

Summary of Financial Results for the Fiscal Year 2017 (Ended December 31, 2017)

[Japanese GAAP]

February 8, 2018

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Scheduled date of annual general meeting of shareholders: March 29, 2018

Scheduled date of payment of dividend: -

Scheduled date of filing of Annual Security Report: March 30, 2018

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year 2017 (January 1, 2017 – December 31, 2017)

(1) Consolidated operating results

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year 2017	125,999	(2.4)	(4,287)	-	(4,206)	-	(11,090)	-
Fiscal Year 2016	129,074	(3.9)	1,194	-	1,673	-	1,420	-

Note: Comprehensive income (millions of yen) Fiscal Year 2017: (10,797) (-%) Fiscal Year 2016: (579) (-%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal Year 2017	(213.16)	-	(23.6)	(4.4)	(3.4)
Fiscal Year 2016	27.26	24.16	2.7	1.6	0.9

Reference: Equity in earnings (losses) of affiliates (millions of yen) Fiscal Year 2017: 238 Fiscal Year 2016: 228

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2017	90,441	41,548	45.9	797.13
Fiscal Year 2016	101,959	52,572	51.5	1,009.26

Reference: Shareholders' equity (millions of yen) Fiscal Year 2017: 41,473 Fiscal Year 2016: 52,508

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year 2017	1,952	(397)	(1,148)	17,323
Fiscal Year 2016	3,825	94	(1,580)	16,600

2. Dividends

	Dividend per share					Total dividends (total)	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal Year 2016	Yen -	Yen 4.00	Yen -	Yen 4.00	Yen 8.00	Millions of yen 417	% 29.3	% 0.8
Fiscal Year 2017	-	0.00	-	0.00	0.00	-	-	-
Fiscal Year 2018 (forecasts)	-	0.00	-	-	-	-	-	-

Notes: 1. The total dividends for Fiscal Year 2016 include a dividend of 1 million yen from the Senshukai stock held by the executive stock compensation trust.

2. Dividend forecast for the Fiscal Year 2018 has not been determined at this time.

3. Consolidated Outlook for Fiscal Year 2018 (January 1, 2018 – December 31, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year 2018	124,000	(1.6)	1,600	-	1,900	-	1,400	-	26.91

*** 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) 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

(3) Number of shares outstanding (common shares)

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

Fiscal Year 2017: 52,230,393 shares Fiscal Year 2016: 52,230,393 shares

2) Number of treasury shares at the end of the period

Fiscal Year 2017: 201,588 shares Fiscal Year 2016: 203,527 shares

3) Average number of shares outstanding during the period

Fiscal Year 2017: 52,028,126 shares Fiscal Year 2016: 52,096,233 shares

Note: The Senshukai stock held by the trust that is recorded as treasury shares under shareholders' equity is included in the number of treasury shares, and is deducted from the number of shares that is used to calculate the average number of shares outstanding.

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for Fiscal Year 2017 (January 1, 2017 – December 31, 2017)

(1) Non-consolidated operating results

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year 2017	89,145	(12.4)	(5,952)	-	(5,565)	-	(10,819)	-
Fiscal Year 2016	101,798	(7.5)	(95)	-	745	-	1,052	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal Year 2017	(207.95)	-
Fiscal Year 2016	20.21	17.91

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2017	73,864	39,318	53.2	755.70
Fiscal Year 2016	88,881	50,313	56.6	967.07

Reference: Shareholders' equity (millions of yen) Fiscal Year 2017: 39,318 Fiscal Year 2016: 50,313

* This financial report is not subject to audit procedures.

* Cautionary statement with respect to forward-looking statements

Cautionary statement with respect to forecasts

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 4.

How to view supplementary information at the financial results meeting

Senshukai plans to hold a financial results meeting for institutional investors and analysts on February 9, 2018. Materials to be distributed at the meeting will be disclosed, using the Timely Disclosure network (TDnet), and available on the Senshukai's website.

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1. Overview of Results of Operations

(1) Results of Operations

Overview

In 2017, the Japanese economy recovered slowly due to improvements in corporate capital expenditures and employment situation that were backed by the government's economic policies. Although consumer spending also recovered gradually, consumers in Japan still have a strong desire to hold down their spending. The operating environment for the Senshukai Group remained tough during 2017 because of the rising cost of raw materials, higher distribution expenses and other challenges.

