Summary of Financial Results for the Fiscal Year 2012 (Ended December 31, 2012)

[Japanese GAAP]

February 7, 2013

Company name: **Senshukai Co., Ltd.** Stock exchanges: Tokyo and Osaka, First Sections
Stock code: 8165 URL: http://www.senshukai.co.jp
Representative: Mr. Michio Tanabe, President and Representative Director
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Scheduled date of annual general meeting of shareholders: March 28, 2013
Scheduled date of payment of dividend: March 29, 2013
Scheduled date of filing of Annual Security Report: March 29, 2013
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes

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

1. Consolidated Financial Results for the Fiscal Year 2012 (January 1, 2012 – December 31, 2012)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal Year 2012	145,750	6.2	2,109	(32.1)	2,765	(14.5)	2,029	28.2
Fiscal Year 2011	137,261	0.3	3,107	(9.2)	3,233	2.1	1,583	(22.3)

Note: Comprehensive income (million yen) Fiscal Year 2012: 4,224 (up 57.4%) Fiscal Year 2011: 2,683 (up 49.8 %)

	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 2012	46.86	-	4.7	3.0	1.4
Fiscal Year 2011	36.56	-	3.9	3.6	2.3

Reference: Equity in earnings (losses) of affiliates (million yen) Fiscal Year 2012: 93 Fiscal Year 2011: 110

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal Year 2012	92,887	44,932	48.4	1,037.48
Fiscal Year 2011	90,441	41,444	45.8	956.94

Reference: Shareholders' equity (million yen) Fiscal Year 2012: 44,932 Fiscal Year 2011: 41,444

(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
	Million yen	Million yen	Million yen	Million yen
Fiscal Year 2012	2,337	(3,606)	991	7,452
Fiscal Year 2011	448	(2,077)	(1,727)	7,500

2. Dividends

	Dividend per share					Total dividends (total)	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal Year 2011	-	7.00	-	7.00	14.00	606	38.3	1.5
Fiscal Year 2012	-	10.00	-	10.00	20.00	866	42.7	2.0
Fiscal Year 2013 (forecasts)	-	12.00	-	12.00	24.00		28.1	

3. Consolidated Outlook for Fiscal Year 2013 (January 1, 2013 – December 31, 2013)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q 2013 (cumulative)	77,200	4.3	2,000	162.3	2,200	86.4	1,400	53.1	32.33
Full Year 2013	153,000	5.0	4,700	122.8	5,000	80.8	3,700	82.3	85.43

*** 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 end of period (including treasury stock)

Fiscal Year 2012: 47,630,393 shares Fiscal Year 2011: 47,630,393 shares

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

Fiscal Year 2012: 4,321,445 shares Fiscal Year 2011: 4,321,035 shares

3) Average number of shares outstanding during the period

Fiscal Year 2012: 43,309,151 shares Fiscal Year 2011: 43,309,511 shares

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for Fiscal Year 2012 (January 1, 2012 – December 31, 2012)

(1) Non-consolidated operating results

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal Year 2012	130,589	5.2	1,996	(38.0)	2,654	(24.4)	1,916	(0.8)
Fiscal Year 2011	124,083	(1.5)	3,219	9.0	3,513	22.5	1,932	28.3

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal Year 2012	44.26	-
Fiscal Year 2011	44.62	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal Year 2012	86,855	44,505	51.2	1,027.63
Fiscal Year 2011	85,724	41,211	48.1	951.56

Reference: Shareholders' equity (million yen) Fiscal Year 2012: 44,505 Fiscal Year 2011: 41,211

* Disclosure regarding the implementation of audit procedures

This financial report is not subject to the audit procedures based on the Financial Instruments and Exchange Act. Thus, at the time of its disclosure, the financial statement audit 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 4.

Contents of Attachments

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

Overview

In the fiscal year under review, the outlook for the Japanese economy remained uncertain due to the global economic slowdown caused by the European debt crisis among other factors, and the yen's protracted appreciation. In the retail industry, conditions remained harsh as worries over the future income and employment environment weighed on personal consumption. In the mail-order industry, sales continued to rise supported by ongoing expansion of Internet shopping through a wide range of devices including smartphones and tablets, but inter-industry competition intensified.

In this environment, the Senshukai Group pulled together to advance its growth strategy and achieve the targets of its medium-term management plan which concludes in Fiscal Year 2013.

Net sales in the current fiscal year steadily rose 6.2% year-over-year to 145,750 million yen.

As for profits, the cost-of-sales ratio rose due to an increase in bargain and clearance sales to work down elevated inventories, and together with a general rise in selling, general and administrative expenses, operating income declined 32.1% year-over-year to 2,109 million yen. Ordinary income declined 14.5% to 2,765 million yen despite an increase in foreign exchange gains and gain on valuation of compound financial instruments. However, net income increased 28.2% to 2,029 million yen as extraordinary losses, including loss on valuation of investment securities, declined year-over-year.

