Summary of Financial Results for the Fiscal Year 2013 (Ended December 31, 2013)

[Japanese GAAP]

February 6, 2014

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 annual general meeting of shareholders: March 28, 2014
Scheduled date of payment of dividend: March 31, 2014
Scheduled date of filing of Annual Security Report: March 31, 2014
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes

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

1. Consolidated Financial Results for the Fiscal Year 2013 (January 1, 2013 – December 31, 2013)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year 2013	141,552	(2.9)	4,019	90.5	4,631	67.5	4,046	99.4
Fiscal Year 2012	145,750	6.2	2,109	(32.1)	2,765	(14.5)	2,029	28.2

Note: Comprehensive income (millions of yen) Fiscal Year 2013: 6,380 (up 51.1%) Fiscal Year 2012: 4,224 (up 57.4%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal Year 2013	93.43	-	8.5	4.8	2.8
Fiscal Year 2012	46.86	-	4.7	3.0	1.4

Reference: Equity in earnings (losses) of affiliates (millions of yen) Fiscal Year 2013: 142 Fiscal Year 2012: 93

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2013	98,800	50,359	51.0	1,162.81
Fiscal Year 2012	92,887	44,932	48.4	1,037.48

Reference: Shareholders' equity (millions of yen) Fiscal Year 2013: 50,359 Fiscal Year 2012: 44,932

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year 2013	2,174	(2,168)	(986)	6,495
Fiscal Year 2012	2,337	(3,606)	991	7,452

2. Dividends

	Dividend per share					Total dividends (total)	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal Year 2012	-	10.00	-	10.00	20.00	866	42.7	2.0
Fiscal Year 2013	-	12.00	-	12.00	24.00	1,039	25.7	2.2
Fiscal Year 2014 (forecasts)	-	12.00	-	12.00	24.00		45.2	

3. Consolidated Outlook for Fiscal Year 2014 (January 1, 2014 – December 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2Q 2014 (cumulative)	76,400	5.0	1,100	(32.4)	1,400	(29.8)	700	(43.6)	16.16
Full Year 2014	150,000	6.0	3,600	(10.4)	4,000	(13.6)	2,300	(43.2)	53.11

*** 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) 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 current fiscal year. Please refer to "(5) Notes to Consolidated Financial Statements, Changes in Accounting Policies That Are Difficult to Distinguish from Changes in Accounting-based Estimates" on page 15 for further information.

(3) Number of shares outstanding (common shares)

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

Fiscal year 2013: 47,630,393 shares Fiscal Year 2012: 47,630,393 shares

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

Fiscal year 2013: 4,321,851 shares Fiscal Year 2012: 4,321,445 shares

3) Average number of shares outstanding during the period

Fiscal year 2013: 43,308,765 shares Fiscal Year 2012: 43,309,151 shares

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for Fiscal Year 2013 (January 1, 2013 – December 31, 2013)

(1) Non-consolidated operating results

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year 2013	126,483	(3.1)	2,973	48.9	3,634	36.9	3,214	67.7
Fiscal Year 2012	130,589	5.2	1,996	(38.0)	2,654	(24.4)	1,916	(0.8)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal Year 2013	74.21	-
Fiscal Year 2012	44.26	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2013	91,417	48,959	53.6	1,130.48
Fiscal Year 2012	86,855	44,505	51.2	1,027.63

Reference: Shareholders' equity (millions of yen) Fiscal Year 2013: 48,959 Fiscal Year 2012: 44,505

* Disclosure regarding the implementation of audit procedures

This financial report is not subject to the audit procedures based on the Financial Instruments and Exchange Act. Thus, at the time of its disclosure, the financial statement audit 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.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

Overview

In the fiscal year under review, share prices rose and the yen depreciated due to the government's economic policies and the Bank of Japan's monetary easing, and corporate profits and personal consumption showed signs of picking up, but as these improvements were limited, the outlook for the Japanese economy remained uncertain. In the retail industry, department stores reported strong sales of some luxury items, but overall conditions in the retail industry remained harsh. In the mail-order industry, sales continued to rise as the spread of smartphones, tablets, and other mobile devices expanded the online shopping market, and the fusion of online and brick-and-mortar shopping is likely to expand the market further. However, competition is intensifying due to the entry of companies from outside the industry, and M&A activity.

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

Net sales in the current fiscal year decreased 2.9% year-over-year to 141,552 million yen due to weak sales in the mail-order business.

As for profits, due to an improvement in the gross profit margin, and the cutting of selling, general and administrative expenses, operating income increased 90.5% year-over-year to 4,019 million yen. Ordinary income increased 67.5% year-over-year to 4,631 million yen. Net income increased 99.4% to 4,046 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 3.0% year-over-year to 126,498 million yen in the current fiscal year. Sales declined, but the gross profit margin improved thanks to higher sales of strategic products and review of the price range. Operating income in the mail-order business surged 185.6% year-over-year to 2,840 million yen. There were reductions in distribution-related costs due to more efficient logistics as well as in catalog-related costs from review in the printing costs.

