

Information for Investors

(January 1,2018 - December 31,2018)



February 15,2019
OTSUKA KAGU,LTD.

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FY2019

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FY2018 Results

(January 1,2018 - December 31,2018)



1 .FY2018 Summary

- ✓ Net sales declined 9.0% year-on-year due to over-the-counter sales sluggish especially in large stores
- ✓ Gross profit ratio declined due to reconsider the product evaluation criteria, discount on inventory clearance sale and closing sale
- ✓ SG & A expenses decreased by 4,352 million yen from the previous year
Rent decreased by 1,838 million yen from the previous year due to store size optimization
- ✓ Net loss improved by 4,019 million yen from the previous year

2. FY2018 Results



(millions of yen,%)

	2017	2018	Y/Y	Y/YE
Net sales	41,079	37,388	(9.0)	(0.7)
Gross profit	20,942	16,557	(20.9)	(4.7)
%sales	51.0	44.3		
SG&A expenses	26,078	21,726	(16.7)	(3.3)
%sales	63.5	58.1		
Operating income (loss)	(5,136)	(5,168)	-	-
%sales	(12.5)	(13.8)		
Ordinary income (loss)	(5,144)	(5,313)	-	-
%sales	(12.5)	(14.2)		
loss	(7,259)	(3,240)	-	-
%sales	(17.7)	(8.7)		

* Forecast (YE) as of August 7,2018

3. Breakdown of net sales



(millions of yen,%)

	2017	number of stores	2018	number of stores	Y/Y	Y/YE
Kanto	24,464	11	21,473	11	(12.2)	1.9
Kansai	7,655	5	6,851	5	(10.5)	(3.7)
Tokai	3,287	3	2,761	1	(16.0)	2.5
Others	3,601	2	2,875	2	(20.2)	0.7
Store sales total	39,008	21	33,962	19	(12.9)	0.7
share	95.0		90.8			
Corporate sales	2,009		3,222		60.4	(15.2)
share	4.9		8.6			
Others	62		202		227.0	98.1
share	0.2		0.5			
Total	41,079		37,388		(9.0)	(0.7)
share	100.0		100.0			

* Ref.p.18 for store information

* Number of stores as of December 31,2018

* Forecast (YE) as of August 7,2018

4. SG&A expenses



(millions of yen,%)

	2017	%sales	2018	%sales	Y/Y	Y/YE
Transportation	1,454	3.5	1,145	3.1	(21.3)	(10.0)
Advertising	2,262	5.5	1,546	4.1	(31.6)	(22.7)
Personnel	8,814	21.5	7,931	21.2	(10.0)	(1.8)
Rents	9,486	23.1	7,648	20.5	(19.4)	(0.2)
Others	4,060	9.9	3,454	9.2	(14.9)	0.0
Total	26,078	63.5	21,726	58.1	(16.7)	(3.3)

*Rents including Administrative expenses

*Forecast (YE) as of August 7,2018

5. Non-operating income and expenses

Extraordinary income and losses



(millions of yen,%)

	2017	2018	Y/Y
Income	154	103	(33.2)
Interest and dividend	49	19	(59.8)
Others	105	83	(20.8)
Expenses	163	263	61.5

– FY2018 –

Extraordinary income :	Gain on sales of non-current assets	1,401million yen
	Gain on sales of investment securities, etc.	910million yen
Extraordinary loss :	Impairment loss	167million yen
	Loss on closing of stores, etc.	44million yen

6. Investment and depreciation



(millions of yen)

	2017		2018	
Capital expenditure	252		120	
	Store facilities, etc.	45	Store facilities, etc.	53
	System renewal	168	System renewal	64
	Others	38	Others	2
Security deposit	(480)		(453)	
	Guarantee deposits, etc.	(480)	Guarantee deposits, etc.	(453)
Total	(227)		(333)	
Depreciation	121		16	

* Excluding finance-related transactions

7. Number of employees

		As of December 31,2017	As of December 31,2018
	Store	1,007	854
	Total	1,489	1,264

* Not including the number of board member, corporate officer, temporary worker

8 .FY2018 Major initiative

In order to improve performance, we worked on sales measures such as EC & sales tie-ups, store size optimization, rent reduction, inventory clearance sale.

