

Summary of Financial Results for the First Quarter of Fiscal Year 2016 (Three Months Ended March 31, 2016)

[Japanese GAAP]

April 28, 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, Director, Executive Officer,

General Manager of the Corporate Development Division Tel: +81-6-6881-3220

Scheduled date of filing of Quarterly Report: May 12, 2016

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the 1st Quarter of 2016 (January 1, 2016 – March 31, 2016)

(1) Consolidated operating results (cumulative)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q 2016	30,599	(1.6)	(1,716)	-	(1,222)	-	(735)	-
1Q 2015	31,086	(16.5)	(1,817)	-	(1,719)	-	(1,164)	-

Note: Comprehensive income (millions of yen) 1Q 2016: (2,790) (- %) 1Q 2015: (972) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
1Q 2016	(14.09)	-
1Q 2015	(26.89)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
1Q 2016	101,591	50,706	49.9	970.55
Fiscal Year 2015	105,352	53,705	51.0	1,028.17

Reference: Shareholders' equity (millions of yen) 1Q 2016: 50,669

Fiscal Year 2015: 53,678

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2015	-	4.00	-	4.00	8.00
Fiscal Year 2016	-	-	-	-	-
Fiscal Year 2016 (forecasts)	-	4.00	-	4.00	8.00

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

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

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 3 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: Yes

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

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: Please refer to “2. Matters Related to Summary Information (Notes), (3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements” on page 3 for further information.

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

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

1Q 2016:	52,230,393 shares	Fiscal Year 2015:	52,230,393 shares
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2) Number of treasury shares at the end of the period

1Q 2016:	23,277 shares	Fiscal Year 2015:	23,256 shares
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3) Average number of shares outstanding during the period

1Q 2016:	52,207,132 shares	1Q 2015:	43,307,715 shares
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*** Disclosure regarding the implementation of quarterly review procedures**

This quarterly financial report is 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 first quarter (January 1, 2016 to March 31, 2016) of the current fiscal year, the Japanese economy continued to recover at a moderate pace underpinned by improvements in corporate earnings and the employment situation. However, the outlook for the economy remains uncertain as the Bank of Japan introduced negative interest rates in response to the stronger yen since the start of 2016 and the sluggish share prices. In the retail industry, consumers continue to be budget-minded because of concerns over price increases and sluggish growth in real income. In recent months, sales of winter apparel were weak because of unusually warm weather. As a result, the operating environment remained challenging.

The Senshukai Group is currently in the third year of the medium- to long-term management plan “Innovate for Smiles 2018” that covers the five-year period ending in 2018. All group companies are focusing their energy on achieving the goals of this plan.

Net sales in the first quarter decreased 1.6% year-over-year to 30,599 million yen.

Gross operating margin improved compared with the same period of the previous fiscal year. However, SG&A expenses rose as a result of the implementation of cross media measures. There was an operating loss of 1,716 million yen compared with a loss of 1,817 million yen in the same period of the previous fiscal year.

Ordinary loss was 1,222 million yen compared with a loss of 1,719 million yen in the same period of the previous fiscal year. The decrease in operating loss was due to an increase in share of profit of entities accounted for using the equity method. Loss attributable to owners of parent was 735 million yen compared with a loss of 1,164 million yen in the same period of 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 4.2% year-over-year to 26,391 million yen in the first quarter. There was an operating loss of 1,179 million yen compared with a loss of 1,686 million yen in the same period of the previous fiscal year.

(Bridal Business)

Consolidated sales in the bridal business, centered on the house wedding business, increased 21.2% year-over-year to 2,869 million yen in the first quarter due in part to contribution from PLANETWORK CO.,LTD which was converted into a subsidiary in March 2015. There was an operating loss of 672 million yen compared with a loss of 216 million yen in the same period of the previous fiscal year as SG&A expenses increased due to up-front costs for openings of new facilities and other factors.

(Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, increased 14.5% year-over-year to 1,147 million yen, and operating income increased 47.7% to 159 million yen.