1) Catalog business

In the catalog business, we provide customers with lifestyle ideas in a wide variety of genres through a range of catalogs and the online shop "*Belle Maison Net*." We also develop many original products that focus on Senshukai style.

Internet sales, and Internet-only sales* in particular, increased due to system strengthening in response to the spread of smartphones and tablets. However, as unseasonable weather lowered sales of apparel and fashion accessories, overall sales in the catalog business decreased 2.6% year-over-year to 118,135 million yen. (*Internet-only sales: A customer makes purchase by putting product into online shopping cart.)

2) *Hanpukai* business

The *hanpukai* business employs an original, unique sales model differing from other mail-order companies whereby original goods are delivered monthly to all group and individual members, mainly working women. Consolidated sales in the *hanpukai* business decreased 8.8% year-over-year to 8,362 million yen, due to a decline in the number of individual and corporate members.

(Bridal Business)

Consolidated sales in the bridal business, centered on the house wedding business, increased 5.2% year-over-year to 10,731 million yen in the current fiscal year, due to contributions from the opening of a new facility and an increase in average sales per wedding. Operating income decreased 6.7% year-over-year to 701 million yen.

(Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, increased 0.1% year-over-year to 3,838 million yen, and operating income decreased 0.8% year-over-year to 393 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 61.6% year-over-year to 484 million yen in the current fiscal year due to withdrawal from pet business. Operating income totaled 83 million yen, compared with an operating loss of 33 million yen in the previous fiscal year.

(2) Analysis of Financial Position

(Balance sheet position)

Assets totaled 98,800 million yen at the end of the current fiscal year, an increase of 5,912 million yen from the end of the previous fiscal year.

Current assets increased 3,929 million yen to 50,177 million yen. The main factors were increases of 4,651 million yen in merchandise and finished goods, and 1,289 million yen in forward exchange contracts, while there were decreases of 957 million yen in cash and deposits, 595 million yen in short-term investment securities and 342 million yen in accounts receivable-other. Noncurrent assets increased 1,983 million yen to 48,622 million yen. The main factors were increases of 601 million yen in property, plant and equipment, and 1,923 million yen in investments and other assets, while there was a decrease of 542 million yen in intangible assets.

Current liabilities increased 2,572 million yen to 39,635 million yen. The main factors were increases of 6,204 million yen in electronically recorded obligations-operating and 2,980 million yen in short-term loans payable, while there were decreases of 5,499 million yen in accounts payable-factoring, and 1,577 million yen in notes and accounts payable-trade. Noncurrent liabilities decreased 2,087 million yen to 8,805 million yen. The main factors were decreases of 2,178 million yen in long-term loans payable and 700 million yen in bonds payable, while there was an increase of 499 million yen in lease obligations.

Net assets increased 5,427 million yen to 50,359 million yen. The main factors were increases of 2,772 million yen in retained earnings, 1,353 million yen in valuation difference on available-for-sale securities, and 839 million yen in deferred gains or losses on hedges. Consequently, the equity ratio was 51.0%.

(Cash flow position)

The balance of cash and cash equivalents at the end of the current fiscal year was 6,495 million yen, a decrease of 957 million yen from the end of the previous fiscal year.

Operating activities provided net cash of 2,174 million yen (net cash provided of 2,337 million yen in the previous fiscal year). The main cash inflows were an increase in notes and accounts payable-trade of 4,606 million yen, income before income taxes and minority interests of 3,760 million yen, depreciation and amortization of 2,618 million yen, and loss (gain) on sales and retirement of noncurrent assets of 656 million yen. The main cash outflows were a decrease in other current liabilities of 5,586 million yen, and an increase in inventories of 4,561 million yen.

Investing activities used net cash of 2,168 million yen (net cash used of 3,606 million yen in the previous fiscal year). The main cash outflows were 2,694 million yen for the purchase of property, plant and equipment, and 782 million yen for the purchase of intangible assets. The main cash inflows were proceeds from redemption of investment securities of 900 million yen.

Financing activities used net cash of 986 million yen (net cash provided of 991 million yen in the previous fiscal year). The main cash inflow was an increase in short-term loans payable of 3,000 million yen, while main cash outflows were repayment of long-term loans payable of 2,448 million yen, cash dividends paid of 950 million yen and redemption of bonds of 700 million yen.

