

Summary of Financial Results for the First Quarter of Fiscal Year 2022 (Three Months Ended March 31, 2022)

[Japanese GAAP]

May 13, 2022

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

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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 1st Quarter of 2022 (January 1, 2022 – March 31, 2022)

(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 | % |
| 1Q 2022 | 12,009 | - | (2,794) | - | (2,727) | - | (2,728) | - |
| 1Q 2021 | 18,655 | (6.0) | (388) | - | (373) | - | (290) | - |

Note: Comprehensive income (millions of yen) 1Q 2022: (2,590) (-%) 1Q 2021: 89 (-%)

| | Net income per share | Diluted net income per share |
|---------|----------------------|------------------------------|
| | Yen | Yen |
| 1Q 2022 | (58.20) | - |
| 1Q 2021 | (6.32) | - |

Note: Beginning with the first quarter 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 the first quarter of 2022 incorporate this accounting standard and comparisons with the first quarter of the previous fiscal year are omitted.

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| 1Q 2022 | 48,673 | 30,418 | 62.5 | 648.76 |
| Fiscal Year 2021 | 52,476 | 33,202 | 63.3 | 708.09 |

Reference: Shareholders' equity (millions of yen) 1Q 2022: 30,418 Fiscal Year 2021: 33,202

Note: Beginning with the first quarter of 2022, Senshukai has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). All figures for the first quarter of 2022 incorporate this accounting standard.

2. Dividends

| | Dividend per share | | | | |
|------------------------------|--------------------|-------------|----------|-------------|-------------|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total |
| Fiscal Year 2021 | Yen - | Yen 3.00 | Yen - | Yen 4.00 | Yen 7.00 |
| Fiscal Year 2022 | - | - | - | - | - |
| Fiscal Year 2022 (forecasts) | - | 0.00 | - | 0.00 | 0.00 |

Note: Revision to the most recently announced dividend forecast: Yes

For more information, please refer to "Notice of Revisions to Consolidated Outlook and Dividends (Dividend Suspension)" (Japanese version only) that was announced today (May 13, 2022).

3. Consolidated Outlook for Fiscal Year 2022 (January 1, 2022 – December 31, 2022)

(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 2022 | 68,000 | (7.0) | (4,200) | - | (4,100) | - | (4,000) | - | (85.31) |

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

For more information, please refer to "Notice of Revisions to Consolidated Outlook and Dividends (Dividend Suspension)" (Japanese version only) that was announced today (May 13, 2022).

*** Notes**

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

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

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

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

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: Please refer to “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 8 for further information.

(4) Number of shares outstanding (common shares)

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

| | | | |
|----------|-------------------|-------------------|-------------------|
| 1Q 2022: | 52,056,993 shares | Fiscal Year 2021: | 52,056,993 shares |
|----------|-------------------|-------------------|-------------------|

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

| | | | |
|----------|------------------|-------------------|------------------|
| 1Q 2022: | 5,170,735 shares | Fiscal Year 2021: | 5,167,335 shares |
|----------|------------------|-------------------|------------------|

3) Average number of shares outstanding during the period

| | | | |
|----------|-------------------|----------|-------------------|
| 1Q 2022: | 46,887,429 shares | 1Q 2021: | 45,905,333 shares |
|----------|-------------------|----------|-------------------|

* 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

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

Beginning with the first quarter of 2022, Senshukai has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). As a result, the explanation of results of operations for the first quarter of 2022 does not show the amount of increase or decrease compared with the same period of 2021.

In the first quarter (January 1 to March 31) of 2022, there were restrictions on economic activity in some areas of Japan and consumer spending remained sluggish as the omicron variant sparked a rapid increase in COVID-19 cases. Restrictions were eased by the end of March due to pandemic safety measures and progress with vaccinations. However, the outlook for the economy is uncertain because the end of the pandemic is still not in sight and there are concerns about the possibility of the appearance of a new variant. In addition, consumer sentiment in Japan is declining because of growing geopolitical risk involving the Ukraine crisis and other events, the high price of crude oil, rising U.S. interest rates, exchange rate volatility and the increasing cost of household necessities.

