

## Summary of Financial Results for the First Quarter of Fiscal Year 2015 (Three Months Ended March 31, 2015)

[Japanese GAAP]

April 24, 2015

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: May 13, 2015  
 Scheduled date of payment of dividend: -  
 Preparation of supplementary materials for quarterly financial results: None  
 Holding of quarterly financial results meeting: None

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

### 1. Consolidated Financial Results for the 1st Quarter of 2015 (January 1, 2015 – March 31, 2015)

#### (1) Consolidated operating results (cumulative)

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q 2015	31,086	(16.5)	(1,817)	-	(1,719)	-	(1,164)	-
1Q 2014	37,229	8.0	1,012	-	1,059	341.2	546	176.4

Note: Comprehensive income (millions of yen) 1Q 2015: (972) (- %) 1Q 2014: (87) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
1Q 2015	(26.89)	-
1Q 2014	12.62	-

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
1Q 2015	101,316	51,721	51.0	1,193.05
Fiscal Year 2014	100,785	53,160	52.7	1,227.52

Reference: Shareholders' equity (millions of yen) 1Q 2015: 51,668 Fiscal Year 2014: 53,160

### 2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2014	-	12.00	-	12.00	24.00
Fiscal Year 2015	-				
Fiscal Year 2015 (forecasts)		8.00	-	8.00	16.00

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

### 3. Consolidated Outlook for Fiscal Year 2015 (January 1, 2015 – December 31, 2015)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2Q 2015 (cumulative)	74,000	(0.1)	1,050	(42.7)	1,250	(35.8)	700	(23.4)	16.16
Full Year 2015	146,000	2.4	3,200	3.6	3,500	(1.4)	2,000	11.2	46.18

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

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

Note: Please refer to “2. Matters Related to Summary Information (Notes), (2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements” on page 3 for further information.

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares outstanding (common shares)

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

1Q 2015:	47,630,393 shares	Fiscal Year 2014:	47,630,393 shares
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2) Number of treasury shares at end of period

1Q 2015:	4,322,711 shares	Fiscal Year 2014:	4,322,649 shares
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3) Average number of shares outstanding during the period

1Q 2015:	43,307,715 shares	1Q 2014:	43,308,491 shares
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\* Disclosure regarding the implementation of quarterly review procedures

These quarterly financial results materials are not subject to quarterly review procedures based on the Financial Instruments and Exchange Act. Thus, at the time of its disclosure, the quarterly financial statement review procedures based on the Financial Instruments and Exchange Act have not been completed.

\* Cautionary statement with respect to forward-looking statements

The above projections are based on information available at the time of release of this report. Actual results could differ significantly from these projections due to a variety of factors. For further details regarding the projections, please refer to page 3, “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements.”

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first quarter (January 1, 2015 to March 31, 2015) of the current fiscal year, the Japanese economy continued to recover at a moderate pace due to higher earnings, primarily in export industries, and other benefits of economic stimulus measures by the government and monetary easing by the Bank of Japan. However, personal consumption remains lackluster. The weaker yen is making consumer products more costly, real disposal income continues to decline, and consumers are still reluctant to make purchases following the April 2014 consumption tax hike. The persistent weakness of the recovery in personal consumption in Japan makes the outlook for the entire retail sector unclear.

The Senshukai Group is currently in the second year of the medium- to long-term management plan “Innovate for Smiles 2018” that covers the five-year period ending in 2018. All group companies are focusing their energy on achieving the goals of this plan.

Net sales in the first quarter decreased 16.5% year-over-year to 31,086 million yen because the downturn in personal consumption after the April 2014 consumption tax hike has still not ended.

There was an operating loss of 1,817 million yen compared with operating income of 1,012 million yen in the same period of the previous fiscal year. This loss was caused by the decline in sales and an increase in the cost of sales ratio as the weaker yen raised the cost of merchandise.

Ordinary loss was 1,719 million yen compared with an ordinary income of 1,059 million yen in the same period of the previous fiscal year) and net loss was 1,164 million yen compared with a net income of 546 million yen in the same period of the previous fiscal year.