Overview by segment

(Mail-order Business)

Consolidated sales in the mail-order business, comprising the catalog and the *hanpukai* businesses, increased 5.7% year-over-year to 130,456 million yen in the current fiscal year. Although sales rose, the cost-of-sales ratio increased because, as the Group prioritized the stocking of inventory to minimize opportunity losses, bargain and clearance sales increased to work down elevated inventories. Also, distribution-related costs rose due to an increase in shipments, catalog-related costs rose due to the reorganization of media, and depreciation rose due to system investments. As a result, operating income in the mail-order business declined 54.4% year-over-year to 994 million yen.

1) Catalog business

The catalog business provides customers with lifestyle ideas in a wide variety of genres, as well as original Senshukai products, through a range of catalogs and the online shop "*Belle Maison Net*."

Sales temporarily declined year-over-year in some months due to the impact of unfavorable weather and other factors, but held steady overall. Internet sales and Internet-only sales* increased due to cross-media promotions including television advertising and the launch of free-shipping campaign for new members, and the introduction of various app services for smartphones and tablets. As a result, the number of active customers exceeded 4 million, and overall sales in the catalog business increased 7.0% year-over-year to 121,284 million yen. (*Internet-only sales: Customer makes purchase by putting product into online shopping cart.)

2) *Hanpukai* business

The *hanpukai* business employs an original, unique sales model differing from other mail-order companies whereby original goods are delivered monthly to all group and individual members, mainly working women.

Consolidated sales in the *hanpukai* business decreased 8.9% year-over-year to 9,171 million yen, despite strong sales of new products, due to a decline in members.

(Bridal Business)

Consolidated sales in the bridal business, centered on the house wedding business, rose 21.3% year-over-year to 10,197 million yen in the current fiscal year due to an increase in the number of weddings from the opening of new facilities in Fukuoka and Kagoshima. Operating income rose 55.8% year-over-year to 752 million yen.

(Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, decreased 7.8% year-over-year to 3,833 million yen due to the end of a contract with a major outsourcing client, and operating income decreased 11.5% year-over-year to 396 million yen.

(Others)

Consolidated sales in other businesses, which consist of the services business (primarily travel and credit card services) and the pet business (pet goods sales through retail stores), decreased 2.1% year-over-year to 1,262 million yen in the current fiscal year. Operating loss totaled 33 million yen, compared with an operating loss of 14 million yen in the previous fiscal year.

Note: As stated in "4. Consolidated Financial Statements, (7) Notes to Consolidated Financial Statements, Segment and Other Information," we have changed business segment classifications. Accordingly, the year-over-year changes for net sales, operating income/loss are based on the recalculated figures for the previous fiscal year.

(2) Analysis of Financial Position

(Balance sheet position)

Assets totaled 92,887 million yen at the end of the current fiscal year, up 2,445 million yen from the end of the previous fiscal year.

Current assets increased 1,765 million yen to 46,248 million yen. The main factors were decreases of 528 million yen in deferred tax assets and 378 million yen in merchandise and finished goods, and increases of 1,149 million yen in accounts receivable-other, 772 million yen in forward exchange contracts, and 563 million yen in short-term investment securities. Noncurrent assets increased 679 million yen to 46,639 million yen, mainly due to decreases of 661 million yen in intangible assets and 383 million yen in investments and other assets, and an increase of 1,724 million yen in property, plant and equipment.

Current liabilities decreased 4,181 million yen to 37,062 million yen. The main factors were decrease of 1,941 million yen in forward exchange contracts, 1,208 million yen in notes and accounts payable-trade, 437 million yen in short-term loans payable, and 306 million yen in provision for sales promotion expenses. Noncurrent liabilities increased 3,139 million yen to 10,892 million yen. The main factors were a decrease of 700 million yen in bonds payable, and increases of 3,021 million yen in long-term loans payable and 827 million yen in other.

Net assets increased 3,487 million yen to 44,932 million yen. The main factors were increases of 1,676 million yen in deferred gains or losses on hedges, 1,293 million yen in retained earnings, and 430 million yen in valuation difference on available-for-sale securities. Consequently, the equity ratio was 48.4%.

(Cash flow position)

The balance of cash and cash equivalents at the end of the current fiscal year was 7,452 million yen, a decrease of 47 million yen from the end of the previous fiscal year.

Operating activities provided net cash of 2,337 million yen (net cash provided of 448 million yen in the previous fiscal year). The main cash inflows were depreciation and amortization of 2,733 million yen, and income before income taxes and minority interests of 2,462 million yen. The main cash outflows were an increase in other current assets of 1,337 million yen, and a decrease in notes and accounts payable-trade of 1,213 million yen.

Investing activities used net cash of 3,606 million yen (net cash used of 2,077 million yen in the previous fiscal year). The main cash outflows were 2,585 million yen for the purchase of property, plant and equipment, and 1,163 million yen for the purchase of intangible assets.

Financing activities provided net cash of 991 million yen (net cash used of 1,727 million yen in the previous fiscal year). The main cash inflow was 5,750 million yen in proceeds from long-term loans payable, while main cash outflows include repayment of long-term loans payable of 1,666 million yen, a decrease in short-term loans payable of 1,500 million yen, cash dividends paid of 736 million yen and redemption of bonds of 736 million yen.

