, etc.): 5 million yen

(3) Amount of goodwill recognized

1) Amount of goodwill: 85 million yen
2) Reason for recognition: The goodwill represents the future earnings power resulting from its growth potential.
3) Method and period of amortization: Goodwill is amortized over five years by the straight-line method.

(4) Summary of assets acquired and liabilities assumed on the date of combination

Not applicable.

(5) Estimated impact on the current fiscal year’s consolidated statements of income if the business combination had completed at the beginning of the current fiscal year

Detailed explanations are omitted due to immateriality of the amount.

2.

Name of the company involved	manekineko corporation
Description of acquired business	Internet service provider
Reason for combination	The aim is to increase the number of provider subscribers
Date of combination	October 15, 2007
Legal method of combination	Acquisition of business by the Company’s subsidiary ejworks corporation
Name of post-combination company	ejworks corporation

(1) Period of business results of the acquired business included in the consolidated financial statements

October 15, 2007 to March 31, 2008

(2) Acquisition cost and other particulars

1) Acquisition cost of the acquired business: 44 million yen
2) Breakdown of the cost of acquisition
Acquisition cost: 43 million yen
Cash expenditure for the acquisition (due diligence cost, etc.): 1 million yen

(3) Amount of goodwill recognized

1) Amount of goodwill: 44 million yen
2) Reason for recognition: The goodwill represents the future earnings power resulting from its growth potential.
3) Method and period of amortization: Goodwill is amortized over five years by the straight-line method.

(4) Summary of assets acquired and liabilities assumed on the date of combination

Not applicable.

(5) Estimated impact on the current fiscal year's consolidated statements of income if the business combination had completed at the beginning of the current fiscal year

Detailed explanations are omitted due to immateriality of the amount.

FY2008 (Apr. 1, 2008 – Mar. 31, 2009)

1. Summary of business combinations (business acquisition)

a.

Name of the company involved	K'S HOLDINGS CORPORATION
Description of acquired business	Management of four PC DEPOT stores
Reason for combination	The aim is to improve customer services, corporate value, growth potential and profitability by combining the technical services, sales operations and business infrastructure of the Company and K'S HOLDINGS CORPORATION.
Date of combination	August 1, 2008
Legal method of combination	Acquisition of business by the Company
Name of post-combination company	PC DEPOT CORPORATION

(1) Period of business results of the acquired business included in the consolidated financial statements

August 1, 2008 to March 31, 2009

(2) Acquisition cost and other particulars

1) Acquisition cost of the acquired business: 610 million yen

2) Breakdown of the cost of acquisition

Acquisition cost: 610 million yen

(3) Amount of goodwill recognized

1) Amount of goodwill: 135 million yen

2) Reason for recognition: The goodwill represents the future earnings power resulting from its growth potential.

3) Method and period of amortization: Goodwill is amortized over five years by the straight-line method.

(4) Summary of assets acquired and liabilities assumed on the date of combination

Assets		Liabilities	
Inventories	416 million yen		-
Noncurrent assets	57 million yen		
Total	474 million yen	Total	-

(5) Estimated impact on the current fiscal year's consolidated statements of income if the business combination had completed at the beginning of the current fiscal year

Net sales	1,100 million yen
Ordinary income	30 million yen
Net income	16 million yen

b.

Name of the company involved	Kansai Broadband Co., Ltd.
Description of acquired business	Internet service providers "U-Broad.jp", "h555.net", "awaji-BB", "Kyoto-Inet", "inet! communications"
Reason for combination	The aim is to increase the number of provider subscribers
Date of combination	June 30, 2008
Legal method of combination	Acquisition of business by the Company's subsidiary ejworks corporation
Name of post-combination company	ejworks corporation

(1) Period of business results of the acquired business included in the consolidated financial statements

June 30, 2008 to March 31, 2009

(2) Acquisition cost and other particulars

1) Acquisition cost of the acquired business: 276 million yen

2) Breakdown of the cost of acquisition

Acquisition cost: 276 million yen

(3) Amount of goodwill recognized

1) Amount of goodwill: 276 million yen

2) Reason for recognition: The goodwill represents the future earnings power resulting from its growth potential.

3) Method and period of amortization: Goodwill is amortized over five years by the straight-line method.

(4) Summary of assets acquired and liabilities assumed on the date of combination

Not applicable.

(5) Estimated impact on the current fiscal year's consolidated statements of income if the business combination had completed at the beginning of the current fiscal year

Net sales	112 million yen
Ordinary income	(18) million yen
Net income	(10) million yen

c.

Name of the company involved	AIcompany Co., Ltd.
Description of acquired business	Internet service providers "Momotarou Internet Club", "Ushiwakumaru Internet Service", "VC-net"
Reason for combination	The aim is to increase the number of provider subscribers
Date of combination	October 20, 2008
Legal method of combination	Acquisition of business by the Company's subsidiary ejworks corporation
Name of post-combination company	ejworks corporation

(1) Period of business results of the acquired business included in the consolidated financial statements

October 20, 2008 to March 31, 2009

(2) Acquisition cost and other particulars

1) Acquisition cost of the acquired business: 76 million yen

2) Breakdown of the cost of acquisition

Acquisition cost: 76 million yen

(3) Amount of goodwill recognized

1) Amount of goodwill: 76 million yen

2) Reason for recognition: The goodwill represents the future earnings power resulting from its growth potential.