※Business alliances will be described later

Strengthening EC business

- Increasing sales channels and improving usability (EC sales increased by +69.1%)

Strengthening sales tie-ups

- Rebuilding and expanding sales tie-ups with housing companies (Sales tie-ups sales increased by +52.3%)

Store size optimization

- By closing and reducing floor space, we proceeded with scrap & build to optimize store space and establish next-generation store network.
- 6 stores were closed, and 5 stores were floor-space-reduced (ref.p.16 & 18 for store information)

Reduce store rent

- We negotiated with the rental owners and expected reduction of about 240 million yen in 2019

Inventory clearance sale

- Inventory clearance sale which offered a great discount of up to 80% was carried out in October and November
- Sales recovered, +7.7% from the previous year in October, +4.1% from the previous year in November

【Reference1】 Number of Customers

Large stores that are more dependent on demand for bulk purchases for new housing, resulted in poor business performance.

Number of customers and consulting service on Street-level stores increased.

Number of customers and sales on existing stores were sluggish.

■ Change in Number of Customers and Sales

	Number of Customers	Number of Consulting Service	Net Sales
Large stores	(11.5)	(10.9)	(9.9)
Street-level stores	6.1	6.5	(5.4)
Existing stores*	(3.0)	(3.3)	(9.7)

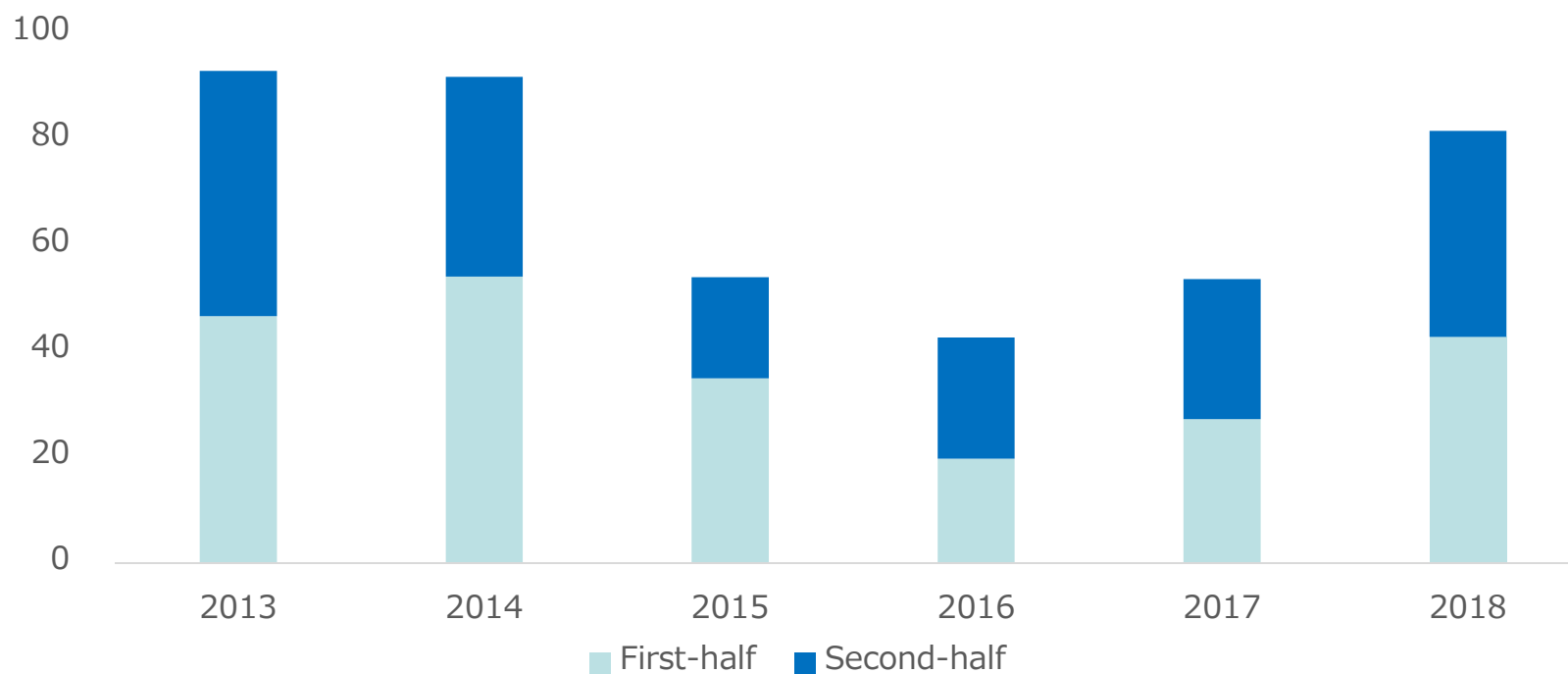
* Stores operating in the same period last year minus the large & street-level store

