Summary of Financial Results for the Third Quarter of Fiscal Year 2023
(Nine Months Ended September 30, 2023)

[Japanese GAAP]

November 14, 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,
Managing Executive Officer, General Manager, Corporates Headquarters
Tel: +81-6-6881-3220

Scheduled date of filing of Quarterly Report: November 14, 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 3rd Quarter of 2023 (January 1, 2023 – September 30, 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	%
3Q 2023	35,845	(14.3)	(4,958)	-	(5,002)	-	(4,664)	-
3Q 2022	41,840	-	(6,316)	-	(6,130)	-	(8,670)	-

Note: Comprehensive income (millions of yen) 3Q 2023: (4,213) (-%) 3Q 2022: (8,182) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q 2023	(99.66)	-
3Q 2022	(184.98)	-

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 3Q 2022 incorporate this accounting standard and comparisons with 3Q 2021 are omitted.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
3Q 2023	30,381	17,805	58.6	380.35
Fiscal Year 2022	38,923	22,019	56.5	469.79

Reference: Shareholders' equity (millions of yen) 3Q 2023: 17,799 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	-	0.00	-		
Fiscal Year 2023 (forecasts)				0.00	0.00

Note: Revision to the most recently announced dividend forecast: None

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	48,000	(18.5)	(6,200)	-	(6,200)	-	(5,600)	-	(119.64)

Note: Revision to the most recently announced consolidated outlook: Yes

For more information, please refer to "Notice of Revisions to Full-Year Consolidated Forecasts, Withdrawal of Numerical Targets in the Medium-Term Management Plan, and Reduction of Executive Compensation" (Japanese version only) that was announced today (November 14, 2023).

*** 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 9 for further information.

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

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

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares outstanding (common shares)

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

3Q 2023:	52,056,993 shares	Fiscal Year 2022:	52,056,993 shares

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

3Q 2023:	5,259,682 shares	Fiscal Year 2022:	5,229,999 shares

3) Average number of shares outstanding during the period

3Q 2023:	46,808,906 shares	3Q 2022:	46,870,067 shares

* 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

(1) Explanation of Results of Operations

In the first nine months (January 1 to September 30) of 2023, the Japanese economy steadily returned to normal with the easing of COVID-19-related restrictions. However, the outlook remains uncertain due to concerns about growing geopolitical risks in addition to the rapid depreciation of the yen and rising commodity prices against a backdrop of surging global resource prices.

The retail industry is facing a challenging business environment due to the increase in various costs, including purchase prices and logistics expenses, as well as consumers' growing thriftiness and preference for low prices in response to accelerating price hikes. Moreover, in the mail-order and online shopping industry, while the use of e-commerce for purchasing goods has become more established, competition has intensified as consumers, having greater opportunities to go out, are making greater use of physical stores and more companies are entering the mail-order and online shopping industry.

In this business environment, during the first nine months of 2023, the Group focused on implementing the measures set forth in its medium-term management plan, including a digital shift of the mail-order and online shopping business, profit structure reforms, and co-creation with partner companies. Although the effects of these measures are steadily emerging, sales fell year on year due to a decline in the effective number of members (those who made a purchase within 12 months), which is taken as the base. This happened mainly because of the greater-than-expected impact of a reduction in orders received following a fall in the number of catalogs distributed during July to September. As a result, net sales in the first nine months of 2023 decreased 14.3% YoY to 35,845 million yen, operating loss was 4,958 million yen (compared with a loss of 6,316 million yen in the first nine months of 2022), and ordinary loss was 5,002 million yen (compared with a loss of 6,130 million yen in the first nine months of 2022). Loss attributable to owners of parent was 4,664 million yen (compared with a loss of 8,670 million yen in the first nine months of 2022).

Business segment performance was as follows.

(Mail-order and Online Shopping Business)

In the mail-order and online shopping business, which primarily uses catalogs and the Internet, the Group shifted its sales promotion expenses from high-cost catalog-centered to digitally integrated promotions in the first nine months of 2023, and also made advances in optimizing the promotions. The aim was to improve profitability and build a foundation for growth. However, while costs were curtailed by reducing the number of catalog copies distributed, the digital marketing measures were unable to compensate for the resulting fall in sales. As a result, consolidated sales in the mail-order and online shopping business decreased 15.1% YoY to 31,326 million yen in the first nine months of 2023. There was an operating loss of 5,229 million yen compared with a loss of 6,556 million yen in the first nine months of 2022.

