

## Summary of Financial Results for the Second Quarter of Fiscal Year 2020 (Six Months Ended June 30, 2020)

[Japanese GAAP]

July 30, 2020

Company name: **SENSHUKAI CO.,LTD.** Stock exchange: Tokyo Stock Exchange, First Section  
 Stock code: 8165 URL: <https://www.senshukai.co.jp>  
 Representative: Mr. Kenji Kajiwara, President and Representative Director  
 Inquiries: Mr. Tetsuya Takahashi, Director, General Manager, Corporates Headquarters  
 Tel: +81-6-6881-3220

Scheduled date of filing of Quarterly Report: August 12, 2020

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (Only a webcast is planned to prevent the spread of COVID-19)

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

### 1. Consolidated Financial Results for the 2nd Quarter of 2020 (January 1, 2020 – June 30, 2020)

#### (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	%
2Q 2020	42,226	(3.8)	(563)	-	(2,898)	-	(3,000)	-
2Q 2019	43,888	(23.3)	559	-	1,120	-	7,900	-

Note: Comprehensive income (millions of yen) 2Q 2020: (3,148) (-%) 2Q 2019: 7,336 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q 2020	(74.66)	-
2Q 2019	196.58	149.10

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2Q 2020	71,442	39,164	54.8	800.29
Fiscal Year 2019	73,664	42,490	57.7	880.56

Reference: Shareholders' equity (millions of yen) 2Q 2020: 39,164 Fiscal Year 2019: 42,490

### 2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2019	-	0.00	-	2.00	2.00
Fiscal Year 2020	-	0.00	-	-	-
Fiscal Year 2020 (forecasts)	-	-	-	-	-

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

2. The year-end dividend forecast for the Fiscal Year 2020 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 2020 (January 1, 2020 – December 31, 2020)

(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 2020	-	-	-	-	-	-	-	-	-

Notes: 1. Revision to the most recently announced consolidated outlook: None

2. The consolidated outlook for the Fiscal Year 2020 has not been determined because it is not possible to establish a reliable forecast at this time.

**\* 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, (4) Notes to Quarterly Consolidated Financial Statements (Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements)” on page 10 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)

2Q 2020:	52,056,993 shares	Fiscal Year 2019:	52,056,993 shares
----------	-------------------	-------------------	-------------------

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

2Q 2020:	11,865,534 shares	Fiscal Year 2019:	11,865,448 shares
----------	-------------------	-------------------	-------------------

3) Average number of shares outstanding during the period

2Q 2020:	40,191,459 shares	2Q 2019:	40,191,571 shares
----------	-------------------	----------	-------------------

Note: 173,400 shares of Senshukai stock, which were held by the trust for the stock compensation plan that is linked to results of operations and cancelled on June 21, 2019, are 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 during 2Q 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

Cautionary statement with respect to forecasts

The above projections are based on information available at the time of release of this report. Actual results could differ significantly from these projections due to a variety of factors. For further details regarding the projections, please refer to page 4, “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements.”

(How to view the financial results meeting webcast and supplementary materials)

Senshukai plans to distribute the financial results meeting webcast on the Senshukai website on August 3, 2020. Materials to be used at the meeting will be disclosed using the Timely Disclosure network (TDnet) and available on the Senshukai website.

(Reference) Dividends of classified stock

Dividends per share for classified stock with rights that differ from those of common shares are shown below.

On July 31, 2020, Senshukai plans to purchase all of the following classified stock pursuant to Article 178 of the Companies Act by exercising its right to acquire this stock for a cash payment. More information about this purchase is in the press release dated today titled “Notice of Change in Investment Contract with Class A and B Preferred Shareholders, Acquisition and Retirement of Class A and B Preferred Stock, Change in Use of Proceeds from Issuance of Class A and B Preferred Stock, and Change in Officers.”

