

Summary of Financial Results for the Second Quarter of Fiscal Year 2017 (Six Months Ended June 30, 2017)

[Japanese GAAP]

July 27, 2017

Company name: **SENSHUKAI CO.,LTD.** Stock exchange: Tokyo Stock Exchange, First Section
 Stock code: 8165 URL: <http://www.senshukai.co.jp>
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Scheduled date of filing of Quarterly Report: August 8, 2017

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes

(All amounts are rounded down to the nearest millions of yen)

1. Consolidated Financial Results for the 2nd Quarter of 2017 (January 1, 2017 – June 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	%
2Q 2017	63,186	(4.1)	(1,248)	-	(849)	-	(6,208)	-
2Q 2016	65,898	(3.3)	(403)	-	181	-	162	-

Note: Comprehensive income (millions of yen) 2Q 2017: (6,213) (- %) 2Q 2016: (4,389) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q 2017	(119.34)	-
2Q 2016	3.11	2.76

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2Q 2017	92,897	46,152	49.6	885.92
Fiscal Year 2016	101,959	52,572	51.5	1,009.26

Reference: Shareholders' equity (millions of yen) 2Q 2017: 46,093 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, (4) Notes to Quarterly Consolidated Financial Statements (Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements)” on page 9 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)

2Q 2017:	52,230,393 shares	Fiscal Year 2016:	52,230,393 shares
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2) Number of treasury shares at the end of the period

2Q 2017:	201,291 shares	Fiscal Year 2016:	203,527 shares
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3) Average number of shares outstanding during the period

2Q 2017:	52,027,261 shares	2Q 2016:	52,166,226 shares
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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.”

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the cumulative second quarter (January 1 to June 30) of 2017, the Japanese economy recovered slowly with the support of higher corporate earnings and an improvement in the employment situation due to the government's economic and monetary policies. However, the outlook is unclear because of the instability of exchange rates and stock prices caused by uncertainty about international affairs and other sources of concern. In Japan's retail industry, market conditions remain challenging as consumers become increasingly budget-minded. The reason is that, although the job market is improving, people are buying lower-priced goods because of the sluggish growth in disposable income.

Net sales in the cumulative second quarter decreased 4.1% year-over-year to 63,186 million yen. This was mainly because sales in the mail-order business have been sluggish since 2016.

There were measures to reduce selling, general and administrative expenses in the core mail-order business, but cost reductions were offset by the decrease in sales. Furthermore, sales of merchandise at reduced prices to eliminate inventories caused the cost to sales ratio to increase. As a result, the operating loss increased from 403 million yen in the same period of 2016 to 1,248 million yen.

There was an ordinary loss of 849 million yen compared with ordinary income of 181 million yen in the same period of 2016. Loss attributable to owners of parent was 6,208 million yen compared with a profit of 162 million yen in the same period of 2016. This loss was the result of an impairment loss and the reversal of deferred tax assets.

Overview by segment

(Mail-order Business)

Consolidated sales in the mail-order business, centered on the catalog and the Internet businesses, decreased 6.4% year-over-year to 52,145 million yen in the cumulative second quarter. There was an operating loss of 1,610 million yen compared with a loss of 280 million yen in the same period of 2016.

(Bridal Business)

Consolidated sales in the bridal business, centered on the house wedding business, increased 10.1% year-over-year to 8,201 million yen in the cumulative second quarter. There was an operating income of 131 million yen compared with a loss of 384 million yen in the same period of 2016.

(Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, decreased 1.0% year-over-year to 2,270 million yen in the cumulative second quarter, and operating income decreased 23.1% to 222 million yen.

(Others)

Consolidated sales in other businesses, which provides services business (primarily insurance and credit card services) and a childcare business, increased 25.2% year-over-year to 569 million yen in the cumulative second quarter. The operating income was 7 million yen compared with a loss of 37 million yen in the same period of 2016.

