

Summary of Financial Results for the Third Quarter of Fiscal Year 2017 (Nine Months Ended September 30, 2017)

[Japanese GAAP]

October 27, 2017

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, in charge of Corporate Planning

Tel: +81-6-6881-3220

Scheduled date of filing of Quarterly Report: November 13, 2017

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 2017 (January 1, 2017 – September 30, 2017)

(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 2017	90,330	(2.9)	(2,777)	-	(2,254)	-	(7,786)	-
3Q 2016	93,057	(3.3)	(838)	-	(185)	-	144	-

Note: Comprehensive income (millions of yen) 3Q 2017: (7,771) (- %) 3Q 2016: (4,164) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q 2017	(149.66)	-
3Q 2016	2.78	2.46

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
3Q 2017	91,599	44,594	48.6	855.90
Fiscal Year 2016	101,959	52,572	51.5	1,009.26

Reference: Shareholders' equity (millions of yen) 3Q 2017: 44,531 Fiscal Year 2016: 52,508

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2016	-	4.00	-	4.00	8.00
Fiscal Year 2017	-	0.00	-	-	-
Fiscal Year 2017 (forecasts)	-	-	-	0.00	0.00

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

3. Consolidated Outlook for Fiscal Year 2017 (January 1, 2017 – December 31, 2017)

(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 2017	126,900	(6.0)	(3,800)	-	(3,600)	-	(10,400)	-	(199.89)

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

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

Note: Please refer to “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements)” on page 8 for further information.

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

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

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares outstanding (common shares)

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

3Q 2017:	52,230,393 shares	Fiscal Year 2016:	52,230,393 shares
----------	-------------------	-------------------	-------------------

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

3Q 2017:	201,397 shares	Fiscal Year 2016:	203,527 shares
----------	----------------	-------------------	----------------

3) Average number of shares outstanding during the period

3Q 2017:	52,027,864 shares	3Q 2016:	52,119,496 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, and is deducted from the number of shares that is used to calculate the average number of shares outstanding.

* This quarterly financial report is not subject to quarterly review procedures.

* 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.”

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	6
Quarterly Consolidated Statement of Income	
(For the Nine-month Period)	6
Quarterly Consolidated Statement of Comprehensive Income	
(For the Nine-month Period)	7
(3) Notes to Quarterly Consolidated Financial Statements	8
(Going Concern Assumption)	8
(Significant Changes in Shareholders' Equity)	8
(Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements)	8
(Segment and Other Information)	8

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the cumulative third quarter (January 1 to September 30) of 2017, the Japanese economy continued to recover slowly due to improvements in employment situation and personal income, although consumer spending was sluggish. In Japan's retail industry, market conditions remain challenging because of the uncertainty about the outlook for consumer spending and heated competition in many business categories to sell products to consumers.

Net sales in the cumulative third quarter decreased 2.9% year-over-year to 90,330 million yen. The main reason was lower sales in the mail-order business resulting from a review of the timing of new catalogs and the number of catalogs distributed.

Operating loss was 2,777 million yen compared with a loss of 838 million yen in the same period of 2016 because of an increase in the cost to sales ratio caused by discount sales and higher valuation losses on goods. There was an ordinary loss of 2,254 million yen compared with ordinary loss of 185 million yen in the same period of 2016. Loss attributable to owners of parent was 7,786 million yen compared with a profit of 144 million yen in the same period of 2016. This loss was mainly the result of an impairment loss.

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 73,249 million yen. There was an operating loss of 3,318 million yen compared with a loss of 913 million yen in the same period of 2016.

(Bridal Business)

Consolidated sales in the bridal business, centered on the house wedding business, increased 10.0% year-over-year to 12,374 million yen. There was an operating income of 223 million yen compared with a loss of 361 million yen in the same period of 2016.

(Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, increased 3.6% year-over-year to 3,605 million yen, and operating income decreased 23.1% to 303 million yen.

(Others)

Consolidated sales in other businesses, which consist of services (primarily insurance and credit card services) and a childcare business, increased 47.7% year-over-year to 1,100 million yen. Operating income decreased 58.6% to 12 million yen.

(2) Explanation of Financial Position

(Balance sheet position)

Assets totaled 91,599 million yen at the end of the third quarter of 2017, a decrease of 10,360 million yen from the end of 2016.

Current assets decreased 4,605 million yen to 48,012 million yen. The main factors were decreases of 3,876 million yen in cash and deposits and 1,482 million yen in accounts receivable-other, while there was an increase of 968 million yen in notes and accounts receivable-trade. Non-current assets decreased 5,754 million yen to 43,587 million yen. The factors include decreases of 3,596 million yen in property, plant and equipment due to booking of impairment loss, 1,328 million yen in intangible assets, and 828 million yen in investments and other assets.

Current liabilities decreased 2,035 million yen to 27,262 million yen. The main factors were decreases of 3,248 million yen in electronically recorded obligations-operating and 258 million yen in income taxes payable, while

there was an increase of 1,867 million yen in accounts payable-trade. Non-current liabilities decreased 346 million yen to 19,742 million yen. The main factor was a decrease of 2,000 million yen in bonds with subscription rights to shares, while there was an increase of 1,660 million yen in long-term loans payable.

Net assets decreased 7,978 million yen to 44,594 million yen. The main factor was a decrease of 13,921 million yen in retained earnings, while there was an increase of 5,927 million yen in revaluation reserve for land. Consequently, the equity ratio was 48.6%.

