

Summary of Financial Results for the Fiscal Year 2015 (Ended December 31, 2015)

[Japanese GAAP]

February 4, 2016

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

Stock exchange: Tokyo Stock Exchange, First Section

Stock code: 8165

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

Representative: Mr. Hiroyuki Hoshino, President and Representative Director

Inquiries: Mr. Takeshi Naito, Executive Officer, General Manager of the Corporate Development Division

Tel: +81-6-6881-3220

Scheduled date of annual general meeting of shareholders: March 30, 2016

Scheduled date of payment of dividend: March 31, 2016

Scheduled date of filing of Annual Security Report: March 31, 2016

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: Yes

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

1. Consolidated Financial Results for the Fiscal Year 2015 (January 1, 2015 – December 31, 2015)

(1) Consolidated operating results

(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	%
Fiscal Year 2015	134,321	(5.8)	(3,437)	-	(2,540)	-	(5,307)	-
Fiscal Year 2014	142,526	0.7	3,088	(23.2)	3,549	(23.4)	1,798	(55.6)

Note: Comprehensive income (millions of yen) Fiscal Year 2015: (6,316) (-%) Fiscal Year 2014: 3,870 (down 39.4%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal Year 2015	(108.03)	-	(9.9)	(2.5)	(2.6)
Fiscal Year 2014	41.52	37.52	3.5	3.6	2.2

Reference: Equity in earnings (losses) of affiliates (millions of yen) Fiscal Year 2015: 881 Fiscal Year 2014: 44

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2015	105,352	53,705	51.0	1,028.17
Fiscal Year 2014	100,785	53,160	52.7	1,227.52

Reference: Shareholders' equity (millions of yen) Fiscal Year 2015: 53,678 Fiscal Year 2014: 53,160

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year 2015	3,400	(8,053)	11,060	14,303
Fiscal Year 2014	2,722	(1,540)	(91)	7,910

2. Dividends

	Dividend per share					Total dividends (total)	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal Year 2014	-	12.00	-	12.00	24.00	1,039	57.8	2.0
Fiscal Year 2015	-	4.00	-	4.00	8.00	417	-	0.7
Fiscal Year 2016 (forecasts)	-	4.00	-	4.00	8.00		29.8	

3. Consolidated Outlook for Fiscal Year 2016 (January 1, 2016 – December 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	Yen
2Q 2016 (cumulative)	72,800	6.8	100	-	650	-	450	8.62
Full Year 2016	144,000	7.2	1,600	-	2,200	-	1,400	26.82

*** 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) 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

(3) Number of shares outstanding (common shares)

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

Fiscal Year 2015: 52,230,393 shares Fiscal Year 2014: 47,630,393 shares

2) Number of treasury shares at the end of the period

Fiscal Year 2015: 23,256 shares Fiscal Year 2014: 4,322,649 shares

3) Average number of shares outstanding during the period

Fiscal Year 2015: 49,135,108 shares Fiscal Year 2014: 43,308,206 shares

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for Fiscal Year 2015 (January 1, 2015 – December 31, 2015)

(1) Non-consolidated operating results

(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	%
Fiscal Year 2015	110,052	(9.7)	(4,627)	-	(4,360)	-	(5,701)	-
Fiscal Year 2014	121,851	(3.7)	1,856	(37.6)	2,496	(31.3)	1,376	(57.2)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal Year 2015	(116.05)	-
Fiscal Year 2014	31.80	28.74

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2015	93,560	51,431	55.0	985.15
Fiscal Year 2014	92,817	51,284	55.3	1,184.19

Reference: Shareholders' equity (millions of yen) Fiscal Year 2015: 51,431 Fiscal Year 2014: 51,284

* Disclosure regarding the implementation of audit procedures

This financial report is not subject to the audit procedures based on the Financial Instruments and Exchange Act. Thus, at the time of its disclosure, the financial statement audit 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 4.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

Overview

In the fiscal year under review, the Japanese economy continued to recover at a moderate pace against the backdrop of the government's economic policies and the Bank of Japan's monetary policies. However, the economic outlook remains unclear because of concerns over an overseas economic downturn, particularly in China. In the retail industry, consumers continue to adopt a highly defensive stance about spending because of price increases for daily necessities and other merchandise associated with the consumption tax hike and a weaker yen. A series of unseasonable weather and a warm winter are also affecting consumer sentiment, making consumers more budget-minded and selective about consumption. As a result, the operating environment remained challenging.

Net sales in the current fiscal year decreased 5.8% year-over-year to 134,321 million yen because consumers took a defensive stance and became more selective about spending as the consumption tax hike and a weaker yen pushed up consumer prices, which led to lower sales in mail-order business.

There was an operating loss of 3,437 million yen compared with operating income of 3,088 million yen in the previous fiscal year. Gross profit margin decreased because sluggish sales in the mail-order business led to an increase in the percentage of sales from discounted merchandise and we optimized inventory levels. Ordinary loss was 2,540 million yen compared with ordinary income of 3,549 million yen in the previous fiscal year. Affected in part by impairment losses, net loss was 5,307 million yen compared with net income of 1,798 million yen in the previous fiscal year.

Overview by segment

(Mail-order Business)

Consolidated sales in the mail-order business, centered on the catalog and the Internet businesses, decreased 9.0% year-over-year to 113,976 million yen in the current fiscal year. This was attributed to extremely sluggish sales of medium-price items, the volume zone for Senshukai, because of prolonged weak consumer sentiment after the consumer tax hike. Unsuccessful sales promotion strategies directed at premium customers was also a factor in driving down sales.

