Summary of Financial Results for the Second Quarter of Fiscal Year 2013 (Six Months Ended June 30, 2013)

[Japanese GAAP]

July 25, 2013

Company name: **Senshukai Co., Ltd.** Stock exchanges: 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, 2013

Scheduled date of payment of dividend: September 2, 2013

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the 2nd Quarter of 2013 (January 1, 2013 – June 30, 2013)

(1) Consolidated operating results (cumulative)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2Q 2013	72,736	(1.7)	1,626	113.3	1,995	69.1	1,241	35.8
2Q 2012	74,031	6.5	762	(68.2)	1,180	(55.2)	914	(57.8)

Note: Comprehensive income (million yen) 2Q 2013: 2,761 (up 87.3%) 2Q 2012: 1,474 (down 45.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q 2013	28.67	-
2Q 2012	21.12	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
2Q 2013	91,296	47,260	51.8	1,091.25
Fiscal Year 2012	92,887	44,932	48.4	1,037.48

Reference: Shareholders' equity (million yen) 2Q 2013: 47,260 Fiscal Year 2012: 44,932

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2012	-	10.00	-	10.00	20.00
Fiscal Year 2013	-	12.00			
Fiscal Year 2013 (forecasts)			-	12.00	24.00

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

3. Consolidated Outlook for Fiscal Year 2013 (January 1, 2013 – December 31, 2013)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full Year 2013	144,500	(0.9)	4,000	89.6	4,400	59.1	3,500	72.5	80.82

Note: Revision to the most recently announced consolidated outlook: Yes

*** 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 4 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: Yes

4) Restatements: None

Note: Subject to "Changes in accounting policies that are difficult to distinguish from changes in accounting-based estimates" since the Company has revised its depreciation method from the first quarter. 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 end of period (including treasury stock)

2Q 2013:	47,630,393 shares	Fiscal Year 2012:	47,630,393 shares

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

2Q 2013:	4,321,636 shares	Fiscal Year 2012:	4,321,445 shares

3) Average number of shares outstanding during the period

2Q 2013:	43,308,905 shares	2Q 2012:	43,309,253 shares

* Disclosure regarding the implementation of quarterly review procedures

These quarterly financial results materials are 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 4, "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Qualitative Information Regarding Consolidated Outlook."

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Qualitative Information Regarding Consolidated Results of Operations

In the cumulative second quarter (January 1, 2013 to June 30, 2013) of the current fiscal year, the Japanese economy showed signs of recovery, particularly the export sector, as share prices rebounded on expectations for economic stimulus measures from the new administration, and the correction of the yen's appreciation. However, the outlook for the domestic economy and personal consumption remained unclear due to uncertainties over the government's future growth strategy, Europe's debt crisis, and the slowdown of the Chinese economy.

In this environment, the Senshukai Group pulled together to achieve the targets of its medium-term management plan which concludes in this fiscal year.

Net sales in the cumulative second quarter decreased 1.7% year-over-year to 72,736 million yen.

As for profits, due to an improvement in the gross profit margin in the mail-order business, and the cutting of selling, general and administrative expenses, operating income rose 113.3% year-over-year to 1,626 million yen.

Ordinary income rose 69.1% year-over-year to 1,995 million yen due to foreign exchange gains and other factors. Net income rose 35.8% to 1,241 million yen due to loss on sales and retirement of noncurrent assets and other factors.

Overview by segment

(Mail-order Business)

Consolidated sales in the mail-order business, comprising the catalog and the *hanpukai* businesses, decreased 1.4% year-over-year to 65,900 million yen in the cumulative second quarter, due to weak sales of spring and summer items in the catalog business resulting from lower temperatures in April, and a decline in sales in the *hanpukai* business.

The gross profit margin improved due to fewer valuation losses on goods thanks to the early implementation of bargain and clearance sales. Operating income rose 245.6% year-over-year to 1,344 million yen due to lower distribution-related costs thanks to more efficient logistics, and cuts made to printing costs from review in the paper used in printing catalogs.

1) Catalog business

Consolidated sales in the catalog business decreased 0.8% year-over-year to 61,826 million yen in the cumulative second quarter.

2) *Hanpukai* business

Consolidated sales in the *hanpukai* business decreased 10.2% year-over-year to 4,074 million yen in the cumulative second quarter.

