

**Summary of Financial Results for the Second Quarter of Fiscal Year 2010
(Six Months Ended June 30, 2010)**

[Japanese GAAP]

July 29, 2010

Company name: **Senshukai Co., Ltd.**

Stock Exchanges: Tokyo and Osaka, First Sections

Stock Code: 8165

URL: <http://www.senshukai.co.jp>

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Scheduled date of filing of Quarterly Report: August 11, 2010

Scheduled date of payment of dividend: September 1, 2010

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 2010 (January 1, 2010 – June 30, 2010)

(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	%
2Q 2010	69,629	(8.8)	2,057	-	2,010	88.8	1,451	98.0
2Q 2009	76,308	-	(474)	-	1,064	-	733	-

	Net income per share	Diluted net income per share
	Yen	Yen
2Q 2010	33.51	-
2Q 2009	15.69	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2Q 2010	86,205	39,282	45.5	906.39
Fiscal Year 2009	91,837	37,906	41.3	874.89

Reference: Shareholders' equity (million yen) 2Q 2010: 39,256 Fiscal Year 2009: 37,892

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Yearend	Total
	Yen	Yen	Yen	Yen	Yen
Full Year 2009	-	6.00	-	0.00	6.00
Full Year 2010	-	6.00			
Full Year 2010 (forecasts)			-	6.00	12.00

Note: Revision of dividend forecast during the period: None

3. Consolidated Outlook for Fiscal Year 2010 (January 1, 2010 – December 31, 2010)

(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
Full Year 2010	139,400	(5.4)	2,700	-	2,750	-	2,050	-	47.33

Note: Revision of consolidated outlook during the period: None

4. Other (Please refer to “2. Other Information” on page 4 of the attached documents for further information)

(1) Changes in significant subsidiaries during the period: None

Newly added: - Excluded: -

Note: Changes in specified subsidiaries affecting the scope of consolidation during the period

(2) Application of simplified accounting methods and special accounting methods: Yes

Note: Application of simplified accounting methods and special accounting methods for presenting quarterly consolidated financial statements

(3) Changes in accounting principles, procedures, presentation methods, etc.

1) Changes caused by revision of accounting standards: None

2) Other changes: None

Note: Changes in accounting principles, procedures, presentation methods, etc. for presenting quarterly consolidated financial statements described in “Changes in the Significant Accounting Policies for the Preparation of Consolidated Financial Statements”

(4) Number of shares outstanding (common shares)

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

2Q 2010:	47,630,393 shares	Fiscal Year 2009:	47,630,393 shares
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2) Number of treasury stock at end of period

2Q 2010:	4,320,156 shares	Fiscal Year 2009:	4,319,385 shares
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3) Average number of shares outstanding during the period

2Q 2010:	43,310,474 shares	2Q 2009:	46,712,132 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 disclosure of these quarterly financial results materials, 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, “(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, 2010 to June 30, 2010) of the current fiscal year, export companies benefiting from the global economic recovery drove a gradual pick up in the Japanese economy, and despite concerns about the recovery going forward due to the fiscal crisis in Europe, the worst is behind and the economy will continue to recover. That said, personal consumption remains weak due to severe employment conditions and a lack of meaningful improvement in incomes.

In this environment, the Senshukai Group pulls together to achieve the targets of its medium-term management plan which concludes in Fiscal Year 2010, the current fiscal year.

Net sales in the cumulative second quarter declined 8.8% year-over-year to 69,629 million yen. Unit orders in the catalog business rose slightly year-over-year, but the average order price declined due to efforts to meet growing consumer preference for low-priced items.

Operating income improved from a 474 million yen loss in the same period of the previous fiscal year to a 2,057 million yen gain in the cumulative second quarter, despite a decline in sales and an increase in the purchasing cost ratio from an increase in bargain sales and inventory clearance sales, due to a decline in valuation losses from inventory reduction efforts and expense cutting.

Ordinary income increased 88.8% year-over-year to 2,010 million yen. Net income increased 98.0% year-over-year to 1,451 million yen.

