May 10, 2013

Summary of Financial Results for the Fiscal Year Ended March 31, 2013 [Japanese standards] (Consolidated)

Company Name: PC DEPOT CORPORATION
Securities Code: 7618
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Scheduled date of Ordinary General Shareholders Meeting: June 25, 2013
Scheduled date of Annual Securities Report filing: June 26, 2013
Scheduled date of dividend payment: June 26, 2013
Preparation of supplementary references for these Financial Results Yes
Holding of a briefing on these financial results Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2013 (April 1, 2012 – March 31, 2013)

(1) Consolidated operating results (% Figures indicate year-on-year increase/decrease.)

	Net sales		Operating income		Ordinary income		Net income	
	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%
Fiscal year ended March 31, 2013	51,353	3.3	876	58.3	933	30.1	445	59.0
Fiscal year ended March 31, 2012	49,693	5.9	553	(59.5)	717	(52.5)	280	(62.0)

Note: Comprehensive income Fiscal year ended Mar. 31, 2013: 455 mil. yen (56.4%)
Fiscal year ended Mar. 31, 2012: 291 mil. yen (- %)

	Net inc. per share	Diluted net inc. per share	Return on equity	Ord. inc. (total assets)	Oper. inc. (net sales)
)	Mil. yen	Mil. yen	%	%	%
Fiscal year ended Mar. 31, 2013	2,038.35	2,030.80	4.6	4.0	1.7
Fiscal year ended Mar. 31, 2012	1,275.62	1,272.33	3.0	3.3	1.1

Reference: Equity in income (losses) of affiliates Fiscal year ended Mar. 31, 2013: (1) mil. yen
Fiscal year ended Mar.31, 2012: (0) mil. yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Mil. yen	Mil. yen	%	Yen
Fiscal year ended Mar. 31, 2013	22,933	9,774	42.5	44,595.65
Fiscal year ended Mar. 31, 2012	23,238	9,563	40.7	43,231.08

Reference: Shareholder equity: As of Mar. 31, 2013: 9.756 bil. yen
As of Mar. 31, 2012: 9.458 bil. yen

(3) Consolidated Cash Flow

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	Mil. yen	Mil. yen	Mil. yen	Mil. yen
Fiscal year ended Mar. 31, 2013	1,597	(994)	295	2,982
Fiscal year ended Mar. 31, 2012	(635)	(2,537)	2,751	2,083

2. Dividends

	Annual dividend per share					Total dividends (Annual)	Dividend payout ratio (Consolidated)	DOE (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Mil. yen	%	%
Fiscal year ended Mar. 31, 2012	—	350.00	—	350.00	700.00	154	54.9	1.6
Fiscal year ended Mar. 31, 2013	—	350.00	—	350.00	700.00	153	34.3	1.6
Fiscal year ending Mar.31, 2014 (forecast)	—	350.00	—	350.00	700.00		—	

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2014 (April 1, 2013 – March 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%	Yen
First half	22,500	(2.8)	370	85.1	400	53.2	250	164.5	1,142.69
Full year	51,400	0.1	1,140	30.1	1,200	28.6	700	57.0	3,199.53

***Notes**

(1) Were there changes in important subsidiaries during the period (changes in specific subsidiaries resulting in modifications of the scope of consolidation): No
New companies: - (Company name)
Excluded companies - (Company name)

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

(3) Number of outstanding shares (common shares)
1) Number of shares issued and outstanding as of the end of the period (including treasury stock)
As of Mar. 31, 2013: 225,020 shares
As of Mar. 31, 2012: 225,020 shares
2) Number of shares of treasury stock as of the end of the period
As of Mar. 31, 2013: 6,238 shares
As of Mar. 31, 2012: 6,238 shares
3) Average number of shares outstanding during the period
Fiscal year ended Mar. 31, 2013: 218,782 shares
Fiscal year ended Mar. 31, 2012: 219,912 shares

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2013 (April 1, 2012-March 31, 2013)

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

	Net sales		Operating income		Ordinary income		Net income	
	Mil. yen	%	Mil. yen	%	Mil. yen	%	Mil. yen	%
Fiscal year ended Mar. 31, 2013	42,879	(3.4)	617	54.6	780	17.2	375	(8.5)
Fiscal year ended Mar. 31, 2012	44,397	5.4	399	(62.1)	665	(47.6)	409	(35.8)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2013	1,714.38	1,708.03
Fiscal year ended Mar. 31, 2012	1,863.88	1,859.07

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Mil. yen	Mil. yen	%	Yen
Fiscal year ended Mar. 31, 2013	20,980	8,332	39.6	38,002.84
Fiscal year ended Mar. 31, 2012	21,347	8,099	37.9	36,962.24

Reference: Shareholder equity: As of Mar. 31, 2013: 8,314 mil. yen
As of Mar. 31, 2012: 8,086 mil. yen

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

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

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

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

We will present our financial results on Friday, May 31, 2013. We will post the materials used in the presentation as well as question-and-answer session on the following website at a later date: http://www.pcdepot.co.jp/co_ir/index.html/.

