



## Summary of Financial Results for the Third Quarter of Fiscal Year 2011 (Nine Months Ended September 30, 2011)

[Japanese GAAP]

October 28, 2011

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: November 11, 2011

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 million yen)

### 1. Consolidated Financial Results for the 3rd Quarter of 2011 (January 1, 2011 – September 30, 2011)

#### (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	%
3Q 2011	95,905	(1.7)	1,130	(31.3)	1,023	(31.6)	150	(83.0)
3Q 2010	97,603	(8.5)	1,646	-	1,495	-	885	-

	Net income per share	Diluted net income per share
	Yen	Yen
3Q 2011	3.48	-
3Q 2010	20.44	-

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
3Q 2011	86,936	39,722	45.7	917.18
Fiscal Year 2010	90,086	39,411	43.7	909.99

Reference: Shareholders' equity (million yen)      3Q 2011:      39,722      Fiscal Year 2010:      39,411

### 2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2010	-	6.00	-	8.00	14.00
Fiscal Year 2011	-	7.00	-	-	-
Fiscal Year 2011 (forecasts)	-	-	-	7.00	14.00

Note: Revision of dividend forecast during the period: None

### 3. Consolidated Outlook for Fiscal Year 2011 (January 1, 2011 – December 31, 2011)

(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 2011	138,500	1.2	3,000	(12.3)	3,400	7.3	2,600	27.6	60.03

Note: Revision of consolidated outlook during the period: None

**4. Other** (Please refer to “2. Other Information” on page 4 of the attachments 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: Yes

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 Quarterly Consolidated Financial Statements”

(4) Number of shares outstanding (common shares)

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

3Q 2011:	47,630,393 shares	Fiscal Year 2010:	47,630,393 shares
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2) Number of shares of treasury stock at end of period

3Q 2011:	4,320,905 shares	Fiscal Year 2010:	4,320,645 shares
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3) Average number of shares outstanding during the period

3Q 2011:	43,309,544 shares	3Q 2010:	43,310,364 shares
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\* Disclosure regarding the implementation of quarterly review procedures

This summary of quarterly financial results materials is 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, “(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 third quarter period (January 1, 2011 to September 30, 2011) of the current fiscal year, the Japanese economy remained on an uncertain path due to a sharp slump in personal consumption in the wake of the Great East Japan Earthquake, restrictions on electric power usage, surging raw materials prices, slumping share prices, and ongoing yen appreciation.

In the retail industry, personal consumption declined sharply due to the deteriorating economy, although signs of a recovery appeared in some areas. Overall, however, personal consumption was not strong because consumers, adopting a defensive stance, remained budget-minded. Conditions in the retail industry remained harsh as a result.

In this environment, the Senshukai Group conducted cross-media promotions including the airing of television commercials in April to improve and expand recognition of the *Belle Maison* brand and acquire new customers in line with its medium-term management plan released in February 2011. Sales fell sharply in March due to the impact of the earthquake, but then entered a recovery path although sales of apparel and other autumn and winter items got off to a slow start due to typhoons and the impact of the summer's lingering heat through mid-September.

Net sales in the cumulative third quarter declined 1.7% year-over-year to 95,905 million yen.

As for profits, gross profits declined due to a decline in net sales and a rise in the cost-of-sales ratio. Operating income declined 31.3% year-over-year to 1,130 million yen as efforts to cut selling, general and administrative expenses failed to fully offset the decline in gross profits.

Ordinary income declined 31.6% year-over-year to 1,023 million yen, and net income declined 83.0% to 150 million yen due to an increase in loss on valuation of investment securities and the application of accounting standards for asset retirement obligations.

#### Overview by segment

##### (Mail-order Business)

Consolidated sales in the mail-order business, comprising the catalog and the *hanpukai* businesses, totaled 85,967 million yen in the cumulative third quarter period. Sales of autumn and winter apparel got off to a weak start due to the summer's lingering heat in September.

In terms of profits, operating income was 844 million yen due to reductions in catalog costs and SG&A expenses.

##### 1) Catalog business

Consolidated sales in the catalog business were 78,772 million yen in the cumulative third quarter.

##### 2) *Hanpukai* business

Consolidated sales in the *hanpukai* business were 7,194 million yen in the cumulative third quarter.

##### (Bridal business)

Consolidated sales in the bridal business, centered on the subsidiary Dears Brain Inc. which operates the house wedding business, totaled 5,450 million yen in the cumulative third quarter, but operating loss amounted to 19 million yen.