Class A preferred stock	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2019	-	20,000,000.00	-	20,000,000.00	40,000,000.00
Fiscal Year 2020	-	0.00			
Fiscal Year 2020 (forecasts)			-	-	0.00

Notes: 1. Five shares of the Class A preferred stock were issued on March 30, 2018.

2. The dividends for the Fiscal Year 2019 were partially paid from the capital surplus. Please see “Breakdown of dividends paid from the capital surplus” below for more information.

Class B preferred stock	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2019	-	-	-	-	-
Fiscal Year 2020	-	-			
Fiscal Year 2020 (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 2019, breakdown of dividends paid from the capital surplus is 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

2Q-end: 0.003

## Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	7
Quarterly Consolidated Statement of Income	
(For the Six-month Period)	7
Quarterly Consolidated Statement of Comprehensive Income	
(For the Six-month Period)	8
(3) Quarterly Consolidated Statement of Cash Flows	9
(4) Notes to Quarterly Consolidated Financial Statements	10
(Going Concern Assumption)	10
(Significant Changes in Shareholders' Equity)	10
(Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements)	10
(Additional Information)	10
(Segment Information)	11
(Significant Subsequent Events)	12
3. Other	13
Important Information about Going Concern Assumption	13

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first half of 2020, the global spread of COVID-19 had a severe impact on consumer spending and economic activity in Japan. Due to this pandemic, the outlook for the Japanese and global economies is becoming increasingly uncertain.

In Japan's retail industry, there was a big downturn in consumer spending as people were asked to stay home unless absolutely necessary and commercial facilities and other stores reduced hours or temporarily closed because of COVID-19. Consumer spending may decline even more because the inability to predict the end of this crisis is likely to make consumer sentiment even more negative. Consequently, the current slump in consumption may continue for a long time. This crisis is significantly altering the structure of composition. Consumer spending that involves visiting stores and other outings has declined and events attended by large numbers of people are impossible. These activities are being replaced by "stay-at-home consumption" and other new consumption patterns. The retail industry must therefore determine the best ways to adapt to this shift in the structure of consumer spending.

In the mail-order business, improvements are steadily emerging in the first half due to the benefits of business structural reforms based on the current medium-term management plan. For example, substantial investments for activities to attract customers have been successful and constant operational reforms have increased the gross profit margin. This business also benefited from new categories of demand linked with the need for people to stay home. The result was higher sales and earnings in the mail-order business. In the bridal business, sales fell sharply because of the enormous change in the business climate caused by increasing concerns about COVID-19. A large number of weddings and receptions scheduled for the second quarter of 2020 were postponed.

Net sales in the first half of 2020 were down 3.8% year-over-year to 42,226 million yen. There was an operating loss of 563 million yen compared with an operating profit of 559 million yen in the first half of 2019. Ordinary loss was 2,898 million yen compared with a profit of 1,120 million yen one year earlier due to the share of loss of entities accounted for using the equity method. The loss attributable to owners of parent was 3,000 million yen compared with a profit of 7,900 million yen in the first half of 2019, when a gain on sales of non-current assets, a gain on sales of investment securities and other items were recorded as extraordinary income. Due to this downturn in sales and earnings, all directors and members of the Audit & Supervisory Board have stated their intention of voluntarily returning part of their officer remuneration for a period of three months.

Business segment performance was as follows.

#### (Mail-order Business)

Consolidated sales in the mail-order business, which is primarily the catalog and the Internet businesses, increased 11.8% year-over-year to 34,650 million yen in the first half. There was an operating profit of 1,215 million yen compared with a profit of 32 million yen in the first half of 2019.

In the first half of 2020, there were many activities to rebuild the customer base, such as by contacting customers who have not made a purchase for a certain length of time. These activities succeeded at stopping the decline in the number of customers in the core Belle Maison business and attracting more customers. Several other factors also contributed to the improvement in first half performance. Operational reforms reduced expenses and produced other benefits and there was more consumer spending involving the need to stay home because of COVID-19. In addition, sales of furniture and household products associated with remote work increased as the merchandise lineup was optimized from the standpoint of customers in order to meet this new category of demand. The result was sales and earnings that were much higher than one year earlier.