#### Overview by segment

##### (Mail-order Business)

Consolidated sales in the mail-order business, centered on the catalog and the Internet businesses, decreased 18.0% year-over-year to 27,558 million yen in the first quarter. One reason is that the rush to make purchases in the same period of the previous fiscal year before the consumption tax hike ended. In addition, sales were held down by the prolonged weakness in consumer sentiment after the tax hike. Another negative factor was the decision to cancel the cross-media promotions that took place in February 2014. Furthermore, the revised promotional campaigns for our good customers that we started in 2015 have not produced results as expected. These customers pushed back their purchases more than we anticipated during the first quarter, which was a period of transition in our promotional activities.

There was an operating loss of 1,686 million yen compared with operating income of 890 million yen in the same period of the previous fiscal year. Benefits of cuts in selling, general and administrative expenses were more than offset by an increase in the cost of sales ratio caused by the yen’s weakness.

##### (Bridal Business)

Consolidated sales in the bridal business, centered on the house wedding business, decreased 10.7% year-over-year to 2,368 million yen in the first quarter, because of the large number of weddings in the first quarter of 2014 prior to the consumption tax hike. Operating loss was 216 million yen, compared with an operating income of 15 million yen in the same period of the previous fiscal year.

##### (Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, increased 14.9% year-over-year to 1,002 million yen, and operating income increased 15.0% to 108 million yen.

##### (Others)

Consolidated sales in other businesses, which provides services business (primarily insurance and credit card services) and childcare business, increased 34.4% year-over-year to 157 million yen. Operating loss was 22 million yen, compared with an operating income of 12 million yen in the same period of the previous fiscal year.

**(2) Explanation of Financial Position**

(Balance sheet position)

Assets totaled 101,316 million yen at the end of the first quarter of the current fiscal year, an increase of 531 million yen from the end of the previous fiscal year.

Current assets decreased 1,822 million yen to 51,731 million yen. The main factors were decreases of 2,137 million yen in notes and accounts receivable-trade, and 1,361 million yen in accounts receivable-other, while there were increases of 876 million yen in cash and deposits, 541 million yen in merchandise and finished goods, and 206 million yen in other. Non-current assets increased 2,353 million yen to 49,584 million yen. The main factors were increase of 1,380 million yen in property, plant and equipment, 764 million yen in investments and other assets, and 208 million yen in intangible assets.

Current liabilities decreased 1,914 million yen to 31,556 million yen. The main factors were decreases of 1,912 million yen in other and 903 million yen in income taxes payable, while there was an increase of 727 million yen in accounts payable-trade. Non-current liabilities increased 3,885 million yen to 18,039 million yen. The main factor was an increase of 4,457 million yen in long-term loans payable, while there was a decrease of 450 million yen in bonds payable.

Net assets decreased 1,439 million yen to 51,721 million yen. The main factors were decreases of 1,642 million yen in retained earnings and 355 million yen in deferred gains or losses on hedges, while there was an increase of 494 million yen in valuation difference on available-for-sale securities. Consequently, the equity ratio was 51.0%.

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

Senshukai currently maintains its consolidated outlook for the current fiscal year (January 1, 2015 to December 31, 2015) that was released on February 5, 2015.

**2. Matters Related to Summary Information (Notes)****(1) Changes in Significant Subsidiaries during the Period**

Not applicable.

**(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements**

(Calculation of tax expense)

The tax expenses are calculated by first estimating the effective tax rate after the application of tax effect accounting with respect to income before income taxes and minority interests during the fiscal year in which the quarter under review falls, and multiplying that rate by the income before income taxes and minority interests for the quarter under review. However, the Company uses legally stipulated effective tax rates to calculate tax expenses for cases in which using estimated tax rates gives a noticeably irrational result.

**(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements**

Not applicable.

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

(Millions of yen)

	Fiscal Year 2014 (As of Dec. 31, 2014)	1Q 2015 (As of Mar. 31, 2015)
<b>Assets</b>		
Current assets		
Cash and deposits	7,910	8,787
Notes and accounts receivable-trade	6,622	4,485
Merchandise and finished goods	21,591	22,132
Accounts receivable-other	9,511	8,150
Other	8,230	8,436
Allowance for doubtful accounts	(311)	(260)
Total current assets	53,554	51,731
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,963	14,983
Land	12,311	12,245
Other, net	2,801	3,227
Total property, plant and equipment	29,075	30,456
Intangible assets		
Goodwill	2,225	2,452
Other	3,154	3,137
Total intangible assets	5,380	5,589
Investments and other assets		
Investment securities	6,155	6,806
Other	6,885	6,998
Allowance for doubtful accounts	(265)	(265)
Total investments and other assets	12,774	13,538
Total non-current assets	47,231	49,584
Total assets	100,785	101,316