Segment information

(Mail-order Business)

Consolidated sales in the mail-order business, which comprises the catalog and the *hanpukai* businesses, decreased 10.7% year-over-year to 61,052 million yen in the cumulative second quarter due to unfavorable weather and lackluster consumption.

In terms of profits, operating income was 1,975 million yen, compared with an operating loss of 453 million yen in the same period of the previous fiscal year, due to a decline in the cost-of-sales ratio and a reduction in printing costs for sales catalogs.

(1) Catalog business

Consolidated sales in the catalog business decreased 10.6% year-over-year to 56,137 million yen in the cumulative second quarter.

(2) *Hanpukai* business

Consolidated sales in the *hanpukai* business declined 12.8% year-over-year to 4,914 million yen in the cumulative second quarter.

(Other Businesses)

The “other businesses” segment consists of the services business which primarily offers travel and credit card services, the storefront business, the pet business, the corporates business which provides products and services to corporations, and the wedding business. Consolidated sales in this segment increased 8.4% year-over-year to 8,576 million yen in the cumulative second quarter due to an increase in order contracts in the corporates business and an increase in weddings in the wedding business. Operating income totaled 16 million yen, compared with an operating loss of 63 million yen in the same period of the previous fiscal year.

(2) Qualitative Information Regarding Consolidated Financial Position**(Balance sheet position)**

Assets totaled 86,205 million yen at the end of the second quarter of the current fiscal year, down 5,631 million yen from the end of the previous fiscal year.

Current assets decreased 4,152 million yen to 37,964 million yen. The main factors were decreases of 1,675 million yen in merchandise and finished goods, 1,055 million yen in notes and accounts receivable-trade and 1,265 million yen in other. Noncurrent assets decreased 1,478 million yen to 48,241 million yen, mainly due to an increase of 214 million yen in intangible assets, and decreases of 628 million yen in property, plant and equipment and 1,064 million yen in investments and other assets.

Current liabilities decreased 5,399 million yen to 35,921 million yen. The main factors were decreases of 2,940 million yen in short-term loans payable, 808 million yen in notes and accounts payable-trade, and 1,217 million yen in other. Noncurrent liabilities decreased 1,608 million yen to 11,001 million yen, mainly due to decreases in long-term loans payable of 1,241 million yen and bonds payable of 383 million yen.

Net assets increased 1,376 million yen to 39,282 million yen. The main factor was an increase in retained earnings of 1,498 million yen. Consequently, the equity ratio was 45.5%.

(Cash flow position)

The balance of cash and cash equivalents at the end of the second quarter of the current fiscal year was 9,317 million yen, an increase of 522 million yen from the end of the previous fiscal year.

Operating activities provided net cash of 5,673 million yen. The main contributing factors were a 1,796 million yen decrease in other current assets, income before income taxes and minority interests of 1,714 million yen, a 1,650 million yen decrease in inventories, and depreciation of 1,186 million yen. Negative factor included a 1,366 million yen decrease in other current liabilities.

Investing activities used net cash of 555 million yen. The main cash inflows were a 400 million yen proceeds from redemption of investment securities and a 169 million yen proceeds from sales of property, plant and equipment. The main cash outflows were 629 million yen for the purchase of intangible assets, and 627 million yen for the purchase of property, plant and equipment.

Financing activities used net cash of 4,566 million yen. The main cash inflow was a 300 million yen proceeds from long-term loans payable, while cash outflows include a net decrease in short-term loans payable of 3,000 million yen, repayment of long-term loans payable of 1,481 million yen, and redemption of bonds of 383 million yen.

(3) Qualitative Information Regarding Consolidated Outlook

Regarding the outlook for the full fiscal year, Senshukai believes it will take time for the Japanese economy to recover due to lingering uncertainty over yen appreciation, the global economy, and financial markets. Senshukai believes business conditions will remain harsh because of the slow improvement in consumer sentiment due to uncertainty over the outlook for employment and incomes.

On July 23, 2010, Senshukai lowered its initial sales forecast (released along with results for Fiscal Year 2009) for the current fiscal year (January 1, 2010 to December 31, 2010) by 2,900 million yen to 139,400 million yen in light of second quarter results and recent business trends.