3) Method and period of amortization: Goodwill is amortized over five years by the straight-line method.

(4) Summary of assets acquired and liabilities assumed on the date of combination

Not applicable.

(5) Estimated impact on the current fiscal year's consolidated statements of income if the business combination had completed at the beginning of the current fiscal year

Net sales	34 million yen
Ordinary income	16 million yen
Net income	8 million yen

2. Summary of business combinations (absorption-type split)

a.

Name of the company involved	Daiwa Seiken Co., Ltd.
Description of acquired business	Internet service provider “117.net”
Reason for combination	The aim is to increase the number of provider subscribers
Date of combination	October 30, 2008
Legal method of combination	Spun off and absorbed by the Company’s subsidiary ejworks corporation
Name of post-combination company	ejworks corporation

(1) Period of business results of the acquired business included in the consolidated financial statements

October 30, 2008 to March 31, 2009

(2) Acquisition cost and other particulars

1) Acquisition cost of the acquired business: 37 million yen

2) Breakdown of the cost of acquisition

Acquisition cost: 37 million yen

(3) Amount of goodwill recognized

1) Amount of goodwill: 37 million yen

2) Reason for recognition: The goodwill represents the future earnings power resulting from its growth potential.

3) Method and period of amortization: Goodwill is amortized over five years by the straight-line method.

(4) Summary of assets acquired and liabilities assumed on the date of combination

Not applicable.

(5) Estimated impact on the current fiscal year’s consolidated statements of income if the business combination had completed at the beginning of the current fiscal year

Net sales	26 million yen
Ordinary income	3 million yen
Net income	2 million yen

b.

Name of the company involved	RAT Co., Ltd.
Description of acquired business	Hosting service “Net Platz”
Reason for combination	The aim is to increase the number of hosting subscribers
Date of combination	January 23, 2009
Legal method of combination	Spun off and absorbed by the Company’s subsidiary ejworks corporation
Name of post-combination company	ejworks corporation

(1) Period of business results of the acquired business included in the consolidated financial statements

January 23, 2009 to March 31, 2009

(2) Acquisition cost and other particulars

1) Acquisition cost of the acquired business: 42 million yen

2) Breakdown of the cost of acquisition

Acquisition cost: 41 million yen

Others 0 million yen

(3) Amount of goodwill recognized

1) Amount of goodwill: 42 million yen

2) Reason for recognition: The goodwill represents the future earnings power resulting from its growth potential.

3) Method and period of amortization: Goodwill is amortized over five years by the straight-line method.

(4) Summary of assets acquired and liabilities assumed on the date of combination

Tools, furniture and fixtures: 0 million yen

(5) Estimated impact on the current fiscal year’s consolidated statements of income if the business combination had completed at the beginning of the current fiscal year

Net sales	50 million yen
Ordinary income	16 million yen
Net income	8 million yen

c.

Name of the company involved	ISAO CORPORATION
Description of acquired business	Corporate Internet service provider “isao connection service”
Reason for combination	The aim is to increase the number of provider subscribers
Date of combination	March 31, 2009
Legal method of combination	Spun off and absorbed by the Company’s subsidiary ejworks corporation
Name of post-combination company	ejworks corporation

(1) Period of business results of the acquired business included in the consolidated financial statements

March 31, 2009 – March 31, 2009

(2) Acquisition cost and other particulars

1) Acquisition cost of the acquired business: 700 million yen (tentative) *Note
2) Breakdown of the cost of acquisition
Acquisition cost: 700 million yen (tentative) *Note

(3) Amount of goodwill recognized

1) Amount of goodwill: 700 million yen (tentative) *Note
2) Reason for recognition: The goodwill represents the future earnings power resulting from its growth potential.
3) Method and period of amortization: Goodwill is amortized over five years by the straight-line method.

(4) Summary of assets acquired and liabilities assumed on the date of combination

Not applicable.

(5) Estimated impact on the current fiscal year’s consolidated statements of income if the business combination had completed at the beginning of the current fiscal year

Net sales	388 million yen
Ordinary income	98 million yen
Net income	54 million yen

Note: The acquisition cost may change because the contract provides for the deduction of an amount in relation to the number of subscribers who terminate this service during the three-month period following this acquisition.

3. Business divesture

(1) Name of company to be divested, description of business, major reasons for divesture, business divesture date, and legal method of divesture

Name of company to be divested	K’S HOLDINGS CORPORATION
Description of business	Operation of 14 PC Clinic stores that provide technical services for PCs and digital home appliances
Major reasons for divesture	The aim is to improve customer services, corporate value, growth potential and profitability by combining the technical services, sales operations and business infrastructure of the Company and K’S HOLDINGS CORPORATION.
Business divesture date	August 1, 2008
Legal method of divesture	Transfer of business in exchange for cash

(2) Summary of accounting treatment

Book values of assets and liabilities of the business that was transferred are 2 million yen for inventories and 12 million yen for noncurrent assets. The loss or gain resulting from the transfer is immaterial.