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1. Operating Results and Financial Condition

(1) Analysis of operating results

(Operating results for the current term)

In the consolidated fiscal year under review (April 1, 2012 to March 31, 2013), while the Japanese economy continued to recover slowly due to the government's economic policy (e.g., post-earthquake projects related to reconstruction), consumer spending remained steady. During the second half of the year, the nation's expectations for an economic recovery rose as anticipation for an active easy-money policy lifted stock prices. Still, the future of the overall economy remained uncertain primarily because of the effects of the financial turmoil in European nations and rising oil prices as well as concerns related to the worsening employment situation.

Over-the-counter sales of devices that can be connected to the Internet (Internet devices) such as PCs continued to be strong as many new tablet devices (portable multi-function devices) entered the market. At the same time, there was only limited demand for Windows 8, which Microsoft released in October 2012, for several reasons. One reason was that the price of PCs with Windows 7 fell prior to the release of Windows 8. Another reason was that a full assortment of products making the most of Windows 8's strengths was not yet available upon its release.

Against this backdrop, we continued to operate both PC DEPOT, a group of specialized stores that sell general PC and network equipment, and PC DEPOT PC Clinics, which provides PC repair and technical services as well as support via specialized stores on the premises of other mass retailers. The total number of both types of stores is now 111. Eight stores were newly opened within one year during the current year, leading to a 107.4% increase in selling, general, and administrative expenses as compared to the previous fiscal year. Sales of services grew by 121.1% over those of the previous year because of the inclusion of the Tohoku and Chubu regions as sales territories and because of the wider range of service offered to Premium Service subscribers.

As a result of the above, the Group's net sales increased by 3.3% year-on-year (YoY) to 51.353 billion yen. Operating income was 876 million yen (up 58.3% YoY), ordinary income was 933 million yen (up 30.1% YoY), and net income was 445 million yen (up 59.0% YoY). Thus operating income, ordinary income, and net income all grew substantially compared to the previous fiscal year.

Operating results per business segment are as follows:

1) PC Sales Business

As for Internet devices, the value of PCs sold grew by 102.2% compared to the previous fiscal year, and the number of PCs sold jumped 123.8%. Sales of tablets such as Apple's iPad and iPad mini, Google's Nexus 7, and Amazon's Kindle series continued to be strong. Demand for Windows 8, which Microsoft released in October 2012, was limited mainly because the price of PCs with Windows 7 fell prior to the release of Windows 8 and because a full assortment of products making the most of Windows 8's strengths was not yet available upon its release.

Mainly due to the falling unit prices of major products, sales at stores dropped 93.6% and the number of visitors dropped 91.0% compared to the previous fiscal year.

In terms of services, as the number of tablet devices and smartphones owned per customer increased due to the wider range of such products now available, we strove to upgrade our support system so that our customers could use their new devices more conveniently, mainly by shifting away from PC-focused support and by increasing the number of customer devices covered by our services from three to six.

We also strove to provide services to stimulate latent demand and increase the number of Premium Service subscribers chiefly by acting as an agent that sells subscriptions and configures devices for connecting to Asahi Shimbun Digital (the electronic version of a major national newspaper) and the NHK on Demand video service (paid monthly) as well as newly handling the digital version of the Weekly Toyo Keizai and President magazines, both of which can now be read on tablet devices.

In terms of store development, we opened three new PC DEPOT stores: the Takamatsu Higashi Bypass Store (in Kagawa Prefecture, operated by a subsidiary) and the Kannana Okudo Store (in Tokyo's Katsushika Ward, operated directly by us) in April and the Tokaichiba Store (in the City of Yokohama, Kanagawa Prefecture, operated directly by us) in June. Also in June, we closed two stores in Iwate Prefecture, consolidating them to open the Morioka Honten (in Iwate Prefecture, operated by a subsidiary), the largest general PC and network store in the Tohoku region. In August, the Iizuka Hanase Store (in Fukuoka Prefecture, operated by a subsidiary) was closed, and in September, the Iizuka Akimatsu Store (in Fukuoka Prefecture, operated by a subsidiary) was opened. PC DEPOT PC Clinics, which provides PC repair and technical services and support via stores on the premises of other mass retailers, opened three new directly managed stores.

At the end of the current consolidated fiscal year, there were 66 PC DEPOT stores: 50 directly managed by us, 11 operated by subsidiaries, and 5 operated as franchises. PC DEPOT PC Clinics had 57 stores: 49 stores directly managed by the company, 1 store operated by a subsidiary independently on a trial basis, and 7 franchise stores. Thus, there were 123 PC DEPOT and PC DEPOT PC Clinic stores in total.