Cash flow indices

	Fiscal Year 2010 (As of Dec. 31, 2010)	Fiscal Year 2011 (As of Dec. 31, 2011)	Fiscal Year 2012 (As of Dec. 31, 2012)
Equity ratio (%)	43.7	45.8	48.4
Equity ratio based on fair value (%)	23.9	24.8	24.7
Average debt repayment period (years)	1.3	24.8	5.9
Interest coverage ratio (times)	33.7	1.9	9.4

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 average debt repayment period is interest-bearing debt divided by the quantity of operating cash flows.
The interest coverage ratio is operating cash flows divided by interest payments.
2. 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 stock.
3. Interest-bearing debt represents all liabilities shown on the consolidated balance sheets that incur interest.
4. Operating cash flows and interest payments represent net cash provided by (used in) operating activities and interest expenses paid, respectively, on the consolidated statements of cash flows.

(3) 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.

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. The Group will use internal reserves to invest in the development of new businesses for the medium to long term, to promote the rationalization of existing businesses, to improve the soundness of its financials, and to generally further strengthen its competitiveness and operations. Based on the aforementioned policies, the Group plans to pay a year-end dividend of 10 yen per share in line with initial plan. Together with an interim dividend of 10 yen per share, total annual dividend of 20 yen per share is to be paid.

Regarding dividends in Fiscal Year 2013, we plan to pay a total annual dividend of 24 yen per share comprised of an interim dividend of 12 yen per share and a year-end dividend of 12 yen per share.

(4) Outlook for Fiscal Year 2013

The Japanese economy has begun to show signs of recovery in the wake of the yen's depreciation and rising share prices since the end of last year, but the environment for personal consumption remains harsh due to diversification and stratification of the consumer base, and intensifying cross-industry competition.

Senshukai will push forward with its growth strategy in the final year of its medium-term management plan. In the catalog business, this includes reorganizing *Watashi no Kitai Fuku*, the mainstay apparel catalog, increasing the number of customers through the continuation of cross-media promotions, developing new apps to meet the needs of the growing base of smartphone users, and further strengthening Internet policies. Also, to improve profit margins, Senshukai will lower the cost-of-sales ratio by overhauling its inventory, procurement, and pricing strategies, and lower distribution-related costs by improving the efficiency of distribution. In the bridal business, consolidated subsidiary Dears Brain Inc. will aim to expand business by opening new facilities and renovating existing ones.

Based on this outlook, our earnings forecasts for the Fiscal Year 2013 are as follows.

Consolidated (Million yen)

	Net sales	Operating income	Ordinary income	Net income
Fiscal Year 2013 (forecast)	153,000	4,700	5,000	3,700
Fiscal Year 2012 (results)	145,750	2,109	2,765	2,029
Change (%)	5.0	122.8	80.8	82.3

* 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.

