

# Summary of Financial Results for the First Quarter of Fiscal Year 2024 (Three Months Ended March 31, 2024)

[Japanese GAAP]

May 10, 2024

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Scheduled date of filing of Quarterly Report: May 14, 2024

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 2024 (January 1, 2024 – March 31, 2024)

### (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 2024	10,340	(17.3)	(1,299)	-	(1,333)	-	(950)	-
1Q 2023	12,505	4.1	(2,200)	-	(2,219)	-	(2,286)	-

Note: Comprehensive income (millions of yen) 1Q 2024: (1,154) (-%) 1Q 2023: (2,279) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
1Q 2024	(20.32)	-
1Q 2023	(48.84)	-

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
1Q 2024	29,296	16,125	55.0	344.62
Fiscal Year 2023	31,809	17,279	54.3	369.15

Reference: Shareholders' equity (millions of yen) 1Q 2024: 16,121 Fiscal Year 2023: 17,273

## 2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2023	-	0.00	-	0.00	0.00
Fiscal Year 2024	-	-	-	-	-
Fiscal Year 2024 (forecasts)	-	0.00	-	0.00	0.00

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

## 3. Consolidated Outlook for Fiscal Year 2024 (January 1, 2024 – December 31, 2024)

(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 2024	51,000	3.6	(1,900)	-	(1,900)	-	(1,800)	-	(38.47)

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 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)

1Q 2024:	52,056,993 shares	Fiscal Year 2023:	52,056,993 shares
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2) Number of treasury shares at the end of the period

1Q 2024:	5,274,891 shares	Fiscal Year 2023:	5,263,634 shares
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3) Average number of shares outstanding during the period

1Q 2024:	46,785,783 shares	1Q 2023:	46,820,429 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

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.”

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first quarter (January 1 to March 31) of 2024, the outlook continues to be uncertain. Despite growing expectations of an end to deflationary conditions due to rising Japanese stock prices and wage rates, concerns remain about the rapid depreciation of the yen, rising commodity prices against a backdrop of surging global resource prices, and growing geopolitical risks from the situation in Ukraine, the Middle East, and elsewhere.

In this business environment, during the first quarter of 2024, the Group focused on implementing measures under way since the previous year, which include reforming the mail-order and online shopping business structure, enhancing company-wide sales and profits, and deepening and expanding co-creation. These efforts are steadily showing results and profitability is improving. However, unstable temperatures in February and March 2024 led to a sluggish performance from seasonal products, resulting in sales falling below the level of the previous first quarter. As a result, net sales in the first quarter of 2024 decreased 17.3% YoY to 10,340 million yen, operating loss was 1,299 million yen (compared with a loss of 2,200 million yen in the first quarter of 2023), and ordinary loss was 1,333 million yen (compared with a loss of 2,219 million yen in the first quarter of 2023). Loss attributable to owners of parent was 950 million yen (compared with a loss of 2,286 million yen in the first quarter of 2023).

Business segment performance was as follows.

#### (Mail-order and Online Shopping Business)

In the mail-order and online shopping business, which focuses on catalogue and online sales, the Group implemented promotions in the first quarter that combined digital and catalogue sales by subdividing customer segments to improve sales promotion efficiency. As a result, orders performed well at the beginning of the year and certain outcomes were achieved. However, unstable temperatures in February and March 2024 led to sluggish sales of seasonal products, and the gradual downward trend for the number of purchasing members continued. As a result, consolidated sales in the mail-order and online shopping business decreased 20.3% YoY to 8,917 million yen in the first quarter of 2024. There was an operating loss of 1,418 million yen compared with a loss of 2,246 million yen in the first quarter of 2023.

#### (Corporates Business)

The corporates business, which provides products and services to corporations, made good progress in obtaining corporate orders for the use of consignment sales projects and agency services such as logistics operations. Consolidated sales in the corporates business increased 4.7% YoY to 911 million yen in the first quarter of 2024. Operating profit was 20 million yen compared with a loss of 27 million yen in the first quarter of 2023.

#### (Insurance Business)

This business provides support, mainly to Belle Maison members, for choosing the most suitable insurance policies. Consolidated sales decreased 13.0% YoY to 87 million yen in the first quarter of 2024 and operating profit decreased 47.7% YoY to 23 million yen.

#### (Others)

Consolidated sales in other businesses, which include the childcare support business, increased 21.1% YoY to 424 million yen in the first quarter of 2024. Operating profit was 74 million yen compared with a profit of 27 million yen in the first quarter of 2023.