#### (Bridal Business)

Consolidated sales in the bridal business, centered on the house wedding business, decreased 59.2% year-over-year to 3,902 million yen. There was an operating loss of 2,142 million yen compared with a profit of

301 million yen in the first half of 2019.

The big downturns in sales and earnings were caused by the severe impacts of wedding and reception postponements and the suspension of most sales activities because of COVID-19. The bridal business will focus on measures to cut costs for the time being because the effects of this crisis will probably continue until the pandemic comes to an end. Furthermore, to improve the performance of this business, there will also be activities such as rigorous cleaning of wedding and reception facilities and measures to meet new needs of couples in order to continue operating during the COVID-19 crisis.

#### (Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, increased 14.1% year-over-year to 2,537 million yen. Operating profit increased 49.8% to 251 million yen.

During the first half, this business focused on adding new customers and increasing sales to current customers. This resulted in acquisition of new customers in novelties business and higher sales in the sampling business, which provides services such as attaching direct mail marketing messages to packages used to deliver products, making a big contribution to the sales growth of this business.

#### (Insurance and Credit Card Business)

This business provides information mainly to Belle Maison members about insurance policies and about credit cards with the best reward points. Consolidated sales decreased 27.0% year-over-year to 200 million yen and operating profit decreased 35.9% to 93 million yen.

In the insurance business, we reviewed our channels for sales activities and started using new sales methods during the first half, such as coordination with the bridal business and activities targeting families raising children. However, sales and earnings decreased because we did not conduct sales activities due to COVID-19. Sales activities gradually restarted after the state of emergency was lifted, but the number of new customers will probably decrease due to the inability to conduct face-to-face consultations, hold insurance seminars and use other sales activities with direct customer contact until this crisis ends.

#### (Others)

Consolidated sales in other businesses, which include childcare support business and manufacturing and sales of cosmetics, increased 10.1% year-over-year to 935 million yen. There was an operating profit of 16 million yen compared with a loss of 88 million yen in the first half of 2019.

In the childcare support business, the two nursery schools that opened in April 2019 as well as the after school child care business, which was started as a peripheral business for more added value, are all performing well.

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

#### (Balance sheet position)

Assets totaled 71,442 million yen at the end of the second quarter of 2020, a decrease of 2,221 million yen from the end of 2019.

Current assets increased 746 million yen to 43,040 million yen. The main factor was an increase of 2,957 million yen in cash and deposits, while there were decreases of 1,264 million yen in merchandise and finished goods, 386 million yen in accounts receivable-other, and 354 million yen in other. Non-current assets decreased 2,967 million yen to 28,402 million yen. The factors included decreases of 531 million yen in property, plant and equipment and 2,743 million yen in investments and other assets, while there was an increase of 306 million yen in intangible assets.

Current liabilities increased 427 million yen to 20,522 million yen. The main factor was an increase of 2,965 million yen in short-term borrowings, while there was a decrease of 2,516 million yen in other. Non-current

liabilities increased 676 million yen to 11,755 million yen. The main factor was an increase of 806 million yen in long-term borrowings.

Net assets decreased 3,326 million yen to 39,164 million yen mainly due to booking of loss attributable to owners of parent of 3,000 million yen. As a result, the equity ratio was 54.8%.

(Cash flow position)

The balance of cash and cash equivalents at the end of the second quarter of 2020 was 25,671 million yen, an increase of 2,957 million yen from the end of 2019.

Operating activities provided net cash of 113 million yen (net cash provided of 1,443 million yen in the same period of 2019). The main cash inflows were share of loss (profit) of entities accounted for using equity method of 2,369 million yen and a decrease in inventories of 1,216 million yen. The main cash outflows include loss before income taxes of 2,946 million yen.