As a result of the above, net sales for the PC sales business were 49.595 billion yen (up 3.6% YoY) and ordinary income for the segment was 781 million yen (up 34.2% YoY).

2) Internet-related Business

Sales for the Internet-related Business fell below those of the previous year due to a decline in the number of Internet service subscribers. From the beginning of the fiscal year, closer cooperation among the group companies was established to strengthen the backup and service sales systems related to the Group-provided Premium Service. Partly because of this, services outsourced to group companies grew after the second quarter, which was partially responsible for the growth in income for the segment.

As a result of the above, net sales for the Internet-related business were 1.758 billion yen (down 4.5% YoY) and ordinary income for the segment was 158 million yen (up 4.1% YoY).

(Forecast for the next fiscal year)

Despite expectations for the new administration’s economic policy, recovering corporate performance backed by the low valuation of the yen, high stock prices, and other factors in addition to signs of a pickup in consumer spending, concerns remain that the employment situation and income environment may deteriorate in the future, and therefore the Group’s performance for the next fiscal year cannot be predicted with confidence.

Against this backdrop, tablets, smartphones, and other Internet devices continue to spread steadily, and latent demand for services that enable consumers to use such devices well is expected to grow. As Microsoft plans to terminate support for Windows XP in April 2014, some replacement demand is expected to arise from the many home PCs still running Windows XP.

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

In terms of store development, we will revitalize our existing stores because sales of services at such stores are expected to increase as demand for services grows, mainly due to the diversification of Internet devices. In order to ensure strategic dominance in the Kanto region, we will flexibly develop new PC DEPOT and PC DEPOT PC Clinic stores by taking investment and demand into consideration.

Our basic CSR policy defines our mission as using our stores to eliminate the disparities in the information society (bridging the so-called “digital divide”) that arise as a result of differences in age, gender, income, education, place of residence, and other factors in order to benefit the local customers whom we serve. In accordance with this policy, we will promote the corporate management in view of CSR and we will expand our network of stores, improve our products and services, and increase the level of safety of Internet devices and Internet data networks. In this way, we will promote group management from a CSR perspective.

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

Our consolidated earnings forecast for the entire fiscal year ending March 2014 is as follows:

Consolidated net sales: 51.4 billion yen (up 0.1% compared to the previous year)

Consolidated operating income: 1.14 billion yen (up 30.1%)

Consolidated ordinary income: 1.2 billion yen (up 28.6%)

Net income for the year: 700 million yen (up 57.0%)

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

(2) Analysis of financial condition

1) Summary of the current fiscal year

Total assets as of the end of the current consolidated fiscal year fell by 304 million yen compared to the end of the previous year to 22.933 billion yen. Total liabilities fell by 514 million yen to 13.159 billion yen. Net working capital (the amount obtained by subtracting current liabilities from current assets) totaled 4.982 billion yen, indicating continued financial soundness.

Total capital investments made during the current consolidated fiscal year totaled 1.016 billion yen; major investments involved capital expenditures for the Morioka Honten, Tokaichiba Store, and Kannana Okudo Store. These investments were covered by our own funds and loans.

2) Cash flow

Consolidated cash and cash equivalents during the current consolidated fiscal year increased by 899 million yen compared to the previous fiscal year to 2.982 billion yen (compared to a decrease of 421 million yen for the previous year).

Cash flow from operating activities increased by 1.597 billion yen (compared to a decrease of 635 million yen for the previous fiscal year). Positive factors included a pre-tax net income of 833 million yen, depreciation expenses of 728 million yen, amortization of goodwill valued at 259 million yen, and a decrease in inventory assets of 1.299 billion yen. Negative factors included payment of corporate and other taxes totaling 287 million yen, an increase in accounts receivable of 479 million yen, and a decrease in accounts payable of 1.418 billion yen.

Cash flow from investment activities decreased to 994 million yen (compared to a decrease of 2.537 billion yen for the previous year) due to an expenditure of 979 million yen associated with the acquisition of fixed assets.

Cash flow from financial activities increased by 295 million yen (compared to an increase of 2.751 billion yen for the previous fiscal year). Positive factors included income of 30.25 billion yen due to short-term loans, while negative factors included an expenditure of 29.8 billion yen due to the repayment of short-term loans.