In Japan's retail industry, competition became even more intense due to a growing number of new competitors in the mail-order and online shopping business as e-commerce are firmly established as shopping channels among customers. Furthermore, a full-scale recovery of Japan's retail sector is unlikely to happen soon because of the decline in demand linked to staying home for safety during the pandemic and the low level of consumer motivation to make purchases.

In January 2022, the replacement of the core IT system was completed as planned. Replacement activities included revisions and business process reengineering for systems and business processes that had become complicated. The purpose was to better enable Senshukai to adapt to a variety of changes in the business climate. Although a long time and many measures were used to prepare for the new IT system, there were problems after the system became operational. For example, some orders were not properly received and some merchandise could not be delivered on schedule. Furthermore, the impact of these problems broadened for several reasons, including a large volume of calls at the call center, and it became difficult to conduct normal business operations. The new system is currently operating properly. However, sales at Belle Maison business in the core mail-order and online shopping business have been far below the level of the same period of 2021. Furthermore, first quarter sales in 2021 include sales of the bridal business, which was subsequently excluded from the consolidated financial statements. As a result, net sales in the first quarter of 2022 were 12,009 million yen (compared with 18,655 million yen in the first quarter of 2021), operating loss was 2,794 million yen (compared with a loss of 388 million yen in the first quarter of 2021), ordinary loss was 2,727 million yen (compared with a loss of 373 million yen in the first quarter of 2021). Loss attributable to owners of parent was 2,728 million yen (compared with a loss of 290 million yen in the first quarter of 2021).

Business segment performance was as follows.

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 on March 31, 2021. The Group had withdrawn from these businesses. Consequently, there is no longer business segment information for the bridal business beginning with the first quarter of 2022.

(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, was 10,309 million yen in the first quarter of 2022 compared with 15,337 million yen in the first quarter of 2021. There was an operating loss of 2,879 million yen compared with a profit of 531 million yen in the first quarter of 2021.

In the first quarter, there were problems involving the launch of the new core IT system following the completion of the replacement of the previous system in January 2022. To deal with these problems, marketing activities were suspended and the level of normal business activities was reduced in order to focus on handling inquiries from customers. Due to this situation, sales of Belle Maison in this segment were far below sales one year earlier, resulting in lower segment sales and earnings.

(Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, were 1,131 million yen compared with 1,065 million yen in the first quarter of 2021. Operating profit was 55 million yen compared with a profit of 109 million yen in the first quarter of 2021.

In the first quarter, as the omicron variant made the pandemic worse in Japan, sales increased because of strong sales of COVID-19 testing kits and other products involving the pandemic as people used them as novelties. Earnings were lower because of the higher sales volume of products with a low gross margin.

(Insurance Business)

This business provides support, mainly to Belle Maison members, for choosing the most suitable insurance policies. Consolidated sales were 87 million yen compared with 71 million yen in the first quarter of 2021 and operating profit was 26 million yen compared with a profit of 13 million yen in the first quarter of 2021.

(Others)

Consolidated sales in other businesses, which include childcare support business and manufacturing and sales of cosmetics, were 481 million yen compared with 447 million yen in the first quarter of 2021. Operating profit was 3 million yen compared with a profit of 3 million yen in the first quarter of 2021.

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

Assets totaled 48,673 million yen at the end of the first quarter of 2022, a decrease of 3,803 million yen from the end of 2021.

Current assets decreased 3,926 million yen to 30,536 million yen. The factors included a decrease of 5,552 million yen in cash and deposits, while there were increases of 1,194 million yen in merchandise and finished goods and 477 million yen in other. Non-current assets increased 123 million yen to 18,136 million yen. The factors included an increase of 318 million yen in intangible assets, while there were decreases of 82 million yen in property, plant and equipment and 111 million yen in investments and other assets.

Current liabilities decreased 964 million yen to 15,001 million yen. The factors included decreases of 1,559 million yen in electronically recorded obligations-operating, 272 million yen in other and 220 million yen in provision for sales promotion expenses, while there were increases of 591 million yen in contract liabilities and 399 million yen in accounts payable-trade. Non-current liabilities decreased 54 million yen to 3,253 million yen. The main factors included a decrease of 105 million yen in long-term borrowings.

Net assets decreased 2,784 million yen to 30,418 million yen. The factors included booking of loss attributable to owners of parent of 2,728 million yen. As a result, the equity ratio was 62.5%.