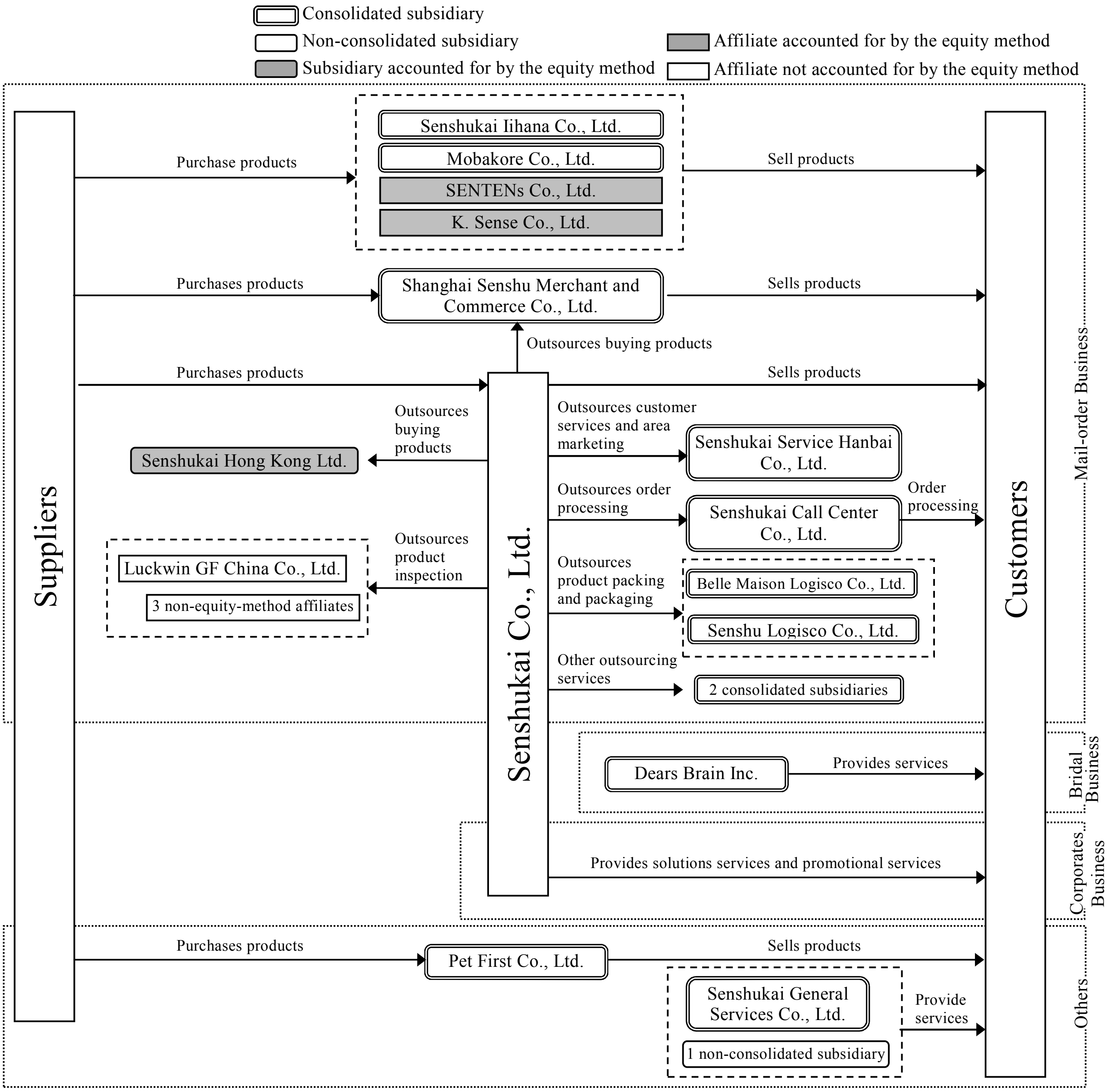
2. Group Organization

The Senshukai Group comprises the parent company, 14 subsidiaries, and 6 affiliates. Mail-order Business is the mainstay business, and we also involved in the Bridal Business, Corporates Business and other businesses.

The following describes the position of each major business activity in the Group's operations and business segments.

Segment	Major business activity	Company
Mail-order Business	Mail order	Senshukai Co., Ltd., Senshukai Service Hanbai Co., Ltd., Senshukai Iihana Co., Ltd., Shanghai Senshu Merchant and Commerce Co., Ltd., Senshukai Hong Kong Ltd., Luckwin GF China Co., Ltd., SENTENs Co., Ltd., Mobakore Co., Ltd., K. Sense Co., Ltd., and 5 other companies
	Order processing	Senshukai Call Center Co., Ltd.
	Transportation and warehousing	Belle Maison Logisco Co., Ltd., Senshu Logisco Co., Ltd.
Bridal Business		Dears Brain Inc.
Corporates Business		Senshukai Co., Ltd.
Others	Pet business	Pet First Co., Ltd.
	Services	Senshukai General Services Co., Ltd., and 1 other company

Schematic of businesses



3. Management Policies

(1) Basic Management Policy

The Senshukai Group's corporate philosophy is to "contribute to society by providing customers with outstanding products and services."

Senshukai works together with its shareholders, customers, business partners, employees, and all other stakeholders to enhance corporate value and mutual prosperity.

(2) Key Performance Indicators

Our medium-term management plan (runs from Fiscal Year 2011 through Fiscal Year 2013) aims to maximize group strengths, and targets strong growth in existing core businesses and new businesses.

Specifically, we had previously targeted consolidated net sales of 160,000 million yen, and operating income of 6,400 million yen for Fiscal Year 2013, but in light of intense cross-industry competition, the impact of the earthquake, unfavorable weather, and other factors, and recent earnings trends, our new consolidated targets are those listed on reference page 4 "1. Analysis of Operating Results and Financial Position (4) Outlook for Fiscal Year 2013."

Going forward, we aim to enhance corporate value by increasing growth and improving the earnings structure.

(3) Medium- to Long-term Corporate Management Strategy and Issues

We have formulated a three-year medium-term management plan that ends in Fiscal Year 2013.

Basic Policies of the Medium-term Management Plan

i. Create "New *Belle Maison*"

- We position *Belle Maison* as one strategic unit, and will separate its product development and marketing functions in order to quickly grasp and respond to market changes ahead of the competition, and to strengthen the development of original products that can "only be bought here" to create a *Belle Maison* that our customers view as necessary.
- To maintain the competitiveness of our Internet business, we will work to expand *Belle Maison Net* by transforming its mail-order infrastructure through the leveraging of strengths such as proprietary Internet website management and proprietary product development.

ii. Strengthen the Internet business

- We will enhance cooperation between *Belle Maison Net* and other Internet businesses to expand the product lineup and strategic sharing of customer assets, strengthen merchandising, further develop the organizational system, and maximize business synergies to strengthen the Internet business across the Group.
- At our subsidiaries, we will cultivate multiple specialty e-commerce websites that differ from *Belle Maison Net* to expand gross profits across the Group.

iii. Expand the bridal business

- We will continue to invest in the expansion of the bridal business, conducted by Dears Brain Inc., and strategically positioning "weddings" as an important source of information for our existing businesses, enhance cooperation within the Group to expand the customer base across the Group.

iv. Conduct high-quality, low-cost business operations

- We will conduct high-quality business operations in which the entire Group gets back to basics and prioritizes the supply of products and services to satisfy customers.
- We will implement across the Group low-cost business operations capable of flexibly responding to market changes.