Reference: Trends in cash flow indicators

	FY2009	FY 2010	FY2011	FY2012	FY2013
Shareholder equity ratio (%)	51.9	47.7	47.4	40.7	42.5
Shareholder equity ratio based on market value (%)	20.8	29.7	22.2	19.4	21.4
Interest-bearing debt to cash flow ratio (yrs.)	0.7	18.7	4.0	-	4.9
Interest coverage ratio (multiplier)	176.5	4.7	21.7	-	17.1

The above figures have been calculated as follows:

Shareholder equity ratio: Shareholder equity/Total assets

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

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

Interest coverage ratio: Operating cash flow/Interest payments

Notes:
1. All indices are calculated based on consolidated figures.
2. Market capitalization is calculated based on the number of shares outstanding (excluding treasury stock).
3. Cash flow is calculated using the figures for operating cash flow.
4. Interest-bearing debt includes all interest-incurring debt on the consolidated balance sheets.
5. The interest-bearing debt to cash flow ratio and interest coverage ratio for FY2012 are not listed because operating cash flow was negative.

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

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

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

In accordance with the above policy, based on the surplus at the end of the current term, we will pay a dividend of 350 yen per share as initially planned. As a result, the annual dividend will be 700 yen per share (including the interim dividend of 350 yen), and the payout ratio will be 34.3%.

As for dividends paid out of the surplus for the next period, while we plan to pay an interim dividend of 350 yen and a year-end dividend of 350 yen (for an annual dividend of 700 yen), in consideration of the necessity of enriching retained earnings in preparation for future business expansion, the payout ratio and dividends, etc. may be revised depending on our business performance.

In order to further improve our business performance, we will allocate our retained earnings to strengthen our financial structure and implement projects such as opening new PC DEPOT stores and renovating existing stores, opening new PC DEPOT PC Clinic stores, and developing systems for new services such as the Premium Service.

(4) Business risks

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

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

1) Business performance

I. PC Sales

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

II. Competition

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

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

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

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

IV. ISP

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

V. Hike in the sales tax

Some of our services are billed monthly or annually in accordance with contracts concluded with customers. Since the second half of 2012, we have displayed prices without including sales tax when selling our products, but before that time, the prices we displayed included the tax. If the sales tax rate is revised and we become unable to pass on the increase in the tax rate through our prices for some reason, the Group's business performance may be affected.

VI. Uncollectable accounts receivable

As part of our Premium Service, we lend equipment to subscribers and sell devices on installment plans; in the MVNO business (data communications service), we sell information terminals on installment plans. Since accounts receivable increase as such products and services are sold, we are paying close attention to growth in such sales by stepping up management of accounts receivable. However, if there are more delinquent accounts receivable than expected that cannot be recovered, our business performance may be affected.

VII. Franchise credit losses

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

VIII. Proprietary brand products

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

2) Store openings

I. New store openings

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

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

II. Store closings

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

III. Store leases

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

IV. Changes to PC DEPOT PC Clinics stores within retailers

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

V. Restrictions on opening stores in areas near franchise stores

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

VI. Franchise store closings

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

3) Business structure

I. Dependence on the company president

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

II. Human resources

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

III. Diversification of Internet devices (products connected to the Internet)

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

IV. Software used to provide technical services and support

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

Delays in developing and providing these service offerings, or difficulties in providing service offerings due to decisions to suspend or terminate sales of related content after having marketed them may affect our business performance.

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

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

VI. Charges for the Premium Service

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

VII. MVNO

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

VIII. Service offerings

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

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

Customers entrust us with their PCs at our stores so that we may perform diagnoses and repair services in order to support them .

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

4) System failures

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

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

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

5) Legal regulations

I. Large-scale Retail Stores Location Law

Our PC DEPOT stores are located along main roads, and their area is between 500-1,000 tsubo (1,650-3,300 m2). When a store with a selling floor area of more than 1,000 m2 (approx. 300 tsubo) is opened or expanded, the law may impose restrictions.

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

II. Other

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

6) Brand

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

7) Similar business models

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

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

8) Internal administrative system

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

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

9) Personal information protection

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

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

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

10) M&A

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

11) Litigation

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

12) Administrative action

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

13) Natural disasters

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

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

In order to prepare for natural disasters, we will strengthen our crisis management system mainly by reviewing our disaster response manuals and through seismic retrofitting of our stores.

14) Domestic outbreak of infections (e.g., new strains of influenza)

There is a possibility that a global pandemic of seasonal influenza, a new strain of influenza, or another such infectious disease may occur. If the number of people infected in Japan increased to a dangerous level, some stores operated by the Group—and possibly our entire network of stores—may have to suspend their operations. In addition, subsidiaries might be unable to operate their businesses for a certain period of time. Such a situation could have major impacts on the Group's business performance.

2. Status of the Corporate Group

(1) Main business operations

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

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

1) PC Sales Business

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

At the end of the current consolidated fiscal year, we had a total of 66 PC DEPOT stores nationwide: 50 directly managed stores in Kanagawa, Tokyo, Chiba, Saitama, Shizuoka, Gunma, Tochigi, and Ibaraki Prefectures; 11 stores run by our subsidiary, PC DEPOT Stores, in the Kyushu, Chubu, Tohoku, and Shikoku regions; and 5 franchise stores in the Kinki and Chugoku regions.

