

Senshukai Co., Ltd.

Fiscal 2005 Earnings Presentation

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株式会社千趣会

January 27, 2006



BELLE MAISON

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Note: The all figures are prepared based on financial statements.

Results of Operations for Fiscal 2005

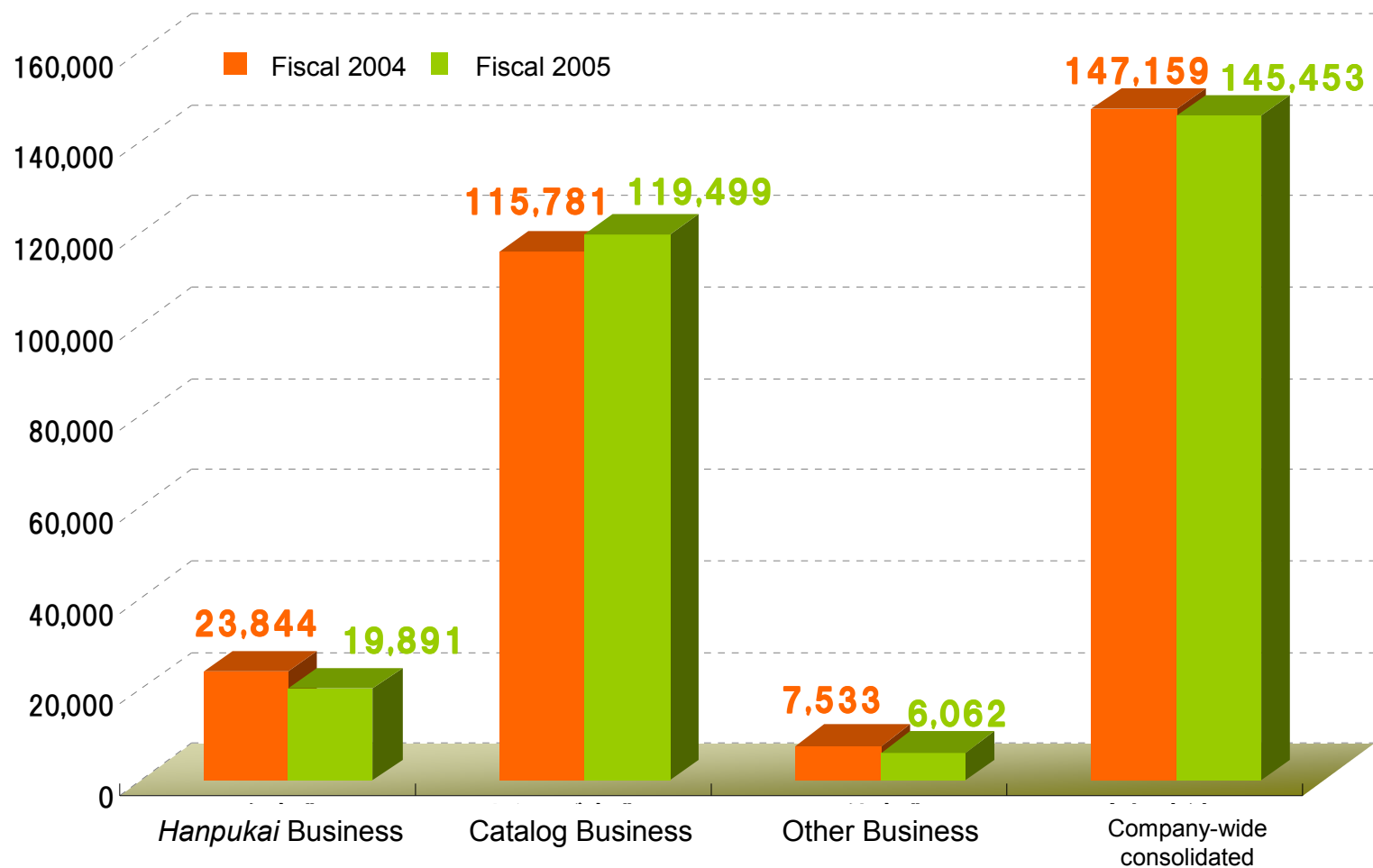
Consolidated Results of Operations for Fiscal 2005 (YoY Comparison)

