

Summary of Financial Results for the Fiscal Year 2020 (Ended December 31, 2020)

[Japanese GAAP]

February 12, 2021

Company name: **SENSHUKAI CO.,LTD.**

Stock exchange: Tokyo Stock Exchange, First Section

Stock code: 8165

URL: <https://www.senshukai.co.jp>

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Scheduled date of annual general meeting of shareholders: March 30, 2021

Scheduled date of payment of dividend: -

Scheduled date of filing of Annual Security Report: March 31, 2021

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: Yes (Only a webcast is planned to prevent the spread of COVID-19)

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

1. Consolidated Financial Results for the Fiscal Year 2020 (January 1, 2020 – December 31, 2020)

(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 2020	83,286	(6.6)	(389)	-	(3,800)	-	(3,946)	-
Fiscal Year 2019	89,150	(21.3)	772	-	1,418	-	8,182	-

Note: Comprehensive income (millions of yen) Fiscal Year 2020: (4,219) (-%) Fiscal Year 2019: 7,896 (-%)

	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 2020	(95.23)	-	(10.6)	(5.5)	(0.5)
Fiscal Year 2019	201.11	152.54	21.2	1.9	0.9

Reference: Equity in earnings (losses) of affiliates (millions of yen) Fiscal Year 2020: (3,515) Fiscal Year 2019: 421

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2020	63,933	32,088	50.2	699.01
Fiscal Year 2019	73,664	42,490	57.7	880.56

Reference: Shareholders' equity (millions of yen) Fiscal Year 2020: 32,088 Fiscal Year 2019: 42,490

(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 2020	2,428	(1,557)	(3,995)	19,592
Fiscal Year 2019	2,911	8,685	(6,027)	22,713

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 2019	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal Year 2019	-	0.00	-	2.00	2.00	80	1.0	0.3
Fiscal Year 2020	-	0.00	-	0.00	0.00	-	-	-
Fiscal Year 2021 (forecasts)	-	3.00	-	4.00	7.00		16.1	

Note: The dividend figures above show dividends for common shares. Please refer to "Dividends of classified stock" (after-mentioned) for information on dividends for shares whose rights are different from those of the Senshukai common shares.

3. Consolidated Outlook for Fiscal Year 2021 (January 1, 2021 – December 31, 2021)

(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 2021	91,000	9.3	2,000	-	2,000	-	2,000	-	43.57

* Notes

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

Newly added: -

Excluded: -

(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 2020: 52,056,993 shares Fiscal Year 2019: 52,056,993 shares

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

Fiscal Year 2020: 6,151,627 shares Fiscal Year 2019: 11,865,448 shares

3) Average number of shares outstanding during the period

Fiscal Year 2020: 41,440,388 shares Fiscal Year 2019: 40,191,068 shares

Note: 173,400 shares of Senshukai stock, which were held by the trust for the stock compensation plan that is linked to results of operations and cancelled on June 21, 2019, are included in the number of treasury shares, and is deducted from the number of shares that is used to calculate the average number of shares outstanding during 2019.

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for Fiscal Year 2020 (January 1, 2020 – December 31, 2020)

(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 2020	71,157	11.2	2,883	-	2,827	-	1,803	(75.8)
Fiscal Year 2019	63,972	(14.0)	(382)	-	247	-	7,448	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal Year 2020	43.53	-
Fiscal Year 2019	182.84	138.69

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2020	56,257	34,694	61.7	755.79
Fiscal Year 2019	59,727	39,348	65.9	802.36

Reference: Shareholders' equity (millions of yen) Fiscal Year 2020: 34,694 Fiscal Year 2019: 39,348

* 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.

How to view supplementary information at the financial results meeting

There will be no meeting for the presentation of financial results for 2020 because of the COVID-19 pandemic. A video of this presentation is planned to be posted on the Senshukai website soon. In addition, materials used for this presentation will be disclosed using the Timely Disclosure network (TDnet) and will be posted on the Senshukai website.

(Reference) Dividends of classified stock

Dividends per share for classified stock with rights that differ from those of common shares are shown below.

On July 31, 2020, Senshukai purchased all of the following classified stock pursuant to Article 178 of the Companies Act by exercising its right to acquire this stock for a cash payment.

Class A preferred stock	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2019	-	20,000,000.00	-	20,000,000.00	40,000,000.00
Fiscal Year 2020	-	0.00	-	-	0.00

Notes: 1. Five shares of the Class A preferred stock were issued on March 30, 2018.

2. The dividends for the Fiscal Year 2019 were partially paid from the capital surplus. Please see “Breakdown of dividends paid from the capital surplus” below for more information.

Class B preferred stock	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2019	-	-	-	-	-
Fiscal Year 2020	-	-	-	-	-

Note: Nine shares of Class B preferred stock were issued on March 30, 2018.

(Reference) Breakdown of dividends paid from the capital surplus

Of the dividends for the Fiscal Year 2019, breakdown of dividends paid from the capital surplus is shown below.

