

Summary of Financial Results for the Third Quarter of Fiscal Year 2020 (Nine Months Ended September 30, 2020)

[Japanese GAAP]

October 30, 2020

Company name: **SENSHUKAI CO.,LTD.** Stock exchange: Tokyo Stock Exchange, First Section
 Stock code: 8165 URL: <https://www.senshukai.co.jp>
 Representative: Mr. Kenji Kajiwara, President and Representative Director
 Inquiries: Mr. Tetsuya Takahashi, Director, General Manager, Corporates Headquarters
 Tel: +81-6-6881-3220

Scheduled date of filing of Quarterly Report: November 13, 2020

Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the 3rd Quarter of 2020 (January 1, 2020 – September 30, 2020)

(1) Consolidated operating results (cumulative)

(Percentages represent changes from the same period of the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3Q 2020	59,502	(8.4)	(1,075)	-	(4,577)	-	(5,070)	-
3Q 2019	64,980	(19.8)	1,257	-	1,666	-	8,372	-

Note: Comprehensive income (millions of yen) 3Q 2020: (5,336) (-%) 3Q 2019: 7,908 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q 2020	(126.15)	-
3Q 2019	208.32	158.01

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
3Q 2020	60,327	28,970	48.0	720.82
Fiscal Year 2019	73,664	42,490	57.7	880.56

Reference: Shareholders' equity (millions of yen) 3Q 2020: 28,970 Fiscal Year 2019: 42,490

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2019	-	0.00	-	2.00	2.00
Fiscal Year 2020	-	0.00	-	-	-
Fiscal Year 2020 (forecasts)	-	-	-	0.00	0.00

Notes: 1. Revision to the most recently announced dividend forecast: Yes

For more information, please refer to "Notice of Revisions to Consolidated Outlook and Dividends (Dividend Suspension)" (Japanese version only) that was announced today (October 30, 2020).

2. 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 2020 (January 1, 2020 – December 31, 2020)

(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 2020	82,000	(8.0)	(1,300)	-	(4,800)	-	(5,300)	-	(127.85)

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

For more information, please refer to "Notice of Revisions to Consolidated Outlook and Dividends (Dividend Suspension)" (Japanese version only) that was announced today (October 30, 2020).

*** Notes**

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

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

Note: Please refer to “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements)” on page 9 for further information.

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

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

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares outstanding (common shares)

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

3Q 2020:	52,056,993 shares	Fiscal Year 2019:	52,056,993 shares
----------	-------------------	-------------------	-------------------

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

3Q 2020:	11,865,733 shares	Fiscal Year 2019:	11,865,448 shares
----------	-------------------	-------------------	-------------------

3) Average number of shares outstanding during the period

3Q 2020:	40,191,445 shares	3Q 2019:	40,190,904 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 3Q 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 4, “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements.”

(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	-		
Fiscal Year 2020 (forecasts)				-	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	-	-	-		
Fiscal Year 2020 (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 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. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	7
Quarterly Consolidated Statement of Income	
(For the Nine-month Period)	7
Quarterly Consolidated Statement of Comprehensive Income	
(For the Nine-month Period)	8
(3) Notes to Quarterly Consolidated Financial Statements	9
(Going Concern Assumption)	9
(Significant Changes in Shareholders' Equity)	9
(Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements)	9
(Additional Information)	9
(Segment Information)	10
(Significant Subsequent Events)	11
3. Other	14
Important Information about Going Concern Assumption	14

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months (January 1 to September 30) of 2020, there was a steep downturn of the Japanese economy as COVID-19 impacted consumer spending and economic activity. Although the economic activity slowly resumed after the end of the state of emergency, there are still concerns about the spread of COVID-19. The outlook for the economy remains unclear as a result.

In Japan's retail industry, the new life style created by the COVID-19 crisis has dramatically altered the structure of consumer spending. Most significant is reductions in spending by people visiting stores and in the number of sales events that attract large numbers of people and an increase in consumer spending linked to the need to stay at home. Companies in the retail sector must determine the best ways to adapt to this shift in the structure of consumer spending.

