



Summary of Financial Results for the Second Quarter of Fiscal Year 2012 (Six Months Ended June 30, 2012)

[Japanese GAAP]

July 26, 2012

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Scheduled date of payment of dividend: August 31, 2012

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 2012 (January 1, 2012 – June 30, 2012)

(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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2Q 2012	74,031	6.5	762	(68.2)	1,180	(55.2)	914	(57.8)
2Q 2011	69,542	(0.1)	2,398	16.6	2,631	30.9	2,166	49.3

Note: Comprehensive income (million yen) 2Q 2012: 1,474 (down 45.7%) 2Q 2011: 2,717 (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q 2012	21.12	-
2Q 2011	50.01	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
2Q 2012	85,630	42,615	49.8	983.99
Fiscal Year 2011	90,441	41,444	45.8	956.94

Reference: Shareholders' equity (million yen) 2Q 2012: 42,615 Fiscal Year 2011: 41,444

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2011	-	7.00	-	7.00	14.00
Fiscal Year 2012	-	10.00			
Fiscal Year 2012 (forecasts)			-	10.00	20.00

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

3. Consolidated Outlook for Fiscal Year 2012 (January 1, 2012 – December 31, 2012)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full Year 2012	147,500	7.5	3,300	6.2	3,500	8.2	2,850	80.0	65.81

Note: Revision to the most recently announced consolidated outlook: None

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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, 2012 to June 30, 2012) of the current fiscal year, the Japanese economy gradually recovered supported by reconstruction demand in the aftermath of the Great East Japan Earthquake. However, the outlook for the domestic economy and personal consumption remained uncertain due to the yen's protracted appreciation in the wake of European debt crisis, and the stock market's weakness.

In this environment, the Senshukai Group pulled together to achieve the second fiscal year targets of its medium-term management plan which concludes in Fiscal Year 2013.

Net sales in the cumulative second quarter rose 6.5% year-over-year to 74,031 million yen.

As for profits, operating income declined 68.2% year-over-year to 762 million yen due to a decline in the gross profit margin in the mail-order business and an increase in selling, general, and administrative expenses.

Ordinary income declined 55.2% year-over-year to 1,180 million yen despite foreign exchange gains. Net income decreased 57.8% year-over-year to 914 million yen.

Overview by segment

(Mail-order Business)

Consolidated sales in the mail-order business, comprising the catalog and the *hanpukai* businesses, increased 6.1% year-over-year to 66,640 million yen in the cumulative second quarter. Although sales in the *hanpukai* business declined, sales in the catalog business steadily increased.

The gross profit margin deteriorated due to an increase in sales of Internet-only products which tend to have a high cost of sales, and an increase in bargain sales and inventory clearance sales. Also, selling, general and administrative expenses rose due to an increase in distribution-related costs from an increase in the number of deliveries, an increase in catalog costs from the issue of new catalogs, and an increase in depreciation related to new systems-related investment. As a result, operating income declined 81.3% year-over-year to 408 million yen.

1) Catalog business

Consolidated sales in the catalog business rose 7.3% year-over-year to 62,102 million yen in the cumulative second quarter.

2) *Hanpukai* business

Consolidated sales in the *hanpukai* business decreased 8.3% year-over-year to 4,538 million yen in the cumulative second quarter.

(Bridal Business)

Consolidated sales in the bridal business, centered on the subsidiary Dears Brain Inc. which operates the house wedding business, rose 31.4% year-over-year to 4,738 million yen in the cumulative second quarter due to the drop out of the impact from the earthquake, and a contribution from the opening of "CANOVIANO Fukuoka." Operating income totaled 239 million yen compared with loss of 0 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, decreased 18.4% year-over-year to 1,881 million yen in the cumulative second quarter due to the end of a contract with a major outsourcing client until last year. Operating income declined 34.2% year-over-year to 177 million yen.

(Others)

Consolidated sales in other businesses, which consist of the services business (primarily travel and credit card services) and the pet business (pet goods sales through retail stores), decreased 6.5% year-over-year to 771 million yen in the cumulative second quarter. Operating loss totaled 63 million yen, compared with loss of 52 million yen in the same period of the previous fiscal year.

(2) Qualitative Information Regarding Consolidated Financial Position

(Balance sheet position)

Assets totaled 85,630 million yen at the end of the second quarter of the current fiscal year, down 4,810 million yen from the end of the previous fiscal year.

Current assets decreased 5,771 million yen to 38,710 million yen. The main factors were decreases of 3,541 million yen in cash and deposits, and 1,144 million yen in merchandise and finished goods. Noncurrent assets increased 961 million yen to 46,920 million yen, mainly due to decreases of 352 million yen in intangible assets and 377 million yen in investments and other assets, and an increase of 1,691 million yen in property, plant and equipment.

Current liabilities decreased 6,056 million yen to 35,187 million yen. The main factors were decreases of 2,458 million yen in short-term loans payable, 2,219 million yen in notes and accounts payable-trade, and 2,110 million yen in other. Noncurrent liabilities increased 75 million yen to 7,828 million yen. The main factors were decreases of 350 million yen in bonds payable and 302 million yen in long-term loans payable, and an increase of 781 million yen in other.

