Summary of Financial Results for the Fiscal Year 2022 (Ended December 31, 2022)

[Japanese GAAP]

February 13, 2023

Company name: **SENSHUKAI CO.,LTD.** Stock exchange: Tokyo Stock Exchange
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 annual general meeting of shareholders: March 30, 2023
Scheduled date of payment of dividend: -
Scheduled date of filing of Annual Security Report: March 31, 2023
Preparation of supplementary materials for financial results: Yes
Holding of 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 Fiscal Year 2022 (January 1, 2022 – December 31, 2022)

(1) Consolidated operating results

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year 2022	58,915	-	(8,139)	-	(7,889)	-	(10,976)	-
Fiscal Year 2021	73,149	(12.2)	349	-	520	-	308	-

Note: Comprehensive income (millions of yen) Fiscal Year 2022: (11,020) (-%) Fiscal Year 2021: 736 (-%)

	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 2022	(234.24)	-	(39.8)	(17.3)	(13.8)
Fiscal Year 2021	6.64	-	0.9	0.9	0.5

Reference: Equity in earnings (losses) of affiliates (millions of yen) Fiscal Year 2022: 15 Fiscal Year 2021: 77

Note: Starting with the beginning of 2022, Senshukai has applied Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020). All figures for 2022 incorporate this accounting standard and comparisons with 2021 are omitted.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2022	38,923	22,019	56.5	469.79
Fiscal Year 2021	52,476	33,202	63.3	708.09

Reference: Shareholders' equity (millions of yen) Fiscal Year 2022: 21,999 Fiscal Year 2021: 33,202

Note: Starting with the beginning of 2022, Senshukai has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). All figures for 2022 incorporate this accounting standard.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year 2022	(5,869)	(706)	148	9,287
Fiscal Year 2021	(317)	(603)	(3,066)	15,665

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	Millions of yen	%	%
Fiscal Year 2021	-	3.00	-	4.00	7.00	328	105.4	1.0
Fiscal Year 2022	-	0.00	-	0.00	0.00	-	-	-
Fiscal Year 2023 (forecasts)	-	0.00	-	-	-		-	

Note: The year-end dividend forecast for 2023 has not been determined at this time.

3. Consolidated Outlook for Fiscal Year 2023 (January 1, 2023 – December 31, 2023)

(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 2023	66,200	12.4	500	-	400	-	150	-	3.20

*** Notes**

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

Newly added: 2 (Senshukai Make Co- Inc., WellServe Co., Ltd.) Excluded: 1 (Huit laboratories, Inc.)

Note: Please refer to "3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements (Changes in Significant Subsidiaries during the Period)" on page 15 for further information.

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

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

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

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: Please refer to "3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)" on page 15 for further information.

(3) Number of shares outstanding (common shares)

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

Fiscal Year 2022: 52,056,993 shares Fiscal Year 2021: 52,056,993 shares

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

Fiscal Year 2022: 5,229,999 shares Fiscal Year 2021: 5,167,335 shares

3) Average number of shares outstanding during the period

Fiscal Year 2022: 46,860,574 shares Fiscal Year 2021: 46,444,898 shares

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for Fiscal Year 2022 (January 1, 2022 – December 31, 2022)

(1) Non-consolidated operating results

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year 2022	55,123	-	(8,290)	-	(7,654)	-	(10,913)	-
Fiscal Year 2021	67,190	(5.6)	1,005	(65.1)	1,304	(53.9)	(2,939)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal Year 2022	(232.89)	-
Fiscal Year 2021	(63.28)	-

Note: Starting with the beginning of 2022, Senshukai has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). All figures for 2022 incorporate this accounting standard and comparisons with 2021 are omitted.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2022	37,429	21,107	56.4	450.75
Fiscal Year 2021	50,763	32,264	63.6	688.09

Reference: Shareholders' equity (millions of yen) Fiscal Year 2022: 21,107 Fiscal Year 2021: 32,264

Note: Starting with the beginning of 2022, Senshukai has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). All figures for 2022 incorporate this accounting standard.

* This financial report is not subject to audit 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. Overview of Results of Operations, (5) Outlook."

How to view supplementary information at the financial results meeting

There will be no meeting for the presentation of financial results for 2022 because of the COVID-19 pandemic. A video of this presentation is planned to be posted on the Senshukai website soon. In addition, materials used for this presentation will be disclosed using the Timely Disclosure network (TDnet) and will be posted on the Senshukai website.

Contents of Attachments

1. Overview of Results of Operations

(1) Results of Operations

Overview

Starting with the beginning of 2022, Senshukai has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). As a result, the explanation of results of operations for 2022 does not show the amount of increase or decrease compared with 2021.

During 2022, the impact of COVID-19 on the Japanese economy weakened towards the second half and economic activity normalized. However, the outlook remains uncertain due to a combination of prolonged geopolitical risks such as the situation in Ukraine, rising prices resulting from soaring energy and raw material costs, and tightening of global financial conditions.