Senshukai lowers its second-half operating income forecast as it expects the cost-of-sales ratio to increase due to an increase in valuation losses over the first half as it focuses on product supply, and it expects an increase in SG&A expenses as it implements sales promotion policies to attract new customers towards the new fiscal year. However, it raises its full-year operating income forecast to 2,700 million yen. It also forecasts ordinary income of 2,750 million yen and net income of 2,050 million yen for the full fiscal year.

2. Other Information

(1) Overview of Changes in Significant Subsidiaries

Not applicable.

(2) Overview of Application of Simplified Accounting Methods and Special Accounting Methods

(Simplified accounting methods)

1) Method for estimating the uncollectible amount of general reserve

The uncollectible amount of general reserve was estimated using the historical default rates at the end of the previous fiscal year as the ratio at the end of the second quarter of the current fiscal year was found not to be significantly different from the ratio at the end of the previous fiscal year.

2) Calculation of depreciation expense for noncurrent assets

For assets subject to the declining-balance method, depreciation expense for the period is calculated pro rata from the full-year amount of depreciation expense for the fiscal year.

3) Judgments about the recoverability of deferred tax assets

Judgments about the recoverability of deferred tax assets are made based on the earnings forecast at the end of the previous fiscal year and tax planning with regard to items where there have been no significant changes in the operating environment or in the occurrence of temporary differences following the end of the previous fiscal year.

(Special accounting methods in the preparation of quarterly financial statements)

The tax expenses were 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, and multiplying that rate by the quarterly income before income taxes and minority interests. 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. Income taxes-deferred were included and displayed with income taxes.

(3) Overview of Changes in Accounting Principles, Procedures, Presentation Methods, etc.

Not applicable.

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

(Million yen)

	2Q 2010 (As of Jun. 30, 2010)	Fiscal Year 2009 Summary (As of Dec. 31, 2009)
Assets		
Current assets		
Cash and deposits	9,297	8,613
Notes and accounts receivable-trade	9,193	10,248
Short-term investment securities	20	182
Merchandise and finished goods	9,292	10,967
Raw materials and supplies	134	112
Accounts receivable-other	6,840	7,568
Other	3,454	4,719
Allowance for doubtful accounts	(268)	(294)
Total current assets	37,964	42,117
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	14,374	14,219
Land	10,980	11,078
Other, net	2,068	2,753
Total property, plant and equipment	27,423	28,052
Intangible assets		
Goodwill	2,700	2,793
Other	3,063	2,756
Total intangible assets	5,764	5,549
Investments and other assets		
Investment securities	8,402	9,378
Other	6,847	6,950
Allowance for doubtful accounts	(195)	(210)
Total investments and other assets	15,053	16,118
Total noncurrent assets	48,241	49,720
Total assets	86,205	91,837

(Million yen)

	2Q 2010 (As of Jun. 30, 2010)	Fiscal Year 2009 Summary (As of Dec. 31, 2009)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,126	6,934
Short-term loans payable	2,983	5,923
Current portion of bonds	766	766
Accounts payable-factoring	13,264	13,707
Income taxes payable	317	271
Provision for sales promotion expenses	573	526
Forward exchange contracts	2,961	3,045
Other	8,928	10,146
Total current liabilities	35,921	41,321
Noncurrent liabilities		
Bonds payable	3,669	4,052
Long-term loans payable	6,342	7,584
Provision for retirement benefits	36	35
Other	952	937
Total noncurrent liabilities	11,001	12,609
Total liabilities	46,922	53,930
Net assets		
Shareholders' equity		
Capital stock	20,359	20,359
Capital surplus	21,038	21,038
Retained earnings	11,015	9,517
Treasury stock	(2,775)	(2,774)
Total shareholders' equity	49,638	48,140
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1,092)	(1,013)
Deferred gains or losses on hedges	(2,036)	(2,044)
Revaluation reserve for land	(7,115)	(7,067)
Foreign currency translation adjustment	(137)	(122)
Total valuation and translation adjustments	(10,382)	(10,247)
Minority interests	26	14
Total net assets	39,282	37,906
Total liabilities and net assets	86,205	91,837

