

Summary of Financial Results for the Second Quarter of Fiscal Year 2019 (Six Months Ended June 30, 2019)

[Japanese GAAP]

July 25, 2019

Company name: **SENSHUKAI CO.,LTD.** Stock exchange: Tokyo Stock Exchange, First Section
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Scheduled date of filing of Quarterly Report: August 8, 2019

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the 2nd Quarter of 2019 (January 1, 2019 – June 30, 2019)

(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	%
2Q 2019	43,888	(23.3)	559	-	1,120	-	7,900	-
2Q 2018	57,199	(9.5)	(1,138)	-	(993)	-	(1,153)	-

Note: Comprehensive income (millions of yen) 2Q 2019: 7,336 (-%) 2Q 2018: (1,588) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q 2019	196.58	149.10
2Q 2018	(24.02)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2Q 2019	71,566	42,030	58.7	869.12
Fiscal Year 2018	75,949	34,853	45.8	689.05

Reference: Shareholders' equity (millions of yen) 2Q 2019: 42,030 Fiscal Year 2018: 34,768

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2018	-	0.00	-	0.00	0.00
Fiscal Year 2019	-	0.00	-	-	-
Fiscal Year 2019 (forecasts)	-	-	-	-	-

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

2. Dividend forecast for the Fiscal Year 2019 has not been determined at this time.

3. 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 2019 (January 1, 2019 – December 31, 2019)

(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 2019	89,000	(21.5)	(700)	-	(200)	-	6,300	-	156.75

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

For more information, please refer to "Notice of Revisions to Consolidated Outlook" (Japanese version only) that was announced today (July 25, 2019).

*** 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, (4) 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)

2Q 2019:	52,056,993 shares	Fiscal Year 2018:	52,230,393 shares
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2) Number of treasury shares at the end of the period

2Q 2019:	11,865,432 shares	Fiscal Year 2018:	12,040,107 shares
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3) Average number of shares outstanding during the period

2Q 2019:	40,190,571 shares	2Q 2018:	48,038,135 shares
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Note: The Senshukai shares held by the trust that are recorded as treasury shares under shareholders' equity is 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. 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.

* This quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Cautionary statement with respect to forward-looking statements

Cautionary statement with respect to forecasts

The above projections are based on information available at the time of release of this report. Actual results could differ significantly from these projections due to a variety of factors. For further details regarding the projections, please refer to page 3, “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements.”

How to view supplementary information at the financial results meeting

Senshukai plans to hold a financial results meeting for institutional investors and analysts on July 26, 2019. Materials to be distributed at the meeting will be disclosed, using the Timely Disclosure network (TDnet), and available on the Senshukai's website.

(Reference) Dividends of classified stock

Breakdown of dividend per share for classified stock whose rights are different from those of common shares are shown below.

Class A preferred stock	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal Year 2018	Yen -	Yen 15,178,083.00	Yen -	Yen 15,178,083.00	Yen 30,356,166.00
Fiscal Year 2019	-	20,000,000.00			
Fiscal Year 2019 (forecasts)			-	20,000,000.00	40,000,000.00

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

Class B preferred stock	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal Year 2018	Yen -	Yen -	Yen -	Yen -	Yen -
Fiscal Year 2019	-	-			
Fiscal Year 2019 (forecasts)			-	-	-

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 2018, breakdown of dividends paid from the capital surplus are shown below.

Record date	2Q-end	Year-end	Total
Dividend per share (Yen)	15,178,083.00	15,178,083.00	30,356,166.00
Total dividends (Millions of yen)	75	75	151

Note: Reduction rate in net assets due to the dividends paid from net assets 2Q-end: 0.002 Year-end: 0.002

Of the 2Q-end dividends for the fiscal year 2019, breakdown of dividends paid from the capital surplus are 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 is 0.003.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the cumulative second quarter (January 1 to June 30) of 2019, the Japanese economy recovered slowly with the support of improvements in corporate earnings, employment situation and other economic indicators. However, the outlook remains uncertain because of increasingly heated U.S.-China trade friction, slowing economic growth in China and other reasons.

In Japan's retail industry, consumers continue to economize and seek low prices as they retain a defensive stance about spending. In addition, competition among retail companies and companies in outside the retail sector is increasing. The emerging risk of higher prices of raw materials and logistics services create more challenges. As a result, the operating environment in the retail industry remains difficult.

