

**Non-Consolidated Financial Report
for the six months ended June 30, 2014
[Japanese GAAP]**

August 7, 2014

Company name: Otsuka Kagu, Ltd.
 Ticker symbol number: 8186
 URL: <http://www.idc-otsuka.co.jp>
 Representative: Katsuhisa Otsuka, Chairman, President and Representative Director
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Date of filing of Quarterly Securities Report: August 8, 2014

Date of commencement of dividend payment: -

Availability of supplementary briefing material on quarterly results: Available

Schedule of quarterly results briefing session: Not scheduled

1. Non-Consolidated Financial Performance for the six months ended June 30, 2014 (From January 1, 2014 to June 30, 2014)

(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, 2014	29,856	4.9	743	36.7	871	31.0
Six months ended June 30, 2013	28,475	2.5	543	(19.8)	665	(15.1)

	Net income		Net income per share (basic)	Net income per share (diluted)
	Millions of yen	%	Yen	Yen
Six months ended June 30, 2014	742	32.7	40.06	—
Six months ended June 30, 2013	559	21.8	30.18	—

Note: The percentages represent changes from the six months ended June 30, 2013.

(2) Financial position

(Any amount 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, 2014	48,449	35,878	74.1	1,935.66
As of December 31, 2013	47,657	36,250	76.1	1,955.71

Reference: Equity = Net assets – Subscription rights to shares

Six months ended June 30, 2014: 35,878 million yen

Year ended December 31, 2013: 36,250 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, 2013	—	0.00	—	40.00	40.00
Year ending December 31, 2014	—	0.00			
Year ending December 31, 2014 (forecast)			—	40.00	40.00

Note: Revision to the dividend forecast: None

3. Forecast of Non-Consolidated Financial Performance for Fiscal 2014 (From January 1, 2014 to December 31, 2014)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ending December 31, 2014	58,500	4.0	1,224	45.2	1,390	38.5

	Net income		Net income per share (basic)	
	Millions of yen	%	Yen	
Year ending December 31, 2014	1,007	17.6	54.34	

Notes: Revision to the performance forecast: Yes

The percentages represent changes from the previous fiscal year.

*Notes

(1) Adoption of special accounting treatment for preparation of non-consolidated financial statements for the six months ended June 30, 2014: None

(2) Changes in accounting policies, changes in accounting estimates and errors

- Changes in accounting policies resulted from the amendment of accounting standards: None
- Changes other than the above changes: None
- Changes in accounting estimates: None
- Errors: None

(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, 2014	19,400,000 shares	As of December 31, 2013	19,400,000 shares
b. Number of shares of treasury stock at the end of the period	As of June 30, 2014	864,434 shares	As of December 31, 2013	864,414 shares
c. Average number of shares during the period	Six months ended June 30, 2014	18,535,568 shares	Six months ended June 30, 2013	18,535,586 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, 2014 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, 2014.

*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.

4. Quarterly Financial Statements

(1) Quarterly Non-Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2013	As of June 30, 2014
Assets		
Current assets		
Cash and deposits	7,431,413	8,892,466
Notes and accounts receivable-trade	3,242,052	2,728,392
Merchandise	14,801,988	15,016,470
Other	1,121,640	1,360,326
Allowance for doubtful accounts	(2,020)	(1,700)
Total current assets	26,595,075	27,995,956
Non-current assets		
Property, plant and equipment	2,855,438	2,809,688
Intangible assets	120,543	259,710
Investments and other assets		
Investment securities	11,767,199	11,100,292
Guarantee deposits	6,127,334	6,090,438
Other	193,318	195,233
Allowance for doubtful accounts	(1,600)	(1,600)
Total investments and other assets	18,086,252	17,384,364
Total non-current assets	21,062,233	20,453,764
Total assets	47,657,309	48,449,720
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,587,941	3,605,431
Income taxes payable	202,812	771,505
Provision for bonuses	88,058	70,092
Provision for sales promotion expenses	33,909	33,776
Other	4,520,794	5,354,469
Total current liabilities	8,433,515	9,835,276
Non-current liabilities		
Provision for directors' retirement benefits	481,434	472,260
Asset retirement obligations	348,099	351,119
Other	2,143,960	1,912,563
Total non-current liabilities	2,973,494	2,735,943
Total liabilities	11,407,010	12,571,219
Net assets		
Shareholders' equity		
Capital stock	1,080,000	1,080,000
Capital surplus	3,690,470	3,690,470
Retained earnings	28,259,122	28,260,168
Treasury stock	(800,855)	(800,876)
Total shareholders' equity	32,228,737	32,229,762
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,021,562	3,648,738
Total valuation and translation adjustments	4,021,562	3,648,738
Total net assets	36,250,299	35,878,501
Total liabilities and net assets	47,657,309	48,449,720

(2) Quarterly Non-Consolidated Statements of Operations
For the six-month period ended June 30, 2013 and 2014

(Thousands of yen)

