

**Non-Consolidated Financial Report
for the Year ended December 31, 2011
[Japanese GAAP]**

February 17, 2012

Company name: Otsuka Kagu, Ltd.
 Ticker symbol number: 8186
 URL: <http://www.idc-otsuka.co.jp>
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 Head office: 3-6-11, Ariake, Koto-ku, Tokyo, Japan
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Date of commencement of dividend payment: March 30, 2012

Date of annual shareholders' meeting: March 29, 2012

Date of filing of Securities Report: March 29, 2012

Availability of supplementary briefing material on results: Available

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

1. Non-Consolidated Financial Performance for the Year ended December 31, 2011 (From January 1, to December 31, 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 | % |
| Year ended December 31, 2011 | 54,366 | (4.5) | 1,150 | — | 1,304 | — |
| Year ended December 31, 2010 | 56,912 | (1.7) | (132) | — | 38 | — |

| | Net income | | Net income per share (basic) | Net income per share (diluted) |
|------------------------------|-----------------|---|------------------------------|--------------------------------|
| | Millions of yen | % | Yen | Yen |
| Year ended December 31, 2011 | 203 | — | 10.51 | — |
| Year ended December 31, 2010 | (255) | — | (13.18) | — |

| | Return on equity | Ordinary income to total assets | Operating income to net sales |
|------------------------------|------------------|---------------------------------|-------------------------------|
| | % | % | % |
| Year ended December 31, 2011 | 0.6 | 3.1 | 2.1 |
| Year ended December 31, 2010 | (0.7) | 0.1 | (0.2) |

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

Reference: Earnings or loss on investments in equity-method affiliates (Millions of yen)

Year ended December 31, 2011: —

Year ended December 31, 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 December 31, 2011 | 41,751 | 32,666 | 78.2 | 1,683.90 |
| As of December 31, 2010 | 42,714 | 34,019 | 79.6 | 1,753.63 |

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

Year ended December 31, 2011: 32,666 million yen

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

(3) Cash flow position

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

| | Net cash provided by operating activities | Net cash provided by (used in) investing activities | Net cash used in financing activities | Cash and cash equivalents at the end of the year |
|------------------------------|---|---|---------------------------------------|--|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Year ended December 31, 2011 | 928 | 700 | (775) | 7,123 |
| Year ended December 31, 2010 | 717 | (768) | (775) | 6,270 |

2. Dividends

| | Cash dividends per share (yen) | | |
|--|--------------------------------|----------|--------------|
| | Interim | Year-end | For the year |
| Year ended December 31, 2010 | — | 40.00 | 40.00 |
| Year ended December 31, 2011 | — | 40.00 | 40.00 |
| Year ending December 31, 2012 (forecast) | — | 40.00 | 40.00 |

| | Total cash dividends paid for the year | Payout ratio | Dividend to net assets |
|--|--|--------------|------------------------|
| | Millions of yen | % | % |
| Year ended December 31, 2010 | 775 | — | 2.3 |
| Year ended December 31, 2011 | 775 | 380.8 | 2.3 |
| Year ending December 31, 2012 (forecast) | | 84.5 | |

3. Forecast of Non-Consolidated Financial Performance for Fiscal 2012 (From January 1, 2012, to December 31, 2012)

| | Net sales | | Operating income | | Ordinary income | |
|---------------------------------|-----------------|-----|------------------|-------|-----------------|-------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ending June 30, 2012 | 29,141 | 9.5 | 767 | 179.1 | 865 | 125.2 |
| Year ending December 31, 2012 | 57,738 | 6.2 | 1,529 | 33.0 | 1,658 | 27.2 |

| | Net income | | Net income per share (basic) |
|---------------------------------|-----------------|-------|------------------------------|
| | Millions of yen | % | Yen |
| Six months ending June 30, 2012 | 500 | — | 25.82 |
| Year ending December 31, 2012 | 918 | 350.5 | 47.33 |

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

4. Others

(1) Change in the principles of accounting

- a. Changes resulted from the amendment of accounting standards: Yes
- b. Changes other than the above changes: None