In this business environment, the Senshukai Group's normal business activities were hampered by issues related to the replacement of the core IT system executed in January 2022. After IT system operations returned to normal, sales promotion measures were resumed and sales activities expanded, but sales from Belle Maison, the Group's core mail-order and online shopping business, fell significantly year on year, and the inclusion of sales from the bridal business up to the first quarter of 2021, which were subsequently excluded from the scope of consolidation, also had an effect. As a result, net sales in 2022 were 58,915 million yen (compared with 73,149 million yen in 2021), operating loss was 8,139 million yen (compared with a profit of 349 million yen in 2021), and ordinary loss was 7,889 million yen (compared with a profit of 520 million yen in 2021). Loss attributable to owners of parent was 10,976 million yen (compared with a profit of 308 million yen in 2021).

Furthermore, our core IT system has grown in size and complexity alongside the growth of the mail-order and online shopping business, making it difficult to respond to various changes, while the business model of our mail-order and online shopping business has reached a turning point and systemic flexibility become essential to the future transformation of the business. Accordingly, we decided to replace the core IT system with a basic, simple one while pressing forward with preparations for reforming our business processes, and completed the replacement of the core IT system in January 2022, as originally planned. The system is currently operating stably, and business process re-engineering (BPR) is being implemented from the starting point of the new, flexible system with the aims of restoring customer confidence and returning to profitability.

Business segment performance was as follows.

Consolidated subsidiaries Dears Brain Inc. and PLANETWORK CO., LTD., and WONDERSTAGE Co., Ltd., a wholly owned subsidiary of Dears Brain and a sub-subsidiary of Senshukai, were excluded from the scope of consolidation following the sales of all shares of Dears Brain and PLANETWORK on March 31, 2021. As a result, the Senshukai Group no longer operates a bridal business. Consequently, there is no longer business segment information for the bridal business beginning with 2022.

(Mail-order and Online Shopping Business)

Consolidated sales in the mail-order and online shopping business, which is primarily the catalog and the Internet businesses, was 52,633 million yen in 2022 compared with 64,325 million yen in 2021. There was an operating loss of 8,405 million yen compared with a profit of 894 million yen in 2021. There were problems involving the launch of the new core IT system following the completion of the replacement of the previous system in January 2022. To deal with these problems, marketing activities were suspended and the level of normal business activities was reduced in order to focus on handling inquiries from customers. For a recovery of sales, marketing activities resumed after IT system operations returned to normal. As sales activities increased, there were other measures for a recovery of the performance of this business. Despite these measures, the number of members did not return to the prior-year level. In addition, the rising cost of living has led to a greater desire to save money, and the lingering summer heat has led to a decline in demand for seasonal products. As a result, sales of Bell Maison, the core business of this segment, were far below sales one year earlier, resulting in lower segment sales and earnings.

(Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, were 4,292 million yen compared with 4,732 million yen in 2021. Operating profit was 48 million yen compared with a profit of 302 million yen in 2021. Although the use of novelties related to corporate shareholder benefits remained strong, sales and earnings decreased because of lower than expected utilization of outsourced logistics and call center services.

(Insurance Business)

This business provides support, mainly to Belle Maison members, for choosing the most suitable insurance policies. Consolidated sales were 512 million yen compared with 420 million yen in 2021 and operating profit was 281 million yen compared with a profit of 189 million yen in 2021.

(Others)

Consolidated sales in other businesses, which include the childcare support business and manufacturing and sales of cosmetics, were 1,477 million yen compared with 1,938 million yen in 2021. Operating loss was 64 million yen compared with a profit of 7 million yen in 2021. The manufacturing and sales of cosmetics business was excluded from the scope of consolidation following the sales of all shares of Huit laboratories, Inc., which was a consolidated subsidiary of Senshukai, on April 1, 2022. For more information, please refer to the "Notice of Change in Consolidated Subsidiaries (Transfer of Shares)" released on March 4, 2022 (Japanese version only).

(2) Financial Position

Assets totaled 38,923 million yen at the end of 2022, a decrease of 13,553 million yen from the end of 2021.

Current assets decreased 9,875 million yen to 24,587 million yen. The factors included decreases of 6,377 million yen in cash and deposits and 2,252 million yen in merchandise and finished goods. Non-current assets decreased 3,678 million yen to 14,335 million yen. The factors included decreases of 2,738 million yen in intangible assets, 649 million yen in property, plant and equipment, and 290 million yen in investments and other assets due to the booking of impairment losses.

Current liabilities decreased 2,865 million yen to 13,101 million yen. The factors included decreases of 1,740 million yen in electronically recorded obligations-operating and 774 million yen in accounts payable-other. Non-current liabilities increased 494 million yen to 3,802 million yen. The main factors included increases of 280 million yen in long-term borrowings and 127 million yen in other.

Net assets decreased 11,182 million yen to 22,019 million yen. The factors included booking of loss attributable to owners of parent of 10,976 million yen. As a result, the equity ratio was 56.5%.

(3) Cash Flows

The balance of cash and cash equivalents at the end of 2022 was 9,287 million yen, a decrease of 6,377 million yen from the end of 2021.

Operating activities used net cash of 5,869 million yen (net cash used of 317 million yen in 2021). The main cash inflows were impairment losses of 3,054 million yen, a decrease in inventories of 2,105 million yen and depreciation of 1,293 million yen. The main cash outflows include loss before income taxes of 10,850 million yen.

Investing activities used net cash of 706 million yen (net cash used of 603 million yen in 2021). The main cash inflows include proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation of 626 million yen. The main cash outflows include 1,192 million yen for the purchase of intangible assets and 572 million yen for purchase of property, plant and equipment.