(Corporates Business)

In the corporates business, which provides products and services to corporations, sales of novelties related to shareholders' special benefits and other items increased, but the use of agency services such as corporate logistics operations failed to grow as expected. Consolidated sales in the corporates business decreased 12.0% YoY to 3,064 million yen in the first nine months of 2023. Operating profit decreased 86.4% YoY to 20 million yen.

(Insurance Business)

This business provides support, mainly to Belle Maison members, for choosing the most suitable insurance policies. Consolidated sales increased 9.4% YoY to 377 million yen in the first nine months of 2023 and operating profit increased 16.7% YoY to 204 million yen.

(Others)

Consolidated sales in other businesses, which include the childcare support business, decreased 4.6% YoY to 1,076 million yen in the first nine months of 2023. Operating profit was 46 million yen compared with a loss of 81 million yen in the first nine months of 2022.

(2) Explanation of Financial Position

(Balance sheet position)

Assets totaled 30,381 million yen at the end of the third quarter of 2023, a decrease of 8,542 million yen from the end of 2022.

Current assets decreased 8,085 million yen to 16,502 million yen. The factors included decreases of 5,869 million yen in cash and deposits, and 2,360 million yen in accounts receivable-other. Non-current assets decreased 456 million yen to 13,878 million yen. The factors included decreases of 94 million yen in property, plant and equipment, 225 million yen in intangible assets, and 136 million yen in investments and other assets.

Current liabilities decreased 3,915 million yen to 9,186 million yen. The factors included a decrease of 2,879 million yen in electronically recorded obligations-operating. Non-current liabilities decreased 413 million yen to 3,389 million yen. The main factors included a decrease of 440 million yen in long-term borrowings.

Net assets decreased 4,213 million yen to 17,805 million yen. The factors included booking of loss attributable to owners of parent of 4,664 million yen. As a result, the equity ratio was 58.6%.

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

Senshukai revised its consolidated forecasts for fiscal year 2023 (January 1, 2023 to December 31, 2023) that was released on June 23, 2023. For more information, please refer to “Notice of Revisions to Full-Year Consolidated Forecasts, Withdrawal of Numerical Targets in the Medium-Term Management Plan, and Reduction of Executive Compensation” (Japanese version only) that was announced today (November 14, 2023).

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Fiscal Year 2022 (As of Dec. 31, 2022)	3Q 2023 (As of Sep. 30, 2023)
Assets		
Current assets		
Cash and deposits	9,287	3,417
Notes and accounts receivable-trade, and contract assets	1,940	1,969
Merchandise and finished goods	6,871	7,001
Accounts receivable-other	5,147	2,786
Other	1,423	1,532
Allowance for doubtful accounts	(82)	(206)
Total current assets	24,587	16,502
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,804	3,706
Land	5,402	5,402
Other, net	123	127
Total property, plant and equipment	9,331	9,236
Intangible assets		
Other	1,465	1,240
Total intangible assets	1,465	1,240
Investments and other assets		
Investment securities	2,417	2,584
Other	1,157	818
Allowance for doubtful accounts	(37)	(1)
Total investments and other assets	3,538	3,401
Total non-current assets	14,335	13,878
Total assets	38,923	30,381

(Millions of yen)

	Fiscal Year 2022 (As of Dec. 31, 2022)	3Q 2023 (As of Sep. 30, 2023)
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	4,872	1,993
Accounts payable-trade	2,465	2,438
Short-term borrowings	620	620
Income taxes payable	19	21
Contract liabilities	589	379
Provision for bonuses for directors (and other officers)	5	-
Provision for bonuses	31	195
Other	4,496	3,538
Total current liabilities	13,101	9,186
Non-current liabilities		
Long-term borrowings	3,285	2,845
Retirement benefit liability	6	6
Other	510	538
Total non-current liabilities	3,802	3,389
Total liabilities	16,903	12,575
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	30,084	30,084
Retained earnings	(4,108)	(8,773)
Treasury shares	(2,953)	(2,953)
Total shareholders' equity	23,122	18,457
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	286	517
Deferred gains or losses on hedges	51	253
Revaluation reserve for land	(1,516)	(1,516)
Foreign currency translation adjustment	56	88
Total accumulated other comprehensive income	(1,123)	(657)
Non-controlling interests	20	6
Total net assets	22,019	17,805
Total liabilities and net assets	38,923	30,381

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

(Quarterly Consolidated Statement of Income)

(For the Nine-month Period)

(Millions of yen)