There was an operating loss of 4,597 million yen compared with operating income of 1,921 million yen in the previous fiscal year. Sluggish sales caused the percentage of sales from discounted merchandise to increase. The gross profit margin was also affected by clearance sales to slash inventory to adequate levels.

(Bridal Business)

Consolidated sales in the bridal business, centered on the house wedding business, increased 19.9% year-over-year to 15,281 million yen. Sales increased as new facilities were opened and PLANETWORK CO.,LTD. was converted into a subsidiary. However, operating income was weighed down by up-front expenses for openings of new facilities and a decrease in sales per wedding. As a result, operating income in the bridal business decreased 18.2% year-over-year to 682 million yen.

(Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, increased 6.8% year-over-year to 4,214 million yen, and operating income increased 20.9% year-over-year to 367 million yen.

(Others)

Consolidated sales in other businesses, which provides services business (primarily insurance and credit card services) and childcare business, increased 58.5% year-over-year to 848 million yen in the current fiscal year, as two nursery school were opened in the childcare business. Operating income increased 272.4% to 97 million yen.

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

Assets totaled 105,352 million yen at the end of the current fiscal year, an increase of 4,567 million yen from the end of the previous fiscal year.

Current assets decreased 1,606 million yen to 51,947 million yen. The main factors were decreases of 3,565 million yen in merchandise and finished goods, 2,576 million yen in notes and accounts receivable-trade and 2,356 million yen in forward exchange contracts, while there was an increase of 6,393 million yen in cash and deposits. Non-current assets increased 6,173 million yen to 53,404 million yen. The main factors were increases of 2,894 million yen in property, plant and equipment, and 3,563 million yen in investments and other assets, while there was a decrease of 283 million yen in intangible assets.

Current liabilities decreased 2,060 million yen to 31,410 million yen. The main factors were decreases of 1,039 million yen in electronically recorded obligations-operating, 794 million yen in income taxes payable, 635 million yen in short-term loans payable and 611 million yen in other, while there was an increase of 1,253 million yen in accounts payable-other. Non-current liabilities increased 6,082 million yen to 20,236 million yen. The main factors were increases of 5,671 million yen in long-term loans payable and 876 million yen in deferred tax liabilities, while there was a decrease of 450 million yen in bonds payable.

Net assets increased 544 million yen to 53,705 million yen. The main factor were increases of 1,945 million yen in capital stock and 2,821 million yen in capital surplus, and a decrease of 2,762 million yen in treasury shares as a result of the issuance of new shares and the disposal of treasury shares through the third-party allotment to J.FRONT RETAILING Co.,Ltd. in May 2015. In addition, there was an increase of 495 million yen in valuation difference on available-for-sale securities, while there were decreases of 6,077 million yen in retained earnings and 1,497 million yen in deferred gains or losses on hedges. Consequently, the equity ratio was 51.0%.

(Cash flow position)

The balance of cash and cash equivalents at the end of the current fiscal year was 14,303 million yen, an increase of 6,393 million yen from the end of the previous fiscal year.

Operating activities provided net cash of 3,400 million yen (net cash provided of 2,722 million yen in the previous fiscal year). The main cash inflows include a decrease in inventories of 3,559 million yen, depreciation of 2,921 million yen and a decrease in notes and accounts receivable-trade of 2,556 million yen. The main cash outflows were a loss before income taxes and minority interests of 3,834 million yen and income taxes paid of 1,398 million yen.

Investing activities used net cash of 8,053 million yen (net cash used of 1,540 million yen in the previous fiscal year). The main cash inflows were the proceeds from withdrawal of time deposits of 1,300 million yen and the proceeds from redemption of investment securities of 300 million yen. The main cash outflows were 4,925 million yen for the purchase of property, plant and equipment, 2,643 million yen for the purchase of investment securities, 1,000 million yen for the payments into time deposits, and 828 million yen for the purchase of intangible assets.

Financing activities provided net cash of 11,060 million yen (net cash used of 91 million yen in the previous fiscal year). The main cash inflows were the proceeds from long-term loans payable of 7,800 million yen, proceeds from issuance of common shares of 3,868 million yen, and proceeds from disposal of treasury shares of 3,637 million yen. The main cash outflows were 2,693 million yen for the repayments of long-term loans payable and 730 million yen for cash dividends paid.

Cash flow indices

	Fiscal Year 2013 (As of Dec. 31, 2013)	Fiscal Year 2014 (As of Dec. 31, 2014)	Fiscal Year 2015 (As of Dec. 31, 2015)
Equity ratio (%)	51.0	52.7	51.0
Equity ratio based on fair value (%)	38.6	36.0	39.6
Ratio of interest-bearing debt to cash flows (years)	6.7	5.8	5.9
Interest coverage ratio (times)	9.8	13.8	17.1

Notes: 1. Cash flow indices are calculated, using consolidated financial figures, as follows:

The equity ratio is shareholders' equity divided by total assets.

The equity ratio based on fair value is market capitalization divided by total assets.

The ratio of interest-bearing debt to cash flows is interest-bearing debt divided by the quantity of operating cash flows.

The interest coverage ratio is operating cash flows divided by interest payments.

2. Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares issued and outstanding at the end of the period, excluding treasury shares.

3. Interest-bearing debt includes short-term loans payable, current portion of bonds, bonds payable, bonds with subscription rights to shares, long-term loans payable, and lease obligations shown on the consolidated balance sheet.

4. Operating cash flows and interest payments represent net cash provided by (used in) operating activities and interest expenses paid, respectively, on the consolidated statement of cash flows.

(3) Basic Policy Regarding Distribution of Earnings and Dividends in the Current and Next Fiscal Years

The Group's basic policy is to strengthen the business foundation while maintaining stable dividends, taking into consideration the payout ratio, and ensuring a fair distribution of earnings to shareholders that reflects its business performance.