(2) Number of shares issued (common stock)

| | | | | |
|--|------------------------------|-------------------|------------------------------|-------------------|
| a. Number of shares issued at the end of the year (including treasury stock) | Year ended December 31, 2011 | 19,400,000 shares | Year ended December 31, 2010 | 19,400,000 shares |
| b. Number of shares of treasury stock at the end of the year | Year ended December 31, 2011 | 394 shares | Year ended December 31, 2010 | 365 shares |
| c. Average number of shares during the period | Year ended December 31, 2011 | 19,399,611 shares | Year ended December 31, 2010 | 19,399,701 shares |

*Presentation Regarding Status of Execution of the Audit Procedures of Financial Results

The audit procedures of non-consolidated financial statements for the year ended December 31, 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 year ended December 31, 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. Financial Statements

(1) Non-Consolidated Balance Sheets

(Thousands of yen)

| | As of December 31, 2010 | | As of December 31, 2011 | |
|--|-------------------------|-------------------|-------------------------|-------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash and deposits | | 6,270,896 | | 7,123,522 |
| Notes receivable-trade | *3 | 247,096 | *3 | 460,852 |
| Accounts receivable-trade | | 2,592,621 | | 3,050,564 |
| Merchandise | | 13,252,711 | | 13,045,279 |
| Advance payments-trade | | 93,783 | | 27,735 |
| Prepaid expenses | | 898,594 | | 927,233 |
| Income taxes receivable | | 6,305 | | 5,490 |
| Deferred tax assets | | 466,051 | | 715,017 |
| Other | | 39,338 | | 37,963 |
| Allowance for doubtful accounts | | (260) | | (280) |
| Total current assets | | 23,867,139 | | 25,393,379 |
| Noncurrent assets | | | | |
| Property, plant and equipment | | | | |
| Buildings, net | *2 | 1,245,058 | *2 | 1,183,485 |
| Structures, net | | 27,832 | | 24,089 |
| Machinery and equipment, net | | 6,308 | | 4,519 |
| Vessels, net | | 320 | | - |
| Vehicles, net | | 13,477 | | 7,029 |
| Tools, furniture and fixtures, net | | 639,681 | | 611,787 |
| Land | | 1,275,556 | | 1,271,658 |
| Construction in progress | *2 | - | *2 | 8,112 |
| Total property, plant and equipment | *1 | 3,208,233 | *1 | 3,110,682 |
| Intangible assets | | | | |
| Software | | 86,771 | | 63,655 |
| Other | | 14,937 | | 13,388 |
| Total intangible assets | | 101,709 | | 77,043 |
| Investments and other assets | | | | |
| Investment securities | | 6,749,021 | | 5,530,046 |
| Stocks of subsidiaries and affiliates | | 77,000 | | 77,000 |
| Long-term prepaid expenses | | 1,113 | | 803 |
| Guarantee deposits | | 7,756,453 | | 6,709,094 |
| Deferred tax assets | | 756,388 | | 725,770 |
| Other | | 197,056 | | 129,657 |
| Allowance for doubtful accounts | | (0) | | (1,600) |
| Total investments and other assets | | 15,537,033 | | 13,170,773 |
| Total noncurrent assets | | 18,846,976 | | 16,358,499 |
| Total assets | | 42,714,115 | | 41,751,878 |

(Thousands of yen)

| | As of December 31, 2010 | As of December 31, 2011 |
|---|-------------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes payable-trade | 1,664,917 | 1,479,995 |
| Accounts payable-trade | 2,131,430 | 2,264,079 |
| Accounts payable-other | 252,766 | 201,998 |
| Accrued expenses | 1,695,421 | 1,651,884 |
| Income taxes payable | 64,795 | 86,632 |
| Advances received | 1,573,071 | 1,800,944 |
| Deposits received | 293,112 | 294,312 |
| Provision for bonuses | 89,095 | 110,748 |
| Provision for sales promotion expenses | 47,330 | 42,322 |
| Other | 170,941 | 136,452 |
| Total current liabilities | 7,982,882 | 8,069,370 |
| Noncurrent liabilities | | |
| Guarantee deposits received | *2 277,761 | *2 243,319 |
| Provision for directors' retirement benefits | 433,610 | 449,976 |
| Asset retirement obligations | - | 322,283 |
| Total noncurrent liabilities | 711,371 | 1,015,579 |
| Total liabilities | 8,694,253 | 9,084,949 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 1,080,000 | 1,080,000 |
| Capital surplus | | |
| Legal capital surplus | 3,690,470 | 3,690,470 |
| Total capital surpluses | 3,690,470 | 3,690,470 |
| Retained earnings | | |
| Legal retained earnings | 270,000 | 270,000 |
| Other retained earnings | | |
| General reserve | 28,820,000 | 27,720,000 |
| Retained earnings brought forward | (237,878) | 289,931 |
| Total retained earnings | 28,852,121 | 28,279,931 |
| Treasury stock | (867) | (893) |
| Total shareholders' equity | 33,621,723 | 33,049,508 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 398,138 | (382,579) |
| Total valuation and translation adjustments | 398,138 | (382,579) |
| Total net assets | 34,019,861 | 32,666,928 |
| Total liabilities and net assets | 42,714,115 | 41,751,878 |