	3Q 2022 (Jan. 1, 2022 – Sep. 30, 2022)	3Q 2023 (Jan. 1, 2023 – Sep. 30, 2023)
Net sales	41,840	35,845
Cost of sales	21,856	17,979
Gross profit	19,984	17,866
Selling, general and administrative expenses	26,300	22,824
Operating loss	(6,316)	(4,958)
Non-operating income		
Interest and dividend income	22	21
Gain on adjustment of account payable	124	147
Other	263	262
Total non-operating income	410	432
Non-operating expenses		
Interest expenses	34	34
Share of loss of entities accounted for using equity method	5	41
Commission expenses	106	185
Penalty loss	-	139
Other	79	76
Total non-operating expenses	225	475
Ordinary loss	(6,130)	(5,002)
Extraordinary income		
Gain on sale of non-current assets	-	218
Gain on sale of investment securities	-	137
Gain on sale of shares of subsidiaries and associates	134	-
Subsidy income	187	-
Total extraordinary income	321	355
Extraordinary losses		
Loss on sale and retirement of non-current assets	13	4
Loss on tax purpose reduction entry of non-current assets	172	-
Impairment losses	2,840	99
Total extraordinary losses	3,026	103
Loss before income taxes	(8,835)	(4,751)
Income taxes	(161)	(72)
Loss	(8,674)	(4,679)
Loss attributable to non-controlling interests	(4)	(14)
Loss attributable to owners of parent	(8,670)	(4,664)

(Quarterly Consolidated Statement of Comprehensive Income)

(For the Nine-month Period)

(Millions of yen)

	3Q 2022 (Jan. 1, 2022 – Sep. 30, 2022)	3Q 2023 (Jan. 1, 2023 – Sep. 30, 2023)
Loss	(8,674)	(4,679)
Other comprehensive income		
Valuation difference on available-for-sale securities	(10)	231
Deferred gains or losses on hedges	465	202
Foreign currency translation adjustment	9	16
Share of other comprehensive income of entities accounted for using equity method	27	15
Total other comprehensive income	492	465
Comprehensive income	(8,182)	(4,213)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(8,177)	(4,199)
Comprehensive income attributable to non-controlling interests	(4)	(14)

(3) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Due to issues related to the replacement of our core system implemented in January 2022, the Senshukai Group recorded a significant operating loss and loss attributable to owners of parent in 2022. In the first nine months of 2023, the Group continued to record a significant operating loss and loss attributable to owners of parent. 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>

A. Reforming the mail-order and online shopping business structure

1) Enhancing proposal capability (what and for whom) based on a deep understanding of customer needs

Rather than securing sufficient numbers of models to publish catalogs, we will shift to a product lineup with a deep understanding of customers and a greater awareness of themes and seasons. By concentrating resources on narrowly focused products, we will enhance our product and proposal capabilities, improve the list price sales ratio, and enhance gross profit margins.

2) Clarifying and integrating the roles of catalogs and digital media

By analyzing customers' purchasing behavior, we will design the optimal combination of paper-based (including catalogs, flyers, and direct mail) and digital measures, leveraging the strengths of each to maximize sales promotion efficiency. As the e-commerce market grows increasingly challenging, the catalog will be used as a tool to enable differentiation, mainly in the promotion of sales to existing members, while digital media will be used efficiently to strengthen SEO (search engine optimization) measures and social media marketing and as a tool for acquisition of new members and communication.

3) Promoting customer retention and fan engagement

Rather than relying on financial incentives such as discounts and points to encourage purchases, we will strengthen efforts to build trust and attachment to products and brands.

4) Strengthening outsourced e-commerce mall sales

In response to the trend toward oligopoly among major e-commerce malls, we will review the investment allocation for in-house and outsourced e-commerce malls to capture sales in growth channels.

B. Enhancing company-wide sales and profits

1) Reducing fixed costs

We will methodically reduce fixed costs by such means as cutting system costs, reducing outsourcing costs, and cancelling leased properties.

2) Reorganizing business sectors

We will ensure enhanced profit and growth by making decisions such as withdrawing from business sectors where profitability and growth are not anticipated and allocating human resources to targeted areas.

C. Deepening and expanding co-creation

1) Deepening and expanding cooperation with JR East

Leveraging original products for the East Japan Railway Company Group (JR East), we will increase sales at JRE MALL, expanding physical store openings, and growing projects such as contract logistics for the JR East Group.

2) Deepening and expanding reuse & recycling collaboration centered on Aucnet Inc.

By expanding the range of targeted products for the "kimawari" purchasing service and enhancing its handling capacity, we aim to acquire new members and increase the retention rate and purchase frequency of existing members.

3) Strengthening sales of services and experiential products

We will strengthen sales of other companies' services that can be ordered and purchased on Belle Maison Net, and make the site useful in customers' lives through lifestyle proposals that combine goods, services, and experiences.