In Japan's wedding industry, the business climate continues to be extremely difficult because of COVID-19. People are becoming increasingly careful about avoiding closed spaces, crowded places and close-contact settings and staying away from banquets and other events attended by a large number of people.

In the mail-order and online shopping business, improvements are steadily emerging in the first nine months due to the benefits of business structural reforms based on the current medium-term management plan. For example, substantial investments for activities to attract customers have been successful and constant operational reforms have increased the gross profit margin. This business also benefited from new categories of demand linked with the need for people to stay home. The result was higher sales and earnings in the mail-order and online shopping business. In the bridal business, sales fell sharply from the same period of the previous fiscal year because of the enormous change in the business climate caused by increasing concerns about COVID-19. A large number of weddings and receptions scheduled for the second quarter of 2020 were postponed and a recovery that started in July has been very slow.

Net sales in the first nine months of 2020 were down 8.4% year-over-year to 59,502 million yen. There was an operating loss of 1,075 million yen compared with an operating profit of 1,257 million yen in the first nine months of 2019. Ordinary loss was 4,577 million yen compared with a profit of 1,666 million yen one year earlier due to the share of loss of entities accounted for using the equity method. The loss attributable to owners of parent was 5,070 million yen compared with a profit of 8,372 million yen in the first nine months of 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.

Business segment performance was as follows.

(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 9.0% year-over-year to 48,869 million yen in the first nine months. There was an operating profit of 1,763 million yen compared with a profit of 142 million yen in the first nine months of 2019.

Many activities for rebuilding the customer base succeeded in stopping the decline in the number of customers making purchases in the core Belle Maison business. In the first nine months of 2020, the number of these customers was about 25% higher than in the same period of 2019. One activity was reexamining 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 buyers of Belle Maison merchandise. Another activity was studying from the perspective of customers the items people are buying in association with staying home due to COVID-19 and new categories of demand created by the shift in life styles caused by this crisis. We are using these activities to increase the number of products that incorporate ideas for improving how people are living during this crisis. Examples are household products that make life more pleasant and convenient and children's products that help parents enjoy the time they spend with their children. The performance of this business also benefited from operational reforms that reduced costs. Due to these activities, sales and earnings were much higher than one year earlier.

(Bridal Business)

Consolidated sales in the bridal business, centered on the house wedding business, decreased 65.0% year-over-year to 5,164 million yen. There was an operating loss of 3,333 million yen compared with a profit of 667 million yen in the first nine months of 2019.

The big downturns in sales and earnings compared with one year earlier were caused by wedding and reception postponements and the suspension of most sales activities because of COVID-19. We believe there is also a need to adapt to the change in people's attitudes about weddings and receptions because the effects of this crisis will probably continue until the pandemic comes to an end. Consequently, this business will constantly work on reducing selling, general and administrative expenses and on using these expenses more efficiently. There are also hygiene measures to enable people to use our wedding and reception facilities with confidence and steps to meet the new, more diverse needs of couples, such as by holding small weddings. The goal is to use these measures for responding to challenges created by COVID-19 in order to improve the performance of the bridal business.

(Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, increased 3.9% year-over-year to 3,805 million yen. Operating profit increased 20.6% to 362million yen.

During the first nine months, this business focused on adding new customers and increasing sales to current customers. This resulted in acquisition of new customers in novelties business and higher sales in the sampling business, which provides services such as attaching direct mail marketing messages to packages used to deliver products, making a big contribution to the sales growth of 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 26.9% year-over-year to 305 million yen and operating profit decreased 42.3% to 131 million yen.

In the insurance business, we reviewed our channels for sales activities and started using new sales methods during the first nine months, such as coordination with the bridal business and activities targeting families raising children. However, sales and earnings decreased from the same period of the previous fiscal year because we did not conduct sales activities due to COVID-19. Sales activities gradually restarted after the state of emergency was lifted, but the number of new customers will probably decrease due to the inability to conduct face-to-face consultations, hold insurance seminars and use other sales activities with direct customer contact until this crisis ends.

