

Summary of Financial Results for the Fiscal Year 2024 (Ended December 31, 2024)

[Japanese GAAP]

February 13, 2025

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Scheduled date of annual general meeting of shareholders: March 26, 2025

Scheduled date of payment of dividend: -

Scheduled date of filing of Annual Security Report: March 27, 2025

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: Yes (A video of this meeting is planned to be posted on the Senshukai website)

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

1. Consolidated Financial Results for the Fiscal Year 2024 (January 1, 2024 – December 31, 2024)

(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 2024	45,600	(7.4)	(3,748)	-	(3,952)	-	(3,658)	-
Fiscal Year 2023	49,226	(16.4)	(5,557)	-	(5,679)	-	(4,782)	-

Note: Comprehensive income (millions of yen) Fiscal Year 2024: (3,835) (-%) Fiscal Year 2023: (4,739) (-%)

	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 2024	(78.22)	-	(23.8)	(13.7)	(8.2)
Fiscal Year 2023	(102.19)	-	(24.4)	(16.1)	(11.3)

Reference: Equity in earnings (losses) of affiliates (millions of yen) Fiscal Year 2024: 59 Fiscal Year 2023: (33)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2024	25,781	13,444	52.2	287.57
Fiscal Year 2023	31,809	17,279	54.3	369.15

Reference: Shareholders' equity (millions of yen) Fiscal Year 2024: 13,451 Fiscal Year 2023: 17,273

(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 2024	(3,459)	297	(710)	2,654
Fiscal Year 2023	(3,901)	1,754	(722)	6,481

2. Dividends

	Dividend per share					Total dividends (total)	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal Year 2023	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 0.00	Millions of yen -	% -	% -
Fiscal Year 2024	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 0.00	Millions of yen -	% -	% -
Fiscal Year 2025 (forecasts)	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 0.00		% -	% -

3. Consolidated Outlook for Fiscal Year 2025 (January 1, 2025 – December 31, 2025)

(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 2025	42,000	(7.9)	(2,700)	-	(2,800)	-	(2,900)	-	(62.00)

* Notes

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

(2) 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

(3) Number of shares outstanding (common shares)

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

Fiscal Year 2024: 52,056,993 shares Fiscal Year 2023: 52,056,993 shares

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

Fiscal Year 2024: 5,280,756 shares Fiscal Year 2023: 5,263,634 shares

3) Average number of shares outstanding during the period

Fiscal Year 2024: 46,778,872 shares Fiscal Year 2023: 46,805,301 shares

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for Fiscal Year 2024 (January 1, 2024 – December 31, 2024)

(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 2024	42,863	(6.6)	(3,812)	-	(3,945)	-	(3,617)	-
Fiscal Year 2023	45,895	(16.7)	(5,656)	-	(5,653)	-	(4,716)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal Year 2024	(77.34)	-
Fiscal Year 2023	(100.78)	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2024	24,421	12,598	51.6	269.34
Fiscal Year 2023	30,468	16,426	53.9	351.05

Reference: Shareholders' equity (millions of yen) Fiscal Year 2024: 12,598 Fiscal Year 2023: 16,426

* 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

A video of the meeting for the presentation of the financial results for 2024 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.

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1. Overview of Results of Operations

(1) Results of Operations

Overview

In 2024, the Japanese economy showed a continued trend of rising wages and prices. However, businesses and consumers remained cautious due to the impact of a global economic slowdown and geopolitical risks.

In the retail industry, in addition to upward pressure on procurement prices and logistics costs, consumers are becoming increasingly selective in their purchasing behavior, and there is a growing emphasis on balancing price and value. Similarly, in the mail-order and online shopping industry, the quality of the customer experience is key to competitiveness and requires individually optimized marketing.

In this business environment, in addition to cost reductions and other rationalization measures, the Group focused on planning and 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. Profitability was improved by reducing fixed costs, including measures to reduce executive remuneration implemented from December 2023 and continued beyond October 2024. However, Belle Maison, the Group's core mail-order and online shopping business, did not achieve sufficient cost efficiency in order acquisitions to reach its planned target, resulting in a decline in the effective number of members (those who made a purchase within 12 months), which is taken as the base. Net sales in 2024 decreased 7.4% YoY to 45,600 million yen, operating loss was 3,748 million yen (compared with a loss of 5,557 million yen in 2023), and ordinary loss was 3,952 million yen (compared with a loss of 5,679 million yen in 2023). Loss attributable to owners of parent was 3,658 million yen (compared with a loss of 4,782 million yen in 2023).