Specifically, the Group's policy regarding the distribution of earnings to shareholders is to strive continuously for a payout ratio of 30% on a consolidated basis. The Group will use internal reserves to invest in the development of new businesses for the medium to long term, to promote the efficiency of existing businesses, to conduct mergers and acquisitions for expanding the Group businesses, to improve the soundness of its financials, and to generally further strengthen its competitiveness and operations. Based on the aforementioned policies, the Group plans to pay a year-end dividend of 4 yen per share for Fiscal Year 2015 in line with initial plan. Together with an interim dividend of 4 yen per share, total annual dividend of 8 yen per share is to be paid.

Regarding dividends in Fiscal Year 2016, we plan to pay a total annual dividend of 8 yen per share comprised of an interim dividend of 4 yen per share and a year-end dividend of 4 yen per share, based on the earnings outlook.

(4) Outlook for Fiscal Year 2016

In Fiscal Year 2016, operating environment will be severe as a sense of uncertainty about consumer spending is expected to continue.

In response, Senshukai revised its medium- to long-term management plan, now in its third year, to factor in progress achieved so far and changes in the operating environment. The revised plan calls for strengthening product competitiveness and sales capabilities in the core mail-order business while focusing on the bridal business.

Based on this outlook, our earnings forecasts for Fiscal Year 2016 are as follows.

Consolidated	(Millions of yen)			
	Net sales	Operating income	Ordinary income	Net income
Fiscal Year 2016 (forecast)	144,000	1,600	2,200	1,400
Fiscal Year 2015 (results)	134,321	(3,437)	(2,540)	(5,307)
Change (%)	7.2	-	-	-

* The above projections are based on information available at the time of release of this report. Actual results could differ from projections due to a variety of factors.

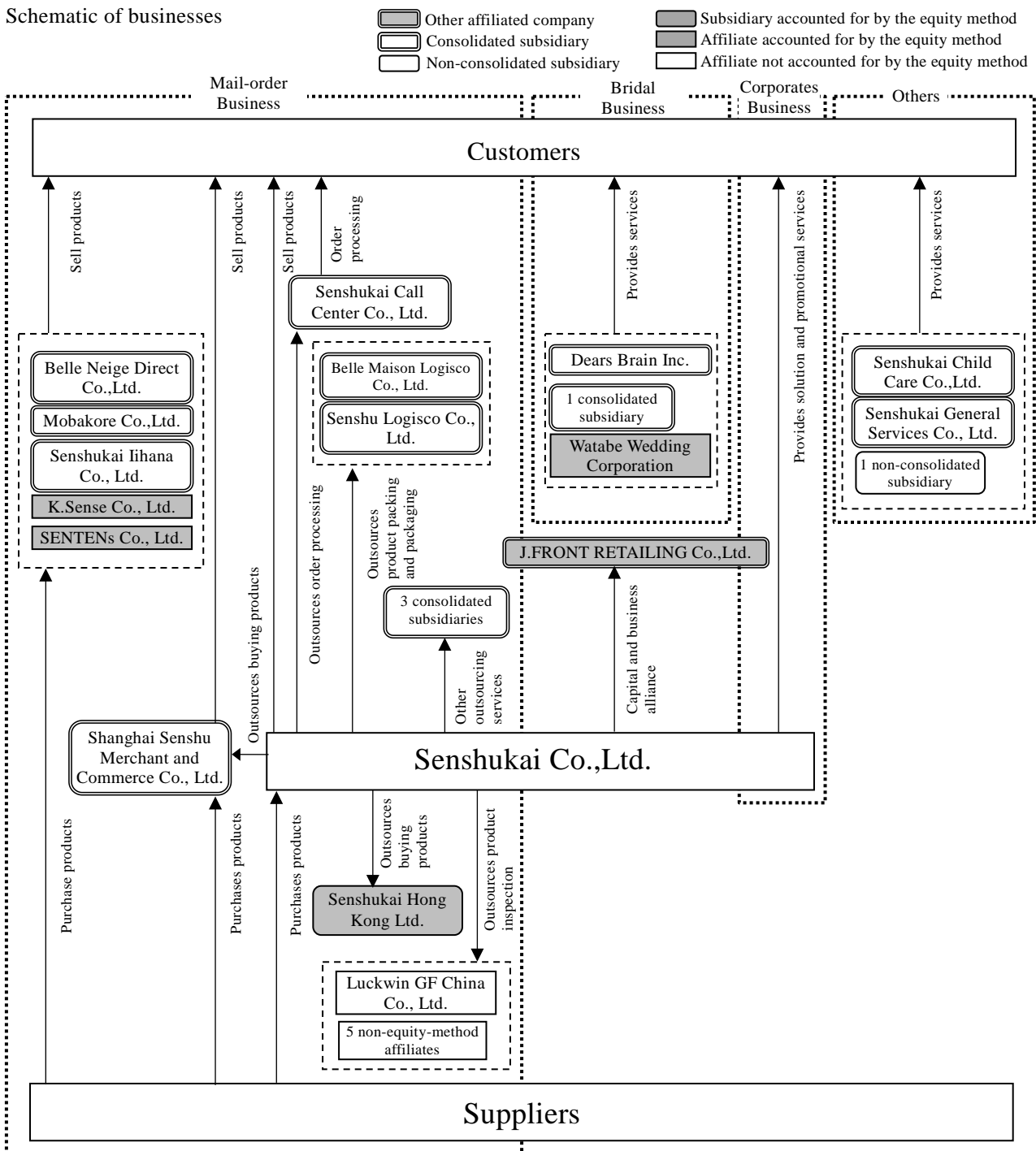
2. Group Organization

The Senshukai Group comprises the parent company, 16 subsidiaries, 9 affiliates, and 1 other affiliated company. Mail-order Business is the mainstay business, and we also operate the Bridal Business, Corporates Business and others.

