

Summary of Financial Results for the Third Quarter of Fiscal Year 2021 (Nine Months Ended September 30, 2021)

[Japanese GAAP]

October 29, 2021

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

Stock exchange: Tokyo Stock Exchange, First Section

Stock code: 8165

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

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Scheduled date of filing of Quarterly Report: November 12, 2021

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 2021 (January 1, 2021 – September 30, 2021)

(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 2021	53,540	(10.0)	462	-	503	-	479	-
3Q 2020	59,502	(8.4)	(1,075)	-	(4,577)	-	(5,070)	-

Note: Comprehensive income (millions of yen) 3Q 2021: 880 (-%) 3Q 2020: (5,336) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q 2021	10.36	-
3Q 2020	(126.15)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
3Q 2021	51,636	33,323	64.5	710.53
Fiscal Year 2020	63,933	32,088	50.2	699.01

Reference: Shareholders' equity (millions of yen) 3Q 2021: 33,323 Fiscal Year 2020: 32,088

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year 2020	-	0.00	-	0.00	0.00
Fiscal Year 2021	-	3.00	-	-	-
Fiscal Year 2021 (forecasts)	-	-	-	4.00	7.00

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

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

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year 2021	76,000	(8.7)	1,000	-	1,100	-	1,150	-	24.76

Note: Revision to the most recently announced consolidated outlook: None

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Excluded: 3 (Dears Brain Inc., PLANETWORK CO., LTD., WONDERSTAGE Co., Ltd.)

Note: Please refer to “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Changes in Significant Subsidiaries during the Period)” on page 8 for further information.

(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 8 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 2021:	52,056,993 shares	Fiscal Year 2020:	52,056,993 shares
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2) Number of treasury shares at the end of the period

3Q 2021:	5,158,150 shares	Fiscal Year 2020:	6,151,627 shares
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3) Average number of shares outstanding during the period

3Q 2021:	46,293,785 shares	3Q 2020:	40,191,445 shares
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* This quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Cautionary statement with respect to forward-looking statements

Cautionary statement with respect to forecasts

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

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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 2021, the business environment remained severe due to repeated declarations of a state of emergency following the resurgence of COVID-19 and restrictions on economic activity. Although there is progress with COVID-19 vaccinations, the outlook continues to be uncertain.

In Japan's retail industry, store sales continue to face a difficult situation due to restrictions on going out and reduced opening hours, while mail-order and online shopping are now more firmly established as a shopping channel among consumers than was the case before the COVID-19 pandemic.

In this business environment, sales were firm in the mail-order and online shopping business compared with 2019 pre-COVID-19 levels. However, net sales in the first nine months of 2021 were down 10.0% year-over-year to 53,540 million yen because the special demand for stay-at-home consumption caused by the COVID-19 pandemic settled down compared to the same period of the previous year and, following the sale of shares at the end of the first quarter, a subsidiary company in the bridal business was excluded from the Group's scope of consolidation. For the same reasons, the mail-order and online shopping businesses reported a decline in earnings, but the bridal business moved into the black. As a result, there was an operating profit of 462 million yen compared with an operating loss of 1,075 million yen in the first nine months of 2020. Ordinary profit was 503 million yen compared with a loss of 4,577 million yen in the first nine months of 2020. Profit attributable to owners of parent was 479 million yen compared with a loss of 5,070 million yen in the first nine months of 2020.

Business segment performance was as follows.

From the first quarter of 2021, the credit card business, which was formerly included in the insurance and credit card business segment, has been reclassified and included in the mail-order and online shopping business segment for better coordination to the membership measures in this business. In line with this change, the insurance and credit card business segment has been renamed as the "insurance business" segment. Prior-year segment information has been revised to incorporate this new segment to permit comparisons.

(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, decreased 4.9% year-over-year to 46,521 million yen in the first nine months. Operating profit decreased 34.9% to 1,153 million yen.

Although the number of members making purchases increased steadily by comparison to the pre-COVID-19 pandemic 2019, the level of special demand for stay-at-home consumption eased from the level recorded in the previous year. Other reasons for the decrease in sales and earnings included the strengthening of the framework for the implementation of the medium-term management plan announced in July this year, and the increase in fees and personnel expenses incurred to get ready for the 2022 renewal of the core system, which is an essential premise for our business reform using digital technologies.

