

# Summary of Financial Results for the Third Quarter of Fiscal Year 2019 (Nine Months Ended September 30, 2019)

[Japanese GAAP]

October 31, 2019

Company name: **SENSHUKAI CO.,LTD.**

Stock exchange: Tokyo Stock Exchange, First Section

Stock code: 8165

URL: <https://www.senshukai.co.jp>

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Scheduled date of filing of Quarterly Report: November 13, 2019

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting: None

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

## 1. Consolidated Financial Results for the 3rd Quarter of 2019 (January 1, 2019 – September 30, 2019)

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

(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	%
3Q 2019	64,980	(19.8)	1,257	-	1,666	-	8,372	-
3Q 2018	81,025	(10.3)	(4,476)	-	(4,232)	-	(4,623)	-

Note: Comprehensive income (millions of yen) 3Q 2019: 7,908 (-%) 3Q 2018: (4,896) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q 2019	208.32	158.01
3Q 2018	(101.85)	-

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
3Q 2019	72,843	42,502	58.3	879.62
Fiscal Year 2018	75,949	34,853	45.8	689.05

Reference: Shareholders' equity (millions of yen) 3Q 2019: 42,502 Fiscal Year 2018: 34,768

## 2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2018	-	0.00	-	0.00	0.00
Fiscal Year 2019	-	0.00	-	-	-
Fiscal Year 2019 (forecasts)	-	-	-	-	-

Notes: 1. Revision to the most recently announced dividend forecast: None

2. Dividend forecast for the Fiscal Year 2019 has not been determined at this time.

3. The dividend figures above show dividends for common shares. Please refer to "Dividends of classified stock" (after-mentioned) for information on dividends for shares whose rights are different from those of the Senshukai common shares.

## 3. Consolidated Outlook for Fiscal Year 2019 (January 1, 2019 – December 31, 2019)

(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 2019	89,000	(21.5)	(700)	-	(200)	-	6,300	-	156.75

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

**\* Notes**

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

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

Note: Please refer to “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements)” on page 8 for further information.

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

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

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares outstanding (common shares)

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

3Q 2019:	52,056,993 shares	Fiscal Year 2018:	52,230,393 shares
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2) Number of treasury shares at the end of the period

3Q 2019:	11,865,432 shares	Fiscal Year 2018:	12,040,107 shares
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3) Average number of shares outstanding during the period

3Q 2019:	40,190,904 shares	3Q 2018:	45,392,565 shares
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Note: The Senshukai shares held by the trust that are 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. On April 19, 2019, the Board of Directors approved a resolution to terminate the stock compensation plan that is linked to results of operations. As a result, 173,400 shares of Senshukai stock that were held by the trust were cancelled on June 21, 2019.

\* This quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

\* Cautionary statement with respect to forward-looking statements

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

(Reference) Dividends of classified stock

Breakdown of dividend per share for classified stock whose rights are different from those of common shares are shown below.

Class A preferred stock	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2018	-	15,178,083.00	-	15,178,083.00	30,356,166.00
Fiscal Year 2019	-	20,000,000.00	-		
Fiscal Year 2019 (forecasts)				20,000,000.00	40,000,000.00

Note: Five shares of the Class A preferred stock were issued on March 30, 2018.

Class B preferred stock	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2018	-	-	-	-	-
Fiscal Year 2019	-	-	-		
Fiscal Year 2019 (forecasts)				-	-

Note: Nine shares of Class B preferred stock were issued on March 30, 2018.

(Reference) Breakdown of dividends paid from the capital surplus

Of the dividends for the fiscal year 2018, breakdown of dividends paid from the capital surplus are shown below.

Record date	2Q-end	Year-end	Total
Dividend per share (Yen)	15,178,083.00	15,178,083.00	30,356,166.00
Total dividends (Millions of yen)	75	75	151

Note: Reduction rate in net assets due to the dividends paid from net assets      2Q-end: 0.002      Year-end: 0.002

Of the 2Q-end dividends for the fiscal year 2019, breakdown of dividends paid from the capital surplus are shown below.

