

Summary of Financial Results for the Second Quarter of Fiscal Year 2016 (Six Months Ended June 30, 2016)

[Japanese GAAP]

July 28, 2016

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 9, 2016

Scheduled date of payment of dividend: September 1, 2016

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 2016 (January 1, 2016 – June 30, 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	%
2Q 2016	65,898	(3.3)	(403)	-	181	-	162	-
2Q 2015	68,161	(7.9)	(1,154)	-	(1,063)	-	(1,219)	-

Note: Comprehensive income (millions of yen) 2Q 2016: (4,389) (- %) 2Q 2015: (645) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q 2016	3.11	2.76
2Q 2015	(26.50)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2Q 2016	97,672	48,971	50.1	940.41
Fiscal Year 2015	105,352	53,705	51.0	1,028.17

Reference: Shareholders' equity (millions of yen) 2Q 2016: 48,926

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	-	4.00	-	-	-
Fiscal Year 2016 (forecasts)	-	-	-	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
Full Year 2016	133,700	(0.5)	1,300	-	1,750	-	750	-	14.40

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 4 for further information.

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

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

2Q 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

2Q 2016:	203,324 shares	Fiscal Year 2015:	23,256 shares
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3) Average number of shares outstanding during the period

2Q 2016:	52,166,226 shares	2Q 2015:	46,012,057 shares
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Note: The Senshukai stock held by the trust that is recorded as treasury shares under shareholders' equity is included in the number of treasury shares at the end of 2Q (second quarter) 2016, and is deducted from the number of shares that is used to calculate the average number of shares outstanding during 2Q (cumulative second quarter) 2016.

*** 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 cumulative second quarter (January 1, 2016 to June 30, 2016) of the current fiscal year, the Japanese economy followed a gradual improvement trend in corporate earnings and the employment situation. However, concerns over a possible economic slowdown increased as the yen continued to appreciate and share prices remained sluggish. In addition, the psychological effects of the 2016 Kumamoto Earthquake and concerns over a global economic slowdown also affected the economic sentiment. Consumers remained budget-minded and price conscious, taking a defensive stance toward spending. 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 cumulative second quarter decreased 3.3% year-over-year to 65,898 million yen. This was mainly because of the continuing decrease in repeat customers ^(*) from the previous fiscal year in our mainstay mail-order business. ^(*) Repeat customers: Customers who made purchases in the previous as well as the current fiscal years)

Operating loss was 403 million yen compared with a loss of 1,154 million yen in the same period of the previous fiscal year. Despite the reduction in selling, general and administrative expenses, gross profit decreased due to lower sales. Ordinary income was 181 million yen compared with a loss of 1,063 million yen in the same period of the previous fiscal year. The increase was mainly due to the share of profit of Watabe Wedding Corporation, which was included as an affiliate accounted for using the equity method from the previous fiscal year. Profit attributable to owners of parent was 162 million yen compared with a loss of 1,219 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 5.6% year-over-year to 55,698 million yen in the cumulative second quarter. This was attributed to the weak performance of apparel and fashion accessories, categories which represent relatively large shares of sales.

Operating efficiency improved, led by a lower cost to sales ratio and other cost reductions. However, these benefits were largely offset by lower sales. As a result, there was an operating loss of 280 million yen compared with a loss of 1,434 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 11.5% year-over-year to 7,451 million yen in the cumulative second quarter due in part to contribution from PLANETWORK CO.,LTD which was converted into a subsidiary in the previous fiscal year.

There was an operating loss of 384 million yen compared with operating income of 89 million yen in the same period of the previous fiscal year as costs for openings of new facilities increased.

(Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, increased 10.3% year-over-year to 2,293 million yen, and operating income increased 54.0% to 289 million yen.

(Others)

Consolidated sales in other businesses, which provides services business (primarily insurance and credit card services) and childcare business, increased 24.9% year-over-year to 454 million yen. There was an operating loss of 37 million yen compared with a loss of 4 million yen in the same period of the previous fiscal year.

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

Assets totaled 97,672 million yen at the end of the second quarter of the current fiscal year, a decrease of 7,680 million yen from the end of the previous fiscal year.

Current assets decreased 5,208 million yen to 46,739 million yen. The main factors were decreases of 2,626 million yen in accounts receivable-other, 1,854 million yen in other, and 1,170 million yen in cash and deposits, while there was an increase of 665 million yen in merchandise and finished goods. Non-current assets decreased 2,471 million yen to 50,932 million yen. The main factors were decreases of 891 million yen in property, plant and equipment, 491 million yen in intangible assets and 1,088 million yen in investments and other assets.

Current liabilities decreased 3,023 million yen to 28,386 million yen. The main factors were decreases of 2,011 million yen in other, 666 million yen in accounts payable-trade and 450 million yen in current portion of bonds, while there was an increase of 438 million yen in electronically recorded obligations-operating. Non-current liabilities increased 78 million yen to 20,314 million yen. The main factor was an increase of 834 million yen in other, while there was a decrease of 758 million yen in long-term loans payable.

