

# Summary of Financial Results for the Fiscal Year 2023 (Ended December 31, 2023)

[Japanese GAAP]

February 13, 2024

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Scheduled date of annual general meeting of shareholders: March 26, 2024

Scheduled date of payment of dividend: -

Scheduled date of filing of Annual Security Report: March 27, 2024

Preparation of supplementary materials for financial results: Yes

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

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

## 1. Consolidated Financial Results for the Fiscal Year 2023 (January 1, 2023 – December 31, 2023)

### (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 2023	49,226	(16.4)	(5,557)	-	(5,679)	-	(4,782)	-
Fiscal Year 2022	58,915	-	(8,139)	-	(7,889)	-	(10,976)	-

Note: Comprehensive income (millions of yen) Fiscal Year 2023: (4,739) (-%) Fiscal Year 2022: (11,020) (-%)

	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 2023	(102.19)	-	(24.4)	(16.1)	(11.3)
Fiscal Year 2022	(234.24)	-	(39.8)	(17.3)	(13.8)

Reference: Equity in earnings (losses) of affiliates (millions of yen) Fiscal Year 2023: (33) Fiscal Year 2022: 15

Note: Starting with the beginning of 2022, Senshukai has applied Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020). All figures for 2022 incorporate this accounting standard and comparisons with 2022 are omitted.

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2023	31,809	17,279	54.3	369.15
Fiscal Year 2022	38,923	22,019	56.5	469.79

Reference: Shareholders' equity (millions of yen) Fiscal Year 2023: 17,273 Fiscal Year 2022: 21,999

### (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 2023	(3,901)	1,754	(722)	6,481
Fiscal Year 2022	(5,869)	(706)	148	9,287

## 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 2022	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 0.00	Millions of yen -	% -	% -
Fiscal Year 2023	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 0.00	Millions of yen -	% -	% -
Fiscal Year 2024 (forecasts)	Yen -	Yen 0.00	Yen -	Yen 0.00	Yen 0.00	-	-	-

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

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year 2024	51,000	3.6	(1,900)	-	(1,900)	-	(1,800)	-	(38.47)

## \* Notes

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

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

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

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(3) Number of shares outstanding (common shares)

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

Fiscal Year 2023: 52,056,993 shares      Fiscal Year 2022: 52,056,993 shares

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

Fiscal Year 2023: 5,263,634 shares      Fiscal Year 2022: 5,229,999 shares

3) Average number of shares outstanding during the period

Fiscal Year 2023: 46,805,301 shares      Fiscal Year 2022: 46,860,574 shares

## (Reference) Summary of Non-consolidated Financial Results

### Non-consolidated Financial Results for Fiscal Year 2023 (January 1, 2023 – December 31, 2023)

(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 2023	45,895	(16.7)	(5,656)	-	(5,653)	-	(4,716)	-
Fiscal Year 2022	55,123	-	(8,290)	-	(7,654)	-	(10,913)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal Year 2023	(100.78)	-
Fiscal Year 2022	(232.89)	-

Note: Starting with the beginning of 2022, Senshukai has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). All figures for 2022 incorporate this accounting standard and comparisons with 2022 are omitted.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2023	30,468	16,426	53.9	351.05
Fiscal Year 2022	37,429	21,107	56.4	450.75

Reference: Shareholders' equity (millions of yen)      Fiscal Year 2023: 16,426      Fiscal Year 2022: 21,107

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

\* Cautionary statement with respect to forward-looking statements

Cautionary statement with respect to forecasts

The above projections are based on information available at the time of release of this report. Actual results could differ significantly from these projections due to a variety of factors. For further details regarding the projections, please refer to page 4, "1. Overview of Results of Operations, (5) Outlook."

How to view supplementary information at the financial results meeting

A video of the meeting for the presentation of the financial results for 2023 is planned to be posted on the Senshukai website soon. In addition, materials used for this presentation will be disclosed using the Timely Disclosure network (TDnet) and will be posted on the Senshukai website.

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## 1. Overview of Results of Operations

### (1) Results of Operations

#### Overview

In 2023, the Japanese economy steadily returned to normal with the end of COVID-19-related restrictions. However, the outlook remains uncertain due to concerns about growing geopolitical risks in addition to the depreciation of the yen and rising commodity prices against a backdrop of surging global resource prices.