Per Share Information

(Yen)

FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
Net assets per share 35,078.17 Net income per share 3,673.94 Diluted net income per share is not presented since the Company has no outstanding dilutive securities.	Net assets per share 37,439.99 Net income per share 3,108.18 Diluted net income per share is not presented since the Company has no outstanding dilutive securities.

Note: The following is a reconciliation of net income per share and diluted net income per share

(Thousands of yen)

Item	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
Net income carried on the consolidated statements of income	815,570	684,255
Net income available to common shares	815,570	684,255
Amounts not available to common shareholders	-	-
Average number of common shares outstanding during the period (shares)	221,987	220,147
Number of common shares used in calculation of diluted net income per share Stock acquisition rights (shares)	-	-
Increase in the number of common shares (shares)	-	-
Summary of potential stock not included in the calculation of “Diluted net income per share” since there was no dilutive effect.	(Number of stock acquisition rights) Stock acquisition rights No.3: 3 Stock acquisition rights No.4: 410 Stock acquisition rights No.5: 55 Stock acquisition rights No.6: 394	(Number of stock acquisition rights) Stock acquisition rights No.5: 55 Stock acquisition rights No.6: 364

Subsequent Events

FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
On February 12, 2008, the Board of Directors approved a resolution to purchase newly issued stock of equity-method affiliate KITAMURA PC DEPOT CORPORATION. This stock was purchased on April 2, 2008 at a cost of 120 million yen. (1) Profile of KITAMURA PC DEPOT 1) Capital Before the capital increase: 10,000,000 yen After the capital increase: 160,000,000 yen 2) Ratio of the Company's investment Before the capital increase: 40% After the capital increase: 40% (2) Description of capital increase at KITAMURA PC DEPOT 1) Number of shares outstanding: 6,000 common shares 2) Issuing method: Rights offering 3) Issue price: 50,000 yen per share 4) Total payment amount: 300,000,000 yen 5) Amount credited to capital: 150,000,000 yen 6) Payment date: April 2, 2008 7) Amount of capital after capital increase: 160,000,000 yen 8) Number of shares outstanding after capital increase: 6,200 9) Purpose of capital increase: Business fund	On May 12, 2009, the Board of Directors approved a resolution to terminate the retirement benefit program for directors and corporate auditors at the conclusion of the Ordinary General Shareholders' Meeting to be held on June 18, 2009.

Omission of Disclosure

Notes on lease transaction, financial instruments, marketable securities, derivative transactions, retirement benefits, stock options, and asset retirement obligations, etc. are not presented since the disclosure of these information is not significant in the context of the financial results.

Sales by Item

(Thousands of yen)

	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)		FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	
	Amount	%	Amount	%
PC	10,159,454	23.9	10,180,938	23.7
Monitor	1,300,261	3.1	1,549,086	3.6
Printer	1,158,134	2.7	942,013	2.2
Peripherals	11,358,212	26.8	12,444,711	29.0
Accessories and supplies	4,604,335	10.9	4,747,433	11.1
Software	1,811,853	4.3	1,512,706	3.5
Office automation equipment, used goods, and others	4,301,872	10.1	3,975,416	9.3
Total sales of products	34,694,124	81.8	35,352,304	82.4
Income from royalties	515,344	1.2	562,220	1.3
Income from technical service and commissions	4,130,997	9.7	4,420,938	10.3
Total PC sales business	39,340,466	92.7	40,335,463	94.0
Internet-related business	3,098,700	7.3	2,563,960	6.0
Total	42,439,166	100.0	42,899,424	100.0

Note: Total PC DEPOT Group sales, including franchise sales of 16,060,482 thousand yen included with other income from royalties, were 58,959,906 thousand yen.

5. Non-consolidated Financial Statements
(1) Balance sheets

(Thousands of yen)