Net sales in the cumulative second quarter were down 23.3% year-over-year to 43,888 million yen. This decrease was attributable primarily to measures to optimize the size of the mail-order business and the exclusion from consolidation of Belle Neige Direct Co., Ltd. and Mobacolle Co., Ltd.

There was an operating profit of 559 million yen compared with a 1,138 million yen loss in the same period of 2018. This was attributable to measures to lower the cost of sales ratio and overall selling, general and administrative expenses. Ordinary profit was 1,120 million yen compared with a loss of 993 million yen in the same period of 2018 due to an increase in share of profit of entities accounted for using equity method. Profit attributable to owners of parent was 7,900 million yen compared with a loss of 1,153 million yen in the same period of 2018 mainly due to a gain on sales of non-current assets and a gain on sales of investment securities.

Overview by segment are as follows.

In previous years, the insurance and credit card business was included in Others. Due to its increasing importance, this business became a separate reportable segment beginning with the second quarter of 2019. Prior-year segment information has been revised to reflect the new segment classification to permit comparisons.

(Mail-order Business)

The catalog and Internet businesses are the primary components of this segment. Consolidated sales were down 30.8% year-over-year to 30,982 million yen. This was the result of measures to significantly alter the structure of Belle Maison, the core business of this segment. Activities included optimizing the scale of this business and excluding Belle Neige Direct Co., Ltd. and Mobacolle Co., Ltd. from consolidation. There was an operating profit of 32 million yen compared with a 1,626 million yen loss in the same period of 2018. This improvement was mainly the result of a higher gross profit margin and measures to reduce fixed expenses, such as a reexamination of the workforce.

(Bridal Business)

In this segment, where the main activity is the house wedding business, a new location started operations in the city of Kagoshima during the cumulative second quarter of 2019. The bridal business performed well during the cumulative second quarter as average sales per weddings increased, mainly at existing locations.

As a result, consolidated sales increased 7.6% year-over-year to 9,557 million yen and operating profit decreased 3.7% year-over-year to 301 million yen.

(Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, decreased 9.7% year-over-year to 2,223 million yen. Operating profit increased 1.9% year-over-year to 167 million yen.

(Insurance and Credit Card Business)

Consolidated sales in the insurance and credit card business, which provides insurance and credit card services

primarily to Belle Maison members, increased 6.0% year-over-year to 274 million yen. Operating profit increased 181.3% year-over-year to 146 million yen.

(Others)

Consolidated sales in other businesses, which include childcare support business and manufacturing and sales of cosmetics, increased 4.2% year-over-year to 850 million yen. There was an operating loss of 88 million yen compared with a loss of 42 million yen in the same period of 2018.

(2) Explanation of Financial Position

(Balance sheet position)

Assets totaled 71,566 million yen at the end of the second quarter of 2019, a decrease of 4,382 million yen from the end of 2018.

Current assets decreased 15 million yen to 40,279 million yen. The main factors were decreases of 1,890 million yen in notes and accounts receivable-trade, 1,703 million yen in accounts receivable-other and 1,660 million yen in merchandise and finished goods, while there was an increase of 5,199 million yen in cash and deposits. Non-current assets decreased 4,367 million yen to 31,286 million yen. The factors included decreases of 3,060 million yen in property, plant and equipment, 199 million yen in intangible assets and 1,106 million yen in investments and other assets.

Current liabilities decreased 10,542 million yen to 18,226 million yen. The main factors were decreases of 4,340 million yen in current portion of bonds with share acquisition rights, 3,866 million yen in other and 1,510 million yen in accounts payable-trade. Non-current liabilities decreased 1,017 million yen to 11,309 million yen. The main factor was a decrease of 677 million yen in long-term loans payable.

Net assets increased 7,177 million yen to 42,030 million yen mainly due to booking of profit attributable to owners of parent of 7,900 million yen. As a result, the equity ratio was 58.7%.

Starting with the beginning of the first quarter of 2019, Senshukai has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018), etc. Prior-year figures have been adjusted retroactively in order to facilitate comparisons.

(Cash flow position)

The balance of cash and cash equivalents at the end of the second quarter of 2019 was 22,349 million yen, an increase of 5,202 million yen from the end of 2018.

Operating activities provided net cash of 1,443 million yen (net cash used of 3,322 million yen in the same period of 2018). The main cash inflow was profit before income taxes of 7,942 million yen. The main cash outflows include gain on sales and retirement of non-current assets of 5,562 million yen.