The retail industry is facing a challenging business environment due to the increase in various costs, including purchase prices and logistics expenses, as well as consumers' growing thriftiness and preference for low prices in response to accelerating price hikes. Moreover, in the mail-order and online shopping industry, while the use of e-commerce for purchasing goods has become more established, competition has intensified as consumers, having greater opportunities to go out, are making greater use of physical stores and more companies are entering the mail-order and online shopping industry.

In this business environment, in addition to cost reductions and other rationalization measures, the Group focused on implementing the measures set forth in its medium-term management plan, including a digital shift of the mail-order and online shopping business, profit structure reforms, and co-creation with partner companies. The Group has been striving for an early recovery of business performance while steadily taking measures to address issues identified during the execution of these policies. Although these measures had a limited result in 2023, we expect them to gradually take effect from 2024 onwards. We believe that significant long-term results will be achieved through the continued implementation of these initiatives and the verification and improvement of execution measures.

In 2023, Belle Maison, the Group's core mail-order and online shopping business, did not achieve sufficient cost efficiency in order acquisitions to reach its planned target. Sales fell year on year due to a decline in the effective number of members (those who made a purchase within 12 months), which is taken as the base. As a result, net sales in 2023 decreased 16.4% YoY to 49,226 million yen, operating loss was 5,557 million yen (compared with a loss of 8,139 million yen in 2022), and ordinary loss was 5,679 million yen (compared with a loss of 7,889 million yen in 2022). Loss attributable to owners of parent was 4,782 million yen (compared with a loss of 10,976 million yen in 2022).

Business segment performance was as follows.

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

In the mail-order and online shopping business, which primarily uses catalogs and the Internet, the Group shifted its sales promotion expenses from high-cost catalog-centered to digitally integrated promotions, and also made advances in optimizing the promotions. The aim was to improve profitability and build a foundation for growth. However, while costs were curtailed by reducing the number of catalog copies distributed, the digital marketing measures were unable to compensate for the resulting fall in sales. As a result, consolidated sales in the mail-order and online shopping business decreased 18.0% YoY to 43,142 million yen in 2023. There was an operating loss of 5,950 million yen compared with a loss of 8,405 million yen in 2022.

#### (Corporates Business)

In the corporates business, which provides products and services to corporations, sales declined due to lower-than-expected growth in the use of agency services such as corporate logistics operations, but growth in novelty and goods sales related to shareholder benefits and other services contributed to profits. Consolidated sales in the corporates business decreased 4.1% YoY to 4,115 million yen in 2023. Operating profit increased 37.2% YoY to 67 million yen.

#### (Insurance Business)

This business provides support, mainly to Belle Maison members, for choosing the most suitable insurance policies. Consolidated sales increased 4.9% YoY to 537 million yen in 2023 and operating profit increased 4.1% YoY to 292 million yen.

(Others)

Consolidated sales in other businesses, which include the childcare support business, decreased 3.2% YoY to 1,430 million yen in 2023. Operating profit was 32 million yen compared with a loss of 64 million yen in 2022.

## (2) Financial Position

Assets totaled 31,809 million yen at the end of 2023, a decrease of 7,113 million yen from the end of 2022.

Current assets decreased 5,686 million yen to 18,900 million yen. The factors included decreases of 2,806 million yen in cash and deposits, 1,463 million yen in accounts receivable-other, and 844 million yen in merchandise and finished goods. Non-current assets decreased 1,426 million yen to 12,908 million yen. The factors included decreases of 987 million yen in investments and other assets, 323 million yen in intangible assets, and 115 million yen in property, plant and equipment.

Current liabilities decreased 1,819 million yen to 11,282 million yen. The factors included decreases of 918 million yen in electronically recorded obligations-operating, 523 million yen in accounts payable-other and 476 million yen in accounts payable-trade. Non-current liabilities decreased 554 million yen to 3,248 million yen. The main factors included a decrease of 610 million yen in long-term borrowings.

Net assets decreased 4,740 million yen to 17,279 million yen. The factors included booking of loss attributable to owners of parent of 4,782 million yen. As a result, the equity ratio was 54.3%.

## (3) Cash Flows

The balance of cash and cash equivalents at the end of 2023 was 6,481 million yen, a decrease of 2,806 million yen from the end of 2022.

Operating activities used net cash of 3,901 million yen (net cash used of 5,869 million yen in 2022). The main cash inflows include a decrease in other current liabilities of 1,029 million yen, a decrease in inventories of 848 million yen and depreciation of 734 million yen. The main cash outflows include loss before income taxes of 4,786 million yen.