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

In response to problems that began after the January 2022 completion of the replacement of the core IT system, Senshukai has suspended marketing activities and reduced the level of normal business activities in order to place priority on handling inquiries from customers. Due to this situation, sales of Belle Maison in the core mail-order and online shopping business were far below sales one year earlier. Currently, marketing activities have resumed, the volume of business activities is increasing and there are new actions for achieving a sales recovery. The entire Senshukai Group is firmly committed to restoring the trust of customers and achieving a recovery in the volume of orders. The forecast for 2022 reflects these issues and activities.

More information is in “Notice of Revisions to Consolidated Outlook and Dividends (Dividend Suspension)” (Japanese version only) that was announced on May 13, 2022.

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

(Millions of yen)

| | Fiscal Year 2021 (As of Dec. 31, 2021) | 1Q 2022 (As of Mar. 31, 2022) |
|--|---|----------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 15,665 | 10,113 |
| Notes and accounts receivable-trade, and contract assets | 2,235 | 2,541 |
| Merchandise and finished goods | 9,123 | 10,317 |
| Accounts receivable-other | 5,654 | 5,264 |
| Other | 1,911 | 2,389 |
| Allowance for doubtful accounts | (126) | (90) |
| Total current assets | 34,463 | 30,536 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 4,076 | 4,002 |
| Land | 5,524 | 5,524 |
| Other, net | 379 | 370 |
| Total property, plant and equipment | 9,980 | 9,897 |
| Intangible assets | | |
| Other | 4,204 | 4,522 |
| Total intangible assets | 4,204 | 4,522 |
| Investments and other assets | | |
| Investment securities | 2,493 | 2,426 |
| Other | 1,425 | 1,380 |
| Allowance for doubtful accounts | (90) | (90) |
| Total investments and other assets | 3,828 | 3,716 |
| Total non-current assets | 18,013 | 18,136 |
| Total assets | 52,476 | 48,673 |

| | (Millions of yen) | |
|--|---|----------------------------------|
| | Fiscal Year 2021 (As of Dec. 31, 2021) | 1Q 2022 (As of Mar. 31, 2022) |
| Liabilities | | |
| Current liabilities | | |
| Electronically recorded obligations-operating | 6,612 | 5,053 |
| Accounts payable-trade | 2,761 | 3,161 |
| Short-term borrowings | 550 | 500 |
| Income taxes payable | 22 | 10 |
| Contract liabilities | - | 591 |
| Provision for bonuses for directors (and other officers) | 6 | - |
| Provision for sales promotion expenses | 258 | 38 |
| Provision for bonuses | 33 | 197 |
| Other | 5,721 | 5,449 |
| Total current liabilities | 15,966 | 15,001 |
| Non-current liabilities | | |
| Long-term borrowings | 3,005 | 2,900 |
| Retirement benefit liability | 6 | 6 |
| Other | 296 | 347 |
| Total non-current liabilities | 3,307 | 3,253 |
| Total liabilities | 19,274 | 18,255 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 100 | 100 |
| Capital surplus | 30,084 | 30,084 |
| Retained earnings | 7,061 | 4,139 |
| Treasury shares | (2,953) | (2,953) |
| Total shareholders' equity | 34,291 | 31,370 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 267 | 274 |
| Deferred gains or losses on hedges | 119 | 240 |
| Revaluation reserve for land | (1,516) | (1,516) |
| Foreign currency translation adjustment | 38 | 49 |
| Total accumulated other comprehensive income | (1,089) | (952) |
| Total net assets | 33,202 | 30,418 |
| Total liabilities and net assets | 52,476 | 48,673 |