	(Millions of yen)	
	Fiscal Year 2014 (As of Dec. 31, 2014)	1Q 2015 (As of Mar. 31, 2015)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Electronically recorded obligations-operating	12,124	12,077
Accounts payable-trade	5,397	6,124
Short-term loans payable	2,747	2,781
Current portion of bonds	700	800
Income taxes payable	915	11
Provision for sales promotion expenses	219	307
Other	11,367	9,454
<b>Total current liabilities</b>	<b>33,470</b>	<b>31,556</b>
<b>Non-current liabilities</b>		
Bonds payable	450	-
Bonds with subscription rights to shares	7,000	7,000
Long-term loans payable	3,510	7,967
Net defined benefit liability	84	91
Other	3,109	2,980
<b>Total non-current liabilities</b>	<b>14,153</b>	<b>18,039</b>
<b>Total liabilities</b>	<b>47,624</b>	<b>49,595</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	20,359	20,359
Capital surplus	21,038	21,038
Retained earnings	17,086	15,444
Treasury shares	(2,776)	(2,776)
<b>Total shareholders' equity</b>	<b>55,707</b>	<b>54,065</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,261	1,755
Deferred gains or losses on hedges	2,780	2,424
Revaluation reserve for land	(6,724)	(6,712)
Foreign currency translation adjustment	135	135
<b>Total accumulated other comprehensive income</b>	<b>(2,546)</b>	<b>(2,397)</b>
<b>Minority interests</b>	-	52
<b>Total net assets</b>	<b>53,160</b>	<b>51,721</b>
<b>Total liabilities and net assets</b>	<b>100,785</b>	<b>101,316</b>

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

(Millions of yen)

	1Q 2014 (Jan. 1, 2014 – Mar. 31, 2014)	1Q 2015 (Jan. 1, 2015 – Mar. 31, 2015)
Net sales	37,229	31,086
Cost of sales	19,965	17,297
Gross profit	17,264	13,788
Selling, general and administrative expenses	16,252	15,606
Operating income (loss)	1,012	(1,817)
Non-operating income		
Interest income	8	25
Dividend income	1	5
Gain on adjustment of account payable	53	54
Other	57	74
Total non-operating income	121	159
Non-operating expenses		
Interest expenses	54	48
Other	19	13
Total non-operating expenses	74	61
Ordinary income (loss)	1,059	(1,719)
Extraordinary income		
Gain on sales of non-current assets	-	1
Gain on sales of investment securities	0	-
Total extraordinary income	0	1
Extraordinary losses		
Loss on sales and retirement of non-current assets	7	0
Impairment loss	-	65
Total extraordinary losses	7	65
Income (loss) before income taxes and minority interests	1,052	(1,783)
Income taxes	504	(618)
Income (loss) before minority interests	547	(1,164)
Minority interests in income	0	-
Net income (loss)	546	(1,164)



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

(Millions of yen)

	1Q 2014 (Jan. 1, 2014 – Mar. 31, 2014)	1Q 2015 (Jan. 1, 2015 – Mar. 31, 2015)
Income (loss) before minority interests	547	(1,164)
Other comprehensive income		
Valuation difference on available-for-sale securities	(49)	494
Deferred gains or losses on hedges	(564)	(355)
Revaluation reserve for land	-	53
Foreign currency translation adjustment	(15)	0
Share of other comprehensive income of entities accounted for using equity method	(6)	(1)
Total other comprehensive income	<u>(634)</u>	<u>191</u>
Comprehensive income	<u>(87)</u>	<u>(972)</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(87)	(972)
Comprehensive income attributable to minority interests	0	-

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

Not applicable.

**(Significant Changes in Shareholders' Equity)**

Not applicable.

**(Segment and Other Information)**

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

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

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

Notes: 1. Others represent the businesses which are not included in any of the three reportable segments and consist mainly of the services business primarily offering insurance and credit card services.

2. Segment profit is consistent with operating income shown on the quarterly consolidated statement of income.

2. Information related to impairment of non-current assets, goodwill, etc. for each reportable segment

No major events or changes occurred.