(Millions of yen)

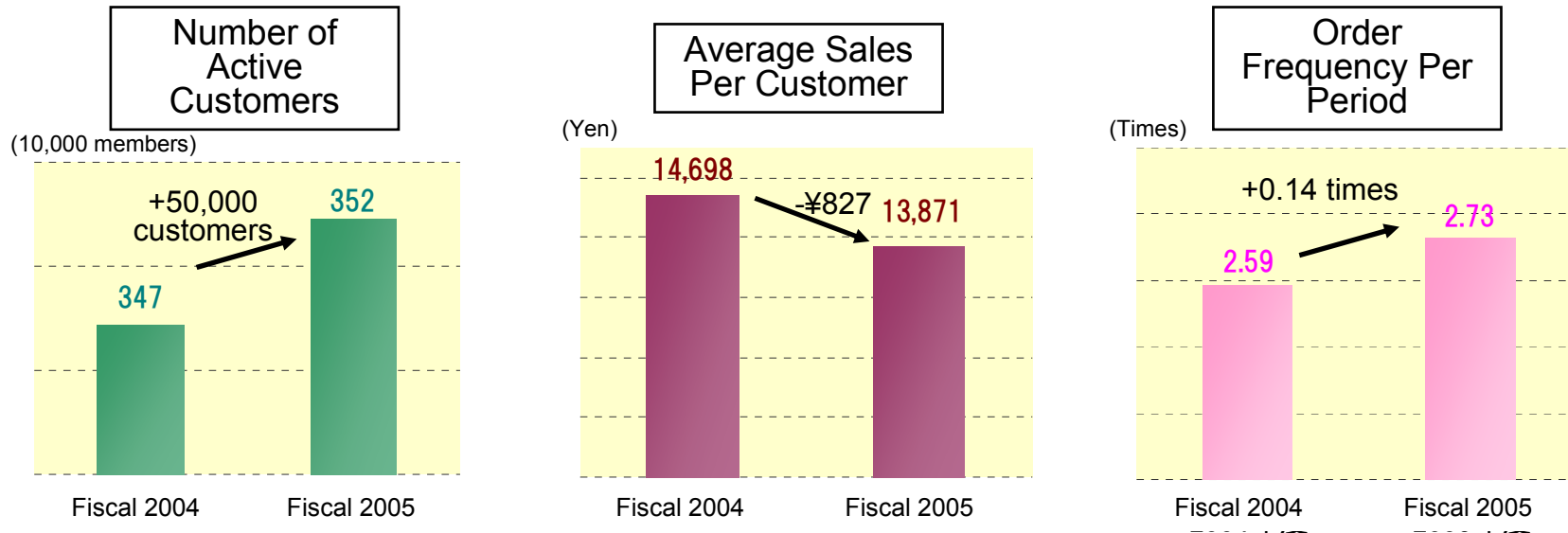
	Fiscal 2004	Comparison to Net Sales	Fiscal 2005	Comparison to Net Sales	Difference	YoY % Change
Net Sales	147,159	-	145,453	-	1,705	-1.2%
Cost of Sales	76,115	51.7%	75,173	51.7%	-941	-1.2%
Gross Profit	71,043	48.3%	70,279	48.3%	-764	-1.1%
SG&A Expenses	68,122	46.3%	66,847	45.9%	1,275	-1.9%
Operating Income	2,921	2.0%	3,432	2.4%	+511	+17.5%
Ordinary Income	3,033	2.1%	3,962	2.7%	+928	+30.6%
Net Income	1,231	0.8%	1,267	0.9%	+35	+2.9%