Net assets increased 1,171 million yen to 42,615 million yen. The main factors were increases of 611 million yen in retained earnings, 436 million yen in deferred gains or losses on hedges, and 110 million yen in valuation difference on available-for-sale securities. Consequently, the equity ratio was 49.8%.

(Cash flow position)

The balance of cash and cash equivalents at the end of the second quarter of the current fiscal year was 3,958 million yen, a decrease of 3,541 million yen from the end of the previous fiscal year.

Operating activities provided net cash of 1,597 million yen (year-over-year increase in income of 1,024 million yen). The main cash inflows were income before income taxes and minority interests of 1,109 million yen, depreciation and amortization of 1,409 million yen, a decrease in inventories of 1,152 million yen and a decrease in other current assets of 1,118 million yen. The main cash outflows were a decrease in notes and accounts payable-trade of 2,219 million yen, and a decrease in other current liabilities of 923 million yen.

Investing activities used net cash of 1,813 million yen (year-over-year increase in outlays of 759 million yen). The main cash outflow was 1,595 million yen for the purchase of property, plant and equipment.

Financing activities used net cash of 3,513 million yen (year-over-year increase in outlays of 1,532 million yen). The main cash outflows include a decrease in short-term loans payable of 2,500 million yen, the repayment of long-term loans payable of 711 million yen, and the redemption of bonds of 386 million yen.

(3) Qualitative Information Regarding Consolidated Outlook

Senshukai expects the business environment to remain harsh throughout the fiscal year due to consumers' growing thriftiness and preference for lower prices in a deflationary environment.

Senshukai has not changed the consolidated outlook for the current fiscal year (January 1, 2012 to December 31, 2012) that was revised and released on July 20, 2012. It also maintains its non-consolidated outlook.

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.

(Additional information)

Application of Accounting Standard for Accounting Changes and Error Corrections

The Company has adopted the “Accounting Standard for Accounting Changes and Error Corrections” (Accounting Standards Board of Japan (ASBJ) Statement No. 24, December 4, 2009)” and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, December 4, 2009) for accounting method revisions and for corrections to past errors from the beginning of the first quarter of the current fiscal year.

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

(Million yen)

	Fiscal Year 2011 (As of Dec. 31, 2011)	2Q 2012 (As of Jun. 30, 2012)
Assets		
Current assets		
Cash and deposits	7,500	3,958
Notes and accounts receivable-trade	6,589	6,646
Short-term investment securities	31	6
Merchandise and finished goods	17,022	15,878
Raw materials and supplies	118	111
Accounts receivable-other	8,802	8,381
Other	4,696	3,981
Allowance for doubtful accounts	(278)	(255)
Total current assets	44,482	38,710
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	13,513	13,632
Land	10,880	11,944
Other, net	2,056	2,564
Total property, plant and equipment	26,449	28,140
Intangible assets		
Goodwill	2,429	2,353
Other	4,506	4,229
Total intangible assets	6,935	6,583
Investments and other assets		
Investment securities	5,996	5,972
Other	6,921	6,541
Allowance for doubtful accounts	(343)	(317)
Total investments and other assets	12,574	12,196
Total noncurrent assets	45,959	46,920
Total assets	90,441	85,630

(Million yen)

	Fiscal Year 2011 (As of Dec. 31, 2011)	2Q 2012 (As of Jun. 30, 2012)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,282	7,063
Short-term loans payable	3,843	1,384
Current portion of bonds	736	700
Accounts payable-factoring	13,710	15,214
Income taxes payable	146	266
Provision for directors' bonuses	31	-
Provision for sales promotion expenses	613	564
Forward exchange contracts	1,941	1,164
Other	10,939	8,829
Total current liabilities	41,244	35,187
Noncurrent liabilities		
Bonds payable	2,550	2,200
Long-term loans payable	3,971	3,669
Provision for retirement benefits	31	32
Asset retirement obligations	364	309
Other	834	1,616
Total noncurrent liabilities	7,753	7,828
Total liabilities	48,997	43,015
Net assets		
Shareholders' equity		
Capital stock	20,359	20,359
Capital surplus	21,038	21,038
Retained earnings	12,288	12,899
Treasury stock	(2,775)	(2,775)
Total shareholders' equity	50,910	51,521
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,008)	(898)
Deferred gains or losses on hedges	(1,237)	(801)
Revaluation reserve for land	(7,041)	(7,041)
Foreign currency translation adjustment	(177)	(164)
Total accumulated other comprehensive income	(9,465)	(8,906)
Total net assets	41,444	42,615
Total liabilities and net assets	90,441	85,630

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

(Million yen)