Investing activities provided net cash of 1,754 million yen (net cash used of 706 million yen in 2022). The main cash inflows include proceeds from sales of investment securities of 1,490 million yen.

Financing activities used net cash of 722 million yen (net cash provided of 148 million yen in 2022). The main cash outflows were repayments of long-term borrowings of 620 million yen.

### Cash flow indices

	Fiscal Year 2021 (As of Dec. 31, 2021)	Fiscal Year 2022 (As of Dec. 31, 2022)	Fiscal Year 2023 (As of Dec. 31, 2023)
Equity ratio (%)	63.3	56.5	54.3
Equity ratio based on fair value (%)	34.8	46.4	55.3
Ratio of interest-bearing debt to cash flows (years)	-	-	-
Interest coverage ratio (times)	-	-	-

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

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

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

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

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

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 because operating cash flows were negative.

#### (4) Basic Policy Regarding Distribution of Earnings and Dividends in the Current and Next Fiscal Years

The Senshukai Group's policy regarding dividends is to distribute earnings to shareholders in a manner that reflects its performance. Furthermore, the policy is to pay stable dividends that take into account the payout ratio of 30% on a consolidated basis while reflecting the need to use retained earnings to strengthen the company's foundation for business operations. Senshukai has a shareholder benefit program that distributes to shareholders twice every year gift certificates based on the number of shares and the number of years the shares have been held. This program is also a way to give shareholders a better understanding of Senshukai by using the company's products and services.

Regrettably, no dividend has been allocated for 2023 due to the large loss attributable to owners of parent. For 2024, based on the outlook for results of operations, medium- to long-term financial condition and other items, we regret that no dividend will be paid as the promotion of measures to improve results of operations and expansion of equity from the viewpoint of management stability and safety are top priorities.

#### (5) Outlook

Consolidated	(Millions of yen)			
	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Fiscal Year 2024 (forecast)	51,000	(1,900)	(1,900)	(1,800)
Fiscal Year 2023 (results)	49,226	(5,557)	(5,679)	(4,782)
Change (%)	3.6	-	-	-

In the fiscal year 2024, we will continue to work on measures to improve results of operations and make flexible adjustments with the aim of transforming our business structure and returning to profitability in fiscal 2025. Furthermore, we will revisit our philosophy that the reason for a company's existence lies in its contribution to society. We will face social issues head-on, taking the lead as a flag-bearer, and work with consumers and business partners to transform ourselves into a company that solves social issues, aiming to realize a sustainable society through lifestyle proposals and the provision of products, services, information, and places to connect, thereby enriching the value of our existence as a company and improving its corporate value.

The medium-term management plan, which ends in the fiscal year 2025, previously laid down the following three goals.

- (1) Be a source of unique products and services that can be integral elements of our customers' lives by reflecting in our products and services a broad range of values and lifestyles and an accurate understanding of customers' lifestyles.
- (2) Use close ties with customers to supply more products that are environmentally responsible, can be used with confidence, and make customers excited to purchase and use. Increase measures for the recycling and reuse of merchandise (maximize utilization value\*) for contributing to a sustainable society where all products are used as much as possible.
- (3) Play a role in the establishing of a co-creation society that brings together people and companies that share the same values and encompasses many types of lifestyles.

\* Utilization value is the sum of the value of goods and services (quality, price, accuracy of meeting needs, attractive and practical designs, materials/ideas for products people like and use a long time, and other attributes) and the value of those goods and services during and after their use.

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

Due to issues related to the replacement of our core system implemented in January 2022, the Senshukai Group recorded a significant operating loss and loss attributable to owners of parent in 2022. In 2023, the Group continued to record a significant operating loss and loss attributable to owners of parent. These circumstances raise significant doubts about the Group's ability to continue as a going concern.

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

## **2. Basic Approach for the Selection of Accounting Standards**

The Senshukai Group has a policy of preparing its consolidated financial statements using Japanese GAAP for the time being to facilitate comparisons with prior-year performance and the performance of other companies in Japan.

We will take suitable actions with regard to the application of the International Financial Reporting Standards (IFRS) by taking into account trends in our industry peers in Japan and associated factors in Japan and other countries.