(2) Non-Consolidated Statements of Operations

(Thousands of yen)

| | For the year ended December 31, 2010 | For the year ended December 31, 2011 |
|--|---|---|
| Net sales | | |
| Net sales of goods | 56,843,530 | 54,297,918 |
| Rent income of real estate | 68,849 | 68,785 |
| Total net sales | 56,912,379 | 54,366,704 |
| Cost of sales | | |
| Cost of goods sold | | |
| Beginning goods | 14,672,727 | 13,252,711 |
| Cost of purchased goods | 24,552,506 | 23,770,465 |
| Total | 39,225,234 | 37,023,176 |
| Transfer to other account | 153,444 | 190,960 |
| Ending goods | 13,252,711 | 13,045,279 |
| Cost of goods sold | 25,819,078 | 23,786,937 |
| Cost of real estate rent | 28,464 | 28,104 |
| Total cost of sales | 25,847,542 | 23,815,041 |
| Gross profit | 31,064,837 | 30,551,662 |
| Selling, general and administrative expenses | *1 31,197,406 | *1 29,401,118 |
| Operating income (loss) | (132,569) | 1,150,543 |
| Non-operating income | | |
| Interest income | 49 | 2 |
| Dividends income | 83,029 | 71,642 |
| Dividends income of insurance | 40,945 | 50,996 |
| Other | 59,501 | 37,028 |
| Total non-operating income | 183,526 | 159,669 |
| Non-operating expenses | | |
| Interest expenses on guarantee deposits | 4,447 | 3,758 |
| Loss on retirement of noncurrent assets | 6,866 | 557 |
| Other | 932 | 1,729 |
| Total non-operating expenses | 12,245 | 6,044 |
| Ordinary income | 38,711 | 1,304,168 |
| Extraordinary income | | |
| Gain on sales of investment securities | - | 8,599 |
| Reversal of allowance for doubtful accounts | 459 | - |
| Gain on sales of noncurrent assets | 58,833 | - |
| Total extraordinary income | 59,293 | 8,599 |
| Extraordinary loss | | |
| Loss on valuation of golf club membership | 1,575 | 1,255 |
| Impairment loss | *2 24,996 | *2 7,126 |
| Loss on valuation of investment securities | 9,533 | 65,752 |
| Loss on disaster | - | 349,031 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | - | 491,623 |
| Loss on closing of stores | 229,644 | - |
| Total extraordinary losses | 265,749 | 914,788 |
| Income (loss) before income taxes | (167,744) | 397,979 |
| Income taxes-current | 25,737 | 30,169 |
| Income taxes-deferred | 62,294 | 164,013 |
| Total income taxes | 88,032 | 194,183 |
| Net income (loss) | (255,776) | 203,795 |