Investing activities used net cash of 681 million yen (net cash provided of 8,991 million yen in the same period of 2019). The main cash outflows include 548 million yen for the purchase of intangible assets.

Financing activities provided net cash of 3,533 million yen (net cash used of 5,228 million yen in the same period of 2019). The main cash inflows were net increase in short-term borrowings of 3,000 million yen and proceeds of 1,450 million yen from long-term borrowings. The main cash outflows include 677 million yen for the repayments of long-term borrowings.

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

The outlook remains uncertain because there are still no signs of an end to the COVID-19 pandemic. This crisis is having a severe impact on the bridal business. A large number of weddings and receptions scheduled for the second quarter of 2020 were postponed to the second half of 2020 or 2021. In addition, the bridal business has reduced operating hours or temporarily closed some locations. Sales activities in this business resumed after the nationwide state of emergency in Japan was lifted on May 25. However, the forecast for 2020 remains undecided because the duration of the pandemic is still unknown and it is impossible to determine a reliable estimate of the impact of this crisis on the performance of the bridal business. We will monitor upcoming events involving COVID-19 and make an announcement when it becomes possible to determine a revised forecast for 2020.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Fiscal Year 2019 (As of Dec. 31, 2019)	2Q 2020 (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	22,713	25,671
Notes and accounts receivable-trade	3,854	3,614
Merchandise and finished goods	8,641	7,376
Accounts receivable-other	5,285	4,899
Other	1,947	1,592
Allowance for doubtful accounts	(148)	(114)
Total current assets	42,293	43,040
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,703	11,189
Land	6,809	6,809
Other, net	833	815
Total property, plant and equipment	19,346	18,814
Intangible assets		
Goodwill	1,483	1,373
Other	944	1,360
Total intangible assets	2,427	2,734
Investments and other assets		
Investment securities	6,046	3,388
Other	3,694	3,584
Allowance for doubtful accounts	(143)	(120)
Total investments and other assets	9,596	6,853
Total non-current assets	31,370	28,402
Total assets	73,664	71,442



(Millions of yen)

	Fiscal Year 2019 (As of Dec. 31, 2019)	2Q 2020 (As of Jun. 30, 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Electronically recorded obligations-operating	6,523	7,090
Accounts payable-trade	3,495	3,078
Short-term borrowings	1,240	4,205
Income taxes payable	107	45
Provision for sales promotion expenses	225	205
Provision for bonuses for directors (and other officers)	23	-
Provision for bonuses	233	168
Other	8,244	5,727
<b>Total current liabilities</b>	<b>20,094</b>	<b>20,522</b>
<b>Non-current liabilities</b>		
Long-term borrowings	8,558	9,365
Retirement benefit liability	3	4
Asset retirement obligations	851	854
Other	1,665	1,531
<b>Total non-current liabilities</b>	<b>11,078</b>	<b>11,755</b>
<b>Total liabilities</b>	<b>31,173</b>	<b>32,277</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	100	100
Capital surplus	39,544	39,544
Retained earnings	10,891	7,713
Treasury shares	(6,800)	(6,800)
<b>Total shareholders' equity</b>	<b>43,736</b>	<b>40,557</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	366	235
Deferred gains or losses on hedges	49	20
Revaluation reserve for land	(1,516)	(1,516)
Foreign currency translation adjustment	(120)	(133)
Remeasurements of defined benefit plans	(24)	-
<b>Total accumulated other comprehensive income</b>	<b>(1,245)</b>	<b>(1,392)</b>
<b>Total net assets</b>	<b>42,490</b>	<b>39,164</b>
<b>Total liabilities and net assets</b>	<b>73,664</b>	<b>71,442</b>

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

(Millions of yen)