Net sales in 2017 decreased 2.4% year-over-year to 125,999 million yen, mainly because of lower sales in the mail-order business.

Operating loss was 4,287 million yen compared with operating profit of 1,194 million yen in 2016 because of an increase in merchandise valuation losses associated with the establishment of a more clearly defined policy for managing inventories. This policy includes the early procurement of merchandise, which is a characteristic of the catalog retail business, moves to end the business model in which products are sold for a long time, and price reductions of merchandise currently being sold as needed in order to raise the percentage of inventories sold. There was an ordinary loss of 4,206 million yen compared with ordinary profit of 1,673 million yen in 2016. Loss attributable to owners of parent was 11,090 million yen compared with a profit of 1,420 million yen in 2016. This loss was mainly the result of an impairment loss and special retirement payments for a voluntary retirement program.

Overview by segment

(Mail-order Business)

Consolidated sales in the mail-order business, centered on the catalog and the Internet businesses, decreased 5.0% year-over-year to 101,279 million yen in 2017. There was an operating loss of 5,707 million yen compared with a loss of 240 million yen in 2016.

(Bridal Business)

Consolidated sales in the bridal business, centered on the house wedding business, increased 7.8% year-over-year to 18,132 million yen. Operating profit increased 28.2% year-over-year to 963 million yen.

(Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, increased 5.6% year-over-year to 4,833 million yen, and operating profit decreased 27.3% to 375 million yen.

(Others)

Consolidated sales in other businesses, which consist of services (primarily insurance and credit card services) and a childcare business, increased 63.5% year-over-year to 1,753 million yen. Operating profit decreased 44.8% to 80 million yen.

(2) Financial Position

Assets totaled 90,441 million yen at the end of 2017, a decrease of 11,518 million yen from the end of 2016.

Current assets decreased 3,763 million yen to 48,854 million yen. The main factor was a decrease of 4,019 million yen in merchandise and finished goods. Non-current assets decreased 7,755 million yen to 41,586 million yen. The factors include decreases of 4,535 million yen in property, plant and equipment due to booking of impairment loss, 1,439 million yen in intangible assets, and 1,780 million yen in investments and other assets.

Current liabilities increased 767 million yen to 30,066 million yen. The main factor was an increase of 1,683 million yen in accounts payable-other, while there was a decrease of 959 million yen in electronically recorded obligations-operating. Non-current liabilities decreased 1,262 million yen to 18,826 million yen. The main factor

was a decrease of 2,000 million yen in bonds with subscription rights to shares, while there was an increase of 1,312 million yen in long-term loans payable.

Net assets decreased 11,024 million yen to 41,548 million yen. The main factor was a decrease of 17,245 million yen in retained earnings, while there was an increase of 5,927 million yen in revaluation reserve for land. Consequently, the equity ratio was 45.9%.

(3) Cash Flows

The balance of cash and cash equivalents at the end of 2017 was 17,323 million yen, an increase of 723 million yen from the end of 2016.

Operating activities provided net cash of 1,952 million yen (net cash provided of 3,825 million yen in 2016). The main cash inflows were impairment loss of 5,473 million yen, a decrease in inventories of 4,454 million yen and depreciation of 2,196 million yen. The main cash outflows include a loss before income taxes of 10,899 million yen.

Investing activities used net cash of 397 million yen (net cash provided of 94 million yen in 2016). The main cash inflows include proceeds from sales of investment securities of 1,754 million yen and proceeds from capital reduction with compensation of subsidiaries and affiliates of 450 million yen. The main cash outflows were 1,165 million yen for the purchase of property, plant and equipment, 835 million yen for the purchase of shares of subsidiaries and 529 million yen for the purchase of intangible assets.

Financing activities used net cash of 1,148 million yen (net cash used of 1,580 million yen in 2016). The main cash inflows include the proceeds from long-term loans payable of 2,800 million yen. The main cash outflows were 2,000 million yen for the payment for redemption of bonds with subscription rights of shares and 1,656 million yen for the repayments of long-term loans payable.

Cash flow indices

	Fiscal Year 2015 (As of Dec. 31, 2015)	Fiscal Year 2016 (As of Dec. 31, 2016)	Fiscal Year 2017 (As of Dec. 31, 2017)
Equity ratio (%)	51.0	51.5	45.9
Equity ratio based on fair value (%)	39.6	36.1	37.3
Ratio of interest-bearing debt to cash flows (years)	5.9	5.0	9.3
Interest coverage ratio (times)	17.1	23.7	12.6

Notes: 1. Cash flow indices are calculated, using consolidated financial figures, as follows:

The equity ratio is shareholders' equity divided by total assets.