Net Sales by Business Segment for Fiscal 2005 (YoY Comparison)

(Millions of yen)



Factors Behind Increased Sales in Catalog Business

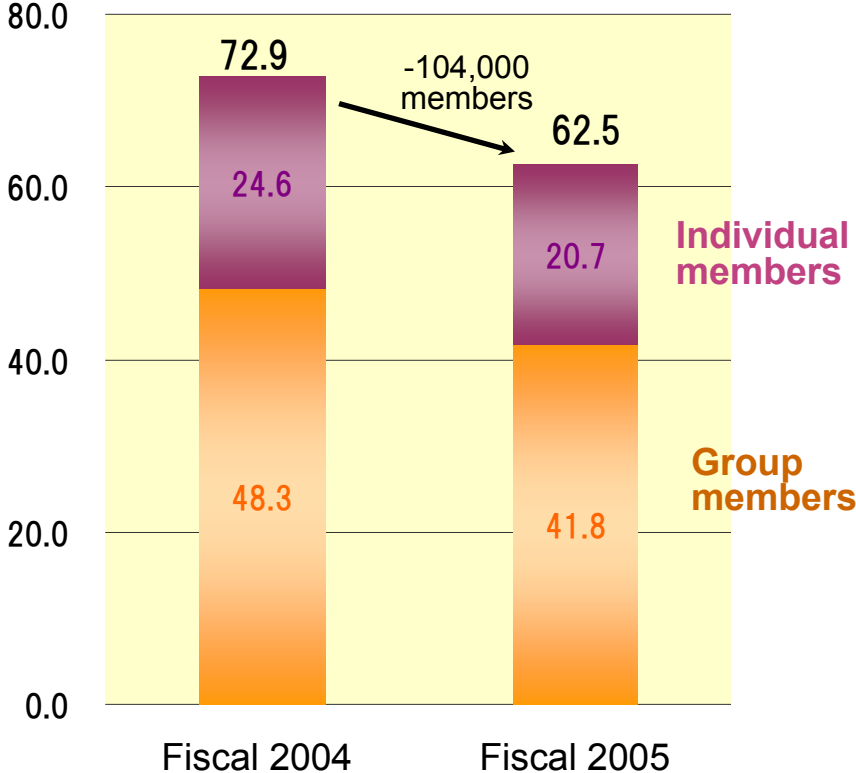


- ✓ Higher number of active customers due to increased retention of customers
- ✓ While sales per customer declined, higher order frequency also put annual order value on a recovery track
- ✓ Strong *Kurasu Fuku* performance
 - Contributed approx. ¥20.0 billion to net sales in fiscal 2005, as well as capturing new and returning members
 - Overall, apparel rose by approx. ¥5.0 billion year on year
- ✓ Interior goods catalogs regain momentum ⇒ *Sumai to Zakka* catalog sales up approx. ¥2.2 billion year on year
 - Fall and winter editions of *Shin Seikatsukan* catalog lifted sales over previous year