	2Q 2019 (Jan. 1, 2019 – Jun. 30, 2019)	2Q 2020 (Jan. 1, 2020 – Jun. 30, 2020)
Net sales	43,888	42,226
Cost of sales	21,902	20,899
Gross profit	21,986	21,327
Selling, general and administrative expenses	21,426	21,890
Operating profit (loss)	559	(563)
Non-operating income		
Interest income	12	11
Dividend income	22	28
Share of profit of entities accounted for using equity method	448	-
Gain on adjustment of account payable	141	115
Reversal of allowance for doubtful accounts	0	58
Other	69	59
Total non-operating income	693	273
Non-operating expenses		
Interest expenses	66	62
Share of loss of entities accounted for using equity method	-	2,369
Commission expenses	21	15
Other	44	160
Total non-operating expenses	132	2,608
Ordinary profit (loss)	1,120	(2,898)
Extraordinary income		
Gain on sales of non-current assets	5,619	-
Gain on sales of investment securities	926	-
Gain on sales of shares of subsidiaries and associates	336	-
Subsidy income	255	18
Gain on change in equity	-	13
Total extraordinary income	7,138	32
Extraordinary losses		
Loss on sales and retirement of non-current assets	57	3
Loss on tax purpose reduction entry of non-current assets	230	18
Impairment loss	1	5
Loss on valuation of investment securities	-	38
Loss on sales of shares of subsidiaries and associates	4	-
Business structure reform expenses	18	-
Loss on disaster	0	14
Other	2	-
Total extraordinary losses	316	80
Profit (loss) before income taxes	7,942	(2,946)
Income taxes	42	53
Profit (loss)	7,900	(3,000)
Profit (loss) attributable to owners of parent	7,900	(3,000)

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

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

(Millions of yen)

	2Q 2019 (Jan. 1, 2019 – Jun. 30, 2019)	2Q 2020 (Jan. 1, 2020 – Jun. 30, 2020)
Profit (loss)	7,900	(3,000)
Other comprehensive income		
Valuation difference on available-for-sale securities	(377)	(128)
Deferred gains or losses on hedges	(67)	(20)
Foreign currency translation adjustment	2	4
Share of other comprehensive income of entities accounted for using equity method	(121)	(3)
Total other comprehensive income	(564)	(147)
Comprehensive income	7,336	(3,148)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,336	(3,148)

**(3) Quarterly Consolidated Statement of Cash Flows**

(Millions of yen)

	2Q 2019 (Jan. 1, 2019 – Jun. 30, 2019)	2Q 2020 (Jan. 1, 2020 – Jun. 30, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	7,942	(2,946)
Depreciation	926	893
Impairment loss	1	5
Increase (decrease) in allowance for doubtful accounts	(22)	(57)
Increase (decrease) in provision for bonuses	(113)	(64)
Increase (decrease) in provision for sales promotion expenses	(54)	(20)
Interest and dividend income	(34)	(39)
Interest expenses	66	62
Share of loss (profit) of entities accounted for using equity method	(448)	2,369
Loss (gain) on sales and retirement of non-current assets	(5,562)	3
Loss on tax purpose reduction entry of non-current assets	230	18
Loss (gain) on sales of investment securities	(1,258)	-
Loss (gain) on valuation of investment securities	-	38
Subsidy income	(255)	(18)
Business structure reform expenses	18	-
Decrease (increase) in trade receivables	1,200	254
Decrease (increase) in inventories	1,137	1,216
Decrease (increase) in other current assets	1,542	622
Increase (decrease) in trade payables	(1,281)	335
Increase (decrease) in other current liabilities	(1,783)	(2,694)
Other, net	607	132
Subtotal	2,859	111
Interest and dividends received	64	84
Interest paid	(66)	(61)
Income taxes paid	(43)	(6)
Payments for business structure reform expenses	(1,371)	(13)
Net cash provided by (used in) operating activities	1,443	113
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,372)	(299)
Proceeds from sales of property, plant and equipment	8,516	0
Purchase of intangible assets	(166)	(548)
Subsidies received	152	18
Purchase of investment securities	(50)	(15)
Proceeds from sales of investment securities	1,449	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(186)	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	398	-
Other, net	250	162
Net cash provided by (used in) investing activities	8,991	(681)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	3,000
Proceeds from long-term borrowings	-	1,450
Repayments of long-term borrowings	(756)	(677)
Payment for redemption of bonds with subscription rights of shares	(4,340)	-
Dividends paid	(75)	(179)
Other, net	(56)	(58)
Net cash provided by (used in) financing activities	(5,228)	3,533
Effect of exchange rate change on cash and cash equivalents	(3)	(7)
Net increase (decrease) in cash and cash equivalents	5,202	2,957
Cash and cash equivalents at beginning of period	17,147	22,713
Cash and cash equivalents at end of period	22,349	25,671

