

# Summary of Financial Results for the First Quarter of Fiscal Year 2023 (Three Months Ended March 31, 2023)

[Japanese GAAP]

May 11, 2023

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Scheduled date of filing of Quarterly Report: May 12, 2023

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting: None

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

## 1. Consolidated Financial Results for the 1st Quarter of 2023 (January 1, 2023 – March 31, 2023)

### (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	%
1Q 2023	12,505	4.1	(2,200)	-	(2,219)	-	(2,286)	-
1Q 2022	12,009	-	(2,794)	-	(2,727)	-	(2,728)	-

Note: Comprehensive income (millions of yen) 1Q 2023: (2,279) (-%) 1Q 2022: (2,590) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
1Q 2023	(48.84)	-
1Q 2022	(58.20)	-

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 1Q 2022 incorporate this accounting standard and comparisons with 1Q 2022 are omitted.

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
1Q 2023	35,527	19,739	55.5	421.31
Fiscal Year 2022	38,923	22,019	56.5	469.79

Reference: Shareholders' equity (millions of yen) 1Q 2023: 19,725 Fiscal Year 2022: 21,999

## 2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2022	-	0.00	-	0.00	0.00
Fiscal Year 2023	-	-	-	-	-
Fiscal Year 2023 (forecasts)	-	0.00	-	-	-

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

2. The year-end dividend for the fiscal year 2023 (forecasts) 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

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

**\* Notes**

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

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes  
Note: Please refer to “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements)” on page 8 for further information.

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

- 1) Changes in accounting policies due to revisions in accounting standards, others: None
- 2) Changes in accounting policies other than 1) above: None
- 3) Changes in accounting-based estimates: None
- 4) Restatements: None

(4) Number of shares outstanding (common shares)

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

1Q 2023:	52,056,993 shares	Fiscal Year 2022:	52,056,993 shares
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2) Number of treasury shares at the end of the period

1Q 2023:	5,238,025 shares	Fiscal Year 2022:	5,229,999 shares
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3) Average number of shares outstanding during the period

1Q 2023:	46,820,429 shares	1Q 2022:	46,887,429 shares
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\* 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 3, “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements.”

## Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	6
Quarterly Consolidated Statement of Income	
(For the Three-month Period)	6
Quarterly Consolidated Statement of Comprehensive Income	
(For the Three-month Period)	7
(3) Notes to Quarterly Consolidated Financial Statements	8
(Going Concern Assumption)	8
(Significant Changes in Shareholders' Equity)	8
(Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements )	8
(Additional Information)	8
(Segment Information)	9
(Significant Subsequent Event)	9
3. Other	10

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

During the first quarter of 2023, the Japanese economy made progress in normalizing activity with the relaxation of restrictions on behavior imposed due to the COVID-19 pandemic. 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 to control inflation.

In the retail industry, while the use of e-commerce for purchasing goods became more established with the COVID-19 pandemic, greater opportunities to go outside have led consumers to increasingly shop at physical stores, and the use of mail-order and online shopping has declined in reaction to this.

In this business environment, sales promotion measures in the mail-order and online shopping business were put on hold and sales activities reduced in the first quarter of 2022 due to issues related to the replacement of the core system. However, during the first quarter of 2023, the Group strengthened digital promotions and proactively developed strategies to acquire members. As a result, net sales in the first quarter of 2023 increased 4.1% YoY to 12,505 million yen, operating loss was 2,200 million yen (compared with a loss of 2,794 million yen in the first quarter of 2022), and ordinary loss was 2,219 million yen (compared with a loss of 2,727 million yen in the first quarter of 2022). Loss attributable to owners of parent was 2,286 million yen (compared with a loss of 2,728 million yen in the first quarter of 2022).

Business segment performance was as follows.

#### (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, increased 8.5% YoY to 11,184 million yen in the first quarter of 2023. There was an operating loss of 2,246 million yen compared with a loss of 2,879 million yen in the first quarter of 2022. During the first quarter of 2022, system issues caused sales to fall sharply as sales promotion measures were put on hold and normal sales activities curtailed. However, during the first quarter of 2023, the Group strengthened digital promotions and proactively implemented strategies to acquire members.