The equity ratio based on fair value is market capitalization divided by total assets.

The ratio of interest-bearing debt to cash flows is interest-bearing debt divided by the quantity of operating cash flows.

The interest coverage ratio is operating cash flows divided by interest payments.

- Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares issued and outstanding at the end of the period, excluding treasury shares.
- Interest-bearing debt includes short-term loans payable, bonds with subscription rights to shares, long-term loans payable, and lease obligations shown on the consolidated balance sheet.
- Operating cash flows and interest payments represent net cash provided by (used in) operating activities and interest expenses paid, respectively, on the consolidated statement of cash flows.

(4) Basic Policy Regarding Distribution of Earnings and Dividends in the Current and Next Fiscal Years

The Group's basic policy is to strengthen the business foundation while maintaining stable dividends, taking into consideration the payout ratio, and ensuring a fair distribution of earnings to shareholders that reflects its business performance.

Specifically, the Group's policy regarding the distribution of earnings to shareholders is to strive continuously for a payout ratio of 30% on a consolidated basis. However, because of a net loss in 2017, we plan to pay no dividend for 2017. We also plan to pay no interim dividend in 2018 and have not made a decision about the year-end dividend. Our highest priorities are the implementation of our medium-term management plan and the growth of shareholders' equity from the standpoint of the stability and safety of business operations. In addition, operations in 2018 will be significantly affected by seasonal factors.

(5) Outlook

Although Japan's economy continues to recover, the operating environment is expected to remain challenging in 2018 as consumers were increasingly budget-minded. There will be even more activities in 2018 to restore profitability and build a stronger foundation for business operations. One goal is improving mail-order business profitability by downsizing unprofitable product categories. We are also reexamining the procurement strategy, implementing timely discounts and taking other steps to increase the gross profit margin. In addition, we are working on lowering catalog and sales promotion expenses and using these expenditures more efficiently. To do this, we are conducting a complete reexamination of our strategies for distributing catalogs and for price discounts and points awarded for purchases.

Based on this outlook, our forecast for Fiscal Year 2018 is as follows.

Consolidated	(Millions of yen)			
	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Fiscal Year 2018 (forecast)	124,000	1,600	1,900	1,400
Fiscal Year 2017 (results)	125,999	(4,287)	(4,206)	(11,090)
Change (%)	(1.6)	-	-	-

* The above projections are based on information available at the time of release of this report. Actual results could differ from projections due to a variety of factors.

(6) Important Information about Going Concern Assumption

In 2017, the Senshukai Group had an operating loss of 4,287 million yen and a loss attributable to owners of parent of 11,090 million yen. This performance creates significant doubts about the going concern assumption. To eliminate these doubts and quickly improve results of operations, Senshukai has implemented a medium-term management plan for 2018 to 2020, which was announced on October 27, 2017. In addition, there were structural reforms during 2017 that included a voluntary retirement program and adjusting the size of core subsidiaries in order to streamline business operations. There will be even more activities in 2018 to restore profitability and build a stronger foundation for business operations. One goal is improving mail-order business profitability by downsizing unprofitable product categories. We are also reexamining the procurement strategy, implementing timely discounts and taking other steps to increase the gross profit margin. In addition, we are working on lowering catalog and sales promotion expenses and using these expenditures more efficiently. To do this, we are conducting a complete reexamination of our strategies for distributing catalogs and for price discounts and points awarded for purchases.

There are no significant concerns at this time about cash flows because cash and deposits were 17,328 million yen at the end of 2017 and working capital is sufficient to support business operations for the time being.

For these reasons, we believe there are no significant uncertainties regarding the going concern assumption.

2. Basic Approach for the Selection of Accounting Standards

The Senshukai Group has a policy of preparing its consolidated financial statements using Japanese GAAP for the time being to facilitate comparisons with prior-year performance and the performance of other companies in Japan.

