

**[Updated] Non-Consolidated Financial Report**  
**for the six months ended June 30, 2017**  
**[Japanese GAAP]**

August 9, 2017

This financial results is a partial correction of the second quarter financial results submitted on August 4, In addition, the correction point is underlined.

Company name: Otsuka Kagu, Ltd.  
 Ticker symbol number: 8186  
 URL: <http://www.idc-otsuka.jp/company/>  
 Representative: Kumiko Otsuka, President and Representative Director  
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 and General Manager, Finance Division  
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Date of filing of Quarterly Securities Report: August 9, 2017

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, 2017 (From January 1, 2017 to June 30, 2017)

(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, 2017	21,380	(11.3)	(2,702)	—	(2,609)	—
Six months ended June 30, 2016	24,093	(20.1)	(1,973)	—	(1,860)	—

	Profit		Profit per share (basic)	Profit per share (diluted)
	Millions of yen	%	Yen	Yen
Six months ended June 30, 2017	(4,567)	—	(260.49)	—
Six months ended June 30, 2016	(2,497)	—	(138.80)	—

Note: The percentages represent changes from the six months ended June 30, 2016.

(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, 2017	<u>31,523</u>	<u>19,404</u>	<u>61.6</u>	1,133.20
As of December 31, 2016	37,685	26,024	69.1	1,484.08

Reference: Equity = Net assets – Subscription rights to shares

Six months ended June 30, 2017: 19,404 million yen

Year ended December 31, 2016: 26,024 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, 2016	—	0.00	—	80.00	80.00
Year ending December 31, 2017	—	0.00			
Year ending December 31, 2017 (forecast)			—	40.00	40.00

Note: Revision to the dividend forecast: None

## 3. Forecast of Non-Consolidated Financial Performance for Fiscal 2017 (From January 1, 2017 to December 31, 2017)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ending December 31, 2017	42,816	(7.5)	(4,383)	-	(4,345)	-

	Profit		Profit per share (basic)
	Millions of yen	%	Yen
Year ending December 31, 2017	(6,320)	-	(360.41)

Notes: Revision to the performance forecast: None

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, 2017: None

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

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

b. Changes other than the above changes: None

c. Changes in accounting estimates: None

d. Errors: None

(3) Number of shares issued (common stock)

a. Number of shares issued at the end of the period (including treasury shares)	As of June 30, 2017	19,400,000 shares	As of December 31, 2016	19,400,000 shares
b. Number of treasury shares at the end of the period	As of June 30, 2017	1,864,454 shares	As of December 31, 2016	1,864,454 shares
c. Average number of shares during the period	Six months ended June 30, 2017	17,535,546 shares	Six months ended June 30, 2016	17,995,066 shares

Note: The Company has introduced a stock grant ESOP trust. The number of the Company's shares held in said trust account is included in the number of treasury shares.

\*This non-consolidated financial report for the six months ended June 30, 2017 is outside the scope of quarterly review.

### \*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, 2016	As of June 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	3,853,798	2,179,086
Notes and accounts receivable-trade	2,526,597	2,721,395
Merchandise	14,302,114	13,639,800
Other	1,411,934	1,058,139
Total current assets	22,094,444	19,598,421
Non-current assets		
Property, plant and equipment	3,685,490	2,960,126
Intangible assets	167,842	52,673
Investments and other assets		
Investment securities	5,513,983	3,003,424
Guarantee deposits	5,989,612	5,684,903
Other	235,991	225,799
Allowance for doubtful accounts	(1,600)	(1,600)
Total investments and other assets	11,737,987	8,912,528
Total non-current assets	15,591,319	11,925,328
Total assets	37,685,764	31,523,749
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	3,197,794	2,437,665
Income taxes payable	64,856	102,242
Provision for bonuses	-	2,083
Provision for sales promotion expenses	38,574	30,577
Provision for point card certificates	109,941	169,240
Other	4,222,659	3,679,386
Total current liabilities	7,633,826	6,421,195
Non-current liabilities		
Provision for directors' retirement benefits	496,703	496,292
Provision for business structure improvement	-	1,948,627
Asset retirement obligations	351,147	353,778
Long term deposits received	2,381,722	2,381,722
Other	798,129	517,521
Total non-current liabilities	4,027,701	5,697,943
Total liabilities	11,661,528	12,119,138
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,080,000	1,080,000
Capital surplus	3,772,165	3,772,165
Retained earnings	21,550,536	15,571,541
Treasury shares	(2,311,151)	(2,311,151)
Total shareholders' equity	24,091,551	18,112,555
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,932,684	1,292,055
Total valuation and translation adjustments	1,932,684	1,292,055
Total net assets	26,024,235	19,404,611
Total liabilities and net assets	37,685,764	31,523,749

(2) Quarterly Non-Consolidated Statements of Operations  
For the six-month period ended June 30, 2016 and 2017

(Thousands of yen)

