

Summary of Financial Results for the Third Quarter of Fiscal Year 2016 (Nine Months Ended September 30, 2016)

[Japanese GAAP]

October 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: November 11, 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 3rd Quarter of 2016 (January 1, 2016 – September 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 | % |
| 3Q 2016 | 93,057 | (3.3) | (838) | - | (185) | - | 144 | - |
| 3Q 2015 | 96,191 | (5.8) | (2,621) | - | (1,337) | - | (1,516) | - |

Note: Comprehensive income (millions of yen) 3Q 2016: (4,164) (- %) 3Q 2015: (2,201) (- %)

| | Net income per share | Diluted net income per share |
|---------|----------------------|------------------------------|
| | Yen | Yen |
| 3Q 2016 | 2.78 | 2.46 |
| 3Q 2015 | (31.53) | - |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| 3Q 2016 | 100,218 | 48,987 | 48.8 | 940.63 |
| Fiscal Year 2015 | 105,352 | 53,705 | 51.0 | 1,028.17 |

Reference: Shareholders' equity (millions of yen) 3Q 2016: 48,938

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 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)

| | | | |
|----------|-------------------|-------------------|-------------------|
| 3Q 2016: | 52,230,393 shares | Fiscal Year 2015: | 52,230,393 shares |
|----------|-------------------|-------------------|-------------------|

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

| | | | |
|----------|----------------|-------------------|---------------|
| 3Q 2016: | 203,399 shares | Fiscal Year 2015: | 23,256 shares |
|----------|----------------|-------------------|---------------|

3) Average number of shares outstanding during the period

| | | | |
|----------|-------------------|----------|-------------------|
| 3Q 2016: | 52,119,496 shares | 3Q 2015: | 48,099,833 shares |
|----------|-------------------|----------|-------------------|

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 3Q (third quarter) 2016, and is deducted from the number of shares that is used to calculate the average number of shares outstanding during 3Q (cumulative third 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 third quarter (January 1, 2016 to September 30, 2016) of the current fiscal year, the Japanese economy followed a moderate improvement trend in corporate earnings and the employment situation. However, the economic outlook remains uncertain because of a possible economic slowdown in China and other emerging countries and concerns over the global economy due to the effects of Brexit. Regarding the retailing industry, consumers remained budget-minded and price conscious, taking a defensive stance toward spending. As a result, personal consumption on the whole was sluggish and lacked strength.

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 third quarter decreased 3.3% year-over-year to 93,057 million yen. This was mainly because of sluggish sales of apparel and fashion accessories which account for relatively large percentages of total sales in our mainstay mail-order business.

Operating loss was 838 million yen compared with a loss of 2,621 million yen in the same period of the previous fiscal year. Improvement in the gross profit margin and the reduction in selling, general and administrative expenses fell short of offsetting the impact on earnings caused by lower sales. Ordinary loss was 185 million yen compared with a loss of 1,337 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 144 million yen compared with a loss of 1,516 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 5.7% year-over-year to 77,582 million yen in the cumulative third quarter. There was an operating loss of 913 million yen compared with a loss of 2,873 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 10.1% year-over-year to 11,250 million yen in the cumulative third quarter. There was an operating loss of 361 million yen compared with operating loss of 38 million yen in the same period of the previous fiscal year.

(Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, increased 11.8% year-over-year to 3,479 million yen, and operating income increased 50.5% to 395 million yen.

(Others)

Consolidated sales in other businesses, which provides services business (primarily insurance and credit card services) and childcare business, increased 27.0% year-over-year to 745 million yen, and operating income increased 41.6% to 30 million yen.

(2) Explanation of Financial Position

(Balance sheet position)

Assets totaled 100,218 million yen at the end of the third quarter of the current fiscal year, a decrease of 5,133 million yen from the end of the previous fiscal year.