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

(Millions of yen)

| | 1Q 2021 (Jan. 1, 2021 – Mar. 31, 2021) | 1Q 2022 (Jan. 1, 2022 – Mar. 31, 2022) |
|---|---|---|
| Net sales | 18,655 | 12,009 |
| Cost of sales | 9,268 | 6,384 |
| Gross profit | 9,386 | 5,625 |
| Selling, general and administrative expenses | 9,774 | 8,419 |
| Operating loss | (388) | (2,794) |
| Non-operating income | | |
| Interest and dividend income | 6 | 0 |
| Gain on adjustment of account payable | 19 | 39 |
| Reversal of allowance for doubtful accounts | 1 | 29 |
| Other | 224 | 57 |
| Total non-operating income | 252 | 127 |
| Non-operating expenses | | |
| Interest expenses | 39 | 10 |
| Rental expenses on real estate | - | 15 |
| Share of loss of entities accounted for using equity method | 35 | 21 |
| Commission expenses | 138 | 7 |
| Other | 24 | 4 |
| Total non-operating expenses | 238 | 60 |
| Ordinary loss | (373) | (2,727) |
| Extraordinary losses | | |
| Loss on sale and retirement of non-current assets | 0 | 4 |
| Loss on sale of shares of subsidiaries and associates | 9 | - |
| Loss on change in equity | 26 | - |
| Total extraordinary losses | 36 | 4 |
| Loss before income taxes | (409) | (2,732) |
| Income taxes | (119) | (3) |
| Loss | (290) | (2,728) |
| Loss attributable to owners of parent | (290) | (2,728) |

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

(Millions of yen)

| | 1Q 2021 (Jan. 1, 2021 – Mar. 31, 2021) | 1Q 2022 (Jan. 1, 2022 – Mar. 31, 2022) |
|--|---|---|
| Loss | (290) | (2,728) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 73 | 6 |
| Deferred gains or losses on hedges | 213 | 120 |
| Foreign currency translation adjustment | (6) | 3 |
| Share of other comprehensive income of entities accounted for using equity method | 99 | 6 |
| Total other comprehensive income | <u>379</u> | <u>137</u> |
| Comprehensive income | <u>89</u> | <u>(2,590)</u> |
| Comprehensive income attributable to Comprehensive income attributable to owners of parent | 89 | (2,590) |

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

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(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.

(Changes in Accounting Policies)

(Application of the Accounting Standards for Revenue Recognition)

Senshukai is applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the first quarter of 2022. Based on these standards, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers.

The main changes resulting from the application of the Accounting Standard for Revenue Recognition are as follows:

(1) Revenue recognition concerning the Senshukai Point Program

In prior years, Senshukai maintained a provision for sales promotion expenses based on the expected future use of points that customers receive when they buy Senshukai merchandise in order to prepare for the use of these points. Additions to this allowance were classified as selling, general and administrative expenses. In accordance with the new revenue recognition standard, these points are now classified as a performance obligation and recognition of revenue is deferred.

(2) Revenue recognition concerning point programs of other companies

In prior years, an amount equivalent to the value of the points of point programs operated by other companies was classified as selling, general and administrative expenses. In accordance with the new revenue recognition standard, the calculation of transaction prices concerning merchandise sale performance obligations to customers now uses the method of recognizing revenue after deducting transaction prices as the amount recovered for third parties.

(3) Revenue recognition concerning shipping expenses paid by customers

In prior years, shipping expenses received from customers were deducted from selling, general and administrative expenses. In accordance with the new revenue recognition standard, payments from customers for shipping expenses are now recognized as revenue because the merchandise shipping service is included in the performance obligation involving the provision of merchandise to customers.

(4) Revenue recognition concerning sales of merchandise that may be returned

In prior years, for transactions of merchandise that may be returned, the value of merchandise returned by customers was deducted from sales when Senshukai confirmed the receipt of the merchandise. In accordance with the provision of the new revenue recognition standard concerning variable compensation, revenue for merchandise that is expected to be returned is not recognized when the merchandise is sold. Instead, a refund liability is now recognized that is equivalent to the payment that was or will be received for the applicable merchandise.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures in the proviso to Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of 2022, is added to or subtracted from retained earnings at the beginning of the first quarter of 2022. The new standard is then applied beginning with this amount of retained earnings.

As a result, net sales increased 242 million yen and cost of sales decreased 10 million yen. Operating loss increased 42 million yen, and ordinary loss and loss before income taxes increased 52 million yen each. In addition, there was a decrease of 5 million yen in retained earnings at the beginning of 2022.