【Reference2】 Sales Tie-up

Rebuilding and expanding sales tie-ups with housing companies

FY2018 Net Sales 8,172 millions of yen (Change + 52.3%)

(billions of yen)

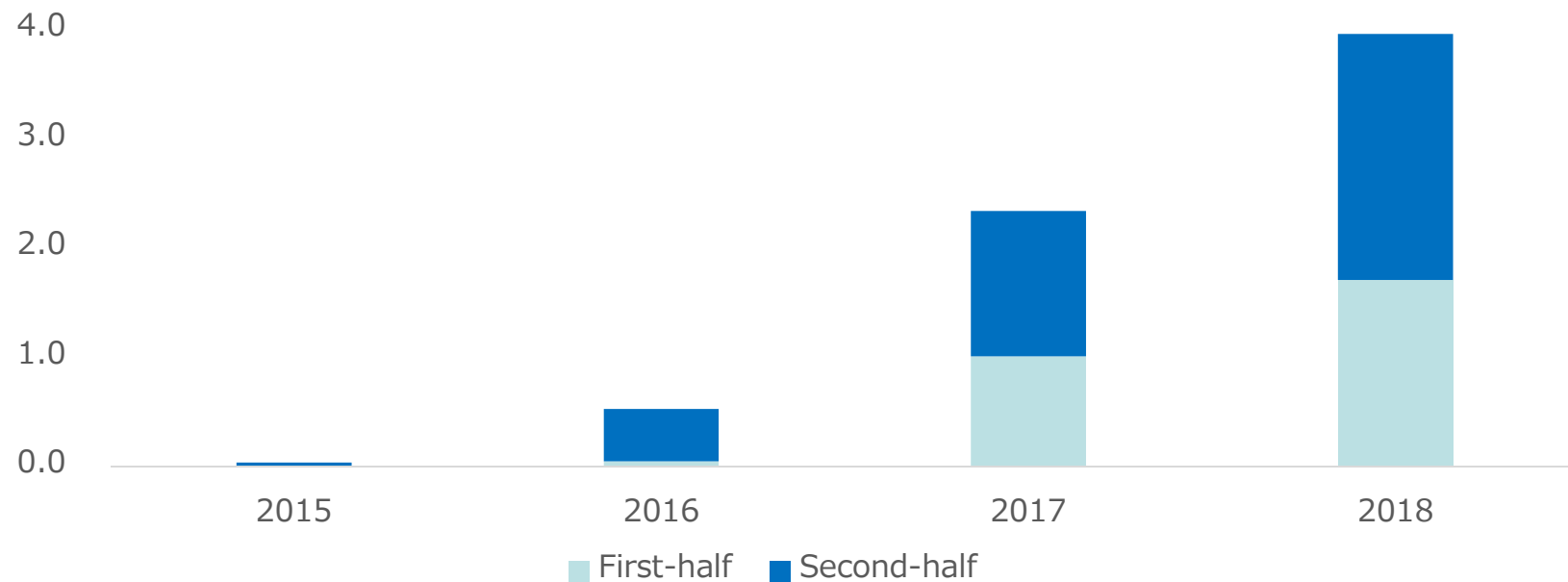


【Reference3】 E C

Seeking to acquire new customer bases and increase sales channels, on our official website and external EC sites (YAHUOKU!, LOCONDO HOME, Yahoo!shopping, Amazon, Laig)

FY2018 Net Sales 396 millions of yen (Change + 69.1%)