Business segment performance was as follows.

(Mail-order and Online Shopping Business)

In the mail-order and online shopping business, which focuses on online and catalog sales, the Group implemented measures to enhance profitability. These included a review of pricing focusing on original products and the provision of tailored sales environments considering the unique characteristics of digital and catalog channels. However, efforts to rebuild customer engagement, including a review of catalog distribution strategies aimed at strengthening sales capabilities, sales promotions exploiting LINE and other social media, and revisions to the preferential program failed to produce the expected results. As a result, consolidated sales in the mail-order and online shopping business decreased 8.0% YoY to 39,675 million yen in 2024. There was an operating loss of 4,221 million yen compared with a loss of 5,950 million yen in 2023.

(Corporates Business)

In the corporates business, which provides products and services to corporations, there was a downturn in advertising orders. However, this business made good progress in obtaining corporate orders for the use of consignment sales projects and agency services such as logistics operations, leading to improved profitability. Consolidated sales in the corporates business decreased 4.9% YoY to 3,912 million yen in 2024. Operating profit increased 140.7% YoY to 161 million yen.

(Insurance Business)

This business provides support, mainly to Belle Maison members, for choosing the most suitable insurance policies. Consolidated sales decreased 4.6% YoY to 512 million yen in 2024 and operating profit decreased 10.2% YoY to 263 million yen.

(Others)

Consolidated sales in other businesses, which include the childcare support business, increased 4.9% YoY to 1,500 million yen in 2024. Operating profit increased 47.1% YoY to 48 million yen.

(2) Financial Position

Assets totaled 25,781 million yen at the end of 2024, a decrease of 6,028 million yen from the end of 2023.

Current assets decreased 4,774 million yen to 14,126 million yen. The factors included decreases of 3,827 million yen in cash and deposits and 753 million yen in merchandise and finished goods. Non-current assets decreased 1,253 million yen to 11,654 million yen. The factors included decreases of 666 million yen in investments and other assets, 439 million yen in intangible assets and 148 million yen in property, plant and equipment.

Current liabilities decreased 1,178 million yen to 10,103 million yen. The factors included decreases of 675 million yen in electronically recorded obligations-operating and 176 million yen in accounts payable-other. Non-current liabilities decreased 1,014 million yen to 2,233 million yen. The main factors included decreases of 610 million yen in long-term borrowings, 170 million yen in provision for loss on office closing and 148 million yen in deferred tax liabilities.

Net assets decreased 3,835 million yen to 13,444 million yen. The factors included booking of loss attributable to owners of parent of 3,658 million yen. As a result, the equity ratio was 52.2%.

(3) Cash Flows

The balance of cash and cash equivalents at the end of 2024 was 2,654 million yen, a decrease of 3,827 million yen from the end of 2023.

Operating activities used net cash of 3,459 million yen (net cash used of 3,901 million yen in 2023). The main cash inflows include decreases in inventories of 735 million yen and depreciation of 726 million yen. The main cash outflows include loss before income taxes of 3,668 million yen and a decrease in trade payables of 781 million yen.

Investing activities provided net cash of 297 million yen (net cash provided of 1,754 million yen in 2023). The main cash inflows include proceeds from sales of investment securities of 688 million yen. The main cash outflows include 297 million yen for purchase of property, plant and equipment and 155 million yen for the purchase of intangible assets.

Financing activities used net cash of 710 million yen (net cash used of 722 million yen in 2023). The main cash outflows were repayments of long-term borrowings of 620 million yen.

Cash flow indices

	Fiscal Year 2022 (As of Dec. 31, 2022)	Fiscal Year 2023 (As of Dec. 31, 2023)	Fiscal Year 2024 (As of Dec. 31, 2024)
Equity ratio (%)	56.5	54.3	52.2
Equity ratio based on fair value (%)	46.4	55.3	51.7
Ratio of interest-bearing debt to cash flows (years)	-	-	-
Interest coverage ratio (times)	-	-	-

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 amount of operating cash flows.

The interest coverage ratio is operating cash flows divided by interest payments.