Financing activities provided net cash of 148 million yen (net cash used of 3,066 million yen in 2021). The main cash inflows include proceeds from long-term borrowings of 1,000 million yen. The main cash outflows were repayments of long-term borrowings of 650 million yen.

Cash flow indices

	Fiscal Year 2020 (As of Dec. 31, 2020)	Fiscal Year 2021 (As of Dec. 31, 2021)	Fiscal Year 2022 (As of Dec. 31, 2022)
Equity ratio (%)	50.2	63.3	56.5
Equity ratio based on fair value (%)	23.3	34.8	46.4
Ratio of interest-bearing debt to cash flows (years)	5.3	-	-
Interest coverage ratio (times)	17.3	-	-

Notes: 1. Cash flow indices are calculated, using consolidated financial figures, as follows:
The equity ratio is shareholders' equity divided by total assets.
The equity ratio based on fair value is market capitalization divided by total assets.
The ratio of interest-bearing debt to cash flows is interest-bearing debt divided by the quantity of operating cash flows.
The interest coverage ratio is operating cash flows divided by interest payments.
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 shares.
3. Interest-bearing debt includes short-term borrowings, long-term borrowings, and lease obligations shown on the consolidated balance sheet.
4. Operating cash flows and interest payments represent net cash provided by (used in) operating activities and interest expenses paid, respectively, on the consolidated statement of cash flows.
5. Ratio of interest-bearing debt to cash flows and interest coverage ratio are not shown for 2021 and 2022 because operating cash flows were negative.

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

The Senshukai Group's policy regarding dividends is to distribute earnings to shareholders in a manner that reflects its performance. Furthermore, the policy is to pay stable dividends that take into account the payout ratio of 30% on a consolidated basis while reflecting the need to use retained earnings to strengthen the company's foundation for business operations. Senshukai has a shareholder benefit program that distributes to shareholders twice every year gift certificates based on the number of shares and the number of years the shares have been held. This program is also a way to give shareholders a better understanding of Senshukai by using the company's products and services.

Regrettably, no dividend has been allocated for 2022 due to the large loss attributable to owners of parent. For 2023, based on the outlook for results of operations, medium- to long-term financial condition and other items, we regret that no interim dividend will be paid and the year-end dividend is yet to be determined, as the promotion of the medium-term management plan and expansion of equity from the viewpoint of management stability and safety are top priorities.

(5) Outlook

Consolidated (Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Fiscal Year 2023 (forecast)	66,200	500	400	150
Fiscal Year 2022 (results)	58,915	(8,139)	(7,889)	(10,976)
Change (%)	12.4	-	-	-

In the first half, improving profitability will take time as we continue with planned upfront investments, but the measures to improve results of operations will have a greater effect in the second half of the year, and the Senshukai Group expects to achieve profitability over the full year.

Fiscal 2023 is the third year of the medium-term management plan (2021–2025). We will continue our transformation through building an innovative co-creation model centered on the mail-order and online shopping business, aiming for consolidated sales of 90 billion yen, consolidated operating profit of 4 billion yen, and return on equity of at least 8% in fiscal 2025.

The Three Main Goals of the Medium-term Management Plan

(1) Be a source of unique products and services that can be integral elements of our customers' lives by reflecting in our products and services a broad range of values and lifestyles and an accurate understanding of customers' lifestyles.

(2) Use close ties with customers to supply more products that are environmentally responsible, can be used with confidence, and make customers excited to purchase and use. Increase measures for the recycling and reuse of merchandise (maximize utilization value*) for contributing to a sustainable society where all products are used as much as possible.

(3) Play a role in the establishing of a co-creation society that brings together people and companies that share the same values and encompasses many types of lifestyles.

* Utilization value is the sum of the value of goods and services (quality, price, accuracy of meeting needs, attractive and practical designs, materials/ideas for products people like and use a long time, and other attributes) and the value of those goods and services during and after their use.

* These forecasts are based on assumptions using information available when this report was released. Actual results of operations may differ from these forecasts for a variety of reasons, including the negative effects of the resurgence of COVID-19.

(6) Important Matters Regarding Going Concern Assumption, etc.

The Senshukai Group recorded an operating profit, ordinary profit and profit attributable to owners of parent in 2021. However, sales in 2022 were far below 2021 sales mainly because of problems involving the launch of the new core IT system in January 2022. Furthermore, there was a large operating loss, ordinary loss and loss attributable to owners of parent in 2022. Due to the continuing decline in sales even after the resolution of problems involving the new core IT system, there was an impairment loss of 3,054 million yen based on the result of a comprehensive examination of the ability to recover these assets in the future based on accounting standards for the impairment of non-current assets. As a result, there were large losses in 2022: an operating loss of 8,139 million yen, ordinary loss of 7,889 million yen and loss attributable to owners of parent of 10,976 million yen. There are currently significant doubts about the going concern assumption. The Senshukai Group is taking the following actions in order to end the current problems and improve results of operations.

(Measures to improve results of operations)

The Senshukai Group will continue to focus on numerous measures for increasing sales and earnings. To become profitable as soon as possible, the main objective is the transformation of the group's business model by placing priority on goals of the medium-term business plan, including the digital shift of the mail order and online shopping business, profit structure reforms, and co-creation with partner companies.