Net assets decreased 4,734 million yen to 48,971 million yen. The main factors were decreases of 3,599 million yen in deferred gains or losses on hedges and 798 million yen in valuation difference on available-for-sale securities. Consequently, the equity ratio was 50.1%.

(Cash flow position)

The balance of cash and cash equivalents at the end of the second quarter of the current fiscal year was 13,127 million yen, a decrease of 1,175 million yen from the end of the previous fiscal year.

Operating activities provided net cash of 1,519 million yen (net cash provided of 3,141 million yen in the same period of the previous fiscal year). The main cash inflows include a decrease in other current assets of 2,539 million yen and depreciation of 1,602 million yen. The main cash outflows were a decrease in other current liabilities of 2,519 million yen.

Investing activities used net cash of 617 million yen (net cash used of 3,653 million yen in the same period of the previous fiscal year). The main cash inflows were proceeds from sales of property, plant and equipment of 962 million yen. The main cash outflows were 1,352 million yen for the purchase of property, plant and equipment and 411 million yen for the purchase of intangible assets.

Financing activities used net cash of 2,005 million yen (net cash provided of 10,844 million yen in the same period of the previous fiscal year). The main cash inflows were the proceeds from long-term loans payable of 100 million yen. The main cash outflows were 1,216 million yen for the repayments of long-term loans payable, 450 million yen for redemption of bonds and 209 million yen for cash dividends paid.

(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 revised and released on July 22, 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 for 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. 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, 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 cumulative second 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, 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 has no effect on earnings.

(Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

Following the change in the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the second quarter of the current fiscal year, and changed the depreciation method for equipment attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on earnings is insignificant.

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

(Millions of yen)

	Fiscal Year 2015 (As of Dec. 31, 2015)	2Q 2016 (As of Jun. 30, 2016)
Assets		
Current assets		
Cash and deposits	14,303	13,132
Notes and accounts receivable-trade	4,046	3,802
Merchandise and finished goods	18,025	18,691
Accounts receivable-other	9,781	7,155
Other	6,013	4,158
Allowance for doubtful accounts	(222)	(200)
Total current assets	51,947	46,739
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,052	17,087
Land	12,091	11,427
Other, net	3,826	2,563
Total property, plant and equipment	31,970	31,078
Intangible assets		
Goodwill	2,243	2,135
Other	2,853	2,469
Total intangible assets	5,097	4,605
Investments and other assets		
Investment securities	9,877	9,041
Other	6,726	6,473
Allowance for doubtful accounts	(265)	(265)
Total investments and other assets	16,337	15,249
Total non-current assets	53,404	50,932
Total assets	105,352	97,672

	(Millions of yen)	
	Fiscal Year 2015 (As of Dec. 31, 2015)	2Q 2016 (As of Jun. 30, 2016)
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	11,084	11,522
Accounts payable-trade	5,346	4,680
Short-term loans payable	2,111	1,724
Current portion of bonds	450	-
Income taxes payable	121	195
Provision for sales promotion expenses	402	381
Other	11,892	9,881
Total current liabilities	31,410	28,386
Non-current liabilities		
Bonds with subscription rights to shares	7,000	7,000
Long-term loans payable	9,181	8,423
Net defined benefit liability	93	94
Other	3,961	4,796
Total non-current liabilities	20,236	20,314
Total liabilities	51,647	48,701
Net assets		
Shareholders' equity		
Capital stock	22,304	22,304
Capital surplus	23,860	23,860
Retained earnings	11,009	11,335
Treasury shares	(15)	(151)
Total shareholders' equity	57,159	57,349
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,756	958
Deferred gains or losses on hedges	1,282	(2,316)
Revaluation reserve for land	(6,629)	(6,983)
Foreign currency translation adjustment	110	(57)
Remeasurements of defined benefit plans	(1)	(22)
Total accumulated other comprehensive income	(3,481)	(8,422)
Non-controlling interests	27	44
Total net assets	53,705	48,971
Total liabilities and net assets	105,352	97,672

(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 2015	2Q 2016
	(Jan. 1, 2015 – Jun. 30, 2015)	(Jan. 1, 2016 – Jun. 30, 2016)
Net sales	68,161	65,898
Cost of sales	36,451	34,377
Gross profit	31,710	31,520
Selling, general and administrative expenses	32,864	31,924
Operating loss	(1,154)	(403)
Non-operating income		
Interest income	62	14
Dividend income	76	79
Gain on adjustment of account payable	127	158
Share of profit of entities accounted for using equity method	25	393
Other	172	108
Total non-operating income	465	754
Non-operating expenses		
Interest expenses	97	82
Other	277	87
Total non-operating expenses	374	169
Ordinary income (loss)	(1,063)	181
Extraordinary income		
Gain on sales of non-current assets	17	0
Subsidy income	150	-
Total extraordinary income	167	0
Extraordinary losses		
Loss on sales and retirement of non-current assets	29	1
Loss on reduction of non-current assets	148	-
Impairment loss	88	-
Total extraordinary losses	266	1
Profit (loss) before income taxes	(1,162)	180
Income taxes	74	1
Profit (loss)	(1,236)	179
Profit (loss) attributable to non-controlling interests	(17)	16
Profit (loss) attributable to owners of parent	(1,219)	162