Record date	2Q-end
Dividend per share (Yen)	20,000,000.00
Total dividends (Millions of yen)	100

Note: Reduction rate in net assets due to the dividends paid from net assets

2Q-end: 0.003

Contents of Attachments

1. Overview of Results of Operations	2
(1) Results of Operations	2
(2) Financial Position	3
(3) Cash Flows	3
(4) Basic Policy Regarding Distribution of Earnings and Dividends in the Current and Next Fiscal Years	4
(5) Outlook	4
(6) Important Information about Going Concern Assumption	5
2. Basic Approach for the Selection of Accounting Standards	6
3. Consolidated Financial Statements and Notes	7
(1) Consolidated Balance Sheet	7
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Income	9
Consolidated Statement of Comprehensive Income	11
(3) Consolidated Statement of Changes in Equity	12
(4) Consolidated Statement of Cash Flows	14
(5) Notes to Consolidated Financial Statements	16
Going Concern Assumption	16
Significant Changes in Shareholders' Equity	16
Additional Information	16
Segment Information	17
Per Share Information	20
Significant Subsequent Events	20

1. Overview of Results of Operations

(1) Results of Operations

Overview

In 2020, there was a steep downturn of the Japanese economy as COVID-19 impacted consumer spending and economic activity. There are still no signs of the end of this crisis as another wave of infections takes place in many countries. As a result, the economic outlook continues to be extremely unclear.

In Japan's retail industry, a dramatic shift in the behavior of consumers has taken place due to the COVID-19 crisis. The e-commerce category has grown because of spending linked to the need to stay at home for safety and the number of people who visit stores has plummeted. As people become accustomed to this new life style, the changes in consumers' values and behavior are likely to become irreversible structural shifts rather than temporary events. We believe that success in the retail sector will require the ability to create new ideas for customer value that matches today's new life styles and to provide this value.

In Japan's wedding industry, the business climate continues to be extremely difficult because of COVID-19. People are avoiding meals and other wedding activities with large numbers of people, which were customary before this crisis, and changing their perceptions of weddings and receptions in other ways for safety during this pandemic.

In the mail-order and online shopping business, sales increased because of rapid measures to target at-home demand and the success of marketing activities. In the bridal business, sales were down because of the big impact of postponements to 2021 of more than 40% of the weddings planned for 2020. As a result, sales decreased 6.6% from 2019 to 83,286 million yen.

Earnings benefited from an increase in the gross profit margin resulting from structural reforms in the mail-order and online shopping business. However, there was a sharp decline in bridal business earnings. The result was an operating loss of 389 million yen compared with a profit of 772 million yen in 2019. The ordinary loss was 3,800 million yen compared with a profit of 1,418 million yen in 2019 due to the share of loss of entities accounted for using the equity method. The loss attributable to owners of parent was 3,946 million yen compared with a profit of 8,182 million yen in 2019, when a gain on sales of non-current assets, a gain on sales of investment securities and other items were recorded as extraordinary income.

(Mail-order and Online Shopping Business)

Consolidated sales in the mail-order and online shopping business, which is primarily the catalog and the Internet businesses, increased 10.1% year-over-year to 67,465 million yen in 2020. There was an operating profit of 2,624 million yen compared with a loss of 805 million yen in 2019.

In 2020, there were many activities for rebuilding the customer base. The primary activity was a reexamination of how to contact customers who have not made a purchase for a certain length of time or who have made only one purchase in order to transform these people into regular customers. Another activity was studying from the perspective of customers the new demand associated with the change in life styles caused by COVID-19. We used this process to create ideas for products that can make people's lives more fulfilling and pleasant. The performance of this business also benefited from operational reforms for cost reductions. Due to these activities, there were big improvements in sales and earnings in 2020 and this business became profitable.

(Bridal Business)

Consolidated sales in the bridal business, centered on the house wedding business, decreased 59.4% year-over-year to 8,400 million yen. There was an operating loss of 3,728 million yen compared with a profit of 971 million yen in 2019.

The big downturns in sales and earnings compared with 2019 were caused by wedding and reception postponements and the suspension of most sales activities because of COVID-19. There were constant activities to reduce selling, general and administrative expenses and use these expenses more efficiently. We also stepped up measures for safety during the COVID-19 pandemic, including rigorous hygiene measures. To establish a framework for operations after the pandemic, we are selling new types of wedding plans that reflect changes in preferences about ceremonies and receptions. Another measure is renting space to companies for events and using wedding facility

space in other ways in order to use these assets productively. All of these actions are aimed at improving the performance of this business.

(Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, increased 7.0% year-over-year to 5,092 million yen. Operating profit increased 29.4% to 464 million yen.

Due to activities for attracting new customers and increasing sales to current customers, there were new customers in the novelties business and higher logistics outsourcing sales due to the growth of demand in the e-commerce sector. There were also higher sales in the sampling business, which provides services such as placing direct mail marketing messages in packages used to deliver products. The result was higher sales and earnings in this business.