#### (Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, decreased 23.1% YoY to 870 million yen in the first quarter of 2023. Operating loss was 27 million yen compared with a profit of 55 million yen in the first quarter of 2022. The use of novelties related to corporate shareholder benefits and outsourcing services for logistics operations did not grow as expected.

#### (Insurance Business)

This business provides support, mainly to Belle Maison members, for choosing the most suitable insurance policies. Consolidated sales were increased 15.7% YoY to 100 million yen in the first quarter of 2023 and operating profit increased 74.2% to 45 million yen.

#### (Others)

Consolidated sales in other businesses, which include the childcare support business, decreased 27.3% YoY to 350 million yen in the first quarter of 2023. Operating profit was 27 million yen compared with a profit of 3 million yen in the first quarter of 2022.

### (2) Explanation of Financial Position

#### (Balance sheet position)

Assets totaled 35,527 million yen at the end of the first quarter of 2023, a decrease of 3,395 million yen from the end of 2022.

Current assets decreased 3,225 million yen to 21,361 million yen. The factors included a decrease of 3,120 million yen in cash and deposits. Non-current assets decreased 169 million yen to 14,165 million yen. The factors included

decreases of 43 million yen in property, plant and equipment, 100 million yen in intangible assets, and 25 million yen in investments and other assets.

Current liabilities decreased 1,006 million yen to 12,094 million yen. The factors included a decrease of 1,107 million yen in electronically recorded obligations-operating. Non-current liabilities decreased 109 million yen to 3,693 million yen. The main factors included a decrease of 130 million yen in long-term borrowings.

Net assets decreased 2,279 million yen to 19,739 million yen. The factors included booking of loss attributable to owners of parent of 2,286 million yen. As a result, the equity ratio was 55.5%.

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

The consolidated forecast for 2023 (January 1 to December 31, 2023), announced on February 13, 2023, assumes that the effects of the performance improvement measures will become stronger in the second half of 2023 and that the company will achieve profitability for the full year, although it will take time to improve profitability in the first half due to continued planned upfront investment. We are focusing on implementing the performance improvement measures, including digital shift of the mail-order and online shopping business, profit structure reforms, and co-creation with partner companies, and we are moving forward with the transformation of our business model. At this time, we are maintaining our current forecasts. If the need to revise the forecast arises, we will promptly disclose the information.

**2. Quarterly Consolidated Financial Statements and Notes****(1) Quarterly Consolidated Balance Sheet**

(Millions of yen)

	Fiscal Year 2022 (As of Dec. 31, 2022)	1Q 2023 (As of Mar. 31, 2023)
Assets		
Current assets		
Cash and deposits	9,287	6,167
Notes and accounts receivable-trade, and contract assets	1,940	1,956
Merchandise and finished goods	6,871	7,119
Accounts receivable-other	5,147	4,880
Other	1,423	1,316
Allowance for doubtful accounts	(82)	(78)
Total current assets	24,587	21,361
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,804	3,743
Land	5,402	5,402
Other, net	123	140
Total property, plant and equipment	9,331	9,287
Intangible assets		
Other	1,465	1,365
Total intangible assets	1,465	1,365
Investments and other assets		
Investment securities	2,417	2,474
Other	1,157	1,043
Allowance for doubtful accounts	(37)	(4)
Total investments and other assets	3,538	3,512
Total non-current assets	14,335	14,165
Total assets	38,923	35,527

	(Millions of yen)	
	Fiscal Year 2022 (As of Dec. 31, 2022)	1Q 2023 (As of Mar. 31, 2023)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Electronically recorded obligations-operating	4,872	3,765
Accounts payable-trade	2,465	2,851
Short-term borrowings	620	620
Income taxes payable	19	11
Contract liabilities	589	559
Provision for bonuses for directors (and other officers)	5	-
Provision for sales promotion expenses	-	6
Provision for bonuses	31	178
Other	4,496	4,102
<b>Total current liabilities</b>	<b>13,101</b>	<b>12,094</b>
<b>Non-current liabilities</b>		
Long-term borrowings	3,285	3,155
Retirement benefit liability	6	6
Other	510	531
<b>Total non-current liabilities</b>	<b>3,802</b>	<b>3,693</b>
<b>Total liabilities</b>	<b>16,903</b>	<b>15,787</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	100	100
Capital surplus	30,084	30,084
Retained earnings	(4,108)	(6,395)
Treasury shares	(2,953)	(2,953)
<b>Total shareholders' equity</b>	<b>23,122</b>	<b>20,835</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	286	365
Deferred gains or losses on hedges	51	(23)
Revaluation reserve for land	(1,516)	(1,516)
Foreign currency translation adjustment	56	64
<b>Total accumulated other comprehensive income</b>	<b>(1,123)</b>	<b>(1,109)</b>
<b>Non-controlling interests</b>	<b>20</b>	<b>14</b>
<b>Total net assets</b>	<b>22,019</b>	<b>19,739</b>
<b>Total liabilities and net assets</b>	<b>38,923</b>	<b>35,527</b>

