

Non-Consolidated Financial Report for the six months ended June 30, 2010

August 6, 2010

Company name: Otsuka Kagu, Ltd.
 Ticker symbol number: 8186
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Date of commencement of dividend payment: -

Availability of supplementary briefing material on quarterly results: Available

Schedule of quarterly results briefing session: Planned

1. Non-Consolidated Financial Performance for the six months ended June 30, 2010

(1) Results of operations

(Any amount less than a million yen is discarded.)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2010	28,574	(4.4)	102	—	231	—
Six months ended June 30, 2009	29,895	(15.4)	(403)	—	(312)	—

	Net income		Net income per share (basic)	Net income per share (diluted)
	Millions of yen	%	Yen	Yen
Six months ended June 30, 2010	144	—	7.45	—
Six months ended June 30, 2009	(708)	—	(36.52)	—

Note: The percentages represent changes from the six months ended June 30, 2009

(2) Financial position

(Any amount of less than a million yen is discarded.)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2010	42,790	33,920	79.3	1,748.51
As of December 31, 2009	43,707	34,655	79.3	1,786.41

Reference: An owned capital (Net assets - Treasury stock - Deferred hedge profit (loss)) (Millions of yen)

Six months ended June 30, 2010: 33,920

Year ended December 31, 2009: 34,655

2. Dividends

	Cash dividends per share (yen)				
	End of first quarter	End of second quarter	End of third quarter	Year-end	For the year
Year ended December 31, 2009	—	0.00	—	40.00	40.00
Year ending December 31, 2010	—	0.00	—	—	—
Year ending December 31, 2010 (forecast)			—	40.00	40.00

Note: Revision to the dividend forecast: None

3. Forecast of Non-Consolidated Financial Performance for Fiscal 2010 (From January 1, 2010, to December 31, 2010)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ending December 31, 2010	59,041	1.9	151	—	289	—

	Net income		Net income per share (basic)	
	Millions of yen	%	Yen	
Year ending December 31, 2010	39	—	2.05	

4. Others

(1) Adoption of simplified accounting methods and special accounting treatment: Yes

Note: This refers to whether or not simplified accounting methods and special accounting treatment for preparation of non-consolidated financial statements for the six months ended June 30, 2010 are adopted.

(2) Changes in the principles and procedures of accounting, and the presentation

a. Changes resulted from the amendment of accounting standards: None

b. Changes other than the above change: None

Note: This refers to whether or not there have been changes in the principles and procedures of accounting, and the presentation associated with the preparation of non-consolidated financial statements for the six months ended June 30, 2010 that are to be stated in “the changes in the important matters for the preparation of non-consolidated financial statements for the six months ended June 30, 2010.”

(3) Number of shares issued (common stock)

a. Number of shares issued at the end of the period (including treasury stock)	As of June 30, 2010	19,400,000 shares	As of December 31, 2009	19,400,000 shares
b. Number of shares of treasury stock at the end of the period	As of June 30, 2010	324 shares	As of December 31, 2009	204 shares
c. Average number of shares during the period	As of June 30, 2010	19,399,746 shares	As of June 30, 2009	19,399,807 shares

* Presentation Regarding the Status of the Quarterly Securities Report Review

The quarterly review procedures of non-consolidated financial statements for the six months ended June 30, 2010 required under the Financial Instruments and Exchange Act had not been completed at the time of the disclosure of this non-consolidated financial report for the six months ended June 30, 2010.

* Instruction about the appropriate use of forecasts and other special notes

Descriptions of future events such as forecasts of financial performance stated in this report are prepared based on the information available for the company when this report was being prepared. Accordingly, the actual results may differ from those descriptions, depending on various factors.