Current assets decreased 2,433 million yen to 49,513 million yen. The main factors were decreases of 3,908 million yen in cash and deposits and 2,914 million yen in accounts receivable-other, while there was an increase of 4,294 million yen in merchandise and finished goods. Non-current assets decreased 2,699 million yen to 50,705 million yen. The factors were decreases of 1,336 million yen in property, plant and equipment, 743 million yen in intangible assets and 619 million yen in investments and other assets.

Current liabilities decreased 1,325 million yen to 30,084 million yen. The main factors were decreases of 2,279 million yen in electronically recorded obligations-operating, 455 million yen in other, and 450 million yen in current portion of bonds, while there was an increase of 2,124 million yen in accounts payable-trade. Non-current liabilities increased 910 million yen to 21,146 million yen. The main factors were increases of 619 million yen in other and 285 million yen in long-term loans payable.

Net assets decreased 4,718 million yen to 48,987 million yen. The main factors were decreases of 3,720 million yen in deferred gains or losses on hedges, 353 million yen in revaluation reserve for land, and 341 million yen in valuation difference on available-for-sale securities. Consequently, the equity ratio was 48.8%.

(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 third 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) | 3Q 2016 (As of Sep. 30, 2016) |
|-------------------------------------|---|----------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 14,303 | 10,394 |
| Notes and accounts receivable-trade | 4,046 | 4,402 |
| Merchandise and finished goods | 18,025 | 22,320 |
| Accounts receivable-other | 9,781 | 6,867 |
| Other | 6,013 | 5,736 |
| Allowance for doubtful accounts | (222) | (207) |
| Total current assets | 51,947 | 49,513 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 16,052 | 16,771 |
| Land | 12,091 | 11,427 |
| Other, net | 3,826 | 2,434 |
| Total property, plant and equipment | 31,970 | 30,633 |
| Intangible assets | | |
| Goodwill | 2,243 | 2,081 |
| Other | 2,853 | 2,271 |
| Total intangible assets | 5,097 | 4,353 |
| Investments and other assets | | |
| Investment securities | 9,877 | 9,260 |
| Other | 6,726 | 6,723 |
| Allowance for doubtful accounts | (265) | (265) |
| Total investments and other assets | 16,337 | 15,718 |
| Total non-current assets | 53,404 | 50,705 |
| Total assets | 105,352 | 100,218 |

| | (Millions of yen) | |
|---|---|----------------------------------|
| | Fiscal Year 2015 (As of Dec. 31, 2015) | 3Q 2016 (As of Sep. 30, 2016) |
| Liabilities | | |
| Current liabilities | | |
| Electronically recorded obligations-operating | 11,084 | 8,805 |
| Accounts payable-trade | 5,346 | 7,471 |
| Short-term loans payable | 2,111 | 1,817 |
| Current portion of bonds | 450 | - |
| Income taxes payable | 121 | 176 |
| Provision for sales promotion expenses | 402 | 377 |
| Other | 11,892 | 11,436 |
| Total current liabilities | 31,410 | 30,084 |
| Non-current liabilities | | |
| Bonds with subscription rights to shares | 7,000 | 7,000 |
| Long-term loans payable | 9,181 | 9,467 |
| Net defined benefit liability | 93 | 98 |
| Other | 3,961 | 4,581 |
| Total non-current liabilities | 20,236 | 21,146 |
| Total liabilities | 51,647 | 51,231 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 22,304 | 22,304 |
| Capital surplus | 23,860 | 23,860 |
| Retained earnings | 11,009 | 11,109 |
| Treasury shares | (15) | (151) |
| Total shareholders' equity | 57,159 | 57,123 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,756 | 1,415 |
| Deferred gains or losses on hedges | 1,282 | (2,438) |
| Revaluation reserve for land | (6,629) | (6,983) |
| Foreign currency translation adjustment | 110 | (155) |
| Remeasurements of defined benefit plans | (1) | (23) |
| Total accumulated other comprehensive income | (3,481) | (8,185) |
| Non-controlling interests | 27 | 49 |
| Total net assets | 53,705 | 48,987 |
| Total liabilities and net assets | 105,352 | 100,218 |