(Insurance and Credit Card Business)

This business provides information mainly to Belle Maison members about insurance policies and about credit cards with the best reward points. Consolidated sales decreased 22.3% year-over-year to 446 million yen and operating profit decreased 32.8% to 206 million yen.

We reviewed our channels for sales activities and started using new sales methods, such as coordination with the bridal business and activities targeting families raising children. However, sales and earnings decreased from 2019 because we did not conduct sales activities due to COVID-19.

(Others)

Consolidated sales in other businesses, which include childcare support business and manufacturing and sales of cosmetics, increased 2.2% year-over-year to 1,881 million yen. There was an operating profit of 40 million yen compared with a loss of 60 million yen in 2019. In the childcare support business, the two nursery schools that opened in April 2019 as well as the after school child care business, which was started as a peripheral business for more added value, are all performing well.

(2) Financial Position

Assets totaled 63,933 million yen at the end of 2020, a decrease of 9,730 million yen from the end of 2019.

Current assets decreased 4,681 million yen to 37,612 million yen. The factors included decreases of 3,120 million yen in cash and deposits and 1,467 million yen in merchandise and finished goods. Non-current assets decreased 5,048 million yen to 26,321 million yen. The factors included decreases of 1,169 million yen in property, plant and equipment and 4,610 million yen in investments and other assets, while there was an increase of 730 million yen in intangible assets.

Current liabilities increased 1,236 million yen to 21,330 million yen. The main factor was an increase of 2,022 million yen in short-term borrowings, while there were decreases of 361 million yen in accounts payable-other and 337 million yen in electronically recorded obligations-operating. Non-current liabilities decreased 563 million yen to 10,514 million yen. The main factor was a decrease of 708 million yen in deferred tax liabilities, while there was an increase of 286 million yen in long-term borrowings.

Net assets decreased 10,402 million yen to 32,088 million yen. The factors included booking of loss attributable to owners of parent of 3,946 million yen and decreases of 9,280 million yen in capital surplus and 3,274 million yen in treasury shares because five shares of Class A preferred stock and nine shares of Class B preferred stock were purchased and canceled on July 31, 2020 under July 30, 2020 Board of Directors' resolution, and treasury shares were disposed of through the third-party allotment on October 12, 2020 following the September 16, 2020 Board of Directors' resolution. As a result, the equity ratio was 50.2%.

(3) Cash Flows

The balance of cash and cash equivalents at the end of 2020 was 19,592 million yen, a decrease of 3,120 million yen from the end of 2019.

Operating activities provided net cash of 2,428 million yen (net cash provided of 2,911 million yen in 2019). The main cash inflows were share of loss of entities accounted for using equity method of 3,515 million yen,

depreciation of 1,813 million yen and a decrease in inventories of 1,399 million yen. The main cash outflows include loss before income taxes of 4,002 million yen.

Investing activities used net cash of 1,557 million yen (net cash provided of 8,685 million yen in 2019). The main cash outflows include 1,213 million yen for the purchase of intangible assets and 644 million yen for the purchase of property, plant and equipment.

Financing activities used net cash of 3,995 million yen (net cash used of 6,027 million yen in 2019). The main cash inflows were net increase in short-term borrowings of 2,100 million yen and proceeds of 1,999 million yen from disposal of treasury shares. The main cash outflows include 8,005 million yen for the purchase of treasury shares.

Cash flow indices

	Fiscal Year 2018 (As of Dec. 31, 2018)	Fiscal Year 2019 (As of Dec. 31, 2019)	Fiscal Year 2020 (As of Dec. 31, 2020)
Equity ratio (%)	45.8	57.7	50.2
Equity ratio based on fair value (%)	13.7	28.6	23.3
Ratio of interest-bearing debt to cash flows (years)	-	3.7	5.3
Interest coverage ratio (times)	-	23.1	17.3

Notes: 1. Cash flow indices are calculated, using consolidated financial figures, as follows:

The equity ratio is shareholders' equity divided by total assets.

The equity ratio based on fair value is market capitalization divided by total assets.

The ratio of interest-bearing debt to cash flows is interest-bearing debt divided by the quantity of operating cash flows.

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

2. Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares issued and outstanding at the end of the period, excluding treasury shares.

3. Interest-bearing debt includes short-term borrowings, long-term borrowings, and lease obligations shown on the consolidated balance sheet.

4. Operating cash flows and interest payments represent net cash provided by (used in) operating activities and interest expenses paid, respectively, on the consolidated statement of cash flows.

5. Ratio of interest-bearing debt to cash flows and interest coverage ratio are not shown for Fiscal Year 2018 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 basic policy is maintaining stable dividends, taking into consideration the payout ratio, and ensuring a fair distribution of earnings to shareholders that reflects its business performance.

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. These gifts are an expression of appreciation to shareholders. This program is also a way to give shareholders a better understanding of Senshukai by using the company's products.