The following describes the position of each major business activity in the Group's operations and business segments.

Segment	Major business activity	Company
Mail-order Business	Mail order	Senshukai Co.,Ltd., Belle Neige Direct Co.,Ltd., Mobakore Co.,Ltd., Shanghai Senshu Merchant and Commerce Co., Ltd., and 13 other companies
		Senshukai Call Center Co., Ltd.
	Telemarketing	Belle Maison Logisco Co., Ltd., Senshu Logisco Co., Ltd.
	Logistics system	Dears Brain Inc., and 2 other companies
Bridal Business		Senshukai Co.,Ltd.
Corporates Business		Senshukai Child Care Co.,Ltd., Senshukai General Services Co., Ltd., and 1 other company
Others		

Schematic of businesses



3. Management Policies

(1) Basic Management Policy

The Senshukai Group's corporate philosophy is to "contribute to society by providing customers with outstanding products and services."

Senshukai works together with its shareholders, customers, business partners, employees, and all other stakeholders to enhance corporate value and mutual prosperity.

(2) Key Performance Indicators

Under the slogan "Innovate for Smiles 2018" of our medium-to long-term management plan (Fiscal Year 2014 through Fiscal Year 2018), the entire Group committed to build a solid and distinct position in the mail-order market and to develop new businesses appropriate to our corporate vision "Women's Smiles Company."

However, we failed to achieve sales and earnings targets because of the severe external environment characterized by a long drawn-out period of sluggish consumer spending and heightening competition in the e-commerce sector. While following the basic policy, we have partly reviewed our strategy and revised management goals in response to changes in the Group structure and internal environment as we entered into capital and business alliances with J.FRONT RETAILING Co.,Ltd. and Watabe Wedding Corporation and acquired all outstanding shares of PLANETWORK CO.,LTD.

Specifically, our new target for Fiscal Year 2018 are consolidated net sales of 165 billion yen, operating income of 5 billion yen, and a return on equity of 7%. (Previous targets are 187 billion yen, 10 billion yen, and 10%, respectively)

Going forward, we aim to enhance corporate value by striving for more unified group management, boosting growth, and constructing a solid earnings foundation.

(3) Medium- to Long-term Corporate Management Strategy and Issues

The Group formulated a five-year medium- to long-term management plan "Innovate for Smiles 2018" to enhance its corporate value. As explained above, we reviewed the medium- to long-term management plan as it entered the third year and lowered targets to reflect the progress we have achieved so far and the changes in the operating environment.

Progress in the Medium- to Long-term Management Plan

1) Mail-order Business

We continue to focus on following activities: offering private brands that precisely target the requirements of specific customer segments; implementing merchandise planning that allows each private brand to succeed in every sales channel (e-commerce, catalogs, stores and others); developing an SPA (specialty store retailer of Private-label Apparel) business structure that encompasses each step from planning and manufacture to sales; and improving each sales channel with the goal of establishing an omni-channel framework.

In September 2015, we launched "*BELLE MAISON DAYS*." This new core brand features a merchandise focus that starts with our commitment to selecting original products one by one with extreme care. We continue to differentiate our products by creating original designs that offer customers added value.

Moreover, we are engaged in joint sales and development of private brand items with J.FRONT RETAILING Co.,Ltd. As a part of the project, we conducted test marketing last year. Starting this year, we plan to open private-brand stores in J.FRONT RETAILING group department stores. We will continue to focus on strengthening a competitive edge of our private brand items and expanding marketing channels.

In addition to these strategic initiatives, we will reinforce our fulfillment capabilities so that our customers can use our mail-order business services with even greater confidence. The Minokamo Distribution Center, developed with a goal of strengthening our distribution service and improving efficiency of our distribution operations, started operations at the end of 2015.

2) Bridal Business

To solidify our position as a leading company in the bridal business we converted PLANETWORK CO.,LTD, into a subsidiary in March 2015 and together with our subsidiary Dears Brain Inc. entered into a capital and business alliance with Watabe Wedding Corporation in July 2015. Our goal is to realize synergies between the three companies to enhance management efficiency and continue increasing sales and profits by renovating locations and opening new ones to offer an atmosphere that combines urban and suburban features.

3) Corporates Business

To take advantage of the growth of the mail-order business, we plan to step up activities to offer outsourced distribution services for companies that want to start a B-to-C business. Based on the capital and business alliance with J.FRONT RETAILING Co.,Ltd. we will focus on obtaining outsourced distribution service from the J.FRONT RETAILING group.

4) New Businesses

We are actively expanding the childcare business for preschool age children that we started in Fiscal Year 2014. Two childcare facilities were opened in Ota-ku, Tokyo in April 2015 and we plan to open one childcare facility each in Bunkyo-ku, Tokyo and Funabashi City, Chiba, in April 2016. We will continue to grow and expand the childcare business while prioritizing the quality of childcare service we provide.

(4) Other Important Business Matters

Not applicable.

4. Basic Approach for the Selection of Accounting Standards

The Senshukai Group has a policy of preparing its consolidated financial statements using Japanese GAAP for the time being to facilitate comparisons with prior-year performance and the performance of other companies in Japan.

We will take suitable actions with regard to the application of the International Financial Reporting Standards (IFRS) by taking into account trends in our industry peers in Japan and associated factors in Japan and other countries.