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

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

Not applicable.

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

Not applicable.

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

(Calculation of tax expense)

Tax expenses are calculated by first determining a reasonable estimate of the effective tax rate after the application of tax effect accounting with respect to profit before income taxes for the fiscal year that includes the applicable quarter and multiplying the profit before income taxes for that quarter by that rate. However, Senshukai uses legally stipulated effective tax rates to calculate tax expenses when the use of estimated tax rates produces a clearly irrational result.

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

(Uncertainty of accounting estimates)

The bridal business has reduced operating hours or temporarily closed some locations in order to prevent the spread of COVID-19 in accordance with requests to stay home and other provisions of the declaration of the state of emergency of the Japanese government and in response to the increasing number of COVID-19 infections in Japan. Although the bridal business resumed sales activities following the lifting of the state of emergency on May 25, the level of activity in this business is unlikely to return to the pre-crisis level soon.

Based on information that is currently available and other factors, the Senshukai Group is using the assumption that the COVID-19 crisis will continue to affect business operations until the end of 2020 for the determination of accounting estimates for the impairment of non-current assets, the recoverability of deferred tax assets and other items.

**(Segment Information)**

I 2Q 2019 (Jan. 1, 2019 – Jun. 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	Amounts shown on quarterly consolidated statement of income (Note 2)
	Mail-order business	Bridal business	Corporates business	Insurance and credit card business	Sub-total				
Net sales									
Sales to customers	30,982	9,557	2,223	274	43,038	850	43,888	-	43,888
Inter-segment sales or transfers	496	0	0	-	497	0	497	(497)	-
Total	31,479	9,557	2,224	274	43,535	850	44,386	(497)	43,888
Segment profit (loss)	32	301	167	146	647	(88)	559	-	559

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

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

No major events or changes occurred.

II 2Q 2020 (Jan. 1, 2020 – Jun. 30, 2020)

## 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	34,650	3,902	2,537	200	41,290	935	42,226	-	42,226
Inter-segment sales or transfers	134	3	38	-	176	0	176	(176)	-
Total	34,785	3,906	2,575	200	41,467	935	42,403	(176)	42,226
Segment profit (loss)	1,215	(2,142)	251	93	(581)	16	(564)	1	(563)

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 1 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

No major events or changes occurred.

## **(Significant Subsequent Events)**

(Purchase and cancellation of Class A preferred stock and Class B preferred stock)

On July 30, 2020, the Senshukai Board of Directors approved a resolution to purchase Senshukai Class A and Class B preferred stock and, assuming the stock is purchased, cancel this stock in accordance with Article 178 of the Companies Act. All shares of these two classes of preferred stock were purchased and canceled on July 31, 2020.