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

| | (Millions of yen) | |
|---|--------------------------------|--------------------------------|
| | 3Q 2015 | 3Q 2016 |
| | (Jan. 1, 2015 – Sep. 30, 2015) | (Jan. 1, 2016 – Sep. 30, 2016) |
| Net sales | 96,191 | 93,057 |
| Cost of sales | 51,605 | 48,688 |
| Gross profit | 44,586 | 44,369 |
| Selling, general and administrative expenses | 47,207 | 45,208 |
| Operating loss | (2,621) | (838) |
| Non-operating income | | |
| Interest income | 79 | 21 |
| Dividend income | 76 | 79 |
| Share of profit of entities accounted for using equity method | 1,211 | 427 |
| Gain on adjustment of account payable | 208 | 237 |
| Other | 229 | 205 |
| Total non-operating income | 1,805 | 970 |
| Non-operating expenses | | |
| Interest expenses | 143 | 118 |
| Other | 377 | 199 |
| Total non-operating expenses | 521 | 318 |
| Ordinary loss | (1,337) | (185) |
| Extraordinary income | | |
| Gain on sales of non-current assets | 17 | 0 |
| Gain on sales of investment securities | 23 | 392 |
| Subsidy income | 150 | - |
| Total extraordinary income | 190 | 393 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 29 | 29 |
| Loss on reduction of non-current assets | 148 | - |
| Impairment loss | 126 | - |
| Total extraordinary losses | 304 | 29 |
| Profit (loss) before income taxes | (1,451) | 178 |
| Income taxes | 84 | 11 |
| Profit (loss) | (1,535) | 166 |
| Profit (loss) attributable to non-controlling interests | (19) | 21 |
| Profit (loss) attributable to owners of parent | (1,516) | 144 |

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

| | (Millions of yen) | |
|--|--------------------------------|--------------------------------|
| | 3Q 2015 | 3Q 2016 |
| | (Jan. 1, 2015 – Sep. 30, 2015) | (Jan. 1, 2016 – Sep. 30, 2016) |
| Profit (loss) | (1,535) | 166 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 482 | (328) |
| Deferred gains or losses on hedges | (1,187) | (3,569) |
| Revaluation reserve for land | 53 | 18 |
| Foreign currency translation adjustment | (12) | (74) |
| Share of other comprehensive income of entities accounted for using equity method | (1) | (377) |
| Total other comprehensive income | (665) | (4,330) |
| Comprehensive income | (2,201) | (4,164) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (2,181) | (4,186) |
| Comprehensive income attributable to non-controlling interests | (19) | 21 |

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

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Segment and Other Information)

I 3Q 2015 (Jan. 1, 2015 – Sep. 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 | 82,274 | 10,219 | 3,111 | 95,605 | 586 | 96,191 | - | 96,191 |
| Inter-segment sales or transfers | 615 | - | 111 | 727 | 0 | 728 | (728) | - |
| Total | 82,889 | 10,219 | 3,223 | 96,332 | 587 | 96,920 | (728) | 96,191 |
| Segment profit (loss) | (2,873) | (38) | 262 | (2,649) | 21 | (2,627) | 6 | (2,621) |

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 3Q 2016 (Jan. 1, 2016 – Sep. 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 | 77,582 | 11,250 | 3,479 | 92,312 | 745 | 93,057 | - | 93,057 |
| Inter-segment sales or transfers | 683 | - | 82 | 765 | 0 | 766 | (766) | - |
| Total | 78,265 | 11,250 | 3,561 | 93,078 | 745 | 93,824 | (766) | 93,057 |
| Segment profit (loss) | (913) | (361) | 395 | (879) | 30 | (849) | 10 | (838) |

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.