(2) Explanation of Financial Position

(Balance sheet position)

Assets totaled 92,897 million yen at the end of the second quarter of 2017, a decrease of 9,062 million yen from the end of 2016.

Current assets decreased 3,648 million yen to 48,969 million yen. The main factors were decreases of 1,779 million yen in accounts receivable-other and 1,640 million yen in merchandise and finished goods. Non-current assets decreased 5,414 million yen to 43,927 million yen. The factors include decreases of 3,611 million yen in property, plant and equipment due to booking of impairment loss, 1,411 million yen in intangible assets, and 391 million yen in investments and other assets.

Current liabilities decreased 2,845 million yen to 26,453 million yen. The main factors were decreases of 1,170 million yen in other and 1,130 million yen in accounts payable-trade. Non-current liabilities increased 202 million yen to 20,291 million yen. The main factors were increases of 2,053 million yen in long-term loans payable and 155 million yen in other, while there was a decrease of 2,000 million yen in bonds with subscription rights to shares.

Net assets decreased 6,420 million yen to 46,152 million yen. The main factor was a decrease of 12,344 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 49.6%.

(Cash flow position)

The balance of cash and cash equivalents at the end of the second quarter of 2017 was 16,743 million yen, an increase of 143 million yen from the end of 2016.

Operating activities provided net cash of 1,296 million yen (net cash provided of 1,519 million yen in the same period of 2016). The main cash inflows were impairment loss of 4,442 million yen and a decrease in other current assets of 2,827 million yen. The main cash outflows include a loss before income taxes of 4,997 million yen and a decrease in other current liabilities of 1,467 million yen.

Investing activities used net cash of 761 million yen (net cash used of 617 million yen in the same period of 2016). The main cash inflows include proceeds from sales of investment securities of 765 million yen. The main cash outflows were 674 million yen for other payments, 505 million yen for the purchase of property, plant and equipment, and 456 million yen for the purchase of intangible assets.

Financing activities used net cash of 387 million yen (net cash used of 2,005 million yen in the same period of 2016). The main cash inflows include the proceeds from long-term loans payable of 2,800 million yen. The main cash outflows were 2,000 million yen for the payment for redemption of bonds with subscription rights of shares, 956 million yen for the repayments of long-term loans payable and 208 million yen for cash dividends paid.

(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)	2Q 2017 (As of Jun. 30, 2017)
Assets		
Current assets		
Cash and deposits	16,605	16,748
Notes and accounts receivable-trade	3,889	4,140
Merchandise and finished goods	20,580	18,939
Accounts receivable-other	7,818	6,038
Other	3,877	3,239
Allowance for doubtful accounts	(152)	(136)
Total current assets	52,618	48,969
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,128	14,640
Land	11,310	10,329
Other, net	2,112	970
Total property, plant and equipment	29,551	25,940
Intangible assets		
Goodwill	2,027	1,919
Other	2,120	816
Total intangible assets	4,147	2,736
Investments and other assets		
Investment securities	8,651	8,793
Other	7,256	6,723
Allowance for doubtful accounts	(266)	(266)
Total investments and other assets	15,642	15,250
Total non-current assets	49,341	43,927
Total assets	101,959	92,897

	(Millions of yen)	
	Fiscal Year 2016 (As of Dec. 31, 2016)	2Q 2017 (As of Jun. 30, 2017)
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	10,365	10,112
Accounts payable-trade	5,840	4,709
Short-term loans payable	1,546	1,376
Income taxes payable	387	247
Provision for sales promotion expenses	437	456
Other	10,721	9,551
Total current liabilities	29,298	26,453
Non-current liabilities		
Bonds with subscription rights to shares	7,000	5,000
Long-term loans payable	9,300	11,353
Net defined benefit liability	98	94
Provision for management board incentive plan trust	9	7
Other	3,680	3,835
Total non-current liabilities	20,088	20,291
Total liabilities	49,387	46,745
Net assets		
Shareholders' equity		
Capital stock	22,304	22,304
Capital surplus	23,860	23,860
Retained earnings	12,385	41
Treasury shares	(151)	(149)
Total shareholders' equity	58,399	46,056
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,271	1,315
Deferred gains or losses on hedges	(11)	(145)
Revaluation reserve for land	(6,983)	(1,056)
Foreign currency translation adjustment	(143)	(60)
Remeasurements of defined benefit plans	(23)	(15)
Total accumulated other comprehensive income	(5,890)	37
Non-controlling interests	64	58
Total net assets	52,572	46,152
Total liabilities and net assets	101,959	92,897

