

**Non-Consolidated Financial Report
for the Year ended December 31, 2016
[Japanese GAAP]**

February 10, 2017

Company name: Otsuka Kagu, Ltd.
 Ticker symbol number: 8186
 URL: <http://www.idc-otsuka.jp/company/>
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Date of commencement of dividend payment: March 27, 2017

Date of annual shareholders' meeting: March 24, 2017

Date of filing of Securities Report: March 24, 2017

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, 2016 (From January 1, 2016 to December 31, 2016)

(1) Results of operations

(Any amount of 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, 2016	46,307	(20.2)	(4,597)	—	(4,436)	—
Year ended December 31, 2015	58,004	4.5	437	—	633	—

	Profit		Profit per share (basic)	Profit per share (diluted)
	Millions of yen	%	Yen	Yen
Year ended December 31, 2016	(4,567)	—	(257.10)	—
Year ended December 31, 2015	359	(24.1)	19.38	—

	Return on equity	Ordinary income to total assets	Operating income to net sales
	%	%	%
Year ended December 31, 2016	(15.1)	(10.6)	(9.9)
Year ended December 31, 2015	1.0	1.4	0.8

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, 2016: —

Year ended December 31, 2015: —

(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, 2016	37,685	26,024	69.1	1,484.08
As of December 31, 2015	45,712	34,464	75.4	1,859.37

Reference: Equity = Net assets - Subscription rights to shares

As of December 31, 2016: 26,024 million yen

As of December 31, 2015: 34,464 million yen

(3) Cash flow position

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

	Net cash provided by (used in) operating activities	Net cash provided by 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, 2016	(5,770)	(812)	(534)	3,853
Year ended December 31, 2015	269	(75)	(741)	10,971

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, 2015	—	0.00	—	80.00	80.00
Year ended December 31, 2016	—	0.00	—	80.00	80.00
Year ending December 31, 2017 (forecast)	—	0.00	—	40.00	40.00

	Total cash dividends paid for the year	Payout ratio	Dividend to net assets
	Millions of yen	%	%
Year ended December 31, 2015	1,491	412.8	4.3
Year ended December 31, 2016	1,411	—	4.8
Year ending December 31, 2017 (forecast)		193.1	

Note: Total cash dividends paid for the year ended December 31, 2016 includes 8 million yen of dividend relating to the Company's treasury shares held by the "stock grant ESOP trust account."

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	%
Six months ending June 30, 2017	26,119	8.4	(300)	—	(223)	—
Year ending December 31, 2017	53,019	14.5	500	—	601	—

	Profit		Profit per share (basic)
	Millions of yen	%	Yen
Six months ending June 30, 2017	(319)	—	(18.00)
Year ending December 31, 2017	367	—	20.71

Note: The percentages for the year ending December 31, 2017 and the six months ending June 30, 2017 represent changes from the previous year and the six months ended June 30, 2016, respectively.

*Notes

- (1) 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

(2) Number of shares issued (common stock)

a. Number of shares issued at the end of the year (including treasury shares)	As of December 31, 2016	19,400,000 shares	As of December 31, 2015	19,400,000 shares
b. Number of treasury shares at the end of the year	As of December 31, 2016	1,864,454 shares	As of December 31, 2015	864,434 shares
c. Average number of shares during the period	Year ended December 31, 2016	17,764,054 shares	Year ended December 31, 2015	18,535,566 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.

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

The audit procedures of non-consolidated financial statements for the year ended December 31, 2016 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, 2016.