(Bridal Business)

Consolidated sales in the bridal business, centered on the house wedding business, decreased 0.6% year-over-year to 4,708 million yen in the cumulative second quarter, despite an increase in average sales per wedding/reception, due to fewer weddings. Operating income decreased 72.5% year-over-year to 65 million yen.

(Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, increased 0.3% year-over-year to 1,887 million yen, and operating income increased 19.7% year-over-year to 212 million yen.

(Others)

Consolidated sales in other businesses, which consist of the services business (primarily travel and credit card services) and the pet business (pet goods sales through retail stores), decreased 58.6% year-over-year to 239 million yen in the cumulative second quarter due to withdrawal from pet business. Operating income totaled 4 million yen, compared with an operating loss of 43 million yen in the same period of the previous fiscal year.

Note: As Senshukai changed its reportable segment classifications from the third quarter of the previous fiscal year, the new classifications have been applied to year-ago figures to allow for year-over-year comparisons. Please see “3. Quarterly Consolidated Financial Statements, (6) Segment and Other Information” for details.

(2) Qualitative Information Regarding Consolidated Financial Position

(Balance sheet position)

Assets totaled 91,296 million yen at the end of the second quarter, down 1,591 million yen from the end of the previous fiscal year.

Current assets decreased 1,751 million yen to 44,496 million yen. The main factors were increases of 540 million yen in cash and deposits and 268 million yen in notes and accounts receivable-trade, and decreases of 1,882 million yen in accounts receivable-other and 822 million yen in other. Noncurrent assets increased 160 million yen to 46,799 million yen. The main factors were decreases of 448 million yen in property, plant and equipment and 388 million yen in intangible assets, and an increase of 997 million yen in investments and other assets.

Current liabilities decreased 3,494 million yen to 33,567 million yen. The main factors were decreases of 2,510 million yen in notes and accounts payable-trade and 1,009 million yen in short-term loans payable. Noncurrent liabilities decreased 424 million yen to 10,468 million yen. The main factors were an increase of 907 million yen in other, and decreases of 985 million yen in long-term loans payable and 350 million yen in bonds payable.

Net assets increased 2,328 million yen to 47,260 million yen. The main factors were increases of 896 million yen in valuation difference on available-for-sale securities, 536 million yen in deferred gains or losses on hedges and 486 million yen in retained earnings. Consequently, the equity ratio was 51.8%.

(Cash flow position)

The balance of cash and cash equivalents at the end of the second quarter of the current fiscal year was 7,993 million yen, an increase of 540 million yen from the end of the previous fiscal year.

Operating activities provided net cash of 2,857 million yen (year-over-year increase in income of 1,260 million yen). The main cash inflows were a decrease in other current assets of 2,653 million yen, income before income taxes and minority interests of 1,412 million yen and depreciation and amortization of 1,293 million yen. The main cash outflows were a decrease in other current liabilities of 1,655 million yen, and a decrease in notes and accounts payable-trade of 1,303 million yen.

Investing activities provided net cash of 511 million yen (net cash used of 1,813 million yen in the same period of the previous fiscal year). The main cash inflows were 900 million yen in proceeds from redemption of investment securities and 420 million yen in proceeds from sales of property, plant and equipment. The main cash outflows were 553 million yen for the purchase of property, plant and equipment, and 307 million yen for the purchase of intangible assets.

Financing activities used net cash of 2,843 million yen (year-over-year decrease in outlays of 670 million yen). The main cash outflows were repayment of long-term loans payable of 1,244 million yen, a decrease in short-term loans payable of 1,000 million yen and cash dividends paid of 430 million yen.

(3) Qualitative Information Regarding Consolidated Outlook

Senshukai has revised the consolidated outlook for the current fiscal year (January 1, 2013 to December 31, 2013) as follows, as net sales are expected to continue to decline in the second half.

Consolidated Outlook for Fiscal Year 2013 (January 1, 2013 – December 31, 2013)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A) (announced on February 7, 2013)	153,000	4,700	5,000	3,700	85.43
Revised forecast (B)	144,500	4,000	4,400	3,500	80.82
Increase (decrease) (B – A)	(8,500)	(700)	(600)	(200)	-
Percentage change (%)	(5.6)	(14.9)	(12.0)	(5.4)	-
(Reference) Actual results for Fiscal Year 2012	145,750	2,109	2,765	2,029	46.86

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

(Changes in accounting policies that are difficult to distinguish from changes in accounting-based estimates)

The Company and its domestic consolidated subsidiaries depreciate the property, plant and equipment acquired on or after January 1, 2013, using the depreciation method stipulated in the revised Corporation Tax Act from the first quarter of the current fiscal year, in line with revisions to the Corporation Tax Act.