Cash flow indices

	Fiscal Year 2011 (As of Dec. 31, 2011)	Fiscal Year 2012 (As of Dec. 31, 2012)	Fiscal Year 2013 (As of Dec. 31, 2013)
Equity ratio (%)	45.8	48.4	51.0
Equity ratio based on fair value (%)	24.8	24.7	38.6
Average debt repayment period (years)	24.8	5.9	6.7
Interest coverage ratio (times)	1.9	9.4	9.8

Notes: 1. Cash flow indices are calculated, using consolidated financial figures, as follows:
The equity ratio is shareholders' equity divided by total assets.
The equity ratio based on fair value is market capitalization divided by total assets.
The average debt repayment period is interest-bearing debt divided by the quantity of operating cash flows.
The interest coverage ratio is operating cash flows divided by interest payments.
2. Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares issued and outstanding at the end of the period, excluding treasury stock.
3. Interest-bearing debt represents all liabilities shown on the consolidated balance sheet that incur interest.
4. Operating cash flows and interest payments represent net cash provided by (used in) operating activities and interest expenses paid, respectively, on the consolidated statement of cash flows.

(3) Basic Policy Regarding Distribution of Earnings and Dividends in the Current and Next Fiscal Years

The Group's basic policy is to strengthen the business foundation while maintaining stable dividends, taking into consideration the payout ratio, and ensuring a fair distribution of earnings to shareholders that reflects its business performance.

Specifically, the Group's policy regarding the distribution of earnings to shareholders is to strive continuously for a payout ratio of 30% on a consolidated basis. The Group will use internal reserves to invest in the development of new businesses for the medium to long term, to promote the efficiency of existing businesses, to conduct mergers and acquisitions for expanding the Group businesses, to improve the soundness of its financials, and to generally further strengthen its competitiveness and operations. Based on the aforementioned policies, the Group plans to pay a year-end dividend of 12 yen per share in line with initial plan. Together with an interim dividend of 12 yen per share, total annual dividend of 24 yen per share is to be paid.

Regarding dividends in Fiscal Year 2014, we plan to pay a total annual dividend of 24 yen per share comprised of an interim dividend of 12 yen per share and a year-end dividend of 12 yen per share, the same as in Fiscal Year 2013.

(4) Outlook for Fiscal Year 2014

The Japanese economy remains on a recovery path thanks to yen's depreciation and rising share prices since last year, and improvements in the employment and wage environment with the unemployment rate declining and companies raising wages. However, the outlook for personal consumption remains uncertain due to concerns about a drop in consumption by the reaction of consumption-tax hike in April.

In the new fiscal year, Senshukai forecasts sales will rise due to growth in the mail-order and bridal businesses, but forecasts a decline in profits at every level as the yen's depreciation and surging raw materials prices increase the cost-of-sales ratio, and reorganization of the logistics network increases temporary costs.

Based on this outlook, our earnings forecasts for the Fiscal Year 2014 are as follows.

Consolidated (Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
Fiscal Year 2014 (forecast)	150,000	3,600	4,000	2,300
Fiscal Year 2013 (results)	141,552	4,019	4,631	4,046
Change (%)	6.0	(10.4)	(13.6)	(43.2)

* The above projections are based on information available at the time of release of this report. Actual results could differ from projections due to a variety of factors.