- 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.
- Interest-bearing debt includes short-term borrowings, long-term borrowings, and lease obligations shown on the consolidated balance sheet.
- 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.
- Ratio of interest-bearing debt to cash flows and interest coverage ratio are not shown 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 2024 due to the large loss attributable to owners of parent. For 2025, based on the outlook for results of operations, medium- to long-term financial condition and other items, we regret that no dividend will be paid as the promotion of measures to improve results of operations 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 2025 (forecast)	42,000	(2,700)	(2,800)	(2,900)
Fiscal Year 2024 (results)	45,600	(3,748)	(3,952)	(3,658)
Change (%)	(7.9)	-	-	-

In 2024, we aimed to transform our business structure by the end of the year and return to profitability in 2025 on the basis of the reforms. However, as it will take time to thoroughly implement further reforms and establish a profitable model, we will make further efforts to promote these reforms in 2025 and aim to return to profitability in 2026.

The medium-term management plan (2021–2025), announced in July 2021 and originally set to conclude this fiscal year, has been withdrawn and a new revitalization plan (2025–2027) formulated. For further details regarding the new revitalization plan (2025–2027), please refer to “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements (Going Concern Assumption).”

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

The Senshukai Group recorded a significant operating loss and loss attributable to owners of parent for three consecutive years in 2024. These circumstances raise significant doubts about the Group's ability to continue as a going concern.

For further details regarding going-concern assumption, please refer to “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements (Going Concern Assumption).”

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 2023 (As of Dec. 31, 2023)	Fiscal Year 2024 (As of Dec. 31, 2024)
Assets		
Current assets		
Cash and deposits	6,481	2,654
Notes receivable-trade	317	84
Accounts receivable-trade	1,245	1,119
Merchandise and finished goods	6,026	5,272
Raw materials and supplies	109	128
Accounts receivable-other	3,684	3,823
Other	1,122	1,107
Allowance for doubtful accounts	(86)	(63)
Total current assets	18,900	14,126
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,034	20,053
Accumulated depreciation	(16,372)	(16,529)
Buildings and structures, net	3,662	3,524
Machinery, equipment and vehicles	6,348	6,311
Accumulated depreciation	(6,302)	(6,251)
Machinery, equipment and vehicles, net	45	59
Tools, furniture and fixtures	840	755
Accumulated depreciation	(735)	(675)
Tools, furniture and fixtures, net	104	80
Land	5,402	5,402
Construction in progress	-	0
Total property, plant and equipment	9,215	9,067
Intangible assets		
Other	1,142	703
Total intangible assets	1,142	703
Investments and other assets		
Investment securities	1,719	1,096
Leasehold and guarantee deposits	425	404
Deferred tax assets	29	32
Other	376	350
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	2,550	1,884
Total non-current assets	12,908	11,654
Total assets	31,809	25,781

	(Millions of yen)	
	Fiscal Year 2023 (As of Dec. 31, 2023)	Fiscal Year 2024 (As of Dec. 31, 2024)
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	3,954	3,278
Accounts payable-trade	1,988	1,822
Short-term borrowings	620	620
Lease liabilities	22	22
Accounts payable-other	2,681	2,505
Accrued expenses	648	564
Income taxes payable	32	21
Accrued consumption taxes	56	93
Contract liabilities	627	482
Provision for bonuses	33	35
Provision for loss on business closure	-	90
Other	615	564
Total current liabilities	11,282	10,103
Non-current liabilities		
Long-term borrowings	2,674	2,063
Lease liabilities	25	2
Deferred tax liabilities	163	14
Retirement benefit liability	5	5
Asset retirement obligations	132	125
Provision for loss on office closing	170	-
Other	76	21
Total non-current liabilities	3,248	2,233
Total liabilities	14,530	12,337
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	30,084	30,084
Retained earnings	(8,891)	(12,549)
Treasury shares	(2,953)	(2,954)
Total shareholders' equity	18,339	14,680
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	302	18
Deferred gains or losses on hedges	71	144
Revaluation reserve for land	(1,516)	(1,516)
Foreign currency translation adjustment	77	124
Total accumulated other comprehensive income	(1,065)	(1,229)
Non-controlling interests	5	(7)
Total net assets	17,279	13,444
Total liabilities and net assets	31,809	25,781