	For the six-month period ended June 30, 2016	For the six-month period ended June 30, 2017
Net sales	24,093,526	21,380,010
Cost of sales	11,267,530	10,425,245
Gross profit	12,825,995	10,954,765
Selling, general and administrative expenses	14,799,815	13,657,467
Operating income (loss)	(1,973,819)	(2,702,702)
Non-operating income		
Interest income	1	0
Dividend income	46,458	30,539
Dividend income of insurance	47,998	76,945
Other	28,760	17,974
Total non-operating income	123,219	125,459
Non-operating expenses		
Loss on retirement of non-current assets	4,752	306
Commission fee	-	24,789
Interest expenses on guarantee deposits	243	-
Commission for purchase of treasury shares	4,092	-
Other	341	7,587
Total non-operating expenses	9,430	32,684
Ordinary income (loss)	(1,860,031)	(2,609,926)
Extraordinary income		
Gain on sales of non-current assets	29,743	3,793
Gain on sales of investment securities	-	967,786
Total extraordinary income	29,743	971,580
Extraordinary losses		
Loss on sales of non-current assets	-	2,328
Impairment loss	225,028	962,604
Provision for business structure improvement	-	1,948,627
Total extraordinary losses	225,028	2,913,560
Income (loss) before income taxes	(2,055,316)	(4,551,906)
Income taxes-current	14,912	16,047
Income taxes-deferred	427,426	(154)
Total income taxes	442,339	15,892
Profit (loss)	(2,497,655)	(4,567,799)

## (3) Quarterly Non-Consolidated Statements of Cash Flows

(Thousands of yen)

	For the six-month period ended June 30, 2016	For the six-month period ended June 30, 2017
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes	(2,055,316)	(4,551,906)
Depreciation	118,700	93,059
Amortization of guarantee deposits	6,051	47
Increase (decrease) in provision for bonuses	(29,025)	2,083
Increase (decrease) in provision for directors' retirement benefits	4,950	(410)
Increase (decrease) in provision for sales promotion expenses	(1,528)	(7,996)
Increase (decrease) in provision for point card certificates	-	59,298
Increase (decrease) in provision for business structure improvement	-	1,948,627
Impairment loss	225,028	962,604
Loss (gain) on sales of investment securities	-	(967,786)
Loss (gain) on sales of property, plant and equipment	(29,743)	(1,465)
Loss on retirement of non-current assets	4,752	306
Interest and dividend income	(46,460)	(30,539)
Decrease (increase) in notes and accounts receivable-trade	713,485	(194,798)
Decrease (increase) in inventories	(549,756)	660,775
Decrease (increase) in other current assets	(61,701)	328,084
Increase (decrease) in notes and accounts payable-trade	(635,072)	(760,129)
Increase (decrease) in advances received	(101,424)	179,479
Increase (decrease) in other current liabilities	(446,727)	(682,766)
Other, net	11,007	12,983
Subtotal	(2,872,782)	(2,950,449)
Interest and dividend income received	46,460	30,539
Income taxes paid	(44,890)	(21,049)
Income taxes refund	77,708	14,533
Net cash provided by (used in) operating activities	(2,793,504)	(2,926,425)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,056,881)	(43,203)
Proceeds from sales of property, plant and equipment	63,195	4,114
Purchase of intangible assets	(15,161)	(38,242)
Proceeds from sales of investment securities	-	2,580,847
Payments for guarantee deposits	(69,740)	(13,599)
Proceeds from collection of guarantee deposits	-	164,683
Other, net	(20,249)	481
Net cash provided by (used in) investing activities	(1,098,837)	2,655,080
<b>Cash flows from financing activities</b>		
Cash dividends paid	(1,485,344)	(1,403,367)
Purchase of treasury shares	(1,428,560)	-
Net cash provided by (used in) financing activities	(2,913,904)	(1,403,367)
Net increase (decrease) in cash and cash equivalents	(6,806,246)	(1,674,712)
Cash and cash equivalents at beginning of period	10,971,827	3,853,798
Cash and cash equivalents at end of period	4,165,581	2,179,086

## 5. Net Sales by Segment and Merchandise

(Thousands of yen)

	For the six months ended June 30, 2016	For the six months ended June 30, 2017	Change from the previous period
	Amount	Amount	%
Furniture			
Storage Furniture	443,797	322,287	72.6
Japanese-Style Furniture	66,222	69,673	105.2
Furniture for Living Rooms	5,327,164	4,927,941	92.5
Living Room Boards	1,319,204	1,174,338	89.0
School and Office Furniture	1,385,703	1,147,636	82.8
Dining Furniture	4,714,831	4,129,919	87.6
Carpets and Curtains	2,000,126	1,917,761	95.9
Bedding	6,047,525	5,229,882	86.5
Lighting and Household Fixtures	899,923	854,201	94.9
Unit Furniture	553,942	466,679	84.2
Lithography and Paintings	14,595	17,040	116.8
Others	1,282,317	1,098,771	85.7
Total sales	24,055,356	21,356,135	88.8
Real estate rental	38,169	23,875	62.6
Total revenue	24,093,526	21,380,010	88.7

## 6. Net Sales of Stores, Corporation and Others

(Thousands of yen)

	For the six months ended June 30, 2016	For the six months ended June 30, 2017	Change from the previous period
	Amount	Amount	%
Stores	23,010,994	20,319,690	88.3
Corporation	1,039,924	1,034,881	99.5
Others	42,607	25,439	59.7
Total revenue	24,093,526	21,380,010	88.7