(Bridal Business)

Consolidated subsidiaries Dears Brain Inc. and PLANETWORK CO., LTD., and WONDERSTAGE Co., Ltd., a wholly owned subsidiary of Dears Brain and a sub-subsubsidiary of Senshukai, were excluded from the scope of consolidation following the sales of all shares of Dears Brain and PLANETWORK on March 31, 2021. In the first quarter of 2021, when the Group had withdrawn from these businesses, consolidated sales in the bridal business decreased 51.3% year-over-year to 1,733 million yen and there was an operating loss of 1,045 million yen compared with a loss of 505 million yen in the first quarter of 2020.

(Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, decreased 4.8% year-over-year to 3,622 million yen. Operating profit decreased 20.2% to 289 million yen.

Although orders for outsourced logistics and call center services increased due to the expansion of mail-order sales to corporate clients, both sales and earnings decreased due to a reduction in the use of novelty services compared to the previous year.

(Insurance Business)

This business provides support, mainly to Belle Maison members, for choosing the most suitable insurance policies. Consolidated sales increased 4.6% year-over-year to 284 million yen and operating profit decreased 4.1% to 116 million yen.

(Others)

Consolidated sales in other businesses, which include childcare support business and manufacturing and sales of cosmetics, increased 1.6% year-over-year to 1,378 million yen. There was an operating loss of 51 million yen compared with a loss of 0 million yen in the first nine months of 2020.

(2) Explanation of Financial Position**(Balance sheet position)**

Consolidated subsidiaries Dears Brain Inc. and PLANETWORK CO., LTD., and WONDERSTAGE Co., Ltd., a wholly owned subsidiary of Dears Brain and a sub-subsidiary of Senshukai, were excluded from the scope of consolidation following the sales of all shares of Dears Brain and PLANETWORK at the end of the first quarter of 2021.

Main reason for the following decreases in non-current assets, short-term borrowings and long-term borrowings is the effect of the exclusion of these companies from the consolidation.

Assets totaled 51,636 million yen at the end of the third quarter of 2021, a decrease of 12,297 million yen from the end of 2020.

Current assets decreased 2,836 million yen to 34,776 million yen. The factors included decreases of 4,256 million yen in cash and deposits and 1,079 million yen in notes and accounts receivable-trade, while there was an increase of 2,458 million yen in merchandise and finished goods. Non-current assets decreased 9,461 million yen to 16,860 million yen. The factors included decreases of 8,194 million yen in property, plant and equipment, 144 million yen in intangible assets and 1,121 million yen in investments and other assets.

Current liabilities decreased 6,369 million yen to 14,961 million yen. The factors included decreases of 3,108 million yen in other and 2,683 million yen in short-term borrowings. Non-current liabilities decreased 7,163 million yen to 3,351 million yen. The main factor was a decrease of 5,735 million yen in long-term borrowings.

Net assets increased 1,234 million yen to 33,323 million yen. The factors included booking of profit attributable to owners of parent of 479 million yen, and a decrease of 572 million yen in treasury shares due to disposal of treasury stock for restricted stock compensation. As a result, the equity ratio was 64.5%.

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

Senshukai currently maintains its consolidated forecasts for fiscal year 2021 (January 1, 2021 to December 31, 2021) that was released on March 23, 2021. Although the outlook remains uncertain due to the impact of COVID-19, we remain firmly dedicated to contributing to society by fulfilling our duty as a retail company that provides support to consumers by supplying merchandise and new ideas that match the needs of our customers.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Millions of yen)	
	Fiscal Year 2020 (As of Dec. 31, 2020)	3Q 2021 (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	19,592	15,336
Notes and accounts receivable-trade	3,695	2,615
Merchandise and finished goods	7,173	9,632
Accounts receivable-other	5,529	4,955
Other	1,750	2,336
Allowance for doubtful accounts	(129)	(99)
Total current assets	37,612	34,776
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,641	4,122
Land	6,809	5,524
Other, net	726	335
Total property, plant and equipment	18,176	9,982
Intangible assets		
Goodwill	1,203	-
Other	1,954	3,013
Total intangible assets	3,158	3,013
Investments and other assets		
Investment securities	2,102	2,369
Other	3,004	1,614
Allowance for doubtful accounts	(120)	(119)
Total investments and other assets	4,986	3,864
Total non-current assets	26,321	16,860
Total assets	63,933	51,636

