

Summary of Financial Results for the Third Quarter of Fiscal Year 2024 (Nine Months Ended September 30, 2024)

[Japanese GAAP]

November 11, 2024

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Scheduled date of payment of dividend: -

Preparation of supplementary materials for financial results: None

Holding of financial results meeting: None

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

1. Consolidated Financial Results for the 3rd Quarter of 2024 (January 1, 2024 – September 30, 2024)

(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 2024	32,051	(10.6)	(3,278)	-	(3,228)	-	(2,814)	-
3Q 2023	35,845	(14.3)	(4,958)	-	(5,002)	-	(4,664)	-

Note: Comprehensive income (millions of yen) 3Q 2024: (3,223) (-%) 3Q 2023: (4,213) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q 2024	(60.16)	-
3Q 2023	(99.66)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
3Q 2024	26,733	14,040	52.5	300.24
Fiscal Year 2023	31,809	17,279	54.3	369.15

Reference: Shareholders' equity (millions of yen) 3Q 2024: 14,043 Fiscal Year 2023: 17,273

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2023	-	0.00	-	0.00	0.00
Fiscal Year 2024	-	0.00	-	-	-
Fiscal Year 2024 (forecasts)	-	-	-	0.00	0.00

Note: Revision to the most recently announced dividend forecast: None

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	43,700	(11.2)	(4,800)	-	(4,800)	-	(4,500)	-	(96.20)

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

For more information, please refer to "Notice of Revisions to Full-Year Consolidated Forecasts" (Japanese version only) that was announced today (November 11, 2024).

*** Notes**

(1) Significant changes in the scope of consolidation during the period: 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 2024:	52,056,993 shares	Fiscal Year 2023:	52,056,993 shares
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2) Number of treasury shares at the end of the period

3Q 2024:	5,280,734 shares	Fiscal Year 2023:	5,263,634 shares
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3) Average number of shares outstanding during the period

3Q 2024:	46,779,766 shares	3Q 2023:	46,808,906 shares
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* Review of the attached quarterly consolidated financial statements by certified public accountants or auditing firms: None

* 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. Overview of Results of Operations, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements.”

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1. Overview of Results of Operations

(1) Results of Operations

In the first nine months (January 1 to September 30) of 2024, the outlook for the Japanese economy remained uncertain. While wages continued to rise, businesses and consumers remained cautious due to the impacts of monetary tightening, volatile exchange rates, persistently high energy prices, and geopolitical risks.

In this business environment, during the first nine months of 2024, the Group undertook various initiatives based on its reform pillars aimed at regrowth from the previous fiscal year: reforming the mail-order and online shopping business structure, enhancing company-wide sales and profits, and deepening and expanding co-creation. However, in the mail-order and online shopping business, despite improvements, efforts to rebuild customer engagement, including a review of catalog distribution strategies and sales promotions exploiting LINE and other social media, failed to produce the expected results. Moreover, orders were significantly lower than planned, especially for seasonal products, due to numerous days with above-average temperatures including record-breaking heat waves in September and beyond. These factors led sales to fall year on year. As a result, despite efforts to reduce fixed costs, including measures to cut executive compensation continuing from July 2024, net sales in the first nine months of 2024 decreased 10.6% YoY to 32,051 million yen, operating loss was 3,278 million yen (compared with a loss of 4,958 million yen in the first nine months of 2023), and ordinary loss was 3,228 million yen (compared with a loss of 5,002 million yen in the first nine months of 2023). Loss attributable to owners of parent was 2,814 million yen (compared with a loss of 4,664 million yen in the first nine months of 2023).

Business segment performance was as follows.

(Mail-order and Online Shopping Business)

In the mail-order and online shopping business, which focuses on online and catalog sales, the Group revised Belle Maison's preferential program in the first nine months to improve engagement with customers. However, we were unable to achieve the anticipated results. Additionally, there were many days with warmer than average temperatures, including a record-breaking heat wave that continued from September onward. Consequently, orders for seasonal products and others fell significantly below plan. Furthermore, we held sales to boost inventory clearance. As a result, consolidated sales in the mail-order and online shopping business decreased 11.9% YoY to 27,607 million yen in the first nine months of 2024. There was an operating loss of 3,606 million yen compared with a loss of 5,229 million yen in the first nine months of 2023.

(Corporates Business)

The corporates business, which provides products and services to corporations, made good progress in obtaining corporate orders for the use of consignment sales projects and agency services such as logistics operations, leading to improved profitability. However, due to a downturn in advertising orders, consolidated sales in the corporates business decreased 4.7% YoY to 2,921 million yen in the first nine months of 2024. Operating profit increased 373.1% YoY to 94 million yen.