Due to the application of the Accounting Standard for Revenue Recognition, “Notes and accounts receivable-trade” that was presented in the current assets section of the consolidated balance sheet in 2021 is, from the first quarter of 2022, included in “Notes and accounts receivable-trade, and contract assets.” In addition, the amount corresponding to contract liabilities in the revenue recognition standards, that was included in “Other” presented in the current liabilities section in 2021 is, from the first quarter of 2022, stated as “Contract liabilities.” In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the prior year’s consolidated financial statements to conform to the new presentation.

Application of the Accounting Standards for Measurement of Fair Value

Senshukai has applied the Accounting Standard for Measurement of Fair Value (ASBJ Statement No. 30, July 4, 2019) and other standards from the beginning of the first quarter of 2022, and has applied the new accounting policies set forth by the Accounting Standard for Measurement of Fair Value, etc. prospectively in accordance with the transitional measures prescribed in Paragraph 19 of the Accounting Standard for Measurement of Fair Value and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect of the application of these standards on the quarterly consolidated financial statements.

(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)

The COVID-19 pandemic had not ended as of the end of March 2022 and the outlook is uncertain, due in part to concerns about the possibility of the appearance of a new variant. Furthermore, consumer sentiment in Japan is declining because of growing geopolitical risk involving the Ukraine crisis and other events, the high price of crude oil, rising U.S. interest rates, exchange rate volatility and the increasing cost of household necessities. Senshukai assumes that these factors will have only a limited effect on accounting estimates. However, due to problems involving the launch of the new core IT system in January 2022, marketing activities were suspended and the level of normal business activities was reduced in order to focus on handling inquiries from customers. Due to this situation, sales of Belle Maison in the core mail-order and online shopping business were far below sales one year earlier, resulting in lower segment sales and earnings. Currently, marketing activities have resumed, the volume of business activities is increasing and there are new actions for achieving a sales recovery. The entire Senshukai Group is firmly committed to restoring the trust of customers and achieving a recovery in the volume of orders. Although Senshukai is using the best possible estimates based on information that is currently available,

a change in the business climate or problems involving the new core IT system may have an effect on the financial condition, results of operations and cash flows of the Senshukai Group.

(Segment Information)

I 1Q 2021 (Jan. 1, 2021 – Mar. 31, 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 | 15,337 | 1,733 | 1,065 | 71 | 18,207 | 447 | 18,655 | - | 18,655 |
| Inter-segment sales or transfers | 65 | 5 | 10 | - | 81 | - | 81 | (81) | - |
| Total | 15,402 | 1,738 | 1,076 | 71 | 18,289 | 447 | 18,736 | (81) | 18,655 |
| Segment profit (loss) | 531 | (1,045) | 109 | 13 | (391) | 3 | (388) | 0 | (388) |

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

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

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

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

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.

3. 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 first quarter of 2021 decreased 14,911 million yen, compared with the end of 2020.

II 1Q 2022 (Jan. 1, 2022 – Mar. 31, 2022)

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 | 10,309 | 1,131 | 87 | 11,527 | 481 | 12,009 | - | 12,009 |
| Inter-segment sales or transfers | 55 | 8 | - | 64 | - | 64 | (64) | - |
| Total | 10,365 | 1,140 | 87 | 11,592 | 481 | 12,074 | (64) | 12,009 |
| Segment profit (loss) | (2,879) | 55 | 26 | (2,798) | 3 | (2,794) | - | (2,794) |

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

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

2. Information related to revisions for reportable segments

In 2021, consolidated subsidiaries Dears Brain Inc. and PLANETWORK CO., LTD., and WONDERSTAGE Co., Ltd., a wholly owned subsidiary of Dears Brain and a sub-subsiary of Senshukai, were excluded from the scope of consolidation following the sales of all shares of Dears Brain and PLANETWORK. The Group had withdrawn from these businesses. Consequently, there is no longer business segment information for the bridal business beginning with the first quarter of 2022.

(Application of the Accounting Standards for Revenue Recognition)

As described in Changes in Accounting Policies, Senshukai has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of 2022 and changed the accounting method for revenue recognition. Accordingly, the method for calculating segment profit or loss has been changed as well.

The effect of this change was to increase net sales by 249 million yen and to increase segment loss by 42 million yen for the first quarter of 2022 in the mail-order and online shopping business. Net sales decreased 6 million yen and there was no change in segment profit in other businesses.

** 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.*