	(Millions of yen)	
	Fiscal Year 2020 (As of Dec. 31, 2020)	3Q 2021 (As of Sep. 30, 2021)
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	6,185	5,539
Accounts payable-trade	3,620	3,695
Short-term borrowings	3,263	580
Income taxes payable	52	15
Provision for sales promotion expenses	216	230
Provision for bonuses	194	212
Other	7,797	4,688
Total current liabilities	21,330	14,961
Non-current liabilities		
Long-term borrowings	8,845	3,110
Retirement benefit liability	5	5
Other	1,664	236
Total non-current liabilities	10,514	3,351
Total liabilities	31,845	18,313
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	30,264	30,084
Retained earnings	6,768	7,210
Treasury shares	(3,525)	(2,953)
Total shareholders' equity	33,606	34,440
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	195	242
Deferred gains or losses on hedges	(78)	113
Revaluation reserve for land	(1,516)	(1,516)
Foreign currency translation adjustment	(118)	41
Total accumulated other comprehensive income	(1,518)	(1,117)
Total net assets	32,088	33,323
Total liabilities and net assets	63,933	51,636

(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 2020 (Jan. 1, 2020 – Sep. 30, 2020)	3Q 2021 (Jan. 1, 2021 – Sep. 30, 2021)
Net sales	59,502	53,540
Cost of sales	29,602	26,561
Gross profit	29,899	26,979
Selling, general and administrative expenses	30,975	26,516
Operating profit (loss)	(1,075)	462
Non-operating income		
Interest income	16	8
Dividend income	28	17
Share of profit of entities accounted for using equity method	-	17
Gain on adjustment of account payable	163	60
Subsidy income	304	165
Other	143	157
Total non-operating income	655	427
Non-operating expenses		
Interest expenses	103	66
Share of loss of entities accounted for using equity method	3,530	-
Commission expenses	361	238
Other	162	80
Total non-operating expenses	4,157	385
Ordinary profit (loss)	(4,577)	503
Extraordinary income		
Subsidy income	18	162
Gain on change in equity	13	-
Total extraordinary income	32	162
Extraordinary losses		
Loss on sales and retirement of non-current assets	14	1
Loss on tax purpose reduction entry of non-current assets	18	151
Impairment loss	140	-
Loss on valuation of investment securities	38	-
Loss on sales of shares of subsidiaries and associates	-	11
Loss on disaster	14	-
Loss on change in equity	-	110
Total extraordinary losses	226	274
Profit (loss) before income taxes	(4,771)	392
Income taxes	298	(87)
Profit (loss)	(5,070)	479
Profit (loss) attributable to owners of parent	(5,070)	479

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

(Millions of yen)

	3Q 2020 (Jan. 1, 2020 – Sep. 30, 2020)	3Q 2021 (Jan. 1, 2021 – Sep. 30, 2021)
Profit (loss)	(5,070)	479
Other comprehensive income		
Valuation difference on available-for-sale securities	(182)	48
Deferred gains or losses on hedges	(59)	177
Foreign currency translation adjustment	(0)	(11)
Share of other comprehensive income of entities accounted for using equity method	(23)	185
Total other comprehensive income	(266)	400
Comprehensive income	(5,336)	880
Comprehensive income attributable to Comprehensive income attributable to owners of parent	(5,336)	880

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

Not applicable.

(Significant Changes in Shareholders' Equity)

Pursuant to a resolution of the Board of Directors' meeting held on April 16, 2021, Senshukai disposed of/sold its own shares (196,442 shares) with a due date of May 14, 2021 for its directors (excluding the outside directors and directors dispatched by its capital and business alliance partners) and for the directors of its subsidiaries as restricted stock compensation.