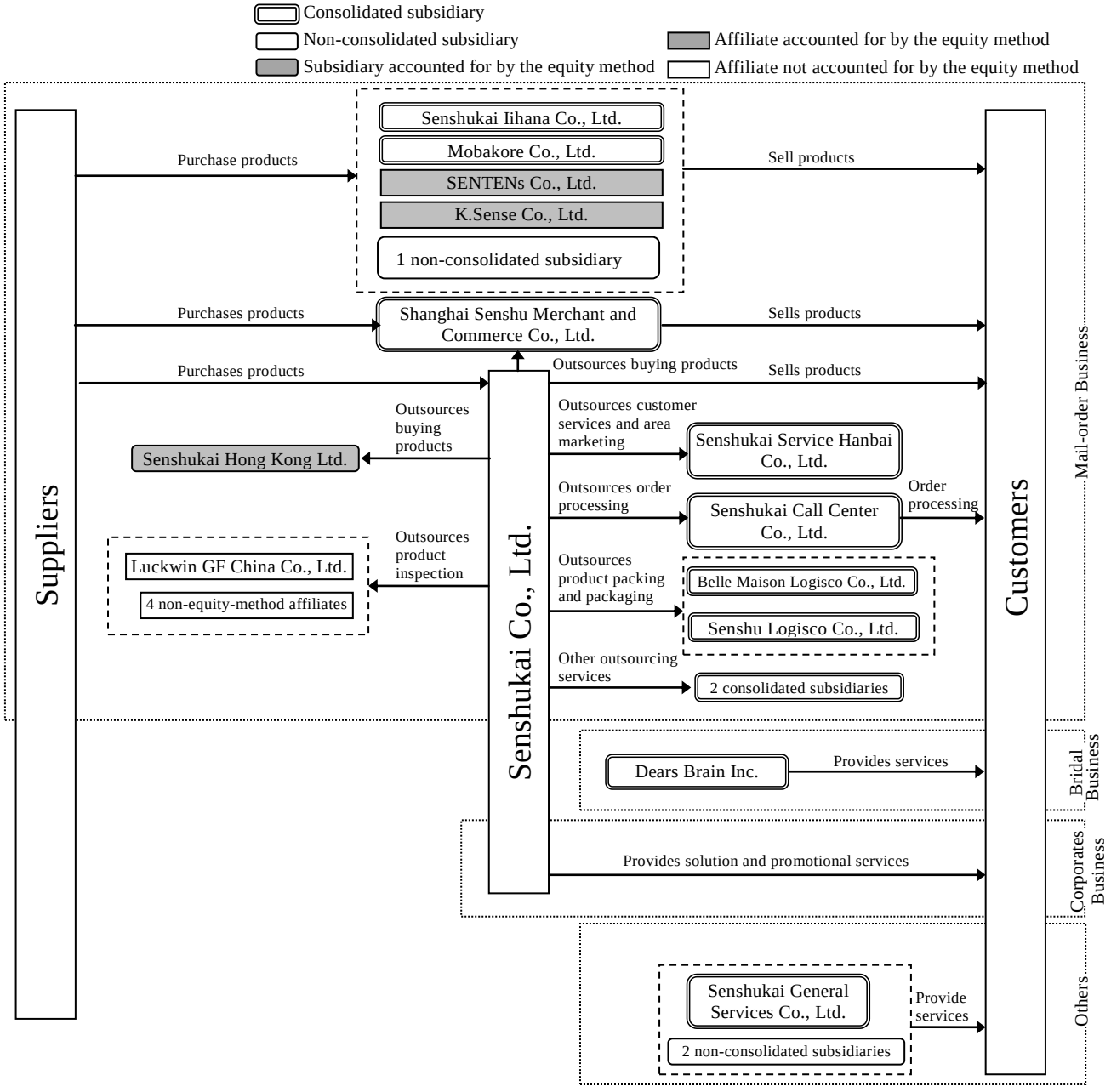
2. Group Organization

The Senshukai Group comprises the parent company, 15 subsidiaries, and 7 affiliates. Mail-order Business is the mainstay business, and we also operate the Bridal Business, Corporates Business and others.

The following describes the position of each major business activity in the Group's operations and business segments.

Segment	Major business activity	Company
Mail-order Business	Mail order	Senshukai Co., Ltd., Senshukai Service Hanbai Co., Ltd., Senshukai Iihana Co., Ltd., Shanghai Senshu Merchant and Commerce Co., Ltd., Senshukai Hong Kong Ltd., Luckwin GF China Co., Ltd., SENTENs Co., Ltd., Mobakore Co., Ltd., K.Sense Co., Ltd., and 7 other companies
	Order processing	Senshukai Call Center Co., Ltd.
	Transportation and warehousing	Belle Maison Logisco Co., Ltd., Senshu Logisco Co., Ltd.
Bridal Business		Dears Brain Inc.
Corporates Business		Senshukai Co., Ltd.
Others		Senshukai General Services Co., Ltd., and 2 other companies

Schematic of businesses



3. Management Policies

(1) Basic Management Policy

The Senshukai Group's corporate philosophy is to "contribute to society by providing customers with outstanding products and services."

Senshukai works together with its shareholders, customers, business partners, employees, and all other stakeholders to enhance corporate value and mutual prosperity.

(2) Key Performance Indicators

In the medium- to long-term management plan "Innovate for Smiles 2018" (Fiscal Year 2014 through Fiscal Year 2018), we aim to build a solid and distinct position in the mail-order market which is expected to continue growing while pro-actively developing new businesses appropriate to our corporate vision "Women's Smiles Company."

Specifically, we target consolidated net sales of 187 billion yen and operating income of 10 billion yen, by Fiscal Year 2018.

Going forward, we aim to enhance corporate value by striving for more unified group management, boosting growth, and constructing a solid earnings foundation.

(3) Medium- to Long-term Corporate Management Strategy and Issues

We have formulated a five-year medium- to long-term management plan "Innovate for Smiles 2018" to enhance corporate value.

Basic Policies of the Medium- to Long-term Management Plan

The four basic policies of the medium- to long-term management plan are as follows:

1) Mail-order Business

i. Customer strategy

Expand the customer base from our mainstay target of "childbearing and childrearing women" in their 30s and 40s, to "career women" as well as "active women in their 50s," a growing market.

ii. Merchandising strategy

Strengthen development of original brand products to differentiate ourselves from major mall-format e-commerce retailers. Strengthen and expand "SPA" (specialty store retailer of private label apparel) products where we control everything from planning, to manufacture and sales, in order to improve profitability.

iii. Sales channel strategy

Switch from a channel mix strategy centered on catalogs, to an omni-channel strategy centered on "original brand products," to build a structure that encourages customers to become fans of Senshukai Group through a variety of channels including mobile devices, PCs, and brick-and-mortar stores.

iv. Fulfillment strategy

Pro-actively invest in IT and logistics to improve customer convenience and minimize operational costs. Also, strengthen "customer targeting" based on each customer's individual needs and preferences.

