

**Non-Consolidated Financial Report
for the six months ended June 30, 2011
[Japanese GAAP]**

August 5, 2011

Company name: Otsuka Kagu, Ltd.
 Ticker symbol number: 8186
 URL: <http://www.idc-otsuka.co.jp>
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Date of filing of Quarterly Securities Report: August 12, 2011

Date of commencement of dividend payment: -

Availability of supplementary briefing material on quarterly results: Available

Schedule of quarterly results briefing session: Planned (for institutional investors and analysts)

1. Non-Consolidated Financial Performance for the six months ended June 30, 2011 (From January 1, 2011, to June 30, 2011)

(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, 2011	26,619	(6.8)	274	167.9	384	65.9
Six months ended June 30, 2010	28,574	(4.4)	102	—	231	—

	Net income		Net income per share (basic)	Net income per share (diluted)
	Millions of yen	%	Yen	Yen
Six months ended June 30, 2011	(368)	—	(19.00)	—
Six months ended June 30, 2010	144	—	7.45	—

Note: The percentages represent changes from the six months ended June 30, 2010.

(2) Financial position

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

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2011	41,319	32,400	78.4	1670.15
As of December 31, 2010	42,714	34,019	79.6	1753.63

Reference: Equity = Net assets - Treasury stock - Deferred hedge profit (loss)

Six months ended June 30, 2011: 32,400 million yen

Year ended December 31, 2010: 34,019 million yen

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, 2010	—	0.00	—	40.00	40.00
Year ending December 31, 2011	—	0.00	—	—	—
Year ending December 31, 2011 (forecast)			—	40.00	40.00

Note: Revision to the dividend forecast: None

3. Forecast of Non-Consolidated Financial Performance for Fiscal 2011 (From January 1, 2011, to December 31, 2011)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ending December 31, 2011	55,578	(2.3)	855	—	1,020	—

	Net income		Net income per share (basic)	
	Millions of yen	%	Yen	
Year ending December 31, 2011	40	—	2.06	

Note: The percentages represent changes from the previous fiscal year.

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, 2011 are adopted.

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

a. Changes resulted from the amendment of accounting standards: Yes

b. Changes other than the above changes: 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, 2011 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, 2011.”

(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, 2011	19,400,000 shares	As of December 31, 2010	19,400,000 shares
b. Number of shares of treasury stock at the end of the period	As of June 30, 2011	394 shares	As of December 31, 2010	365 shares
c. Average number of shares during the period	As of June 30, 2011	19,399,615 shares	As of June 30, 2010	19,399,746 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, 2011 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, 2011.

* Explanation Regarding 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 to the Company at the time of the preparation of this report. 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)

	As of June 30, 2011	As of December 31, 2010
Assets		
Current assets		
Cash and deposits	6,285,423	6,270,896
Notes and accounts receivable-trade	3,021,850	2,839,718
Merchandise	13,194,520	13,252,711
Income taxes receivable	3,820	6,305
Other	1,698,462	1,497,768
Allowance for doubtful accounts	(240)	(260)
Total current assets	24,203,837	23,867,139
Noncurrent assets		
Property, plant and equipment	3,169,345	3,208,233
Intangible assets	87,737	101,709
Investments and other assets		
Investment securities	5,919,907	6,749,021
Guarantee deposits	6,726,652	7,756,453
Other	1,213,734	1,031,558
Allowance for doubtful accounts	(1,600)	(0)
Total investments and other assets	13,858,693	15,537,033
Total noncurrent assets	17,115,776	18,846,976
Total assets	41,319,613	42,714,115
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,380,666	3,796,348
Income taxes payable	64,817	64,795
Provision for bonuses	68,905	89,095
Provision for sales promotion expenses	47,303	47,330
Other	4,336,179	3,985,313
Total current liabilities	7,897,871	7,982,882
Noncurrent liabilities		
Provision for directors' retirement benefits	441,910	433,610
Asset retirement obligations	319,106	-
Other	260,540	277,761
Total noncurrent liabilities	1,021,556	711,371
Total liabilities	8,919,428	8,694,253
Net assets		
Shareholders' equity		
Capital stock	1,080,000	1,080,000
Capital surplus	3,690,470	3,690,470
Retained earnings	27,707,535	28,852,121
Treasury stock	(893)	(867)
Total shareholders' equity	32,477,112	33,621,723
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(76,927)	398,138
Total Valuation and translation adjustments	(76,927)	398,138
Total net assets	32,400,185	34,019,861
Total liabilities and net assets	41,319,613	42,714,115

(2) Quarterly Non-Consolidated Statements of Operations
For the six-month period ended June 30, 2010 and 2011

(Thousands of yen)

	For the six-month period ended June 30, 2010	For the six-month period ended June 30, 2011
Net sales	28,574,214	26,619,650
Cost of sales	13,050,095	11,784,429
Gross profit	15,524,119	14,835,220
Selling, general and administrative expenses	15,421,544	14,560,397
Operating income	102,574	274,823
Non-operating income		
Interest income	31	1
Dividends income	64,046	50,308
Dividends income of insurance	40,945	50,996
Other	28,746	12,135
Total non-operating income	133,769	113,441
Non-operating expenses		
Loss on retirement of noncurrent assets	1,875	557
Foreign exchange losses	-	1,183
Interest expenses on guarantee deposits	2,291	1,949
Other	482	280
Total non-operating expenses	4,649	3,970
Ordinary income	231,694	384,295
Extraordinary income		
Gain on sales of investment securities	-	8,599
Reversal of allowance for doubtful accounts	479	-
Total extraordinary income	479	8,599
Extraordinary loss		
Impairment loss	7,890	7,126
Loss on valuation of investment securities	-	54,579
Loss on disaster	-	347,281
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	491,623
Loss on closing of stores	20,637	-
Total extraordinary losses	28,527	900,610
Income (loss) before income taxes	203,647	(507,716)
Income taxes-current	9,518	15,042
Income taxes-deferred	49,556	(154,158)
Total income taxes	59,075	(139,116)
Net income (loss)	144,571	(368,599)