##### (Corporates business)

Consolidated sales in the corporates business, which provides products and services to corporations, totaled 3,215 million yen in the cumulative third quarter, and operating income totaled 361 million yen.

(Other businesses)

Consolidated sales in other businesses, which consist of the services business (primarily travel and credit card services) and the pet business (pet good sales through retail stores), totaled 1,272 million yen in the cumulative third quarter, and operating loss totaled 61 million yen.

## **(2) Qualitative Information Regarding Consolidated Financial Position**

(Balance sheet position)

Assets totaled 86,936 million yen at the end of the third quarter of the current fiscal year, down 3,150 million yen from the end of the previous fiscal year.

Current assets decreased 2,295 million yen to 40,360 million yen. The main factors were an increase of 5,077 million yen in merchandise and finished goods, and decreases of 6,029 million yen in cash and deposits, and 3,297 million yen in accounts receivable-other. Noncurrent assets decreased 854 million yen to 46,576 million yen, mainly due to an increase of 735 million yen in intangible assets, and decreases of 588 million yen in property, plant and equipment and 1,000 million yen in investments and other assets.

Current liabilities decreased 2,256 million yen to 39,061 million yen. The main factors were an increase of 2,148 million yen in short-term loans payable, and decreases of 2,017 million yen in accounts payable-factoring, 1,018 million yen in forward exchange contracts, and 1,371 million yen in other. Noncurrent liabilities decreased 1,204 million yen to 8,152 million yen. Asset retirement obligations of 295 million yen were booked due to the application of accounting standards for asset retirement obligations, but long-term loans payable declined 831 million yen and bonds payable declined 736 million yen.

Net assets increased 311 million yen to 39,722 million yen. The main factors were a decrease of 498 million yen in retained earnings, and an increase of 705 million yen in deferred gains or losses on hedges. Consequently, the equity ratio was 45.7%.

(Cash flow position)

The balance of cash and cash equivalents at the end of the third quarter of the current fiscal year was 4,826 million yen, a decrease of 6,029 million yen from the end of the previous fiscal year.

Operating activities used net cash of 4,435 million yen. The main contributing factors were depreciation and amortization of 1,725 million yen, and a 1,697 million yen decrease in other current assets. Negative factors were an increase of 5,086 million yen in inventories, and a decrease of 3,011 million yen in other current liabilities.

Investing activities used net cash of 1,498 million yen. The main cash inflow was a 720 million yen proceeds from sales of investment securities. The main cash outflows were 1,504 million yen for the purchase of intangible assets and 579 million yen for the purchase of property, plant and equipment.

Financing activities used net cash of 88 million yen. The main cash inflows were an increase of 3,000 million yen in short-term loans payable, a 300 million yen proceeds from long-term loans payable, while cash outflows include a repayment of long-term loans payable of 1,982 million yen, redemption of bonds of 733 million yen, and cash dividends paid of 628 million yen.

## **(3) Qualitative Information Regarding Consolidated Outlook**

Senshukai does not change the consolidated outlook it released for the current fiscal year (January 1, 2011 to December 31, 2011) on July 22, 2011, but actual results could differ significantly from these projections due to a variety of factors. Senshukai will quickly disclose any revisions to its consolidated outlook as they become necessary.

## 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 third 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) Valuation of inventories

For inventories at the end of the third quarter of the current fiscal year, a valuation was determined by using a reasonable method based on actual inventories at the end of the second quarter. No physical inventory count was performed.

#### 3) 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.

#### 4) 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 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. Income taxes-deferred were included and displayed with income taxes.

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

#### 1) Application of “Accounting Standard for Equity Method of Accounting for Investments” and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounting for Using the Equity Method”

Beginning with the first quarter of the current fiscal year, “Accounting Standard for Equity Method of Accounting for Investments” (Accounting Standards Board of Japan (ASBJ) Statement No. 16, issued on March 10, 2008) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounting for Using the Equity Method” (ASBJ Practical Issue Task Force (PITF) No. 24, March 10, 2008) have been applied.

This change has no effect on the amount of income (loss).

2) Application of Accounting standard for asset retirement obligations

Beginning with the first quarter of the current fiscal year, “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008) have been applied.

As an effect of this change, operating income and ordinary income decreased by 7 million yen each, and income before income taxes and minority interests decreased by 120 million yen. In addition, these changes increased the account balance of asset retirement obligations by 332 million yen due to this change.