4) Strengthening the advertising business

Regarding other companies' advertising placements on Belle Maison Net, we will develop new options such as tie-up formats, creating lifestyle proposals that are not limited to our own products and services and increasing sales and profits.

Regarding funds, as of the end of the third quarter of 2023, the Group possessed cash and deposits totaling 3,417 million yen. We have concluded a commitment line agreement with a financial institution we do business with, and as of August 9, 2023, have agreed to revise the content of the agreement. This includes eliminating the financial covenants in the agreement and contracting for a total commitment of 8,000 million yen. The term of the agreement expires on March 29, 2024, and enables borrowing for a maximum of six months from the date of execution. As of the end of the third quarter of 2023, there were no borrowings outstanding under this agreement. The Group is continuing to work with various financial institutions to obtain ongoing support, but to prepare for the possibility of non-renewal, we have set up an overdraft facility of 2,000 million yen under a general overdraft agreement in addition to a special overdraft agreement of about 5,500 million yen, for a total of 7,500 million yen. The general overdraft agreement has no fixed maturity date, and the special overdraft agreement expires on October 31, 2024. For information on the renewal of the special overdraft agreement, please refer to "2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Significant Subsequent Events)." None of the overdraft agreements had any outstanding borrowings as of the end of the third quarter of 2023. We will continue to work closely with financial institutions to ensure further support should we need it in the future.

However, measures to improve results of operations being undertaken to address significant doubts regarding the going concern assumption are currently in progress, and it is possible that the profit and loss and financial benefits arising from the above-mentioned measures may not be fully realized. The Group recognizes that there is significant uncertainty regarding the assumption of a going concern as it has yet to determine whether it will be able to procure funds should further support from financial institutions be required.

Furthermore, the quarterly consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and do not reflect the impact of significant uncertainties regarding this assumption.

(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)

As of the end of September 2023, 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 3Q 2022 (Jan. 1, 2022 – Sep. 30, 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	36,883	3,483	344	40,712	1,128	41,840	-	41,840
Inter-segment sales or transfers	184	30	-	214	0	215	(215)	-
Total	37,068	3,513	344	40,926	1,128	42,055	(215)	41,840
Segment profit (loss)	(6,556)	147	174	(6,234)	(81)	(6,316)	-	(6,316)

Notes: 1. Others represent the businesses which are not included in any of the 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.

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

Significant impairment losses related to non-current assets

In the mail-order and online shopping business segment, the book values of some assets were reduced to their recoverable amounts in view of performance being significantly lower than planned, and an impairment loss was recorded. This impairment loss was 2,840 million yen in the first nine months of 2022.

II 3Q 2023 (Jan. 1, 2023 – Sep. 30, 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	31,326	3,064	377	34,768	1,076	35,845	-	35,845
Inter-segment sales or transfers	183	42	-	226	0	227	(227)	-
Total	31,510	3,107	377	34,995	1,077	36,073	(227)	35,845
Segment profit (loss)	(5,229)	20	204	(5,005)	46	(4,958)	-	(4,958)

Notes: 1. Others represent the businesses which are not included in any of the 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)

(Sale of investment securities)

At the Board of Directors' meeting held on September 29, 2023, the Company resolved to sell a portion of its investment securities holdings, and did so as stated below. As a result, the Company will record a gain on sale of investment securities (extraordinary income) for the fourth quarter of 2023.

(1) Reasons for sale of investment securities

To optimize owned assets and strengthen the Group's financial structure

(2) Details of sale of investment securities

1) Stocks sold: Three listed securities owned by the Company

2) Dates of sale: October 2, 2023, October 3, 2023, and October 12, 2023

3) Gain on sale of investment securities: 374 million yen

(Renewal of overdraft agreement)

In accordance with a resolution of the Board of Directors' meeting held on October 27, 2023, to prepare for the eventuality that the commitment line agreement cannot be renewed, on November 7, 2023, the Company amended the maximum contract amount and renewed the contract period under the special overdraft agreement with the financial institution it does business with for 3,000 million yen. The details are as follows.

Lender: Sumitomo Mitsui Banking Corporation

Contract limit: 5,500 million yen

Contract signing date: November 7, 2023

Contract maturity date: October 31, 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 recorded substantial losses in 2022, with an operating loss of 8,139 million yen and loss attributable to owners of parent of 10,976 million yen. In the first nine months of 2023, the Group continued to record significant losses, with an operating loss of 4,958 million yen and loss attributable to owners of parent of 4,664 million yen. These circumstances raise significant doubts about the Group's ability to continue as a going concern.

For further details regarding measures to resolve this situation and the going-concern assumption, please refer to "2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Going Concern Assumption)."

* *This financial report is solely a translation of summary of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*