(Others)

Consolidated sales in other businesses, which include childcare support business and manufacturing and sales of cosmetics, increased 2.3% year-over-year to 1,357 million yen. There was an operating loss of 0 million yen compared with a loss of 80 million yen in the first nine months of 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) Explanation of Financial Position

(Balance sheet position)

Assets totaled 60,327 million yen at the end of the third quarter of 2020, a decrease of 13,336 million yen from the end of 2019.

Current assets decreased 8,167 million yen to 34,126 million yen. The factors included decreases of 7,329 million yen in cash and deposits and 1,052 million yen in accounts receivable-other. Non-current assets decreased 5,169 million yen to 26,200 million yen. The factors included decreases of 843 million yen in property, plant and

equipment and 4,799 million yen in investments and other assets, while there was an increase of 474 million yen in intangible assets.

Current liabilities increased 292 million yen to 20,386 million yen. The main factor was an increase of 2,946 million yen in short-term borrowings, while there was a decrease of 2,312 million yen in other. Non-current liabilities decreased 108 million yen to 10,969 million yen. The main factor was a decrease of 674 million yen in other, while there was an increase of 559 million yen in long-term borrowings.

Net assets decreased 13,520 million yen to 28,970 million yen. The factors included booking of loss attributable to owners of parent of 5,070 million yen and a decrease of 8,005 million yen in capital surplus 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. As a result, the equity ratio was 48.0%.

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

The consolidated forecast for 2020 was withdrawn on April 27, 2020 and had not been determined because of the inability to determine a reliable forecast due to the effects of the COVID-19 crisis. We are now announcing a forecast that is based on our recent performance and information and projections that are currently available.

For more information, please refer to “Notice of Revisions to Consolidated Outlook and Dividends (Dividend Suspension)” (Japanese version only) that was announced today (October 30, 2020).

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Fiscal Year 2019 (As of Dec. 31, 2019)	3Q 2020 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	22,713	15,383
Notes and accounts receivable-trade	3,854	4,141
Merchandise and finished goods	8,641	8,381
Accounts receivable-other	5,285	4,232
Other	1,947	2,099
Allowance for doubtful accounts	(148)	(111)
Total current assets	42,293	34,126
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,703	10,962
Land	6,809	6,809
Other, net	833	730
Total property, plant and equipment	19,346	18,502
Intangible assets		
Goodwill	1,483	1,248
Other	944	1,653
Total intangible assets	2,427	2,901
Investments and other assets		
Investment securities	6,046	2,103
Other	3,694	2,813
Allowance for doubtful accounts	(143)	(120)
Total investments and other assets	9,596	4,796
Total non-current assets	31,370	26,200
Total assets	73,664	60,327

(Millions of yen)

	Fiscal Year 2019 (As of Dec. 31, 2019)	3Q 2020 (As of Sep. 30, 2020)
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	6,523	6,056
Accounts payable-trade	3,495	3,713
Short-term borrowings	1,240	4,186
Income taxes payable	107	46
Provision for sales promotion expenses	225	209
Provision for bonuses for directors (and other officers)	23	-
Provision for bonuses	233	242
Other	8,244	5,931
Total current liabilities	20,094	20,386
Non-current liabilities		
Long-term borrowings	8,558	9,117
Retirement benefit liability	3	4
Asset retirement obligations	851	856
Other	1,665	991
Total non-current liabilities	11,078	10,969
Total liabilities	31,173	31,356
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	39,544	31,539
Retained earnings	10,891	5,644
Treasury shares	(6,800)	(6,800)
Total shareholders' equity	43,736	30,482
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	366	181
Deferred gains or losses on hedges	49	(32)
Revaluation reserve for land	(1,516)	(1,516)
Foreign currency translation adjustment	(120)	(144)
Remeasurements of defined benefit plans	(24)	-
Total accumulated other comprehensive income	(1,245)	(1,511)
Total net assets	42,490	28,970
Total liabilities and net assets	73,664	60,327