Factors Behind Lower Sales in *Hanpukai* Business

Number of Members

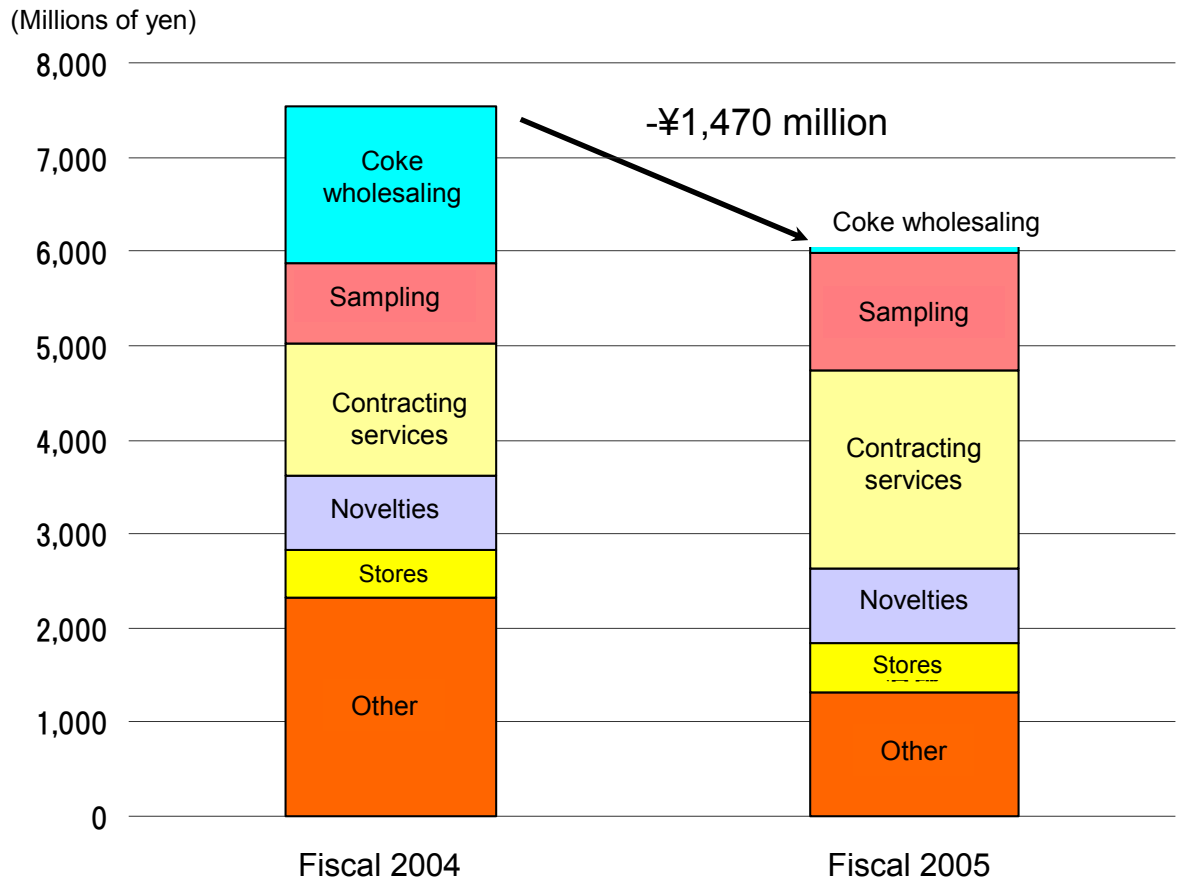
(10,000 members)



- Lower sales due to decrease in individual and group memberships
Forecasts predict further declines in group memberships
- Decline in gourmet food business sales
No hit products
YoY decline of approx. ¥0.9 billion
- Closure of sales bases in the second half of fiscal 2004 in response to lower sales
Maintained profitability through cost reductions

Factors Behind Lower Sales in Other Businesses

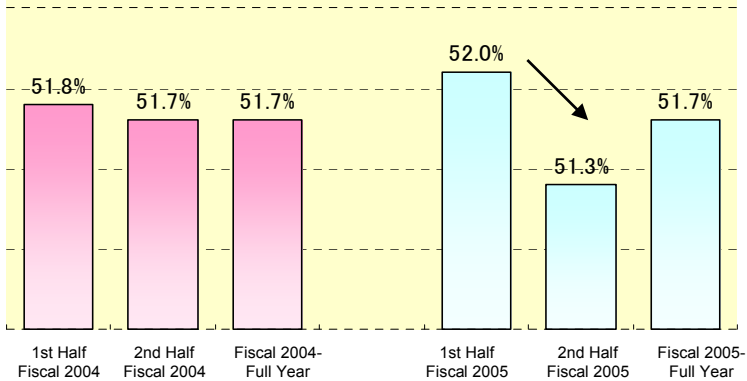
Net Sales



➤ In corporate business, changes in the recognition of sales from coke wholesaling (Switched from sales to commissions → decline of approx. ¥1.5 billion)