	FY2007 (As of Mar. 31, 2008)	FY2008 (As of Mar. 31, 2009)
Assets		
Current assets		
Cash and deposits	881,372	1,200,047
Accounts receivable-trade	1,274,343	1,357,168
Merchandise	5,071,826	4,445,364
Prepaid expenses	155,645	175,790
Deferred tax assets	163,104	161,394
Accounts receivable-other	893,136	613,309
Other	124,582	134,779
Allowance for doubtful accounts	(3,510)	(3,400)
Total current assets	8,560,500	8,084,453
Noncurrent assets		
Property, plant and equipment		
Buildings	1,346,742	1,775,453
Accumulated depreciation	(452,345)	(524,375)
Buildings, net	894,397	1,251,077
Structures	141,704	148,604
Accumulated depreciation	(70,326)	(83,896)
Structures, net	71,377	64,707
Vehicles	2,858	1,910
Accumulated depreciation	(2,217)	(1,499)
Vehicles, net	641	410
Tools, furniture and fixtures	878,778	1,082,112
Accumulated depreciation	(604,078)	(705,458)
Tools, furniture and fixtures, net	274,699	376,653
Land	103,100	103,100
Construction in progress	-	33,705
Total property, plant and equipment	1,344,215	1,829,654
Intangible assets		
Software	176,248	173,071
Software in progress	13,125	-
Telephone subscription right	16,324	16,324
Goodwill	47,640	144,524
Total intangible assets	253,338	333,920
Investments and other assets		
Investment securities	199,135	169,923
Stocks of subsidiaries and affiliates	178,124	271,535
Long-term prepaid expenses	70,527	47,718
Deferred tax assets	57,441	54,456
Guarantee deposits	1,376,754	1,389,868
Lease deposits	1,043,730	1,208,734
Other	10,844	129,168
Total investments and other assets	2,936,558	3,271,405
Total noncurrent assets	4,534,112	5,434,980
Total assets	13,094,612	13,519,433

(Thousands of yen)

	FY2007 (As of Mar. 31, 2008)	FY2008 (As of Mar. 31, 2009)
Liabilities		
Current liabilities		
Accounts payable-trade	2,596,904	2,476,480
Current portion of long-term loans payable	162,000	321,984
Accounts payable-other	1,734,095	1,259,488
Accrued expenses	117,827	132,512
Income taxes payable	461,122	419,076
Accrued consumption taxes	71,653	107,558
Advances received	103,561	93,867
Deposits received	21,774	23,466
Provision for bonuses	75,574	80,658
Provision for merchandise warranties	108,797	49,785
Total current liabilities	5,453,310	4,964,877
Noncurrent liabilities		
Long-term loans payable	305,000	756,352
Provision for directors' retirement benefits	122,856	139,998
Long-term guarantee deposited	671,825	661,666
Provision for retirement benefits	8,894	25,378
Total noncurrent liabilities	1,108,576	1,583,395
Total liabilities	6,561,887	6,548,273
Net assets		
Shareholders' equity		
Capital stock	1,601,196	1,601,196
Capital surplus		
Legal capital surplus	1,868,598	1,868,598
Other capital surplus	20,006	20,006
Total capital surplus	1,888,605	1,888,605
Retained earnings		
Legal retained earnings	12,000	12,000
Other retained earnings		
Retained earnings brought forward	3,212,885	3,661,525
Total retained earnings	3,224,885	3,673,525
Treasury stock	(186,226)	(186,226)
Total shareholders' equity	6,528,461	6,977,101
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,263	(5,941)
Total valuation and translation adjustments	4,263	(5,941)
Total net assets	6,532,725	6,971,159
Total liabilities and net assets	13,094,612	13,519,433

(2) Statements of income

(Thousands of yen)

	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
Net sales	40,089,796	40,620,200
Cost of sales		
Beginning goods	4,834,918	5,071,826
Cost of purchased goods	31,587,334	30,245,396
Total	36,422,253	35,317,222
Ending goods	5,071,826	4,445,364
Cost of goods sold	31,350,426	30,871,858
Gross profit	8,739,370	9,748,341
Selling, general and administrative expenses		
Advertising expenses	1,103,707	1,094,039
Sales commission	368,954	366,029
Directors' compensations	76,022	86,519
Salaries and allowances	2,125,597	2,330,496
Bonuses	190,004	223,389
Provision for bonuses	75,574	80,658
Retirement benefit expenses	38,659	49,939
Provision for directors' retirement benefits	15,270	17,142
Depreciation	255,578	335,206
Rent expenses on real estates	1,430,185	1,614,428
Supplies expenses	235,022	377,997
Other	1,931,855	2,175,095
Total selling, general and administrative expenses	7,846,431	8,750,942
Operating income	892,938	997,398
Non-operating income		
Interest income	6,519	6,402
Dividends income	17,587	33,318
Sales incentives	65,345	72,412
Rent income	85,049	114,138
Commission fee	38,364	33,307
Other	62,002	104,312
Total non-operating income	274,868	363,892
Non-operating expenses		
Interest expenses	9,500	10,409
Commission fee	1,137	-
Rent expenses	86,234	107,840
Other	10,440	5,627
Total non-operating expenses	107,312	123,878
Ordinary income	1,060,494	1,237,413

(Thousands of yen)

	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
Extraordinary income		
Gain on sales of subsidiaries and affiliates' stocks	377,567	-
Reversal of allowance for doubtful accounts	614	110
Other	4,363	-
Total extraordinary income	382,545	110
Extraordinary loss		
Loss on retirement of noncurrent assets	14,401	16,375
Loss on valuation of investment securities	28,800	9,457
Loss on valuation of stocks of subsidiaries and affiliates	35,173	26,588
Loss on sales of investment securities	860	-
Impairment loss	58,398	-
Head office transfer cost	-	27,747
Loss on closing of stores	-	4,619
Loss on valuation of inventories	-	36,366
Other	9,869	-
Total extraordinary losses	147,504	121,155
Income before income taxes	1,295,536	1,116,367
Income taxes-current	591,139	505,440
Income taxes-deferred	18,560	8,184
Total income taxes	609,699	513,624
Net income	685,836	602,742

