Summary of Financial Results for the Second Quarter of Fiscal Year 2009
(Six Months Ended June 30, 2009)

July 30, 2009

Company name: **Senshukai Co., Ltd.** Stock Exchanges: Tokyo and Osaka, First Sections
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Scheduled date of filing of Quarterly Report: August 12, 2009
Scheduled date of payment of dividend: September 1, 2009

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the 2nd Quarter of 2009 (January 1, 2009 – June 30, 2009)

(1) Consolidated operating results (cumulative)

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q 2009	76,308	-	(474)	-	1,064	-	733	-
2Q 2008	79,211	(0.6)	1,398	(60.0)	313	(92.1)	(510)	-

	Net income per share	Diluted net income per share
	Yen	Yen
2Q 2009	15.69	-
2Q 2008	(10.93)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2Q 2009	99,302	46,186	46.5	988.38
Fiscal Year 2008	104,059	44,274	42.5	947.19

Reference: Shareholders' equity (million yen) 2Q 2009: 46,169 Fiscal Year 2008: 44,245

2. Dividends

	Dividend per share				
(Record date)	1Q-end	2Q-end	3Q-end	Yearend	Annual
	Yen	Yen	Yen	Yen	Yen
Full Year 2008	-	8.00	-	9.00	17.00
Full Year 2009	-	6.00			
Full Year 2009 (forecasts)			-	6.00	12.00

Note: Revision of dividend forecast during the period: None

3. Consolidated Outlook for Fiscal Year 2009 (January 1, 2009 – December 31, 2009)

(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 2009	152,480	(3.7)	1,100	(54.4)	2,100	-	1,510	-	32.33

Note: Revision of consolidated outlook during the period: None

4. Other

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

(2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements: Yes

Note: Please refer to "Qualitative Information and Financial Statements, 4. Others" on page 5 for further information.

(3) Changes in accounting principles, procedures and presentation methods for preparation of quarterly consolidated financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: Yes

Note: Please refer to "Qualitative Information and Financial Statements, 4. Others" on pages 5 and 6 for further information.

(4) Number of shares outstanding (common shares)

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

2Q 2009:	47,630,393 shares	Fiscal Year 2008:	47,630,393 shares

2) Number of treasury stock at end of period

2Q 2009:	918,677 shares	Fiscal Year 2008:	917,908 shares

3) Average number of shares outstanding during the period

2Q 2009:	46,712,132 shares	2Q 2008:	46,714,118 shares

*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 4, "Qualitative Information and Financial Statements, 3.Qualitative Information Regarding Consolidated Outlook."

- Effective from the current fiscal year, the Company has adopted "Accounting Standards for Quarterly Financial Statements" (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and "Guidance on Accounting Standards for Quarterly Financial Statements" (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial statements are prepared in accordance with "Regulations for Quarterly Consolidated Financial Statements". The Company has adopted the amended Regulations for Quarterly Consolidated Financial Statements, pursuant to the proviso of Article 7, Paragraph 1, Item 5 of the Supplementary Provision of the "Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Preparation Methods of Financial Statements" (Cabinet Office Ordinance No. 50, August 7, 2008).

Qualitative Information and Financial Statements

1. Qualitative Information Regarding Consolidated Results of Operations

The Japanese economy in the second quarter (January 1, 2009 to June 30, 2009) of the current fiscal year showed some signs that the downturn was easing due to benefits from the government’s economic stimulus measures including fixed cash handouts and the provision of “eco-points” for the purchase of energy-efficient “green” household appliances, and partial signs of recovery in production and stocks, but the outlook for a recovery in business sentiment remained uncertain due to real deterioration in household spending and the jobs-to-applicants ratio. This suggests it will take some time for personal consumption to recover. Conditions are forecast to remain weak in the retail industry going forward as consumer sentiment continues to stagnate as consumers hold back on purchases and shift to low-priced items on declines in summer bonuses and a harsh employment environment.

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

In the second quarter, Internet sales in the mail-order business rose 5.6% year-over-year due to the implementation of policies to expand Internet sales, but sales across most catalog media fell short of the Group’s forecasts as increasingly thrifty consumers held back on purchases, and competition intensified in the mail-order and specialty retail industries due to consumers’ greater preference for low priced-items.

Consolidated net sales decreased 3.7% year-over-year to 76,308 million yen in the second quarter of the fiscal year.