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

	(Millions of yen)	
	Fiscal Year 2022 (As of Dec. 31, 2022)	Fiscal Year 2023 (As of Dec. 31, 2023)
Assets		
Current assets		
Cash and deposits	9,287	6,481
Notes receivable-trade	249	317
Accounts receivable-trade	1,690	1,245
Merchandise and finished goods	6,871	6,026
Raw materials and supplies	112	109
Accounts receivable-other	5,147	3,684
Other	1,310	1,122
Allowance for doubtful accounts	(82)	(86)
Total current assets	24,587	18,900
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,939	20,034
Accumulated depreciation	(16,134)	(16,372)
Buildings and structures, net	3,804	3,662
Machinery, equipment and vehicles	6,332	6,348
Accumulated depreciation	(6,293)	(6,302)
Machinery, equipment and vehicles, net	39	45
Tools, furniture and fixtures	888	840
Accumulated depreciation	(803)	(735)
Tools, furniture and fixtures, net	84	104
Land	5,402	5,402
Total property, plant and equipment	9,331	9,215
Intangible assets		
Other	1,465	1,142
Total intangible assets	1,465	1,142
Investments and other assets		
Investment securities	2,417	1,719
Leasehold and guarantee deposits	473	425
Deferred tax assets	10	29
Other	673	376
Allowance for doubtful accounts	(37)	(0)
Total investments and other assets	3,538	2,550
Total non-current assets	14,335	12,908
Total assets	38,923	31,809



(Millions of yen)

	Fiscal Year 2022 (As of Dec. 31, 2022)	Fiscal Year 2023 (As of Dec. 31, 2023)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Electronically recorded obligations-operating	4,872	3,954
Accounts payable-trade	2,465	1,988
Short-term borrowings	620	620
Lease liabilities	23	22
Accounts payable-other	3,204	2,681
Accrued expenses	624	648
Income taxes payable	19	32
Accrued consumption taxes	35	56
Contract liabilities	589	627
Provision for bonuses for directors (and other officers)	5	-
Provision for bonuses	31	33
Other	608	615
<b>Total current liabilities</b>	<b>13,101</b>	<b>11,282</b>
<b>Non-current liabilities</b>		
Long-term borrowings	3,285	2,674
Lease liabilities	30	25
Deferred tax liabilities	144	163
Retirement benefit liability	6	5
Asset retirement obligations	162	132
Provision for loss on office closing	-	170
Other	173	76
<b>Total non-current liabilities</b>	<b>3,802</b>	<b>3,248</b>
<b>Total liabilities</b>	<b>16,903</b>	<b>14,530</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	100	100
Capital surplus	30,084	30,084
Retained earnings	(4,108)	(8,891)
Treasury shares	(2,953)	(2,953)
<b>Total shareholders' equity</b>	<b>23,122</b>	<b>18,339</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	286	302
Deferred gains or losses on hedges	51	71
Revaluation reserve for land	(1,516)	(1,516)
Foreign currency translation adjustment	56	77
<b>Total accumulated other comprehensive income</b>	<b>(1,123)</b>	<b>(1,065)</b>
<b>Non-controlling interests</b>	<b>20</b>	<b>5</b>
<b>Total net assets</b>	<b>22,019</b>	<b>17,279</b>
<b>Total liabilities and net assets</b>	<b>38,923</b>	<b>31,809</b>

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

	(Millions of yen)	
	Fiscal Year 2022 (Jan. 1, 2022 – Dec. 31, 2022)	Fiscal Year 2023 (Jan. 1, 2023 – Dec. 31, 2023)
Net sales	58,915	49,226
Cost of sales	30,864	24,560
Gross profit	28,050	24,666
Selling, general and administrative expenses		
Freight and packing costs	5,088	4,386
Sales commission	2,727	3,520
Promotion expenses	9,034	5,624
Provision of allowance for doubtful accounts	65	75
Remuneration for directors (and other officers)	230	224
Salaries and allowances	4,127	3,983
Bonuses	637	648
Provision for bonuses for directors (and other officers)	5	-
Provision for bonuses	44	31
Commission expenses	5,405	4,237
Depreciation	1,227	697
Other	7,595	6,793
Total selling, general and administrative expenses	36,190	30,223
Operating loss	(8,139)	(5,557)
Non-operating income		
Interest and dividend income	39	37
Share of profit of entities accounted for using equity method	15	-
Foreign exchange gains	29	123
Gain on adjustment of accounts payable	169	192
Rental income from real estate	77	59
Miscellaneous income	180	142
Total non-operating income	512	554
Non-operating expenses		
Interest expenses	46	45
Share of loss of entities accounted for using equity method	-	33
Commission expenses	113	195
Provision for loss on office closing	-	170
Penalty loss	-	139
Miscellaneous losses	102	93
Total non-operating expenses	262	676
Ordinary loss	(7,889)	(5,679)
Extraordinary income		
Gain on sale of non-current assets	0	218
Gain on sale of investment securities	18	859
Gain on sale of shares of subsidiaries and associates	134	-
Subsidy income	188	-
Total extraordinary income	341	1,078
Extraordinary losses		
Loss on sale and retirement of non-current assets	17	4
Loss on tax purpose reduction entry of non-current assets	173	-
Impairment losses	3,054	179
Other	57	-
Total extraordinary losses	3,302	184
Loss before income taxes	(10,850)	(4,786)
Income taxes-current	33	40
Income taxes-deferred	103	(28)
Total income taxes	136	11
Loss	(10,987)	(4,797)
Loss attributable to non-controlling interests	(11)	(14)
Loss attributable to owners of parent	(10,976)	(4,782)