There was no dividend for 2017 and 2018 because of the decision to place priority on increasing equity from the standpoint of the stability and soundness of business operations. We resumed dividend payments by paying a year-end dividend of 2 yen per share for 2019.

For 2020, the year-end dividend has been suspended because of the loss attributable to owners of parent.

For 2021, based on the outlook for results of operations, the financial condition and other items, we plan to pay an interim dividend of 3 yen and a year-end dividend of 4 yen for a total of 7 yen. We are determined to make substantial distributions to shareholders, including through the shareholder benefit program, as we achieve medium to long-term growth of corporate value.

(5) Outlook

Consolidated

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Fiscal Year 2021 (forecast)	91,000	2,000	2,000	2,000
Fiscal Year 2020 (results)	83,286	(389)	(3,800)	(3,946)
Change (%)	9.3	-	-	-

In the mail-order and online shopping business, we forecast sales in 2021 that are about the same as in 2020 due to activities to attract new members and to encourage current members to make frequent purchases. We expect lower earnings because of higher logistics expenses and an increase in IT infrastructure expenses to build a system capable of supporting growth over the next several years.

The performance of the bridal business will probably be impacted by the COVID-19 pandemic throughout 2021. Despite this impact, we forecast 2021 sales in this business that are about 80% of sales in 2019. One reason is that most of the weddings reserved for 2020 were pushed back to 2021 rather than canceled. This is partly because most of our wedding locations are in smaller regional cities rather than large metropolitan areas. As a result, we have a large number of wedding orders for 2021. Another reason is our ability to offer new types of weddings that meet the increasingly diverse preferences of couples planning a wedding. In addition, we will continue to work on lowering selling, general and administrative expenses and using these expenses more efficiently while making additional cost reductions whenever possible. Due to these activities, we expect to hold the loss in this business to the smallest possible amount.

Based on this outlook, we forecast higher sales and earnings in 2021. We expect to return to profitability with an operating profit of 2,000 million yen. In the bridal business, equity in losses of affiliates will not have a significant effect on 2021 performance because these losses have been recorded in 2020. As a result, we forecast an ordinary profit of 2,000 million yen and profit attributable to owners of parent of 2,000 million yen.

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

(6) Important Information about Going Concern Assumption

In 2019, there was an operating profit of 772 million yen and profit attributable to owners of parent of 8,182 million yen. However, there was an operating loss and loss attributable to owners of parent in 2017 and 2018. In 2020, there was an operating loss of 389 million yen and a loss attributable to owners of parent of 3,946 million yen that was caused by the impact of the COVID-19 pandemic on the bridal business. These losses create significant doubts about the going concern assumption.

In 2019, Senshukai started a medium-term management plan that will end in 2021. This plan includes structural business reforms that are centered on the mail-order and online shopping business. In 2019, the plan's first year, there were operational reforms that included maintaining the proper level of inventories. Other activities reduced assets and created a more streamlined organization in order to cut fixed expenses. Due to these activities, operations returned to profitability in 2019 with a consolidated operating profit.

In 2020, the plan's second year, there was a consolidated operating loss because of the big decline in bridal business sales caused by COVID-19. Nevertheless, structural business reforms continued to produce benefits. Most significant was the improvement in the performance of the mail-order and online shopping business, where activities were focused on rebuilding the customer base. In this business, the number of active (making purchases) members in the core Belle Maison business, which had been declining, increased by 550,000 during 2020 to 2.93 million. Furthermore, mail-order and online shopping business sales increased 10.1% to 67,465 million yen and there was an operating profit of 2,624 million yen.

In the bridal business, the number of weddings is expected to remain below the 2019 level because of COVID-19. However, we believe the performance of this business will improve after the pandemic ends. One reason for this outlook is that a large number of weddings planned for 2020 were pushed back to 2021 rather than canceled. This is partly because most wedding facilities are in regional cities instead of large metropolitan areas. Another reason is the substantial volume of wedding reservations in 2021 and afterward, which demonstrates the steady need for wedding and reception services. While continuing to monitor changes in the COVID-19 pandemic, we will reduce selling, general and administrative expenses and use these expenses more efficiently. We will implement pandemic safety measures in accordance with the requests of governments and other public-sector organizations. Moreover, as Japan's wedding market reaches a key transition phase, we will leverage our corporate culture and experience concerning the creation of services that are one step ahead of emerging trends in consumer needs. We will also adapt rapidly to changes, reexamine our business strategies, add services and take other actions to be prepared for

growth after the COVID-19 pandemic ends. We are determined to build a sound base for earnings and return to growth in order to stabilize the performance of the Senshukai Group.

At the end of 2020, cash and deposits were 19,592 million yen. In addition, Senshukai has a committed credit line totaling 10 billion yen with financial institutions (7.9 billion yen was unused at the end of 2020). Consequently, we believe there are no concerns about our liquidity because we have a sufficient amount of working capital.