2) Bridal Business

A subsidiary Dears Brain, Inc., which operates the bridal business centered on house weddings, continues to invest in wedding halls, renovating facilities and opening new ones that combine urban and suburban features, to expand sales. It also aims to improve profitability by revising promotions and lowering the merchandise cost rate.

3) Corporates Business

We grow the corporates business by focusing on mail-order contracting services which we expected to expand in step with growth of the e-commerce market. Also, we aim to improve the profitability of merchandise sales services and advertising services by enhancing our expertise.

4) New Businesses

We pro-actively develop new businesses from which we expect synergies with our core mail-order business. In particular, we focus on the “childcare business” given its close connection with childrearing women, main customer target.

(4) Other Important Business Matters

Not applicable.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	Fiscal Year 2012 (As of Dec. 31, 2012)	Fiscal Year 2013 (As of Dec. 31, 2013)
Assets		
Current assets		
Cash and deposits	7,452	6,495
Notes and accounts receivable-trade	6,663	6,395
Short-term investment securities	595	-
Merchandise and finished goods	16,644	21,296
Raw materials and supplies	188	114
Deferred tax assets	523	542
Accounts receivable-other	9,951	9,609
Forward exchange contracts	772	2,062
Other	3,744	3,968
Allowance for doubtful accounts	(289)	(306)
Total current assets	46,248	50,177
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	36,476	36,207
Accumulated depreciation	(22,425)	(22,453)
Buildings and structures, net	14,050	13,754
Machinery, equipment and vehicles	8,495	8,507
Accumulated depreciation	(7,784)	(7,938)
Machinery, equipment and vehicles, net	710	568
Tools, furniture and fixtures	2,639	2,396
Accumulated depreciation	(1,907)	(1,609)
Tools, furniture and fixtures, net	731	786
Land	11,908	12,108
Lease assets	898	1,495
Accumulated depreciation	(183)	(330)
Lease assets, net	715	1,164
Construction in progress	57	392
Total property, plant and equipment	28,174	28,775
Intangible assets		
Goodwill	2,278	2,127
Other	3,995	3,604
Total intangible assets	6,273	5,731
Investments and other assets		
Investment securities	5,950	7,514
Long-term loans receivable	797	1,010
Lease and guarantee deposits	1,563	1,430
Deferred tax assets	9	298
Other	4,186	4,174
Allowance for doubtful accounts	(317)	(314)
Total investments and other assets	12,190	14,114
Total noncurrent assets	46,639	48,622
Total assets	92,887	98,800

(Millions of yen)

	Fiscal Year 2012 (As of Dec. 31, 2012)	Fiscal Year 2013 (As of Dec. 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,073	6,496
Electronically recorded obligations-operating	-	6,204
Short-term loans payable	3,405	6,386
Current portion of bonds	700	700
Accounts payable-other	6,568	6,602
Accounts payable-factoring	13,993	8,494
Accrued expenses	2,225	2,144
Income taxes payable	207	416
Accrued consumption taxes	253	159
Provision for directors' bonuses	-	30
Provision for sales promotion expenses	307	588
Other	1,326	1,412
Total current liabilities	37,062	39,635
Noncurrent liabilities		
Bonds payable	1,850	1,150
Long-term loans payable	6,993	4,814
Lease obligations	828	1,328
Deferred tax liabilities for land revaluation	631	631
Provision for retirement benefits	34	34
Asset retirement obligations	353	387
Other	201	459
Total noncurrent liabilities	10,892	8,805
Total liabilities	47,955	48,440
Net assets		
Shareholders' equity		
Capital stock	20,359	20,359
Capital surplus	21,038	21,038
Retained earnings	13,581	16,353
Treasury stock	(2,775)	(2,776)
Total shareholders' equity	52,203	54,975
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(578)	774
Deferred gains or losses on hedges	438	1,278
Revaluation reserve for land	(7,041)	(6,720)
Foreign currency translation adjustment	(89)	52
Total accumulated other comprehensive income	(7,271)	(4,615)
Total net assets	44,932	50,359
Total liabilities and net assets	92,887	98,800

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

(Consolidated Statement of Income)

(Millions of yen)

	Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)	Fiscal Year 2013 (Jan. 1, 2013 – Dec. 31, 2013)
Net sales	145,750	141,552
Cost of sales	*1 76,392	*1 72,475
Gross profit	69,357	69,077
Selling, general and administrative expenses		
Freightage and packing expenses	9,074	8,441
Promotion expenses	19,744	18,584
Provision for allowance for sales promotion expenses	307	588
Provision of allowance for doubtful accounts	282	300
Bad debts expenses	23	137
Directors' compensations	550	546
Salaries and allowances	11,332	11,104
Bonuses	1,664	1,676
Provision for directors' bonuses	-	30
Provision for retirement benefits	10	12
Depreciation	2,733	2,618
Other	21,523	21,017
Total selling, general and administrative expenses	*2 67,248	*2 65,057
Operating income	2,109	4,019
Non-operating income		
Interest income	56	54
Dividends income	112	118
Foreign exchange gains	416	107
Equity in earnings of affiliates	93	142
Gain on adjustment of account payable	160	259
Miscellaneous income	421	282
Total non-operating income	1,260	964
Non-operating expenses		
Interest expenses	238	215
Commission fee	187	-
Miscellaneous loss	179	136
Total non-operating expenses	605	352
Ordinary income	2,765	4,631
Extraordinary income		
Gain on sales of noncurrent assets	*3 1	*3 4
Gain on sales of investment securities	22	51
Total extraordinary income	23	55
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	*4 169	*4 660
Impairment loss	*5 64	*5 216
Loss on liquidation of business	84	-
Other	6	49
Total extraordinary losses	326	927
Income before income taxes and minority interests	2,462	3,760
Income taxes-current	184	471
Income taxes-deferred	249	(757)
Total income taxes	433	(286)
Income before minority interests	2,029	4,046
Net income	2,029	4,046

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)	Fiscal Year 2013 (Jan. 1, 2013 – Dec. 31, 2013)
Income before minority interests	2,029	4,046
Other comprehensive income		
Valuation difference on available-for-sale securities	430	1,353
Deferred gains or losses on hedges	1,676	839
Foreign currency translation adjustment	71	102
Share of other comprehensive income of associates accounted for using equity method	16	39
Total other comprehensive income	2,194	2,334
Comprehensive income	4,224	6,380
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,224	6,380
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statement of Changes in Equity

Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	20,359	21,038	12,288	(2,775)	50,910
Changes of items during the period					
Dividend from surplus			(736)		(736)
Net income			2,029		2,029
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		(0)		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(0)	1,293	(0)	1,292
Balance at the end of current period	20,359	21,038	13,581	(2,775)	52,203

(Millions of yen)

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at the beginning of current period	(1,008)	(1,237)	(7,041)	(177)	(9,465)	41,444
Changes of items during the period						
Dividend from surplus						(736)
Net income						2,029
Purchase of treasury stock						(0)
Disposal of treasury stock						0
Net changes of items other than shareholders' equity	430	1,676	-	87	2,194	2,194
Total changes of items during the period	430	1,676	-	87	2,194	3,487
Balance at the end of current period	(578)	438	(7,041)	(89)	(7,271)	44,932

Fiscal Year 2013 (Jan. 1, 2013 – Dec. 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	20,359	21,038	13,581	(2,775)	52,203
Changes of items during the period					
Dividend from surplus			(952)		(952)
Net income			4,046		4,046
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		0		0	0
Reversal of revaluation reserve for land			(321)		(321)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	0	2,772	(0)	2,771
Balance at the end of current period	20,359	21,038	16,353	(2,776)	54,975

(Millions of yen)

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at the beginning of current period	(578)	438	(7,041)	(89)	(7,271)	44,932
Changes of items during the period						
Dividend from surplus						(952)
Net income						4,046
Purchase of treasury stock						(0)
Disposal of treasury stock						0
Reversal of revaluation reserve for land						(321)
Net changes of items other than shareholders' equity	1,353	839	321	141	2,655	2,655
Total changes of items during the period	1,353	839	321	141	2,655	5,427
Balance at the end of current period	774	1,278	(6,720)	52	(4,615)	50,359

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)	Fiscal Year 2013 (Jan. 1, 2013 – Dec. 31, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,462	3,760
Depreciation and amortization	2,733	2,618
Impairment loss	64	216
Increase (decrease) in allowance for doubtful accounts	(15)	13
Increase (decrease) in allowance for sales promotion expenses	(306)	280
Interest and dividends income	(169)	(172)
Interest expenses	238	215
Foreign exchange losses (gains)	(682)	(14)
Equity in (earnings) losses of affiliates	(93)	(142)
Loss (gain) on sales of investment securities	(22)	(51)
Loss (gain) on sales and retirement of noncurrent assets	168	656
Decrease (increase) in notes and accounts receivable-trade	(63)	152
Decrease (increase) in inventories	316	(4,561)
Decrease (increase) in other current assets	(1,337)	233
Increase (decrease) in notes and accounts payable-trade	(1,213)	4,606
Increase (decrease) in other current liabilities	(68)	(5,586)
Other, net	528	208
Subtotal	2,539	2,434
Interest and dividends income received	168	172
Interest expenses paid	(248)	(223)
Income taxes paid	(122)	(209)
Net cash provided by (used in) operating activities	2,337	2,174
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(2,585)	(2,694)
Proceeds from sales of property, plant and equipment	28	449
Purchase of intangible assets	(1,163)	(782)
Purchase of investment securities	(54)	(7)
Proceeds from sales of investment securities	141	298
Proceeds from redemption of investment securities	-	900
Purchase of investments in subsidiaries	-	(273)
Other, net	26	(59)
Net cash provided by (used in) investing activities	(3,606)	(2,168)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(1,500)	3,000
Proceeds from long-term loans payable	5,750	250
Repayment of long-term loans payable	(1,666)	(2,448)
Redemption of bonds	(736)	(700)
Cash dividends paid	(736)	(950)
Other, net	(119)	(138)
Net cash provided by (used in) financing activities	991	(986)
Effect of exchange rate change on cash and cash equivalents	48	23
Net increase (decrease) in cash and cash equivalents	(228)	(957)
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	7,452	6,495

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Accounting Policies That Are Difficult to Distinguish from Changes in Accounting-based Estimates

(Change in depreciation method)

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 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 current fiscal year.