(Others)

Consolidated sales in other businesses, which provides services business (primarily insurance and credit card services) and childcare business, increased 20.9% year-over-year to 190 million yen. There was an operating loss of 25 million yen compared with a loss of 22 million yen in the same period of the previous fiscal year.

(2) Explanation of Financial Position

(Balance sheet position)

Assets totaled 101,591 million yen at the end of the first quarter of the current fiscal year, a decrease of 3,761 million yen from the end of the previous fiscal year.

Current assets decreased 2,807 million yen to 49,139 million yen. The main factors were decreases of 3,866 million yen in cash and deposits and 1,506 million yen in accounts receivable-other, while there was an increase

of 2,312 million yen in merchandise and finished goods. Non-current assets decreased 953 million yen to 52,451 million yen. The main factors were decreases of 517 million yen in property, plant and equipment, 242 million yen in intangible assets and 192 million yen in investments and other assets.

Current liabilities decreased 838 million yen to 30,572 million yen. The main factors were decreases of 1,646 million yen in other and 450 million yen in current portion of bonds, while there was an increase of 1,437 million yen in accounts payable-trade. Non-current liabilities increased 76 million yen to 20,312 million yen. The main factor was an increase of 517 million yen in other, while there was a decrease of 446 million yen in long-term loans payable.

Net assets decreased 2,999 million yen to 50,706 million yen. The main factors were decreases of 1,774 million yen in deferred gains or losses on hedges and 571 million yen in retained earnings. Consequently, the equity ratio was 49.9%.

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

Senshukai currently maintains its consolidated outlook for the current fiscal year (January 1, 2016 to December 31, 2016) that was released on February 4, 2016.

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 reasonably estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes during the fiscal year in which the quarter under review falls, and multiplying that rate by the profit before income taxes 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

(Application of the Accounting Standard for Business Combinations, etc.)

The Company has applied the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. from the first quarter of the current fiscal year. Accordingly, difference arising from changes in the Company’s ownership interests in subsidiaries in cases where control is retained is recognized in capital surplus, and acquisition-related costs in connection with business combinations are recognized as expenses in the fiscal year in which they arise. Regarding business combinations that take place on or after the beginning of the first quarter of the current fiscal year, the Company has revised the method to reflect reviewed allocation of the acquisition costs arising from determination of the provisional accounting treatment on the quarterly consolidated financial statements to which the date of the business combination belongs. In addition, the presentation of net income and other items has been revised, and the minority interests item has been renamed non-controlling interests. For consistency with these changes, the consolidated financial statements for the first quarter of the previous fiscal year and the previous fiscal year have been revised.

The Company has adopted these accounting standards, etc. from the beginning of the first quarter of the current fiscal year, in accordance with the transitional accounting treatments set forth in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures.

The application of these standards does not have a material effect on earnings.

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

(Millions of yen)

	Fiscal Year 2015 (As of Dec. 31, 2015)	1Q 2016 (As of Mar. 31, 2016)
Assets		
Current assets		
Cash and deposits	14,303	10,436
Notes and accounts receivable-trade	4,046	4,607
Merchandise and finished goods	18,025	20,338
Accounts receivable-other	9,781	8,274
Other	6,013	5,702
Allowance for doubtful accounts	(222)	(221)
Total current assets	51,947	49,139
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,052	17,266
Land	12,091	11,427
Other, net	3,826	2,759
Total property, plant and equipment	31,970	31,452
Intangible assets		
Goodwill	2,243	2,189
Other	2,853	2,664
Total intangible assets	5,097	4,854
Investments and other assets		
Investment securities	9,877	9,887
Other	6,726	6,523
Allowance for doubtful accounts	(265)	(265)
Total investments and other assets	16,337	16,144
Total non-current assets	53,404	52,451
Total assets	105,352	101,591

