



Summary of Financial Results for the First Quarter of Fiscal Year 2014 (Three Months Ended March 31, 2014)

[Japanese GAAP]
April 25, 2014

Company name: **SENSHUKAI CO.,LTD.** Stock exchange: Tokyo Stock Exchange, First Section
 Stock code: 8165 URL: <http://www.senshukai.co.jp>
 Representative: Mr. Michio Tanabe, President and Representative Director
 Inquiries: Mr. Hiroyuki Hoshino, Director, Executive Officer,
 General Manager of the Corporate Development Division Tel: +81-6-6881-3220
 Scheduled date of filing of Quarterly Report: May 14, 2014
 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 1st Quarter of 2014 (January 1, 2014 – March 31, 2014)

(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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q 2014	37,229	8.0	1,012	-	1,059	341.2	546	176.4
1Q 2013	34,471	1.2	37	-	240	-	197	-

Note: Comprehensive income (millions of yen) 1Q 2014: (87) (-%) 1Q 2013: 1,287 (up 12.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
1Q 2014	12.62	-
1Q 2013	4.57	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
1Q 2014	100,424	49,723	49.5	1,148.13
Fiscal Year 2013	98,800	50,359	51.0	1,162.81

Reference: Shareholders' equity (millions of yen) 1Q 2014: 49,723 Fiscal Year 2013: 50,359

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2013	-	12.00	-	12.00	24.00
Fiscal Year 2014	-				
Fiscal Year 2014 (forecasts)		12.00	-	12.00	24.00

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

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

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: 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 end of period (including treasury shares)

1Q 2014:	47,630,393 shares	Fiscal Year 2013:	47,630,393 shares
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2) Number of treasury shares at end of period

1Q 2014:	4,321,936 shares	Fiscal Year 2013:	4,321,851 shares
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3) Average number of shares outstanding during the period

1Q 2014:	43,308,491 shares	1Q 2013:	43,308,948 shares
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* 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 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 first quarter (January 1, 2014 to March 31, 2014) of the current fiscal year, the Japanese economy recovered slowly as corporate profits and personal consumption improved along with economic and monetary measures by the Japanese government and Bank of Japan. In the retail industry, there was a rush demand to buy merchandise, especially luxury items, prior to the April 2014 consumption tax hike but the outlook is uncertain because of concerns about a downturn in consumer sentiment following this tax hike.

In this environment, the Senshukai Group is concentrating on achieving the first fiscal year targets of the medium- to long-term management plan that started in 2014.

Net sales in the first quarter increased 8.0% year-over-year to 37,229 million yen.

As for profits, due to the cutting of selling, general and administrative expenses in the mail-order business, operating income rose 2,612.2% year-over-year to 1,012 million yen.

Ordinary income rose 341.2% year-over-year to 1,059 million yen and net income rose 176.4% year-over-year to 546 million yen.

Overview by segment

(Mail-order Business)

Consolidated sales in the mail-order business, comprising the catalog and the *hanpukai* businesses, increased 6.4% year-over-year to 33,587 million yen in the first quarter. Sales were slightly lower than one year earlier because of a slow start to sales of spring items caused by colder than average weather in January and February. Starting in the middle of March, sales were higher because of the rush demand to buy merchandise prior to the April 2014 consumption tax hike. Sales increased mainly for furniture and interior goods, as well as for apparel, sundries and other categories.

Regarding profits, there was a small decline in the gross profit margin due to an increase in loss on valuation on goods. But measures to reduce all categories of selling, general and administrative expenses resulted in a 382.3% increase in operating income to 890 million yen.

(a) Catalog business

Consolidated sales in the catalog business increased 7.5% year-over-year to 31,843 million yen in the first quarter.

(b) *Hanpukai* business

Consolidated sales in the *hanpukai* business decreased 10.4% year-over-year to 1,744 million yen in the first quarter.

(Bridal Business)

Consolidated sales in the bridal business, centered on the house wedding business, increased 35.5% year-over-year to 2,652 million yen in the first quarter, due to an increase in the number of wedding as the number of new facilities increased. Operating income was 15 million yen compared with an operating loss of 185 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 8.8% year-over-year to 871 million yen in the first quarter, and operating income increased 43.2% year-over-year to 94 million yen.

(Others)

Consolidated sales in other businesses, which provides services business (primarily insurance and credit card

services), decreased 16.3% year-over-year to 117 million yen in the first quarter, and operating income was 12 million yen compared with an operating loss of 24 million yen in the same period of the previous fiscal year.

(2) Explanation of Financial Position

(Balance sheet position)

Assets totaled 100,424 million yen at the end of the first quarter, an increase of 1,624 million yen from the end of the previous fiscal year.