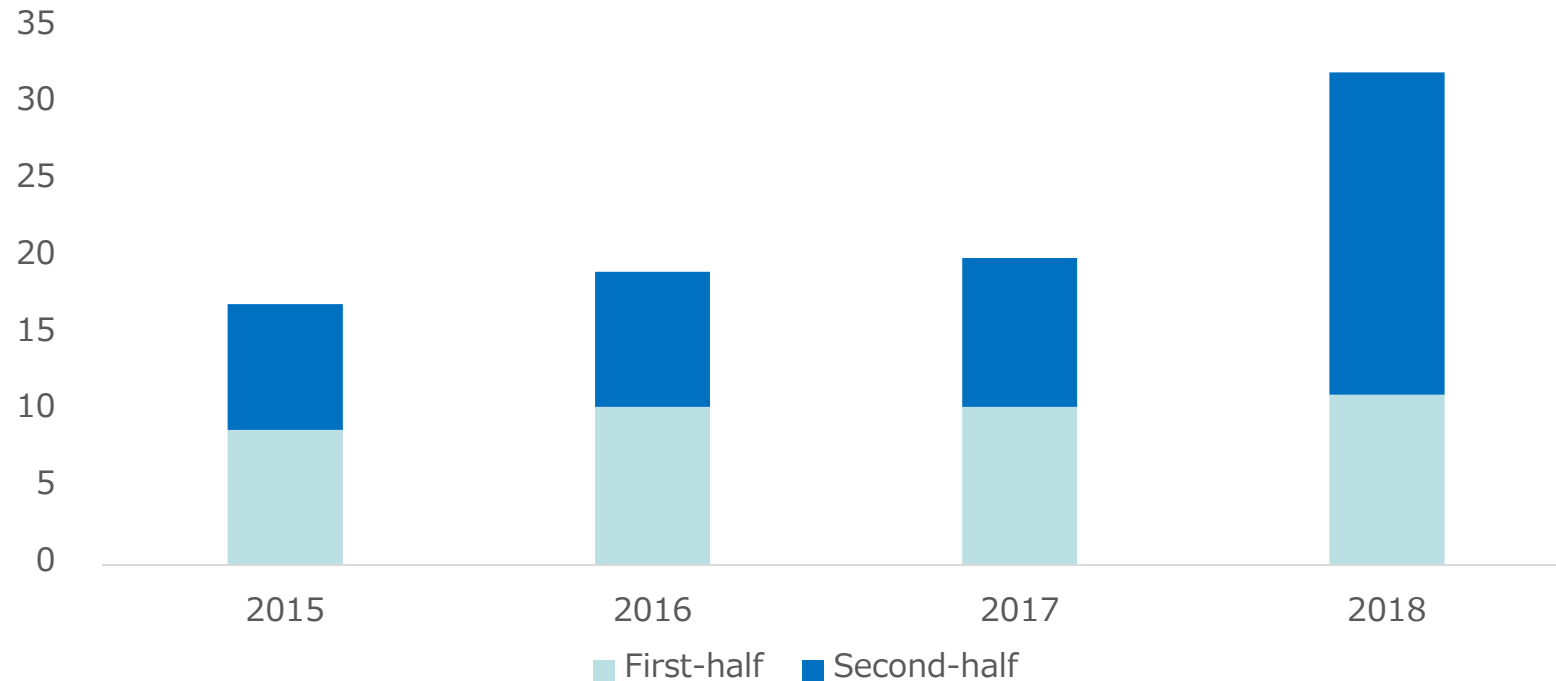
(billions of yen)



【Reference4】 Contract Division

Strengthening the contract division which is expected to increase
FY2018 Net Sales 3,222 millions of yen (Change + 60.4%)

(billions of yen)



【Reference5】 Stores

Reductions of rents by store size optimization

【Open】

Date	Store	Floor space	Note
Mar. 2018	Poltrona Frau Tokyo Aoyama	320㎡	Brand-specific stores