Furthermore, in accordance with the same Board of Directors' resolution, Senshukai disposed of/sold its own shares (801,860 shares) with a due date of June 25, 2021 for employees of Senshukai and its subsidiaries (wholly owned subsidiaries) as restricted stock compensation.

As a result, treasury shares decreased 572 million yen during the first nine months of 2021 to 2,953 million yen at the end of the third quarter.

(Changes in Significant Subsidiaries during the Period)

Significant subsidiaries Dears Brain Inc. and PLANETWORK CO., LTD., and WONDERSTAGE Co., Ltd., a wholly owned subsidiary of Dears Brain and a sub-subsidiary of Senshukai, were excluded from the scope of consolidation following the sales of all shares of Dears Brain and PLANETWORK at the end of the first quarter of 2021.

(Important Changes in the Scope of Application of the Equity Method)

In the second quarter of 2021, Watabe Wedding Corporation, an equity-method affiliate of Senshukai was excluded from the scope of application of the equity method due to a decrease in Senshukai's equity interest in Watabe Wedding following a third-party allotment of new shares by Watabe Wedding and the free transfer of a portion of its shares.

Furthermore, in the third quarter of 2021, this company completed the procedures for the settlement of the proceeds associated with the disposal of fractional shares following the company's reverse stock split.

(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 its consolidated subsidiaries have not used the provisions of Paragraph 44 of Implementation Guidance on Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) in accordance with the treatment in Paragraph 3 of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System

(ASBJ Practical Issues Task Force (PITF) No. 39, March 31, 2020). As a result, deferred tax assets and deferred tax liabilities are based on the tax law prior to these amendments.

(Uncertainty of accounting estimates)

At the end of the third quarter of 2021, the business environment remained severe due to restrictions on economic activity and sluggish personal consumption caused by the resurgence of COVID-19. The outlook continues to be uncertain, but Senshukai believes that this situation will have only a negligible effect on business activities of the Group. 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 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 business	Sub-total				
Net sales									
Sales to customers	48,902	5,164	3,805	272	58,145	1,357	59,502	-	59,502
Inter-segment sales or transfers	197	10	47	-	254	0	254	(254)	-
Total	49,099	5,174	3,853	272	58,400	1,357	59,757	(254)	59,502
Segment profit (loss)	1,772	(3,333)	362	121	(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.

II 3Q 2021 (Jan. 1, 2021 – Sep. 30, 2021)

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 business	Sub-total				
Net sales									
Sales to customers	46,521	1,733	3,622	284	52,161	1,378	53,540	-	53,540
Inter-segment sales or transfers	208	5	26	-	239	0	239	(239)	-
Total	46,729	1,738	3,649	284	52,401	1,378	53,780	(239)	53,540
Segment profit (loss)	1,153	(1,045)	289	116	513	(51)	462	0	462

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 revisions for reportable segments

In the first quarter of 2021, the credit card business, which was formerly included in the insurance and credit card business segment, has been reclassified and included in the mail-order and online shopping business segment for better coordination to the mail-order and online shopping business. In line with this change, the insurance and credit card business segment has been renamed as the “insurance business” segment.

Prior-year segment information has been revised to incorporate this new segment to permit comparisons.

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

Significant changes in the amount of goodwill

In the bridal business, all shares of consolidated subsidiaries Dears Brain Inc. and PLANETWORK CO., LTD. were sold at the end of the first quarter of 2021. As a result of the sales of these subsidiaries shares, goodwill decreased 1,158 million yen.

4. Information related to assets for each reportable segment

Significant decrease in assets due to decrease in number of subsidiaries

Consolidated subsidiaries Dears Brain Inc. and PLANETWORK CO., LTD., and WONDERSTAGE Co., Ltd., a wholly owned subsidiary of Dears Brain and a sub-subsidiary of Senshukai, were excluded from the scope of consolidation following the sales of all shares of Dears Brain and PLANETWORK at the end of the first quarter of 2021. As a result, segment assets of the bridal business for the third quarter of 2021 decreased 14,911 million yen, compared with the end of 2020.

** 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.*