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

	(Millions of yen)	
	Fiscal Year 2023 (Jan. 1, 2023 – Dec. 31, 2023)	Fiscal Year 2024 (Jan. 1, 2024 – Dec. 31, 2024)
Net sales	49,226	45,600
Cost of sales	24,560	22,357
Gross profit	24,666	23,243
Selling, general and administrative expenses		
Freight and packing costs	4,386	3,877
Sales commission	3,520	2,434
Promotion expenses	5,624	5,437
Provision of allowance for doubtful accounts	75	50
Remuneration for directors (and other officers)	224	173
Salaries and allowances	3,983	3,784
Bonuses	648	571
Provision for bonuses	31	35
Retirement benefit expenses	309	289
Commission expenses	4,237	3,746
Depreciation	697	725
Other	6,484	5,864
Total selling, general and administrative expenses	30,223	26,992
Operating loss	(5,557)	(3,748)
Non-operating income		
Interest and dividend income	37	6
Share of profit of entities accounted for using equity method	-	59
Foreign exchange gains	123	-
Gain on adjustment of accounts payable	192	254
Rental income from real estate	59	-
Miscellaneous income	142	65
Total non-operating income	554	385
Non-operating expenses		
Interest expenses	45	52
Foreign exchange losses	-	77
Share of loss of entities accounted for using equity method	33	-
Commission expenses	195	115
Provision for loss on office closing	170	-
Penalty loss	139	165
Extra retirement payments	-	131
Miscellaneous losses	93	47
Total non-operating expenses	676	589
Ordinary loss	(5,679)	(3,952)
Extraordinary income		
Gain on sale of non-current assets	218	0
Gain on sale of investment securities	859	549
Total extraordinary income	1,078	549
Extraordinary losses		
Loss on sale and retirement of non-current assets	4	6
Impairment losses	179	235
Loss on sale of shares of subsidiaries and associates	-	24
Total extraordinary losses	184	266
Loss before income taxes	(4,786)	(3,668)
Income taxes-current	40	42
Income taxes-deferred	(28)	(40)
Total income taxes	11	2
Loss	(4,797)	(3,671)
Loss attributable to non-controlling interests	(14)	(12)
Loss attributable to owners of parent	(4,782)	(3,658)

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Fiscal Year 2023 (Jan. 1, 2023 – Dec. 31, 2023)	Fiscal Year 2024 (Jan. 1, 2024 – Dec. 31, 2024)
Loss	(4,797)	(3,671)
Other comprehensive income		
Valuation difference on available-for-sale securities	15	(283)
Deferred gains or losses on hedges	20	72
Foreign currency translation adjustment	12	31
Share of other comprehensive income of entities accounted for using equity method	8	15
Total other comprehensive income	57	(163)
Comprehensive income	(4,739)	(3,835)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(4,725)	(3,822)
Comprehensive income attributable to non-controlling interests	(14)	(12)

(3) Consolidated Statement of Changes in Equity

Fiscal Year 2023 (Jan. 1, 2023 – Dec. 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100	30,084	(4,108)	(2,953)	23,122
Changes during period					
Loss attributable to owners of parent			(4,782)		(4,782)
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	(4,782)	(0)	(4,782)
Balance at end of period	100	30,084	(8,891)	(2,953)	18,339

(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	286	51	(1,516)	56	(1,123)	20	22,019
Changes during period							
Loss attributable to owners of parent							(4,782)
Purchase of treasury shares							(0)
Net changes in items other than shareholders' equity	15	20	-	21	57	(14)	42
Total changes during period	15	20	-	21	57	(14)	(4,740)
Balance at end of period	302	71	(1,516)	77	(1,065)	5	17,279

Fiscal Year 2024 (Jan. 1, 2024 – Dec. 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100	30,084	(8,891)	(2,953)	18,339
Changes during period					
Loss attributable to owners of parent			(3,658)		(3,658)
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	(3,658)	(0)	(3,658)
Balance at end of period	100	30,084	(12,549)	(2,954)	14,680

(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	302	71	(1,516)	77	(1,065)	5	17,279
Changes during period							
Loss attributable to owners of parent							(3,658)
Purchase of treasury shares							(0)
Net changes in items other than shareholders' equity	(283)	72	-	46	(163)	(12)	(176)
Total changes during period	(283)	72	-	46	(163)	(12)	(3,835)
Balance at end of period	18	144	(1,516)	124	(1,229)	(7)	13,444