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

	(Millions of yen)	
	1Q 2022	1Q 2023
	(Jan. 1, 2022 – Mar. 31, 2022)	(Jan. 1, 2023 – Mar. 31, 2023)
Net sales	12,009	12,505
Cost of sales	6,384	6,391
Gross profit	5,625	6,114
Selling, general and administrative expenses	8,419	8,315
Operating loss	(2,794)	(2,200)
Non-operating income		
Interest and dividend income	0	1
Share of profit of entities accounted for using equity method	-	2
Gain on adjustment of account payable	39	73
Other	87	113
Total non-operating income	127	189
Non-operating expenses		
Interest expenses	10	12
Share of loss of entities accounted for using equity method	21	-
Commission expenses	7	160
Other	20	34
Total non-operating expenses	60	208
Ordinary loss	(2,727)	(2,219)
Extraordinary income		
Gain on sale of investment securities	-	3
Total extraordinary income	-	3
Extraordinary losses		
Loss on sale and retirement of non-current assets	4	3
Impairment losses	-	24
Total extraordinary losses	4	27
Loss before income taxes	(2,732)	(2,243)
Income taxes	(3)	49
Loss	(2,728)	(2,293)
Loss attributable to non-controlling interests	-	(6)
Loss attributable to owners of parent	(2,728)	(2,286)



**(Quarterly Consolidated Statement of Comprehensive Income)**  
**(For the Three-month Period)**

	(Millions of yen)	
	1Q 2022 (Jan. 1, 2022 – Mar. 31, 2022)	1Q 2023 (Jan. 1, 2023 – Mar. 31, 2023)
Loss	(2,728)	(2,293)
Other comprehensive income		
Valuation difference on available-for-sale securities	6	79
Deferred gains or losses on hedges	120	(74)
Foreign currency translation adjustment	3	7
Share of other comprehensive income of entities accounted for using equity method	6	0
Total other comprehensive income	137	13
Comprehensive income	(2,590)	(2,279)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,590)	(2,273)
Comprehensive income attributable to non-controlling interests	-	(6)

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

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

Not applicable.

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

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)**

(Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

Senshukai and some of its consolidated subsidiaries in Japan have transitioned from the consolidated tax system to the group tax sharing system from the first quarter of 2023. Consequently, the accounting treatment and disclosure of income tax, local income tax, and tax effect accounting are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42, August 12, 2021; hereafter, Practical Issues Task Force (PITF) No. 42). Moreover, on the basis of PITF No. 42, Paragraph 32 (1), no impact is deemed to arise from changes in accounting policies as a result of the application of PITF No. 42. Regarding the accounting and disclosure of income tax, local income tax, and tax effect accounting, PITF No. 42 was applied from the end of 2022.

(Uncertainty of accounting estimates)

During the first quarter of 2023, the Japanese economy made progress in normalizing activity with the relaxation of restrictions on behavior imposed due to the COVID-19 pandemic. 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 to control inflation. Senshukai assumes that these factors will have only a limited effect on accounting estimates. Although Senshukai is using the best possible estimates based on information that is currently available, a change in the business climate or problems may have an effect on the financial condition, results of operations and cash flows of the Senshukai Group.