5. Consolidated Financial Statements**(1) Consolidated Balance Sheet**

(Millions of yen)

	Fiscal Year 2014 (As of Dec. 31, 2014)	Fiscal Year 2015 (As of Dec. 31, 2015)
Assets		
Current assets		
Cash and deposits	7,910	14,303
Notes and accounts receivable-trade	6,622	4,046
Merchandise and finished goods	21,591	18,025
Raw materials and supplies	139	146
Deferred tax assets	57	230
Accounts receivable-other	9,511	9,781
Forward exchange contracts	4,317	1,961
Other	3,715	3,675
Allowance for doubtful accounts	(311)	(222)
Total current assets	53,554	51,947
Non-current assets		
Property, plant and equipment		
Buildings and structures	37,362	40,782
Accumulated depreciation	(23,398)	(24,730)
Buildings and structures, net	13,963	16,052
Machinery, equipment and vehicles	8,403	9,013
Accumulated depreciation	(7,889)	(8,032)
Machinery, equipment and vehicles, net	514	981
Tools, furniture and fixtures	2,527	2,948
Accumulated depreciation	(1,717)	(1,990)
Tools, furniture and fixtures, net	809	957
Land	12,311	12,091
Leased assets	1,405	883
Accumulated depreciation	(350)	(402)
Leased assets, net	1,055	481
Construction in progress	422	1,406
Total property, plant and equipment	29,075	31,970
Intangible assets		
Goodwill	2,225	2,243
Other	3,154	2,853
Total intangible assets	5,380	5,097
Investments and other assets		
Investment securities	6,155	9,877
Long-term loans receivable	1,083	1,026
Lease and guarantee deposits	1,644	1,901
Deferred tax assets	162	131
Other	3,994	3,666
Allowance for doubtful accounts	(265)	(265)
Total investments and other assets	12,774	16,337
Total non-current assets	47,231	53,404
Total assets	100,785	105,352

	(Millions of yen)	
	Fiscal Year 2014 (As of Dec. 31, 2014)	Fiscal Year 2015 (As of Dec. 31, 2015)
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	12,124	11,084
Accounts payable-trade	5,397	5,346
Short-term loans payable	2,747	2,111
Current portion of bonds	700	450
Lease obligations	129	117
Accounts payable-other	6,100	7,353
Accrued expenses	2,130	2,477
Income taxes payable	915	121
Accrued consumption taxes	776	325
Provision for sales promotion expenses	219	402
Other	2,230	1,618
Total current liabilities	33,470	31,410
Non-current liabilities		
Bonds payable	450	-
Bonds with subscription rights to shares	7,000	7,000
Long-term loans payable	3,510	9,181
Lease obligations	1,239	1,122
Deferred tax liabilities	651	1,527
Deferred tax liabilities for land revaluation	629	535
Net defined benefit liability	84	93
Asset retirement obligations	455	586
Other	133	189
Total non-current liabilities	14,153	20,236
Total liabilities	47,624	51,647
Net assets		
Shareholders' equity		
Capital stock	20,359	22,304
Capital surplus	21,038	23,860
Retained earnings	17,086	11,009
Treasury shares	(2,776)	(15)
Total shareholders' equity	55,707	57,159
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,261	1,756
Deferred gains or losses on hedges	2,780	1,282
Revaluation reserve for land	(6,724)	(6,629)
Foreign currency translation adjustment	135	110
Remeasurements of defined benefit plans	-	(1)
Total accumulated other comprehensive income	(2,546)	(3,481)
Minority interests	-	27
Total net assets	53,160	53,705
Total liabilities and net assets	100,785	105,352

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Consolidated Statement of Income)

	(Millions of yen)			
	Fiscal Year 2014		Fiscal Year 2015	
	(Jan. 1, 2014 – Dec. 31, 2014)		(Jan. 1, 2015 – Dec. 31, 2015)	
Net sales		142,526		134,321
Cost of sales	*1	75,038	*1	73,442
Gross profit		67,488		60,879
Selling, general and administrative expenses				
Freightage and packing expenses		8,048		7,486
Promotion expenses		18,254		18,078
Provision for allowance for sales promotion expenses		219		402
Provision of allowance for doubtful accounts		212		135
Directors' compensations		529		555
Salaries and allowances		11,350		11,187
Bonuses		1,676		1,545
Depreciation		2,646		2,880
Other		21,462		22,044
Total selling, general and administrative expenses	*2	64,399	*2	64,316
Operating income (loss)		3,088		(3,437)
Non-operating income				
Interest income		69		90
Dividend income		120		100
Share of profit of entities accounted for using equity method		44		881
Gain on adjustment of account payable		214		264
Miscellaneous income		329		197
Total non-operating income		778		1,534
Non-operating expenses				
Interest expenses		190		188
Commission fee		2		308
Miscellaneous loss		125		140
Total non-operating expenses		317		638
Ordinary income (loss)		3,549		(2,540)
Extraordinary income				
Gain on sales of non-current assets	*3	4	*3	18
Gain on sales of investment securities		84		23
Subsidy income		-		150
Gain on transfer of business		-		149
Total extraordinary income		89		341
Extraordinary losses				
Loss on sales and retirement of non-current assets	*4	77	*4	55
Loss on reduction of non-current assets		-		148
Impairment loss	*5	222	*5	993
Special retirement expenses		-		414
Other		347		22
Total extraordinary losses		646		1,634
Income (loss) before income taxes and minority interests		2,992		(3,834)
Income taxes-current		1,107		163
Income taxes-deferred		85		1,343
Total income taxes		1,193		1,507
Income (loss) before minority interests		1,798		(5,341)
Minority interests in income (loss)		0		(33)
Net income (loss)		1,798		(5,307)