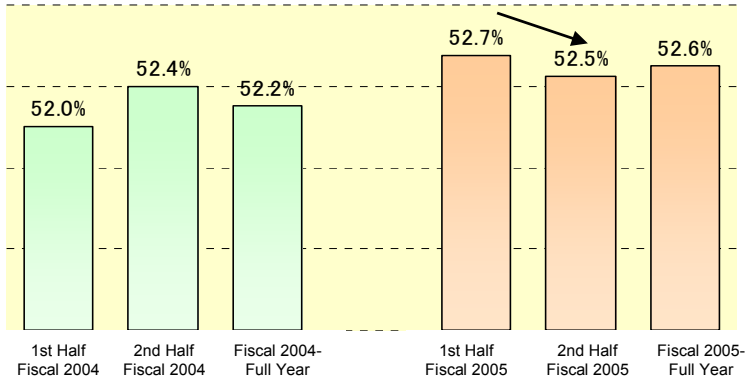
Cost-of-Sales Ratio Overview

Consolidated



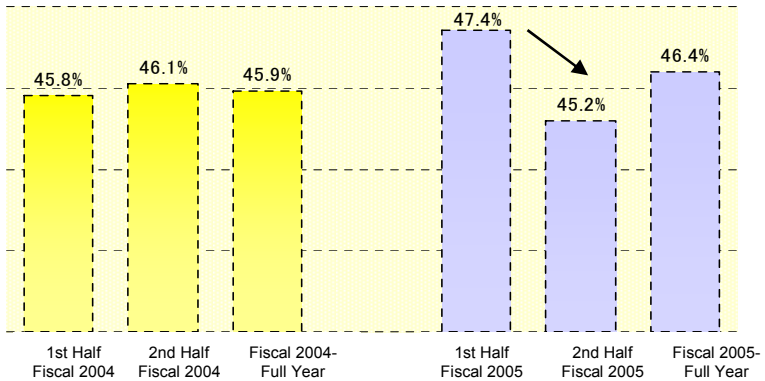
●All businesses lower in 2nd half of year

Catalog Business



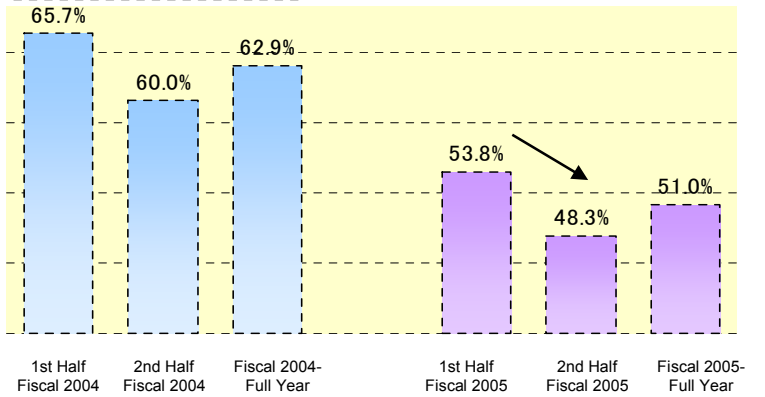
●Catalog Business Rise in cost-of-sales ratio accompanied higher unrealized losses

Hanpukai Business



●Hanpukai Business Results due to unrealized losses and higher depreciation accompanying inventory reductions