We will take suitable actions with regard to the application of the International Financial Reporting Standards (IFRS) by taking into account trends in our industry peers in Japan and associated factors in Japan and other countries.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	Fiscal Year 2016 (As of Dec. 31, 2016)	Fiscal Year 2017 (As of Dec. 31, 2017)
Assets		
Current assets		
Cash and deposits	16,605	17,328
Notes and accounts receivable-trade	3,889	5,481
Merchandise and finished goods	20,580	16,561
Raw materials and supplies	141	171
Accounts receivable-other	7,818	7,216
Other	3,735	2,242
Allowance for doubtful accounts	(152)	(147)
Total current assets	52,618	48,854
Non-current assets		
Property, plant and equipment		
Buildings and structures	41,033	40,439
Accumulated depreciation	(24,904)	(26,722)
Buildings and structures, net	16,128	13,716
Machinery, equipment and vehicles	8,801	8,522
Accumulated depreciation	(8,010)	(8,309)
Machinery, equipment and vehicles, net	790	213
Tools, furniture and fixtures	2,858	2,493
Accumulated depreciation	(2,086)	(2,188)
Tools, furniture and fixtures, net	771	305
Land	11,310	10,451
Leased assets	979	741
Accumulated depreciation	(443)	(419)
Leased assets, net	536	321
Construction in progress	13	8
Total property, plant and equipment	29,551	25,016
Intangible assets		
Goodwill	2,027	1,992
Other	2,120	715
Total intangible assets	4,147	2,708
Investments and other assets		
Investment securities	8,651	7,630
Long-term loans receivable	1,202	770
Lease and guarantee deposits	1,826	1,942
Other	4,228	3,784
Allowance for doubtful accounts	(266)	(265)
Total investments and other assets	15,642	13,861
Total non-current assets	49,341	41,586
Total assets	101,959	90,441

(Millions of yen)

	Fiscal Year 2016 (As of Dec. 31, 2016)	Fiscal Year 2017 (As of Dec. 31, 2017)
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	10,365	9,406
Accounts payable-trade	5,840	6,123
Short-term loans payable	1,546	1,416
Lease obligations	122	112
Accounts payable-other	5,383	7,066
Accrued expenses	2,008	1,452
Income taxes payable	387	222
Accrued consumption taxes	534	416
Provision for sales promotion expenses	437	408
Provision for bonuses	-	581
Other	2,672	2,860
Total current liabilities	29,298	30,066
Non-current liabilities		
Bonds with subscription rights to shares	7,000	5,000
Long-term loans payable	9,300	10,613
Lease obligations	1,140	1,031
Deferred tax liabilities	1,308	943
Deferred tax liabilities for land revaluation	333	202
Net defined benefit liability	98	81
Provision for management board incentive plan trust	9	7
Asset retirement obligations	735	735
Other	162	212
Total non-current liabilities	20,088	18,826
Total liabilities	49,387	48,892
Net assets		
Shareholders' equity		
Capital stock	22,304	22,304
Capital surplus	23,860	23,860
Retained earnings	12,385	(4,859)
Treasury shares	(151)	(149)
Total shareholders' equity	58,399	41,155
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,271	1,216
Deferred gains or losses on hedges	(11)	219
Revaluation reserve for land	(6,983)	(1,056)
Foreign currency translation adjustment	(143)	(40)
Remeasurements of defined benefit plans	(23)	(19)
Total accumulated other comprehensive income	(5,890)	318
Non-controlling interests	64	74
Total net assets	52,572	41,548
Total liabilities and net assets	101,959	90,441

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income**(Consolidated Statement of Income)**

(Millions of yen)

	Fiscal Year 2016 (Jan. 1, 2016 – Dec. 31, 2016)	Fiscal Year 2017 (Jan. 1, 2017 – Dec. 31, 2017)
Net sales	129,074	125,999
Cost of sales	67,087	71,437
Gross profit	61,986	54,561
Selling, general and administrative expenses		
Freightage and packing expenses	6,868	6,771
Promotion expenses	16,795	14,149
Provision for allowance for sales promotion expenses	437	408
Provision of allowance for doubtful accounts	100	146
Bad debts expenses	-	18
Directors' compensations	393	357
Salaries and allowances	11,014	10,531
Bonuses	1,410	910
Provision for bonuses	-	571
Depreciation	3,198	2,154
Other	20,573	22,830
Total selling, general and administrative expenses	60,791	58,848
Operating profit (loss)	1,194	(4,287)
Non-operating income		
Interest income	28	27
Dividend income	103	87
Share of profit of entities accounted for using equity method	228	238
Gain on adjustment of account payable	256	191
Miscellaneous income	200	175
Total non-operating income	816	720
Non-operating expenses		
Interest expenses	156	155
Commission fee	57	316
Miscellaneous loss	124	167
Total non-operating expenses	338	639
Ordinary profit (loss)	1,673	(4,206)
Extraordinary income		
Gain on sales of non-current assets	34	4
Gain on sales of investment securities	436	715
Subsidy income	511	210
Other	-	4
Total extraordinary income	983	935
Extraordinary losses		
Loss on sales and retirement of non-current assets	31	55
Loss on reduction of non-current assets	485	198
Impairment loss	139	5,473
Business structure reform expenses	-	1,902
Other	42	0
Total extraordinary losses	698	7,629
Profit (loss) before income taxes	1,957	(10,899)
Income taxes-current	337	175
Income taxes-deferred	163	4
Total income taxes	501	179
Profit (loss)	1,456	(11,079)
Profit attributable to non-controlling interests	36	10
Profit (loss) attributable to owners of parent	1,420	(11,090)