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Fiscal Year 2014 (Jan. 1, 2014 – Dec. 31, 2014)	Fiscal Year 2015 (Jan. 1, 2015 – Dec. 31, 2015)
Income (loss) before minority interests	1,798	(5,341)
Other comprehensive income		
Valuation difference on available-for-sale securities	486	497
Deferred gains or losses on hedges	1,501	(1,501)
Revaluation reserve for land	-	53
Foreign currency translation adjustment	46	(17)
Share of other comprehensive income of entities accounted for using equity method	36	(6)
Total other comprehensive income	2,071	(975)
Comprehensive income	3,870	(6,316)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,869	(6,283)
Comprehensive income attributable to minority interests	0	(33)

(3) Consolidated Statement of Changes in Equity

Fiscal Year 2014 (Jan. 1, 2014 – Dec. 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	20,359	21,038	16,353	(2,776)	54,975
Changes of items during period					
Dividend of surplus			(1,039)		(1,039)
Net income			1,798		1,798
Purchase of treasury shares				(0)	(0)
Reversal of revaluation reserve for land			3		3
Change of scope of consolidation			(28)		(28)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	733	(0)	732
Balance at end of current period	20,359	21,038	17,086	(2,776)	55,707

(Millions of yen)

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	774	1,278	(6,720)	52	(4,615)	50,359
Changes of items during period						
Dividend of surplus						(1,039)
Net income						1,798
Purchase of treasury shares						(0)
Reversal of revaluation reserve for land						3
Change of scope of consolidation						(28)
Net changes of items other than shareholders' equity	486	1,501	(3)	83	2,068	2,068
Total changes of items during period	486	1,501	(3)	83	2,068	2,801
Balance at end of current period	1,261	2,780	(6,724)	135	(2,546)	53,160

Fiscal Year 2015 (Jan. 1, 2015 – Dec. 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	20,359	21,038	17,086	(2,776)	55,707
Changes of items during period					
Issuance of new shares	1,945	1,945			3,891
Dividend of surplus			(728)		(728)
Net loss			(5,307)		(5,307)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		875		2,762	3,637
Reversal of revaluation reserve for land			(40)		(40)
Net changes of items other than shareholders' equity					
Total changes of items during period	1,945	2,821	(6,077)	2,761	1,451
Balance at end of current period	22,304	23,860	11,009	(15)	57,159

(Millions of yen)

	Accumulated other comprehensive income						Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,261	2,780	(6,724)	135	-	(2,546)	-	53,160
Changes of items during period								
Issuance of new shares								3,891
Dividend of surplus								(728)
Net loss								(5,307)
Purchase of treasury shares								(0)
Disposal of treasury shares								3,637
Reversal of revaluation reserve for land								(40)
Net changes of items other than shareholders' equity	495	(1,497)	94	(24)	(1)	(934)	27	(907)
Total changes of items during period	495	(1,497)	94	(24)	(1)	(934)	27	544
Balance at end of current period	1,756	1,282	(6,629)	110	(1)	(3,481)	27	53,705

(4) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Fiscal Year 2014	Fiscal Year 2015
	(Jan. 1, 2014 – Dec. 31, 2014)	(Jan. 1, 2015 – Dec. 31, 2015)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	2,992	(3,834)
Depreciation	2,675	2,921
Impairment loss	222	993
Increase (decrease) in allowance for doubtful accounts	(75)	(88)
Increase (decrease) in provision for sales promotion expenses	(368)	183
Interest and dividend income	(190)	(191)
Interest expenses	190	188
Share of (profit) loss of entities accounted for using equity method	(44)	(881)
Loss (gain) on sales of investment securities	226	(23)
Loss (gain) on sales and retirement of non-current assets	72	37
Loss on reduction of non-current assets	-	148
Subsidy income	-	(150)
Loss (gain) on transfer of business	-	(149)
Extra retirement payment	-	414
Decrease (increase) in notes and accounts receivable-trade	(126)	2,556
Decrease (increase) in inventories	(9)	3,559
Decrease (increase) in other current assets	523	1,150
Increase (decrease) in notes and accounts payable-trade	4,510	(1,246)
Increase (decrease) in other current liabilities	(8,229)	(298)
Other, net	976	(485)
Subtotal	3,346	4,805
Interest and dividend income received	184	193
Interest expenses paid	(197)	(199)
Income taxes paid	(611)	(1,398)
Net cash provided by (used in) operating activities	2,722	3,400
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,718)	(4,925)
Proceeds from sales of property, plant and equipment	11	209
Purchase of intangible assets	(746)	(828)
Proceeds from subsidy income	-	150
Payments into time deposits	-	(1,000)
Proceeds from withdrawal of time deposits	100	1,300
Purchase of investment securities	(25)	(2,643)
Proceeds from sales of investment securities	993	152
Proceeds from redemption of investment securities	750	300
Purchase of shares of subsidiaries	(125)	(612)
Other, net	(778)	(153)
Net cash provided by (used in) investing activities	(1,540)	(8,053)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(4,110)	(70)
Proceeds from long-term loans payable	1,500	7,800
Repayments of long-term loans payable	(2,587)	(2,693)
Proceeds from share issuance to minority shareholders	-	80
Proceeds from issuance of bonds with subscription rights to shares	6,980	-
Redemption of bonds	(700)	(700)
Proceeds from issuance of common shares	-	3,868
Proceeds from disposal of treasury shares	-	3,637
Cash dividends paid	(1,041)	(730)
Other, net	(132)	(130)
Net cash provided by (used in) financing activities	(91)	11,060
Effect of exchange rate change on cash and cash equivalents	33	(15)
Net increase (decrease) in cash and cash equivalents	1,124	6,393
Cash and cash equivalents at beginning of period	6,495	7,910
Increase in cash and cash equivalents from newly consolidated subsidiary	290	-
Cash and cash equivalents at end of period	7,910	14,303

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Notes to Consolidated Statement of Income

*1. The ending inventory is the amount written down to reflect the effect of lower profit margins. The following loss on valuation of inventories is included in cost of sales.