5. Quarterly Financial Statements

(1) Quarterly Non-consolidated Balance Sheets

(Thousands of yen)

	June 30, 2010	December 31, 2009
Assets		
Current assets		
Cash and deposits	6,157,261	7,097,494
Notes and accounts receivable-trade	3,092,157	2,256,862
Short-term investment securities	15,202	15,523
Merchandise	14,229,295	14,672,727
Income taxes receivable	4,763	19,552
Other	1,726,264	1,293,076
Allowance for doubtful accounts	(240)	(720)
Total current assets	25,224,705	25,354,516
Noncurrent assets		
Property, plant and equipment	3,061,090	3,158,971
Intangible assets	102,870	112,239
Investments and other assets		
Investment securities	5,998,602	6,193,489
Guarantee deposits	7,292,227	7,350,120
Other	1,112,603	1,540,339
Allowance for doubtful accounts	(2,000)	(2,000)
Total investments and other assets	14,401,433	15,081,949
Total noncurrent assets	17,565,395	18,353,160
Total assets	42,790,100	43,707,677
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,537,536	4,140,205
Income taxes payable	67,872	45,068
Provision for bonuses	68,598	91,192
Provision for sales promotion expenses	48,122	46,133
Other	4,426,954	3,963,416
Total current liabilities	8,149,083	8,286,015
Noncurrent liabilities		
Provision for directors' retirement benefits	425,535	453,517
Other	294,982	312,204
Total noncurrent liabilities	720,517	765,721
Total liabilities	8,869,600	9,051,737
Net assets		
Shareholders' equity		
Capital stock	1,080,000	1,080,000
Capital surplus	3,690,470	3,690,470
Retained earnings	29,252,469	29,883,889
Treasury stock	(829)	(707)
Total shareholders' equity	34,022,109	34,653,651
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(101,610)	2,288
Total valuation and translation adjustments	(101,610)	2,288
Total net assets	33,920,499	34,655,939
Total liabilities and net assets	42,790,100	43,707,677

(2) Quarterly Non-consolidated Statements of Operations
For the six-month period ended June 30, 2009 and 2010

(Thousands of yen)

	For the six-month period ended June 30, 2009	For the six-month period ended June 30, 2010
Net sales	29,895,948	28,574,214
Cost of sales	14,167,610	13,050,095
Gross profit	15,728,337	15,524,119
Selling, general and administrative expenses	16,132,079	15,421,544
Operating income (loss)	(403,741)	102,574
Non-operating income		
Interest income	18	31
Dividends income	72,928	64,046
Dividends income of insurance	-	40,945
Other	26,100	28,746
Total non-operating income	99,048	133,769
Non-operating expenses		
Loss on retirement of noncurrent assets	2,940	1,875
Interest expenses on guarantee deposits	2,632	2,291
Other	2,085	482
Total non-operating expenses	7,658	4,649
Ordinary income (loss)	(312,351)	231,694
Extraordinary income		
Reversal of allowance for doubtful accounts	-	479
Total extraordinary income	-	479
Extraordinary loss		
Impairment loss	54,295	7,890
Loss on closing of stores	31,661	20,637
Loss on valuation of goods	470,921	-
Total extraordinary losses	556,879	28,527
Income (loss) before income taxes	(869,231)	203,647
Income taxes-current	51,374	9,518
Income taxes-deferred	(212,135)	49,556
Total income taxes	(160,761)	59,075
Net income (loss)	(708,469)	144,571

For the second quarter ended June 30, 2009 and 2010

(Thousands of yen)

	For the second quarter ended June 30, 2009	For the second quarter ended June 30, 2010
Net sales	15,726,475	14,570,183
Cost of sales	7,351,954	6,534,937
Gross profit	8,374,520	8,035,246
Selling, general and administrative expenses	8,033,328	7,851,392
Operating income	341,192	183,853
Non-operating income		
Interest income	0	18
Dividends income	71,262	62,713
Other	21,774	20,472
Total non-operating income	93,037	83,204
Non-operating expenses		
Loss on retirement of noncurrent assets	56	24
Interest expenses on guarantee deposits	1,302	1,130
Foreign exchange losses	1,167	-
Other	241	5
Total non-operating expenses	2,768	1,160
Ordinary income	431,461	265,898
Extraordinary income		
Reversal of allowance for doubtful accounts	260	589
Gain on reversal of loss on valuation of investment securities	67,831	-
Total extraordinary income	68,091	589
Extraordinary loss		
Impairment loss	54,295	7,890
Loss on closing of stores	31,661	-
Total extraordinary losses	85,957	7,890
Income before income taxes	413,595	258,597
Income taxes-current	42,952	8,008
Income taxes-deferred	110,302	90,655
Total income taxes	153,255	98,664
Net income	260,339	159,933