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Fiscal Year 2016 (Jan. 1, 2016 – Dec. 31, 2016)	Fiscal Year 2017 (Jan. 1, 2017 – Dec. 31, 2017)
Profit (loss)	1,456	(11,079)
Other comprehensive income		
Valuation difference on available-for-sale securities	(476)	(66)
Deferred gains or losses on hedges	(1,159)	97
Revaluation reserve for land	18	-
Foreign currency translation adjustment	(38)	13
Share of other comprehensive income of entities accounted for using equity method	(379)	238
Total other comprehensive income	(2,036)	282
Comprehensive income	(579)	(10,797)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(616)	(10,807)
Comprehensive income attributable to non-controlling interests	36	10

(3) Consolidated Statement of Changes in Equity

Fiscal Year 2016 (Jan. 1, 2016 – Dec. 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	22,304	23,860	11,009	(15)	57,159
Changes of items during period					
Dividend of surplus			(416)		(416)
Profit attributable to owners of parent			1,420		1,420
Purchase of treasury shares				(136)	(136)
Disposal of treasury shares		0		0	0
Reversal of revaluation reserve for land			372		372
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	1,375	(136)	1,239
Balance at end of current period	22,304	23,860	12,385	(151)	58,399

(Millions of yen)

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,756	1,282	(6,629)	110	(1)	(3,481)	27	53,705
Changes of items during period								
Dividend of surplus								(416)
Profit attributable to owners of parent								1,420
Purchase of treasury shares								(136)
Disposal of treasury shares								0
Reversal of revaluation reserve for land								372
Net changes of items other than shareholders' equity	(484)	(1,294)	(353)	(254)	(21)	(2,409)	36	(2,372)
Total changes of items during period	(484)	(1,294)	(353)	(254)	(21)	(2,409)	36	(1,133)
Balance at end of current period	1,271	(11)	(6,983)	(143)	(23)	(5,890)	64	52,572

Fiscal Year 2017 (Jan. 1, 2017 – Dec. 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	22,304	23,860	12,385	(151)	58,399
Changes of items during period					
Dividend of surplus			(208)		(208)
Loss attributable to owners of parent			(11,090)		(11,090)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		0		1	1
Reversal of revaluation reserve for land			(5,927)		(5,927)
Change of scope of consolidation			(20)		(20)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	(17,245)	1	(17,243)
Balance at end of current period	22,304	23,860	(4,859)	(149)	41,155

(Millions of yen)

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,271	(11)	(6,983)	(143)	(23)	(5,890)	64	52,572
Changes of items during period								
Dividend of surplus								(208)
Loss attributable to owners of parent								(11,090)
Purchase of treasury shares								(0)
Disposal of treasury shares								1
Reversal of revaluation reserve for land								(5,927)
Change of scope of consolidation								(20)
Net changes of items other than shareholders' equity	(55)	230	5,927	103	3	6,209	10	6,219
Total changes of items during period	(55)	230	5,927	103	3	6,209	10	(11,024)
Balance at end of current period	1,216	219	(1,056)	(40)	(19)	318	74	41,548