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

(Million yen)

	3Q 2011 (As of Sep. 30, 2011)	Fiscal Year 2010 Summary (As of Dec. 31, 2010)
Assets		
Current assets		
Cash and deposits	4,826	10,855
Notes and accounts receivable-trade	6,442	6,362
Short-term investment securities	15	8
Merchandise and finished goods	17,678	12,600
Raw materials and supplies	130	123
Accounts receivable-other	5,650	8,948
Other	5,809	3,998
Allowance for doubtful accounts	(193)	(241)
Total current assets	40,360	42,656
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	13,842	14,402
Land	10,944	10,945
Other, net	1,842	1,870
Total property, plant and equipment	26,629	27,218
Intangible assets		
Goodwill	2,466	2,580
Other	4,142	3,294
Total intangible assets	6,609	5,874
Investments and other assets		
Investment securities	6,805	7,761
Other	6,875	6,764
Allowance for doubtful accounts	(343)	(187)
Total investments and other assets	13,337	14,338
Total noncurrent assets	46,576	47,430
Total assets	86,936	90,086



(Million yen)

	3Q 2011 (As of Sep. 30, 2011)	Fiscal Year 2010 Summary (As of Dec. 31, 2010)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	8,295	7,932
Short-term loans payable	5,185	3,036
Current portion of bonds	769	766
Accounts payable-factoring	11,530	13,548
Income taxes payable	62	468
Provision for sales promotion expenses	697	656
Forward exchange contracts	2,566	3,585
Other	9,954	11,325
Total current liabilities	39,061	41,318
Noncurrent liabilities		
Bonds payable	2,550	3,286
Long-term loans payable	4,266	5,097
Provision for retirement benefits	29	27
Asset retirement obligations	295	-
Other	1,010	945
Total noncurrent liabilities	8,152	9,356
Total liabilities	47,213	50,675
<b>Net assets</b>		
Shareholders' equity		
Capital stock	20,359	20,359
Capital surplus	21,038	21,038
Retained earnings	10,845	11,344
Treasury stock	(2,775)	(2,775)
Total shareholders' equity	49,467	49,966
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(804)	(928)
Deferred gains or losses on hedges	(1,636)	(2,342)
Revaluation reserve for land	(7,117)	(7,117)
Foreign currency translation adjustment	(186)	(167)
Total valuation and translation adjustments	(9,745)	(10,555)
Total net assets	39,722	39,411
Total liabilities and net assets	86,936	90,086

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

(Million yen)

	3Q 2010 (Jan. 1, 2010 – Sep. 30, 2010)	3Q 2011 (Jan. 1, 2011 – Sep. 30, 2011)
Net sales	97,603	95,905
Cost of sales	49,529	49,850
Gross profit	48,073	46,055
Selling, general and administrative expenses	46,427	44,925
Operating income	1,646	1,130
Non-operating income		
Interest income	53	33
Dividends income	85	87
Foreign exchange gains	-	39
Co-sponsor fee	105	28
Other	249	260
Total non-operating income	492	449
Non-operating expenses		
Interest expenses	213	171
Loss on valuation of compound financial instruments	184	179
Foreign exchange losses	116	-
Relief aid expenses	-	108
Other	128	96
Total non-operating expenses	643	556
Ordinary income	1,495	1,023
Extraordinary income		
Gain on sales of noncurrent assets	13	1
Gain on sales of investment securities	-	139
Reversal of allowance for doubtful accounts	28	-
Gain on negative goodwill	6	-
Other	0	-
Total extraordinary income	48	140
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	29	42
Loss on valuation of investment securities	253	372
Impairment loss	43	-
Loss on liquidation of business	21	-
Provision of allowance for doubtful accounts	23	183
Loss on valuation of golf club memberships	5	1
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	111
Loss on disaster	-	62
Special retirement expenses	-	122
Other	4	16
Total extraordinary losses	381	911
Income before income taxes and minority interests	1,162	252
Income taxes	264	101
Income before minority interests	-	150
Minority interests in income	12	-
Net income	885	150

**(3) Quarterly Consolidated Statements of Cash Flows**

(Million yen)