Investing activities provided net cash of 8,991 million yen (net cash used of 29 million yen in the same period of 2018). The main cash inflows include proceeds from sales of property, plant and equipment of 8,516 million yen and proceeds from sales of investment securities of 1,449 million yen. The main cash outflows include 1,372 million yen for the purchase of property, plant and equipment.

Financing activities used net cash of 5,228 million yen (net cash used of 493 million yen in the same period of 2018). The main cash outflows were 4,340 million yen for payment for redemption of bonds with share acquisition rights and 756 million yen for the repayments of long-term loans payable.

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

Senshukai has revised its consolidated outlook for fiscal year 2019 (January 1, 2019 to December 31, 2019) that was released on April 25, 2019. For more information, please refer to “Notice of Revisions to Consolidated Outlook” (Japanese version only) that was announced today (July 25, 2019).

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

(Millions of yen)

	Fiscal Year 2018 (As of Dec. 31, 2018)	2Q 2019 (As of Jun. 30, 2019)
Assets		
Current assets		
Cash and deposits	17,150	22,349
Notes and accounts receivable-trade	5,532	3,641
Merchandise and finished goods	9,732	8,072
Accounts receivable-other	6,110	4,407
Other	1,903	1,934
Allowance for doubtful accounts	(133)	(126)
Total current assets	40,295	40,279
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,606	12,263
Land	8,477	6,809
Other, net	980	930
Total property, plant and equipment	23,063	20,003
Intangible assets		
Goodwill	1,736	1,608
Other	729	658
Total intangible assets	2,466	2,266
Investments and other assets		
Investment securities	6,458	5,828
Other	3,846	3,334
Allowance for doubtful accounts	(180)	(146)
Total investments and other assets	10,123	9,017
Total non-current assets	35,653	31,286
Total assets	75,949	71,566

(Millions of yen)

	Fiscal Year 2018 (As of Dec. 31, 2018)	2Q 2019 (As of Jun. 30, 2019)
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	6,631	6,360
Accounts payable-trade	4,836	3,326
Short-term loans payable	1,468	1,320
Current portion of bonds with share acquisition rights	4,340	-
Income taxes payable	318	82
Provision for sales promotion expenses	305	250
Provision for bonuses	291	176
Other	10,575	6,709
Total current liabilities	28,768	18,226
Non-current liabilities		
Long-term loans payable	9,799	9,121
Net defined benefit liability	69	4
Provision for management board incentive plan trust	2	-
Other	2,456	2,184
Total non-current liabilities	12,327	11,309
Total liabilities	41,096	29,536
Net assets		
Shareholders' equity		
Capital stock	22,304	100
Capital surplus	23,712	39,644
Retained earnings	(3,526)	10,609
Treasury shares	(6,932)	(6,800)
Total shareholders' equity	35,558	43,554
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	605	226
Deferred gains or losses on hedges	60	(44)
Revaluation reserve for land	(1,346)	(1,516)
Foreign currency translation adjustment	(61)	(138)
Remeasurements of defined benefit plans	(47)	(52)
Total accumulated other comprehensive income	(789)	(1,523)
Non-controlling interests	84	-
Total net assets	34,853	42,030
Total liabilities and net assets	75,949	71,566

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

	(Millions of yen)	
	2Q 2018	2Q 2019
	(Jan. 1, 2018 – Jun. 30, 2018)	(Jan. 1, 2019 – Jun. 30, 2019)
Net sales	57,199	43,888
Cost of sales	31,357	21,902
Gross profit	25,842	21,986
Selling, general and administrative expenses	26,981	21,426
Operating profit (loss)	(1,138)	559
Non-operating income		
Interest income	15	12
Dividend income	41	22
Share of profit of entities accounted for using equity method	144	448
Gain on adjustment of account payable	130	141
Other	215	69
Total non-operating income	547	693
Non-operating expenses		
Interest expenses	76	66
Commission fee	265	21
Other	59	44
Total non-operating expenses	401	132
Ordinary profit (loss)	(993)	1,120
Extraordinary income		
Gain on sales of non-current assets	0	5,619
Gain on sales of investment securities	171	926
Gain on sales of shares of subsidiaries and associates	-	336
Subsidy income	46	255
Total extraordinary income	218	7,138
Extraordinary losses		
Loss on sales and retirement of non-current assets	0	57
Loss on reduction of non-current assets	46	230
Impairment loss	157	1
Loss on sales of shares of subsidiaries and associates	-	4
Business structure reform expenses	23	18
Other	3	3
Total extraordinary losses	231	316
Profit (loss) before income taxes	(1,006)	7,942
Income taxes	145	42
Profit (loss)	(1,152)	7,900
Profit attributable to non-controlling interests	1	-
Profit (loss) attributable to owners of parent	(1,153)	7,900