(Insurance Business)

This business provides support, mainly to Belle Maison members, for choosing the most suitable insurance policies. Consolidated sales decreased 2.8% YoY to 366 million yen in the first nine months of 2024 and operating profit decreased 11.6% YoY to 180 million yen.

(Others)

Consolidated sales in other businesses, which include the childcare support business, increased 7.3% YoY to 1,155 million yen in the first nine months of 2024. Operating profit increased 14.1% YoY to 52 million yen.

(2) Financial Position

(Balance sheet position)

Assets totaled 26,733 million yen at the end of the third quarter of 2024, a decrease of 5,076 million yen from the end of 2023.

Current assets decreased 4,189 million yen to 14,711 million yen. The factors included a decrease of 3,573 million yen in cash and deposits. Non-current assets decreased 887 million yen to 12,021 million yen. The factors included decreases of 650 million yen in investments and other assets, 148 million yen in intangible assets and 87 million yen in property, plant and equipment.

Current liabilities decreased 1,007 million yen to 10,274 million yen. The factors included an increase of 1,500 million yen in short-term borrowings, while there was a decrease of 1,900 million yen in electronically recorded obligations-operating. Non-current liabilities decreased 830 million yen to 2,417 million yen. The main factors included a decrease of 430 million yen in long-term borrowings.

Net assets decreased 3,238 million yen to 14,040 million yen. The factors included booking of loss attributable to owners of parent of 2,814 million yen. As a result, the equity ratio was 52.5%.

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

Senshukai revised its consolidated forecasts for fiscal year 2024 (January 1, 2024 to December 31, 2024) that was released on February 13, 2024. For more information, please refer to “Notice of Revisions to Full-Year Consolidated Forecasts” (Japanese version only) that was announced today (November 11, 2024).

(4) Important Matters Regarding Going Concern Assumption, Etc.

The Senshukai Group recorded a significant operating loss and loss attributable to owners of parent for two consecutive years in 2023. In the first nine months of 2024, 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 measures to resolve this situation and the going-concern assumption, please refer to “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Going Concern Assumption).”

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

(Millions of yen)

	Fiscal Year 2023 (As of Dec. 31, 2023)	3Q 2024 (As of Sep. 30, 2024)
Assets		
Current assets		
Cash and deposits	6,481	2,907
Notes and accounts receivable - trade, and contract assets	1,562	1,003
Merchandise and finished goods	6,026	6,934
Accounts receivable-other	3,684	2,793
Other	1,232	1,138
Allowance for doubtful accounts	(86)	(66)
Total current assets	18,900	14,711
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,662	3,595
Land	5,402	5,402
Other, net	150	129
Total property, plant and equipment	9,215	9,127
Intangible assets		
Other	1,142	993
Total intangible assets	1,142	993
Investments and other assets		
Investment securities	1,719	1,034
Other	831	865
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	2,550	1,899
Total non-current assets	12,908	12,021
Total assets	31,809	26,733

	(Millions of yen)	
	Fiscal Year 2023 (As of Dec. 31, 2023)	3Q 2024 (As of Sep. 30, 2024)
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	3,954	2,054
Accounts payable-trade	1,988	1,913
Short-term borrowings	620	2,120
Income taxes payable	32	21
Contract liabilities	627	485
Provision for bonuses	33	220
Provision for loss on business closure	-	74
Other	4,024	3,384
Total current liabilities	11,282	10,274
Non-current liabilities		
Long-term borrowings	2,674	2,244
Retirement benefit liability	5	5
Provision for loss on business closure	170	-
Other	398	167
Total non-current liabilities	3,248	2,417
Total liabilities	14,530	12,692
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	30,084	30,084
Retained earnings	(8,891)	(11,720)
Treasury shares	(2,953)	(2,953)
Total shareholders' equity	18,339	15,510
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	302	18
Deferred gains or losses on hedges	71	(57)
Revaluation reserve for land	(1,516)	(1,516)
Foreign currency translation adjustment	77	88
Total accumulated other comprehensive income	(1,065)	(1,466)
Non-controlling interests	5	(3)
Total net assets	17,279	14,040
Total liabilities and net assets	31,809	26,733