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

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

(Millions of yen)

	3Q 2019 (Jan. 1, 2019 – Sep. 30, 2019)	3Q 2020 (Jan. 1, 2020 – Sep. 30, 2020)
Net sales	64,980	59,502
Cost of sales	32,350	29,602
Gross profit	32,630	29,899
Selling, general and administrative expenses	31,372	30,975
Operating profit (loss)	1,257	(1,075)
Non-operating income		
Interest income	18	16
Dividend income	22	28
Share of profit of entities accounted for using equity method	219	-
Gain on adjustment of account payable	206	163
Reversal of allowance for doubtful accounts	0	58
Subsidy income	0	304
Other	158	85
Total non-operating income	624	655
Non-operating expenses		
Interest expenses	97	103
Share of loss of entities accounted for using equity method	-	3,530
Commission expenses	29	361
Other	88	162
Total non-operating expenses	215	4,157
Ordinary profit (loss)	1,666	(4,577)
Extraordinary income		
Gain on sales of non-current assets	5,622	-
Gain on sales of investment securities	926	-
Gain on sales of shares of subsidiaries and associates	336	-
Subsidy income	255	18
Gain on change in equity	-	13
Total extraordinary income	7,141	32
Extraordinary losses		
Loss on sales and retirement of non-current assets	69	14
Loss on tax purpose reduction entry of non-current assets	230	18
Impairment loss	1	140
Loss on valuation of investment securities	-	38
Loss on sales of shares of subsidiaries and associates	4	-
Business structure reform expenses	25	-
Loss on disaster	7	14
Other	20	-
Total extraordinary losses	361	226
Profit (loss) before income taxes	8,446	(4,771)
Income taxes	74	298
Profit (loss)	8,372	(5,070)
Profit attributable to non-controlling interests	-	-
Profit (loss) attributable to owners of parent	8,372	(5,070)

(Quarterly Consolidated Statement of Comprehensive Income)

(For the Nine-month Period)

(Millions of yen)

	3Q 2019 (Jan. 1, 2019 – Sep. 30, 2019)	3Q 2020 (Jan. 1, 2020 – Sep. 30, 2020)
Profit (loss)	8,372	(5,070)
Other comprehensive income		
Valuation difference on available-for-sale securities	(298)	(182)
Deferred gains or losses on hedges	(45)	(59)
Foreign currency translation adjustment	2	(0)
Share of other comprehensive income of entities accounted for using equity method	(122)	(23)
Total other comprehensive income	(463)	(266)
Comprehensive income	7,908	(5,336)
Comprehensive income attributable to Comprehensive income attributable to owners of parent	7,908	(5,336)

(3) Notes to Quarterly 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. This process decreased the capital surplus by 8,005 million yen in the first nine months of 2020. The result of all these measures was capital surplus of 31,539 million yen at the end of the third quarter of 2020.

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

(Calculation of tax expense)

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

(Additional Information)

(Application of 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 some of its subsidiaries in Japan 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 declaration of the state of emergency of the Japanese government and in response to the increasing number of COVID-19 infections in Japan. Although the bridal business resumed sales activities following the lifting of the state of emergency on May 25, the level of activity in this business is unlikely to return to the pre-crisis level soon.

At the end of June, we assumed that COVID-19 would affect the Senshukai Group's performance until the end of 2020. However, based on information that is currently available, we now believe that this 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 revised assumptions for accounting estimates for the impairment of non-current assets, the recoverability of deferred tax assets and other items.