In addition, at the end of the current consolidated fiscal year, we had a total of 57 PC DEPOT PC Clinic stores (booths that provide technical services and support for PC users) on the premises of volume electronics retailers: 49 directly managed stores; 1 store run by our subsidiary, PC DEPOT Stores, independently on a trial basis; and 7 franchise stores.

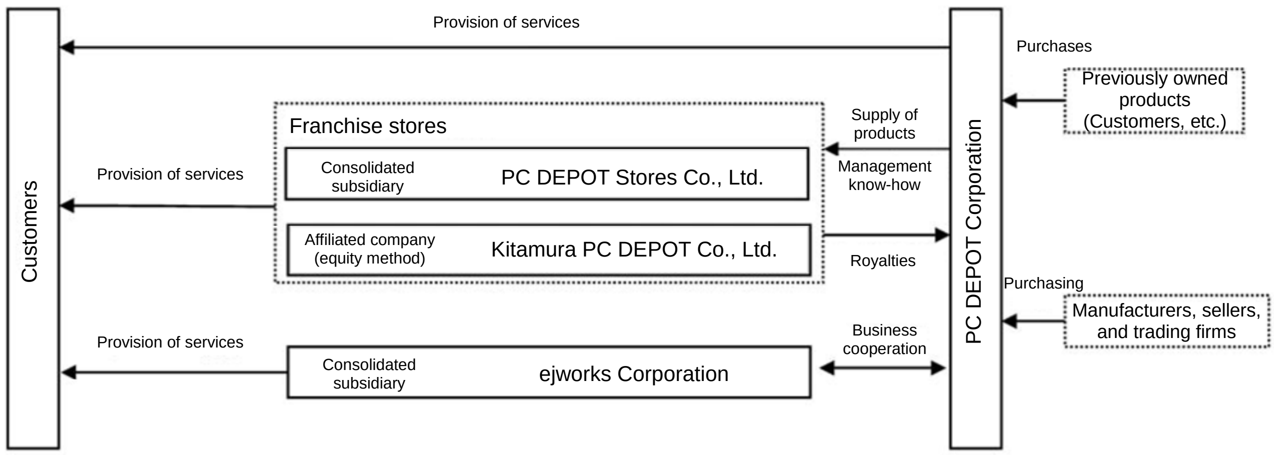
Net sales for the Group consist of the sales of directly managed stores and revenue from royalties paid by franchise stores; net sales do not include sales from products supplied to franchise stores.

2) Internet-related Business

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

[Business system chart]

The foregoing is illustrated on the following business system chart.



(Status of affiliated companies)

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

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

3. Management policy

(1) Basic management policies

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

Based on these basic policies, as a comprehensive PC and network big box retailer, the Company aims to develop stores that satisfy customers by providing a lineup of merchandise that meet the needs primarily of home users, from beginners to advanced users, and by building stores that are the largest in their respective regions. In addition, while using PCs or other Internet devices, many problems can arise such as breakdowns, virus infections, and data loss, in addition to the need to configure various settings. In order to meet demand for specialized technical services and offer support to resolve such problems, we have set up permanent PC Clinics in all of our stores to improve the levels of safety of our customers' PCs, Internet access, data, and networks.

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

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

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

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

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

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

(2) Performance targets

The policy of the Group is to improve capital efficiency, productivity, and profitability by increasing ROA (return on assets) while emphasizing the interests of our shareholders. Based on this policy, we aim to maintain an ROE (return on equity) of 8% or more.

(3) Medium- to long-term business strategy

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

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

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

(4) Challenges

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

1) Expansion of solution-oriented sales

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

2) Expansion of our network of stores

Customer needs are diversifying as a result of an increasing number of Internet-connected non-PC products, such as smartphones and tablets. In order to meet such needs to the maximum possible extent, we aim to open new PC DEPOT stores in a way that allows us to achieve strategic dominance in target regions, step up store development within volume electronics stores using the scrap-and-build method, and promote development of PC DEPOT PC Clinic stores through direct management and franchising. In this manner, we will strive to expand our network of stores in order to provide IT environments that enable local customers to use their PCs and access the Internet with a sense of security.

3) Increasing the level of safety of store operations

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

Accordingly, the headquarters Cyber Sheriff Center (store risk control section) patrols stores across the nation (visual patrols conducted via in-store cameras over broadband connections).

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

4) Quality management of stores

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

5) Securing of human resources for expansion of our network of stores

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

6) Fortification of organizational strength to support business expansion

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

7) Promotion of corporate social responsibility (CSR) activities

We operate a chain of comprehensive PC and network specialized stores, and believe that we must keep in mind our social mission and carry out business administration from the viewpoint of CSR. Our basic CSR policy is to use our stores to eliminate the disparities in the information society (bridging the so-called "digital divide") that arise as a result of differences in age, gender, income, education, place of residence, and other factors, and our mission is to realize it through the stores.