For these reasons, we believe there are no significant uncertainties regarding the 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 2019 (As of Dec. 31, 2019)	Fiscal Year 2020 (As of Dec. 31, 2020)
Assets		
Current assets		
Cash and deposits	22,713	19,592
Notes and accounts receivable-trade	3,854	3,695
Merchandise and finished goods	8,641	7,173
Raw materials and supplies	197	265
Accounts receivable-other	5,285	5,529
Other	1,750	1,484
Allowance for doubtful accounts	(148)	(129)
Total current assets	42,293	37,612
Non-current assets		
Property, plant and equipment		
Buildings and structures	35,004	35,045
Accumulated depreciation	(23,300)	(24,403)
Buildings and structures, net	11,703	10,641
Machinery, equipment and vehicles	6,703	6,735
Accumulated depreciation	(6,444)	(6,518)
Machinery, equipment and vehicles, net	258	217
Tools, furniture and fixtures	2,291	2,324
Accumulated depreciation	(1,966)	(2,082)
Tools, furniture and fixtures, net	324	242
Land	6,809	6,809
Leased assets	629	629
Accumulated depreciation	(386)	(421)
Leased assets, net	242	207
Construction in progress	7	58
Total property, plant and equipment	19,346	18,176
Intangible assets		
Goodwill	1,483	1,203
Other	944	1,954
Total intangible assets	2,427	3,158
Investments and other assets		
Investment securities	6,046	2,102
Long-term loans receivable	600	526
Leasehold and guarantee deposits	1,614	1,551
Deferred tax assets	744	282
Other	734	643
Allowance for doubtful accounts	(143)	(120)
Total investments and other assets	9,596	4,986
Total non-current assets	31,370	26,321
Total assets	73,664	63,933

(Millions of yen)

	Fiscal Year 2019 (As of Dec. 31, 2019)	Fiscal Year 2020 (As of Dec. 31, 2020)
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	6,523	6,185
Accounts payable-trade	3,495	3,620
Short-term borrowings	1,240	3,263
Lease obligations	118	122
Accounts payable-other	5,083	4,721
Accrued expenses	1,005	890
Income taxes payable	107	52
Accrued consumption taxes	273	418
Provision for sales promotion expenses	225	216
Provision for bonuses for directors (and other officers)	23	-
Provision for bonuses	233	194
Other	1,763	1,644
Total current liabilities	20,094	21,330
Non-current liabilities		
Long-term borrowings	8,558	8,845
Lease obligations	806	683
Deferred tax liabilities	722	14
Retirement benefit liability	3	5
Asset retirement obligations	851	857
Other	135	108
Total non-current liabilities	11,078	10,514
Total liabilities	31,173	31,845
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	39,544	30,264
Retained earnings	10,891	6,768
Treasury shares	(6,800)	(3,525)
Total shareholders' equity	43,736	33,606
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	366	195
Deferred gains or losses on hedges	49	(78)
Revaluation reserve for land	(1,516)	(1,516)
Foreign currency translation adjustment	(120)	(118)
Remeasurements of defined benefit plans	(24)	-
Total accumulated other comprehensive income	(1,245)	(1,518)
Total net assets	42,490	32,088
Total liabilities and net assets	73,664	63,933

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

(Millions of yen)

	Fiscal Year 2019 (Jan. 1, 2019 – Dec. 31, 2019)	Fiscal Year 2020 (Jan. 1, 2020 – Dec. 31, 2020)
Net sales	89,150	83,286
Cost of sales	43,969	40,973
Gross profit	45,180	42,313
Selling, general and administrative expenses		
Freight and packing costs	4,934	5,023
Promotion expenses	9,978	10,150
Provision for allowance for sales promotion expenses	225	216
Provision of allowance for doubtful accounts	111	120
Bad debts expenses	15	3
Remuneration for directors (and other officers)	190	209
Salaries and allowances	6,377	6,067
Bonuses	1,371	615
Provision for bonuses for directors (and other officers)	23	-
Provision for bonuses	184	189
Depreciation	1,806	1,751
Other	19,187	18,353
Total selling, general and administrative expenses	44,408	42,702
Operating profit (loss)	772	(389)
Non-operating income		
Interest income	23	21
Dividend income	35	41
Share of profit of entities accounted for using equity method	421	-
Gain on adjustment of account payable	255	166
Reversal of allowance for doubtful accounts	0	58
Subsidy income	1	423
Miscellaneous income	180	119
Total non-operating income	919	831
Non-operating expenses		
Interest expenses	126	141
Share of loss of entities accounted for using equity method	-	3,515
Commission expenses	38	414
Miscellaneous loss	107	170
Total non-operating expenses	273	4,242
Ordinary profit (loss)	1,418	(3,800)

(Millions of yen)