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

(Millions of yen)

	2Q 2018 (Jan. 1, 2018 – Jun. 30, 2018)	2Q 2019 (Jan. 1, 2019 – Jun. 30, 2019)
Profit (loss)	(1,152)	7,900
Other comprehensive income		
Valuation difference on available-for-sale securities	(184)	(377)
Deferred gains or losses on hedges	(182)	(67)
Foreign currency translation adjustment	(9)	2
Share of other comprehensive income of entities accounted for using equity method	(59)	(121)
Total other comprehensive income	<u>(436)</u>	<u>(564)</u>
Comprehensive income	<u>(1,588)</u>	<u>7,336</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,589)	7,336
Comprehensive income attributable to non-controlling interests	1	-

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	2Q 2018 (Jan. 1, 2018 – Jun. 30, 2018)	2Q 2019 (Jan. 1, 2019 – Jun. 30, 2019)
Cash flows from operating activities		
Profit (loss) before income taxes	(1,006)	7,942
Depreciation	899	926
Impairment loss	157	1
Increase (decrease) in allowance for doubtful accounts	(62)	(22)
Increase (decrease) in provision for bonuses	(144)	(113)
Increase (decrease) in provision for sales promotion expenses	(58)	(54)
Interest and dividend income	(56)	(34)
Interest expenses	76	66
Share of (profit) loss of entities accounted for using equity method	(144)	(448)
Loss (gain) on sales and retirement of non-current assets	0	(5,562)
Loss on reduction of non-current assets	46	230
Loss (gain) on sales of investment securities	(171)	(1,258)
Subsidy income	(46)	(255)
Payments for business structure reform expenses	-	18
Decrease (increase) in notes and accounts receivable-trade	657	1,200
Decrease (increase) in inventories	1,207	1,137
Decrease (increase) in other current assets	2,037	1,542
Increase (decrease) in notes and accounts payable-trade	(2,728)	(1,281)
Increase (decrease) in other current liabilities	(1,972)	(1,783)
Other, net	(20)	607
Subtotal	(1,331)	2,859
Interest and dividend income received	73	64
Interest expenses paid	(73)	(66)
Income taxes paid	(88)	(43)
Payments for business structure reform expenses	(1,902)	(1,371)
Net cash provided by (used in) operating activities	(3,322)	1,443
Cash flows from investing activities		
Purchase of property, plant and equipment	(582)	(1,372)
Proceeds from sales of property, plant and equipment	0	8,516
Purchase of intangible assets	(191)	(166)
Proceeds from subsidy income	46	152
Purchase of investment securities	(98)	(50)
Proceeds from sales of investment securities	321	1,449
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	474	250
Net cash provided by (used in) investing activities	(29)	8,991
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(10)	-
Repayments of long-term loans payable	(616)	(756)
Payment for redemption of bonds with share acquisition rights	-	(4,340)
Proceeds from issuance of common shares	6,975	-
Purchase of treasury shares	(6,784)	(0)
Cash dividends paid	(1)	(75)
Other, net	(56)	(56)
Net cash provided by (used in) financing activities	(493)	(5,228)
Effect of exchange rate change on cash and cash equivalents	(78)	(3)
Net increase (decrease) in cash and cash equivalents	(3,923)	5,202
Cash and cash equivalents at beginning of period	17,323	17,147
Cash and cash equivalents at end of period	13,400	22,349

(4) Notes to Quarterly Consolidated Financial Statements**(Going Concern Assumption)**

Not applicable.

(Significant Changes in Shareholders' Equity)

At the annual general meeting of shareholders on March 28, 2019, shareholders approved a resolution to eliminate the retained earnings deficit. In accordance with Article 452 of the Companies Act, other capital surplus was decreased by 6,065 million yen and this amount was transferred to retained earnings brought forward. This process decreased the capital surplus by 6,065 million yen and increased the retained earnings by 6,065 million yen in the cumulative second quarter of 2019.