Progress report

(1) Digital shift of the mail-order and online shopping business

This business is currently reexamining promotions centered on catalogs and shifting resources to digital promotional activities using social networking services (SNS) and other digital channels. As part of these efforts, we are working to provide enhanced product information on our main products. In addition, in November 2022, we conducted a large-scale, cross-media marketing campaign linked to TV commercials and social networking services. Based on the results of this campaign, we plan to make more improvements to these activities and continue these linked TV commercial-SNS marketing activities.

(2) Profit structure reforms

We will move away from conventional catalogue-optimized business operations and focus on original merchandize that is ideally suited for digital sales channels and highly competitive in open markets. At the same time, by understanding the values and lifestyles of our customers better than ever, we will strengthen the development of products that customers enjoy and will use for a long time. We will use sales promotion expenses more effectively by cutting back catalog distribution to customers who do not use catalogs for shopping and shift to more effective digital promotions. Going forward, we plan to maximize return on investment by directing investment to raising the retention rate and purchasing frequency of existing members, in addition to approaching potential new customers. We will continue to use catalogs as a major tool for promotions and communication with customers who support this sales channel and will further upgrade the quality of the new ideas, creativity and other innovations in our catalogs. In addition, we plan to expand the advertising solutions business as the digital shift takes place in the mail-order and online shopping business. We will develop a new advertising menu that utilize Bell Maison Net, an e-commerce website that ranks among the largest in Japan in terms of the number of female members.

(3) Co-creation with partner companies

We are strengthening and expanding our collaboration with East Japan Railway Company (JR East). One activity is data marketing support based on the ability to contact JRE Point members for the purpose of increasing activity on JRE MALL. Another is performing tasks outsourced by the JR East Group. Activities involving JR East Group are adding to the Senshukai Group operations other than mail-order and online shopping and the operation of physical stores. Expansion of co-creation activities utilizing the assets of Senshukai and JR East will continue. Raising the value of the Belle Maison brand and strengthening the Belle Maison membership base are also major goals. One way is by providing services involving the use and disposal of merchandise, such as the “kimawari” used merchandise purchasing service that was started through co-creation with Aucnet, Inc., a provider of information-based distribution services. Increasing the number of convenient services closely tied to customers’ lives is another way we plan to accomplish these goals. The trial operation of “kimawari” demonstrated that the percentage of “kimawari” customers who continue to use Belle Maison to buy merchandise is dramatically higher than for other Belle Maison customers. The November grand opening of “kimawari” was very successful. We plan to enlarge merchandise handled by “kimawari” and speed up other measures in order to use this new service as an important measure for improving the profitability of Belle Maison.

Senshukai’s financial position was sound as of the end of 2022 with an equity ratio of 56.5%. In terms of funding, as of the end of 2022, the Group held cash and deposits of 9,287 million yen, and in addition to the existing overdraft facility of 2,500 million yen, a new facility of 3,000 million yen was established on January 27, 2023, resulting in a total overdraft facility of 5,500 million yen. Accordingly, there are no concerns about cash flow. The maturity date for 500 million yen of the existing overdraft facility is May 31, 2023, but in the absence of any specific indication of intent, this date will automatically be extended for one year.

Moreover, the Group has entered into commitment line contracts totaling 10 billion yen with financial institutions. At the end of 2022, we were in breach of one of the financial covenants relating to the maintenance of net assets, but the situation was resolved on January 27, 2023, when the Group agreed to review the contents of this covenant and other matters with financial institutions. The term of the agreement expires on June 30, 2023, and permits borrowing for up to six months from the date of execution. There were no borrowings outstanding under this agreement at the end of 2022. We will continue taking steps to ensure that ongoing support is provided.

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

We plan to return to profitability in 2023 by continuing to adapt with flexibility to changes in the business climate and taking actions that are needed in a timely manner. From a longer perspective, our goal is to become an organization that can earn the support of customers for many years and meet the expectations of all stakeholders.

2. Basic Approach for the Selection of Accounting Standards

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

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

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	Fiscal Year 2021 (As of Dec. 31, 2021)	Fiscal Year 2022 (As of Dec. 31, 2022)
Assets		
Current assets		
Cash and deposits	15,665	9,287
Notes and accounts receivable-trade	2,235	-
Notes receivable-trade	-	249
Accounts receivable-trade	-	1,690
Merchandise and finished goods	9,123	6,871
Raw materials and supplies	154	112
Accounts receivable-other	5,654	5,147
Other	1,756	1,310
Allowance for doubtful accounts	(126)	(82)
Total current assets	34,463	24,587
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,745	19,939
Accumulated depreciation	(16,669)	(16,134)
Buildings and structures, net	4,076	3,804
Machinery, equipment and vehicles	6,688	6,332
Accumulated depreciation	(6,499)	(6,293)
Machinery, equipment and vehicles, net	188	39
Tools, furniture and fixtures	1,115	888
Accumulated depreciation	(984)	(803)
Tools, furniture and fixtures, net	130	84
Land	5,524	5,402
Leased assets	15	29
Accumulated depreciation	(15)	(29)
Leased assets, net	-	-
Construction in progress	60	-
Total property, plant and equipment	9,980	9,331
Intangible assets		
Other	4,204	1,465
Total intangible assets	4,204	1,465
Investments and other assets		
Investment securities	2,493	2,417
Leasehold and guarantee deposits	497	473
Deferred tax assets	16	10
Other	912	673
Allowance for doubtful accounts	(90)	(37)
Total investments and other assets	3,828	3,538
Total non-current assets	18,013	14,335
Total assets	52,476	38,923