Current assets increased 1,537 million yen to 51,714 million yen. The main factors were increases of 2,618 million yen in notes and accounts receivable-trade, and 880 million yen in merchandise and finished goods, while there were decreases of 1,063 million yen in accounts receivable-other, 610 million yen in cash and deposits, and 216 million yen in other. Non-current assets increased 87 million yen to 48,709 million yen. The main factors were increases of 388 million yen in property, plant and equipment, and 59 million yen in intangible assets, while there was a decrease of 360 million yen in investments and other assets.

Current liabilities increased 2,196 million yen to 41,831 million yen. The main factors were increases of 6,219 million yen in electronically recorded obligations-operating, 1,418 million yen in notes and accounts payable-trade, and 1,006 million yen in short-term loans payable, while there was a decrease of 6,478 million yen in other. Non-current liabilities increased 64 million yen to 8,869 million yen. The main factors were increases of 554 million yen in long-term loans payable and 49 million yen in provision for retirement benefits, while there were decreases of 350 million yen in bonds payable and 189 million yen in other.

Net assets decreased 636 million yen to 49,723 million yen. The main factors were decreases of 564 million yen in deferred gains or losses on hedges and 49 million yen in valuation difference on available-for-sale securities. Consequently, the equity ratio was 49.5%.

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

Senshukai currently maintains its consolidated outlook for the current fiscal year (January 1, 2014 to December 31, 2014) that was released on February 6, 2014.

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

Not applicable.

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

(Millions of yen)

	Fiscal Year 2013 (As of Dec. 31, 2013)	1Q 2014 (As of Mar. 31, 2014)
Assets		
Current assets		
Cash and deposits	6,495	5,884
Notes and accounts receivable-trade	6,395	9,014
Merchandise and finished goods	21,296	22,176
Accounts receivable-other	9,609	8,545
Other	6,688	6,471
Allowance for doubtful accounts	(306)	(376)
Total current assets	50,177	51,714
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,754	13,746
Land	12,108	12,115
Other, net	2,912	3,302
Total property, plant and equipment	28,775	29,163
Intangible assets		
Goodwill	2,127	2,172
Other	3,604	3,618
Total intangible assets	5,731	5,791
Investments and other assets		
Investment securities	7,514	7,179
Other	6,914	6,888
Allowance for doubtful accounts	(314)	(314)
Total investments and other assets	14,114	13,754
Total non-current assets	48,622	48,709
Total assets	98,800	100,424

(Millions of yen)

	Fiscal Year 2013 (As of Dec. 31, 2013)	1Q 2014 (As of Mar. 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,496	7,914
Electronically recorded obligations-operating	6,204	12,424
Short-term loans payable	6,386	7,392
Current portion of bonds	700	700
Income taxes payable	416	492
Provision for directors' bonuses	30	-
Provision for sales promotion expenses	588	572
Other	18,813	12,334
Total current liabilities	39,635	41,831
Non-current liabilities		
Bonds payable	1,150	800
Long-term loans payable	4,814	5,368
Provision for retirement benefits	34	83
Other	2,806	2,616
Total non-current liabilities	8,805	8,869
Total liabilities	48,440	50,700
Net assets		
Shareholders' equity		
Capital stock	20,359	20,359
Capital surplus	21,038	21,038
Retained earnings	16,353	16,352
Treasury shares	(2,776)	(2,776)
Total shareholders' equity	54,975	54,973
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	774	725
Deferred gains or losses on hedges	1,278	714
Revaluation reserve for land	(6,720)	(6,720)
Foreign currency translation adjustment	52	30
Total accumulated other comprehensive income	(4,615)	(5,250)
Total net assets	50,359	49,723
Total liabilities and net assets	98,800	100,424

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

(Millions of yen)

	1Q 2013 (Jan. 1, 2013 – Mar. 31, 2013)	1Q 2014 (Jan. 1, 2014 – Mar. 31, 2014)
Net sales	34,471	37,229
Cost of sales	18,002	19,965
Gross profit	16,468	17,264
Selling, general and administrative expenses	16,431	16,252
Operating income	37	1,012
Non-operating income		
Interest income	14	8
Dividend income	1	1
Foreign exchange gains	82	-
Gain on adjustment of account payable	55	53
Other	127	57
Total non-operating income	282	121
Non-operating expenses		
Interest expenses	53	54
Other	26	19
Total non-operating expenses	79	74
Ordinary income	240	1,059
Extraordinary income		
Gain on sales of non-current assets	0	-
Gain on sales of investment securities	49	0
Total extraordinary income	50	0
Extraordinary losses		
Loss on sales and retirement of non-current assets	29	7
Total extraordinary losses	29	7
Income before income taxes and minority interests	260	1,052
Income taxes	63	504
Income before minority interests	197	547
Minority interests in income	-	0
Net income	197	546

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

(Millions of yen)

	1Q 2013 (Jan. 1, 2013 – Mar. 31, 2013)	1Q 2014 (Jan. 1, 2014 – Mar. 31, 2014)
Income before minority interests	197	547
Other comprehensive income		
Valuation difference on available-for-sale securities	764	(49)
Deferred gains or losses on hedges	259	(564)
Foreign currency translation adjustment	34	(15)
Share of other comprehensive income of entities accounted for using equity method	30	(6)
Total other comprehensive income	1,089	(634)
Comprehensive income	1,287	(87)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,287	(87)
Comprehensive income attributable to minority interests	-	0