*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. Financial Statements

(1) Non-Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2015		As of December 31, 2016	
Assets				
Current assets				
Cash and deposits		10,971,827		3,853,798
Notes receivable-trade	*3	98,588	*3	30,204
Accounts receivable-trade		2,932,681		2,496,392
Merchandise		14,035,032		14,302,114
Advance payments-trade		108,947		58,878
Prepaid expenses		901,157		902,211
Deferred tax assets		196,324		-
Other		80,903		450,844
Total current assets		29,325,463		22,094,444
Non-current assets				
Property, plant and equipment				
Buildings, net	*2	830,425	*2	790,289
Structures, net		14,319		20,127
Machinery and equipment, net		2,776		2,096
Vehicles, net		1,016		66
Tools, furniture and fixtures, net		399,501		458,695
Land	*2	1,107,318	*2	2,414,213
Construction in progress		426,400		-
Total property, plant and equipment	*1	2,781,757	*1	3,685,490
Intangible assets				
Software		143,186		119,887
Other		25,012		47,955
Total intangible assets		168,199		167,842
Investments and other assets				
Investment securities		7,232,501		5,513,983
Shares of subsidiaries and associates		97,000		97,000
Long-term prepaid expenses		2,902		28,876
Guarantee deposits		5,996,637		5,989,612
Other		109,309		110,144
Allowance for doubtful accounts		(1,600)		(1,600)
Total investments and other assets		13,436,752		11,737,987
Total non-current assets		16,386,709		15,591,319
Total assets		45,712,172		37,685,764

(Thousands of yen)

	As of December 31, 2015	As of December 31, 2016
Liabilities		
Current liabilities		
Notes payable-trade	1,395,532	1,373,318
Accounts payable-trade	2,292,038	1,824,476
Accounts payable-other	520,868	358,448
Accrued expenses	1,653,109	1,687,315
Income taxes payable	-	64,856
Advances received	2,318,878	1,715,876
Deposits received	354,306	299,497
Provision for bonuses	102,276	-
Provision for sales promotion expenses	41,890	38,574
Provision for point card certificates	-	109,941
Other	149,621	161,522
Total current liabilities	8,828,521	7,633,826
Non-current liabilities		
Guarantee deposits received	*2 106,229	*2 74,861
Provision for directors' retirement benefits	485,635	496,703
Reserve for loss on dissolution of employees' pension fund	507,106	-
Asset retirement obligations	345,962	351,147
Long term deposits received	-	2,381,722
Deferred tax liabilities	974,263	723,267
Total non-current liabilities	2,419,197	4,027,701
Total liabilities	11,247,719	11,661,528
Net assets		
Shareholders' equity		
Capital stock	1,080,000	1,080,000
Capital surplus		
Legal capital surplus	3,690,470	3,690,470
Other capital surplus	81,695	81,695
Total capital surpluses	3,772,165	3,772,165
Retained earnings		
Legal retained earnings	270,000	270,000
Other retained earnings		
General reserve	26,920,000	25,820,000
Retained earnings brought forward	418,837	(4,539,463)
Total retained earnings	27,608,837	21,550,536
Treasury shares	(882,572)	(2,311,151)
Total shareholders' equity	31,578,431	24,091,551
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,886,022	1,932,684
Total valuation and translation adjustments	2,886,022	1,932,684
Total net assets	34,464,453	26,024,235
Total liabilities and net assets	45,712,172	37,685,764

(2) Non-Consolidated Statements of Operations

(Thousands of yen)