In terms of profits, operating losses totaled 474 million yen in the second quarter of the current fiscal year, compared with a gain of 1,398 million yen in the second quarter of last fiscal year, due to a decline in the gross profit margin from a decline in net sales and an increase in valuations losses from a change in the valuation of inventories. Ordinary income increased 239.7% year-over-year to 1,064 million yen, due to the booking of foreign exchange gains. Net income was 733 million yen compared with a loss of 510 million yen in the second quarter of last fiscal year.

Segment information

(Mail-order Business)

Consolidated sales in the mail-order business, which comprises the catalog and the *hanpukai* businesses, decreased 7.3% year-over-year to 68,396 million yen in the second quarter as sales declined in the catalog business due to lackluster consumption, and in the *hanpukai* business due to a decline in members.

In terms of profits, operating income declined from a 1,618 million yen profit in the previous second quarter to a 453 million yen loss in the current second quarter due to a rise in the cost-to-sales ratio following a change in the valuation of inventories.

(1) Catalog business

Internet orders account for more than 50% of sales in the catalog business, and the Group continues to promote a shift from catalogs to the Internet. The Group will continue to focus on increasing Internet orders via affiliates and SEO policies. Consolidated sales in the catalog business decreased 7.1% year-over-year to 62,758 million yen.

(2) *Hanpukai* business

To win new customers to the *hanpukai* business, the Group introduces *hanpukai* to users of its office vending box (*Choko Tabe* BOX). Consolidated sales in the *hanpukai* business declined 9.8% year-over-year to 5,637 million yen.

(Other Businesses)

The “other businesses” segment consists of the services business which primarily offers travel and credit card services, the storefront business, the pet business, the corporates business which provides products and services to corporations, and wedding business. Consolidated sales in this segment increased 46.4% year-over-year to 7,911 million yen. Operating losses declined 184 million yen to 63 million yen.

Year-over-year changes in value and percentage terms are included as reference given differences in applied accounting standards.

2. Qualitative Information Regarding Consolidated Financial Position

(Balance sheet position)

Assets totaled 99,302 million yen at the end of the second quarter of the current fiscal year, down 4,756 million yen from the end of the previous fiscal year.

Current assets decreased 4,288 million yen to 45,710 million yen. The main factors were decreases of 1,710 million yen in merchandise and finished goods, 1,643 million yen in accounts receivable-other and 1,042 million yen in other. Fixed assets decreased 468 million yen to 53,592 million yen, mainly due to decreases in property and equipment of 16 million yen, intangible assets of 73 million yen, and investments and other assets of 377 million yen.

Current liabilities decreased 15,703 million yen to 38,449 million yen. The main factors were decreases of 7,095 million yen in forward exchange contracts, 7,034 million yen in short-term bank loans, and 1,537 million yen in other. Long-term liabilities increased 9,034 million yen to 14,666 million yen, mainly due to increases in long-term debt of 5,103 million yen and corporate bonds of 4,267 million yen.

Net assets increased 1,912 million yen to 46,186 million yen. The main factors were increases in deferred hedge gains (losses) of 1,006 million yen, net unrealized gains on available-for-sale securities of 578 million yen and retained earnings of 312 million yen. Consequently, the equity ratio was 46.5%.

(Cash flow position)

The balance of cash and cash equivalents at the end of the second quarter of the current fiscal year was 8,003 million yen, a decrease of 183 million yen from the end of the previous fiscal year.

Operating activities used net cash of 1,767 million yen. The main contributing factor was a 2,370 million yen decrease in other current assets, a 1,732 million yen decrease in inventories, depreciation expenses of 1,227 million yen, and income before income taxes and minority interests of 949 million yen. Negative factors included 3,760 million yen payment for cancellation of derivative contracts, foreign exchange gains of 1,573 million yen, a 1,395 million yen decrease in notes and accounts payable-trade, and a 1,129 million yen decrease in other current liabilities.

Investing activities used net cash of 1,086 million yen. The main cash inflow was a 200 million yen decrease in time deposits. The main cash outflows were 925 million yen for purchases of property and equipment and 340 million yen for purchases of intangible assets.

Financing activities provided net cash of 2,472 million yen. The main cash inflows were proceeds from long-term debt of 7,184 million yen and issuance of bonds of 4,872 million yen, while there were net decrease in short-term bank loans of 8,000 million yen, repayments of long-term debt of 1,130 million yen and cash dividends paid of 420 million yen.