Record date	2Q-end
Dividend per share (Yen)	20,000,000.00
Total dividends (Millions of yen)	100

Note: Reduction rate in net assets due to the dividends paid from net assets is 0.003.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the cumulative third quarter (January 1 to September 30) of 2019, the Japanese economy was steady with the support of the government's economic and monetary policies, improvements in corporate earnings and the employment situation. However, the outlook remains uncertain because of weakness in exports and corporate production in certain sectors, concerns over a possible downturn in the economy due to the recent consumption tax hike, the ongoing U.S.-China trade friction, slowing economic growth in China and other reasons.

In Japan's retail industry, even though demand for discounted products and last-minute demand ahead of the consumption tax hike surged temporarily, personal consumption was sluggish due to unseasonal weather, including low temperature and excessive rain in July, and consumers' defensive stance about spending because of concerns over sluggish real income growth. As a result, the consumption environment remains challenging.

Net sales in the cumulative third quarter were down 19.8% year-over-year to 64,980 million yen. This decrease was attributable primarily to measures to optimize the size of the mail-order business and the exclusion from consolidation of Belle Neige Direct Co., Ltd. and Mobacolle Co., Ltd.

There was an operating profit of 1,257 million yen compared with a 4,476 million yen loss in the same period of 2018. This was attributable to measures to lower the cost of sales ratio and overall selling, general and administrative expenses. Ordinary profit was 1,666 million yen compared with a loss of 4,232 million yen in the same period of 2018 due to the booking of share of profit of entities accounted for using equity method. Profit attributable to owners of parent was 8,372 million yen compared with a loss of 4,623 million yen in the same period of 2018 mainly due to a gain on sales of non-current assets and a gain on sales of investment securities.

Overview by segment are as follows.

In previous years, the insurance and credit card business was included in Others. Due to its increasing importance, this business became a separate reportable segment beginning with the second quarter of 2019. Prior-year segment information has been revised to reflect the new segment classification to permit comparisons.

#### (Mail-order Business)

The catalog and Internet businesses are the primary components of this segment. Consolidated sales were down 27.8% year-over-year to 44,821 million yen. This was the result of measures to significantly alter the structure of Belle Maison, the core business of this segment. Activities included optimizing the scale of this business and excluding Belle Neige Direct Co., Ltd. and Mobacolle Co., Ltd. from consolidation. There was an operating profit of 142 million yen compared with a 5,285 million yen loss in the same period of 2018. This improvement was mainly the result of a higher gross profit margin and measures to reduce fixed expenses, such as a reexamination of the workforce.

#### (Bridal Business)

In this segment, where the main activity is the house wedding business, a new location started operations in the city of Kagoshima during the cumulative third quarter of 2019. The bridal business performed well during the cumulative third quarter as average sales per weddings increased, mainly at existing locations.

As a result, consolidated sales increased 9.9% year-over-year to 14,751 million yen and operating profit increased 32.0% year-over-year to 667 million yen.

#### (Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, decreased 5.0% year-over-year to 3,663 million yen. Operating profit increased 26.8% year-over-year to 300 million yen.

(Insurance and Credit Card Business)

Consolidated sales in the insurance and credit card business, which provides insurance and credit card services primarily to Belle Maison members, decreased 2.3% year-over-year to 417 million yen. Operating profit increased 84.7% year-over-year to 227 million yen.

(Others)

Consolidated sales in other businesses, which include childcare support business and manufacturing and sales of cosmetics, increased 7.6% year-over-year to 1,326 million yen. There was an operating loss of 80 million yen compared with a loss of 57 million yen in the same period of 2018.

## **(2) Explanation of Financial Position**

(Balance sheet position)

Assets totaled 72,843 million yen at the end of the third quarter of 2019, a decrease of 3,105 million yen from the end of 2018.

Current assets increased 1,694 million yen to 41,989 million yen. The main factor was an increase of 2,959 million yen in cash and deposits while there was a decrease of 1,103 million yen in accounts receivable-other. Non-current assets decreased 4,799 million yen to 30,853 million yen. The factors included decreases of 3,322 million yen in property, plant and equipment, 118 million yen in intangible assets and 1,358 million yen in investments and other assets.

Current liabilities decreased 9,517 million yen to 19,251 million yen. The main factors were decreases of 4,340 million yen in current portion of bonds with share acquisition rights, 3,673 million yen in other and 1,017 million yen in electronically recorded obligations-operating. Non-current liabilities decreased 1,237 million yen to 11,089 million yen. The main factor was a decrease of 944 million yen in long-term loans payable.