### (2) Explanation of Financial Position

#### (Balance sheet position)

Assets totaled 29,296 million yen at the end of the first quarter of 2024, a decrease of 2,513 million yen from the end of 2023.

Current assets decreased 1,844 million yen to 17,056 million yen. The factors included a decrease of 2,423 million yen in cash and deposits. Non-current assets decreased 668 million yen to 12,240 million yen. The factors included

decreases of 652 million yen in investments and other assets and 29 million yen in intangible assets, while there was an increase of 13 million yen in property, plant and equipment.

Current liabilities decreased 1,007 million yen to 10,274 million yen. The factors included a decrease of 1,011 million yen in electronically recorded obligations-operating. Non-current liabilities decreased 351 million yen to 2,897 million yen. The main factors included decreases of 178 million yen in other and 120 million yen in long-term borrowings.

Net assets decreased 1,154 million yen to 16,125 million yen. The factors included booking of loss attributable to owners of parent of 950 million yen. As a result, the equity ratio was 55.0%.

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

The consolidated forecast for fiscal year 2024 (January 1, 2024 to December 31, 2024) announced on February 13, 2024, indicates that profitability is improving. However, due to unstable temperatures in February and March of 2024, sales of seasonal products have stagnated, resulting in sales from Belle Maison, the Group's core mail-order and online sales business, underperforming those in the previous first quarter. Based on the policy announced on February 13, 2024, we aim to return to profitability in fiscal 2025 by making steady progress reforming the mail-order and online shopping business structure and shifting to a profit-oriented model as well as diversifying our business portfolio to create growth areas. 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 2023 (As of Dec. 31, 2023)	1Q 2024 (As of Mar. 31, 2024)
Assets		
Current assets		
Cash and deposits	6,481	4,057
Notes and accounts receivable - trade, and contract assets	1,562	1,345
Merchandise and finished goods	6,026	6,829
Accounts receivable-other	3,684	3,472
Other	1,232	1,429
Allowance for doubtful accounts	(86)	(78)
Total current assets	18,900	17,056
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,662	3,621
Land	5,402	5,402
Other, net	150	204
Total property, plant and equipment	9,215	9,228
Intangible assets		
Other	1,142	1,113
Total intangible assets	1,142	1,113
Investments and other assets		
Investment securities	1,719	1,062
Other	831	835
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	2,550	1,897
Total non-current assets	12,908	12,240
Total assets	31,809	29,296

	(Millions of yen)	
	Fiscal Year 2023 (As of Dec. 31, 2023)	1Q 2024 (As of Mar. 31, 2024)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Electronically recorded obligations-operating	3,954	2,943
Accounts payable-trade	1,988	2,285
Short-term borrowings	620	620
Income taxes payable	32	13
Contract liabilities	627	606
Provision for bonuses	33	184
Other	4,024	3,621
<b>Total current liabilities</b>	<b>11,282</b>	<b>10,274</b>
<b>Non-current liabilities</b>		
Long-term borrowings	2,674	2,554
Retirement benefit liability	5	5
Provision for loss on business closure	170	117
Other	398	219
<b>Total non-current liabilities</b>	<b>3,248</b>	<b>2,897</b>
<b>Total liabilities</b>	<b>14,530</b>	<b>13,171</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	100	100
Capital surplus	30,084	30,084
Retained earnings	(8,891)	(9,841)
Treasury shares	(2,953)	(2,953)
<b>Total shareholders' equity</b>	<b>18,339</b>	<b>17,388</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	302	13
Deferred gains or losses on hedges	71	139
Revaluation reserve for land	(1,516)	(1,516)
Foreign currency translation adjustment	77	97
<b>Total accumulated other comprehensive income</b>	<b>(1,065)</b>	<b>(1,266)</b>
<b>Non-controlling interests</b>	<b>5</b>	<b>3</b>
<b>Total net assets</b>	<b>17,279</b>	<b>16,125</b>
<b>Total liabilities and net assets</b>	<b>31,809</b>	<b>29,296</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 2023 (Jan. 1, 2023 – Mar. 31, 2023)	1Q 2024 (Jan. 1, 2024 – Mar. 31, 2024)
Net sales	12,505	10,340
Cost of sales	6,391	5,053
Gross profit	6,114	5,286
Selling, general and administrative expenses	8,315	6,586
Operating loss	(2,200)	(1,299)
Non-operating income		
Interest and dividend income	1	1
Share of profit of entities accounted for using equity method	2	1
Gain on adjustment of accounts payable	73	53
Reversal of provision loss on business closure	-	52
Other	113	20
Total non-operating income	189	129
Non-operating expenses		
Interest expenses	12	10
Foreign exchange losses	-	57
Commission expenses	160	95
Other	34	0
Total non-operating expenses	208	163
Ordinary loss	(2,219)	(1,333)
Extraordinary income		
Gain on sale of investment securities	3	352
Total extraordinary income	3	352
Extraordinary losses		
Loss on sale and retirement of non-current assets	3	0
Impairment losses	24	-
Total extraordinary losses	27	0
Loss before income taxes	(2,243)	(981)
Income taxes	49	(27)
Loss	(2,293)	(953)
Loss attributable to non-controlling interests	(6)	(2)
Loss attributable to owners of parent	(2,286)	(950)