(3) Quarterly Non-consolidated Statements of Cash Flows

(Thousands of yen)

	For the six-month period ended June 30, 2009	For the six-month period ended June 30, 2010
Net cash provided by (used in) operating activities		
Income before income taxes	(869,231)	203,647
Depreciation and amortization	134,726	114,473
Amortization of guarantee deposits	37,175	7,256
Increase (decrease) in allowance for doubtful accounts	4,405	(479)
Increase (decrease) in provision for bonuses	(10,540)	(22,593)
Increase (decrease) in provision for directors' retirement benefits	(12,415)	(27,982)
Increase (decrease) in provision for sales promotion expenses	(332)	1,988
Impairment loss	54,295	7,890
Loss on retirement of noncurrent assets	2,940	1,875
Interest and dividends income	(72,947)	(64,077)
Decrease (increase) in notes and accounts receivable-trade	(401,426)	(835,295)
Decrease (increase) in inventories	978,033	443,432
Decrease (increase) in other current assets	41,879	30,716
Increase (decrease) in notes and accounts payable-trade	(634,347)	(602,669)
Increase (decrease) in advances received	90,419	410,132
Increase (decrease) in other current liabilities	(1,129)	151,375
Other, net	33,361	20,958
Subtotal	(625,133)	(159,351)
Interest and dividends income received	72,960	64,077
Income taxes paid	(12,028)	(15,883)
Income taxes refund	230,933	26,442
Net cash provided by (used in) operating activities	(333,267)	(84,714)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(67,918)	(96,461)
Purchase of intangible assets	(49,931)	(3,790)
Payments for guarantee deposits	(51,048)	-
Proceeds from collection of guarantee deposits	317,979	50,635
Other, net	(43,202)	(32,497)
Net cash provided by (used in) investing activities	105,878	(82,112)
Net cash provided by (used in) financing activities		
Purchase of treasury stock	-	(121)
Cash dividends paid	(773,011)	(773,283)
Net cash provided by (used in) financing activities	(773,011)	(773,405)
Net increase (decrease) in cash and cash equivalents	(1,000,400)	(940,233)
Cash and cash equivalents at beginning of period	9,356,529	7,097,494
Cash and cash equivalents at end of period	8,356,129	6,157,261

6. Net Sales by Segment and Merchandise

(Thousands of yen)

	For the six months ended June 30, 2009	For the six months ended June 30, 2010	Change from the previous period
	Amount	Amount	%
Furniture			
Storage Furniture	976,609	914,247	93.6
Japanese-Style Furniture	141,298	131,347	93.0
Furniture for Living Rooms	7,045,278	6,382,923	90.6
Living Room Boards	2,160,754	2,095,070	97.0
School and Office Furniture	1,697,381	1,660,167	97.8
Dining Furniture	5,728,184	5,321,234	92.9
Carpets and Curtains	2,272,782	2,398,251	105.5
Bedding	7,041,028	6,825,228	96.9
Lighting and Household Fixtures	1,035,036	1,026,090	99.1
Unit Furniture	705,987	638,919	90.5
Lithography and Paintings	28,498	13,551	47.6
Others	1,028,565	1,132,584	110.1
Total sales	29,861,404	28,539,617	95.6
Real estate rental	34,543	34,596	100.2
Total revenue	29,895,948	28,574,214	95.6

7. Net Sales of Stores, Corporation and Others

(Thousands of yen)

	For the six months ended June 30, 2009	For the six months ended June 30, 2010	Change from the previous period
	Amount	Amount	%
Stores	29,195,842	27,848,697	95.4
Corporation	660,372	686,604	104.0
Others	39,733	38,912	97.9
Total revenue	29,895,948	28,574,214	95.6