This change has no significant effect on the amount of income for the cumulative second quarter of the current fiscal year.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	Fiscal Year 2012 (As of Dec. 31, 2012)	2Q 2013 (As of Jun. 30, 2013)
Assets		
Current assets		
Cash and deposits	7,452	7,993
Notes and accounts receivable-trade	6,663	6,932
Merchandise and finished goods	16,644	16,757
Accounts receivable-other	9,951	8,069
Other	5,824	5,002
Allowance for doubtful accounts	(289)	(258)
Total current assets	46,248	44,496
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	14,050	13,764
Land	11,908	11,169
Other, net	2,215	2,791
Total property, plant and equipment	28,174	27,725
Intangible assets		
Goodwill	2,278	2,202
Other	3,995	3,683
Total intangible assets	6,273	5,885
Investments and other assets		
Investment securities	5,950	6,887
Other	6,558	6,618
Allowance for doubtful accounts	(317)	(317)
Total investments and other assets	12,190	13,188
Total noncurrent assets	46,639	46,799
Total assets	92,887	91,296

(Million yen)

	Fiscal Year 2012 (As of Dec. 31, 2012)	2Q 2013 (As of Jun. 30, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,073	5,563
Short-term loans payable	3,405	2,396
Current portion of bonds	700	700
Accounts payable-factoring	13,993	14,008
Income taxes payable	207	205
Provision for sales promotion expenses	307	550
Other	10,373	10,142
Total current liabilities	37,062	33,567
Noncurrent liabilities		
Bonds payable	1,850	1,500
Long-term loans payable	6,993	6,007
Provision for retirement benefits	34	37
Other	2,015	2,922
Total noncurrent liabilities	10,892	10,468
Total liabilities	47,955	44,035
Net assets		
Shareholders' equity		
Capital stock	20,359	20,359
Capital surplus	21,038	21,038
Retained earnings	13,581	14,067
Treasury stock	(2,775)	(2,776)
Total shareholders' equity	52,203	52,689
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(578)	317
Deferred gains or losses on hedges	438	975
Revaluation reserve for land	(7,041)	(6,720)
Foreign currency translation adjustment	(89)	(2)
Total accumulated other comprehensive income	(7,271)	(5,429)
Total net assets	44,932	47,260
Total liabilities and net assets	92,887	91,296

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

(For the Six-month Period)

(Million yen)

	2Q 2012 (Jan. 1, 2012 – Jun. 30, 2012)	2Q 2013 (Jan. 1, 2013 – Jun. 30, 2013)
Net sales	74,031	72,736
Cost of sales	38,999	37,222
Gross profit	35,031	35,513
Selling, general and administrative expenses	34,269	33,887
Operating income	762	1,626
Non-operating income		
Interest income	25	34
Dividends income	82	74
Foreign exchange gains	232	107
Gain on adjustment of account payable	56	110
Other	229	207
Total non-operating income	626	535
Non-operating expenses		
Interest expenses	121	108
Other	87	57
Total non-operating expenses	208	166
Ordinary income	1,180	1,995
Extraordinary income		
Gain on sales of noncurrent assets	1	0
Gain on sales of investment securities	22	49
Total extraordinary income	23	50
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	94	579
Impairment loss	-	53
Total extraordinary losses	94	633
Income before income taxes and minority interests	1,109	1,412
Income taxes	195	170
Income before minority interests	914	1,241
Net income	914	1,241

Quarterly Consolidated Statements of Comprehensive Income

(For the Six-month Period)

(Million yen)

	2Q 2012 (Jan. 1, 2012 – Jun. 30, 2012)	2Q 2013 (Jan. 1, 2013 – Jun. 30, 2013)
Income before minority interests	914	1,241
Other comprehensive income		
Valuation difference on available-for-sale securities	110	896
Deferred gains or losses on hedges	436	536
Foreign currency translation adjustment	10	62
Share of other comprehensive income of associates accounted for using equity method	2	24
Total other comprehensive income	559	1,519
Comprehensive income	1,474	2,761
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,474	2,761
Comprehensive income attributable to minority interests	-	-