(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 2023 (Jan. 1, 2023 – Sep. 30, 2023)	3Q 2024 (Jan. 1, 2024 – Sep. 30, 2024)
Net sales	35,845	32,051
Cost of sales	17,979	15,577
Gross profit	17,866	16,473
Selling, general and administrative expenses	22,824	19,752
Operating loss	(4,958)	(3,278)
Non-operating income		
Interest and dividend income	21	5
Share of profit of entities accounted for using equity method	-	26
Gain on adjustment of accounts payable	147	194
Reversal of provision loss on business closure	-	52
Other	262	27
Total non-operating income	432	307
Non-operating expenses		
Interest expenses	34	35
Foreign exchange losses	-	102
Share of loss of entities accounted for using equity method	41	-
Commission expenses	185	110
Penalty loss	139	-
Other	76	9
Total non-operating expenses	475	257
Ordinary loss	(5,002)	(3,228)
Extraordinary income		
Gain on sale of non-current assets	218	-
Gain on sale of investment securities	137	549
Total extraordinary income	355	549
Extraordinary losses		
Loss on sale and retirement of non-current assets	4	0
Loss on sale of shares of subsidiaries and associates	-	24
Impairment losses	99	3
Total extraordinary losses	103	28
Loss before income taxes	(4,751)	(2,707)
Income taxes	(72)	114
Loss	(4,679)	(2,822)
Loss attributable to non-controlling interests	(14)	(8)
Loss attributable to owners of parent	(4,664)	(2,814)

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

(Millions of yen)

	3Q 2023 (Jan. 1, 2023 – Sep. 30, 2023)	3Q 2024 (Jan. 1, 2024 – Sep. 30, 2024)
Loss	(4,679)	(2,822)
Other comprehensive income		
Valuation difference on available-for-sale securities	231	(283)
Deferred gains or losses on hedges	202	(129)
Foreign currency translation adjustment	16	10
Share of other comprehensive income of entities accounted for using equity method	15	0
Total other comprehensive income	465	(400)
Comprehensive income	(4,213)	(3,223)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(4,199)	(3,215)
Comprehensive income attributable to non-controlling interests	(14)	(8)

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

The Senshukai Group recorded a significant operating loss and loss attributable to owners of parent for two consecutive years in 2023. In the first nine months of 2024, 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.

Additionally, in response to the downward revision of our earnings forecast, we are considering further measures to improve our performance.

<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.

Regarding funds, as of the end of the third quarter of 2024, the Group possessed cash and deposits totaling 2,907 million yen. We have concluded a commitment line agreement with a financial institution for a total of 6,000 million yen. The term of the agreement expires on March 31, 2025, and enables borrowing for a maximum of six months from the date of execution. Moreover, a special overdraft agreement of 5,500 million yen (with an expiry date of July 31, 2025) has been set up as an overdraft facility in the eventuality that the commitment line agreement cannot be continued. As stated in "2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Significant Subsequent Events)," the expiry date of the special overdraft agreement extended to October 31, 2025. As of the end of the third quarter of 2024, the balance of outstanding borrowings under the aforementioned commitment line was 1,500 million yen and there were no outstanding borrowings under 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 expire.

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

Furthermore, the quarterly 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 early profitability. In the medium- to long-term, we strive to become a company that meets the expectations of all stakeholders.

(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.

(Segment Information)

I 3Q 2023 (Jan. 1, 2023 – Sep. 30, 2023)

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 and online shopping business	Corporates business	Insurance business	Sub-total				
Net sales								
Sales to customers	31,326	3,064	377	34,768	1,076	35,845	-	35,845
Inter-segment sales or transfers	183	42	-	226	0	227	(227)	-
Total	31,510	3,107	377	34,995	1,077	36,073	(227)	35,845
Segment profit (loss)	(5,229)	20	204	(5,005)	46	(4,958)	-	(4,958)

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

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

II 3Q 2024 (Jan. 1, 2024 – Sep. 30, 2024)

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 and online shopping business	Corporates business	Insurance business	Sub-total				
Net sales								
Sales to customers	27,607	2,921	366	30,895	1,155	32,051	-	32,051
Inter-segment sales or transfers	161	43	-	204	0	204	(204)	-
Total	27,768	2,964	366	31,100	1,155	32,256	(204)	32,051
Segment profit (loss)	(3,606)	94	180	(3,331)	52	(3,278)	-	(3,278)

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

2. 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 Changes in Shareholders' Equity)

Not applicable.

(Notes on Quarterly Consolidated Statement of Cash Flows)

The Quarterly Consolidated Statement of Cash Flows for 3Q 2024 have not been prepared. Depreciation (includes amortization expenses related to intangible assets) for 3Q of each fiscal year are as follows.

(Millions of yen)

	3Q 2023 (Jan. 1, 2023 – Sep. 30, 2023)	3Q 2024 (Jan. 1, 2024 – Sep. 30, 2024)
Depreciation	549	538

(Significant Subsequent Events)

(Renewal of overdraft agreement)

In accordance with a resolution of the Board of Directors' meeting held on October 31, 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

Interest rate: Base rate + spread

Contract signing date: October 31, 2024

Contract maturity date: October 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.*