	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2014
Net sales	28,475,676	29,856,976
Cost of sales	12,723,558	13,392,578
Gross profit	15,752,117	16,464,397
Selling, general and administrative expenses	15,208,372	15,721,223
Operating income	543,745	743,174
Non-operating income		
Interest income	1	1
Dividend income	72,084	73,594
Dividend income of insurance	45,545	49,608
Other	11,780	11,534
Total non-operating income	129,411	134,738
Non-operating expenses		
Loss on retirement of non-current assets	1,483	113
Interest expenses on guarantee deposits	1,266	924
Foreign exchange losses	4,771	1,719
Commission fee	-	2,686
Other	308	595
Total non-operating expenses	7,829	6,039
Ordinary income	665,327	871,873
Extraordinary income		
Gain on sales of investment securities	-	328,634
Settlement received	310,500	-
Total extraordinary income	310,500	328,634
Extraordinary loss		
Impairment loss	36,222	1,841
Total extraordinary losses	36,222	1,841
Income before income taxes	939,605	1,198,666
Income taxes-current	134,913	726,633
Income taxes-deferred	245,224	(270,436)
Total income taxes	380,137	456,197
Net income	559,467	742,469

(3) Quarterly Non-Consolidated Statements of Cash Flows

(Thousands of yen)

	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2014
Cash flows from operating activities		
Income before income taxes	939,605	1,198,666
Depreciation	108,502	99,112
Amortization of guarantee deposits	7,308	7,338
Increase (decrease) in allowance for doubtful accounts	180	(320)
Increase (decrease) in provision for bonuses	(18,095)	(17,966)
Increase (decrease) in provision for directors' retirement benefits	7,845	(9,174)
Increase (decrease) in provision for sales promotion expenses	1,016	(132)
Impairment loss	36,222	1,841
Loss (gain) on sales of investment securities	-	(328,634)
Loss on retirement of non-current assets	1,483	113
Interest and dividend income	(72,085)	(73,595)
Decrease (increase) in notes and accounts receivable-trade	(290,202)	513,660
Decrease (increase) in inventories	(603,390)	(220,178)
Decrease (increase) in other current assets	60,273	6,302
Increase (decrease) in notes and accounts payable-trade	(135,987)	17,084
Increase (decrease) in advances received	799,847	506,240
Increase (decrease) in other current liabilities	408,355	334,775
Other, net	8,438	9,107
Subtotal	1,259,318	2,044,242
Interest and dividends income received	72,085	73,595
Income taxes paid	(35,994)	(161,110)
Income taxes refund	6,824	-
Net cash provided by (used in) operating activities	1,302,234	1,956,727
Cash flows from investing activities		
Purchase of property, plant and equipment	(78,007)	(20,418)
Purchase of intangible assets	(51,883)	(168,487)
Proceeds from sales of investment securities	-	429,521
Payments for guarantee deposits	(11,568)	(354,404)
Proceeds from collection of guarantee deposits	1,892	375,244
Other, net	(19,903)	(16,506)
Net cash provided by (used in) investing activities	(159,471)	244,948
Cash flows from financing activities		
Cash dividends paid	(740,535)	(740,602)
Purchase of treasury stock	-	(20)
Net cash provided by (used in) financing activities	(740,535)	(740,622)
Net increase (decrease) in cash and cash equivalents	402,227	1,461,052
Cash and cash equivalents at beginning of period	7,320,872	7,431,413
Cash and cash equivalents at end of period	7,723,100	8,892,466

5. Net Sales by Segment and Merchandise

(Thousands of yen)

	For the six months ended June 30, 2013	For the six months ended June 30, 2014	Change from the previous period
	Amount	Amount	%
Furniture			
Storage Furniture	643,250	611,572	95.1
Japanese-Style Furniture	108,830	115,197	105.9
Furniture for Living Rooms	6,339,642	6,606,420	104.2
Living Room Boards	1,556,191	1,608,022	103.3
School and Office Furniture	1,523,665	1,566,986	102.8
Dining Furniture	5,581,777	5,983,200	107.2
Carpets and Curtains	2,493,475	2,424,797	97.2
Bedding	7,617,234	8,007,299	105.1
Lighting and Household Fixtures	1,019,934	1,080,541	105.9
Unit Furniture	822,762	918,830	111.7
Lithography and Paintings	12,104	14,525	120.0
Others	727,292	890,069	122.4
Total sales	28,446,163	29,827,463	104.9
Real estate rental	29,512	29,512	100.0
Total revenue	28,475,676	29,856,976	104.9

6. Net Sales of Stores, Corporation and Others

(Thousands of yen)

	For the six months ended June 30, 2013	For the six months ended June 30, 2014	Change from the previous period
	Amount	Amount	%
Stores	28,054,931	29,320,781	104.5
Corporation	387,163	502,646	129.8
Others	33,580	33,548	99.9
Total revenue	28,475,676	29,856,976	104.9