Notes to Consolidated Statement of Income

*1. The ending inventory is the amount written down to reflect the effect of lower profit margins. The following loss on valuation of inventories is included in cost of sales.

(Millions of yen)

Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)	Fiscal Year 2013 (Jan. 1, 2013 – Dec. 31, 2013)
793	617

*2. R&D expenses included in general and administrative expenses

(Millions of yen)

Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)	Fiscal Year 2013 (Jan. 1, 2013 – Dec. 31, 2013)
274	205

*3. Gain on sales of noncurrent assets

(Millions of yen)

Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)		Fiscal Year 2013 (Jan. 1, 2013 – Dec. 31, 2013)	
Machinery, equipment and vehicles, and others	1	Buildings and structures	3
		Machinery, equipment and vehicles, and others	0
		Total	4

*4. Loss on sales and retirement of noncurrent assets

(Millions of yen)

Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)		Fiscal Year 2013 (Jan. 1, 2013 – Dec. 31, 2013)	
Loss on retirement of buildings and structures	81	Loss on retirement of buildings and structures	21
Loss on sales of buildings and structures	10	Loss on sales of buildings and structures	127
Loss on retirement of machinery, equipment and vehicles	5	Loss on retirement of machinery, equipment and vehicles	2
Loss on retirement of tools, furniture and fixtures	11	Loss on retirement of tools, furniture and fixtures	2
Loss on sales of land	15	Loss on sales of land	460
Loss on retirement of intangible assets	38	Loss on retirement of intangible assets	46
Other	5	Other	0
Total	169	Total	660

*5. Impairment loss

The Senshukai Group posted impairment loss on the following asset groups.

Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)

(Millions of yen)

Location	Primary use	Type	Impairment loss
Sanda City, Hyogo	Idle assets	Land	1
Shibuya Ward, Tokyo, and others	Business assets	Buildings and structures, and others	62

In principle, business assets are based on categories of management accounting. Idle assets are accounted independently.

Of the above asset groups, the Company marked down the book value of business assets to the recoverable amount reflecting weak prospects for improved short-term performance due to worsening operating profitability, and it marked down the book value of idle assets to the recoverable amount because of a decline in the assets' market value. These markdowns were booked as an impairment loss.

The impairment loss on buildings and strucures, tools, furniture and fixtures, land, and intangible assets were 43 million yen, 7 million yen, 1 million yen, and 10 million yen, respectively.

The recoverable amount was measured at its net selling price. The net selling price was rationally estimated based on roadside land prices and other benchmarks.

Fiscal Year 2013 (Jan. 1, 2013 – Dec. 31, 2013)

(Millions of yen)

Location	Primary use	Type	Impairment loss
Sakaiminato City, Tottori	Idle assets	Land	4
Narita City, Chiba, and others	Business assets	Buildings and structures, and others	212

In principle, business assets are based on categories of management accounting. Idle assets are accounted independently.

Of the above asset groups, the Company marked down the book value of business assets to the recoverable amount reflecting weak prospects for improved short-term performance due to worsening operating profitability, and it marked down the book value of idle assets to the recoverable amount because of a decline in the assets' market value. These markdowns were booked as an impairment loss.

The impairment loss on buildings and strucures, tools, furniture and fixtures, land, intangible assets, and other were 106 million yen, 22 million yen, 4 million yen, 79 million yen, and 3 million yen, respectively.

The recoverable amount was measured at its net selling price. The net selling price was rationally estimated based on roadside land prices and other benchmarks.

Segment and Other Information

1. Overview of reportable segment

Segments used for financial reporting are the Company's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Senshukai Group primarily operates the mail-order business, bridal business, and corporates business, and the Company and its group companies manage each of these businesses according to these classifications.

Therefore the Group, comprised of these different business segments, has three reportable segments: the mail-order business, bridal business, and corporates business.

The mail-order business is engaged in mail-order sales via a variety of media centered on catalogs and the Internet. The bridal business provides mostly house wedding services. The corporates business uses the Company's infrastructure to provide solutions services and promotional services targeting mail-order companies and e-commerce businesses.

2. Calculation methods for net sales, profit/loss, assets, liabilities, and other items for each reportable segment

The accounting methods for reportable segments are the same as those used for preparing the consolidated financial statements.

Profits for reportable segments are generally operating income figures.