**(Consolidated Statement of Comprehensive Income)**

(Millions of yen)

	Fiscal Year 2022 (Jan. 1, 2022 – Dec. 31, 2022)	Fiscal Year 2023 (Jan. 1, 2023 – Dec. 31, 2023)
Loss	(10,987)	(4,797)
Other comprehensive income		
Valuation difference on available-for-sale securities	18	15
Deferred gains or losses on hedges	(68)	20
Foreign currency translation adjustment	1	12
Share of other comprehensive income of entities accounted for using equity method	16	8
Total other comprehensive income	(33)	57
Comprehensive income	(11,020)	(4,739)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(11,009)	(4,725)
Comprehensive income attributable to non-controlling interests	(11)	(14)

**(3) Consolidated Statement of Changes in Equity**

Fiscal Year 2022 (Jan. 1, 2022– Dec. 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	100	30,084	7,061	(2,953)	34,291
Cumulative effects of changes in accounting policies			(5)		(5)
Restated balance	100	30,084	7,055	(2,953)	34,286
Changes during period					
Dividends of surplus			(187)		(187)
Loss attributable to owners of parent			(10,976)		(10,976)
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	(11,164)	(0)	(11,164)
Balance at end of period	100	30,084	(4,108)	(2,953)	23,122

(Millions of yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	267	119	(1,516)	38	(1,089)	-	33,202
Cumulative effects of changes in accounting policies							(5)
Restated balance	267	119	(1,516)	38	(1,089)	-	33,196
Changes during period							
Dividends of surplus							(187)
Loss attributable to owners of parent							(10,976)
Purchase of treasury shares							(0)
Net changes in items other than shareholders' equity	18	(68)	-	17	(33)	20	(12)
Total changes during period	18	(68)	-	17	(33)	20	(11,177)
Balance at end of period	286	51	(1,516)	56	(1,123)	20	22,019

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

(Millions of yen)

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

(Millions of yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	286	51	(1,516)	56	(1,123)	20	22,019
Changes during period							
Loss attributable to owners of parent							(4,782)
Purchase of treasury shares							(0)
Net changes in items other than shareholders' equity	15	20	-	21	57	(14)	42
Total changes during period	15	20	-	21	57	(14)	(4,740)
Balance at end of period	302	71	(1,516)	77	(1,065)	5	17,279

**(4) Consolidated Statement of Cash Flows**

(Millions of yen)