	For the year ended December 31, 2015	For the year ended December 31, 2016
Net sales		
Net sales of goods	57,945,691	46,241,012
Rent income of real estate	59,025	66,834
Total net sales	58,004,717	46,307,846
Cost of sales		
Cost of goods sold		
Beginning goods	15,009,581	14,035,032
Cost of purchased goods	26,256,354	21,904,449
Total	41,265,935	35,939,482
Transfer to other account	75,044	72,131
Ending goods	14,035,032	14,302,114
Cost of goods sold	27,155,859	21,565,236
Cost of real estate rent	18,432	21,853
Total cost of sales	27,174,291	21,587,089
Gross profit	30,830,426	24,720,756
Selling, general and administrative expenses	*1 30,392,876	*1 29,318,318
Operating income (loss)	437,549	(4,597,561)
Non-operating income		
Interest income	3	1
Dividend income	77,714	83,814
Dividend income of insurance	56,850	47,998
Other	63,252	42,352
Total non-operating income	197,821	174,166
Non-operating expenses		
Interest expenses on guarantee deposits	1,003	315
Foreign exchange losses	1	527
Commission fee	-	2,362
Commission for purchase of treasury shares	-	4,112
Loss on retirement of non-current assets	516	5,183
Other	794	928
Total non-operating expenses	2,315	13,430
Ordinary income (loss)	633,055	(4,436,824)
Extraordinary income		
Gain on sales of non-current assets	-	43,128
Reversal of reserve for loss on dissolution of employees' pension fund	-	176,897
Gain on sales of investment securities	111	417,698
Total extraordinary income	111	637,725
Extraordinary losses		
Loss on sales of non-current assets	-	12,248
Impairment loss	*2 28,869	*2 297,261
Total extraordinary losses	28,869	309,510
Profit (loss) before income taxes	604,298	(4,108,609)
Income taxes-current	267,574	31,254
Income taxes-deferred	(22,532)	427,239
Total income taxes	245,041	458,494
Profit (loss)	359,256	(4,567,104)

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

For the year ended December 31, 2015

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at beginning of current period	1,080,000	3,690,470	-	3,690,470	270,000	27,220,000	501,004	27,991,004
Changes of items during period								
Reversal of general reserve						(300,000)	300,000	-
Dividends of surplus							(741,422)	(741,422)
Profit							359,256	359,256
Purchase of treasury shares								
Disposal of treasury shares			81,695	81,695				
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	81,695	81,695	-	(300,000)	(82,166)	(382,166)
Balance at end of current period	1,080,000	3,690,470	81,695	3,772,165	270,000	26,920,000	418,837	27,608,837

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(800,876)	31,960,597	2,704,412	2,704,412	34,665,010
Changes of items during period					
Reversal of general reserve		-			-
Dividends of surplus		(741,422)			(741,422)
Profit		359,256			359,256
Purchase of treasury shares	(178,419)	(178,419)			(178,419)
Disposal of treasury shares	96,723	178,419			178,419
Net changes of items other than shareholders' equity			181,609	181,609	181,609
Total changes of items during period	(81,695)	(382,166)	181,609	181,609	(200,557)
Balance at end of current period	(882,572)	31,578,431	2,886,022	2,886,022	34,464,453

For the year ended December 31, 2016

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at beginning of current period	1,080,000	3,690,470	81,695	3,772,165	270,000	26,920,000	418,837	27,608,837
Changes of items during period								
Reversal of general reserve						(1,100,000)	1,100,000	-
Dividends of surplus							(1,491,197)	(1,491,197)
Profit							(4,567,104)	(4,567,104)
Purchase of treasury shares								
Disposal of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	-	-	-	(1,100,000)	(4,958,301)	(6,058,301)
Balance at end of current period	1,080,000	3,690,470	81,695	3,772,165	270,000	25,820,000	(4,539,463)	21,550,536

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(882,572)	31,578,431	2,886,022	2,886,022	34,464,453
Changes of items during period					
Reversal of general reserve		-			-
Dividends of surplus		(1,491,197)			(1,491,197)
Profit		(4,567,104)			(4,567,104)
Purchase of treasury shares	(1,428,579)	(1,428,579)			(1,428,579)
Disposal of treasury shares		-			-
Net changes of items other than shareholders' equity			(953,337)	(953,337)	(953,337)
Total changes of items during period	(1,428,579)	(7,486,880)	(953,337)	(953,337)	(8,440,217)
Balance at end of current period	(2,311,151)	24,091,551	1,932,684	1,932,684	26,024,235

(4) Non-Consolidated Statements of Cash Flows

(Thousands of yen)