At the same meeting, shareholders also approved a resolution to reduce capital stock by 22,204 million yen to 100 million yen, pursuant to Article 447, Clause 1 of the Companies Act, and to transfer the entire reduction to other capital surplus. This process decreased the capital stock by 22,204 million yen and increased the capital surplus by 22,204 million yen in the cumulative second quarter of 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, shares of Senshukai stock with a value of 131 million yen that were held by the trust were cancelled on June 21, 2019. This process decreased the capital surplus by 131 million yen and the treasury shares by 131 million yen in the cumulative second quarter of 2019.

The result of all these measures was capital stock of 100 million yen, capital surplus of 39,644 million yen, retained earnings of 10,609 million yen and treasury shares of 6,800 million yen at the end of the second quarter of 2019.

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

(Calculation of tax expense)

The tax expenses are calculated by first reasonably estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes for the fiscal year in which the quarter under review falls, and multiplying that rate by the profit before income taxes for the quarter under review. However, Senshukai uses legally stipulated effective tax rates to calculate tax expenses for cases in which using estimated tax rates gives a noticeably irrational result.

(Additional Information)

(Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting)

Senshukai has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. at the beginning of the first quarter of 2019. Accordingly, deferred tax assets and deferred tax liabilities are reclassified and included in the investments and other assets section and the non-current liabilities section, respectively.

(Absorption and merger of consolidated subsidiaries)

On May 24, 2019, the Board of Directors approved resolutions to absorb and merge with consolidated subsidiary Senshukai Retailing Service Co., Ltd. The agreement was signed on the same day.

1. Purpose of merger

Senshukai Retailing Service supervises the operations of Belle Maison stores. The decision was made to absorb this company for the purposes of using the Senshukai Group's resources more effectively and increasing the efficiency of business activities.

2. Summary of merger

(1) Schedule of merger

- Shareholders' meeting to approve merger contract: May 24, 2019
- Signing of merger contract: May 24, 2019
- Merger date (effective date): August 1, 2019

Note: As this is a simple merger pursuant to Article 796, Clause 2 of the Companies Act, approval of the merger contract by Senshukai shareholders is not needed.

(2) Method of merger

An absorption-type merger between Senshukai, which will be the surviving company, and Senshukai Retailing Service, which will be liquidated.

(3) Distribution of stock associated with the merger

There will be no distribution of stock, cash or other considerations in association with this merger because Senshukai Retailing Service is a wholly owned subsidiary of Senshukai.

(4) Treatment of share acquisition rights and bonds with share acquisition rights of the dissolved company

Not applicable.

3. Outline of the merging companies

	Surviving company	Dissolved company
(1) Company name	SENSHUKAI CO.,LTD.	Senshukai Retailing Service Co., Ltd.
(2) Location	1-6-23 Doshin, Kita-ku, Osaka	1-6-23 Doshin, Kita-ku, Osaka
(3) Representative	Kenji Kajiwara, President and Representative Director	Koichi Ishida, President
(4) Business	Mail-order business/Bridal business/Corporates business/Insurance and credit card business/Other	Outsourced sales activities
(5) Capital stock	100 million yen	9 million yen
(6) Established	November 9, 1955	January 19, 2009
(7) Number of shares outstanding	52,057,007 shares (Common shares: 52,056,993 shares; Class A preferred stock: 5 shares; Class B preferred stock: 9 shares)	180 shares
(8) Fiscal year end	December 31	December 31
(9) Major shareholders and shareholding ratio (as of June 30, 2019)	Brastsheave Co., Ltd.: 9.08% Toppan Printing Co., Ltd.: 4.57% Sumitomo Mitsui Banking Corporation: 4.14% Dai Nippon Printing Co., Ltd.: 3.76% Nippon Life Insurance Company: 1.97%	SENSHUKAI CO.,LTD.: 100%
(10) Results of operations and financial position for the most recent fiscal year (Fiscal 2018)		
	Fiscal year 2018 (Consolidated)	Fiscal year 2018 (Non-consolidated)
Net assets	34,853 million yen	68 million yen
Total assets	75,949 million yen	89 million yen
Net assets per share	689.05 yen	378,273.68 yen
Net sales	113,344 million yen	202 million yen
Operating profit	(4,063) million yen	33 million yen
Ordinary profit	(4,277) million yen	33 million yen
Profit (loss) attributable to owners of parent	(6,027) million yen	21 million yen
Net income per share	(136.75) yen	119,236.97 yen

4. Post-merger profile

There will be no change in the company name, location, representative, business activities, capital and fiscal year end of Senshukai as a result of this merger.