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

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(Thousands of yen)

	FY2011 (As of Mar. 31, 2012)	FY2012 (As of Mar. 31, 2013)
Assets		
Current assets		
Cash and deposits	2,083,068	2,982,430
Accounts receivable- trade	3,619,741	4,098,813
Inventories	*1 7,285,693	*1 5,986,284
Accounts receivable- other	*2 461,697	*2 305,257
Sales taxes receivable	30,185	—
Deferred tax assets	192,112	217,761
Other	559,637	465,537
Allowance for doubtful accounts	(46,520)	(64,542)
Total current assets	14,185,616	13,991,542
Non-current assets		
Property, plants and equipment		
Buildings and structures	5,479,796	6,016,530
Accumulated depreciation	(1,361,012)	(1,769,209)
Buildings and structures- net	4,118,484	4,247,321
Tools, furniture and fixtures	1,848,260	1,958,847
Accumulated depreciation	(1,356,991)	(1,487,122)
Tools, furniture and fixtures- net	491,269	471,724
Land	263,011	263,011
Construction in progress	68,667	91,442
Other	1,910	1,910
Accumulated depreciation	(1,780)	(1,814)
Other- net	129	95
Total property, plants and equipment	4,941,561	5,073,594
Intangible assets		
Goodwill	406,648	155,339
Other	301,364	362,767
Total intangible assets	708,013	518,107
Investments and other assets		
Investment securities	*3 283,093	*3 290,047
Deferred tax assets	169,627	228,872
Guarantee deposits	1,466,773	1,387,660
Lease deposits	1,272,342	1,268,206
Other	211,155	175,895
Total investments and other assets	3,402,993	3,350,681
Total non-current assets	9,052,567	8,942,384
Total assets	23,238,183	22,933,926

(Thousands of yen)

	FY2011 (As of Mar. 31, 2012)	FY2012 (As of Mar. 31, 2013)
Liabilities		
Current liabilities		
Accounts payable- trade	3,506,108	2,087,529
Short-term loans payable	2,100,000	2,550,000
Current portion of long-term loans payable	1,518,264	1,849,608
Accounts payable- other	*2 1,084,150	*2 886,250
Income taxes payable	129,439	333,804
Provision for bonuses	156,108	163,335
Provision for merchandise warranties	70,854	77,735
Other	660,221	1,061,176
Total current liabilities	9,225,147	9,009,438
Non-current liabilities		
Long-term loans payable	3,809,574	3,479,993
Long-term accounts payable- other	121,954	122,760
Provision for retirement benefits	5,706	11,682
Provision for directors' retirement benefits	28,284	—
Asset retirement obligations	341,417	391,370
Long-term guarantee deposits	142,190	144,031
Total non-current liabilities	4,449,126	4,149,837
Total liabilities	13,674,274	13,159,276
Net assets		
Shareholder equity		
Capital stock	1,601,196	1,601,196
Capital surplus	1,868,598	1,868,598
Retained earnings	6,110,861	6,403,667
Treasury stock	(151,298)	(151,298)
Total shareholder equity	9,429,358	9,722,165
Other comprehensive income		
Valuation difference on available-for-sale securities	28,823	34,559
Total other comprehensive income	28,823	34,559
Subscription rights to shares	13,304	17,924
Minority interests	92,423	—
Total net assets	9,563,909	9,774,649
Total liabilities and net assets	23,238,183	22,933,926

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

(Thousands of yen)

	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)	FY2012 (Apr.1, 2012 – Mar. 31, 2013)
Net sales	49,693,002	51,353,958
Cost of sales	*1 34,936,952	*1 35,219,237
Gross profit	14,756,050	16,134,721
Selling, general and administrative expenses		
Advertising expenses	1,699,923	1,644,017
Sales commissions	521,840	546,283
Directors' compensation	134,653	126,676
Salaries and allowances	4,360,537	4,800,448
Bonuses	330,705	365,097
Provision for bonuses	156,108	163,335
Retirement benefit expenses	53,853	59,212
Provision for directors' retirement benefits	4,166	842
Supplier expenses	563,675	534,365
Depreciation	669,947	701,865
Amortization of goodwill	296,665	259,097
Rent expenses on real estate	2,065,350	2,234,636
Other	3,345,004	3,822,330
Total selling, general and administrative expenses	14,202,434	15,258,209
Operating income	553,615	876,511
Non-operating income		
Interest income	7,307	2,844
Dividends income	3,214	3,775
Sales incentives	125,021	74,089
Rent income	89,601	117,056
Commission fees	38,167	38,236
Other	50,363	75,801
Total non-operating income	313,676	311,803
Non-operating expenses		
Interest expenses	71,131	94,219
Rent expenses	76,371	97,166
Equity in losses of affiliates	364	1,950
Commissions paid	271	56,475
Other	2,009	5,436
Total non-operating expenses	150,147	255,248
Ordinary income	717,143	933,065
Extraordinary income		
Gains from business transfers	—	41,721
Other	405	766
Total extraordinary income	405	42,487