(3) Statement of changes in net assets

(Thousands of yen)

	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	1,601,196	1,601,196
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	1,601,196	1,601,196
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	1,868,598	1,868,598
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	1,868,598	1,868,598
Other capital surplus		
Balance at the end of previous period	20,006	20,006
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	20,006	20,006
Total capital surplus		
Balance at the end of previous period	1,888,605	1,888,605
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	1,888,605	1,888,605
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	12,000	12,000
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	12,000	12,000
Other retained earnings		
Retained earnings brought forward		
Balance at the end of previous period	2,638,534	3,212,885
Changes of items during the period		
Dividends from surplus	(111,485)	(154,102)
Net income	685,836	602,742
Total changes of items during the period	574,350	448,640
Balance at the end of current period	3,212,885	3,661,525
Total retained earnings		
Balance at the end of previous period	2,650,534	3,224,885
Changes of items during the period		
Dividends from surplus	(111,485)	(154,102)
Net income	685,836	602,742
Total changes of items during the period	574,350	448,640
Balance at the end of current period	3,224,885	3,673,525

(Thousands of yen)

	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
Treasury stock		
Balance at the end of previous period	(68,003)	(186,226)
Changes of items during the period		
Purchase of treasury stock	(118,222)	-
Total changes of items during the period	(118,222)	-
Balance at the end of current period	(186,226)	(186,226)
Total shareholders' equity		
Balance at the end of previous period	6,072,333	6,528,461
Changes of items during the period		
Dividends from surplus	(111,485)	(154,102)
Net income	685,836	602,742
Purchase of treasury stock	(118,222)	-
Total changes of items during the period	456,128	448,640
Balance at the end of current period	6,528,461	6,977,101
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	26,132	4,263
Changes of items during the period		
Net changes of items other than shareholders' equity	(21,868)	(10,205)
Total changes of items during the period	(21,868)	(10,205)
Balance at the end of current period	4,263	(5,941)
Total net assets		
Balance at the end of previous period	6,098,465	6,532,725
Changes of items during the period		
Dividends from surplus	(111,485)	(154,102)
Net income	685,836	602,742
Purchase of treasury stock	(118,222)	-
Net changes of items other than shareholders' equity	(21,868)	(10,205)
Total changes of items during the period	434,259	438,434
Balance at the end of current period	6,532,725	6,971,159

Going Concern Assumption

FY2007 (Apr. 1, 2007 – Mar. 31, 2008)
Not applicable.

FY 2008 (Apr. 1, 2008 – Mar. 31, 2009)
Not applicable.

Significant Accounting Policies

Item	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
1. Valuation standards and methods for marketable securities	(1) Available-for-sale securities Securities with market quotations Stated at fair value at the end of the fiscal year. (Unrealized gain or loss is included in net assets. Cost of securities sold is determined by the moving-average method.) Securities without market quotations Stated at cost determined by the moving-average method. As for investments in limited liability investment partnerships and similar investment associations, the Company books the net value of proportional holdings based on the most recent available financial report of the association, according to the financial settlement date stipulated in the association contract. (2) Subsidiary and affiliate stock Stated at cost determined by the moving-average method.	(1) Available-for-sale securities Securities with market quotations Same as on the left. Securities without market quotations Stated at cost determined by the moving-average method. (2) Subsidiary and affiliate stock Same as on the left.
2. Valuation standards and methods for inventories	Merchandise Stated at cost determined by the moving-average method. However, books are stated at cost determined by the retail inventory method. ―――――	Merchandise Mainly stated at cost determined by the moving-average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins). (Change in accounting policy) In prior years, inventories for regular sales purposes were computed primarily by the moving average cost method. With the adoption of "Accounting Standards for Measurement of Inventories" (ASBJ Statement No. 9: July 5, 2006) from the current fiscal year, inventories are computed primarily by the moving average cost method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins). The effect of this change was to decrease gross profit, operating income and ordinary income by 33,500 thousand yen, and income before income taxes by 69,866 thousand yen. The impact on segment operations is shown in the Segment Information section.