(Millions of yen)

	Fiscal Year 2021 (As of Dec. 31, 2021)	Fiscal Year 2022 (As of Dec. 31, 2022)
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	6,612	4,872
Accounts payable-trade	2,761	2,465
Short-term borrowings	550	620
Lease liabilities	29	23
Accounts payable-other	3,979	3,204
Accrued expenses	649	624
Income taxes payable	22	19
Accrued consumption taxes	44	35
Contract liabilities	-	589
Provision for bonuses for directors (and other officers)	6	5
Provision for sales promotion expenses	258	-
Provision for bonuses	33	31
Other	1,018	608
Total current liabilities	15,966	13,101
Non-current liabilities		
Long-term borrowings	3,005	3,285
Lease liabilities	44	30
Deferred tax liabilities	60	144
Retirement benefit liability	6	6
Asset retirement obligations	145	162
Other	45	173
Total non-current liabilities	3,307	3,802
Total liabilities	19,274	16,903
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	30,084	30,084
Retained earnings	7,061	(4,108)
Treasury shares	(2,953)	(2,953)
Total shareholders' equity	34,291	23,122
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	267	286
Deferred gains or losses on hedges	119	51
Revaluation reserve for land	(1,516)	(1,516)
Foreign currency translation adjustment	38	56
Total accumulated other comprehensive income	(1,089)	(1,123)
Non-controlling interests	-	20
Total net assets	33,202	22,019
Total liabilities and net assets	52,476	38,923

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

(Consolidated Statement of Income)

(Millions of yen)

	Fiscal Year 2021 (Jan. 1, 2021 – Dec. 31, 2021)	Fiscal Year 2022 (Jan. 1, 2022 – Dec. 31, 2022)
Net sales	73,149	58,915
Cost of sales	36,457	30,864
Gross profit	36,692	28,050
Selling, general and administrative expenses		
Freight and packing costs	4,821	5,088
Promotion expenses	8,836	9,034
Provision for allowance for sales promotion expenses	258	-
Provision of allowance for doubtful accounts	76	65
Remuneration for directors (and other officers)	214	230
Salaries and allowances	4,588	4,127
Bonuses	756	637
Provision for bonuses for directors (and other officers)	6	5
Provision for bonuses	104	44
Commission expenses	3,858	5,405
Depreciation	915	1,227
Other	11,904	10,322
Total selling, general and administrative expenses	36,342	36,190
Operating profit (loss)	349	(8,139)
Non-operating income		
Interest and dividend income	41	39
Share of profit of entities accounted for using equity method	77	15
Gain on adjustment of account payable	115	169
Reversal of allowance for doubtful accounts	1	80
Rental income from real estate	58	77
Miscellaneous income	322	129
Total non-operating income	617	512
Non-operating expenses		
Interest expenses	77	46
Rental expenses on real estate	50	66
Commission expenses	248	113
Miscellaneous losses	70	36
Total non-operating expenses	446	262
Ordinary profit (loss)	520	(7,889)

(Millions of yen)

	Fiscal Year 2021 (Jan. 1, 2021 – Dec. 31, 2021)	Fiscal Year 2022 (Jan. 1, 2022 – Dec. 31, 2022)
Extraordinary income		
Gain on sale of non-current assets	-	0
Gain on sale of investment securities	-	18
Gain on sale of shares of subsidiaries and associates	-	134
Subsidy income	162	188
Other	0	-
Total extraordinary income	163	341
Extraordinary losses		
Loss on sale and retirement of non-current assets	10	17
Loss on tax purpose reduction entry of non-current assets	151	173
Impairment losses	-	3,054
Loss on sale of shares of subsidiaries and associates	11	-
Loss on change in equity	110	-
Other	-	57
Total extraordinary losses	284	3,302
Profit (loss) before income taxes	399	(10,850)
Income taxes-current	45	33
Income taxes-deferred	45	103
Total income taxes	90	136
Profit (loss)	308	(10,987)
Loss attributable to non-controlling interests	-	(11)
Profit (loss) attributable to owners of parent	308	(10,976)

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Fiscal Year 2021 (Jan. 1, 2021 – Dec. 31, 2021)	Fiscal Year 2022 (Jan. 1, 2022 – Dec. 31, 2022)
Profit (loss)	308	(10,987)
Other comprehensive income		
Valuation difference on available-for-sale securities	73	18
Deferred gains or losses on hedges	184	(68)
Foreign currency translation adjustment	(16)	1
Share of other comprehensive income of entities accounted for using equity method	187	16
Total other comprehensive income	428	(33)
Comprehensive income	736	(11,020)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	736	(11,009)
Comprehensive income attributable to non-controlling interests	-	(11)

(3) Consolidated Statement of Changes in Equity

Fiscal Year 2021 (Jan. 1, 2021– Dec. 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100	30,264	6,768	(3,525)	33,606
Changes during period					
Dividends of surplus			(140)		(140)
Profit attributable to owners of parent			308		308
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(179)		572	392
Change in scope of equity method			125		125
Net changes in items other than shareholders' equity					
Total changes during period	-	(179)	293	572	685
Balance at end of period	100	30,084	7,061	(2,953)	34,291

(Millions of yen)