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)

I 3Q 2019 (Jan. 1, 2019 – Sep. 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 (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
	Mail- order and online shopping Business	Bridal business	Corporates business	Insurance and credit card business	Sub-total				
Net sales									
Sales to customers	44,821	14,751	3,663	417	63,654	1,326	64,980	-	64,980
Inter-segment sales or transfers	798	0	0	-	799	0	799	(799)	-
Total	45,620	14,752	3,664	417	64,454	1,326	65,780	(799)	64,980
Segment profit (loss)	142	667	300	227	1,338	(80)	1,257	0	1,257

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 profit 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 3Q 2020 (Jan. 1, 2020 – Sep. 30, 2020)

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 and online shopping business	Bridal business	Corporates business	Insurance and credit card business	Sub-total				
Net sales									
Sales to customers	48,869	5,164	3,805	305	58,145	1,357	59,502	-	59,502
Inter-segment sales or transfers	197	10	47	-	254	0	254	(254)	-
Total	49,066	5,174	3,853	305	58,400	1,357	59,757	(254)	59,502
Segment profit (loss)	1,763	(3,333)	362	131	(1,076)	(0)	(1,077)	1	(1,075)

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 1 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.

(Significant Subsequent Events)

(Capital and business alliance and sale of treasury shares through a third-party allotment)

At the Board of Directors meeting held on September 16, 2020, resolution was approved to establish a capital and business alliance with East Japan Railway Company (JR East) and to sell treasury shares through the third-party allotment to this company. The agreement was signed on the same day.

In accordance with this agreement, the sale of treasury shares to JR East was completed on October 12, 2020.

I. Summary of the capital and business alliance

1. Purpose and reason for the alliance

Since its inception, Senshukai has operated as a “Women’s Smiles Company” that operates businesses associated with every stage of women’s lives, including finding employment, marriage, child-birth and other major events. Major activities are the mail-order and online shopping business, bridal business and childcare support business. Belle Maison, which is the mail-order and online shopping business, is backed by two key strengths: the ability to think from the standpoint of women and comprehend women and the ability to translate women’s needs into products and services. Belle Maison sells a broad line of merchandise, mostly original items, that include apparel, household products, furniture and other goods, and has many female customers of all ages.

In March 2018, Senshukai sold newly issued preferred stock to Regional Economy Vitalization Corporation of Japan (REVIC), which is managed by REVIC Partners Co., Ltd. as the unlimited liability partner. At the same time, Senshukai began executing a medium-term management plan that included rebuilding the mail-order and online shopping business. In 2019, the first year of this plan, operating profit was 772 million yen compared with a loss of 4,063 million yen in 2018, ordinary profit improved from a loss of 4,277 million yen to profit of 1,418 million yen, and profit attributable to owners of parent improved from a loss of 6,027 million yen to a profit of 8,182 million yen. As a result, Senshukai achieved the goal of annual profitability earlier than planned.

As this performance demonstrates that there has been progress toward improving profitability, Senshukai purchased and retired on July 31, 2020 all of the preferred stock that was sold to REVIC. This move will make it possible to shift toward management that places more emphasis on measures for the growth of business operations.

In addition to these rebuilding measures, there are initiatives aimed at returning to growth. One is a shift in the basis of studying and executing marketing activities from merchandise to customers. Our catalogs are now covering many merchandise categories in order to offer different types of merchandise that can precisely match customers’ needs. We are also reinforcing activities to attract more customers by using “#7 second hug” TV and internet commercials centered on the new Belle Maison slogan “Love. Then Ideas.” This slogan expresses our commitment to creating ideas that originate from love.

We are increasing the speed of the digitalization of the mail-order and online shopping business. Dramatic changes are taking place in the business climate for this business. For example, the big increase in the volume of information available to consumers has diversified points of contact with consumers and COVID-19 makes the outlook for the global economy unclear. Our goal is to achieve the sustained growth of this business along with the growth of our corporate value. To accomplish this goal, we decided that we needed an alliance with a partner that has resources that do not exist in our group in order to take actions incorporating methods that we have not used in the past.