	Fiscal Year 2019 (Jan. 1, 2019 – Dec. 31, 2019)	Fiscal Year 2020 (Jan. 1, 2020 – Dec. 31, 2020)
Extraordinary income		
Gain on sales of non-current assets	5,623	-
Gain on sales of investment securities	936	-
Gain on sales of shares of subsidiaries and associates	336	-
Subsidy income	336	18
Gain on change in equity	-	13
Total extraordinary income	7,232	32
Extraordinary losses		
Loss on sales and retirement of non-current assets	90	20
Loss on tax purpose reduction entry of non-current assets	311	18
Impairment loss	24	141
Loss on valuation of investment securities	3	40
Loss on sales of shares of subsidiaries and associates	4	-
Business structure reform expenses	165	-
Loss on disaster	18	14
Other	20	-
Total extraordinary losses	639	235
Profit (loss) before income taxes	8,011	(4,002)
Income taxes-current	165	60
Income taxes-deferred	(336)	(117)
Total income taxes	(171)	(56)
Profit (loss)	8,182	(3,946)
Profit (loss) attributable to owners of parent	8,182	(3,946)

(Consolidated Statement of Comprehensive Income)

	(Millions of yen)	
	Fiscal Year 2019	Fiscal Year 2020
	(Jan. 1, 2019 – Dec. 31, 2019)	(Jan. 1, 2020 – Dec. 31, 2020)
Profit (loss)	8,182	(3,946)
Other comprehensive income		
Valuation difference on available-for-sale securities	(239)	(169)
Deferred gains or losses on hedges	(7)	(101)
Foreign currency translation adjustment	5	(3)
Share of other comprehensive income of entities accounted for using equity method	(44)	1
Total other comprehensive income	(285)	(272)
Comprehensive income	7,896	(4,219)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,896	(4,219)
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

Fiscal Year 2019 (Jan. 1, 2019 – Dec. 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	22,304	23,712	(3,526)	(6,932)	35,558
Changes during period					
Dividends of surplus-other capital surplus		(175)			(175)
Transfer from share capital to other capital surplus	(22,204)	22,204			-
Profit attributable to owners of parent			8,182		8,182
Deficit disposition		(6,065)	6,065		-
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(131)		132	1
Reversal of revaluation reserve for land			169		169
Net changes in items other than shareholders' equity					
Total changes during period	(22,204)	15,832	14,418	132	8,177
Balance at end of period	100	39,544	10,891	(6,800)	43,736

(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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	605	60	(1,346)	(61)	(47)	(789)	84	34,853
Changes during period								
Dividends of surplus-other capital surplus								(175)
Transfer from share capital to other capital surplus								-
Profit attributable to owners of parent								8,182
Deficit disposition								-
Purchase of treasury shares								(0)
Disposal of treasury shares								1
Reversal of revaluation reserve for land								169
Net changes in items other than shareholders' equity	(238)	(10)	(169)	(59)	22	(455)	(84)	(539)
Total changes during period	(238)	(10)	(169)	(59)	22	(455)	(84)	7,637
Balance at end of period	366	49	(1,516)	(120)	(24)	(1,245)	-	42,490

Fiscal Year 2020 (Jan. 1, 2020– Dec. 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100	39,544	10,891	(6,800)	43,736
Changes during period					
Dividends of surplus			(180)		(180)
Loss attributable to owners of parent			(3,946)		(3,946)
Purchase of treasury shares				(8,005)	(8,005)
Disposal of treasury shares		(1,275)		3,275	1,999
Cancellation of treasury shares		(8,005)		8,005	-
Change in scope of equity method			2		2
Net changes in items other than shareholders' equity					
Total changes during period	-	(9,280)	(4,123)	3,274	(10,129)
Balance at end of period	100	30,264	6,768	(3,525)	33,606

(Millions of yen)

	Accumulated other comprehensive income						Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	366	49	(1,516)	(120)	(24)	(1,245)	42,490
Changes during period							
Dividends of surplus							(180)
Loss attributable to owners of parent							(3,946)
Purchase of treasury shares							(8,005)
Disposal of treasury shares							1,999
Cancellation of treasury shares							-
Change in scope of equity method							2
Net changes in items other than shareholders' equity	(171)	(127)	(0)	1	24	(272)	(272)
Total changes during period	(171)	(127)	(0)	1	24	(272)	(10,402)
Balance at end of period	195	(78)	(1,516)	(118)	-	(1,518)	32,088