	For the year ended December 31, 2015	For the year ended December 31, 2016
Cash flows from operating activities		
Profit (loss) before income taxes	604,298	(4,108,609)
Depreciation	162,793	229,453
Amortization of guarantee deposits	14,459	12,101
Increase (decrease) in allowance for doubtful accounts	(1,560)	-
Increase (decrease) in provision for bonuses	17,426	(102,276)
Increase (decrease) in provision for directors' retirement benefits	4,756	11,067
Increase (decrease) in provision for sales promotion expenses	9,579	(3,316)
Increase (decrease) in provision for point card certificates	-	109,941
Impairment loss	28,869	297,261
Increase (decrease) in provision of reserve for loss on dissolution of employees' pension fund	-	(507,106)
Loss (gain) on sales of investment securities	(111)	(417,698)
Loss on retirement of non-current assets	516	5,183
Loss (gain) on sales of non-current assets	-	(30,880)
Interest and dividend income	(77,718)	(83,815)
Decrease (increase) in notes and accounts receivable-trade	(545,675)	504,672
Decrease (increase) in inventories	974,941	(266,599)
Decrease (increase) in advance payments	85,755	50,068
Decrease (increase) in other current assets	(26,989)	(358,679)
Increase (decrease) in notes and accounts payable-trade	(235,685)	(489,776)
Increase (decrease) in advances received	150,807	(603,001)
Increase (decrease) in accrued expenses	(100,328)	34,206
Increase (decrease) in other current liabilities	32,839	269,479
Increase (decrease) in accrued consumption taxes	91,163	(477,393)
Increase (decrease) in income taxes payable-factor based tax	(20,172)	28,575
Other, net	(42,004)	(23,053)
Subtotal	1,127,962	(5,874,089)
Interest and dividend income received	77,718	83,815
Income taxes paid	(936,526)	(66,507)
Income taxes refund	-	86,137
Net cash provided by (used in) operating activities	269,153	(5,770,643)
Cash flows from investing activities		
Purchase of property, plant and equipment	(57,156)	(1,387,375)
Proceeds from sales of property, plant and equipment	-	85,765
Purchase of intangible assets	(17,029)	(51,735)
Proceeds from sales of investment securities	112	674,049
Purchase of shares of subsidiaries and associates	(20,000)	-
Payments for guarantee deposits	(13,378)	(70,648)
Proceeds from collection of guarantee deposits	7,913	670
Repayments of lease deposits	(34,442)	(31,572)
Proceeds from cancellation of insurance funds	64,026	3,499
Other, net	(5,171)	(35,100)
Net cash provided by (used in) investing activities	(75,125)	(812,445)

	For the year ended December 31, 2015	For the year ended December 31, 2016
Cash flows from financing activities		
Cash dividends paid	(741,760)	(1,488,081)
Purchase of treasury shares	-	(1,428,579)
Proceeds from long-term deposits received	-	2,381,722
Net cash provided by (used in) financing activities	(741,760)	(534,938)
Net increase (decrease) in cash and cash equivalents	(547,732)	(7,118,028)
Cash and cash equivalents at beginning of period	11,519,560	10,971,827
Cash and cash equivalents at end of period	* 10,971,827	* 3,853,798

(5) Significant Accounting Policies

1. Securities

(1) Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates are stated at cost determined by the moving-average method.

(2) Other securities

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.

b. Other securities for which market quotations are unavailable:

These are stated at cost determined by the moving-average method.

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 non-current assets

(1) Property, plant and equipment

Depreciation of property, plant and equipment 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

(2) Intangible assets

Intangible 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).

4. Allowances

(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.

(2) Provision for bonuses

A provision for bonuses to employees is provided in the estimated amounts of future payments attributable to the current fiscal year.

(3) Provision for directors' retirement benefits

A provision for directors' retirement benefits is provided in the amount required as stipulated in the Company's internal regulations.

(4) Provision for sales promotion expenses

A provision for sales promotion expenses 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.