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

	(Millions of yen)	
	2Q 2015	2Q 2016
	(Jan. 1, 2015 – Jun. 30, 2015)	(Jan. 1, 2016 – Jun. 30, 2016)
Profit (loss)	(1,236)	179
Other comprehensive income		
Valuation difference on available-for-sale securities	873	(789)
Deferred gains or losses on hedges	(349)	(3,506)
Revaluation reserve for land	53	18
Foreign currency translation adjustment	10	(66)
Share of other comprehensive income of entities accounted for using equity method	4	(223)
Total other comprehensive income	591	(4,568)
Comprehensive income	(645)	(4,389)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(628)	(4,406)
Comprehensive income attributable to non-controlling interests	(17)	16

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	2Q 2015 (Jan. 1, 2015 – Jun. 30, 2015)	2Q 2016 (Jan. 1, 2016 – Jun. 30, 2016)
Cash flows from operating activities		
Profit (loss) before income taxes	(1,162)	180
Depreciation	1,400	1,602
Impairment loss	88	-
Increase (decrease) in allowance for doubtful accounts	(65)	(22)
Increase (decrease) in provision for sales promotion expenses	148	(20)
Interest and dividend income	(139)	(94)
Interest expenses	97	82
Share of (profit) loss of entities accounted for using equity method	(25)	(393)
Loss (gain) on sales and retirement of non-current assets	12	0
Loss on reduction of non-current assets	148	-
Subsidy income	(150)	-
Decrease (increase) in notes and accounts receivable-trade	2,523	231
Decrease (increase) in inventories	1,714	(686)
Decrease (increase) in other current assets	2,470	2,539
Increase (decrease) in notes and accounts payable-trade	(159)	(268)
Increase (decrease) in other current liabilities	(2,346)	(2,519)
Other, net	(517)	922
Subtotal	4,037	1,554
Interest and dividend income received	127	113
Interest expenses paid	(104)	(87)
Income taxes (paid) refund	(919)	352
Extra retirement payments	-	(414)
Net cash provided by (used in) operating activities	3,141	1,519
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,953)	(1,352)
Proceeds from sales of property, plant and equipment	131	962
Purchase of intangible assets	(404)	(411)
Proceeds from subsidy income	150	-
Payments into time deposits	(1,000)	-
Proceeds from withdrawal of time deposits	-	100
Purchase of investment securities	-	(89)
Proceeds from redemption of investment securities	300	-
Purchase of shares of subsidiaries	(612)	(100)
Proceeds from transfer of business	-	216
Other, net	(264)	56
Net cash provided by (used in) investing activities	(3,653)	(617)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(70)	(30)
Proceeds from long-term loans payable	5,600	100
Repayments of long-term loans payable	(1,341)	(1,216)
Proceeds from share issuance to non-controlling shareholders	80	-
Redemption of bonds	(350)	(450)
Proceeds from issuance of common shares	3,868	-
Purchase of treasury shares	(0)	(136)
Proceeds from disposal of treasury shares	3,637	0
Cash dividends paid	(513)	(209)
Other, net	(65)	(63)
Net cash provided by (used in) financing activities	10,844	(2,005)
Effect of exchange rate change on cash and cash equivalents	66	(71)
Net increase (decrease) in cash and cash equivalents	10,398	(1,175)
Cash and cash equivalents at beginning of period	7,910	14,303
Cash and cash equivalents at end of period	18,309	13,127

(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 2015 (Jan. 1, 2015 – Jun. 30, 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	59,033	6,685	2,078	67,797	364	68,161	-	68,161
Inter-segment sales or transfers	409	-	80	490	0	490	(490)	-
Total	59,443	6,685	2,159	68,288	364	68,652	(490)	68,161
Segment profit (loss)	(1,434)	89	188	(1,156)	(4)	(1,160)	6	(1,154)

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 6 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 2Q 2016 (Jan. 1, 2016 – Jun. 30, 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	55,698	7,451	2,293	65,443	454	65,898	-	65,898
Inter-segment sales or transfers	442	-	51	493	0	494	(494)	-
Total	56,141	7,451	2,344	65,936	455	66,392	(494)	65,898
Segment profit (loss)	(280)	(384)	289	(375)	(37)	(413)	10	(403)

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 10 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.*