	Fiscal Year 2022 (Jan. 1, 2022 – Dec. 31, 2022)	Fiscal Year 2023 (Jan. 1, 2023 – Dec. 31, 2023)
Cash flows from operating activities		
Loss before income taxes	(10,850)	(4,786)
Depreciation	1,293	734
Impairment losses	3,054	179
Increase (decrease) in allowance for doubtful accounts	(96)	(33)
Increase (decrease) in provision for bonuses	18	2
Increase (decrease) in provision for loss on office closing	-	170
Interest and dividend income	(39)	(37)
Interest expenses	46	45
Share of loss (profit) of entities accounted for using equity method	(15)	33
Loss (gain) on sale of shares of subsidiaries and associates	(134)	-
Loss (gain) on sale and retirement of non-current assets	17	(213)
Loss on tax purpose reduction entry of non-current assets	173	-
Loss (gain) on sale of investment securities	(18)	(859)
Subsidy income	(188)	-
Decrease (increase) in trade receivables	194	391
Decrease (increase) in inventories	2,105	848
Decrease (increase) in other current assets	1,091	1,029
Increase (decrease) in trade payables	(1,798)	(1,146)
Increase (decrease) in contract liabilities	(77)	37
Increase (decrease) in other current liabilities	(1,023)	(860)
Other, net	260	583
Subtotal	<u>(5,987)</u>	<u>(3,881)</u>
Interest and dividends received	67	75
Interest paid	(46)	(45)
Income taxes refund (paid)	96	(51)
Net cash provided by (used in) operating activities	<u>(5,869)</u>	<u>(3,901)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(572)	(182)
Purchase of intangible assets	(1,192)	(149)
Subsidies received	187	0
Purchase of investment securities	(15)	-
Proceeds from sale of investment securities	19	1,490
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	626	-
Proceeds from sale of investment property	-	412
Proceeds from collection of loans receivable	47	73
Other, net	193	109
Net cash provided by (used in) investing activities	<u>(706)</u>	<u>1,754</u>
Cash flows from financing activities		
Proceeds from long-term borrowings	1,000	9
Repayments of long-term borrowings	(650)	(620)
Proceeds from share issuance to non-controlling shareholders	31	-
Dividends paid	(186)	(0)
Repayments of installment payables	(7)	(84)
Other, net	(38)	(27)
Net cash provided by (used in) financing activities	<u>148</u>	<u>(722)</u>
Effect of exchange rate change on cash and cash equivalents	48	62
Net increase (decrease) in cash and cash equivalents	<u>(6,377)</u>	<u>(2,806)</u>
Cash and cash equivalents at beginning of period	<u>15,665</u>	<u>9,287</u>
Cash and cash equivalents at end of period	<u>9,287</u>	<u>6,481</u>

## (5) Notes to Consolidated Financial Statements

### Going Concern Assumption

Due to issues related to the replacement of our core system implemented in January 2022, the Senshukai Group recorded a significant operating loss and loss attributable to owners of parent in 2022. In 2023, the Group continued to record a significant operating loss and loss attributable to owners of parent. These circumstances raise significant doubts about the Group's ability to continue as a going concern. The Group is taking the following measures to resolve this situation.

<Measures to improve results of operations>

#### A. Reforming the mail-order and online shopping business structure

##### 1) Enhancing proposal capability (what and for whom) based on a deep understanding of customer needs

Rather than securing sufficient numbers of models to publish catalogs, we will shift to a product lineup with a deep understanding of customers and a greater awareness of themes and seasons. By concentrating resources on narrowly focused products, we will enhance our product and proposal capabilities, improve the list price sales ratio, and enhance gross profit margins.

##### 2) Clarifying and integrating the roles of catalogs and digital media

By analyzing customers' purchasing behavior, we will design the optimal combination of paper-based (including catalogs, flyers, and direct mail) and digital measures, leveraging the strengths of each to maximize sales promotion efficiency. As the e-commerce market grows increasingly challenging, the catalog will be used as a tool to enable differentiation, mainly in the promotion of sales to existing members, while digital media will be used efficiently to strengthen SEO (search engine optimization) measures and social media marketing and as a tool for acquisition of new members and communication.

##### 3) Promoting customer retention and fan engagement

Rather than relying on financial incentives such as discounts and points to encourage purchases, we will strengthen efforts to build trust and attachment to products and brands.

##### 4) Strengthening outsourced e-commerce mall sales

In response to the trend toward oligopoly among major e-commerce malls, we will review the investment allocation for in-house and outsourced e-commerce malls to capture sales in growth channels.

#### B. Enhancing company-wide sales and profits

##### 1) Reducing fixed costs

We will methodically reduce fixed costs by such means as cutting system costs, reducing outsourcing costs, and cancelling leased properties.

##### 2) Reorganizing business sectors

We will ensure enhanced profit and growth by making decisions such as withdrawing from business sectors where profitability and growth are not anticipated and allocating human resources to targeted areas.

#### C. Deepening and expanding co-creation

##### 1) Deepening and expanding cooperation with JR East

Leveraging original products for the East Japan Railway Company Group (JR East), we will increase sales at JRE MALL, expanding physical store openings, and growing projects such as contract logistics for the JR East Group.