(Millions of yen)

Fiscal Year 2014 (Jan. 1, 2014 – Dec. 31, 2014)	Fiscal Year 2015 (Jan. 1, 2015 – Dec. 31, 2015)
433	361

*2. R&D expenses included in general and administrative expenses

(Millions of yen)

Fiscal Year 2014 (Jan. 1, 2014 – Dec. 31, 2014)	Fiscal Year 2015 (Jan. 1, 2015 – Dec. 31, 2015)
179	161

*3. Gain on sales of non-current assets

(Millions of yen)

Fiscal Year 2014 (Jan. 1, 2014 – Dec. 31, 2014)	Fiscal Year 2015 (Jan. 1, 2015 – Dec. 31, 2015)
Machinery, equipment and vehicles 0	Machinery, equipment and vehicles 1
Other 3	Tools, furniture and fixtures 1
	Land 15
Total 4	Total 18

*4. Loss on sales and retirement of non-current assets

(Millions of yen)

Fiscal Year 2014 (Jan. 1, 2014 – Dec. 31, 2014)	Fiscal Year 2015 (Jan. 1, 2015 – Dec. 31, 2015)
Loss on retirement of buildings and structures 2	Loss on retirement of buildings and structures 7
Loss on retirement of machinery, equipment and vehicles 23	Loss on sales of buildings and structures 19
Loss on retirement of tools, furniture and fixtures 4	Loss on retirement of machinery, equipment and vehicles 4
Loss on sales of land 21	Loss on retirement of tools, furniture and fixtures 2
Loss on retirement of intangible assets 21	Loss on sales of tools, furniture and fixtures 0
Other 3	Loss on retirement of intangible assets 20
Total 77	Total 55

*5. Impairment loss

The Senshukai Group posted impairment loss on the following asset groups.

Fiscal Year 2014 (Jan. 1, 2014 – Dec. 31, 2014)

(Millions of yen)			
Location	Primary use	Type	Impairment loss
Nishi-ku, Osaka City, and others	Assets for the mail-order business	Buildings and structures, and others	81
Tomiya-machi, Miyagi	Assets for the bridal business	Buildings and structures	141

In principle, business assets are based on categories of management accounting.

Of the above asset groups, the Company marked down the book value of business assets to the recoverable amount reflecting weak prospects for improved short-term performance due to worsening operating profitability. These markdowns were booked as an impairment loss.

The impairment loss on buildings and structures, tools, furniture and fixtures, and intangible assets were 178 million yen, 14 million yen, and 29 million yen, respectively.

The recoverable amount of these assets was measured at its value in use and calculated by the discounting future cash flows using a discount rate of 3.1%.

Fiscal Year 2015 (Jan. 1, 2015 – Dec. 31, 2015)

(Millions of yen)			
Location	Primary use	Type	Impairment loss
Senshukai Co.,Ltd. Misato City, Saitama, and others	Assets for the mail-order business	Buildings and structures, and others	61
Senshukai Co.,Ltd. Chiyoda-ku, Tokyo	Other business assets	Buildings and structures, and others	21
Belle Neige Direct Co.,Ltd. Chiyoda-ku, Tokyo, and others	Assets for the mail-order business	Intangible assets, and others	50
Dears Brain Inc. Chuo-ku, Fukuoka, and others	Assets for the bridal business	Leased assets, and others	757
Senshukai Co.,Ltd. Fujimino City, Saitama, and others	Assets to be sold	Land	102

In principle, business assets are based on categories of management accounting. Assets to be sold are accounted independently.

Of the above asset groups, the Company marked down the book value of business assets to the recoverable amount reflecting weak prospects for improved short-term performance due to worsening operating profitability, and it marked down the book value of assets to be sold to the recoverable amount because of a decline in the assets' market value. These markdowns were booked as an impairment loss.

The impairment loss on buildings and structures, tools, furniture and fixtures, leased assets, and intangible assets were 390 million yen, 14 million yen, 446 million yen, and 38 million yen, respectively. The impairment loss on assets to be sold was 102 million yen in land.

The recoverable amount of these business assets was measured at its value in use and calculated by the discounting future cash flows using a discount rate of 2.3%. The recoverable amount of assets to be sold was calculated based on the projected sales value.

Segment and Other Information

1. Overview of reportable segment

Segments used for financial reporting are the Company's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Senshukai Group primarily operates the mail-order business, bridal business, and corporates business, and the Company and its group companies manage each of these businesses according to these classifications.

Therefore the Group, comprised of these different business segments, has three reportable segments: the mail-order business, bridal business, and corporates business.

The mail-order business is engaged in mail-order sales via a variety of media centered on catalogs and the Internet. The bridal business provides mostly house wedding services. The corporates business uses the Company's infrastructure to provide solutions services and promotional services targeting mail-order companies and e-commerce businesses.

2. Calculation methods for net sales, profit/loss, assets, and other items for each reportable segment

The accounting methods for reportable segments are the same as those used for preparing the consolidated financial statements.

Profits for reportable segments are generally operating income figures.

Inter-segment sales are based on market prices.