5. Effect on results of operations

Senshukai believes that this merger will have only a negligible effect on the consolidated results of operations in 2019 because it is a merger with a wholly owned consolidated subsidiary.

(Segment Information)

I 2Q 2018 (Jan. 1, 2018 – Jun. 30, 2018)

1. Information related to sales and profit or loss for each reportable segment

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Mail-order business	Bridal business	Corporates business	Insurance and credit card business	Sub-total				
Net sales									
Sales to customers	44,779	8,880	2,463	259	56,383	816	57,199	-	57,199
Inter-segment sales or transfers	462	0	87	0	550	33	584	(584)	-
Total	45,241	8,880	2,551	259	56,933	849	57,783	(584)	57,199
Segment profit (loss)	(1,626)	312	164	52	(1,096)	(42)	(1,138)	0	(1,138)

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

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

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

No major events or changes occurred.

II 2Q 2019 (Jan. 1, 2019 – Jun. 30, 2019)

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 business	Bridal business	Corporates business	Insurance and credit card business	Sub-total				
Net sales									
Sales to customers	30,982	9,557	2,223	274	43,038	850	43,888	-	43,888
Inter-segment sales or transfers	496	0	0	-	497	0	497	(497)	-
Total	31,479	9,557	2,224	274	43,535	850	44,386	(497)	43,888
Segment profit (loss)	32	301	167	146	647	(88)	559	-	559

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

2. Information related to revisions for reportable segments

In previous fiscal years, the insurance and credit card business was included in Others. Due to its increasing importance, this business became a separate reportable segment beginning with the second quarter of 2019.

The segment information for 2Q 2018 is prepared and disclosed based on the reportable segment classification after the change.

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

No major events or changes occurred.

3. Other

Important Information about Going Concern Assumption

In the cumulative second quarter of 2019, Senshukai Group had a consolidated operating profit of 559 million yen, ordinary profit of 1,120 million yen and profit attributable to owners of parent of 7,900 million yen. However, in 2018, there was an operating loss of 4,063 million yen and a loss attributable to owners of parent of 6,027 million yen. These losses create significant doubts about the going concern assumption. To eliminate these doubts and improve results of operations, business structural reforms centered on the mail-order business are under way in accordance with a medium-term management plan that started in 2019 and will end in 2021.

This plan include following initiatives:

- (1) Reduce the mail-order business to the proper size by cutting the number of sizes and models of merchandise sold, lowering inventories and taking other actions.
- (2) Improve operations by shortening lead times for producing merchandise, selling a higher percentage of merchandise at list prices, holding down the occurrence of surplus inventories, increasing joint activities with suppliers and taking other actions.
- (3) Rebuild the model for attracting customers, centered on catalogs, by establishing a model for attracting customers that combines analog and digital elements, reexamining the media plan and catalog distribution method, improving the quality of customer interactions by upgrading digital marketing and Internet customer contact, and taking other actions.
- (4) Reexamine the group's organizational structure and human resource systems by combining and eliminating organizational units, using voluntary retirement program, and taking other actions.
- (5) Cut costs and reduce assets, centralizing activities at each department, selling Osaka head office, and taking other actions.
- (6) Reorganize the Senshukai Group by merging subsidiaries that perform similar functions, and taking other actions.

Some initiatives in the mail-order business have already been completed in 2018, such as inventory reductions and the adjustment of personnel expenses to the proper level. The benefits of these actions are already beginning to appear in 2019. Furthermore, following the focus on structural reforms for business operations that ended in the cumulative second quarter of 2019, Senshukai has started implementing rules for maintaining proper inventory levels in order to reduce opportunity losses and hold down the occurrence of surplus inventories.

In addition, for renewed growth, the organizational units that determine and execute marketing activities will be based on customers rather than merchandise and marketing uses an approach that reflects the behavior patterns of customers. One illustration of this new stance is a new catalog that covers several merchandise categories that closely match customers' needs in these categories.

We are determined to use these measures to construct a solid earnings foundation and renewed growth in order to achieve a recovery in sales and earnings and stabilize the performance of the Senshukai Group.

At the end of the second quarter of 2019, cash and deposits were 22,349 million yen. Senshukai also has a credit line of 10 billion yen with financial institutions. 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.

** 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.*