(4) Other Important Business Matters

Not applicable.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	Fiscal Year 2011 (As of Dec. 31, 2011)	Fiscal Year 2012 (As of Dec. 31, 2012)
Assets		
Current assets		
Cash and deposits	7,500	7,452
Notes and accounts receivable-trade	6,589	6,663
Short-term investment securities	31	595
Merchandise and finished goods	17,022	16,644
Raw materials and supplies	118	188
Deferred tax assets	1,051	523
Accounts receivable-other	8,802	9,951
Forward exchange contracts	-	772
Other	3,644	3,744
Allowance for doubtful accounts	(278)	(289)
Total current assets	44,482	46,248
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	35,649	36,476
Accumulated depreciation	(22,136)	(22,425)
Buildings and structures, net	13,513	14,050
Machinery, equipment and vehicles	8,750	8,495
Accumulated depreciation	(7,880)	(7,784)
Machinery, equipment and vehicles, net	869	710
Tools, furniture and fixtures	2,963	2,639
Accumulated depreciation	(2,244)	(1,907)
Tools, furniture and fixtures, net	719	731
Land	10,880	11,908
Construction in progress	326	57
Other	215	898
Accumulated depreciation	(74)	(183)
Other, net	140	715
Total property, plant and equipment	26,449	28,174
Intangible assets		
Goodwill	2,429	2,278
Other	4,506	3,995
Total intangible assets	6,935	6,273
Investments and other assets		
Investment securities	5,996	5,950
Long-term loans receivable	943	797
Lease and guarantee deposits	1,690	1,563
Deferred tax assets	60	9
Other	4,226	4,186
Allowance for doubtful accounts	(343)	(317)
Total investments and other assets	12,574	12,190
Total noncurrent assets	45,959	46,639
Total assets	90,441	92,887

(Million yen)

	Fiscal Year 2011 (As of Dec. 31, 2011)	Fiscal Year 2012 (As of Dec. 31, 2012)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,282	8,073
Short-term loans payable	3,843	3,405
Current portion of bonds	736	700
Accounts payable-other	6,852	6,568
Accounts payable-factoring	13,710	13,993
Accrued expenses	2,464	2,225
Income taxes payable	146	207
Accrued consumption taxes	124	253
Provision for directors' bonuses	31	-
Provision for sales promotion expenses	613	307
Forward exchange contracts	1,941	-
Other	1,497	1,326
Total current liabilities	41,244	37,062
Noncurrent liabilities		
Bonds payable	2,550	1,850
Long-term loans payable	3,971	6,993
Deferred tax liabilities for land revaluation	631	631
Provision for retirement benefits	31	34
Asset retirement obligations	364	353
Other	203	1,030
Total noncurrent liabilities	7,753	10,892
Total liabilities	48,997	47,955
Net assets		
Shareholders' equity		
Capital stock	20,359	20,359
Capital surplus	21,038	21,038
Retained earnings	12,288	13,581
Treasury stock	(2,775)	(2,775)
Total shareholders' equity	50,910	52,203
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,008)	(578)
Deferred gains or losses on hedges	(1,237)	438
Revaluation reserve for land	(7,041)	(7,041)
Foreign currency translation adjustment	(177)	(89)
Total accumulated other comprehensive income	(9,465)	(7,271)
Total net assets	41,444	44,932
Total liabilities and net assets	90,441	92,887

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

(Million yen)

	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)	Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)
Net sales	137,261	145,750
Cost of sales	*1 71,311	*1 76,392
Gross profit	65,950	69,357
Selling, general and administrative expenses		
Freightage and packing expenses	8,386	9,074
Promotion expenses	18,829	19,744
Provision for allowance for sales promotion expenses	613	307
Provision of allowance for doubtful accounts	276	282
Bad debts expenses	38	23
Directors’ compensations	520	550
Salaries and allowances	11,142	11,332
Bonuses	1,703	1,664
Provision for directors’ bonuses	31	-
Provision for retirement benefits	10	10
Depreciation	2,343	2,733
Other	18,945	21,523
Total selling, general and administrative expenses	*2 62,842	*2 67,248
Operating income	3,107	2,109
Non-operating income		
Interest income	42	56
Dividends income	106	112
Gain on valuation of compound financial instruments	-	208
Foreign exchange gains	191	416
Equity in earnings of affiliates	110	93
Gain on adjustment of account payable	142	160
Miscellaneous income	208	212
Total non-operating income	801	1,260
Non-operating expenses		
Interest expenses	228	238
Loss on valuation of compound financial instruments	208	-
Commission fee	-	187
Relief aid expenses	108	-
Miscellaneous loss	129	179
Total non-operating expenses	675	605
Ordinary income	3,233	2,765