(5) Provision for point card certificates

A provision for point card certificates is provided for expenses resulting from the use of points given to customers in the amount expected to arise.

(6) Reserve for loss on dissolution of employees' pension fund

A reserve for loss on dissolution of employees' pension fund is provided for losses expected to arise from the dissolution of employees' pension fund in a reasonably estimated amount of loss on the dissolution and others for the current fiscal year.

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 Statements 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

Consumption taxes

Consumption taxes are separately recorded from the related items in the financial statements.

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

*1. Accumulated depreciation of property, plant and equipment	(Thousands of yen)	
	As of December 31, 2015	As of December 31, 2016
	4,573,768	4,508,624

*2. Assets pledged as collateral and liabilities secured by such collateral are as follows:

Assets pledged as collateral	(Thousands of yen)	
	As of December 31, 2015	As of December 31, 2016
Buildings	80,880	76,270
Land	10,023	10,023
Total	90,904	86,293

Liabilities secured by such collateral	(Thousands of yen)	
	As of December 31, 2015	As of December 31, 2016
Guarantee deposits received	68,549	36,976

*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:

	(Thousands of yen)	
	As of December 31, 2015	As of December 31, 2016
Notes receivable-trade	4,830	1,462

(Statements of Operations)

*1. Selling, general and administrative expenses principally consisted of the following:

	(Thousands of yen)	
	For the year ended December 31, 2015	For the year ended December 31, 2016
Freight	1,567,388	1,497,759
Advertising	2,741,400	2,741,514
Provision for sales promotion expenses	53,744	18,596
Provision for point card certificates	—	109,941
Provision for bonuses	102,043	—
Provision for directors' retirement benefits	11,806	11,067
Salaries, allowances and bonuses	9,366,242	8,702,627
Legal welfare expenses	1,506,817	1,394,978
Depreciation	150,820	219,386
Rent	8,431,380	8,420,875
Administrative expenses	1,872,156	1,872,314

*2. For the year ended December 31, 2015 (From January 1, 2015 to December 31, 2015)

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	—	1,009
Yokohama Minatomirai Showroom and others	Retail stores	Buildings, fixtures and others	—	27,859

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 28,869 thousand yen and is recorded as extraordinary losses.

The impairment loss consists of 1,009 thousand yen for land, 14,497 thousand yen for buildings and 13,362 thousand yen for fixtures.

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.

For the year ended December 31, 2016 (From January 1, 2016 to December 31, 2016)

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	—	708
Shinjuku Showroom and others	Retail stores	Buildings, fixtures and others	—	296,553

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 297,261 thousand yen and is recorded as extraordinary losses.

The impairment loss consists of 708 thousand yen for land, 155,432 thousand yen for buildings and 141,120 thousand yen for fixtures.

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, 2015 (From January 1, 2015 to December 31, 2015)

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

	As of January 1, 2015 (Thousands of shares)	Increase during the year ended December 31, 2015 (Thousands of shares)	Decrease during the year ended December 31, 2015 (Thousands of shares)	As of December 31, 2015 (Thousands of shares)
Number of shares issued:				
Common stock	19,400	—	—	19,400
Total	19,400	—	—	19,400
Treasury shares:				
Common stock (Note)	864	104	104	864
Total	864	104	104	864

Notes

(1) Number of the Company's shares held by the trust that are included in the number of treasury shares at the beginning and end of the year ended December 31, 2015

As of January 1, 2015: — Thousands of shares As of December 31, 2015: 104 Thousands of shares

(2) Number of the Company's shares purchased, sold or delivered by the trust that are included in the number of increase or decrease of treasury shares during the year ended December 31, 2015

The increase in the number of shares includes the 104 Thousands of shares purchased by the ESOP trust account. The decrease in the number of shares includes the 104 Thousands of shares transferred from the Company to the ESOP trust account.