(Thousands of yen)

	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)
Extraordinary losses		
Losses on sales of investment securities	1,540	—
Impairment losses	*3 9,468	*3 96,738
Losses on retirement of non-current assets	*2 61,944	*3 39,747
Income cancellation penalties, etc.	15,787	—
Losses from casualties	*4 4,065	—
Other	—	5,904
Total extraordinary losses	92,807	142,390
Income before income taxes and minority interests	624,742	833,162
Income taxes- current	351,265	471,260
Income taxes- previous year	34,840	—
Income taxes- deferred	(46,303)	(88,062)
Total income taxes	339,801	383,198
Income before minority interests	284,940	449,964
Minority interests in income	4,415	4,010
Net income	280,525	445,954

(Consolidated comprehensive statement of income)

(Thousands of yen)

	FY2011 (Apr. 1, 2011 – Mar .31, 2012)	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)
Income before minority interests	284,940	449,964
Other comprehensive income		
Valuation difference in available-for-sale securities	6,369	5,736
Total other comprehensive income	6,369	5,736
Comprehensive income	291,309	455,701
(Breakdown)		
Comprehensive income related to parent company shareholders	286,894	451,690
Comprehensive income related to minority shareholders	4,415	4,010

(3) Consolidated statement of changes in net assets

(Thousands of yen)

	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)	FY2012 (Apr. 1, 2012 –Mar. 31, 2013)
Shareholder equity		
Capital stock		
Balance at the end of the previous period	1,601,196	1,601,196
Changes in items during the period		
Total changes in items during the period	–	–
Balance at the end of the current period	1,601,196	1,601,196
Capital surplus		
Balance at the end of the previous period	1,868,598	1,868,598
Changes in items during the period		
Total changes in items during the period	–	–
Balance at the end of the current period	1,868,598	1,868,598
Retained earnings		
Balance at the end of the previous period	5,984,350	6,110,861
Changes in items during the period		
Dividends from surplus	(154,014)	(153,147)
Net income	280,525	445,954
Total changes in items during the period	126,511	292,806
Balance at the end of the current period	6,110,861	6,403,667
Treasury stock		
Balance at the end of the current period	(125,595)	(151,298)
Changes in items during the period		
Purchase of treasury stock	(25,703)	–
Total changes in items during the period	(25,703)	–
Balance at the end of the current period	(151,298)	(151,298)
Total shareholder equity		
Balance at the end of the previous period	9,328,550	9,429,358
Changes in items during the period		
Dividends from surplus	(154,014)	(153,147)
Net income	280,525	445,954
Purchase of treasury stock	(25,703)	–
Total changes in items during the period	100,807	292,806
Balance at the end of the current period	9,429,358	9,722,165

(Thousands of yen)

	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)
Other accumulated comprehensive income		
Valuation difference in available-for-sale securities		
Balance at the end of the previous period	22,454	28,823
Changes in items during the period		
Net changes in items other than shareholder equity	6,369	5,736
Total changes in items during the period	6,369	5,736
Balance at the end of the current period	28,823	34,559
Total other accumulated comprehensive income		
Balance at the end of the previous period	22,454	28,823
Changes in items during the period		
Net changes in items other than shareholder equity	6,369	5,736
Total changes in items during the period	6,369	5,736
Balance at the end of the current period	28,823	34,559
New share subscription rights		
Balance at the end of the previous period	9,987	13,304
Changes in items during the period		
Net changes in items other than shareholder equity	3,316	4,620
Total changes in items during the period	3,316	4,620
Balance at the end of the current period	13,304	17,924
Minority interests		
Balance at the end of the previous period	172,142	92,423
Changes in items during the period		
Net changes in items other than shareholder equity	(79,718)	(92,423)
Total changes in items during the period	(79,718)	(92,423)
Balance at the end of the current period	92,423	—
Total net assets		
Balance at the end of the previous period	9,533,134	9,563,909
Changes in items during the period		
Dividends from surplus	(154,014)	(153,147)
Net income	280,525	445,954
Purchase of treasury stock	(25,703)	—
Net changes in items other than shareholder equity	(70,033)	(82,066)
Total changes in items during the period	30,774	210,739
Balance at the end of the current period	9,563,909	9,774,649

(4) Consolidated statements of cash flow

(Thousands of yen)