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal Year 2019 (Jan. 1, 2019 – Dec. 31, 2019)	Fiscal Year 2020 (Jan. 1, 2020 – Dec. 31, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	8,011	(4,002)
Depreciation	1,879	1,813
Impairment loss	24	141
Increase (decrease) in allowance for doubtful accounts	(3)	(42)
Increase (decrease) in provision for sales promotion expenses	(79)	(9)
Increase (decrease) in provision for bonuses	(56)	(39)
Interest and dividend income	(58)	(63)
Interest expenses	126	141
Share of loss (profit) of entities accounted for using equity method	(421)	3,515
Loss (gain) on sales of investment securities	(1,250)	-
Loss (gain) on valuation of investment securities	3	40
Loss (gain) on sales and retirement of non-current assets	(5,532)	20
Loss on tax purpose reduction entry of non-current assets	311	18
Subsidy income	(336)	(18)
Subsidy income	(1)	(423)
Business structure reform expenses	165	-
Decrease (increase) in trade receivables	1,025	180
Decrease (increase) in inventories	564	1,399
Decrease (increase) in other current assets	631	(167)
Increase (decrease) in trade payables	(795)	(119)
Increase (decrease) in other current liabilities	(439)	(736)
Other, net	787	375
Subtotal	4,554	2,023
Interest and dividends received	89	160
Interest paid	(126)	(139)
Income taxes (paid) refund	(196)	(26)
Proceeds from subsidy income	1	423
Payments for business structure reform expenses	(1,410)	(13)
Net cash provided by (used in) operating activities	2,911	2,428
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,690)	(644)
Proceeds from sales of property, plant and equipment	8,529	0
Purchase of intangible assets	(523)	(1,213)
Subsidies received	336	18
Purchase of investment securities	(50)	(15)
Proceeds from sales of investment securities	1,460	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(186)	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	398	-
Other, net	411	296
Net cash provided by (used in) investing activities	8,685	(1,557)

(Millions of yen)

	Fiscal Year 2019 (Jan. 1, 2019 – Dec. 31, 2019)	Fiscal Year 2020 (Jan. 1, 2020 – Dec. 31, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	2,100
Proceeds from long-term borrowings	-	1,450
Repayments of long-term borrowings	(1,398)	(1,240)
Payment for redemption of bonds with share acquisition rights	(4,340)	-
Purchase of treasury shares	(0)	(8,005)
Proceeds from disposal of treasury shares	-	1,999
Dividends paid	(175)	(179)
Other, net	(112)	(118)
Net cash provided by (used in) financing activities	(6,027)	(3,995)
Effect of exchange rate change on cash and cash equivalents	(3)	3
Net increase (decrease) in cash and cash equivalents	5,566	(3,120)
Cash and cash equivalents at beginning of period	17,147	22,713
Cash and cash equivalents at end of period	22,713	19,592

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Five shares of Class A preferred stock and nine shares of Class B preferred stock were purchased and canceled on July 31, 2020 under July 30, 2020 Board of Directors' resolution. In addition, treasury shares were disposed of through the third-party allotment on October 12, 2020 following the September 16, 2020 Board of Directors' resolution. These processes decreased the capital surplus by 9,280 million yen and treasury shares by 3,275 million yen in 2020. The results of all these measures were capital surplus of 30,264 million yen and treasury shares of 3,525 million yen at the end of 2020.

Additional Information

(Application of tax effect accounting associated with the transition from the consolidated taxation system to the group tax sharing system)

Senshukai and its consolidated subsidiaries are transitioning to the group tax sharing system that was created by the Act on Partial Amendments to the Income Tax Act, etc. (Act No. 8 of 2020) and, in conjunction with this transition, has reexamined items concerning the non-consolidated taxation system. With respect to this transition and reexamination, Senshukai and its consolidated subsidiaries have not used the provisions of Paragraph 44 of Implementation Guidance on Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) in accordance with the treatment in Paragraph 3 of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ Practical Issues Task Force (PITF) No. 39, March 31, 2020). As a result, deferred tax assets and deferred tax liabilities are based on the tax law prior to these amendments.

(Uncertainty of accounting estimates)

The bridal business has reduced operating hours or temporarily closed some locations in order to prevent the spread of COVID-19 in accordance with requests to stay home and other provisions of the April 2020 declaration of the state of emergency of the Japanese government and in response to the increasing number of COVID-19 infections in Japan. The bridal business resumed operations following the May 2020 end of the state of emergency and the number of weddings slowly began to recover. However, the number of infections in Japan started to climb again in November and a second state of emergency was declared in January 2021. Due to these events, the COVID-19 crisis is continuing to affect the performance of the bridal business. There are many uncertainties about when this crisis will end, market conditions after the crisis ends and how consumers will behave at that time. For these reasons, we believe that the bridal business is unlikely to return to the pre-crisis level soon.

At the end of 2020, based on information that is currently available, we now believe that the COVID-19 crisis will continue to affect the performance of the bridal business until at least the end of 2021. After that, we expect this business to recover slowly. We are using these assumptions for accounting estimates for the impairment of non-current assets, the recoverability of deferred tax assets and other items. We assume that this crisis will have only a negligible effect on the mail-order and online shopping business and other businesses.

We are using the best possible estimates in accordance with information that is currently available. However, if some upcoming event alters the impact of this crisis on business operations, there may be an effect on the Senshukai Group's financial soundness, results of operations and cash flows.