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

Senshukai currently maintains its consolidated forecasts for 2017 that was released on July 21, 2017.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Millions of yen)

	Fiscal Year 2016 (As of Dec. 31, 2016)	3Q 2017 (As of Sep. 30, 2017)
Assets		
Current assets		
Cash and deposits	16,605	12,728
Notes and accounts receivable-trade	3,889	4,858
Merchandise and finished goods	20,580	20,971
Accounts receivable-other	7,818	6,335
Other	3,877	3,262
Allowance for doubtful accounts	(152)	(145)
Total current assets	52,618	48,012
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,128	14,542
Land	11,310	10,451
Other, net	2,112	961
Total property, plant and equipment	29,551	25,954
Intangible assets		
Goodwill	2,027	2,056
Other	2,120	762
Total intangible assets	4,147	2,819
Investments and other assets		
Investment securities	8,651	8,185
Other	7,256	6,894
Allowance for doubtful accounts	(266)	(266)
Total investments and other assets	15,642	14,813
Total non-current assets	49,341	43,587
Total assets	101,959	91,599

	(Millions of yen)	
	Fiscal Year 2016 (As of Dec. 31, 2016)	3Q 2017 (As of Sep. 30, 2017)
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	10,365	7,116
Accounts payable-trade	5,840	7,708
Short-term loans payable	1,546	1,290
Income taxes payable	387	129
Provision for sales promotion expenses	437	431
Other	10,721	10,586
Total current liabilities	29,298	27,262
Non-current liabilities		
Bonds with subscription rights to shares	7,000	5,000
Long-term loans payable	9,300	10,960
Net defined benefit liability	98	96
Provision for management board incentive plan trust	9	7
Other	3,680	3,677
Total non-current liabilities	20,088	19,742
Total liabilities	49,387	47,005
Net assets		
Shareholders' equity		
Capital stock	22,304	22,304
Capital surplus	23,860	23,860
Retained earnings	12,385	(1,536)
Treasury shares	(151)	(149)
Total shareholders' equity	58,399	44,479
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,271	1,120
Deferred gains or losses on hedges	(11)	63
Revaluation reserve for land	(6,983)	(1,056)
Foreign currency translation adjustment	(143)	(55)
Remeasurements of defined benefit plans	(23)	(19)
Total accumulated other comprehensive income	(5,890)	52
Non-controlling interests	64	62
Total net assets	52,572	44,594
Total liabilities and net assets	101,959	91,599

(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 2016 (Jan. 1, 2016 – Sep. 30, 2016)	3Q 2017 (Jan. 1, 2017 – Sep. 30, 2017)
Net sales	93,057	90,330
Cost of sales	48,688	49,717
Gross profit	44,369	40,613
Selling, general and administrative expenses	45,208	43,391
Operating loss	(838)	(2,777)
Non-operating income		
Interest income	21	20
Dividend income	79	70
Share of profit of entities accounted for using equity method	427	346
Gain on adjustment of account payable	237	179
Other	205	131
Total non-operating income	970	748
Non-operating expenses		
Interest expenses	118	116
Other	199	108
Total non-operating expenses	318	224
Ordinary loss	(185)	(2,254)
Extraordinary income		
Gain on sales of non-current assets	0	3
Gain on sales of investment securities	392	607
Subsidy income	-	210
Total extraordinary income	393	820
Extraordinary losses		
Loss on sales and retirement of non-current assets	29	7
Loss on reduction of non-current assets	-	198
Impairment loss	-	4,698
Other	-	170
Total extraordinary losses	29	5,075
Profit (loss) before income taxes	178	(6,508)
Income taxes	11	1,278
Profit (loss)	166	(7,787)
Profit (loss) attributable to non-controlling interests	21	(1)
Profit (loss) attributable to owners of parent	144	(7,786)

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

(Millions of yen)

	3Q 2016 (Jan. 1, 2016 – Sep. 30, 2016)	3Q 2017 (Jan. 1, 2017 – Sep. 30, 2017)
Profit (loss)	166	(7,787)
Other comprehensive income		
Valuation difference on available-for-sale securities	(328)	(174)
Deferred gains or losses on hedges	(3,569)	(61)
Revaluation reserve for land	18	-
Foreign currency translation adjustment	(74)	7
Share of other comprehensive income of entities accounted for using equity method	(377)	245
Total other comprehensive income	(4,330)	16
Comprehensive income	(4,164)	(7,771)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(4,186)	(7,770)
Comprehensive income attributable to non-controlling interests	21	(1)

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

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(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, Senshukai uses legally stipulated effective tax rates to calculate tax expenses for cases in which using estimated tax rates gives a noticeably irrational result.

(Segment and Other Information)

I 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 of the services business, which is primarily the insurance and credit card services, and childcare business.

2. The 10 million yen adjustment to segment profit (loss) is an elimination for inter-segment transactions.

3. Segment profit (loss) is adjusted to be consistent with the operating loss 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 2017 (Jan. 1, 2017 – Sep. 30, 2017)

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	73,249	12,374	3,605	89,229	1,100	90,330	-	90,330
Inter-segment sales or transfers	722	1	106	829	16	846	(846)	-
Total	73,972	12,375	3,712	90,059	1,117	91,177	(846)	90,330
Segment profit (loss)	(3,318)	223	303	(2,790)	12	(2,778)	0	(2,777)

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

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

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

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

(Significant impairment losses related to non-current assets)

In the mail-order business, an asset impairment loss was recorded to write down the book value of some assets to the amount that can be recovered in order because the performance of this segment has been well below the initial plan. This impairment loss was 4,695 million yen in 3Q 2017.

** 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.*