Net assets increased 7,649 million yen to 42,502 million yen mainly due to booking of profit attributable to owners of parent of 8,372 million yen. As a result, the equity ratio was 58.3%.

Starting with the beginning of the first quarter of 2019, Senshukai has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018), etc. Prior-year figures have been adjusted retroactively in order to facilitate comparisons.

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

Senshukai currently maintains its consolidated forecasts for fiscal year 2019 (January 1, 2019 to December 31, 2019) that was released on July 25, 2019.

In the cumulative third quarter, operating and ordinary profits, and profit attributable to owners of parent were higher than anticipated. This is attributable to measures to lower the cost of sales ratio and overall selling, general and administrative expenses as a part of business structure reform.

However, fourth quarter plans call for investing management resources for sales promotion to build up a strong customer base. In addition, there are concerns over downside risks on earnings due to a possible slowdown in consumer spending following the recent consumption tax hike. In view of these factors we have not revised the previous earnings forecast.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Fiscal Year 2018 (As of Dec. 31, 2018)	3Q 2019 (As of Sep. 30, 2019)
Assets		
Current assets		
Cash and deposits	17,150	20,109
Notes and accounts receivable-trade	5,532	4,853
Merchandise and finished goods	9,732	9,316
Accounts receivable-other	6,110	5,007
Other	1,903	2,842
Allowance for doubtful accounts	(133)	(140)
Total current assets	40,295	41,989
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,606	12,086
Land	8,477	6,809
Other, net	980	845
Total property, plant and equipment	23,063	19,740
Intangible assets		
Goodwill	1,736	1,544
Other	729	803
Total intangible assets	2,466	2,347
Investments and other assets		
Investment securities	6,458	5,680
Other	3,846	3,229
Allowance for doubtful accounts	(180)	(143)
Total investments and other assets	10,123	8,765
Total non-current assets	35,653	30,853
Total assets	75,949	72,843

(Millions of yen)

	Fiscal Year 2018 (As of Dec. 31, 2018)	3Q 2019 (As of Sep. 30, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Electronically recorded obligations-operating	6,631	5,614
Accounts payable-trade	4,836	4,835
Short-term loans payable	1,468	1,255
Current portion of bonds with share acquisition rights	4,340	-
Income taxes payable	318	25
Provision for sales promotion expenses	305	246
Provision for bonuses	291	371
Other	10,575	6,902
<b>Total current liabilities</b>	<b>28,768</b>	<b>19,251</b>
<b>Non-current liabilities</b>		
Long-term loans payable	9,799	8,854
Net defined benefit liability	69	3
Provision for management board incentive plan trust	2	-
Asset retirement obligations	778	834
Other	1,677	1,396
<b>Total non-current liabilities</b>	<b>12,327</b>	<b>11,089</b>
<b>Total liabilities</b>	<b>41,096</b>	<b>30,340</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	22,304	100
Capital surplus	23,712	39,544
Retained earnings	(3,526)	11,081
Treasury shares	(6,932)	(6,800)
<b>Total shareholders' equity</b>	<b>35,558</b>	<b>43,925</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	605	306
Deferred gains or losses on hedges	60	(7)
Revaluation reserve for land	(1,346)	(1,516)
Foreign currency translation adjustment	(61)	(152)
Remeasurements of defined benefit plans	(47)	(52)
<b>Total accumulated other comprehensive income</b>	<b>(789)</b>	<b>(1,422)</b>
<b>Non-controlling interests</b>	<b>84</b>	<b>-</b>
<b>Total net assets</b>	<b>34,853</b>	<b>42,502</b>
<b>Total liabilities and net assets</b>	<b>75,949</b>	<b>72,843</b>



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

(Millions of yen)