II 1Q 2015 (Jan. 1, 2015 – Mar. 31, 2015)

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	27,558	2,368	1,002	30,928	157	31,086	-	31,086
Inter-segment sales or transfers	186	-	60	246	0	246	(246)	-
Total	27,744	2,368	1,062	31,175	157	31,333	(246)	31,086
Segment profit (loss)	(1,686)	(216)	108	(1,794)	(22)	(1,817)	(0)	(1,817)

Notes: 1. Others represent the businesses which are not included in any of the three reportable segments and consist mainly of the services business primarily offering insurance and credit card services, and childcare business.

2. The (0) million yen adjustment to segment profit (loss) comprises elimination for inter-segment transactions.

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

2. Information related to impairment of non-current assets, goodwill, etc. for each reportable segment

No major events or changes occurred.

**(Subsequent Events)**

Capital and business alliance, issuance of new shares and disposal of treasury shares through a third-party allotment.

At the Board of Directors meeting held on April 17, 2015, resolution was approved to establish a capital and business alliance agreement with J.FRONT RETAILING Co.,Ltd. (JFR) and to issue new shares through the third-party allotment to this company, as well as the disposal of treasury shares (the “Third-party Allotment”). The agreement was signed on the same day.

In association with the Third-party Allotment, JFR purchased Senshukai stock from five shareholders as of April 17, 2015. Following these purchases of its stock by JFR, Senshukai expects change in its largest shareholder and other affiliated company.

**I. Capital and business alliance****1. Reason for the capital and business alliance**

As a “Women’s Smiles Company,” Senshukai provides wide variety of original merchandise such as apparel, accessories, furniture and other products to women in their 30s to 50s by using primarily the *Belle Maison* mail-order business. In 2000, Senshukai was one of the first companies in its industry to start an e-commerce business. Senshukai has accumulated considerable expertise in the mail-order business from its involvement in this business for many years. To achieve more growth in corporate value, Senshukai established a medium-to long-term management plan covering the five years from 2014 to 2018, in February 2014. The plan has several strategic objectives. First is to develop the best possible private brands for each targeted customer segment for women in their 30s to 50s, the main customers for its mail-order business. Second is to implement merchandise planning for enabling all the sales channels to contribute to raising awareness of its private brands. Third is to enact structural reforms for switching to an SPA (specialty store retailer of private-label apparel) business model, which Senshukai believes will facilitate the efficient and effective growth of private brands. Fourth is to establish an omni-channel framework. This goal involves integrating e-commerce, catalogs, stores and all other sales and distribution channels so that our customers can make purchases at any time and any location.

The JFR Group has a well-balanced nationwide network of department stores, including PARCO CO., LTD and StylingLife Holdings Inc., located in major metropolitan areas of Japan as well as a high-quality customer base. Under a medium-term business plan that covers the three years from 2014 to 2016, the JFR Group is working on becoming much more competitive and profitable as a multi-channel retailer. Other goals are to establish a business model for growth centered on its stores along with the regions where stores are located (urban market dominance strategy) and to use omni-channel retailing.

The business climate for the retail industry in Japan is undergoing major changes. Most significantly, there is increasingly heated competition among retailers along with growing competition with companies outside the retail sector. By operating department stores, the JFR Group has much expertise involving brands, sales and customer service, and store operations. In addition, this group has a balanced network of stores in Japan’s large cities and a solid base of quality customers.

Senshukai and the JFR Group have expertise in different business domains and serve different customer segments. The JFR Group uses stores to sell merchandise while Senshukai uses mainly catalogs and Internet. The JFR Group targets a broad spectrum of age segments while Senshukai’s customers are mainly women in their 30s to 50s and mothers. As a result, the operations of the two companies are mutually complementary. Therefore, we concluded that a business alliance will enable both companies to increase their market shares and conduct business operations with greater efficiency. Discussions regarding an alliance started in October 2014. The two companies confirmed that there are good prospects for synergies, such as by jointly selling their private brand merchandise to expand sales channels. To determine specific alliance activities and the use of funds procured through the capital alliance, Senshukai and the JFR Group agreed to establish a committee to hold discussions. The two companies also agreed that JFR will use the capital alliance to provide Senshukai with the funds required for business alliance activities. These actions led to an agreement for a capital and business alliance that includes the acquisition of at least 20% of Senshukai’s stock by JFR.

## 2. Details of the business alliance

Goals of the business alliance are as follows.

