



Summary of Financial Results for the Second Quarter of Fiscal Year 2014 (Six Months Ended June 30, 2014)

[Japanese GAAP]

July 31, 2014

Company name: **SENSHUKAI CO.,LTD.**

Stock exchange: Tokyo Stock Exchange, First Section

Stock code: 8165

URL: <http://www.senshukai.co.jp>

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Scheduled date of filing of Quarterly Report: August 8, 2014

Scheduled date of payment of dividend: September 1, 2014

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes

(All amounts are rounded down to the nearest millions of yen)

1. Consolidated Financial Results for the 2nd Quarter of 2014 (January 1, 2014 – June 30, 2014)

(1) Consolidated operating results (cumulative)

(Percentages represent changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q 2014	74,048	1.8	1,833	12.7	1,946	(2.4)	914	(26.4)
2Q 2013	72,736	(1.7)	1,626	113.3	1,995	69.1	1,241	35.8

Note: Comprehensive income (millions of yen) 2Q 2014: 8 (down 99.7%) 2Q 2013: 2,761 (up 87.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q 2014	21.11	19.96
2Q 2013	28.67	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2Q 2014	98,504	49,818	50.6	1,150.33
Fiscal Year 2013	98,800	50,359	51.0	1,162.81

Reference: Shareholders' equity (millions of yen) 2Q 2014: 49,818

Fiscal Year 2013: 50,359

2. Dividends

	Dividend per share				
	1 Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2013	-	12.00	-	12.00	24.00
Fiscal Year 2014	-	12.00			
Fiscal Year 2014 (forecasts)			-	12.00	24.00

Note: Revision to the most recently announced dividend forecast: None

3. Consolidated Outlook for Fiscal Year 2014 (January 1, 2014 – December 31, 2014)

(Percentages represent changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year 2014	146,500	3.5	3,600	(10.4)	4,000	(13.6)	2,300	(43.2)	53.11

Note: Revision to the most recently announced consolidated outlook: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: -

Excluded: -

- (2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

Note: Please refer to “2. Matters Related to Summary Information (Notes), (2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements” on page 4 for further information.

- (3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

- (4) Number of shares outstanding (common shares)

1) Number of shares outstanding at end of period (including treasury shares)

2Q 2014:	47,630,393 shares	Fiscal Year 2013:	47,630,393 shares
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2) Number of treasury shares at end of period

2Q 2014:	4,322,202 shares	Fiscal Year 2013:	4,321,851 shares
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3) Average number of shares outstanding during the period

2Q 2014:	43,308,375 shares	2Q 2013:	43,308,905 shares
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*** Disclosure regarding the implementation of quarterly review procedures**

These quarterly financial results materials are not subject to quarterly review procedures based on the Financial Instruments and Exchange Act. Thus, at the time of its disclosure, the quarterly financial statement review procedures based on the Financial Instruments and Exchange Act have not been completed.

*** Cautionary statement with respect to forward-looking statements**

The above projections are based on information available at the time of release of this report. Actual results could differ significantly from these projections due to a variety of factors. For further details regarding the projections, please refer to page 3, “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements.”

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the cumulative second quarter (January 1, 2014 to June 30, 2014) of the current fiscal year, the Japanese economy continued to recover at a moderate pace due to the benefits of economic and monetary measures by the Japanese government and Bank of Japan. In the retail industry, competition is further intensifying across industry sectors, business categories and marketing channels at a time when trends in personal consumption have become uncertain due to falloff in demand following the rush of spending ahead of the consumption tax rate hike in April.

In this environment, the Senshukai Group is concentrating on achieving the first fiscal year targets of the medium- to long-term management plan that started in 2014.

Net sales in the cumulative second quarter increased 1.8% year-over-year to 74,048 million yen.

As for profits, due to the cutting of selling, general and administrative expenses in the mail-order business, operating income rose 12.7% year-over-year to 1,833 million yen.

Ordinary income decreased 2.4% year-over-year to 1,946 million yen and net income decreased 26.4% year-over-year to 914 million yen.

Overview by segment

(Mail-order Business)

Consolidated sales in the mail-order business, comprising the catalog and the *hanpukai* businesses, increased 0.2% year-over-year to 66,042 million yen in the cumulative second quarter, despite the effect of the consumption tax hike and other factors.

Regarding profits, operating income rose 8.9% year-over-year to 1,464 million yen, mainly due to the reduction in printing costs.