3. Qualitative Information Regarding Consolidated Outlook

The Group expects price competition among companies in different industries to intensify going forward, even though the worst is said to be over for some Japanese manufacturing sectors since last autumn’s downturn, at least according to the data, because consumption remains stagnant due to lingering concerns about weakness in the overall economy.

As we announced on July 17, 2009, we forecast Fiscal 2009 sales of 152,480 million yen, down 5,805 million yen over the previous fiscal year, operating income of 1,100 million yen, ordinary income of 2,100 million yen, and net income of 1,510 million yen.

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation)

Not applicable.

(2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements

(Simplified accounting methods)

1) Method for estimating the uncollectible amount of general reserve

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

2) Calculation of depreciation expense for fixed assets

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

3) Judgments about the recoverability of deferred tax assets

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

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

The tax expenses were calculated by first estimating the effective tax rate after the application of tax effect accounting with respect to income before income taxes during the fiscal year, and multiplying that rate by the quarterly income before income taxes. 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. Deferred income taxes were included and displayed with income taxes.

(3) Changes in accounting principles, procedures and presentation methods for preparation of quarterly consolidated financial statements

1) Application of “Accounting Standards for Quarterly Financial Statements”

Effective from the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial statements are prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements”. The Company has adopted the amended Regulations for Quarterly Consolidated Financial Statements, pursuant to the proviso of Article 7, Paragraph 1, Item 5 of the Supplementary Provision of the “Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Preparation Methods of Financial Statements” (Cabinet Office Ordinance No. 50, August 7, 2008).

2) Application of “Accounting Standards for Measurement of Inventories”

In prior years, inventories for regular sales purposes were stated at the lower of cost, determined by the monthly average method, or market. With the adoption of “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9) from the first quarter of the current fiscal year, inventories are stated at cost determined by the monthly average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).

As an effect of this change, operating income, ordinary income and income before income taxes and minority interests each decreased by 1,048 million yen. The effect of these changes on segment operations is shown in the Segment Information section.

3) Application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”

Effective from the first quarter of the current fiscal year, the Company has adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issue Task Force (“PITF”) No. 18).

This change has no effect on the amount of income.

4) Application of “Accounting Standards for Lease Transactions”

In prior years, the Company accounted for finance leases where there is no transfer of ownership as ordinary operating leases for accounting purposes. However, the Company is able to use the following accounting standards beginning with quarterly consolidated financial statements for fiscal years starting on or after April 1, 2008: “Accounting Standards for Lease Transactions” (ASBJ Statement No. 13); and “Guidance on Accounting Standards for Lease Transactions” (ASBJ Guidance No. 16). The Company has adopted these standards and guidance beginning with the first quarter of the current fiscal year, using an accounting method for leases that is based on the method used for ordinary purchases and sales. Furthermore, for the depreciation of lease assets associated with finance leases where there is no transfer of ownership, the straight-line method with no residual value is applied with the lease period used as the useful life of the asset.

For finance leases where there is no transfer of ownership that started prior to the fiscal year when these standards were first applied, the Company continues to use an accounting method that is based on the method used for ordinary lease transactions.

This change has no effect on the amount of income.

(Supplemental information)

1) Change in useful lives of property and equipment

Effective from the first quarter of the current fiscal year, the Company and its domestic consolidated subsidiaries have reviewed the useful lives of machinery, etc. as a result of revision to the Corporate Tax Law and consequently have revised the useful lives as stipulated in the revised law.

This change has no significant effect on the amount of income.

2) Abolishment of the retirement benefit system for directors and corporate auditors

The Board of Directors resolved at a meeting held on January 29, 2009 to abolish the Company’s retirement benefit system for directors and corporate auditors, and shareholders resolved at their annual general meeting held on March 27, 2009 to pay current directors and corporate auditors, upon retirement, a lump sum for their term of service up through the day of abolishment of the system. Consolidated subsidiaries have also abolished the retirement benefit system for directors and corporate auditors. As a result, the Company has drawn down the entire balance of liabilities for retirement benefits for directors and corporate auditors, and booked the unpaid amount in the “Other” account of current liabilities at the end of the first quarter of the current fiscal year.

5. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	2Q 2009 (As of Jun. 30, 2009)	Fiscal Year 2008 Summary (As of Dec. 31, 2008)
Assets		
Current assets		
Cash and deposits	7,781	7,670
Notes and accounts receivable-trade	11,211	10,888
Marketable securities	223	524
Merchandise and finished goods	14,689	16,400
Raw materials and supplies	98	97
Accounts receivable-other	6,385	8,028
Other	5,662	6,705
Allowance for doubtful accounts	(341)	(316)
Total current assets	45,710	49,998
Fixed assets		
Property and equipment		
Buildings and structures, net	14,837	15,059
Land	11,168	11,168
Other, net	2,513	2,308
Total property and equipment	28,519	28,536
Intangible assets		
Goodwill	2,885	2,963
Other	2,505	2,502
Total intangible assets	5,391	5,465
Investments and other assets		
Investment securities	11,894	11,368
Other	7,928	8,893
Allowance for doubtful accounts	(142)	(203)
Total investments and other assets	19,680	20,058
Total fixed assets	53,592	54,060
Total assets	99,302	104,059

(Million yen)

	2Q 2009 (As of Jun. 30, 2009)	Fiscal Year 2008 Summary (As of Dec. 31, 2008)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,144	8,527
Short-term bank loans	2,923	9,957
Current portion of corporate bonds	766	66
Accounts payable-factoring	16,256	15,789
Accrued income taxes	325	194
Allowance for sales promotion expenses	393	346
Forward exchange contracts	2,692	9,788
Other	7,946	9,484
Total current liabilities	38,449	54,153
Long-term liabilities		
Corporate bonds	4,435	168
Long-term debt	9,215	4,112
Liabilities for employees' retirement benefits	52	45
Other	963	1,305
Total long-term liabilities	14,666	5,631
Total liabilities	53,115	59,784
Net assets		
Shareholders' equity		
Common stock	20,359	20,359
Capital surplus	21,038	21,038
Retained earnings	14,376	14,064
Treasury stock	(632)	(631)
Total shareholders' equity	55,142	54,830
Valuation and translation adjustments		
Net unrealized gains on available-for-sale securities	(733)	(1,312)
Deferred hedge gains (losses)	(1,031)	(2,038)
Land revaluation difference	(7,103)	(7,103)
Foreign currency translation adjustments	(104)	(130)
Total valuation and translation adjustments	(8,973)	(10,584)
Minority interests	17	29
Total net assets	46,186	44,274
Total liabilities and net assets	99,302	104,059

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

(Million yen)

	2Q 2009 (Jan. 1, 2009 – Jun. 30, 2009)
Net sales	76,308
Cost of sales	40,510
Gross profit	35,797
Selling, general and administrative expenses	36,272
Operating loss	(474)
Other income	
Interest income	58
Dividend income	93
Gains on valuation of compound financial instruments	61
Foreign exchange gains	1,531
Other	173
Total other income	1,917
Other expenses	
Interest expenses	150
Investment loss on equity method	34
Bond issuance cost	127
Other	65
Total other expenses	378
Ordinary income	1,064
Extraordinary losses	
Losses on sales and disposal of fixed assets	16
Losses on valuation of investment securities	43
Impairment loss	54
Total extraordinary losses	114
Income before income taxes and minority interests	949
Income taxes	252
Minority interests in loss	(35)
Net income	733

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	2Q 2009 (Jan. 1, 2009 – Jun. 30, 2009)
Cash flows from operating activities	
Income before income taxes and minority interests	949
Depreciation expenses	1,227
Impairment loss	54
Increase (decrease) in allowance for doubtful accounts	(35)
Increase (decrease) in allowance for sales promotion expenses	47
Interest and dividend income	(151)
Interest expenses	150
Foreign exchange losses (gains)	(1,573)
Investment loss (profit) on equity method	34
Losses (gains) on valuation of compound financial instruments	(61)
Bond issuance cost	127
Losses (gains) on sales and disposal of fixed assets	16
Losses (gains) on valuation of investment securities	43
Decrease (increase) in notes and accounts receivable-trade	(295)
Decrease (increase) in inventories	1,732
Decrease (increase) in other current assets	2,370
Increase (decrease) in notes and accounts payable-trade	(1,395)
Increase (decrease) in accrued consumption taxes	3
Increase (decrease) in other current liabilities	(1,129)
Other	(278)
Subtotal	1,837
Interests and dividends received	180
Interests paid	(100)
Payment for cancellation of derivative contracts	(3,760)
Income taxes (paid) refund	75
Net cash used in operating activities	(1,767)
Cash flows from investing activities	
Purchases of property and equipment	(925)
Purchases of intangible assets	(340)
Purchases of investment securities	(25)
Decrease (increase) in time deposits	200
Purchases of subsidiary stock	(65)
Other	69
Net cash used in investing activities	(1,086)
Cash flows from financing activities	
Net increase (decrease) in short-term bank loans	(8,000)
Proceeds from long-term debt	7,184
Repayments of long-term debt	(1,130)
Proceeds from issuance of bonds	4,872
Redemption of corporate bonds	(33)
Purchases of treasury stock	(0)
Proceeds from sales of treasury stock	0
Cash dividends paid	(420)
Net cash provided by financing activities	2,472
Effect of exchange rate change on cash and cash equivalents	2
Increase (decrease) in cash and cash equivalents	(378)
Cash and cash equivalents at beginning of period	8,186
Increase in cash and cash equivalents due to consolidation of subsidiary	195
Cash and cash equivalents at end of period	8,003