(3) Non-Consolidated Statements of Changes in Net Assets

(Thousands of yen)

| | For the year ended December 31, 2010 | For the year ended December 31, 2011 |
|--|---|---|
| Shareholders' equity | | |
| Capital stock | | |
| Balance at the end of previous period | 1,080,000 | 1,080,000 |
| Changes of items during the period | | |
| Total changes of items during the period | - | - |
| Balance at the end of current period | 1,080,000 | 1,080,000 |
| Capital surplus | | |
| Legal capital surplus | | |
| Balance at the end of previous period | 3,690,470 | 3,690,470 |
| Changes of items during the period | | |
| Total changes of items during the period | - | - |
| Balance at the end of current period | 3,690,470 | 3,690,470 |
| Total capital surplus | | |
| Balance at the end of previous period | 3,690,470 | 3,690,470 |
| Changes of items during the period | | |
| Total changes of items during the period | - | - |
| Balance at the end of current period | 3,690,470 | 3,690,470 |
| Retained earnings | | |
| Legal retained earnings | | |
| Balance at the end of previous period | 270,000 | 270,000 |
| Changes of items during the period | | |
| Total changes of items during the period | - | - |
| Balance at the end of current period | 270,000 | 270,000 |
| Other retained earnings | | |
| General reserve | | |
| Balance at the end of previous period | 31,020,000 | 28,820,000 |
| Changes of items during the period | | |
| Reversal of general reserve | (2,200,000) | (1,100,000) |
| Total changes of items during the period | (2,200,000) | (1,100,000) |
| Balance at the end of current period | 28,820,000 | 27,720,000 |
| Retained earnings brought forward | | |
| Balance at the end of previous period | (1,406,110) | (237,878) |
| Changes of items during the period | | |
| Reversal of general reserve | 2,200,000 | 1,100,000 |
| Dividends from surplus | (775,991) | (775,985) |
| Net income (loss) | (255,776) | 203,795 |
| Total changes of items during the period | 1,168,231 | 527,810 |
| Balance at the end of current period | (237,878) | 289,931 |
| Total retained earnings | | |
| Balance at the end of previous period | 29,883,889 | 28,852,121 |

(Thousands of yen)

| | For the year ended December 31, 2010 | For the year ended December 31, 2011 |
|---|---|---|
| Changes of items during the period | | |
| Reversal of general reserve | - | - |
| Dividends from surplus | (775,991) | (775,985) |
| Net income (loss) | (255,776) | 203,795 |
| Total changes of items during the period | (1,031,768) | (572,189) |
| Balance at the end of current period | 28,852,121 | 28,279,931 |
| Treasury stock | | |
| Balance at the end of previous period | (707) | (867) |
| Changes of items during the period | | |
| Purchase of treasury stock | (159) | (26) |
| Total changes of items during the period | (159) | (26) |
| Balance at the end of current period | (867) | (893) |
| Total shareholders' equity | | |
| Balance at the end of previous period | 34,653,651 | 33,621,723 |
| Changes of items during the period | | |
| Dividends from surplus | (775,991) | (775,985) |
| Net income (loss) | (255,776) | 203,795 |
| Purchase of treasury stock | (159) | (26) |
| Total changes of items during the period | (1,031,928) | (572,215) |
| Balance at the end of current period | 33,621,723 | 33,049,508 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | | |
| Balance at the end of previous period | 2,288 | 398,138 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | 395,850 | (780,717) |
| Total changes of items during the period | 395,850 | (780,717) |
| Balance at the end of current period | 398,138 | (382,579) |
| Total valuation and translation adjustments | | |
| Balance at the end of previous period | 2,288 | 398,138 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | 395,850 | (780,717) |
| Total changes of items during the period | 395,850 | (780,717) |
| Balance at the end of current period | 398,138 | (382,579) |
| Total net assets | | |
| Balance at the end of previous period | 34,655,939 | 34,019,861 |
| Changes of items during the period | | |
| Dividends from surplus | (775,991) | (775,985) |
| Net income (loss) | (255,776) | 203,795 |
| Purchase of treasury stock | (159) | (26) |
| Net changes of items other than shareholders' equity | 395,850 | (780,717) |
| Total changes of items during the period | (636,077) | (1,352,933) |
| Balance at the end of current period | 34,019,861 | 32,666,928 |