	(Millions of yen)	
	Fiscal Year 2015 (As of Dec. 31, 2015)	1Q 2016 (As of Mar. 31, 2016)
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	11,084	11,357
Accounts payable-trade	5,346	6,784
Short-term loans payable	2,111	1,718
Current portion of bonds	450	-
Income taxes payable	121	64
Provision for sales promotion expenses	402	400
Other	11,892	10,245
Total current liabilities	31,410	30,572
Non-current liabilities		
Bonds with subscription rights to shares	7,000	7,000
Long-term loans payable	9,181	8,735
Net defined benefit liability	93	98
Other	3,961	4,478
Total non-current liabilities	20,236	20,312
Total liabilities	51,647	50,885
Net assets		
Shareholders' equity		
Capital stock	22,304	22,304
Capital surplus	23,860	23,860
Retained earnings	11,009	10,437
Treasury shares	(15)	(15)
Total shareholders' equity	57,159	56,587
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,756	1,512
Deferred gains or losses on hedges	1,282	(491)
Revaluation reserve for land	(6,629)	(6,983)
Foreign currency translation adjustment	110	48
Remeasurements of defined benefit plans	(1)	(3)
Total accumulated other comprehensive income	(3,481)	(5,917)
Non-controlling interests	27	36
Total net assets	53,705	50,706
Total liabilities and net assets	105,352	101,591

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

	(Millions of yen)	
	1Q 2015	1Q 2016
	(Jan. 1, 2015 – Mar. 31, 2015)	(Jan. 1, 2016 – Mar. 31, 2016)
Net sales	31,086	30,599
Cost of sales	17,297	16,566
Gross profit	13,788	14,033
Selling, general and administrative expenses	15,606	15,750
Operating loss	(1,817)	(1,716)
Non-operating income		
Interest income	25	7
Dividend income	5	5
Share of profit of entities accounted for using equity method	21	416
Gain on adjustment of account payable	54	88
Other	53	51
Total non-operating income	159	568
Non-operating expenses		
Interest expenses	48	44
Other	13	29
Total non-operating expenses	61	74
Ordinary loss	(1,719)	(1,222)
Extraordinary income		
Gain on sales of non-current assets	1	-
Total extraordinary income	1	-
Extraordinary losses		
Loss on sales and retirement of non-current assets	0	0
Impairment loss	65	-
Total extraordinary losses	65	0
Loss before income taxes	(1,783)	(1,223)
Income taxes	(618)	(496)
Loss	(1,164)	(726)
Profit attributable to non-controlling interests	-	9
Loss attributable to owners of parent	(1,164)	(735)

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

	(Millions of yen)	
	1Q 2015	1Q 2016
	(Jan. 1, 2015 – Mar. 31, 2015)	(Jan. 1, 2016 – Mar. 31, 2016)
Loss	(1,164)	(726)
Other comprehensive income		
Valuation difference on available-for-sale securities	494	(245)
Deferred gains or losses on hedges	(355)	(1,771)
Revaluation reserve for land	53	18
Foreign currency translation adjustment	0	(25)
Share of other comprehensive income of entities accounted for using equity method	(1)	(39)
Total other comprehensive income	191	(2,063)
Comprehensive income	(972)	(2,790)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(972)	(2,799)
Comprehensive income attributable to non-controlling interests	-	9

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

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Segment and Other Information)

I 1Q 2015 (Jan. 1, 2015 – Mar. 31, 2015)

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	27,558	2,368	1,002	30,928	157	31,086	-	31,086
Inter-segment sales or transfers	186	-	60	246	0	246	(246)	-
Total	27,744	2,368	1,062	31,175	157	31,333	(246)	31,086
Segment profit (loss)	(1,686)	(216)	108	(1,794)	(22)	(1,817)	(0)	(1,817)

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. The (0) million yen adjustment to segment profit (loss) comprises elimination for inter-segment transactions.

3. Segment profit (loss) is adjusted to be consistent with operating loss 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 1Q 2016 (Jan. 1, 2016 – Mar. 31, 2016)

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	26,391	2,869	1,147	30,409	190	30,599	-	30,599
Inter-segment sales or transfers	190	-	29	220	0	220	(220)	-
Total	26,581	2,869	1,177	30,629	190	30,819	(220)	30,599
Segment profit (loss)	(1,179)	(672)	159	(1,691)	(25)	(1,716)	0	(1,716)

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. The 0 million yen adjustment to segment profit (loss) comprises elimination for inter-segment transactions.

3. Segment profit (loss) is adjusted to be consistent with operating loss 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.*