Item	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
3. Depreciation and amortization of noncurrent assets	(1) Property, plant and equipment Depreciation of property, plant and equipment is calculated using the declining-balance method, except for buildings (excluding attached structures) acquired on or after April 1, 1998, which are depreciated using the straight-line method. Useful life of principle assets is as follows: Buildings: 6-47 years Tools, furniture and fixtures: 3-15 years (Change in accounting policy) Assets acquired on or after April 1, 2007 are depreciated according to the depreciation method stipulated in the revised standard, in line with revisions to the Corporation Tax Law including Law No. 6 to Partially Revise the Income Tax and Other Laws (March 30, 2007) and Government Ordinance No. 83 to Partially Revise Corporation Tax Law Ordinances (March 30, 2007). The effect of this change on earnings is insignificant. (Additional information) The Company has adopted the revised Corporation Tax Law and changed the method of depreciation of assets acquired on or before March 31, 2007. Accordingly, the difference between the residual value of such an asset and the value equivalent to 5% of its acquisition cost, as computed by the previous Corporation Tax Law, is depreciated by the straight-line method over a period of five years starting from the year following the year in which the value of an asset falls to 5% of its acquisition cost. The effect of this change on earnings is minimal. (2) Intangible assets Amortization of intangible assets is calculated using the straight-line method. Goodwill is amortized by the straight-line method over a period of five years. Software development costs are amortized over an expected useful life of five years by the straight-line method. (3) Long-term prepaid expenses Long-term prepaid expenses are amortized by the straight-line method.	(1) Property, plant and equipment (excluding lease assets) Same as on the left. ——— ——— (2) Intangible assets (excluding lease assets) Same as on the left. (3) Long-term prepaid expenses Same as on the left.

Item	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
	―――	(4) Lease assets Depreciation of lease assets is calculated using the straight-line method with no residual value, assuming the lease period to be the useful life of the asset. For finance lease transactions where there is no transfer of ownership beginning on or before March 31, 2008, depreciation is calculated using an accounting method that is based on the method used for ordinary lease transactions.
4. Recognition of allowances	(1) Allowance for doubtful accounts To prepare for credit losses on receivables, an allowance equal to the estimated amount of uncollectible receivables is provided for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectability. (2) Provision for bonuses To properly reserve for employee bonus obligations, an amount accrued for the fiscal year among the estimated future obligations is designated in the reserve amount. (3) Provision for merchandise warranties To provide for five-year after-sales service cost for merchandise, an estimated amount is reserved based on the historical performance. (4) Provision for retirement benefits To properly reserve for employees' retirement benefits, an allowance is provided for the amount deemed to have accrued at the end of the current fiscal year based on the projected benefit obligations and pension assets at the end of the fiscal year. (5) Provision for directors' retirement benefits To properly reserve for directors' retirement benefits, an allowance is provided for the aggregate amount payable at the end of the current fiscal year pursuant to the Company's rules on directors' retirement benefits.	(1) Allowance for doubtful accounts Same as on the left. (2) Provision for bonuses Same as on the left. (3) Provision for merchandise warranties Same as on the left. (4) Provision for retirement benefits Same as on the left. (5) Provision for directors' retirement benefits Same as on the left.
5. Accounting for leases	Finance leases other than those, which are deemed to transfer the ownership of the lease assets to the lessees, are accounted for by the method similar to that applicable to ordinary operating leases.	―――
6. Other significant accounting policies in the preparation of financial statements	Accounting for consumption taxes National and local consumption taxes are accounted by the tax-exclusion method.	Accounting for consumption taxes Same as on the left.

Change in Significant Accounting Policies

FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
———	(Accounting Standards for Lease Transactions) In prior years, the Company accounted for finance leases where there is no transfer of ownership as ordinary lease transactions for accounting purposes. In the current fiscal year, the Company started to apply “Accounting Standards for Lease Transactions” (ASBJ Statement No. 13: originally issued on June 17, 1993 by Section 1 of the Business Accounting Deliberation Counsel, and revised on March 30, 2007 by Accounting Standards Board of Japan) and “Guidance on Accounting Standards for Lease Transactions” (ASBJ Guidance No. 16: originally issued on January 18, 1994 by Accounting Standards Committee of the Japanese Institute of Certified Public Accountants, and revised on March 30, 2007 by Accounting Standards Board of Japan), and using an accounting method for leases that is based on the method used for ordinary purchases and sales. For finance leases where there is no transfer of ownership that started prior to the fiscal year when these standards were first applied, the Company continues to use an accounting method that is based on the method used for ordinary lease transactions. The application of these standards does not have a material effect on earnings.

Notes to Non-consolidated Financial Statements

Notes to Balance Sheets

(Thousands of yen)

FY2007 (As of Mar. 31, 2008)	FY2008 (As of Mar. 31, 2009)
*1. The following items are applicable to affiliates Accounts payable-other 195,226	*1. The following items are applicable to affiliates Accounts payable-other 247,932
*2. Accounts payable for purchases made jointly with franchise stores are paid after the Company has received the amount due from the franchise stores for their portion of these purchases. The Company posts these joint purchase accounts payable as “Accounts payable-other” and the amounts due from franchise stores as “Accounts receivable-other”. At the end of the fiscal year, “Accounts payable-other” totaled 733,993 thousand yen and “Accounts receivable-other” totaled 1,271,595 thousand yen.	*2. Accounts payable for purchases made jointly with franchise stores are paid after the Company has received the amount due from the franchise stores for their portion of these purchases. The Company posts these joint purchase accounts payable as “Accounts payable-other” and the amounts due from franchise stores as “Accounts receivable-other”. At the end of the fiscal year, “Accounts payable-other” totaled 456,236 thousand yen and “Accounts receivable-other” totaled 922,243 thousand yen.