(Million yen)

	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)	Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)
Extraordinary income		
Gain on sales of noncurrent assets	*3 1	*3 1
Gain on sales of investment securities	139	22
Gain on forgiveness of debts	70	-
Total extraordinary income	210	23
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	*4 166	*4 169
Loss on valuation of investment securities	514	-
Loss on sales of investment securities	0	-
Impairment loss	*5 203	*5 64
Provision of allowance for doubtful accounts	183	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	111	-
Loss on disaster	108	-
Special retirement expenses	123	-
Loss on liquidation of business	-	84
Other	44	6
Total extraordinary losses	1,455	326
Income before income taxes and minority interests	1,988	2,462
Income taxes-current	148	184
Income taxes-deferred	256	249
Total income taxes	405	433
Income before minority interests	1,583	2,029
Net income	1,583	2,029

Consolidated Statements of Comprehensive Income

(Million yen)

	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)	Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)
Income before minority interests	1,583	2,029
Other comprehensive income		
Valuation difference on available-for-sale securities	(80)	430
Deferred gains or losses on hedges	1,104	1,676
Revaluation reserve for land	85	-
Foreign currency translation adjustment	0	71
Share of other comprehensive income of associates accounted for using equity method	(10)	16
Total other comprehensive income	1,099	2,194
Comprehensive income	2,683	4,224
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,683	4,224
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statements of Changes in Net Assets

(Million yen)

	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)	Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	20,359	20,359
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	20,359	20,359
Capital surplus		
Balance at the beginning of current period	21,038	21,038
Changes of items during the period		
Disposal of treasury stock	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of current period	21,038	21,038
Retained earnings		
Balance at the beginning of current period	11,344	12,288
Changes of items during the period		
Dividends from surplus	(649)	(736)
Net income	1,583	2,029
Reversal of revaluation reserve for land	9	-
Total changes of items during the period	943	1,293
Balance at the end of current period	12,288	13,581
Treasury stock		
Balance at the beginning of current period	(2,775)	(2,775)
Changes of items during the period		
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	0
Total changes of items during the period	(0)	(0)
Balance at the end of current period	(2,775)	(2,775)
Total shareholders' equity		
Balance at the beginning of current period	49,966	50,910
Changes of items during the period		
Dividends from surplus	(649)	(736)
Net income	1,583	2,029
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	0
Reversal of revaluation reserve for land	9	-
Total changes of items during the period	943	1,292
Balance at the end of current period	50,910	52,203

(Million yen)

	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)	Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	(928)	(1,008)
Changes of items during the period		
Net changes of items other than shareholders' equity	(80)	430
Total changes of items during the period	(80)	430
Balance at the end of current period	(1,008)	(578)
Deferred gains or losses on hedges		
Balance at the beginning of current period	(2,342)	(1,237)
Changes of items during the period		
Net changes of items other than shareholders' equity	1,104	1,676
Total changes of items during the period	1,104	1,676
Balance at the end of current period	(1,237)	438
Revaluation reserve for land		
Balance at the beginning of current period	(7,117)	(7,041)
Changes of items during the period		
Net changes of items other than shareholders' equity	75	-
Total changes of items during the period	75	-
Balance at the end of current period	(7,041)	(7,041)
Foreign currency translation adjustment		
Balance at the beginning of current period	(167)	(177)
Changes of items during the period		
Net changes of items other than shareholders' equity	(9)	87
Total changes of items during the period	(9)	87
Balance at the end of current period	(177)	(89)
Total accumulated other comprehensive income		
Balance at the beginning of current period	(10,555)	(9,465)
Changes of items during the period		
Net changes of items other than shareholders' equity	1,089	2,194
Total changes of items during the period	1,089	2,194
Balance at the end of current period	(9,465)	(7,271)
Total net assets		
Balance at the beginning of current period	39,411	41,444
Changes of items during the period		
Dividends from surplus	(649)	(736)
Net income	1,583	2,029
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	0
Reversal of revaluation reserve for land	9	-
Net changes of items other than shareholders' equity	1,089	2,194
Total changes of items during the period	2,033	3,487
Balance at the end of current period	41,444	44,932

(4) Consolidated Statements of Cash Flows

(Million yen)