【Decreased floor space】

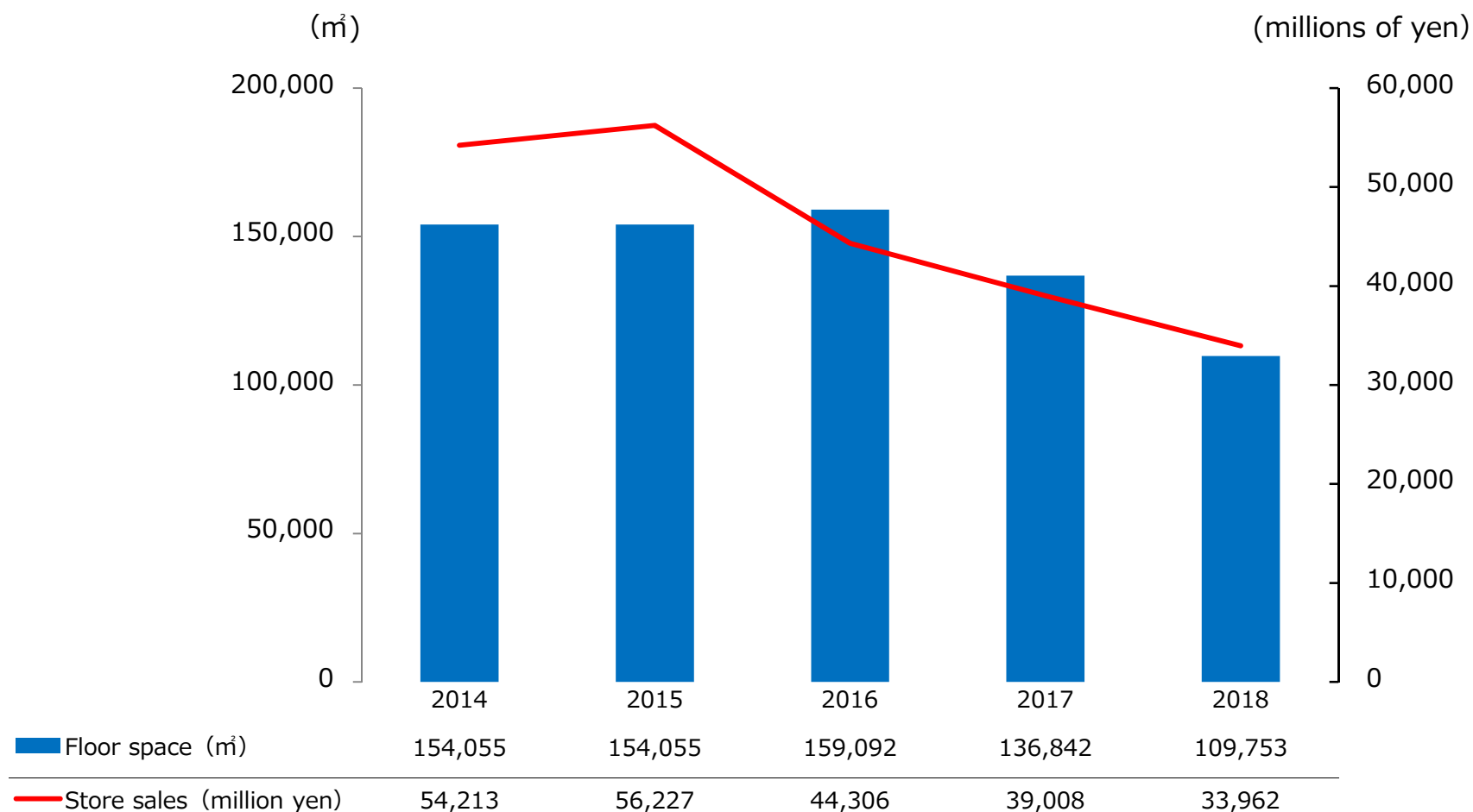
Date	Store	Floor space	Note
Mar. 2018	Shinjuku showroom	10,954㎡	12,297㎡→10,954㎡
Jun. 2018	Osaka Nanko showroom OUTLET&RE-WORTH Osaka Nanko	16,306㎡	22,242㎡→16,306㎡
Jun. 2018	Ariake Head Office showroom OUTLET&RE-WORTH PREMIUM Ariake	17,893㎡	22,277㎡→17,893㎡

【Closure】

Date	Store	Floor space	Note
Feb. 2018	LIFE STYLE SHOP Nagoya Ekimae	304㎡	
Apr. 2018	Nagoya Hoshizaki showroom	4,670㎡	
May 2018	Kasukabe showroom	10,772㎡	
Dec. 2018	Tachikawa showroom	3,295㎡	
Dec. 2018	OUTLET&RE-WORTH PREMIUM Ariake	1,380㎡	OUTLET&RE-WORTH business are operated at Yokohama Minatomirai showroom and Minami Funabashi store
Dec. 2018	OUTLET&RE-WORTH Shinjuku	1,305㎡	