##### 2) Deepening and expanding reuse & recycling collaboration centered on Aucnet Inc.

By expanding the range of targeted products for the "kimawari" purchasing service and enhancing its handling capacity, we aim to acquire new members and increase the retention rate and purchase frequency of existing members.

##### 3) Strengthening sales of services and experiential products

We will strengthen sales of other companies' services that can be ordered and purchased on Belle Maison Net, and

make the site useful in customers' lives through lifestyle proposals that combine goods, services, and experiences.

#### 4) Strengthening the advertising business

Regarding other companies' advertising placements on Belle Maison Net, we will develop new options such as tie-up formats, creating lifestyle proposals that are not limited to our own products and services and increasing sales and profits.

In 2024, we will continue to focus on the above measures as the pillars of reform and make flexible adjustments with the aim of transforming our business structure and returning to profitability in 2025. Furthermore, we will revisit our philosophy that the reason for a company's existence lies in its contribution to society. We will face social issues head-on, taking the lead as a flag-bearer, and work with consumers and business partners to transform ourselves into a company that solves social issues, aiming to realize a sustainable society through lifestyle proposals and the provision of products, services, information, and places to connect, thereby enriching the value of our existence as a company and improving its corporate value.

Regarding funds, as of the end of 2023, the Group possessed cash and deposits totaling 6,481 million yen. We have concluded a commitment line agreement with a financial institution for a total of 8,000 million yen. The term of the agreement expires on March 29, 2024, and enables borrowing for a maximum of six months from the date of execution. Moreover, a general overdraft agreement of 2,000 million yen and a special overdraft agreement of 5,500 million yen (with an expiry date of October 31, 2024) have been set up as an overdraft facility in the eventuality that the commitment line agreement cannot be continued. As stated in "3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements (Significant Subsequent Events)," the general overdraft agreement will be terminated on March 31, 2024, and the expiry date of the special overdraft agreement extended to January 31, 2025. As of the end of 2023, there were no outstanding borrowings under the aforementioned commitment line, general overdraft agreement, or special overdraft agreement. We will continue to work closely with financial institutions to ensure further support should we need it in the future or when the term of agreement expires.

However, measures to improve results of operations being undertaken to address significant doubts regarding the going concern assumption are currently in progress, and it is possible that the profit and loss and financial benefits arising from the above-mentioned measures may not be fully realized. The Group recognizes that there is significant uncertainty regarding the assumption of a going concern as it has yet to determine whether it will be able to procure funds should renewal of the term of agreement or further support from financial institutions be required.

Furthermore, the consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and do not reflect the impact of significant uncertainties regarding this assumption.

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

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

(Uncertainty of accounting estimates)

As of the end of 2023, the outlook remains uncertain due to a combination of prolonged geopolitical risks such as the situation in Ukraine, rising prices resulting from soaring energy and raw material costs, and tightening of global financial conditions to control inflation. Senshukai assumes that these factors will have only a limited effect on accounting estimates. Although Senshukai is using the best possible estimates based on information that is currently available, a change in the business climate or problems may have an effect on the financial condition, results of operations and cash flows of the Senshukai Group.



## Segment Information

### 1. Overview of reportable segment

Segments used for financial reporting are Senshukai's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Senshukai Group primarily operates the mail-order and online shopping business, corporates business and insurance business, and Senshukai and its group companies manage each of these businesses according to these classifications.

Therefore, the Group, comprised of these different business segments, has three reportable segments: the mail-order and online shopping business, corporates business and insurance business.

The mail-order and online shopping business is engaged in mail-order sales via a variety of media centered on catalogs and the Internet. The corporates business uses Senshukai's infrastructure to provide solutions services and promotional services targeting mail-order companies and e-commerce businesses. The insurance business provides insurance services primarily to Belle Maison members.

### 2. Calculation methods for sales, profit or loss, assets, and other items for each reportable segment

The accounting methods for reportable segments are the same as those used for preparing the consolidated financial statements.

Profits (loss) for reportable segments are generally operating profit (loss) figures.

Inter-segment sales or transfers are based on market prices.