Around October 2019, we started looking for an alliance partner capable of producing synergies for increasing our e-commerce customers and contributing to sales growth and profitability in our mail-order and online shopping business. In April 2020, we started detailed discussions with JR East concerning a capital and business alliance. After many studies and meetings concerning an alliance, an agreement was reached to combine the resources of Senshukai and JR East. Based on mutual cooperation, the two companies will use their knowledge, information, assets and other resources in e-commerce, membership and payment processing businesses and other activities. Specific activities are listed in “2. Details of the capital and business alliance (2) Business alliance.” Senshukai and JR East agree that these activities have the potential to expand the business operations of both

companies. In addition, this alliance is expected to contribute to the medium and long-term advancement of business operations and growth of corporate value of both companies. The capital and business alliance agreement includes the sale of Senshukai treasury shares to JR East.

2. Details of the capital and business alliance

(1) Capital alliance

Senshukai used treasury shares to sell 5,714,200 shares (57,142 voting rights) of its common stock to JR East. As a result, the total number of shares issued is 52,056,993 and the total number of voting rights is 458,665. Based on these numbers, JR East holds 10.98% of all shares issued (rounded to two decimal places) and 12.46% of all voting rights.

(2) Business alliance

Senshukai and JR East agree to establish a business alliance based on the following themes for the advancement of the businesses and growth of corporate value of both companies. Additional items concerning this alliance will be determined by the mutual discussion of Senshukai and JR East at the Collaboration Promotion Committee to be established following the signing of the capital and business alliance agreement.

- 1) The expertise and know-how of Senshukai and JR East will be used to strengthen the e-commerce businesses of both companies.
- 2) Senshukai and JR East will jointly develop merchandise sold on the JR East e-commerce mall (JRE Mall).
- 3) Increase sales and customers at Senshukai and JRE Mall by selling Senshukai merchandise and jointly developed merchandise at JRE Mall and by using the sales channels of retail facilities operated by JR East or a group company at or near railway stations.
- 4) Increase sales and customers at Senshukai and the number of members of JR East's JRE POINT customer loyalty program by allowing Senshukai e-commerce customers to receive and use these points and by allowing Senshukai and JR East customers to exchange points of the two companies' point systems.
- 5) Increase the number of Senshukai e-commerce customers and strengthen the JR East payment processing business by allowing the use of the View credit card issued by the JR East Group for Senshukai e-commerce purchases and by promoting the use of this credit card to purchase Senshukai merchandise.
- 6) Use the expertise and know-how of Senshukai and JR East to strengthen marketing activities and create new businesses.

3. Profile of East Japan Railway Company

(1) Name	East Japan Railway Company
(2) Location	2-2, Yoyogi 2 cho-me, Shibuya-ku, Tokyo
(3) Representative	Yuji Fukasawa, President and CEO
(4) Business	Passenger railroad business and other activities
(5) Capital	200,000 million yen

II. Sale of treasury shares through a third-party allotment

1. Sale of treasury shares

(1) Disposal date	October 12, 2020
(2) Number of shares sold	Senshukai common stock 5,714,200 shares
(3) Disposal price	350 yen per share
(4) Total proceeds	1,999,970,000 yen
(5) Method of sale or allotment (Buyer of shares)	Third-party allotment with all shares allocated to JR East
(6) Other	Each of the items above is subject to effective filling under the Financial Instruments and Exchange Act.

2. Purpose and reason for the sale

As is explained in “I. Summary of the capital and business alliance 1. Purpose and reason for the alliance,” Senshukai has signed the capital and business alliance agreement based on the belief that this alliance will contribute to the medium and long-term advancement of business operations and growth of corporate value of both companies.

We sold treasury shares to JR East through a third-party allotment for the purpose of establishing a sound base for accomplishing the objectives of the alliance. JR East has purchased 5,714,200 shares of Senshukai common stock (10.98% of all shares issued) at a total cost of approximately 2 billion yen (rounded to 100 million yen).