(2) Quarterly Consolidated Statements of Income
(For the Six-month Period)

(Million yen)

	2Q 2009 (Jan. 1, 2009 – Jun. 30, 2009)	2Q 2010 (Jan. 1, 2010 – Jun. 30, 2010)
Net sales	76,308	69,629
Cost of sales	40,510	35,152
Gross profit	35,797	34,476
Selling, general and administrative expenses	36,272	32,419
Operating income (loss)	(474)	2,057
Non-operating income		
Interest income	58	41
Dividends income	93	84
Gain on valuation of compound financial instruments	61	-
Foreign exchange gains	1,531	26
Co-sponsor fee	-	82
Other	173	160
Total non-operating income	1,917	395
Non-operating expenses		
Interest expenses	150	147
Loss on valuation of compound financial instruments	-	204
Equity in losses of affiliates	34	-
Bond issuance cost	127	-
Other	65	91
Total non-operating expenses	378	442
Ordinary income	1,064	2,010
Extraordinary income		
Gain on sales of noncurrent assets	-	13
Reversal of allowance for doubtful accounts	-	28
Other	-	0
Total extraordinary income	-	41
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	16	7
Loss on valuation of investment securities	43	253
Impairment loss	54	43
Provision of allowance for doubtful accounts	-	23
Loss on valuation of golf club membership	-	5
Other	-	2
Total extraordinary losses	114	337
Income before income taxes and minority interests	949	1,714
Income taxes	252	251
Minority interests in income (loss)	(35)	12
Net income	733	1,451

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	2Q 2009 (Jan. 1, 2009 – Jun. 30, 2009)	2Q 2010 (Jan. 1, 2010 – Jun. 30, 2010)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	949	1,714
Depreciation and amortization	1,227	1,186
Impairment loss	54	43
Increase (decrease) in allowance for doubtful accounts	(35)	(40)
Increase (decrease) in allowance for sales promotion expenses	47	47
Interest and dividends income	(151)	(125)
Interest expenses	150	147
Foreign exchange losses (gains)	(1,573)	(50)
Equity in (earnings) losses of affiliates	34	(12)
Loss (gain) on valuation of compound financial instruments	(61)	204
Bond issuance cost	127	-
Loss (gain) on sales and retirement of noncurrent assets	16	(5)
Loss (gain) on sales of investment securities	-	2
Loss (gain) on valuation of investment securities	43	253
Loss on valuation of golf club memberships	-	5
Decrease (increase) in notes and accounts receivable-trade	(295)	1,006
Decrease (increase) in inventories	1,732	1,650
Decrease (increase) in other current assets	2,370	1,796
Increase (decrease) in notes and accounts payable-trade	(1,395)	(808)
Increase (decrease) in accrued consumption taxes	3	4
Increase (decrease) in other current liabilities	(1,129)	(1,366)
Other, net	(278)	117
Subtotal	1,837	5,771
Interest and dividends income received	180	126
Interest expenses paid	(100)	(150)
Payments for cancelation money on derivative contract	(3,760)	-
Income taxes paid (refund)	75	(73)
Net cash provided by (used in) operating activities	(1,767)	5,673
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(925)	(627)
Proceeds from sales of property, plant and equipment	-	169
Purchase of intangible assets	(340)	(629)
Purchase of investment securities	(25)	(20)
Proceeds from sales of investment securities	-	4
Proceeds from redemption of investment securities	-	400
Proceeds from withdrawal of time deposits	200	-
Purchase of investments in subsidiaries	(65)	(0)
Proceeds from sales of investments in subsidiaries	-	49
Other, net	69	98
Net cash provided by (used in) investing activities	(1,086)	(555)

(Million yen)