2. Subscription rights to shares

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 27, 2015	Common stock	741,422	40.00	December 31, 2014	March 30, 2015

(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 25, 2016	Common stock	Retained earnings	1,491,197	80.00	December 31, 2015	March 28, 2016

Note: Of the total amount of dividends, the amount of dividends corresponding to the Company's shares held by the trust

The total amount of dividends resolved at the annual general meeting of shareholders held on March 25, 2016 includes the dividends corresponding to the Company's shares held by the trust in an amount of 8,352 thousand yen.

For the year ended December 31, 2016 (From January 1, 2016 to December 31, 2016)

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

	As of January 1, 2016 (Thousands of shares)	Increase during the year ended December 31, 2016 (Thousands of shares)	Decrease during the year ended December 31, 2016 (Thousands of shares)	As of December 31, 2016 (Thousands of shares)
Number of shares issued:				
Common stock	19,400	—	—	19,400
Total	19,400	—	—	19,400
Treasury shares:				
Common stock (Note)	864	1,000	—	1,864
Total	864	1,000	—	1,864

Notes

(1) Number of the Company's shares held by the trust that are included in the number of treasury shares at the beginning and end of the year ended December 31, 2016

As of January 1, 2016: 104 Thousands of shares As of December 31, 2016: 104 Thousands of shares

(2) Breakdown of the increase in shares of treasury stock is as follows.

Acquisition of treasury stock by the resolution of Board of Directors: 1,000 thousand shares

Purchase of less-than-one-unit shares: 0 thousand shares

2. Subscription rights to shares

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 25, 2016	Common stock	1,491,197	80.00	December 31, 2015	March 28, 2016

Note: Of the total amount of dividends, the amount of dividends corresponding to the Company's shares held by the trust

The total amount of dividends resolved at the annual general meeting of shareholders held on March 25, 2016 includes the dividends corresponding to the Company's shares held by the trust in an amount of 8,352 thousand yen.

(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 24, 2017	Common stock	Retained earnings	1,411,195	80.00	December 31, 2016	March 27, 2017

Note: Of the total amount of dividends, the amount of dividends corresponding to the Company's shares held by the trust

The total amount of dividends resolved at the annual general meeting of shareholders held on March 24, 2017 includes the dividends corresponding to the Company's shares held by the trust in an amount of 8,352 thousand yen.

(Statements of Cash Flows)

*Reconciliation of “Cash and deposits” in the Balance Sheets and “Cash and cash equivalents” in the Statements of Cash Flows

	(Thousands of yen)	
	For the year ended December 31, 2015	For the year ended December 31, 2016
Cash and deposits	10,971,827	3,853,798
Cash and cash equivalents	10,971,827	3,853,798

5. Net Sales by Segment and Merchandise

(Thousands of yen)

	For the year ended December 31, 2015		For the year ended December 31, 2016	
	Amount	%	Amount	%
Furniture				
Storage Furniture	1,136,876	2.0	780,573	1.7
Japanese-Style Furniture	231,596	0.4	136,378	0.3
Furniture for Living Rooms	14,529,564	25.0	11,033,047	23.8
Living Room Boards	3,280,640	5.7	2,452,983	5.3
School and Office Furniture	2,816,037	4.8	2,407,130	5.2
Dining Furniture	11,416,717	19.7	8,946,418	19.3
Carpets and Curtains	4,778,974	8.2	3,858,163	8.3
Bedding	14,008,028	24.1	11,573,810	25.0
Lighting and Household Fixtures	2,182,550	3.8	1,656,973	3.6
Unit Furniture	1,372,451	2.4	1,057,654	2.3
Lithography and Paintings	49,876	0.1	35,432	0.1
Others	2,142,376	3.7	2,302,445	5.0
Total sales	57,945,691	99.9	46,241,012	99.9
Real estate rental	59,025	0.1	66,834	0.1
Total revenue	58,004,717	100.0	46,307,846	100.0

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