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	195	(78)	(1,516)	(118)	(1,518)	32,088
Changes during period						
Dividends of surplus						(140)
Profit attributable to owners of parent						308
Purchase of treasury shares						(0)
Disposal of treasury shares						392
Change in scope of equity method						125
Net changes in items other than shareholders' equity	72	198	-	157	428	428
Total changes during period	72	198	-	157	428	1,113
Balance at end of period	267	119	(1,516)	38	(1,089)	33,202

Fiscal Year 2022 (Jan. 1, 2022– Dec. 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100	30,084	7,061	(2,953)	34,291
Cumulative effects of changes in accounting policies			(5)		(5)
Restated balance	100	30,084	7,055	(2,953)	34,286
Changes during period					
Dividends of surplus			(187)		(187)
Loss attributable to owners of parent			(10,976)		(10,976)
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	(11,164)	(0)	(11,164)
Balance at end of period	100	30,084	(4,108)	(2,953)	23,122

(Millions of yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	267	119	(1,516)	38	(1,089)	-	33,202
Cumulative effects of changes in accounting policies							(5)
Restated balance	267	119	(1,516)	38	(1,089)	-	33,196
Changes during period							
Dividends of surplus							(187)
Loss attributable to owners of parent							(10,976)
Purchase of treasury shares							(0)
Net changes in items other than shareholders' equity	18	(68)	-	17	(33)	20	(12)
Total changes during period	18	(68)	-	17	(33)	20	(11,177)
Balance at end of period	286	51	(1,516)	56	(1,123)	20	22,019

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal Year 2021 (Jan. 1, 2021 – Dec. 31, 2021)	Fiscal Year 2022 (Jan. 1, 2022 – Dec. 31, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	399	(10,850)
Depreciation	981	1,293
Impairment losses	-	3,054
Increase (decrease) in allowance for doubtful accounts	(15)	(96)
Increase (decrease) in provision for sales promotion expenses	41	-
Increase (decrease) in provision for bonuses	71	18
Interest and dividend income	(41)	(39)
Interest expenses	77	46
Share of loss (profit) of entities accounted for using equity method	(77)	(15)
Loss (gain) on sale of investment securities	-	(18)
Loss (gain) on sale of shares of subsidiaries and associates	11	(134)
Loss (gain) on sale and retirement of non-current assets	10	17
Loss on tax purpose reduction entry of non-current assets	151	173
Subsidy income	(162)	(188)
Subsidy income	(165)	(1)
Loss (gain) on change in equity	110	-
Decrease (increase) in trade receivables	233	194
Decrease (increase) in inventories	(2,069)	2,105
Decrease (increase) in other current assets	114	1,091
Increase (decrease) in trade payables	567	(1,798)
Increase (decrease) in contract liabilities	-	(77)
Increase (decrease) in other current liabilities	(194)	(1,023)
Other, net	(396)	260
Subtotal	(352)	(5,988)
Interest and dividends received	171	67
Interest paid	(80)	(46)
Income taxes refund (paid)	(222)	96
Subsidies received	165	1
Net cash provided by (used in) operating activities	(317)	(5,869)
Cash flows from investing activities		
Purchase of property, plant and equipment	(458)	(572)
Purchase of intangible assets	(3,025)	(1,192)
Subsidies received	162	187
Purchase of investment securities	(295)	(15)
Proceeds from sale of investment securities	103	19
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	2,773	626
Other, net	136	240
Net cash provided by (used in) investing activities	(603)	(706)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,100)	-
Proceeds from long-term borrowings	-	1,000
Repayments of long-term borrowings	(774)	(650)
Proceeds from share issuance to non-controlling shareholders	-	31
Dividends paid	(139)	(186)
Other, net	(51)	(45)
Net cash provided by (used in) financing activities	(3,066)	148
Effect of exchange rate change on cash and cash equivalents	60	48
Net increase (decrease) in cash and cash equivalents	(3,927)	(6,377)
Cash and cash equivalents at beginning of period	19,592	15,665
Cash and cash equivalents at end of period	15,665	9,287

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Significant Subsidiaries during the Period

Senshukai Make Co- Inc. and WellServe Co., Ltd.) were included in the scope of consolidation in 2022 due to these establishments. These companies are specified subsidiaries of Senshukai.

Huit laboratories, Inc., a consolidated subsidiary of Senshukai, was excluded from the scope of consolidation following the sales of all shares of this company in 2022.

Changes in Accounting Policies

(Application of the Accounting Standards for Revenue Recognition)

Senshukai is applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of 2022. Based on these standards, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers.

The main changes resulting from the application of the Accounting Standard for Revenue Recognition are as follows:

(1) Revenue recognition concerning the Senshukai Point Program
In prior years, Senshukai maintained a provision for sales promotion expenses based on the expected future use of points that customers receive when they buy Senshukai merchandise in order to prepare for the use of these points. Additions to this allowance were classified as selling, general and administrative expenses. In accordance with the new revenue recognition standard, these points are now classified as a performance obligation and recognition of revenue is deferred.

(2) Revenue recognition concerning point programs of other companies
In prior years, an amount equivalent to the value of the points of point programs operated by other companies was classified as selling, general and administrative expenses. In accordance with the new revenue recognition standard, the calculation of transaction prices concerning merchandise sale performance obligations to customers now uses the method of recognizing revenue after deducting transaction prices as the amount recovered for third parties.