### 1. Reason for purchase and cancellation

In March 2018, Senshukai started to receive substantial assistance for rebuilding business operations from an investment fund for the revitalization of core regional companies that is managed by REVIC Partners Co., Ltd. as the unlimited liability partner. Assistance included 1) financial support by purchasing the Class A and Class B preferred stock, 2) support by providing personnel to Senshukai, and 3) support involving the determination of strategies. There has been steady progress since then in accordance with a medium-term management plan established by Senshukai. Due to these activities, Senshukai became profitable on a consolidated basis in 2019, which was earlier than initially planned. In 2020, the first half operating loss was held to 563 million yen despite the big downturn in the performance of the bridal business because of COVID-19. Performance was supported by a large increase in the sales and earnings of the mail-order business resulting from structural reforms. Based on the belief that significant progress has been made with rebuilding business operations, management made the decision to purchase and cancel the Class A and Class B preferred stock. One reason is to make decisions faster and increase the flexibility of equity policies in order to advance to a new stage of growth. Purchasing this stock will also eliminate the need to pay Class A preferred stock dividends. Senshukai and REVIC Partners therefore agreed that the purchase and cancellation of the preferred stock would be the best course of action for Senshukai.

### 2. Summary of the purchase

(1) Type of shares to be purchased: Class A preferred stock and Class B preferred stock

(2) Total number of shares to be purchased and acquisition cost

Five shares of Class A preferred stock; 523,342,466 yen per share (total of 2,616,712,330 yen)

Nine shares of Class B preferred stock; 598,775,479 yen per share (total of 5,388,979,311 yen)

(3) Date of purchase: July 31, 2020

(4) Seller: Regional Economy Vitalization Corporation of Japan (REVIC)

### 3. Summary of the cancellation

(1) Type of shares and total number of shares to be cancelled

Five shares of Class A preferred stock

Nine shares of Class B preferred stock

(2) Date of cancellation: July 31, 2020

(3) Shares will be canceled only if the five shares of Class A preferred stock and nine shares of Class B preferred stock are purchased as explained in 2. above.

### 3. Other

#### Important Information about Going Concern Assumption

In 2019, there was an operating profit of 772 million yen and a profit attributable to owners of parent of 8,182 million yen. In 2017 and 2018, there was an operating loss and a loss attributable to owners of parent. These losses create significant doubts about the going concern assumption.

To eliminate these doubts and deal with other issues, 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.

In 2019, the first year of this plan, activities were focused on achieving the optimal size of business operations and on operational reforms, mainly in the mail-order business. These activities improved the gross profit margin by reducing merchandise valuation losses that have been a structural component of business operations. Reforms have also lowered fixed expenses. Due to these improvements, the consolidated operating profit in 2019 was higher than our forecast.

In 2020, the second year of the plan, we are continuing to implement operational reforms. We are also strengthening the catalog-based model for attracting customers and rebuilding the membership base. In the first half of 2020, the number of customers making purchases in the core Belle Maison business was higher than one year earlier, indicating that the downturn in this number has ended.

We will continue to implement numerous measures to make improvements in order to build a solid base for earnings and return to growth backed by a recovery and stability in the performance of the Senshukai Group.

At the end of the second quarter of 2020, cash and deposits were 25,671 million yen. Senshukai also has a committed credit line with the total amount of 10 billion yen with financial institutions (7 billion yen was unused at the end of the second quarter of 2020). Consequently, we believe there are no concerns about 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.

In 2020, we expect lower sales and earnings mainly because of a smaller number of weddings and receptions in the bridal business due to COVID-19. However, a large number of these events have been postponed to the second half of 2020 or 2021, demonstrating that there will continue to be demand for weddings and receptions. As a result, we believe that the performance of the bridal business will improve when the COVID-19 crisis comes to an end. During the COVID-19 crisis, we will take actions for reducing selling, general and administrative expenses and using these expenses more efficiently. In addition, we will continue to monitor upcoming events involving this crisis and take actions that comply with the requests of the Japanese government and local governments. We are making preparations for growth, such as by reexamining the strategy for the bridal business and studying the feasibility of starting new services in this business, following the end of the COVID-19 crisis.

*\* 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.*