Effective from the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial statements are prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements”. The Company has adopted the amended Regulations for Quarterly Consolidated Financial Statements, pursuant to the proviso of Article 7, Paragraph 1, Item 5 of the Supplementary Provision of the “Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Preparation Methods of Financial Statements” (Cabinet Office Ordinance No. 50, August 7, 2008).

(4) Going Concern Assumption

Not applicable.

(5) Segment Information

Business segments

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

(Million yen)

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

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

2. Principal activities of each business segment

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

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

3. Change in accounting policy

Accounting standards for measurement of inventories

As stated in “Qualitative Information and Financial Statements, 4. Others, (3) Changes in accounting principles, procedures and presentation methods for preparation of quarterly consolidated financial statements, 2), “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9) has been adopted with effect from the first quarter of the current fiscal year. As an effect of this change, operating income in the mail-order business decreased by 1,048 million yen in the second quarter of the fiscal year. There is no effect on other businesses.

Geographical segment information

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

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

Overseas sales

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

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

(6) Significant Changes in Shareholders’ Equity

Not applicable.

Reference Material

Financial Statements, etc. of the Same Period Previous Fiscal Year

(1) Consolidated Statements of Income

(Million yen)

	Accounts	2Q 2008 (Jan. 1, 2008 – Jun. 30, 2008)
		Amount
I	Net sales	79,211
II	Cost of sales	40,898
	Gross profit	38,312
III	Selling, general and administrative expenses	36,914
	Operating income	1,398
IV	Other income	417
	Interest income	156
	Dividend income	94
	Other	166
V	Other expenses	1,502
	Interest expenses	56
	Foreign exchange losses	898
	Losses on write-down of compound financial instruments	248
	Other	298
	Ordinary income	313
VI	Extraordinary income	4
VII	Extraordinary losses	33
	Income before income taxes and minority interests	285
	Income taxes	789
	Minority interests	6
	Net loss	(510)

(2) Consolidated Statements of Cash Flows

(Million yen)

	2Q 2008 (Jan. 1, 2008 – Jun. 30, 2008)
Accounts	Amount
I Cash flows from operating activities	
Income before income taxes and minority interests	285
Depreciation expenses	914
Decrease in allowance for doubtful accounts	(97)
Increase in liabilities for employees’ retirement benefits	2
Increase in allowance for sales promotion expenses	143
Interest and dividend income	(251)
Interest expenses	56
Investment loss on equity method	183
Losses on write-down of compound financial instruments	248
Gains on sales of fixed assets	(4)
Losses on sales and disposal of fixed assets	20
Losses on valuation of investment securities	12
Increase in notes and accounts receivable-trade	(1,212)
Decrease in inventories	3,433
Decrease in other current assets	3,208
Decrease in notes and accounts payable-trade	(4,011)
Increase in accrued consumption taxes	218
Decrease in other current liabilities	(1,767)
Other	746
Subtotal	2,129
Interests and dividends received	243
Interests paid	(58)
Income taxes paid	(1,881)
Net cash provided by operating activities	432
II Cash flows from investing activities	
Purchases of property and equipment	(1,178)
Proceeds from sales of property and equipment	7
Purchases of intangible assets	(277)
Purchases of investment securities	(1,763)
Purchases of subsidiary stock associated with changes in the scope of consolidation	(2,297)
Increase in time deposits	(1,000)
Other	377
Net cash used in investing activities	(6,132)
III Cash flows from financing activities	
Net increase in short-term bank loans	3,500
Proceeds from long-term debt	5,032
Cash dividends paid	(652)
Other	(0)
Net cash provided by financing activities	7,879
IV Increase in cash and cash equivalents	2,179
V Cash and cash equivalents at beginning of period	3,526
VI Cash and cash equivalents at end of period	5,706

** 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.*