(3) Revenue recognition concerning shipping expenses paid by customers
In prior years, shipping expenses received from customers were deducted from selling, general and administrative expenses. In accordance with the new revenue recognition standard, payments from customers for shipping expenses are now recognized as revenue because the merchandise shipping service is included in the performance obligation involving the provision of merchandise to customers.

(4) Revenue recognition concerning sales of merchandise that may be returned
In prior years, for transactions of merchandise that may be returned, the value of merchandise returned by customers was deducted from sales when Senshukai confirmed the receipt of the merchandise. In accordance with the provision of the new revenue recognition standard concerning variable compensation, revenue for merchandise that is expected to be returned is not recognized when the merchandise is sold. Instead, a refund liability is now recognized that is equivalent to the payment that was or will be received for the applicable merchandise.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures in the proviso to Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to 2022, is added to or subtracted from retained earnings at the beginning of 2022. The new standard is then applied beginning with this amount of retained earnings.

As a result, net sales increased 1,722 million yen and cost of sales decreased 6 million yen. Operating loss increased 51 million yen, and ordinary loss and loss before income taxes increased 52 million yen each in 2022. In addition, there was a decrease of 5 million yen in retained earnings at the beginning of 2022.

The effect of these changes in consolidated statement of cash flows and per share information is insignificant.

Due to the application of the Accounting Standard for Revenue Recognition, "Notes and accounts receivable-trade" that was presented in the current assets section of the consolidated balance sheet in 2021 is, from 2022, stated as "Notes receivable-trade" and "Accounts receivable-trade." In addition, the amount corresponding to contract liabilities in the revenue recognition standards, that was included in "Other" presented in the current liabilities section in 2021 is, from 2022, stated as "Contract liabilities." In accordance with the transitional measures prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the prior year's consolidated financial statements to conform to the new presentation.

Application of the Accounting Standards for Measurement of Fair Value

Senshukai has applied the Accounting Standard for Measurement of Fair Value (ASBJ Statement No. 30, July 4, 2019) and other standards from the beginning of 2022, and has applied the new accounting policies set forth by the Accounting Standard for Measurement of Fair Value, etc. prospectively in accordance with the transitional measures prescribed in Paragraph 19 of the Accounting Standard for Measurement of Fair Value and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect of the application of these standards on the consolidated financial statements.

Additional Information

(Uncertainty of accounting estimates)

During 2022, the impact of COVID-19 on the Japanese economy weakened towards the second half and economic activity normalized. However, the outlook remains uncertain due to a combination of prolonged geopolitical risks such as the situation in Ukraine, rising prices resulting from soaring energy and raw material costs, and tightening of global financial conditions. Senshukai assumes that these factors will have only a limited effect on accounting estimates. However, due to problems involving the launch of the new core IT system in January 2022, marketing activities were suspended and the level of normal business activities was reduced in order to focus on handling inquiries from customers. Due to this situation, sales of Belle Maison in the core mail-order and online shopping business were far below sales one year earlier, resulting in lower segment sales and earnings. After IT system operations returned to normal, marketing activities have resumed. The volume of business activities is increasing and there are new actions for achieving a sales recovery. The entire Senshukai Group is firmly committed to restoring the trust of customers and achieving a recovery in the volume of orders. Although Senshukai is using the best possible estimates based on information that is currently available, a change in the business climate or problems involving the new core IT system may have an effect on the financial condition, results of operations and cash flows of the Senshukai Group.

Segment Information

1. Overview of reportable segment

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

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

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

The mail-order and online shopping business is engaged in mail-order sales via a variety of media centered on catalogs and the Internet. The corporates business uses Senshukai's infrastructure to provide solutions services and promotional services targeting mail-order companies and e-commerce businesses. The insurance business provides insurance primarily to Belle Maison members.

The bridal business had been engaged in mostly house wedding services. However, consolidated subsidiaries Dears Brain Inc. and PLANETWORK CO., LTD., and WONDERSTAGE Co., Ltd., a wholly owned subsidiary of Dears Brain and a sub-subsidiary of Senshukai, were excluded from the scope of consolidation following the sales of all shares of Dears Brain and PLANETWORK in 2021. As a result, the Group had withdrawn from these businesses. Consequently, this business is no longer a reportable segment from 2022.

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

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

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

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

As described in Changes in Accounting Policies, Senshukai has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of 2022 and changed the accounting method for revenue recognition. Accordingly, the method for calculating segment profit or loss has been changed as well.

The effect of this change was to increase net sales by 1,729 million yen and to increase segment loss by 51 million yen for 2022 in the mail-order and online shopping business. Net sales decreased 6 million yen and there was no effect on the segment loss in other businesses.

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

Fiscal Year 2021 (Jan. 1, 2021 – Dec. 31, 2021) (Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Mail-order and online shopping business	Bridal business	Corporates business	Insurance business	Sub-total				
Net sales									
Sales to customers	64,325	1,733	4,732	420	71,211	1,938	73,149	-	73,149
Inter-segment sales or transfers	281	5	36	-	323	0	324	(324)	-
Total	64,607	1,738	4,769	420	71,535	1,938	73,473	(324)	73,149
Segment profit (loss)	894	(1,045)	302	189	341	7	349	0	349
Segment assets	50,254	-	1,362	42	51,659	1,648	53,307	(830)	52,476
Other items									
Depreciation	630	282	13	-	926	54	981	-	981
Amortization of goodwill	-	44	-	-	44	-	44	-	44
Share of loss (profit) of entities accounted for using equity method	143	(66)	-	-	77	-	77	-	77
Investment in equity-method affiliates	641	-	-	-	641	-	641	-	641
Increase in property, plant and equipment and intangible assets	2,869	7	16	-	2,894	264	3,158	-	3,158

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. Adjustments are as follows.