	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)	Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,988	2,462
Depreciation and amortization	2,343	2,733
Impairment loss	203	64
Increase (decrease) in allowance for doubtful accounts	193	(15)
Increase (decrease) in allowance for sales promotion expenses	(42)	(306)
Interest and dividends income	(148)	(169)
Interest expenses	228	238
Foreign exchange losses (gains)	(540)	(682)
Equity in (earnings) losses of affiliates	(110)	(93)
Loss (gain) on valuation of compound financial instruments	208	(208)
Loss (gain) on sales of investment securities	(138)	(22)
Loss (gain) on sales and retirement of noncurrent assets	165	168
Loss (gain) on valuation of investment securities	514	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	111	-
Decrease (increase) in notes and accounts receivable-trade	(227)	(63)
Decrease (increase) in inventories	(4,418)	316
Decrease (increase) in other current assets	(583)	(1,337)
Increase (decrease) in notes and accounts payable-trade	1,350	(1,213)
Increase (decrease) in other current liabilities	(214)	(68)
Other, net	(103)	736
Subtotal	778	2,539
Interest and dividends income received	277	168
Interest expenses paid	(235)	(248)
Income taxes paid	(372)	(122)
Net cash provided by (used in) operating activities	448	2,337
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(924)	(2,585)
Proceeds from sales of property, plant and equipment	1	28
Purchase of intangible assets	(1,915)	(1,163)
Purchase of investment securities	(20)	(54)
Proceeds from sales of investment securities	999	141
Other, net	(218)	26
Net cash provided by (used in) investing activities	(2,077)	(3,606)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	2,500	(1,500)
Proceeds from long-term loans payable	300	5,750
Repayment of long-term loans payable	(3,048)	(1,666)
Redemption of bonds	(766)	(736)
Cash dividends paid	(648)	(736)
Other, net	(64)	(119)
Net cash provided by (used in) financing activities	(1,727)	991
Effect of exchange rate change on cash and cash equivalents	0	48
Net increase (decrease) in cash and cash equivalents	(3,355)	(228)
Cash and cash equivalents at beginning of period	10,855	7,500
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	181
Cash and cash equivalents at end of period	7,500	7,452

(5) Going Concern Assumption

Not applicable.

(6) Additional Information

Application of Accounting Standard for Accounting Changes and Error Corrections

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

(7) Notes to Consolidated Financial Statements

Notes to Consolidated Statements of Income

*1. The ending inventory is the amount written down to reflect the effect of lower profit margins. The following loss on valuation of inventories is included in cost of sales.

(Million yen)

Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)	Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)
796	793

*2. R&D expenses included in general and administrative expenses

(Million yen)

Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)	Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)
232	274

*3. Gain on sales of noncurrent assets

(Million yen)

Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)		Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)	
Machinery, equipment and vehicles, and others	1	Machinery, equipment and vehicles, and others	1

*4. Loss on sales and retirement of noncurrent assets

(Million yen)

Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)		Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)	
Loss on retirement of buildings and structures	12	Loss on retirement of buildings and structures	81
Loss on retirement of machinery, equipment and vehicles	130	Loss on sales of buildings and structures	10
Loss on retirement of tools, furniture and fixtures	14	Loss on retirement of machinery, equipment and vehicles	5
Loss on retirement of software	5	Loss on retirement of tools, furniture and fixtures	11
Other	3	Loss on sales of land	15
Total	166	Loss on retirement of intangible assets	38
		Other	5
		Total	169

*5. Impairment loss

The Senshukai Group posted impairment loss on the following asset groups.
Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)

(Million yen)

Location	Primary use	Type	Impairment loss
Kato City, Hyogo, other	Idle assets	Buildings and structures, land, and others	180
Misato City, Saitama, other	Business assets	Buildings and structures, and others	22

In principle, business assets are based on categories of management accounting. Idle assets are accounted independently.

Of the above asset groups, the Company marked down the book value of business assets to the recoverable amount reflecting weak prospects for improved short-term performance due to worsening operating profitability, and it marked down the book value of idle assets to the recoverable amount because of a decline in the assets' market value. These markdowns were booked as an impairment loss.

The impairment loss on buildings and strucures, land, tools, furniture and fixtures, and machinery, equipment and vehicles were 132 million yen, 64 million yen, 3 million yen, and 2 million yen, respectively.

The recoverable amount was measured at its net selling price. The net selling price was rationally estimated based on roadside land prices and other benchmarks.

Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)

(Million yen)

Location	Primary use	Type	Impairment loss
Sanda City, Hyogo	Idle assets	Land	1
Shibuya Ward, Tokyo, other	Business assets	Buildings and structures, and others	62

In principle, business assets are based on categories of management accounting. Idle assets are accounted independently.

Of the above asset groups, the Company marked down the book value of business assets to the recoverable amount reflecting weak prospects for improved short-term performance due to worsening operating profitability, and it marked down the book value of idle assets to the recoverable amount because of a decline in the assets' market value. These markdowns were booked as an impairment loss.

The impairment loss on buildings and strucures, tools, furniture and fixtures, land, and intangible assets were 43 million yen, 7 million yen, 1 million yen, and 10 million yen, respectively.

The recoverable amount was measured at its net selling price. The net selling price was rationally estimated based on roadside land prices and other benchmarks.

Segment and Other Information

1. Overview of reportable segment

Segments used for financial reporting are the Company's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Senshukai Group primarily operates the mail-order business, bridal business, and corporates business, and the Company and its group companies manage each of these businesses according to these classifications.

Therefore the Group, comprised of these different business segments, has three reportable segments: the mail-order business, bridal business, and corporates business.