3. Amount, use of funds to be raised and payment date

(1) Amount of funds to be raised

(1) Total payment amount	1,999,970,000 yen
(2) Estimated cost of issuance	163,000,000 yen
(3) Estimated net proceeds	1,836,970,000 yen

Notes: 1. Estimated cost of issuance do not include consumption tax.

2. Estimated cost of issuance mainly includes advisory fees, attorney fees, and the cost of preparing securities registration statements and other documents.

(2) Specific use of funds to be raised

The estimated net proceeds of 1,836 million yen will be used for capital expenditures needed to accomplish the objectives of the alliance and for advertising and sales promotion expenses.

More specifically, the following expenditures are planned.

- 1) Expenditures for opening stores at or near railway stations, system development expenses for the Senshukai e-commerce site in conjunction with this alliance and system upgrade expenses that will be needed for the system development activities: 1,038 million yen (expenditures are to be made from November 2020 to about March 2024)
- 2) Advertising expenditures to promote the use of the JRE POINT program and the View credit card on the Senshukai e-commerce site and sales promotion expenses for directing customers to the JRE MALL: 798 million yen (expenditures are to be made from March 2021 to about March 2023)

Funds will be held by Senshukai as bank deposits until needed for these expenditures.

3. Other

Important Information about Going Concern Assumption

In 2019, there was an operating profit of 772 million yen and a profit attributable to owners of parent of 8,182 million yen. In 2017 and 2018, there was an operating loss and a loss attributable to owners of parent. These losses create significant doubts about the going concern assumption.

To eliminate these doubts and deal with other issues, business structural reforms centered on the mail-order and online shopping business are under way in accordance with a medium-term management plan that started in 2019 and will end in 2021.

In 2019, the first year of this plan, activities were focused on achieving the optimal size of business operations and on operational reforms, mainly in the mail-order and online shopping business. These activities improved the gross profit margin by reducing merchandise valuation losses that have been a structural component of business operations. Reforms have also lowered fixed expenses. Due to these improvements, the consolidated operating profit in 2019 was higher than our forecast.

In 2020, the second year of the plan, we are continuing to implement operational reforms. We are also strengthening the catalog-based model for attracting customers and rebuilding the membership base. The number of customers making purchases in the core Belle Maison business was higher than one year earlier.

We will continue to implement numerous measures to make improvements in order to build a solid base for earnings and return to growth backed by a recovery and stability in the performance of the Senshukai Group. We will use the provision of value based on the Belle Maison slogan “Love. Then Ideas.” that was announced in 2019 in order to create new ideas that reinforce our reputation among customers as a trustworthy company that is a source of innovative and exciting products.

At the end of the third quarter of 2020, cash and deposits were 15,383 million yen. Senshukai also has a committed credit line with the total amount of 10 billion yen with financial institutions (7 billion yen was unused at the end of the third quarter of 2020). Consequently, we believe there are no concerns about 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.

In 2020, we expect lower sales and earnings mainly because of a smaller number of weddings and receptions in the bridal business due to COVID-19. However, we believe that the performance of the bridal business will improve when the COVID-19 crisis comes to an end. One reason is that a very large number of weddings were postponed rather than canceled, partly because the bridal business operates mainly in regional mid-sized cities rather than major metropolitan areas. In addition, the number of people visiting our wedding facilities has been recovering since the end of the state of emergency and we are receiving a substantial number of orders for weddings and receptions in 2021 and afterward. The demand for weddings and receptions is clearly remaining steady. In this business, we will continue to cut selling, general and administrative expenses and use these expenses more efficiently and take actions in response to requests from the Japanese government and local governments while monitoring upcoming events involving the COVID-19 crisis. Our bridal business has a culture and track record of creating services that keep us one step ahead of market trends as well as the ability to respond quickly to shifts in the business climate. As Japan’s wedding market undergoes a major transformation, we will reexamine our strategies for the bridal business, create new services and take other steps to be positioned for growth after the COVID-19 crisis ends.

** 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.*