* As of December 31,2018

【Reference6】 Store floor space and store net sales



* As of December 31,2018

			Floor space (m ²)	Note	
Flagship store	Kanto	Ariake Head Office showroom	16,513	decreased floor space on Jun.16,2018(20,187m ² →16,513m ²)	
	Kansai	Osaka Nanko showroom	13,383	decreased floor space on Jun.1,2018(16,750m ² →13,383m ²)	
Standard store		Shinjuku showroom	10,954	decreased floor space on Mar.14,2018(12,297m ² →10,954m ²)	
		Yokohama Minatomirai showroom	10,649		
	Kanto		Ginza main store	7,007	
			Minami Funabashi store	4,599	
			Tachikawa showroom**	3,295	
			Maruhiro Iruma store	2,903	
	Tokai	Nagoya Sakae showroom	11,178		
	Kansai	Kobe showroom	8,566		
	Others		Sendai showroom	7,483	
			Fukuoka showroom	4,902	
Small store/ urban specialized store		OUTLET&RE-WORTH PREMIUM Ariake**	1,380	decreased floor space on Jun.16,2018(2,090m ² →1,380m ²)	
	Kanto		OUTLET&RE-WORTH Shinjuku**	1,305	
			Poltrona Frau Tokyo Aoyama	320	opened on Mar.17,2018 / Brand-specific store
			LIFE STYLE SHOP KASHIWANOHA T-SITE	184	
	Kansai		OUTLET&RE-WORTH Osaka Nanko	2,923	decreased floor space on Jun.1,2018(5,492m ² →2,923m ²)
			NAMBA PARKS	1,214	
	Modern Style Shop Yodoyabashi	475			
Sales office		IDC OTSUKA Sapporo Factory	520		
		Total 19 Stores,1 sales office	109,753		

* As of December 31,2018

** Closure as of December 31, 2018

Tie-up store

Store	Location	Floor space (m ² , approx.)	Note
DEJIMASTOCK	Hiroshima-city, Hiroshima	1,000	opened on Oct.1, 2016
Iyotetsu Takashimaya	Matsuyama-city, Ehime	240	opened on Mar.1, 2017
BonBelta TACHIBANA	Miyazaki-city, Miyazaki	575	opened on Sep.2, 2017
Yagihashi store	Kumagaya-city, Saitama	590	opened on Feb.14, 2018
Okajima store	Kofu-city, Yamanashi	693	opened on Apr.12, 2018

* As of December 31, 2018

FY2019

(January 1,2019 - December 31,2019)



1 .FY2019 Initiative

We will work to improve our performance through business alliances and aggressive investment.

※Forecast for FY2019 will be immediately announced upon completion of examination

Business alliances	Easyhome	<ul style="list-style-type: none"> ■ In December 2018, a basic agreement on business alliance with Easyhome Co., Ltd. of Beijing Nanzhiang Dynasty Innovation Zero Chain Chain Co., Ltd. (Chinese major furniture sales company) ■ We will realize to enter the Chinese market through Easyhome's networks and establish cross-border EC business
	YAMADA DENKI Co.,LTD	<ul style="list-style-type: none"> ■ February 2019, basic agreement on business alliance ■ With regard to the " Kaden Sumairu-kan" measures carried out by Yamada Denki Co., Ltd., we are considering expansion of sales channels by providing our sales-know-how and human resources
	Investment	<ul style="list-style-type: none"> ■ After March 2019, we plan to raise about 7 billion yen in funding ■ We will focus on automation of our own logistics warehouse, store refurbishment, investment in IT system, marketing and promotion expenses for rebuilding corporate positioning image.



These data have been prepared solely for the purpose of supplying information about settlement and our business.

These data are not, and should not be construed as, an offer or solicitation for purchases of our securities.

These data are based on the information that is available on February 15,2019.

Actual results may differ from the indicated forecasts here due to various factors.

It may change without a preliminary announcement about the indicated contents here.