	3Q 2018 (Jan. 1, 2018 – Sep. 30, 2018)	3Q 2019 (Jan. 1, 2019 – Sep. 30, 2019)
Net sales	81,025	64,980
Cost of sales	46,942	32,350
Gross profit	34,083	32,630
Selling, general and administrative expenses	38,560	31,372
Operating profit (loss)	(4,476)	1,257
Non-operating income		
Interest income	23	18
Dividend income	43	22
Share of profit of entities accounted for using equity method	233	219
Gain on adjustment of account payable	211	206
Other	196	158
Total non-operating income	708	624
Non-operating expenses		
Interest expenses	112	97
Commission fee	268	29
Other	83	88
Total non-operating expenses	464	215
Ordinary profit (loss)	(4,232)	1,666
Extraordinary income		
Gain on sales of non-current assets	25	5,622
Gain on sales of investment securities	209	926
Gain on sales of shares of subsidiaries and associates	-	336
Subsidy income	46	255
Total extraordinary income	281	7,141
Extraordinary losses		
Loss on sales and retirement of non-current assets	0	69
Loss on reduction of non-current assets	46	230
Impairment loss	438	1
Loss on sales of shares of subsidiaries and associates	-	4
Business structure reform expenses	78	25
Other	11	28
Total extraordinary losses	575	361
Profit (loss) before income taxes	(4,526)	8,446
Income taxes	89	74
Profit (loss)	(4,616)	8,372
Profit attributable to non-controlling interests	6	-
Profit (loss) attributable to owners of parent	(4,623)	8,372

**(Quarterly Consolidated Statement of Comprehensive Income)**

**(For the Nine-month Period)**

(Millions of yen)

	3Q 2018 (Jan. 1, 2018 – Sep. 30, 2018)	3Q 2019 (Jan. 1, 2019 – Sep. 30, 2019)
Profit (loss)	(4,616)	8,372
Other comprehensive income		
Valuation difference on available-for-sale securities	(71)	(298)
Deferred gains or losses on hedges	(156)	(45)
Foreign currency translation adjustment	(9)	2
Share of other comprehensive income of entities accounted for using equity method	(42)	(122)
Total other comprehensive income	(280)	(463)
Comprehensive income	(4,896)	7,908
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(4,903)	7,908
Comprehensive income attributable to non-controlling interests	6	-

### **(3) Notes to Quarterly Consolidated Financial Statements**

#### **(Going Concern Assumption)**

Not applicable.

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

At the annual general meeting of shareholders on March 28, 2019, shareholders approved a resolution to eliminate the retained earnings deficit. In accordance with Article 452 of the Companies Act, other capital surplus was decreased by 6,065 million yen and this amount was transferred to retained earnings brought forward. This process decreased the capital surplus by 6,065 million yen and increased the retained earnings by 6,065 million yen in the cumulative third quarter of 2019.

At the same meeting, shareholders also approved a resolution to reduce capital stock by 22,204 million yen to 100 million yen, pursuant to Article 447, Clause 1 of the Companies Act, and to transfer the entire reduction to other capital surplus. This process decreased the capital stock by 22,204 million yen and increased the capital surplus by 22,204 million yen in the cumulative third quarter of 2019.

In addition, on April 19, 2019, the Board of Directors approved a resolution to terminate the stock compensation plan that is linked to results of operations. As a result, shares of Senshukai stock with a value of 131 million yen that were held by the trust were cancelled on June 21, 2019. This process decreased the capital surplus by 131 million yen and the treasury shares by 131 million yen in the cumulative third quarter of 2019.

The result of all these measures was capital stock of 100 million yen, capital surplus of 39,544 million yen, retained earnings of 11,081 million yen and treasury shares of 6,800 million yen at the end of the third quarter of 2019.

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

(Calculation of tax expense)

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

#### **(Additional Information)**

(Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting)

Senshukai has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. at the beginning of the first quarter of 2019. Accordingly, deferred tax assets and deferred tax liabilities are reclassified and included in the investments and other assets section and the non-current liabilities section, respectively.

**(Segment Information)**

I 3Q 2018 (Jan. 1, 2018 – Sep. 30, 2018)

## 1. Information related to sales and profit or loss for each reportable segment

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Mail-order business	Bridal business	Corporates business	Insurance and credit card business	Sub-total				
Net sales									
Sales to customers	62,092	13,417	3,856	427	79,793	1,231	81,025	-	81,025
Inter-segment sales or transfers	712	0	126	0	839	41	881	(881)	-
Total	62,805	13,417	3,982	427	80,633	1,273	81,906	(881)	81,025
Segment profit (loss)	(5,285)	505	236	123	(4,419)	(57)	(4,477)	0	(4,476)

Notes: 1. Others represent the businesses which are not included in any of the four reportable segments and consist of the childcare support business and manufacturing and sales of cosmetics.