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

(Millions of yen)

	2Q 2016 (Jan. 1, 2016 – Jun. 30, 2016)	2Q 2017 (Jan. 1, 2017 – Jun. 30, 2017)
Net sales	65,898	63,186
Cost of sales	34,377	34,212
Gross profit	31,520	28,973
Selling, general and administrative expenses	31,924	30,222
Operating loss	(403)	(1,248)
Non-operating income		
Interest income	14	12
Dividend income	79	70
Share of profit of entities accounted for using equity method	393	249
Gain on adjustment of account payable	158	145
Other	108	65
Total non-operating income	754	543
Non-operating expenses		
Interest expenses	82	77
Other	87	66
Total non-operating expenses	169	143
Ordinary income (loss)	181	(849)
Extraordinary income		
Gain on sales of non-current assets	0	-
Gain on sales of investment securities	-	290
Subsidy income	-	210
Total extraordinary income	0	500
Extraordinary losses		
Loss on sales and retirement of non-current assets	1	6
Loss on reduction of non-current assets	-	198
Impairment loss	-	4,442
Total extraordinary losses	1	4,647
Profit (loss) before income taxes	180	(4,997)
Income taxes	1	1,217
Profit (loss)	179	(6,214)
Profit (loss) attributable to non-controlling interests	16	(5)
Profit (loss) attributable to owners of parent	162	(6,208)

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

(Millions of yen)

	2Q 2016 (Jan. 1, 2016 – Jun. 30, 2016)	2Q 2017 (Jan. 1, 2017 – Jun. 30, 2017)
Profit (loss)	179	(6,214)
Other comprehensive income		
Valuation difference on available-for-sale securities	(789)	20
Deferred gains or losses on hedges	(3,506)	(273)
Revaluation reserve for land	18	-
Foreign currency translation adjustment	(66)	(8)
Share of other comprehensive income of entities accounted for using equity method	(223)	261
Total other comprehensive income	(4,568)	0
Comprehensive income	(4,389)	(6,213)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(4,406)	(6,208)
Comprehensive income attributable to non-controlling interests	16	(5)

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	2Q 2016 (Jan. 1, 2016 – Jun. 30, 2016)	2Q 2017 (Jan. 1, 2017 – Jun. 30, 2017)
Cash flows from operating activities		
Profit (loss) before income taxes	180	(4,997)
Depreciation	1,602	1,245
Impairment loss	-	4,442
Increase (decrease) in allowance for doubtful accounts	(22)	(15)
Increase (decrease) in provision for sales promotion expenses	(20)	19
Interest and dividend income	(94)	(83)
Interest expenses	82	77
Share of (profit) loss of entities accounted for using equity method	(393)	(249)
Loss (gain) on sales and retirement of non-current assets	0	6
Loss on reduction of non-current assets	-	198
Loss (gain) on sales of investment securities	-	(290)
Subsidy income	-	(210)
Decrease (increase) in notes and accounts receivable-trade	231	(250)
Decrease (increase) in inventories	(686)	1,621
Decrease (increase) in other current assets	2,539	2,827
Increase (decrease) in notes and accounts payable-trade	(268)	(1,224)
Increase (decrease) in other current liabilities	(2,519)	(1,467)
Other, net	922	(53)
Subtotal	1,554	1,597
Interest and dividend income received	113	100
Interest expenses paid	(87)	(77)
Income taxes (paid) refund	352	(323)
Extra retirement payments	(414)	-
Net cash provided by (used in) operating activities	1,519	1,296
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,352)	(505)
Proceeds from sales of property, plant and equipment	962	-
Purchase of intangible assets	(411)	(456)
Proceeds from subsidy income	-	210
Proceeds from withdrawal of time deposits	100	-
Purchase of investment securities	(89)	(100)
Proceeds from sales of investment securities	-	765
Purchase of shares of subsidiaries	(100)	-
Proceeds from transfer of business	216	-
Other, net	56	(674)
Net cash provided by (used in) investing activities	(617)	(761)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(30)	40
Proceeds from long-term loans payable	100	2,800
Repayments of long-term loans payable	(1,216)	(956)
Payment for redemption of bonds with subscription rights to shares	-	(2,000)
Redemption of bonds	(450)	-
Cash dividends paid	(209)	(208)
Other, net	(200)	(61)
Net cash provided by (used in) financing activities	(2,005)	(387)
Effect of exchange rate change on cash and cash equivalents	(71)	(5)
Net increase (decrease) in cash and cash equivalents	(1,175)	143
Cash and cash equivalents at beginning of period	14,303	16,600
Cash and cash equivalents at end of period	13,127	16,743