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal Year 2023 (Jan. 1, 2023 – Dec. 31, 2023)	Fiscal Year 2024 (Jan. 1, 2024 – Dec. 31, 2024)
Cash flows from operating activities		
Loss before income taxes	(4,786)	(3,668)
Depreciation	734	726
Impairment losses	179	235
Increase (decrease) in allowance for doubtful accounts	(33)	(22)
Increase (decrease) in provision for bonuses	2	2
Increase (decrease) in provision for loss on office closing	170	(79)
Interest and dividend income	(37)	(6)
Interest expenses	45	52
Share of loss (profit) of entities accounted for using equity method	33	(59)
Loss (gain) on sale of shares of subsidiaries and associates	-	24
Loss (gain) on sale and retirement of non-current assets	(213)	5
Loss (gain) on sale of investment securities	(859)	(549)
Decrease (increase) in trade receivables	391	368
Decrease (increase) in inventories	848	735
Decrease (increase) in other current assets	1,029	(28)
Increase (decrease) in trade payables	(1,146)	(781)
Increase (decrease) in contract liabilities	37	(144)
Increase (decrease) in other current liabilities	(860)	(312)
Other, net	583	62
Subtotal	(3,881)	(3,441)
Interest and dividends received	75	30
Interest paid	(45)	(52)
Income taxes refund (paid)	(51)	4
Net cash provided by (used in) operating activities	(3,901)	(3,459)
Cash flows from investing activities		
Purchase of property, plant and equipment	(182)	(297)
Proceeds from sale of property, plant and equipment	0	3
Purchase of intangible assets	(149)	(155)
Proceeds from sale of investment securities	1,490	688
Proceeds from sale of shares of subsidiaries and associates	-	0
Proceeds from sale of investment property	412	-
Proceeds from collection of loans receivable	73	1
Other, net	110	56
Net cash provided by (used in) investing activities	1,754	297
Cash flows from financing activities		
Proceeds from long-term borrowings	9	9
Repayments of long-term borrowings	(620)	(620)
Dividends paid	(0)	(0)
Repayments of installment payables	(84)	(76)
Other, net	(27)	(22)
Net cash provided by (used in) financing activities	(722)	(710)
Effect of exchange rate change on cash and cash equivalents	62	44
Net increase (decrease) in cash and cash equivalents	(2,806)	(3,827)
Cash and cash equivalents at beginning of period	9,287	6,481
Cash and cash equivalents at end of period	6,481	2,654

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

The Senshukai Group recorded a significant operating loss and loss attributable to owners of parent for three consecutive years in 2024. These circumstances raise significant doubts about the Group's ability to continue as a going concern. To address this situation, the Group has formulated a revitalization plan (2025–2027) and will implement the following measures to improve results of operations.

<Measures to improve results of operations>

Building on our strengths in idea generation, planning, and proposals; product development and procurement; customer assets; and brand trust and reliability, we will implement improvement measures based on three key strategies.

A. Fundamentally reforming the mail-order and online shopping business

1) Clarify targets

Reorganize business domains by generation

2) Improve product appeal

Conducting highly precise product development based on marketing insights by clearly defining core targets.

3) Build a detailed merchandizing approach tailored to customers of each generation.

Realizing a situation where fresh and highly relatable products and sales environments can be offered throughout the year.

B. Expanding business using mail-order and online shopping assets

1) Maximize sales potential

Building touchpoints with customers by developing external malls and physical stores to increase sales and profits.

2) Enhance BtoB

Diversifying the revenue base through insurance, shareholder benefits, advertising, and corporate commissions.

3) Strengthen relationships with existing clients and business partners

Expanding the scale of business, including gifts and wholesale, with a focus on utilizing business partners' channels and deepening cooperation.

C. Developing new revenue streams

1) Childcare support

Developing new measures that combine existing businesses such as mail-order and online shopping with the childcare support business to create new revenue streams.

2) Develop and expand the ethical promotion business

Developing business plans in the ethical domain to generate and expand revenue.

3) Expand overseas

Expanding sales regions beyond China and increasing revenue by broadening the range of product categories.

In 2025, we will steadily implement the above measures and make flexible adjustments with the aim of returning to profitability in 2026. Furthermore, we will revisit our philosophy that the reason for a company's existence lies in its contribution to society. We will face social issues head-on, taking the lead as a flag-bearer, and work with consumers and business partners to transform ourselves into a company that solves social issues, aiming to realize a sustainable society through lifestyle proposals and the provision of products, services, information, and places to connect, thereby enriching the value of our existence as a company and improving its corporate value.