(a) Catalog business

Consolidated sales in the catalog business increased 1.1% year-over-year to 62,491 million yen in the cumulative second quarter.

(b) *Hanpukai* business

Consolidated sales in the *hanpukai* business decreased 12.8% year-over-year to 3,551 million yen in the cumulative second quarter.

(Bridal Business)

Consolidated sales in the bridal business, centered on the house wedding business, increased 25.1% year-over-year to 5,890 million yen in the cumulative second quarter. This was due to a strong sales at existing facilities and an increase in the number of weddings from new facilities. Operating income increased 163.3% year-over-year to 173 million yen.

(Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, decreased 0.6% year-over-year to 1,875 million yen in the cumulative second quarter, and operating income decreased 16.0% year-over-year to 178 million yen.

(Others)

Consolidated sales in other businesses, which provides services business (primarily insurance and credit card services), decreased 0.1% year-over-year to 239 million yen in the cumulative second quarter, and operating income increased 255.0% year-over-year to 16 million yen.

(2) Explanation of Financial Position**(Balance sheet position)**

Assets totaled 98,504 million yen at the end of the second quarter of the current fiscal year, a decrease of 295 million yen from the end of the previous fiscal year.

Current assets increased 8 million yen to 50,186 million yen. The main factors were an increase of 4,623 million yen in cash and deposits, while there were decreases of 2,066 million yen in other, 1,531 million yen in accounts receivable-other, 659 million yen in merchandise and finished goods, and 353 million yen in notes and accounts receivable-trade. Non-current assets decreased 304 million yen to 48,317 million yen. The main factors were decreases of 142 million yen in intangible assets and 453 million yen in investments and other assets, while there was an increase of 290 million yen in property, plant and equipment.

Current liabilities decreased 6,358 million yen to 33,276 million yen. The main factors were decreases of 8,941 million yen in other, 3,703 million yen in short-term loans payable, and 1,542 million yen in notes and accounts payable-trade, while there was an increase of 7,588 million yen in electronically recorded obligations-operating. Non-current liabilities increased 6,604 million yen to 15,409 million yen. The main factors were an increase of 7,000 million yen in bonds with subscription rights to shares, while there was a decrease of 350 million yen in bonds payable.

Net assets decreased 541 million yen to 49,818 million yen. The main factors was a decrease of 960 million yen in deferred gains or losses on hedges, while there was an increase of 366 million yen in retained earnings. Consequently, the equity ratio was 50.6%.

(Cash flow position)

The balance of cash and cash equivalents at the end of the second quarter of the current fiscal year was 11,118 million yen, an increase of 4,623 million yen from the end of the previous fiscal year.

Operating activities provided net cash of 3,514 million yen (year-over-year increase in income of 656 million yen). The main cash inflows were an increase in notes and accounts payable-trade of 5,740 million yen, a decrease in other current assets of 2,639 million yen, income before income taxes and minority interests of 1,716 million yen, and depreciation of 1,271 million yen. The main cash outflows were a decrease in other current liabilities of 9,588 million yen.

Investing activities used net cash of 1,290 million yen (net cash provided of 511 million yen in the same period of the previous fiscal year). The main cash inflows were proceeds from sales of investment securities of 216 million yen, and proceeds from redemption of investment securities of 150 million yen. The main cash outflows were 1,035 million yen for the purchase of property, plant and equipment, and 398 million yen for the purchase of intangible assets.

Financing activities provided net cash of 2,122 million yen (net cash used of 2,843 million yen in the same period of the previous fiscal year). The main cash inflow were proceeds from issuance of bonds with subscription rights to shares of 6,980 million yen and proceeds from long-term loans payable of 1,500 million yen, while main cash outflows were a 4,180 million yen decrease in short-term loans payable, repayment of long-term loans payable of 1,241 million yen, and cash dividends paid of 520 million yen.

(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements

Senshukai currently maintains its consolidated outlook for the current fiscal year (January 1, 2014 to December 31, 2014) that was revised and released on July 25, 2014.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

(Calculation of tax expense)

The tax expenses are calculated by first estimating the effective tax rate after the application of tax effect accounting with respect to income before income taxes and minority interests during the fiscal year in which the quarter under review falls, and multiplying that rate by the income before income taxes and minority interests for the quarter under review. However, the Company uses legally stipulated effective tax rates to calculate tax expenses for cases in which using estimated tax rates gives a noticeably irrational result.

(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements

Not applicable.