**(Segment Information)**

I 1Q 2022 (Jan. 1, 2022 – Mar. 31, 2022)

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 and online shopping business	Corporates business	Insurance business	Sub-total				
Net sales								
Sales to customers	10,309	1,131	87	11,527	481	12,009	-	12,009
Inter-segment sales or transfers	55	8	-	64	-	64	(64)	-
Total	10,365	1,140	87	11,592	481	12,074	(64)	12,009
Segment profit (loss)	(2,879)	55	26	(2,798)	3	(2,794)	-	(2,794)

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

II 1Q 2023 (Jan. 1, 2023 – Mar. 31, 2023)

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 and online shopping business	Corporates business	Insurance business	Sub-total				
Net sales								
Sales to customers	11,184	870	100	12,155	350	12,505	-	12,505
Inter-segment sales or transfers	54	10	-	64	0	64	(64)	-
Total	11,238	880	100	12,219	350	12,569	(64)	12,505
Segment profit (loss)	(2,246)	(27)	45	(2,228)	27	(2,200)	-	(2,200)

Notes: 1. Others represent the businesses which are not included in any of the three reportable segments and consist of the childcare support business. The manufacturing and sales of cosmetics business, which was included in Others, was excluded from the scope of consolidation following the sales of all of the shares of Huit laboratories, Inc. held by the Company on April 1, 2022.

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

**(Significant Subsequent Events)****(Renewal of overdraft agreement)**

In accordance with a resolution of the Board of Directors' meeting held on April 14, 2023, in order to cope with the impact on the Company of deteriorating consumer confidence due to price increases of daily necessities and the increasingly competitive business environment stemming from the rising number of new entrants into mail order and online shopping, on May 9, 2023, the Company renewed the term of the special overdraft agreement with the financial institution it does business with. The details of the renewal are as follows.

Lender: Sumitomo Mitsui Banking Corporation

Contract limit: 3,000 million yen

Interest rate: Base rate + spread

Contract signing date: May 9, 2023

Contract maturity date: April 26, 2024

### 3. Other (Important Matters Regarding Going Concern Assumption, etc.)

Due to issues related to the replacement of our core system implemented in January 2022, the Senshukai Group experienced a significant fall in sales when compared to the previous fiscal year ended December 31, 2021. We recorded substantial losses, with 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. In the first quarter of 2023, the Group recorded an operating loss of 2,200 million yen, ordinary loss of 2,219 million yen, and loss attributable to owners of parent of 2,286 million yen. These circumstances raise significant doubts about the Group's ability to continue as a going concern. The Group is taking the following measures to resolve this situation.

(Measures to improve results of operations)

The Senshukai Group will continue to focus on numerous measures to improve results of operations. To achieve an early return to profitability, 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. At the same time, we are enhancing detailed product information on focused products and proactively developing sales promotion measures.

#### (2) Profit structure reforms

We are shifting away from traditional catalog-optimized operations and strengthening development focused on original merchandise that is ideally suited to digital sales channels and highly competitive in open markets. 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. In addition, we plan to expand the advertising solutions business. We are expanding the development of an advertising menu utilizing Belle Maison Net, one of Japan's largest e-commerce sites in terms 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 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. The number of users of "kimawari," a merchandise purchasing service co-created with Aucnet Inc. for information distribution support services, is increasing steadily. We are currently considering the development of new services to maximize value in use and will continue to expand co-creation with our partners.

Senshukai's financial position was sound as of the end of the first quarter of 2023 with an equity ratio of 55.5%. Furthermore, cash and deposits totaled 6,167 million yen and there is a 5,500 million yen overdraft facility. Regarding this amount, no due date has been set for the sum of 2,000 million yen and the contractual due date of January 26, 2024, for the sum of 3,000 million yen has been extended to April 26, 2024, as stated in the Significant Subsequent Events section. Regarding the remaining 500 million yen, the contract expires on May 31, 2023. In all cases, there were no borrowings outstanding at the end of the first quarter of 2023. As a result, there are no concerns about liquidity.

There is a committed credit facility of 10 billion yen with several financial institutions that include a number of financial covenants. On March 31, 2023, an agreement was reached with the financial institutions concerned regarding a review of the content and other matters, and the agreement's expiry date was extended to March 29, 2024. There

were no borrowings outstanding under this agreement at the end of the first quarter of 2023, and we will take other actions in order to continue receiving the support of these financial institutions.

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

We plan to return to profitability in 2024 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.

*\* 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.*