(4) Non-Consolidated Statements of Cash Flows

(Thousands of yen)

| | For the year ended December 31, 2010 | For the year ended December 31, 2011 |
|--|---|---|
| Net cash provided by (used in) operating activities | | |
| Income (loss) before income taxes | (167,744) | 397,979 |
| Depreciation and amortization | 241,325 | 249,023 |
| Amortization of guarantee deposits | 14,541 | 14,498 |
| Increase (decrease) in allowance for doubtful accounts | (2,460) | 1,619 |
| Increase (decrease) in provision for bonuses | (2,096) | 21,652 |
| Increase (decrease) in provision for directors' retirement benefits | (19,907) | 16,366 |
| Increase (decrease) in provision for sales promotion expenses | 1,196 | (5,007) |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | - | 491,623 |
| Loss (gain) on valuation of investment securities | 9,533 | 65,752 |
| Impairment loss | 24,996 | 7,126 |
| Loss on valuation of golf club memberships | 1,575 | 1,255 |
| Loss on retirement of noncurrent assets | 6,866 | 557 |
| Interest and dividends income | (83,079) | (71,645) |
| Decrease (increase) in notes and accounts receivable-trade | (582,855) | (671,698) |
| Decrease (increase) in inventories | 1,325,756 | 206,553 |
| Decrease (increase) in advance payments | (50,792) | 66,048 |
| Decrease (increase) in other current assets | 117,758 | (27,224) |
| Increase (decrease) in notes and accounts payable-trade | (343,857) | (52,272) |
| Increase (decrease) in advances received | (59,298) | 227,873 |
| Increase (decrease) in accrued expenses | (178,059) | (43,918) |
| Increase (decrease) in other current liabilities | (25,725) | (2,597) |
| Increase (decrease) in accrued consumption taxes | 228,985 | (60,221) |
| Increase (decrease) in income taxes payable-the factor based tax | 15,159 | 7,187 |
| Other, net | 170,073 | 30,792 |
| Subtotal | 641,891 | 871,323 |
| Interest and dividends income received | 83,092 | 71,645 |
| Income taxes paid | (34,366) | (21,009) |
| Income taxes refund | 26,442 | 6,305 |
| Net cash provided by (used in) operating activities | 717,060 | 928,264 |
| Net cash provided by (used in) investing activities | | |
| Purchase of property, plant and equipment | (294,073) | (120,017) |
| Proceeds from sales of property, plant and equipment | 101,576 | - |
| Purchase of intangible assets | (20,516) | (2,332) |
| Payments for guarantee deposits | (722,664) | (104,498) |
| Proceeds from collection of guarantee deposits | 280,462 | 908,518 |
| Repayments of lease deposits | (38,889) | (34,442) |
| Proceeds from cancellation of insurance funds | 13,502 | 5,936 |
| Proceeds from maturity of insurance funds | - | 16,603 |
| Other, net | (87,465) | 30,581 |
| Net cash provided by (used in) investing activities | (768,068) | 700,348 |

(Thousands of yen)

| | For the year ended December 31, 2010 | For the year ended December 31, 2011 |
|--|---|---|
| Net cash provided by (used in) financing activities | | |
| Purchase of treasury stock | (159) | (26) |
| Cash dividends paid | (775,429) | (775,961) |
| Net cash provided by (used in) financing activities | (775,589) | (775,987) |
| Net increase (decrease) in cash and cash equivalents | (826,597) | 852,625 |
| Cash and cash equivalents at beginning of period | 7,097,494 | 6,270,896 |
| Cash and cash equivalents at end of period | * 6,270,896 | * 7,123,522 |

(5) Significant Accounting Policies

| Item | For the year ended December 31, 2011 |
|--|--|
| 1. Securities | <p>(1) Investments in subsidiaries and affiliates Investments in subsidiaries and affiliates are stated at cost determined by the moving average method.</p> <p>(2) Other securities</p> <p>a. Other securities for which market quotations are available: These are stated at fair value as of the balance sheet date. Net unrealized holding gains or losses on these securities are presented as a separate component of net assets. Realized gains or losses on sales of these securities are determined by the moving-average method.</p> <p>b. Other securities for which market quotations are unavailable: These are stated at cost determined by the moving-average method.</p> |
| 2. Inventories | Inventories are stated at cost determined by the moving-average method. (The balance sheet amounts are stated at cost using the method of devaluing book value to reflect declines in profitability.) |
| 3. Depreciation and amortization of fixed assets | <p>(1) Tangible fixed assets Depreciation of tangible fixed assets is computed by the declining-balance method over the estimated useful lives of the respective assets. However, buildings, excluding improvements, acquired on or after April 1, 1998, are depreciated by the straight-line method. Major useful lives are as follows: Buildings: 2–50 years Tools, furniture and fixtures: 2–17 years</p> <p>(2) Intangible fixed assets Intangible fixed assets are amortized by the straight-line method. Amortization of software for internal use is determined using the straight-line method over the estimated useful lives (five years).</p> <p>(3) Long-term prepaid expenses Long-term prepaid expenses are amortized equally over the relevant period.</p> |