The mail-order business is engaged in mail-order sales via a variety of media centered on catalogs and the Internet. The bridal business provides mostly house wedding services. The corporates business uses the Company's infrastructure to provide solutions services and promotional services targeting mail-order companies and e-commerce businesses.

Following the business transfer between companies within the consolidated group, a part of the business in the others segment was changed to the mail-order business segment in the current fiscal year. The reportable segment for the previous fiscal year is prepared and disclosed based on the calculation methods after this change.

2. Calculation methods for net sales, profit/loss, assets, liabilities, 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 for reportable segments are generally operating income figures.

Inter-segment sales are based on market prices.

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

Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011) (Million 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	123,405	8,407	4,159	135,972	1,289	137,261	-	137,261
Inter-segment sales	901	-	281	1,183	88	1,272	(1,272)	-
Total	124,307	8,407	4,441	137,156	1,377	138,534	(1,272)	137,261
Segment profit (loss)	2,183	482	448	3,114	(14)	3,100	7	3,107
Segment assets	82,559	8,895	579	92,034	672	92,707	(2,265)	90,441
Other items								
Depreciation	1,816	491	27	2,334	8	2,343	-	2,343
Amortization of goodwill	5	145	-	151	-	151	-	151
Investment in equity-method affiliates	478	-	-	478	-	478	-	478
Increase in property, plant and equipment and intangible assets	2,561	474	-	3,035	11	3,046	-	3,046

Notes: 1. Others represent the businesses which are not included in any of the three reportable segments and consist of the services business primarily offering travel and credit card services, and the pet business distributing pet goods through retail stores.

2. Adjustments are as follows.
(1) The 7 million yen adjustment to segment profit (loss) comprises elimination for inter-segment transactions.
(2) The (2,265) million yen adjustment to segment assets comprises elimination for inter-segment transactions.

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

Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012) (Million 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	130,456	10,197	3,833	144,487	1,262	145,750	-	145,750
Inter-segment sales	647	-	51	698	162	861	(861)	-
Total	131,103	10,197	3,884	145,186	1,425	146,612	(861)	145,750
Segment profit (loss)	994	752	396	2,143	(33)	2,109	(0)	2,109
Segment assets	83,595	11,933	514	96,043	607	96,651	(3,763)	92,887
Other items								
Depreciation	2,178	525	22	2,725	7	2,733	-	2,733
Amortization of goodwill	5	145	-	151	-	151	-	151
Investment in equity-method affiliates	396	-	-	396	-	396	-	396
Increase in property, plant and equipment and intangible assets	1,431	3,150	-	4,582	20	4,602	-	4,602

Notes: 1. Others represent the businesses which are not included in any of the three reportable segments and consist of the services business primarily offering travel and credit card services, and the pet business distributing pet goods through retail stores.

2. Adjustments are as follows.

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

(2) The (3,763) million yen adjustment to segment assets comprises elimination for inter-segment transactions.

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

Per Share Information

(Yen)

Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)		Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)	
Net assets per share	956.94	Net assets per share	1,037.48
Net income per share	36.56	Net income per share	46.86
Diluted net income per share is not presented since the Company has no outstanding residual securities.		Same as on the left.	

Note: Basis for calculation of net income per share is as follows.

(Million yen)

	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)	Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)
Net income per share		
Net income	1,583	2,029
Amounts unavailable to common shareholders	-	-
Net income related to common stock	1,583	2,029
Average number of shares outstanding during the period (thousand shares)	43,309	43,309

Subsequent Events

Not applicable.

5. Other

(1) Changes in Members of Board of Directors

Not applicable.

(2) Production, Orders and Sales

1) Production

There were no production activities.

2) Orders

There were no production activities in response to orders received.

3) Sales

a. Sales by business segment

(Million yen)

By business segment	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)		Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)		Change
	Amount	Share (%)	Amount	Share (%)	
Mail-order business	123,405	90.0	130,456	89.5	7,050
Bridal business	8,407	6.1	10,197	7.0	1,790
Corporates business	4,159	3.0	3,833	2.6	(325)
Others	1,289	0.9	1,262	0.9	(26)
Total	137,261	100.0	145,750	100.0	8,489

Notes: 1. The figures above are stated exclusive of consumption taxes.

2. Following the business transfer between companies within the consolidated group, a part of the business in the others segment was changed to the mail-order business segment in the current fiscal year. The reportable segment for the previous fiscal year is prepared and disclosed based on the calculation methods after this change.

b. Sales by type

(Million yen)

By type	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)		Fiscal Year 2012 (Jan. 1, 2012 – Dec. 31, 2012)		Change
	Amount	Share (%)	Amount	Share (%)	
Apparel	54,648	39.8	58,882	40.4	4,233
Interior goods	29,509	21.5	32,285	22.2	2,776
Household goods	18,706	13.6	18,283	12.5	(423)
Fashion accessories	14,010	10.2	15,240	10.5	1,229
Foods	4,547	3.3	3,958	2.7	(589)
Others	15,839	11.6	17,101	11.7	1,262
Total	137,261	100.0	145,750	100.0	8,489

Note: The figures above are stated exclusive of consumption taxes.

** 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.*