- (1) Expand sales channels and reduce the cost of merchandise through joint marketing of the current private brand merchandise of both companies
- (2) Conduct cross selling by utilizing each company's resources and expertise with regard to certain merchandise groups that do not fully meet customers' needs
- (3) Develop and jointly market new private brand merchandise, utilizing Senshukai's product development capabilities and the JFR Group's expertise in store development and operations and sales customer service
- (4) Expand e-commerce sales and earnings by utilizing Senshukai's expertise in e-commerce operations and the JFR Group's customer base and powerful brands
- (5) Consider improving the operating efficiency and rebuilding the platform of the JFR Group's direct marketing business, by utilizing Senshukai's expertise and order fulfillment system
- (6) Generate earnings in more ways by utilizing each group's assets and expertise to the maximum extent
- (7) Establish a Business Alliance Promotion Committee to drive the above initiatives forward

## 3. Capital alliance

Senshukai will use the Third-party Allotment to sell 8,900,000 shares (17.06% of all voting rights) of its common stock to JFR. In addition, JFR has purchased 2,915,000 shares (5.59% of all voting rights) of Senshukai common stock from shareholders of Senshukai. Following these purchases, JFR holds 22.65% of Senshukai's voting rights and 22.62% of all Senshukai shares issued.

## 4. Profile of J.FRONT RETAILING

(1) Name	J.FRONT RETAILING Co.,Ltd.
(2) Location	10-1, Ginza 6-chome, Chuo-ku, Tokyo
(3) Representative	Ryoichi Yamamoto, President
(4) Business	Management planning, administration and associated operations for subsidiaries and group companies that operate department stores and other businesses
(5) Capital	30,000 million yen

## II. Issuance of new shares and disposal of treasury shares through a third-party allotment

### 1. Issuance of new shares

- (1) Type and number of shares to be issued: Senshukai common stock 4,600,000 shares
- (2) Issue price: 846 yen per share
- (3) Total issue price: 3,891,600,000 yen
- (4) Amount credited to capital: 1,945,800,000 yen
- (5) Method of allotment: Issuance of new shares through a third-party allotment
- (6) Allottee: J.FRONT RETAILING Co.,Ltd.
- (7) Payment date: May 7, 2015

### 2. Disposal of treasury shares

- (1) Type and number of shares to be sold: Senshukai common stock 4,300,000 shares
- (2) Disposal price: 846 yen per share
- (3) Total disposal price: 3,637,800,000 yen
- (4) Method of disposal: Disposal of treasury shares through a third-party allotment
- (5) Purchaser: J.FRONT RETAILING Co.,Ltd.
- (6) Payment date: May 7, 2015

### 3. Purpose and reason for offering

As was explained in “I. Capital and business alliance 1. Reason for the capital and business alliance,” the Third-party Allotment is associated with the business alliance with JFR. The purpose is to build a framework for cooperation between Senshukai and the JFR Group in order to improve prospects for the success of the capital and business alliance.

The Third-party Allotment will result in the dilution of Senshukai common stock. However, Senshukai believes that the capital and business alliance with JFR and the improvement in its financial soundness due to the Third-party Allotment will lead to growth in the corporate value of the Senshukai Group as well as in shareholder value.

### 4. Amount and use of funds to be raised

#### (1) Amount of funds to be raised

(i) Total payment amount	7,529,400,000 yen
(ii) Estimated cost of issuance and disposal	244,000,000 yen
(iii) Estimated net proceeds	7,285,400,000 yen

Note: 1. Estimated costs of issuance do not include consumption tax.

2. Estimated costs of issuance mainly include commercial registration fees, advisory fees and stock exchange listing expenses.

#### (2) Specific use of funds to be raised

Senshukai plans to use the estimated net proceeds of 7,285 million yen for capital expenditures and other investments associated with the business alliance with JFR. In the mail-order business, as initially planned, Senshukai will use 3,000 million yen of the funds associated with this alliance for investments in systems required for the omni-channel strategy in “Innovate for Smiles 2018” management plan. Another 3,000 million yen will be used for the logistics infrastructure, including shipping, warehousing and other systems, needed to support growth in shipments as Senshukai and JFR Group sales increase. The remainder of the net proceeds will be used for opening flagship stores in large cities (Tokyo, Osaka and others) for activities involving new brands and for the joint development and procurement of new private brand merchandise. The Business Alliance Promotion Committee, which the two companies plan to establish, will determine specific actions and these investments will be made at the proper times.

*\* 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.*