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

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Segment and Other Information)

I 1Q 2013 (Jan. 1, 2013 – Mar. 31, 2013)

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	31,572	1,957	801	34,330	140	34,471	-	34,471
Inter-segment sales	140	-	8	149	60	209	(209)	-
Total	31,713	1,957	809	34,480	200	34,680	(209)	34,471
Segment profit (loss)	184	(185)	65	64	(24)	40	(2)	37

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 (2) 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 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 1Q 2014 (Jan. 1, 2014 – Mar. 31, 2014)

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

	Reportable segment				Others (Note 1)	Total	Adjustment	Amounts shown on quarterly consolidated statement of income (Note 2)
	Mail-order business	Bridal business	Corporates business	Sub-total				
Net sales								
Sales to customers	33,587	2,652	871	37,112	117	37,229	-	37,229
Inter-segment sales	173	-	11	184	0	184	(184)	-
Total	33,760	2,652	882	37,296	117	37,413	(184)	37,229
Segment profit	890	15	94	999	12	1,012	-	1,012

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.

2. Segment profit is consistent with operating income 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.

(Subsequent Events)

On April 3, 2014, the Senshukai Board of Directors approved a resolution to issue Japanese yen convertible notes with stock acquisition rights maturing in 2019. The receipt of payments for these notes was completed on April 23, 2014. Details are as follows.

(1) Name of the note

SENSHUKAI CO.,LTD. Japanese Yen Convertible Notes with Stock Acquisition Rights Maturing in 2019

(2) Amount to be paid

100% of the principal amount of the notes (the denomination of 5 million Japanese yen each)

(3) Issue price (offering price)

102.5% of the principal amount of the notes

(4) Total issue price

7 billion yen

(5) Interest rate

The notes bear no interest.

(6) Existence of collateral or guarantees

None.

(7) Payment date (issue date)

April 23, 2014

(8) Maturity date, etc.

The notes will be redeemed at 100% of face value on April 23, 2019. In addition, the issuing terms include provisions for early redemption and retirement by purchasing notes in certain cases.

(9) Items related to stock acquisition rights

(a) Total number of stock acquisition rights

1,400

(b) Class of shares to be issued upon exercise of the stock acquisition rights

The class of shares to be issued upon exercise of the stock acquisition rights shall be common stock of Senshukai. The number of shares to be distributed upon the exercise of acquisition rights is the total face value of the notes associated with this exercise divided by the conversion price in item (f) below. However, fractions of less than one share resulting from this exercise shall be rounded down and no cash payment will be made for the adjustment.

(c) Date of allotment of the stock acquisition rights

April 23, 2014

(d) Exercise period of stock acquisition rights

The exercise period starts on May 7, 2014 and ends at the close of banking business (local time at the location where exercise requests are processed) on April 9, 2019.

(e) Details and amount of assets to be contributed upon the exercise of stock acquisition rights

Upon the exercise of stock acquisition rights, the associated note will be used as the payment and the price of the note will be the same as the principal amount of the notes.

(f) Conversion price (initially)

1,048 yen

(g) Conversion price adjustments

The conversion price will be adjusted by using the following formula when, after the issuance of the notes with stock acquisition rights, Senshukai issues common stock or sells treasury shares of common stock at a price below market value (except when stock acquisition rights are exercised). In the following formula, “number of issued shares” is the total number of shares of common stock issued excluding shares held by Senshukai.

$$\text{Conversion price after adjustment} = \text{Conversion price before adjustment} \times \frac{\text{Number of issued shares} + \frac{\text{Number of newly issued or disposed shares} \times \text{Amount to be paid per share}}{\text{Market price}}}{\text{Number of issued shares} + \text{Number of newly issued or disposed shares}}$$

Furthermore, the conversion price may be adjusted as required in the following events: a split or consolidation of Senshukai common stock; the issuance of stock acquisition rights (including rights attached to notes) that allow holders to receive Senshukai common stock at a price below market value; the payment of a dividend that exceeds a certain limit (including special dividends); and other events that are prescribed in the terms for these notes with stock acquisition rights.

(h) Amount of capital stock and legal capital surplus to be increased as a result of the issuance of shares upon the exercise of stock acquisition rights

The amount by which the capital stock will be increased as a result of the issuance of shares upon the exercise of the stock acquisition rights shall be the maximum amount of increase in capital stock, etc. to be calculated in accordance with Article 17 of the Corporate Accounting Rules multiplied by 0.5. Fraction less than one yen resulting from the calculation shall be rounded up. The amount by which the legal capital surplus will be increased as a result of the issuance of shares upon the stock acquisition rights shall be the maximum amount of increase in capital stock, etc. minus the amount of capital stock increase.

** 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.*