(4) Consolidated Statement of Cash Flows

	(Millions of yen)	
	Fiscal Year 2016 (Jan. 1, 2016 – Dec. 31, 2016)	Fiscal Year 2017 (Jan. 1, 2017 – Dec. 31, 2017)
Cash flows from operating activities		
Profit (loss) before income taxes	1,957	(10,899)
Depreciation	3,231	2,196
Impairment loss	139	5,473
Increase (decrease) in allowance for doubtful accounts	(70)	(5)
Increase (decrease) in provision for sales promotion expenses	34	(29)
Increase (decrease) in provision for bonuses	-	581
Interest and dividend income	(131)	(114)
Interest expenses	156	155
Share of (profit) loss of entities accounted for using equity method	(228)	(238)
Loss (gain) on sales of investment securities	(436)	(715)
Loss (gain) on sales and retirement of non-current assets	(2)	50
Loss on reduction of non-current assets	485	198
Subsidy income	(511)	(210)
Payments for business structure reform expenses	-	1,902
Decrease (increase) in notes and accounts receivable-trade	372	(1,503)
Decrease (increase) in inventories	(2,565)	4,454
Decrease (increase) in other current assets	1,220	2,086
Increase (decrease) in notes and accounts payable-trade	101	(302)
Increase (decrease) in other current liabilities	(995)	(858)
Other, net	1,191	183
Subtotal	<u>3,949</u>	<u>2,403</u>
Interest and dividend income received	151	132
Interest expenses paid	(161)	(154)
Income taxes (paid) refund	300	(428)
Extra retirement payments	(414)	-
Net cash provided by (used in) operating activities	<u>3,825</u>	<u>1,952</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,583)	(1,165)
Proceeds from sales of property, plant and equipment	1,021	5
Purchase of intangible assets	(613)	(529)
Proceeds from subsidy income	257	309
Proceeds from withdrawal of time deposits	100	-
Purchase of investment securities	(89)	(150)
Proceeds from sales of investment securities	916	1,754
Purchase of shares of subsidiaries	(100)	(835)
Proceeds from capital reduction with compensation of subsidiaries and affiliates	-	450
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	(302)
Proceeds from transfer of business	216	-
Other, net	(30)	65
Net cash provided by (used in) investing activities	<u>94</u>	<u>(397)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(30)	40
Proceeds from long-term loans payable	1,700	2,800
Repayments of long-term loans payable	(2,117)	(1,656)
Payment for redemption of bonds with subscription rights to shares	-	(2,000)
Redemption of bonds	(450)	-
Purchase of treasury shares	(136)	(0)
Cash dividends paid	(418)	(209)
Other, net	(128)	(122)
Net cash provided by (used in) financing activities	<u>(1,580)</u>	<u>(1,148)</u>
Effect of exchange rate change on cash and cash equivalents	<u>(41)</u>	<u>(39)</u>
Net increase (decrease) in cash and cash equivalents	<u>2,297</u>	<u>366</u>
Cash and cash equivalents at beginning of period	14,303	16,600
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	357
Cash and cash equivalents at end of period	<u>16,600</u>	<u>17,323</u>

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Additional Information

(Provision for bonuses)

In 2016, bonuses for employees were included in the accrued expenses item of current liabilities. When the 2017 consolidated financial statements were prepared, it was difficult to estimate the amount of bonuses to be paid. Consequently, starting with the 2017 financial statements, expected bonus payments are shown separately as the provision for bonuses. In the consolidated balance sheet as of the end of 2016, accrued expenses included confirmed upcoming bonus payments of 590 million yen.

Segment Information

1. Overview of reportable segment

Segments used for financial reporting are Senshukai'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 Senshukai 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 Senshukai's infrastructure to provide solutions services and promotional services targeting mail-order companies and e-commerce businesses.

2. Calculation methods for sales, profit or loss, assets, and other items for each reportable segment

The accounting methods for reportable segments are the same as those used for preparing the consolidated financial statements.

Profits (loss) for reportable segments are generally operating profit (loss) figures.

Inter-segment sales or transfers are based on market prices.

3. Information related to sales and profit or loss, assets, and other items for each reportable segment

Fiscal Year 2016 (Jan. 1, 2016 – Dec. 31, 2016)

(Millions of yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Mail-order business	Bridal business	Corporates business	Sub-total				
Net sales								
Sales to customers	106,606	16,818	4,576	128,001	1,072	129,074	-	129,074
Inter-segment sales or transfers	988	0	106	1,094	0	1,095	(1,095)	-
Total	107,594	16,818	4,682	129,096	1,073	130,169	(1,095)	129,074
Segment profit (loss)	(240)	751	517	1,028	146	1,174	20	1,194
Segment assets	83,002	20,145	753	103,901	738	104,640	(2,680)	101,959
Other items								
Depreciation	2,181	1,009	24	3,215	15	3,231	-	3,231
Amortization of goodwill	-	216	-	216	-	216	-	216
Investment in equity-method affiliates	865	2,961	-	3,826	-	3,826	-	3,826
Increase in property, plant and equipment and intangible assets	701	883	23	1,607	115	1,723	-	1,723

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

2. Adjustments are as follows.

(1) The 20 million yen adjustment to segment profit (loss) is an elimination for inter-segment transactions.