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, bridal business, corporates business and insurance and credit card 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 four reportable segments: the mail-order and online shopping business, bridal business, corporates business and insurance and credit card 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 bridal business provides mostly house wedding services. The corporates business uses Senshukai's infrastructure to provide solutions services and promotional services targeting mail-order companies and e-commerce businesses. The insurance and credit card business provides insurance and credit card 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 2019 (Jan. 1, 2019 – Dec. 31, 2019)

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Mail-order and online shopping business	Bridal business	Corporates business	Insurance and credit card business	Sub-total				
Net sales									
Sales to customers	61,300	20,676	4,757	574	87,309	1,841	89,150	-	89,150
Inter-segment sales or transfers	1,137	0	0	-	1,138	0	1,139	(1,139)	-
Total	62,438	20,677	4,758	574	88,448	1,841	90,289	(1,139)	89,150
Segment profit (loss)	(805)	971	358	307	832	(60)	771	0	772
Segment assets	51,226	21,067	801	84	73,180	1,719	74,900	(1,235)	73,664
Other items									
Depreciation	604	1,195	18	0	1,818	60	1,879	-	1,879
Amortization of goodwill	-	212	-	-	212	40	253	-	253
Share of loss (profit) of entities accounted for using equity method	(88)	509	-	-	421	-	421	-	421
Investment in equity-method affiliates	608	3,717	-	-	4,326	-	4,326	-	4,326
Increase in property, plant and equipment and intangible assets	610	962	33	-	1,606	316	1,922	-	1,922

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

2. Adjustments are as follows.

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

(2) The (1,235) million yen adjustment to segment assets is an elimination for inter-segment transactions.

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

Fiscal Year 2020 (Jan. 1, 2020 – Dec. 31, 2020)

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Mail-order and online shopping business	Bridal business	Corporates business	Insurance and credit card business	Sub-total				
Net sales									
Sales to customers	67,465	8,400	5,092	446	81,405	1,881	83,286	-	83,286
Inter-segment sales or transfers	308	14	54	-	378	0	378	(378)	-
Total	67,774	8,414	5,147	446	81,783	1,881	83,664	(378)	83,286
Segment profit (loss)	2,624	(3,728)	464	206	(432)	40	(391)	2	(389)
Segment assets	49,091	14,911	1,602	52	65,657	1,761	67,419	(3,485)	63,933
Other items									
Depreciation	543	1,196	15	-	1,756	56	1,813	-	1,813
Amortization of goodwill	-	179	-	-	179	30	209	-	209
Share of loss (profit) of entities accounted for using equity method	162	(3,677)	-	-	(3,515)	-	(3,515)	-	(3,515)
Investment in equity-method affiliates	684	-	-	-	684	-	684	-	684
Increase in property, plant and equipment and intangible assets	1,328	379	30	-	1,738	54	1,792	-	1,792

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

2. Adjustments are as follows.

(1) The 2 million yen adjustment to segment profit (loss) is an elimination for inter-segment transactions.

(2) The (3,485) million yen adjustment to segment assets is an elimination for inter-segment transactions.

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 2019 (Jan. 1, 2019 – Dec. 31, 2019)	Fiscal Year 2020 (Jan. 1, 2020 – Dec. 31, 2020)
Net assets per share	880.56	699.01
Net income (loss) per share	201.11	(95.23)
Diluted net income per share	152.54	-

- Notes: 1. Diluted net income per share in Fiscal Year 2020 is not presented since Senshukai has no outstanding dilutive securities, and posted a net loss.
2. Senshukai's stock held by the executive stock compensation trust is included in treasury shares, which are deducted from the average number of shares outstanding during the period for the calculation of net income per share and diluted net income per share for Fiscal Year 2019 (deduction of 81,000 shares in Fiscal Year 2019). In addition, on April 19, 2019, the Board of Directors approved a resolution to terminate the stock compensation plan that is linked to results of operations. As a result, 173,400 shares of Senshukai stock that were held by the trust were cancelled on June 21, 2019.
3. Basis for calculation of net income (loss) per share and diluted net income per share is as follows.

(Millions of yen)

	Fiscal Year 2019 (Jan. 1, 2019 – Dec. 31, 2019)	Fiscal Year 2020 (Jan. 1, 2020 – Dec. 31, 2020)
Net income (loss) per share		
Profit (loss) attributable to owners of parent	8,182	(3,946)
Amounts unavailable to common shareholders	100	-
[Including: dividends for Class A preferred stock]	[100]	[-]
Profit (loss) attributable to owners of parent related to common stock	8,082	(3,946)
Average number of shares outstanding during the period (thousand shares)	40,191	41,440
Diluted net income per share		
Adjustment to profit attributable to owners of parent	-	-
Increase in number of common stock (thousand shares)	12,797	-
[Including: number of Class A preferred stock (thousand shares)]	[4,570]	[-]
[Including: number of Class B preferred stock (thousand shares)]	[8,226]	[-]
Number of residual securities with no dilution excluded from calculation of diluted net income per share	-	-

Significant Subsequent Events

Not applicable.

* 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.