	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)
Cash flow from operating activities		
Income before income taxes	624,742	833,162
Depreciation and amortization	715,717	728,668
Amortization of goodwill	296,665	259,097
Increase (decrease) in allowance for doubtful accounts	19,956	18,021
Increase (decrease) in provision for bonuses	37,861	7,226
Increase (decrease) in provision for directors' retirement benefits	4,166	(28,284)
Increase (decrease) in provision for retirement benefits	5	5,976
Losses (gains) on sales of investment securities	1,540	—
Increase (decrease) in provision for merchandise warranties	16,299	6,881
Interest and dividend income	(10,522)	(6,620)
Interest expenses	71,131	94,219
Foreign exchange losses (gains)	98	(1,038)
Equity in (earnings) losses of affiliates	364	1,950
Impairment losses	9,468	96,738
Retirement non-current expenses	61,944	39,747
Gains (losses) from businesses transfers (△ for gains)	—	(41,721)
Decrease (increase) in notes and accounts receivable- trade	(1,087,028)	(479,071)
Decrease (increase) in inventories	(1,785,627)	1,299,409
Decrease (increase) in accounts receivable- other	84,645	167,076
Increase (decrease) in notes and accounts payable- trade	1,085,322	(1,418,579)
Increase (decrease) in accounts payable- other	41,441	(225,738)
Decrease (increase) in other assets	(155,615)	123,751
Increase (decrease) in other liabilities	45,382	408,386
Other	37,167	84,807
Subtotal	115,128	1,974,068
Interest and dividend income received	7,207	3,929
Interest expenses paid	(71,552)	(93,287)
Income taxes paid	(686,765)	(287,452)
Net cash provided by (used in) operating activities	(635,981)	1,597,258

(Thousands of yen)

	FY2011 (Apr. 1, 2011 – Mar. 31, 2012)	FY2012 (Apr. 1, 2012 – Mar. 31, 2013)
Cash flow from investment activities		
Purchases of property, plants and equipment	(1,691,921)	(844,602)
Purchases of intangible assets	(140,298)	(135,078)
Proceeds from sales of investment securities	4,759	—
Purchases of investments in subsidiaries	(72,100)	(160,200)
Income from business transfers	—	41,721
Payments for leases and guarantee deposits	(201,010)	(15,832)
Proceeds from collection of leases and guarantee deposits	134,664	104,922
Repayment of guarantee deposits received	(510,158)	(10,158)
Proceeds from guarantee deposits received	5,000	12,000
Other	(66,697)	12,563
Net cash provided by (used in) securities investment	(2,537,764)	(994,664)
Cash flow from financing activities		
Increase in short-term loans payable	19,300,000	30,250,000
Decrease in short-term loans payable	(17,900,000)	(29,800,000)
Proceeds from long-term loans payable	2,700,000	1,700,000
Repayment of long-term loans payable	(1,135,909)	(1,698,237)
Payments for purchases of treasury stock	(25,703)	—
Cash dividends paid	(153,744)	(155,534)
Cash dividends paid to minority shareholders	(32,733)	(497)
Net cash provided (used in) financing activities	2,751,909	295,730
Effect of exchange rate changes on cash and cash equivalents	(98)	1,038
Net increase (decrease) in cash and cash equivalents	(421,935)	899,362
Cash and cash equivalents at the beginning of the period	2,505,003	2,083,068
Cash and cash equivalents at the end of the period	2,083,068	2,982,430

(Sales by product)

(Segment) Product category	Previous consolidated fiscal year (April 1, 2011 to March 31, 2012)		Current consolidated fiscal year (April 1, 2012 to March 31, 2013)		YoY change (%)
	Amount (yen)	Pct. of sales (%)	Amount (yen)	Pct. of sales (%)	
(PC sales business)					
PCs	12,502,486	25.2	12,771,408	24.9	102.2
Peripherals	10,573,051	21.3	11,016,066	21.5	104.2
Accessories and supplies	5,009,492	10.1	4,845,933	9.4	96.7
Software	1,255,611	2.5	1,393,895	2.7	111.0
Previously owned products and other	6,577,656	13.2	5,397,869	10.5	82.1
Total product sales	35,918,297	72.3	35,425,173	69.0	98.6
Royalties and other revenue	372,937	0.8	170,153	0.3	45.6
Sales from technical services and commissions	11,559,623	23.3	14,000,235	27.3	121.1
Total	47,850,858	96.3	49,595,562	96.6	103.6
(Internet-related business]	1,842,143	3.7	1,758,396	3.4	95.5
Grand total	49,693,002	100.0	51,353,958	100.0	103.3

(Notes) 1. The above amounts do not include sales tax, etc.
2. Inter-segment transactions are written off by offsetting.
3. Sales of franchise stores from which royalties and other revenues are earned total 3,007,128,000 yen.