(2) The (2,680) million yen adjustment to segment assets is an elimination for inter-segment transactions.

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

Fiscal Year 2017 (Jan. 1, 2017 – Dec. 31, 2017)

(Millions of yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Mail-order business	Bridal business	Corporates business	Sub-total				
Net sales								
Sales to customers	101,279	18,132	4,833	124,245	1,753	125,999	-	125,999
Inter-segment sales or transfers	1,016	1	160	1,178	33	1,212	(1,212)	-
Total	102,295	18,134	4,994	125,424	1,787	127,211	(1,212)	125,999
Segment profit (loss)	(5,707)	963	375	(4,368)	80	(4,287)	0	(4,287)
Segment assets	68,155	20,220	868	89,244	2,142	91,386	(945)	90,441
Other items								
Depreciation	1,117	1,025	25	2,168	28	2,196	-	2,196
Amortization of goodwill	-	216	-	216	20	236	-	236
Investment in equity-method affiliates	547	3,358	-	3,905	-	3,905	-	3,905
Increase in property, plant and equipment and intangible assets	1,063	414	0	1,478	69	1,548	-	1,548

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

2. Adjustments are as follows.

(1) The 0 million yen adjustment to segment profit (loss) is an elimination for inter-segment transactions.

(2) The (945) million yen adjustment to segment assets is an elimination for inter-segment transactions.

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

4. Information related to impairment of noncurrent assets for each reportable segment

Fiscal Year 2016 (Jan. 1, 2016 – Dec. 31, 2016)

(Millions of yen)

	Mail-order business	Bridal business	Corporates business	Others	Elimination or corporate	Total
Impairment loss	136	2	-	-	-	139

Fiscal Year 2017 (Jan. 1, 2017 – Dec. 31, 2017)

(Millions of yen)

	Mail-order business	Bridal business	Corporates business	Others	Elimination or corporate	Total
Impairment loss	4,877	550	-	44	-	5,473

Per Share Information

(Yen)

	Fiscal Year 2016 (Jan. 1, 2016 – Dec. 31, 2016)	Fiscal Year 2017 (Jan. 1, 2017 – Dec. 31, 2017)
Net assets per share	1,009.26	797.13
Net income (loss) per share	27.26	(213.16)
Diluted net income per share	24.16	-

Notes: 1. Diluted net income per share in Fiscal Year 2017 is not presented since Senshukai has outstanding dilutive securities, though posted a net loss.

2. Senshukai's stock held by the executive stock compensation trust is included in treasury shares, which is deducted from the number of shares outstanding at the end of the period for the calculation of net assets per share (deduction of 180,000 shares in Fiscal Year 2016 and 177,000 shares in Fiscal Year 2017). In addition, this trust stock is included in treasury shares, which is deducted from the average number of shares outstanding during the period for the calculation of net income (loss) per share and diluted net income per share (deduction of 180,000 shares in Fiscal Year 2016 and 178,000 shares in Fiscal Year 2017).

3. Basis for calculation of net income (loss) per share and diluted net income per share is as follows.

(Millions of yen)

	Fiscal Year 2016 (Jan. 1, 2016 – Dec. 31, 2016)	Fiscal Year 2017 (Jan. 1, 2017 – Dec. 31, 2017)
Net income (loss) per share		
Profit (loss) attributable to owners of parent	1,420	(11,090)
Amounts unavailable to common shareholders	-	-
Profit (loss) attributable to owners of parent related to common stock	1,420	(11,090)
Average number of shares outstanding during the period (thousand shares)	52,096	52,028
Diluted net income per share		
Adjustment to profit attributable to owners of parent	-	-
Increase in number of common stock (thousand shares)	6,679	-
[Including: subscription rights to shares (thousand shares)]	[6,679]	[-]
Number of residual securities with no dilution excluded from calculation of diluted net income per share	-	-

Subsequent Events

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.