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

	(Millions of yen)	
	1Q 2023	1Q 2024
	(Jan. 1, 2023 – Mar. 31, 2023)	(Jan. 1, 2024 – Mar. 31, 2024)
Loss	(2,293)	(953)
Other comprehensive income		
Valuation difference on available-for-sale securities	79	(289)
Deferred gains or losses on hedges	(74)	68
Foreign currency translation adjustment	7	11
Share of other comprehensive income of entities accounted for using equity method	0	8
Total other comprehensive income	13	(201)
Comprehensive income	(2,279)	(1,154)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,273)	(1,151)
Comprehensive income attributable to non-controlling interests	(6)	(2)

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

#### (Going Concern Assumption)

The Senshukai Group recorded a significant operating loss and loss attributable to owners of parent for two consecutive years in 2023. In the first quarter of 2024, 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 first quarter of 2024, the Group possessed cash and deposits totaling 4,057 million yen. We have concluded a commitment line agreement with a financial institution for a total of 6,000 million yen. The term of the agreement expires on March 31, 2025, and enables borrowing for a maximum of six months from the date of execution. Moreover, a special overdraft agreement of 5,500 million yen (with an expiry date of January 31, 2025) has been set up as an overdraft facility in the eventuality that the commitment line agreement cannot be continued. As stated in "2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Significant Subsequent Events)," the expiry date of the special overdraft agreement extended to April 30, 2025. As of the end of the first quarter of 2024, there were no outstanding borrowings under the aforementioned commitment line, or special overdraft agreement. We will continue to work closely with financial institutions to ensure further support should we need it in the future or when the term of agreement expires.

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 renewal of the term of agreement or further support from financial institutions be required.

Furthermore, the 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.

We will continue to respond flexibly to changes in the business environment and implement necessary measures in a timely manner to achieve profitability in 2025. In the medium- to long-term, we strive to become a company that is long cherished by customers and meets the expectations of all stakeholders.

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

Not applicable.

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

(Calculation of tax expense)

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

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

(Uncertainty of accounting estimates)

As of the end of March 2024, the outlook remains uncertain due to the rapid depreciation of the yen, rising commodity prices against a backdrop of surging global resource prices, and growing geopolitical risks from the situation in Ukraine, the Middle East, and elsewhere. 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 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 reportable segments and consist of the childcare support business.

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

II 1Q 2024 (Jan. 1, 2024 – Mar. 31, 2024)

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	8,917	911	87	9,916	424	10,340	-	10,340
Inter-segment sales or transfers	42	18	-	60	0	61	(61)	-
Total	8,959	929	87	9,977	424	10,401	(61)	10,340
Segment profit (loss)	(1,418)	20	23	(1,374)	74	(1,299)	-	(1,299)

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

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 26, 2024, Senshukai renewed the contract period under the special overdraft agreement of 5,500 million yen, which was entered into to prepare for the eventuality that the commitment line agreement cannot be renewed, as follows:

Lender: Sumitomo Mitsui Banking Corporation

Interest rate: Base rate + spread

Contract signing date: April 30, 2024

Contract maturity date: April 30, 2025

**3. Other**

**(Important Matters Regarding Going Concern Assumption, Etc.)**

The Senshukai Group recorded a significant operating loss and loss attributable to owners of parent for two consecutive years in 2023. In the first quarter of 2024, 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.

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 with accepted in Japan, for the convenience of readers who prefer an English translation.*