3. Quarterly Consolidated Financial Statements**(1) Quarterly Consolidated Balance Sheet**

(Millions of yen)

	Fiscal Year 2013 (As of Dec. 31, 2013)	2Q 2014 (As of Jun. 30, 2014)
Assets		
Current assets		
Cash and deposits	6,495	11,118
Notes and accounts receivable-trade	6,395	6,041
Merchandise and finished goods	21,296	20,636
Accounts receivable-other	9,609	8,077
Other	6,688	4,621
Allowance for doubtful accounts	(306)	(309)
Total current assets	50,177	50,186
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,754	14,341
Land	12,108	12,105
Other, net	2,912	2,618
Total property, plant and equipment	28,775	29,066
Intangible assets		
Goodwill	2,127	2,130
Other	3,604	3,459
Total intangible assets	5,731	5,589
Investments and other assets		
Investment securities	7,514	6,888
Other	6,914	7,086
Allowance for doubtful accounts	(314)	(314)
Total investments and other assets	14,114	13,661
Total non-current assets	48,622	48,317
Total assets	98,800	98,504

	(Millions of yen)	
	Fiscal Year 2013 (As of Dec. 31, 2013)	2Q 2014 (As of Jun. 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,496	4,953
Electronically recorded obligations-operating	6,204	13,792
Short-term loans payable	6,386	2,682
Current portion of bonds	700	700
Income taxes payable	416	832
Provision for directors' bonuses	30	-
Provision for sales promotion expenses	588	443
Other	18,813	9,871
Total current liabilities	39,635	33,276
Non-current liabilities		
Bonds payable	1,150	800
Bonds with subscription rights to shares	-	7,000
Long-term loans payable	4,814	4,850
Provision for retirement benefits	34	85
Other	2,806	2,673
Total non-current liabilities	8,805	15,409
Total liabilities	48,440	48,685
Net assets		
Shareholders' equity		
Capital stock	20,359	20,359
Capital surplus	21,038	21,038
Retained earnings	16,353	16,719
Treasury shares	(2,776)	(2,776)
Total shareholders' equity	54,975	55,341
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	774	858
Deferred gains or losses on hedges	1,278	318
Revaluation reserve for land	(6,720)	(6,720)
Foreign currency translation adjustment	52	21
Total accumulated other comprehensive income	(4,615)	(5,522)
Total net assets	50,359	49,818
Total liabilities and net assets	98,800	98,504

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income**(Quarterly Consolidated Statement of Income)****(For the Six-month Period)**

(Millions of yen)

	2Q 2013 (Jan. 1, 2013 – Jun. 30, 2013)	2Q 2014 (Jan. 1, 2014 – Jun. 30, 2014)
Net sales	72,736	74,048
Cost of sales	37,222	39,082
Gross profit	35,513	34,966
Selling, general and administrative expenses	33,887	33,132
Operating income	1,626	1,833
Non-operating income		
Interest income	34	20
Dividend income	74	77
Foreign exchange gains	107	-
Gain on adjustment of account payable	110	98
Other	207	102
Total non-operating income	535	300
Non-operating expenses		
Interest expenses	108	102
Other	57	84
Total non-operating expenses	166	186
Ordinary income	1,995	1,946
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	49	0
Total extraordinary income	50	0
Extraordinary losses		
Loss on sales and retirement of non-current assets	579	42
Loss on sales of investment securities	-	147
Other	53	41
Total extraordinary losses	633	231
Income before income taxes and minority interests	1,412	1,716
Income taxes	170	801
Income before minority interests	1,241	915
Minority interests in income	-	0
Net income	1,241	914

(Quarterly Consolidated Statement of Comprehensive Income)
(For the Six-month Period)

(Millions of yen)

	2Q 2013 (Jan. 1, 2013 – Jun. 30, 2013)	2Q 2014 (Jan. 1, 2014 – Jun. 30, 2014)
Income before minority interests	1,241	915
Other comprehensive income		
Valuation difference on available-for-sale securities	896	83
Deferred gains or losses on hedges	536	(960)
Foreign currency translation adjustment	62	(20)
Share of other comprehensive income of entities accounted for using equity method	24	(9)
Total other comprehensive income	1,519	(906)
Comprehensive income	2,761	8
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,761	7
Comprehensive income attributable to minority interests	-	0