3. Information related to sales and profit or loss, assets, and other items for each reportable segment

Fiscal Year 2014 (Jan. 1, 2014 – Dec. 31, 2014)

(Millions of yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Mail-order business	Bridal business	Corporates business	Sub-total				
Net sales								
Sales to customers	125,296	12,750	3,944	141,991	534	142,526	-	142,526
Inter-segment sales	881	-	118	1,000	0	1,000	(1,000)	-
Total	126,177	12,750	4,063	142,992	535	143,527	(1,000)	142,526
Segment profit	1,921	834	304	3,060	26	3,086	2	3,088
Segment assets	90,013	13,650	606	104,270	574	104,845	(4,060)	100,785
Other items								
Depreciation	1,959	681	26	2,667	7	2,675	-	2,675
Amortization of goodwill	21	149	-	170	-	170	-	170
Investment in equity-method affiliates	659	-	-	659	-	659	-	659
Increase in property, plant and equipment and intangible assets	1,225	1,655	25	2,905	140	3,045	-	3,045

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, and childcare business.

2. Adjustments are as follows.

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

(2) The (4,060) million yen adjustment to segment assets comprises elimination for inter-segment transactions.

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

Fiscal Year 2015 (Jan. 1, 2015 – Dec. 31, 2015)

(Millions of yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Mail-order business	Bridal business	Corporates business	Sub-total				
Net sales								
Sales to customers	113,976	15,281	4,214	133,473	848	134,321	-	134,321
Inter-segment sales	874	0	128	1,002	0	1,003	(1,003)	-
Total	114,850	15,281	4,343	134,475	848	135,324	(1,003)	134,321
Segment profit (loss)	(4,597)	682	367	(3,547)	97	(3,449)	12	(3,437)
Segment assets	87,833	20,786	712	109,332	592	109,924	(4,571)	105,352
Other items								
Depreciation	1,947	925	27	2,901	20	2,921	-	2,921
Amortization of goodwill	52	207	-	260	-	260	-	260
Investment in equity-method affiliates	778	3,219	-	3,998	-	3,998	-	3,998
Increase in property, plant and equipment and intangible assets	3,098	3,152	12	6,263	37	6,300	-	6,300

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, and childcare business.

2. Adjustments are as follows.

(1) The 12 million yen adjustment to segment profit (loss) comprises elimination for inter-segment transactions.

(2) The (4,571) million yen adjustment to segment assets comprises elimination for inter-segment transactions.

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

Per Share Information

(Yen)

	Fiscal Year 2014 (Jan. 1, 2014 – Dec. 31, 2014)	Fiscal Year 2015 (Jan. 1, 2015 – Dec. 31, 2015)
Net assets per share	1,227.52	1,028.17
Net income (loss) per share	41.52	(108.03)
Diluted net income per share	37.52	-

Notes: 1. Diluted net income per share in Fiscal Year 2015 is not presented since the Company has outstanding dilutive securities, though posted a net loss

2. Basis for calculation of net income (loss) per share and diluted net income per share are as follows.

(Millions of yen)

	Fiscal Year 2014 (Jan. 1, 2014 – Dec. 31, 2014)	Fiscal Year 2015 (Jan. 1, 2015 – Dec. 31, 2015)
Net income (loss) per share		
Net income (loss)	1,798	(5,307)
Amounts unavailable to common shareholders	-	-
Net income (loss) related to common stock	1,798	(5,307)
Average number of shares outstanding during the period (thousand shares)	43,308	49,135
Diluted net income per share		
Adjustment to net income	-	-
Increase in number of common stock (thousand shares)	4,611	-
[Including: subscription rights to shares (thousand shares)]	(4,611)	-
Number of residual securities with no dilution excluded from calculation of diluted net income per share	-	-

Subsequent Events

Not applicable.

6. Other

(1) Changes in Members of Board of Directors

1) Change in Representative Director

The change in representative director was already disclosed on December 4, 2015 (available only in Japanese.)

2) Changes in Other Directors and Executive Officers (as of March 30, 2016)

- Candidate for Director

Director and Executive Officer: Takeshi Naito (current Executive Officer, General Manager of the Corporate Development Division)

Outside Director: Takahiro Imazu (current Executive Officer, General Manager of Management Strategy Unit, J.FRONT RETAILING Co.,Ltd.)

- Retiring Directors

Information about retiring directors was already disclosed on December 4, 2015.

Mr. Michio Tanabe and Mr. Shohachi Sawamoto will be appointed Advisors, and Mr. Mamoru Asada will be appointed Special Advisor.

- Retiring Auditor

(Full-time) Auditor: Yoshihiro Nakabayashi

(2) Production, Orders and Sales

1) Production

There were no production activities.

2) Orders

There were no production activities in response to orders received.

3) Sales

Sales by business segment

(Millions of yen)

Business segments and main items		Fiscal Year 2014 (Jan. 1, 2014 – Dec. 31, 2014)		Fiscal Year 2015 (Jan. 1, 2015 – Dec. 31, 2015)		Change	Change (%)
		Amount	Share (%)	Amount	Share (%)		
Mail-order business	Apparel	56,468	39.6	50,867	37.9	(5,600)	(9.9)
	Interior goods	31,262	21.9	28,469	21.2	(2,792)	(8.9)
	Household goods	16,725	11.7	15,108	11.3	(1,616)	(9.7)
	Fashion accessories	13,739	9.7	12,214	9.1	(1,525)	(11.1)
	Foods	5,638	4.0	5,816	4.3	177	3.1
	Others	1,461	1.0	1,499	1.1	38	2.6
	Subtotal	125,296	87.9	113,976	84.9	(11,319)	(9.0)
Bridal business		12,750	8.9	15,281	11.4	2,531	19.9
Corporates business		3,944	2.8	4,214	3.1	269	6.8
Others		534	0.4	848	0.6	313	58.5
Total		142,526	100.0	134,321	100.0	(8,205)	(5.8)

Note: The figures above are stated exclusive of consumption taxes.

* 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.