	3Q 2010 (Jan. 1, 2010 – Sep. 30, 2010)	3Q 2011 (Jan. 1, 2011 – Sep. 30, 2011)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,162	252
Depreciation and amortization	1,791	1,725
Impairment loss	43	-
Gain on negative goodwill	(6)	-
Increase (decrease) in allowance for doubtful accounts	(76)	107
Increase (decrease) in allowance for sales promotion expenses	52	41
Interest and dividends income	(138)	(121)
Interest expenses	213	171
Foreign exchange losses (gains)	96	(313)
Equity in (earnings) losses of affiliates	(46)	(57)
Loss (gain) on valuation of compound financial instruments	184	179
Loss (gain) on sales and retirement of noncurrent assets	16	41
Loss (gain) on sales of investment securities	4	(138)
Loss (gain) on valuation of investment securities	253	372
Loss on valuation of golf club membership	5	1
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	111
Decrease (increase) in notes and accounts receivable-trade	2,173	(80)
Decrease (increase) in inventories	(2,373)	(5,086)
Decrease (increase) in other current assets	1,158	1,697
Increase (decrease) in notes and accounts payable-trade	1,243	363
Increase (decrease) in accrued consumption taxes	(265)	(357)
Increase (decrease) in other current liabilities	(1,462)	(3,011)
Other, net	226	105
Subtotal	4,256	(3,996)
Interest and dividends income received	141	123
Interest expenses paid	(241)	(203)
Income taxes paid	(255)	(358)
Net cash provided by (used in) operating activities	3,899	(4,435)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(793)	(579)
Proceeds from sales of property, plant and equipment	169	1
Purchase of intangible assets	(1,035)	(1,504)
Purchase of investment securities	(20)	(20)
Proceeds from sales of investment securities	4	720
Proceeds from redemption of investment securities	400	-
Purchase of investments in subsidiaries	(20)	-
Purchase of stocks of subsidiaries and affiliates	(73)	-
Proceeds from sales of investments in subsidiaries	49	-
Other, net	78	(117)
Net cash provided by (used in) investing activities	(1,239)	(1,498)

(Million yen)

	3Q 2010 (Jan. 1, 2010 – Sep. 30, 2010)	3Q 2011 (Jan. 1, 2011 – Sep. 30, 2011)
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	600	300
Repayment of long-term loans payable	(1,924)	(1,982)
Redemption of bonds	(733)	(733)
Purchase of treasury stock	(0)	(0)
Proceeds from sales of treasury stock	0	0
Cash dividends paid	(242)	(628)
Other, net	(7)	(44)
Net cash provided by (used in) financing activities	(3,808)	(88)
Effect of exchange rate change on cash and cash equivalents	(20)	(6)
Net increase (decrease) in cash and cash equivalents	(1,169)	(6,029)
Cash and cash equivalents at beginning of period	8,795	10,855
Cash and cash equivalents at end of period	7,625	4,826

**(4) Going Concern Assumption**

Not applicable.

**(5) Segment Information**

Business segments

3Q 2010 (Jan. 1, 2010 – Sep. 30, 2010)

(Million yen)

	Mail-order business	Other businesses	Total	Elimination or corporate	Consolidated
Net sales					
(1) Sales to customers	84,604	12,998	97,603	-	97,603
(2) Inter-segment sales	1,467	420	1,887	( 1,887)	-
Total	86,072	13,419	99,491	( 1,887)	97,603
Operating income	1,579	0	1,580	66	1,646

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

(Note) The transportation business, formerly a major component of “other businesses,” is no longer a major component because Senshu Transportation Co., Ltd., a subsidiary, was removed from consolidated accounts during the second quarter under review.

**Geographic segment information**

3Q 2010 (Jan. 1, 2010 – Sep. 30, 2010)

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

**Overseas sales**

3Q 2010 (Jan. 1, 2010 – Sep. 30, 2010)

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

## Segment 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. Information related to sales and profit or loss for each reportable segment

3Q 2011 (Jan. 1, 2011 – Sep. 30, 2011)

(Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statements of income (Note 3)
	Mail-order business	Bridal business	Corporates business	Sub-total				
Net sales								
Sales to customers	85,967	5,450	3,215	94,633	1,272	95,905	-	95,905
Inter-segment sales	701	-	210	911	63	974	( 974)	-
Total	86,668	5,450	3,425	95,545	1,335	96,880	( 974)	95,905
Segment profit (loss)	844	(19)	361	1,186	(61)	1,124	5	1,130

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 through retail stores.

2. The 5 million yen adjustment to segment profit (loss) comprises elimination for inter-segment transactions.

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

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

No major events or changes occurred in the consolidated third quarter.

## Supplemental Information

Beginning with the first quarter of the current fiscal year, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008) have been applied.

### (6) Significant Changes in Shareholders' Equity

Not applicable.

*\* 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.*