Notes to Statements of Income

(Thousands of yen)

<table>
<tr><th>FY2007
(Apr. 1, 2007 – Mar. 31, 2008)</th><th>FY2008
(Apr. 1, 2008 – Mar. 31, 2009)</th></tr>
<tr><td>―――</td><td>*1. Inventories at the end of the fiscal year are shown after reductions in book values to reflect declines in profitability and the next inventory valuation losses are included in the cost of sales.
33,500</td></tr>
<tr><td>*2. Loss on retirement of noncurrent assets
<table>
<tr><td>Structures</td><td>9,820</td></tr>
<tr><td>Tools, furniture and fixtures</td><td>4,581</td></tr>
<tr><td>Total</td><td>14,401</td></tr>
</table></td><td>*2. Loss on retirement of noncurrent assets
<table>
<tr><td>Buildings and structures</td><td>11,189</td></tr>
<tr><td>Tools, furniture and fixtures</td><td>3,631</td></tr>
<tr><td>Other</td><td>1,554</td></tr>
<tr><td>Total</td><td>16,375</td></tr>
</table></td></tr>
<tr><td>*3. The Company recognized an impairment loss on noncurrent assets for the following groups of assets
<table>
<tr><th>Location</th><th>Usage</th><th>Item</th></tr>
<tr><td>Kanagawa</td><td>Retail stores</td><td>Buildings and structures
Other property, plant and equipment
Lease assets</td></tr>
<tr><td>Tokyo</td><td>Retail stores</td><td>Buildings and structures
Other property, plant and equipment
Lease assets</td></tr>
</table>
The Company attempts to recognize impairment losses by grouping retail stores as the smallest units for generating cash flows. For stores where business activities are consistently unprofitable and there is a small probability of recovering the entire amount of noncurrent assets for that asset group, the Company reduces the book value of that asset group to the amount that can be recovered. The resulting noncurrent asset impairment loss of 58,398 thousand yen was recognized as an extraordinary loss.

* Breakdown of impairment loss
<table>
<tr><th rowspan="2">Location</th><th colspan="3">Impairment loss</th></tr>
<tr><th>Buildings and structures</th><th>Other</th><th>Total</th></tr>
<tr><td>Kanagawa</td><td>26,732</td><td>16,162</td><td>42,895</td></tr>
<tr><td>Tokyo</td><td>5,808</td><td>9,694</td><td>15,503</td></tr>
</table>
Net sales prices are used to determine the value of noncurrent assets that can be recovered for an asset group. Residual values are determined mainly by tax law regulations, etc. that are used for appraisals for fixed asset taxes and for calculating depreciation.</td><td>―――</td></tr>
<tr><td>―――</td><td>*4. Head office relocation expenses represent expenses incurred during the fiscal year to restore the previous building to its original condition, losses on the disposal of equipment and facilities, and other items.</td></tr>
</table>

Notes to Statements of Changes in Net Assets

FY2007 (Apr. 1, 2007 – Mar. 31, 2008)

Type and number of treasury stock (Shares)

	Number of shares as of Mar. 31, 2007	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of Mar. 31, 2008
Common shares	1,748	3,125	-	4,873
Total	1,748	3,125	-	4,873

Note: The increase in the number of treasury stock (3,125 shares) was due to the purchase of treasury stock based on the Board of Directors' resolution.

FY2008 (Apr. 1, 2008 – Mar. 31, 2009)

Type and number of treasury stock (Shares)

	Number of shares as of Mar. 31, 2008	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of Mar. 31, 2009
Common shares	4,873	-	-	4,873
Total	4,873	-	-	4,873

Leases

Notes on lease transaction are not presented since the disclosure of this information is not significant in the context of the financial results.

Deferred Tax Accounting

(Thousands of yen)