Regarding funds, as of the end of 2024, the Group possessed cash and deposits totaling 2,654 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 October 31, 2025) has been set up as an overdraft facility in the eventuality that the commitment line agreement cannot be continued. As stated in “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements (Significant Subsequent Events),” the expiry date of the special overdraft agreement extended to February 2, 2026. As of the end of 2024, there were no outstanding borrowings under the aforementioned commitment line, or special overdraft agreement. As stated in “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements (Significant Subsequent Events),” the Group borrowed 4,500 million yen in January 2025 under the above commitment line agreement, and we plan to repay the loan in July 2025 through fund generation, including the sale of real estate. 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 expire.

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 2026. 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.

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 services primarily to Belle Maison members.

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.

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

Fiscal Year 2023 (Jan. 1, 2023 – Dec. 31, 2023)

(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	43,142	4,115	537	47,795	1,430	49,226	-	49,226
Inter-segment sales or transfers	261	72	-	333	0	334	(334)	-
Total	43,403	4,188	537	48,129	1,431	49,561	(334)	49,226
Segment profit (loss)	(5,950)	67	292	(5,590)	32	(5,557)	-	(5,557)
Segment assets	17,981	1,225	46	19,254	843	20,097	11,712	31,809
Other items								
Depreciation	688	17	-	706	27	734	-	734
Share of loss of entities accounted for using equity method	(33)	-	-	(33)	-	(33)	-	(33)
Investment in equity-method affiliates	582	-	-	582	-	582	-	582
Increase in property, plant and equipment and intangible assets	237	48	-	285	1	287	164	452

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

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 164 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.

Fiscal Year 2024 (Jan. 1, 2024 – Dec. 31, 2024)

(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	39,675	3,912	512	44,099	1,500	45,600	-	45,600
Inter-segment sales or transfers	231	44	-	275	0	276	(276)	-
Total	39,906	3,956	512	44,375	1,501	45,877	(276)	45,600
Segment profit (loss)	(4,221)	161	263	(3,796)	48	(3,748)	-	(3,748)
Segment assets	14,421	2,401	42	16,865	785	17,651	8,129	25,781
Other items								
Depreciation	682	20	-	703	22	726	-	726
Share of profit of entities accounted for using equity method	23	-	-	23	-	23	35	59
Investment in equity-method affiliates	506	-	-	506	-	506	102	609
Increase in property, plant and equipment and intangible assets	199	192	-	392	1	393	31	425

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

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 35 million yen adjustment to share of profit of entities accounted for using equity method represents the portion not allocated to any of the reportable segments.
- (3) The 102 million yen adjustment to investment in equity-method affiliates represents the portion not allocated to any of the reportable segments.
- (4) The 31 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.

Per Share Information

(Yen)

	Fiscal Year 2023 (Jan. 1, 2023 – Dec. 31, 2023)	Fiscal Year 2024 (Jan. 1, 2024 – Dec. 31, 2024)
Net assets per share	369.15	287.57
Net loss per share	(102.19)	(78.22)

Notes: 1. Diluted net income per share is not presented since Senshukai has no outstanding dilutive securities, and posted a net loss.

2. Basis for calculation of net loss per share is as follows.

(Millions of yen)

	Fiscal Year 2023 (Jan. 1, 2023 – Dec. 31, 2023)	Fiscal Year 2024 (Jan. 1, 2024 – Dec. 31, 2024)
Loss attributable to owners of parent	(4,782)	(3,658)
Amounts unavailable to common shareholders	-	-
Loss attributable to owners of parent related to common stock	(4,782)	(3,658)
Average number of common stock outstanding during the period (thousand shares)	46,805	46,778

Significant Subsequent Events

(Renewal of overdraft agreement)

In accordance with a resolution of the Board of Directors' meeting held on February 6, 2025, 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:	February 10, 2025
Contract maturity date:	February 2, 2026

(Borrowing of Funds)

Based on the commitment line agreement, the Company has implemented borrowing as follows:

(1) Use of funds:	Working capital
(2) Lenders:	Four counterparty financial institutions
(3) Amount borrowed:	4,500 million yen
(4) Interest rate:	Base rate + spread
(5) Borrowing date:	January 9, 2025
(6) Repayment date:	July 9, 2025
(7) Repayment method:	Lump-sum repayment
(8) Collateral:	Yes

** 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.*