| Item | For the year ended December 31, 2011 |
|---|--|
| 4. Allowances | <p>(1) Allowance for doubtful accounts An allowance for doubtful accounts is provided in an amount sufficient to cover possible losses on collections. It consists of the estimated uncollectible amount with respect to identified doubtful receivables and an amount based on past experience of bad debt losses for the remaining receivables.</p> <p>(2) Allowance for bonuses An allowance for bonuses to employees is provided in the estimated amounts of future payments attributable to the current year.</p> <p>(3) Allowance for retirement benefits to directors and corporate auditors An allowance for retirement benefits to directors and corporate auditors is provided in the amount required as stipulated in the Company' internal regulations.</p> <p>(4) Allowance for sales promotion An allowance for sales promotion is provided for expenses resulting from the use of gift coupons issued to customers for the purchase of furniture in the amount expected to be used.</p> |
| 5. Foreign currency translation | Receivables and payables denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are charged or credited to income. |
| 6. Cash and cash equivalents | Cash and cash equivalents included in the Statement of Cash Flows consist of cash on hand, cash in banks which can be withdrawn on demand, and short-term investments with a maturity of three months or less when purchased which can easily be converted into cash and are subject to little risk of change in value. |
| 7. Other significant basis of preparation of the financial statements | <p>(1) Consumption taxes Consumption taxes are separately recorded from the related items in the financial statements.</p> <p>(2) For finance lease transactions that do not involve transfer of ownership for which the start date of the lease transaction was on or before December 31, 2008, the Company applies the accounting procedures based on the method for ordinary lease transactions.</p> |

(6) Notes to Non-Consolidated Financial Statements
(Balance Sheets)

| As of December 31, 2011 | |
|--|--------------------|
| 1. Accumulated depreciation of tangible fixed assets (directly deducted from the tangible fixed assets) totaled 4,184,652 thousand yen. | |
| 2. Assets pledged as collateral and liabilities secured by such collateral are as follows: (Thousands of yen) | |
| Assets pledged as collateral | |
| Buildings | 102,281 |
| Land | 10,023 |
| <u>Total</u> | <u>112,305</u> |
| Liabilities secured by such collateral | |
| Guarantee deposits received | 206,319 |
| 3. The Company assumes that notes maturing on bank holidays are settled on their dates of maturity. The following notes reached maturity on bank holidays: | |
| Trade notes receivable | 9,563 thousand yen |

(Statements of Operations)

| For the year ended December 31, 2011 | | | | |
|--|-----------------|---------------------------------|--------|------------------------------------|
| 1. Selling, general and administrative expenses principally consisted of the following: (Thousands of yen) | | | | |
| Freight | 1,537,699 | | | |
| Advertising | 3,007,747 | | | |
| Provision for allowance for sales promotion | 28,934 | | | |
| Allowance for employee bonuses | 110,748 | | | |
| Provision for reserve for retirement allowance to directors and corporate auditors | 16,366 | | | |
| Salaries | 8,570,470 | | | |
| Depreciation | 231,965 | | | |
| Rent | 9,038,889 | | | |
| Administrative expenses | 1,823,122 | | | |
| 2. The Company recorded an impairment loss on the following asset groups. | | | | |
| Location | Use | Classification | Others | Impairment loss (Thousands of yen) |
| Chita-gun, Aichi and others | Idle assets | Land | — | 3,897 |
| Kyushu Delivery Center | Delivery Center | Buildings, equipment and others | — | 3,228 |

Retail stores are primarily classified into groups based on the management accounting units on which revenue and expenditure are continuously recorded. Idle assets are individually classified.

The book values of asset groups whose retail stores incurred operating losses continuously were reduced to the recoverable amount. The book values of idle assets were written down to their respective recoverable amounts due to a significant decline in the market value of land. The resulting impairment loss amounted to 7,126 thousand yen and is recorded as an extraordinary loss.