FY2007 (As of Mar. 31, 2008)		FY2008 (As of Mar. 31, 2009)	
1. Significant components of deferred tax assets and liabilities		1. Significant components of deferred tax assets and liabilities	
(Deferred tax assets)		(Deferred tax assets)	
Current assets		Current assets	
Accrued enterprise tax denied	35,446	Accrued enterprise tax denied	33,841
Accrued business office taxes denied	6,278	Accrued business office taxes denied	6,797
Provision for bonuses denied	30,713	Provision for bonuses denied	32,779
Allowance for doubtful accounts denied	1,426	Allowance for doubtful accounts denied	1,381
Provision for merchandise warranties denied	44,215	Provision for merchandise warranties denied	20,232
Valuation loss on goods denied	28,849	Valuation loss on goods denied	53,683
Other	16,174	Other	12,677
Total	163,104	Total	161,394
Noncurrent assets		Noncurrent assets	
Provision for directors' retirement benefits denied	49,928	Provision for directors' retirement benefits denied	56,895
Impairment loss on noncurrent assets denied	37,908	Impairment loss on noncurrent assets denied	21,583
Loss on valuation of investment securities denied	21,186	Loss on valuation of investment securities denied	29,024
Loss on valuation of stocks of subsidiaries and affiliates denied	46,583	Loss on valuation of stocks of subsidiaries and affiliates denied	57,389
Other	18,477	Other	43,186
Sub-total	174,085	Sub-total	208,079
Valuation reserve	(113,724)	Valuation reserve	(153,622)
Less deferred tax liabilities (noncurrent)	(2,919)	Total	54,456
Total	57,441	Total deferred tax assets	215,851
Total deferred tax assets	220,545		
(Deferred tax liabilities)			
Noncurrent liabilities			
Valuation difference on available-for-sale securities	2,919		
Less deferred tax assets (noncurrent)	(2,919)		
Total deferred tax liabilities	-		
Difference: Deferred tax assets (net)	220,545		
2. Significant sources of difference between the statutory and effective tax rates		2. Significant sources of difference between the statutory and effective tax rates	
Effective tax rate	40.6%	Effective tax rate	40.6%
(Adjustment)		(Adjustment)	
Entertainment expenses, etc. not deductible for tax purpose	0.1%	Entertainment expenses, etc. not deductible for tax purpose	0.3%
Dividends income, etc. not deductible for tax purpose	(0.5)%	Dividends income, etc. not deductible for tax purpose	(1.2)%
Per capita residential tax	2.0%	Per capita residential tax	2.0%
Tax on retained earnings	2.1%	Tax on retained earnings	1.8%
Changes in valuation reserve	2.9%	Changes in valuation reserve	2.9%
Other	(0.1)%	Other	(0.4)%
Effective tax rate	47.1%	Effective tax rate	46.0%

Business Combinations

FY2007 (Apr. 1, 2007 – Mar. 31, 2008)
Notes on business combinations are not presented since it is presented in the "Business Combinations" section of the Notes to Consolidated Financial Statements.

FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
Notes on business combinations are not presented since it is presented in the "Business Combinations" section of the Notes to Consolidated Financial Statements.

Per Share Information

(Yen)

FY2007 (Apr. 1, 2007 – Mar. 31, 2008)		FY2008 (Apr. 1, 2008 – Mar. 31, 2009)	
Net assets per share	29,674.38	Net assets per share	31,665.93
Net income per share	3,089.52	Net income per share	2,737.91
Diluted net income per share is not presented since the Company has no outstanding dilutive securities.		Diluted net income per share is not presented since the Company has no outstanding dilutive securities.	

Note: The following is a reconciliation of net income per share and diluted net income per share

(Thousands of yen)

Item	FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
Net income carried on the consolidated statements of income	685,836	602,742
Net income available to common shares	685,836	602,742
Amounts not available to common shareholders	-	-
Average number of common shares outstanding during the period (shares)	221,987	220,147
Number of common shares used in calculation of diluted net income per share Stock acquisition rights (shares)	-	-
Increase in the number of common shares (shares)	-	-
Summary of potential stock not included in the calculation of "Diluted net income per share" since there was no dilutive effect.	(Number of stock acquisition rights) Stock acquisition rights No.3: 3 Stock acquisition rights No.4: 410 Stock acquisition rights No.5: 55 Stock acquisition rights No.6: 394	(Number of stock acquisition rights) Stock acquisition rights No.5: 55 Stock acquisition rights No.6: 364

Subsequent Events

FY2007 (Apr. 1, 2007 – Mar. 31, 2008)	FY2008 (Apr. 1, 2008 – Mar. 31, 2009)
1. On February 12, 2008, the Board of Directors approved a resolution to purchase newly issued stock of equity-method affiliate KITAMURA PC DEPOT CORPORATION. This stock was purchased on April 2, 2008 at a cost of 120 million yen. (1) Profile of KITAMURA PC DEPOT 1) Capital Before the capital increase: 10,000,000 yen After the capital increase: 160,000,000 yen 2) Ratio of the Company's investment Before the capital increase: 40% After the capital increase: 40% (2) Description of capital increase at KITAMURA PC DEPOT 1) Number of shares outstanding: 6,000 common shares 2) Issuing method: Rights offering 3) Issue price: 50,000 yen per share 4) Total payment amount: 300,000,000 yen 5) Amount credited to capital: 150,000,000 yen 6) Payment date: April 2, 2008 7) Amount of capital after capital increase: 160,000,000 yen 8) Number of shares outstanding after capital increase: 6,200 9) Purpose of capital increase: Business fund	On May 12, 2009, the Board of Directors approved a resolution to terminate the retirement benefit program for directors and corporate auditors at the conclusion of the Ordinary General Shareholders' Meeting to be held on June 18, 2009.

6. Other

(1) Change in directors

1) Change in representative director

Not applicable.

2) Change in other directors (effective June 18, 2009)

Candidates for directors

Director: Hidehiro Takayama (outside director)

Director: Hideaki Izawa (outside director)

Retiring director

Director: Mitsushi Nishiyama (current General Manager of Store Development Department)

Retiring corporate auditor

Auditor: Hiroyuki Kuboda

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.