	2Q 2009 (Jan. 1, 2009 – Jun. 30, 2009)	2Q 2010 (Jan. 1, 2010 – Jun. 30, 2010)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(8,000)	(3,000)
Proceeds from long-term loans payable	7,184	300
Repayment of long-term loans payable	(1,130)	(1,481)
Proceeds from issuance of bonds	4,872	-
Redemption of bonds	(33)	(383)
Purchase of treasury stock	(0)	(0)
Proceeds from sales of treasury stock	0	-
Cash dividends paid	(420)	(1)
Net cash provided by (used in) financing activities	2,472	(4,566)
Effect of exchange rate change on cash and cash equivalents	2	(29)
Net increase (decrease) in cash and cash equivalents	(378)	522
Cash and cash equivalents at beginning of period	8,186	8,795
Increase in cash and cash equivalents from newly consolidated subsidiary	195	-
Cash and cash equivalents at end of period	8,003	9,317

(4) Going Concern Assumption

Not applicable.

(5) Segment Information

Business segments

2Q 2009 (Jan. 1, 2009 – Jun. 30, 2009)

(Million yen)

	Mail-order business	Other businesses	Total	Elimination or corporate	Consolidated
Net sales					
(1) Sales to customers	68,396	7,911	76,308	-	76,308
(2) Inter-segment sales	684	715	1,399	(1,399)	-
Total	69,080	8,627	77,708	(1,399)	76,308
Operating income (loss)	(453)	(63)	(516)	42	(474)

Notes: 1. The classification of business segments is based on categories adopted for internal management purposes.

2. Principal activities of each business segment

(1) Mail-order business: Catalog and *hanpukai* businesses

(2) Other businesses: Product sales, services, and transportation

3. Change in accounting policy

“Accounting Standards for Measurement of Inventories” (Accounting Standards Board of Japan (ASBJ) Statement No. 9) has been adopted with effect from the first quarter of the current fiscal year. As an effect of this change, operating income in the mail-order business decreased by 1,048 million yen in the cumulative second quarter of the fiscal year. There is no effect on other businesses.

2Q 2010 (Jan. 1, 2010 – Jun. 30, 2010)

(Million yen)

	Mail-order business	Other businesses	Total	Elimination or corporate	Consolidated
Net sales					
(1) Sales to customers	61,052	8,576	69,629	-	69,629
(2) Inter-segment sales	952	334	1,287	(1,287)	-
Total	62,004	8,911	70,916	(1,287)	69,629
Operating income	1,975	16	1,991	65	2,057

Notes: 1. The classification of business segments is based on categories adopted for internal management purposes.

2. Principal activities of each business segment

(1) Mail-order business: Catalog and *hanpukai* businesses

(2) Other businesses: Product sales and services

Geographical segment information

2Q 2009 (Jan. 1, 2009 – Jun. 30, 2009), 2Q 2010 (Jan. 1, 2010 – Jun. 30, 2010)

Geographic segment information has not been presented because the Company and its consolidated subsidiaries have conducted over 90% of their total net sales in Japan.

Overseas sales

2Q 2009 (Jan. 1, 2009 – Jun. 30, 2009), 2Q 2010 (Jan. 1, 2010 – Jun. 30, 2010)

Overseas sales have not been presented because they represented less than 10% of total consolidated sales.

(6) Significant Changes in Shareholders' Equity

Senshukai reduced the amount of legal capital surplus and transferred this to its capital surplus in line with a resolution adopted at its annual general meeting of shareholders held on March 30, 2010.

(1) Purpose of reducing legal capital surplus

For the purpose of ensuring flexibility and mobility of its future capital policy, Senshukai reduced the amount of legal capital surplus and transferred the same amount to other capital surplus in line with Article 448, Clause 1 of the Company Act.

i) Amount of decline in reserves

Legal capital surplus: 7,000,000,000 yen of 19,864,139,367 yen

ii) Increase in surplus item and amount

Other capital surplus: 7,000,000,000 yen

(2) Treatment of surplus

For the purpose of covering for the loss in retained earnings brought forward and to ensure flexibility and mobility of the capital policy, Senshukai reduced the entire amount of general reserve and transferred the same amount to retained earnings brought forward in line with Article 452 of the Company Act.

i) Decline in surplus item and amount

General reserve: 13,600,000,000 yen

ii) Increase in surplus item and amount

Retained earnings brought forward: 13,600,000,000 yen

** 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.*