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

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

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

(Significant impairment losses related to non-current assets)

In the mail-order business, an asset impairment loss was recorded to write down the book value of business assets to the amount that can be recovered. These business assets include the business assets of Senshukai and its consolidated subsidiaries for which the recovery of the original investments is unlikely due to a decline in profitability and business assets that Senshukai has decided to sell. This impairment loss was 430 million yen in 3Q 2018.

II 3Q 2019 (Jan. 1, 2019 – Sep. 30, 2019)

## 1. Information related to sales and profit or loss for each reportable segment

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Mail-order business	Bridal business	Corporates business	Insurance and credit card business	Sub-total				
Net sales									
Sales to customers	44,821	14,751	3,663	417	63,654	1,326	64,980	-	64,980
Inter-segment sales or transfers	798	0	0	-	799	0	799	(799)	-
Total	45,620	14,752	3,664	417	64,454	1,326	65,780	(799)	64,980
Segment profit (loss)	142	667	300	227	1,338	(80)	1,257	0	1,257

Notes: 1. Others represent the businesses which are not included in any of the four reportable segments and consist of the childcare support business and manufacturing and sales of cosmetics.

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

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

## 2. Information related to revisions for reportable segments

In previous fiscal years, the insurance and credit card business was included in Others. Due to its increasing importance, this business became a separate reportable segment beginning with the second quarter of 2019.

The segment information for 3Q 2018 is prepared and disclosed based on the reportable segment classification after the change.

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

No major events or changes occurred.

### 3. Other

#### Important Information about Going Concern Assumption

In the cumulative third quarter of 2019, Senshukai Group had a consolidated operating profit of 1,257 million yen, ordinary profit of 1,666 million yen and profit attributable to owners of parent of 8,372 million yen. However, in 2018, there was an operating loss of 4,063 million yen and a loss attributable to owners of parent of 6,027 million yen. These losses create significant doubts about the going concern assumption. To eliminate these doubts and improve results of operations, business structural reforms centered on the mail-order business are under way in accordance with a medium-term management plan that started in 2019 and will end in 2021.

This plan includes the following initiatives:

- (1) Reduce the mail-order business to the proper size by cutting the number of sizes and models of merchandise sold, lowering inventories and taking other actions.
- (2) Improve operations by shortening lead times for producing merchandise, selling a higher percentage of merchandise at list prices, holding down the occurrence of surplus inventories, increasing joint activities with suppliers and taking other actions.
- (3) Rebuild the model for attracting customers, centered on catalogs, by establishing a model for attracting customers that combines analog and digital elements, reexamining the media plan and catalog distribution method, improving the quality of customer interactions by upgrading digital marketing and Internet customer contact, and taking other actions.
- (4) Reexamine the group's organizational structure and human resource systems by combining and eliminating organizational units, using voluntary retirement program, and taking other actions.
- (5) Cut costs and reduce assets, centralizing activities at each department, selling Osaka head office, and taking other actions.
- (6) Reorganize the Senshukai Group by merging subsidiaries that perform similar functions, and taking other actions.

Some initiatives in the mail-order business have already been completed in 2018, such as inventory reductions and the adjustment of personnel expenses to the proper level. The benefits of these actions are already beginning to appear in 2019. Furthermore, following the focus on structural reforms for business operations, Senshukai has started implementing rules for maintaining proper inventory levels in order to reduce opportunity losses and hold down the occurrence of surplus inventories.

In addition, for renewed growth, the organizational units that determine and execute marketing activities will be based on customers rather than merchandise and marketing uses an approach that reflects the behavior patterns of customers, such as a new catalog that covers several merchandise categories that closely match customers' needs in these categories. We are also reinforcing digital content coordination between the Web and catalogs and have started distributing from September "Belle Maison Catalog Plus," an application that allows product search and order placement simply by clicking on selected product photographs linked to our catalogs.

We are determined to use these measures to construct a solid earnings foundation and renewed growth in order to achieve a recovery in sales and earnings and stabilize the performance of the Senshukai Group.

At the end of the third quarter of 2019, cash and deposits were 20,109 million yen. Senshukai also has a credit line of 10 billion yen with financial institutions. Consequently, we believe there are no concerns about our liquidity because we have a sufficient amount of working capital.

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

*\* 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.*