Inter-segment sales are based on market prices.

3. Information related to net sales and profit/loss, assets, liabilities, and other items for each reportable segment

Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012) (Millions of yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Mail-order business	Bridal business	Corporates business	Sub-total				
Net sales								
Sales to customers	130,456	10,197	3,833	144,487	1,262	145,750	-	145,750
Inter-segment sales	647	-	51	698	162	861	(861)	-
Total	131,103	10,197	3,884	145,186	1,425	146,612	(861)	145,750
Segment profit (loss)	994	752	396	2,143	(33)	2,109	(0)	2,109
Segment assets	83,595	11,933	514	96,043	607	96,651	(3,763)	92,887
Other items								
Depreciation	2,178	525	22	2,725	7	2,733	-	2,733
Amortization of goodwill	5	145	-	151	-	151	-	151
Investment in equity-method affiliates	396	-	-	396	-	396	-	396
Increase in property, plant and equipment and intangible assets	1,431	3,150	-	4,582	20	4,602	-	4,602

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. Adjustments are as follows.
(1) The (0) million yen adjustment to segment profit (loss) comprises elimination for inter-segment transactions.
(2) The (3,763) million yen adjustment to segment assets comprises elimination for inter-segment transactions.

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

Fiscal Year 2013 (Jan. 1, 2013 – Dec. 31, 2013) (Millions of yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Mail-order business	Bridal business	Corporates business	Sub-total				
Net sales								
Sales to customers	126,498	10,731	3,838	141,068	484	141,552	-	141,552
Inter-segment sales	682	-	31	714	123	838	(838)	-
Total	127,181	10,731	3,869	141,782	608	142,391	(838)	141,552
Segment profit	2,840	701	393	3,935	83	4,019	0	4,019
Segment assets	88,999	12,558	475	102,033	384	102,417	(3,617)	98,800
Other items								
Depreciation	1,981	605	29	2,616	1	2,618	-	2,618
Amortization of goodwill	5	145	-	151	-	151	-	151
Investment in equity-method affiliates	578	-	-	578	-	578	-	578
Increase in property, plant and equipment and intangible assets	2,825	1,335	56	4,217	9	4,227	-	4,227

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. Adjustments are as follows.
   (1) The 0 million yen adjustment to segment profit comprises elimination for inter-segment transactions.
   (2) The (3,617) million yen adjustment to segment assets comprises elimination for inter-segment transactions.

3. Segment profit is adjusted to be consistent with operating income shown on the consolidated statement of income.

Per Share Information

(Yen)

Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)		Fiscal Year 2013 (Jan. 1, 2013 – Dec. 31, 2013)	
Net assets per share	1,037.48	Net assets per share	1,162.81
Net income per share	46.86	Net income per share	93.43
Diluted net income per share is not presented since the Company has no outstanding residual securities.		Same as on the left.	

Note: Basis for calculation of net income per share is as follows.

(Millions of yen)

	Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)	Fiscal Year 2013 (Jan. 1, 2013 – Dec. 31, 2013)
Net income per share		
Net income	2,029	4,046
Amounts unavailable to common shareholders	-	-
Net income related to common stock	2,029	4,046
Average number of shares outstanding during the period (thousand shares)	43,309	43,308

Subsequent Events

Not applicable.

5. Other

(1) Changes in Members of Board of Directors

(Effective March 28, 2014)

For details regarding changes in members of board of directors, please refer to "Notice of Personnel Change" (Japanese version only) announced on January 31, 2014.

(2) Production, Orders and Sales

1) Production

There were no production activities.

2) Orders

There were no production activities in response to orders received.

3) Sales

a. Sales by business segment

(Millions of yen)

By business segment	Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)		Fiscal Year 2013 (Jan. 1, 2013 – Dec. 31, 2013)		Change
	Amount	Share (%)	Amount	Share (%)	
Mail-order business	130,456	89.5	126,498	89.4	(3,957)
Bridal business	10,197	7.0	10,731	7.6	533
Corporates business	3,833	2.6	3,838	2.7	4
Others	1,262	0.9	484	0.3	(778)
Total	145,750	100.0	141,552	100.0	(4,198)

Note: The figures above are stated exclusive of consumption taxes.

b. Sales by type

(Millions of yen)

By type	Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)		Fiscal Year 2013 (Jan. 1, 2013 – Dec. 31, 2013)		Change
	Amount	Share (%)	Amount	Share (%)	
Apparel	58,882	40.4	57,426	40.6	(1,455)
Interior goods	32,285	22.2	32,141	22.7	(143)
Household goods	18,283	12.5	18,144	12.8	(138)
Fashion accessories	15,240	10.5	13,929	9.8	(1,310)
Foods	3,958	2.7	3,473	2.5	(484)
Others	17,101	11.7	16,437	11.6	(664)
Total	145,750	100.0	141,552	100.0	(4,198)

Note: The figures above are stated exclusive of consumption taxes.

** 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.*