(4) 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, 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.

(Segment and Other Information)

I 2Q 2016 (Jan. 1, 2016 – Jun. 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	55,698	7,451	2,293	65,443	454	65,898	-	65,898
Inter-segment sales or transfers	442	-	51	493	0	494	(494)	-
Total	56,141	7,451	2,344	65,936	455	66,392	(494)	65,898
Segment profit (loss)	(280)	(384)	289	(375)	(37)	(413)	10	(403)

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 2Q 2017 (Jan. 1, 2017 – Jun. 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	52,145	8,201	2,270	62,616	569	63,186	-	63,186
Inter-segment sales or transfers	475	0	61	537	16	554	(554)	-
Total	52,620	8,202	2,331	63,154	586	63,740	(554)	63,186
Segment profit (loss)	(1,610)	131	222	(1,256)	7	(1,249)	0	(1,248)

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 plan. This impairment loss was 4,441 million yen in 2Q 2017.

(Subsequent Events)

(Transfer of subsidiaries' shares resulting in change in scope of consolidation)

On July 27, 2017, the Board of Directors of Senshukai Co.,Ltd. approved resolutions to sign an agreement to transfer a part of shares of its subsidiary Belle Maison Logisco Co., Ltd., to Sumisho Global Logistics Co., Ltd.

After the transfer, Senshukai will have a 49% equity interest in Belle Maison Logisco and this consolidated subsidiary will become an equity method affiliate of Senshukai.

1. Reason for transfer of shares

Senshukai believes that the transfer of Belle Maison Logisco stock to Sumitomo Global Logistics will create a more efficient logistics infrastructure that will make the logistics operations of *Belle Maison* and the entire Senshukai Group more competitive. In addition, Senshukai plans to use the transfer of this stock to achieve a rapid recovery in its performance by concentrating resources on core business operations.

2. Name of transferee

Sumisho Global Logistics Co., Ltd.

3. Schedule

Stock transfer date: September 1, 2017 (tentative)

4. Outline of the subsidiary

Name: Belle Maison Logisco Co., Ltd.

Business: Management, packaging and shipping of apparel, household goods and other merchandise

Relationship with Senshukai: Senshukai outsources the management, packaging and shipping of merchandise to Belle Maison Logisco

5. Number of shares transferred and change in holdings

Number of shares owned before transfer: 4,000 shares (holding ratio: 100.00%)

Number of shares to be transferred: 2,040 shares (holding ratio: 51.00%)

Number of shares owned after transfer: 1,960 shares (holding ratio: 49.00%)

Note: Amount of shares to be transferred is not disclosed according to the agreement with the transferee.

6. Outlook

This matter will have only a negligible effect on consolidated financial results at this point.

* 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.