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

(2) The (830) million yen adjustment to segment assets is an elimination for inter-segment transactions.

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

Fiscal Year 2022 (Jan. 1, 2022 – Dec. 31, 2022) (Millions of yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Mail-order and online shopping business	Corporates business	Insurance business	Sub-total				
Net sales								
Sales to customers	52,633	4,292	512	57,437	1,477	58,915	-	58,915
Inter-segment sales or transfers	258	42	-	301	0	301	(301)	-
Total	52,891	4,334	512	57,738	1,478	59,217	(301)	58,915
Segment profit (loss)	(8,405)	48	281	(8,074)	(64)	(8,139)	-	(8,139)
Segment assets	20,643	1,236	43	21,923	780	22,703	16,219	38,923
Other items								
Depreciation	1,248	11	-	1,260	33	1,293	-	1,293
Share of profit of entities accounted for using equity method	15	-	-	15	-	15	-	15
Investment in equity-method affiliates	645	-	-	645	-	645	-	645
Increase in property, plant and equipment and intangible assets	1,178	20	-	1,199	221	1,421	215	1,636

Notes: 1. Others represent the businesses which are not included in any of the three reportable segments and consist of the childcare support business and manufacturing and sales of cosmetics.
2. Adjustments are as follows.
(1) The adjustment to segment assets includes an elimination for inter-segment transactions and corporate assets that are not allocated to any of the reportable segments.
(2) The criteria for allocating non-current assets to business segments and related depreciation are different.
(3) The 215 million yen adjustment to increase in property, plant and equipment and intangible assets is the sum of corporate assets that are not allocated to any of the reportable segments.
3. Segment profit (loss) is adjusted to be consistent with the operating loss on the consolidated statement of income.

4. Information related to impairment losses on non-current assets for each reportable segment

Fiscal Year 2021 (Jan. 1, 2021 – Dec. 31, 2021)

Not applicable.

Fiscal Year 2022 (Jan. 1, 2022 – Dec. 31, 2022)

(Millions of yen)

	Mail-order and online shopping business	Corporates business	Insurance business	Others	Elimination or corporate	Total
Impairment losses	3,054	-	-	-	-	3,054

Per Share Information

(Yen)

	Fiscal Year 2021 (Jan. 1, 2021 – Dec. 31, 2021)	Fiscal Year 2022 (Jan. 1, 2022 – Dec. 31, 2022)
Net assets per share	708.09	469.79
Net income (loss) per share	6.64	(234.24)

Notes: 1. Diluted net income per share in 2021 is not presented since Senshukai has no outstanding dilutive securities.
2. Diluted net income per share in 2022 is not presented since Senshukai has no outstanding dilutive securities, and posted a net loss.
3. Basis for calculation of net income (loss) per share is as follows.

(Millions of yen)

	Fiscal Year 2021 (Jan. 1, 2021 – Dec. 31, 2021)	Fiscal Year 2022 (Jan. 1, 2022 – Dec. 31, 2022)
Profit (loss) attributable to owners of parent	308	(10,976)
Amounts unavailable to common shareholders	-	-
Profit (loss) attributable to owners of parent related to common stock	308	(10,976)
Average number of common stock outstanding during the period (thousand shares)	46,444	46,860

Significant Subsequent Events

(Changes to financial covenants in commitment line agreements)

At the end of 2022, the Group was in breach of a financial covenant in the commitment line agreement relating to net assets. However, on January 27, 2023, the Group agreed to review the contents of the financial covenants and all such situations were resolved. Under the amended agreement, if the following financial covenants are breached, the benefit of time may be forfeited for all obligations under the agreement.

Modified financial covenants

(1) The company shall not report an operating loss or ordinary loss in the consolidated statement of income at the end of 2023, and each subsequent fiscal year.

(2) The total net assets shown in the consolidated balance sheet at the end of 2023, and each subsequent fiscal year shall be maintained at an amount equal to 75% of the total net assets shown in the consolidated balance sheet at the end of 2022, or 75% of total net assets in the consolidated balance sheet as of the end of the most recent fiscal year, whichever is higher.

(Conclusion of overdraft agreement)

In accordance with a resolution of the Board of Directors' meeting held on December 16, 2022, the Group entered into a new special overdraft agreement on January 27, 2023, as follows in order to prepare for the demand for funds, etc., under uncertain circumstances, such as rising prices, changes in consumer behavior, and geopolitical risks.

Lender: Sumitomo Mitsui Banking Corporation
Amount borrowed: 3,000 million yen
Interest rate: Base rate + spread (1.00%)
Contract signing: January 27, 2023
Contract maturity date: January 26, 2024
Repayment method: Lump-sum repayment on the due date

The following assets have been provided as collateral for the special overdraft agreement.

(Millions of yen)

	Fiscal Year 2022 (As of Dec. 31, 2022)
Buildings and structures	3,415
Land	5,233
Total	8,648

** 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.*