The impairment loss consists of 3,897 thousand yen for land, 2,541 thousand yen for Buildings and 686 thousand yen for equipment.

The recoverable amounts from these asset groups were calculated based on the net selling prices. The recoverable amounts from asset groups that have a significant impact on the balance sheets were calculated based on assessments from real estate appraisers in accordance with established standards.

(Statements of Changes in Net Assets)

For the year ended December 31, 2011 (From January 1, 2011, to December 31, 2011)

1. The classification and aggregate number of shares issued and the classification and number of treasury stock

| | As of December 31, 2010 (Thousands of shares) | Increase during the year ended December 31, 2011 (Thousands of shares) | Decrease during the year ended December 31, 2011 (Thousands of shares) | As of December 31, 2011 (Thousands of shares) |
|-----------------------------|--|--|--|--|
| Number of shares issued: | | | | |
| Common stock (Notes) | 19,400 | — | — | 19,400 |
| Total | 19,400 | — | — | 19,400 |
| Treasury stock: | | | | |
| Common stock (Notes) | 0 | 0 | — | 0 |
| Total | 0 | 0 | — | 0 |

Notes: The increase of shares in treasury stock is due to the acquisition of treasury stock pursuant to Article 155, Paragraph 7, of the Companies Act.

2. Stock acquisition rights

None applicable

3. Dividends

(1) Dividends paid during the year under review

| Resolution | Class of shares | Total dividends (Thousands of yen) | Amount of dividends per share (Yen) | Record date | Effective date |
|---|-----------------|--|---|----------------------|----------------|
| Annual general meeting of shareholders on March 29, 2011 | Common stock | 775,985 | 40.00 | December 31, 2010 | March 30, 2011 |

(2) Dividends to be paid after the closing date of the year under review

| Resolution | Class of shares | Source for payment of dividends | Total dividends (Thousands of yen) | Amount of dividends per share (Yen) | Record date | Effective date |
|---|-----------------|---------------------------------------|---|---|----------------------|-------------------|
| Annual general meeting of shareholders on March 29, 2012 | Common stock | Retained earnings | 775,984 | 40.00 | December 31, 2011 | March 30, 2012 |

(Statements of Cash Flows)

(Thousands of yen)

| Reconciliation of “Cash and deposits” in the Balance Sheets and “Cash and cash equivalents” in the Statements of Cash Flows | For the year ended December 31, 2011 |
|--|--------------------------------------|
| Cash and deposits | 7,123,522 |
| Cash and cash equivalents | 7,123,522 |

6. Net Sales by Segment and Merchandise

(Thousands of yen)

| | For the year ended December 31, 2010 | | For the year ended December 31, 2011 | |
|---------------------------------|---|-------|---|-------|
| | Amount | % | Amount | % |
| Furniture | | | | |
| Storage Furniture | 1,809,629 | 3.2 | 1,595,712 | 2.9 |
| Japanese-Style Furniture | 285,387 | 0.5 | 294,684 | 0.5 |
| Furniture for Living Rooms | 13,340,241 | 23.5 | 12,299,724 | 22.6 |
| Living Room Boards | 4,199,654 | 7.4 | 3,250,568 | 6.0 |
| School and Office Furniture | 2,891,052 | 5.1 | 2,723,941 | 5.0 |
| Dining Furniture | 10,649,946 | 18.7 | 10,367,060 | 19.1 |
| Carpets and Curtains | 4,750,253 | 8.3 | 4,790,827 | 8.8 |
| Bedding | 13,477,707 | 23.7 | 13,619,600 | 25.1 |
| Lighting and Household Fixtures | 2,009,712 | 3.5 | 1,893,905 | 3.5 |
| Unit Furniture | 1,373,359 | 2.4 | 1,891,780 | 3.5 |
| Lithography and Paintings | 46,497 | 0.1 | 43,124 | 0.1 |
| Others | 2,010,087 | 3.5 | 1,526,987 | 2.8 |
| Total sales | 56,843,530 | 99.9 | 54,297,918 | 99.9 |
| Real estate rental | 68,849 | 0.1 | 68,785 | 0.1 |
| Total revenue | 56,912,379 | 100.0 | 54,366,704 | 100.0 |

Any fractional amount of less than a thousand yen is discarded.