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

Fiscal Year 2022 (Jan. 1, 2022 – Dec. 31, 2022)

(Millions of yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Mail-order and online shopping business	Corporates business	Insurance business	Sub-total				
Net sales								
Sales to customers	52,633	4,292	512	57,437	1,477	58,915	-	58,915
Inter-segment sales or transfers	258	42	-	301	0	301	(301)	-
Total	52,891	4,334	512	57,738	1,478	59,217	(301)	58,915
Segment profit (loss)	(8,405)	48	281	(8,074)	(64)	(8,139)	-	(8,139)
Segment assets	20,643	1,236	43	21,923	780	22,703	16,219	38,923
Other items								
Depreciation	1,248	11	-	1,260	33	1,293	-	1,293
Share of profit of entities accounted for using equity method	15	-	-	15	-	15	-	15
Investment in equity-method affiliates	645	-	-	645	-	645	-	645
Increase in property, plant and equipment and intangible assets	1,178	20	-	1,199	221	1,421	215	1,636

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

2. Adjustments are as follows.

(1) The adjustment to segment assets includes an elimination for inter-segment transactions and corporate assets that are not allocated to any of the reportable segments.

- (2) The criteria for allocating non-current assets to business segments and related depreciation are different.  
 (3) The 215 million yen adjustment to increase in property, plant and equipment and intangible assets is the sum of corporate assets that are not allocated to any of the reportable segments.  
 3. Segment profit (loss) is adjusted to be consistent with the operating loss on the consolidated statement of income.

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

(Millions of yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Mail-order and online shopping business	Corporates business	Insurance business	Sub-total				
Net sales								
Sales to customers	43,142	4,115	537	47,795	1,430	49,226	-	49,226
Inter-segment sales or transfers	261	72	-	333	0	334	(334)	-
Total	43,403	4,188	537	48,129	1,431	49,561	(334)	49,226
Segment profit (loss)	(5,950)	67	292	(5,590)	32	(5,557)	-	(5,557)
Segment assets	17,981	1,225	46	19,254	843	20,097	11,712	31,809
Other items								
Depreciation	688	17	-	706	27	734	-	734
Share of loss of entities accounted for using equity method	(33)	-	-	(33)	-	(33)	-	(33)
Investment in equity-method affiliates	582	-	-	582	-	582	-	582
Increase in property, plant and equipment and intangible assets	237	48	-	285	1	287	164	452

Notes: 1. Others represent the businesses which are not included in any of the three reportable segments and consist of the childcare support business. On April 1, 2022, the manufacturing and sales of cosmetics were excluded from the scope of consolidation following the transfer of all shares in Huit Laboratories, Inc., which was a consolidated subsidiary of Senshukai.

2. Adjustments are as follows.

- (1) The adjustment to segment assets includes an elimination for inter-segment transactions and corporate assets that are not allocated to any of the reportable segments.  
 (2) The criteria for allocating non-current assets to business segments and related depreciation are different.  
 (3) The 164 million yen adjustment to increase in property, plant and equipment and intangible assets is the sum of corporate assets that are not allocated to any of the reportable segments.

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

**Per Share Information**

(Yen)

	Fiscal Year 2022 (Jan. 1, 2022 – Dec. 31, 2022)	Fiscal Year 2023 (Jan. 1, 2023 – Dec. 31, 2023)
Net assets per share	469.79	369.15
Net loss per share	(234.24)	(102.19)

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

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

(Millions of yen)

	Fiscal Year 2022 (Jan. 1, 2022 – Dec. 31, 2022)	Fiscal Year 2023 (Jan. 1, 2023 – Dec. 31, 2023)
Loss attributable to owners of parent	(10,976)	(4,782)
Amounts unavailable to common shareholders	-	-
Loss attributable to owners of parent related to common stock	(10,976)	(4,782)
Average number of common stock outstanding during the period (thousand shares)	46,860	46,805

**Significant Subsequent Events**

(Termination of overdraft agreement)

In accordance with a resolution of the Board of Directors' meeting held on February 13, 2024, Senshukai will terminate the general overdraft agreement of 2,000 million yen, which was entered into to prepare for the eventuality that the commitment line agreement cannot be renewed, as follows:

Lender: Sumitomo Mitsui Banking Corporation

Contract limit: 2,000 million yen

Date of termination notice: February 13, 2024

Contract maturity date: March 31, 2024

(Renewal of overdraft agreement)

In accordance with a resolution of the Board of Directors' meeting held on February 13, 2024, Senshukai renewed the contract period under the special overdraft agreement of 5,500 million yen, which was entered into to prepare for the eventuality that the commitment line agreement cannot be renewed, as follows:

Lender: Sumitomo Mitsui Banking Corporation

Contract limit: 5,500 million yen

Contract signing date: February 13, 2024

Contract maturity date: January 31, 2025

\* 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.