For the second quarter ended June 30, 2010 and 2011

(Thousands of yen)

	For the second quarter ended June 30, 2010	For the second quarter ended June 30, 2011
Net sales	14,570,183	14,289,819
Cost of sales	6,534,937	6,209,235
Gross profit	8,035,246	8,080,584
Selling, general and administrative expenses	7,851,392	7,446,799
Operating income	183,853	633,784
Non-operating income		
Interest income	18	-
Dividends income	62,713	48,975
Other	20,472	6,752
Total non-operating income	83,204	55,727
Non-operating expenses		
Loss on retirement of noncurrent assets	24	317
Interest expenses on guarantee deposits	1,130	958
Other	5	382
Total non-operating expenses	1,160	1,658
Ordinary income	265,898	687,853
Extraordinary income		
Gain on reversal of loss on valuation of investment securities	-	6,905
Reversal of allowance for doubtful accounts	589	-
Total extraordinary income	589	6,905
Extraordinary loss		
Impairment loss	7,890	7,126
Loss on disaster	-	24,372
Total extraordinary losses	7,890	31,498
Income before income taxes	258,597	663,260
Income taxes-current	8,008	7,577
Income taxes-deferred	90,655	(90,156)
Total income taxes	98,664	(82,579)
Net income	159,933	745,840

(3) Quarterly Non-Consolidated Statements of Cash Flows

(Thousands of yen)

	For the six-month period ended June 30, 2010	For the six-month period ended June 30, 2011
Net cash provided by (used in) operating activities		
Income before income taxes	203,647	(507,716)
Depreciation and amortization	114,473	122,970
Amortization of guarantee deposits	7,256	7,250
Increase (decrease) in allowance for doubtful accounts	(479)	1,580
Increase (decrease) in provision for bonuses	(22,593)	(20,189)
Increase (decrease) in provision for directors' retirement benefits	(27,982)	8,300
Increase (decrease) in provision for sales promotion expenses	1,988	(26)
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	491,623
Loss (gain) on valuation of investment securities	-	54,579
Impairment loss	7,890	7,126
Loss on retirement of noncurrent assets	1,875	557
Interest and dividends income	(64,077)	(50,309)
Decrease (increase) in notes and accounts receivable-trade	(835,295)	(182,132)
Decrease (increase) in inventories	443,432	57,312
Decrease (increase) in other current assets	30,716	10,080
Increase (decrease) in notes and accounts payable-trade	(602,669)	(415,681)
Increase (decrease) in advances received	410,132	528,202
Increase (decrease) in other current liabilities	151,375	(134,945)
Other, net	20,958	19,070
Subtotal	(159,351)	(2,349)
Interest and dividends income received	64,077	50,309
Income taxes paid	(15,883)	(19,339)
Income taxes refund	26,442	6,305
Net cash provided by (used in) operating activities	(84,714)	34,926
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(96,461)	(86,820)
Purchase of intangible assets	(3,790)	(883)
Payments for guarantee deposits	-	(104,498)
Proceeds from collection of guarantee deposits	50,635	908,468
Other, net	(32,497)	37,903
Net cash provided by (used in) investing activities	(82,112)	754,169
Net cash provided by (used in) financing activities		
Purchase of treasury stock	(121)	(26)
Cash dividends paid	(773,283)	(774,542)
Net cash provided by (used in) financing activities	(773,405)	(774,568)
Net increase (decrease) in cash and cash equivalents	(940,233)	14,526
Cash and cash equivalents at beginning of period	7,097,494	6,270,896
Cash and cash equivalents at end of period	6,157,261	6,285,423

6. Net Sales by Segment and Merchandise

(Thousands of yen)

	For the six months ended June 30, 2010	For the six months ended June 30, 2011	Change from the previous period
	Amount	Amount	%
Furniture			
Storage Furniture	914,247	794,129	86.9
Japanese-Style Furniture	131,347	134,589	102.5
Furniture for Living Rooms	6,382,923	5,755,388	90.2
Living Room Boards	2,095,070	1,712,463	81.7
School and Office Furniture	1,660,167	1,471,387	88.6
Dining Furniture	5,321,234	5,020,234	94.3
Carpets and Curtains	2,398,251	2,350,671	98.0
Bedding	6,825,228	6,561,820	96.1
Lighting and Household Fixtures	1,026,090	963,993	93.9
Unit Furniture	638,919	947,777	148.3
Lithography and Paintings	13,551	22,481	165.9
Others	1,132,584	850,129	75.1
Total sales	28,539,617	26,585,068	93.2
Real estate rental	34,596	34,582	100.0
Total revenue	28,574,214	26,619,650	93.2

7. Net Sales of Stores, Corporation and Others

(Thousands of yen)

	For the six months ended June 30, 2010	For the six months ended June 30, 2011	Change from the previous period
	Amount	Amount	%
Stores	27,848,697	26,097,077	93.7
Corporation	686,604	485,590	70.7
Others	38,912	36,982	95.0
Total revenue	28,574,214	26,619,650	93.2