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	2Q 2012 (Jan. 1, 2012 – Jun. 30, 2012)	2Q 2013 (Jan. 1, 2013 – Jun. 30, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,109	1,412
Depreciation and amortization	1,409	1,293
Impairment loss	-	53
Increase (decrease) in allowance for doubtful accounts	(49)	(30)
Increase (decrease) in allowance for sales promotion expenses	(49)	242
Interest and dividends income	(107)	(109)
Interest expenses	121	108
Foreign exchange losses (gains)	(333)	(65)
Loss (gain) on sales and retirement of noncurrent assets	92	578
Loss (gain) on sales of investment securities	(22)	(49)
Decrease (increase) in notes and accounts receivable-trade	(56)	(255)
Decrease (increase) in inventories	1,152	(24)
Decrease (increase) in other current assets	1,118	2,653
Increase (decrease) in notes and accounts payable-trade	(2,219)	(1,303)
Increase (decrease) in other current liabilities	(923)	(1,655)
Other, net	430	138
Subtotal	1,672	2,988
Interest and dividends income received	107	109
Interest expenses paid	(126)	(112)
Income taxes (paid) refund	(55)	(126)
Net cash provided by (used in) operating activities	1,597	2,857
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(1,595)	(553)
Proceeds from sales of property, plant and equipment	1	420
Purchase of intangible assets	(452)	(307)
Purchase of investment securities	(20)	-
Proceeds from sales of investment securities	141	98
Proceeds from redemption of investment securities	-	900
Other, net	111	(46)
Net cash provided by (used in) investing activities	(1,813)	511
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(2,500)	(1,000)
Proceeds from long-term loans payable	450	250
Repayment of long-term loans payable	(711)	(1,244)
Redemption of bonds	(386)	(350)
Cash dividends paid	(303)	(430)
Other, net	(62)	(67)
Net cash provided by (used in) financing activities	(3,513)	(2,843)
Effect of exchange rate change on cash and cash equivalents	6	14
Net increase (decrease) in cash and cash equivalents	(3,722)	540
Cash and cash equivalents at beginning of period	7,500	7,452
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	181	-
Cash and cash equivalents at end of period	3,958	7,993

(4) Going Concern Assumption

Not applicable.

(5) Significant Changes in Shareholders' Equity

Not applicable.

(6) Segment and Other Information

I 2Q 2012 (Jan. 1, 2012 – Jun. 30, 2012)

1. Information related to sales and profit or loss for each reportable segment (Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statements of income (Note 3)
	Mail-order business	Bridal business	Corporates business	Sub-total				
Net sales								
Sales to customers	66,832	4,738	1,881	73,452	579	74,031	-	74,031
Inter-segment sales	295	-	31	326	43	370	(370)	-
Total	67,127	4,738	1,912	73,778	622	74,401	(370)	74,031
Segment profit (loss)	389	239	177	806	(43)	762	0	762

Notes: 1. Others represent the businesses which are not included in any of the three reportable segments and consist of the services business primarily offering travel and credit card services, and the pet business distributing pet goods sales through retail stores.
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 income shown on the quarterly consolidated statements of income.

2. Information related to impairment of noncurrent assets, goodwill, etc. for each reportable segment

No major events or changes occurred.

II 2Q 2013 (Jan. 1, 2013 – Jun. 30, 2013)

1. Information related to sales and profit or loss for each reportable segment (Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statements of income (Note 3)
	Mail-order business	Bridal business	Corporates business	Sub-total				
Net sales								
Sales to customers	65,900	4,708	1,887	72,496	239	72,736	-	72,736
Inter-segment sales	319	-	18	338	84	423	(423)	-
Total	66,220	4,708	1,906	72,835	324	73,159	(423)	72,736
Segment profit	1,344	65	212	1,623	4	1,627	(1)	1,626

Notes: 1. Others represent the businesses which are not included in any of the three reportable segments and consist of the services business primarily offering travel and credit card services, and the pet business distributing pet goods sales through retail stores.
2. The (1) million yen adjustment to segment profit comprises elimination for inter-segment transactions.
3. Segment profit is adjusted to be consistent with operating income shown on the quarterly consolidated statements of income.

2. Information related to impairment of noncurrent assets, goodwill, etc. for each reportable segment

No major events or changes occurred.

3. Information related to revisions for reportable segments

Following the business transfer between companies within the consolidated group, a part of the business in the others segment was changed to the mail-order business segment in the third quarter of the previous fiscal year. The reportable segment for the cumulative second quarter of the previous fiscal year is prepared and disclosed based on the calculation methods after this change.

** 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.*