(3) Quarterly Consolidated Statement of Cash Flows

	(Millions of yen)	
	2Q 2013	2Q 2014
	(Jan. 1, 2013 – Jun. 30, 2013)	(Jan. 1, 2014 – Jun. 30, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	1,412	1,716
Depreciation	1,293	1,271
Increase (decrease) in allowance for doubtful accounts	(30)	(28)
Increase (decrease) in provision for sales promotion expenses	242	(144)
Interest and dividend income	(109)	(98)
Interest expenses	108	102
Loss (gain) on sales and retirement of non-current assets	578	41
Loss (gain) on sales of investment securities	(49)	147
Decrease (increase) in notes and accounts receivable-trade	(255)	529
Decrease (increase) in inventories	(24)	930
Decrease (increase) in other current assets	2,653	2,639
Increase (decrease) in notes and accounts payable-trade	(1,303)	5,740
Increase (decrease) in other current liabilities	(1,655)	(9,588)
Other, net	126	669
Subtotal	2,988	3,930
Interest and dividend income received	109	97
Interest expenses paid	(112)	(106)
Income taxes (paid) refund	(126)	(406)
Net cash provided by (used in) operating activities	2,857	3,514
Cash flows from investing activities		
Purchase of property, plant and equipment	(553)	(1,035)
Proceeds from sales of property, plant and equipment	420	7
Purchase of intangible assets	(307)	(398)
Proceeds from sales of investment securities	98	216
Proceeds from redemption of investment securities	900	150
Purchase of shares of subsidiaries	-	(125)
Other, net	(46)	(104)
Net cash provided by (used in) investing activities	511	(1,290)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,000)	(4,180)
Proceeds from long-term loans payable	250	1,500
Repayments of long-term loans payable	(1,244)	(1,241)
Proceeds from issuance of bonds with subscription rights to shares	-	6,980
Redemption of bonds	(350)	(350)
Cash dividends paid	(430)	(520)
Other, net	(67)	(65)
Net cash provided by (used in) financing activities	(2,843)	2,122
Effect of exchange rate change on cash and cash equivalents	14	(13)
Net increase (decrease) in cash and cash equivalents	540	4,333
Cash and cash equivalents at beginning of period	7,452	6,495
Increase in cash and cash equivalents from newly consolidated subsidiary	-	290
Cash and cash equivalents at end of period	7,993	11,118

(4) Notes to Quarterly Consolidated Financial Statements**(Going Concern Assumption)**

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Segment and Other Information)

I 2Q 2013 (Jan. 1, 2013 – Jun. 30, 2013)

1. Information related to sales and profit or loss for each reportable segment (Millions of yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Mail-order business	Bridal business	Corporates business	Sub-total				
Net sales								
Sales to customers	65,900	4,708	1,887	72,496	239	72,736	-	72,736
Inter-segment sales	319	-	18	338	84	423	(423)	-
Total	66,220	4,708	1,906	72,835	324	73,159	(423)	72,736
Segment profit	1,344	65	212	1,623	4	1,627	(1)	1,626

Notes: 1. Others represent the businesses which are not included in any of the three reportable segments and consist of the services business primarily offering travel and credit card services, and the pet business distributing pet goods sales through retail stores.

2. The (1) million yen adjustment to segment profit comprises elimination for inter-segment transactions.

3. Segment profit is adjusted to be consistent with operating income shown on the quarterly consolidated statement of income.

2. Information related to impairment of non-current assets, goodwill, etc. for each reportable segment

No major events or changes occurred.

II 2Q 2014 (Jan. 1, 2014 – Jun. 30, 2014)

1. Information related to sales and profit or loss for each reportable segment (Millions of yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Mail-order business	Bridal business	Corporates business	Sub-total				
Net sales								
Sales to customers	66,042	5,890	1,875	73,808	239	74,048	-	74,048
Inter-segment sales	403	-	38	441	0	442	(442)	-
Total	66,446	5,890	1,913	74,250	240	74,490	(442)	74,048
Segment profit	1,464	173	178	1,817	16	1,833	0	1,833

Notes: 1. Others represent the businesses which are not included in any of the three reportable segments and consist mainly of the services business primarily offering insurance and credit card services.

2. The 0 million yen adjustment to segment profit comprises elimination for inter-segment transactions.

3. Segment profit is adjusted to be consistent with operating income shown on the quarterly consolidated statement of income.

2. Information related to impairment of non-current assets, goodwill, etc. for each reportable segment

No major events or changes occurred.

** This financial report is solely a translation of summary of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*