	2Q 2011 (Jan. 1, 2011 – Jun. 30, 2011)	2Q 2012 (Jan. 1, 2012 – Jun. 30, 2012)
Net sales	69,542	74,031
Cost of sales	35,739	38,999
Gross profit	33,803	35,031
Selling, general and administrative expenses	31,404	34,269
Operating income	2,398	762
Non-operating income		
Interest income	24	25
Dividends income	84	82
Foreign exchange gains	240	232
Other	183	285
Total non-operating income	532	626
Non-operating expenses		
Interest expenses	118	121
Loss on valuation of compound financial instruments	8	-
Relief aid expenses	97	-
Other	75	87
Total non-operating expenses	300	208
Ordinary income	2,631	1,180
Extraordinary income		
Gain on sales of noncurrent assets	1	1
Gain on sales of investment securities	139	22
Total extraordinary income	140	23
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	40	94
Provision of allowance for doubtful accounts	181	-
Loss on valuation of golf club membership	0	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	111	-
Loss on disaster	49	-
Special retirement expenses	122	-
Other	16	-
Total extraordinary losses	522	94
Income before income taxes and minority interests	2,249	1,109
Income taxes	83	195
Income before minority interests	2,166	914
Net income	2,166	914

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

(Million yen)

	2Q 2011 (Jan. 1, 2011 – Jun. 30, 2011)	2Q 2012 (Jan. 1, 2012 – Jun. 30, 2012)
Income before minority interests	2,166	914
Other comprehensive income		
Valuation difference on available-for-sale securities	(189)	110
Deferred gains or losses on hedges	736	436
Foreign currency translation adjustment	4	10
Share of other comprehensive income of associates accounted for using equity method	(0)	2
Total other comprehensive income	550	559
Comprehensive income	2,717	1,474
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,717	1,474
Comprehensive income attributable to minority interests	-	-

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	2Q 2011 (Jan. 1, 2011 – Jun. 30, 2011)	2Q 2012 (Jan. 1, 2012 – Jun. 30, 2012)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,249	1,109
Depreciation and amortization	1,145	1,409
Increase (decrease) in allowance for doubtful accounts	176	(49)
Increase (decrease) in allowance for sales promotion expenses	33	(49)
Interest and dividends income	(108)	(107)
Interest expenses	118	121
Foreign exchange losses (gains)	(430)	(333)
Loss (gain) on sales and retirement of noncurrent assets	39	92
Loss (gain) on sales of investment securities	(138)	(22)
Loss on valuation of golf club memberships	0	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	111	-
Decrease (increase) in notes and accounts receivable-trade	(390)	(56)
Decrease (increase) in inventories	(501)	1,152
Decrease (increase) in other current assets	1,058	1,118
Increase (decrease) in notes and accounts payable-trade	(1,523)	(2,219)
Increase (decrease) in other current liabilities	(1,079)	(923)
Other, net	126	430
Subtotal	885	1,672
Interest and dividends income received	108	107
Interest expenses paid	(122)	(126)
Income taxes (paid) refund	(298)	(55)
Net cash provided by (used in) operating activities	572	1,597
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(339)	(1,595)
Purchase of intangible assets	(1,122)	(452)
Purchase of investment securities	(20)	(20)
Proceeds from sales of investment securities	617	141
Other, net	(189)	112
Net cash provided by (used in) investing activities	(1,054)	(1,813)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-	(2,500)
Proceeds from long-term loans payable	300	450
Repayment of long-term loans payable	(1,523)	(711)
Redemption of bonds	(383)	(386)
Cash dividends paid	(345)	(303)
Other, net	(29)	(62)
Net cash provided by (used in) financing activities	(1,981)	(3,513)
Effect of exchange rate change on cash and cash equivalents	4	6
Net increase (decrease) in cash and cash equivalents	(2,458)	(3,722)
Cash and cash equivalents at beginning of period	10,855	7,500
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	181
Cash and cash equivalents at end of period	8,397	3,958

(4) Going Concern Assumption

Not applicable.

(5) Significant Changes in Shareholders' Equity

Not applicable.

(6) Segment and Other Information

I 2Q 2011 (Jan. 1, 2011 – Jun. 30, 2011)

1. Information related to sales and profit or loss for each reportable segment (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	62,805	3,607	2,305	68,718	824	69,542	-	69,542
Inter-segment sales	525	-	151	676	44	720	(720)	-
Total	63,330	3,607	2,457	69,395	868	70,263	(720)	69,542
Segment profit (loss)	2,177	(0)	270	2,447	(52)	2,395	3	2,398

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 3 million yen adjustment to segment profit comprises elimination for inter-segment transactions.

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

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

No major events or changes occurred.

II 2Q 2012 (Jan. 1, 2012 – Jun. 30, 2012)

1. Information related to sales and profit or loss for each reportable segment (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	66,640	4,738	1,881	73,259	771	74,031	-	74,031
Inter-segment sales	295	-	31	326	43	370	(370)	-
Total	66,935	4,738	1,912	73,586	815	74,401	(370)	74,031
Segment profit (loss)	408	239	177	825	(63)	762	0	762

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 0 million yen adjustment to segment profit comprises elimination for inter-segment transactions.

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

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

No major events or changes occurred.

* 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.