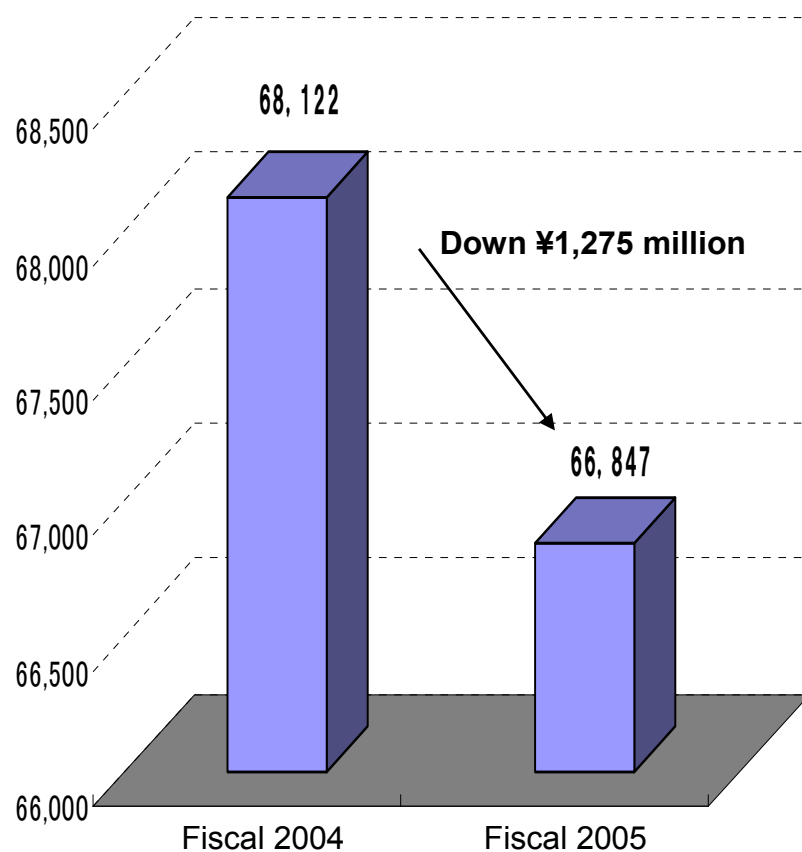
Other Businesses



●Lower cost-of-sales ratio due to change in recognition of sales from coke wholesale sales to commissions in corporate business

Breakdown of Changes in SG&A Expenses

(Millions of yen)



Catalog-related expenses	-1,137
Depreciation expenses	-484
Advertising and PR expenses	-583
Sales promotion expenses	1,094
Changes in other expenses	-165
Total Change	-1,275

- Lower catalog mailing costs due to lower mailing costs per item
- Lower printing costs due to lower catalog circulation
- Lower advertising and PR expenses from termination of TV and commercial spots in fiscal 2005
- Higher sales promotion expenses due to higher *Belle Maison* incentive point redemption rates

Application of Impairment Accounting and Transfer of Golf Business Operations

- Early application of accounting standards for impairment of fixed assets during the first half of fiscal 2005
 - Posting of ¥1.86 billion in impairment losses on a consolidated basis (Includes ¥1.73 billion from the Echizen Country Club and ¥0.13 billion for idle land)
- Golf business of subsidiary SENSUKAI GENERAL SERVICE Co., LTD. spun off and sold to a Goldman-Sachs Group company (Accordia Golf Co., Ltd.) to enhance financial position and promote efficient asset management.
 - Through these actions, the Company aims to concentrate management resources in mail-order sales and other core business to maximize corporate value.

Second-Half Highlights From Fiscal 2005-1

Newly established *Belle Maison* Call Center

Center opened on August 29 in Osaka as a pivotal customer service base.

The new center is expected to eventually expand to a system comprising 350 seats and nearly 500 telephone service representatives (operation staff).

On Sundays and holidays, the center will extend its hours from 5pm to a closing time of 9pm (same as weekdays).

Moreover, a system has been recently adopted that enables customer inquiry response histories, current response status and other information to be shared with the head office and other call centers nationwide.



Second-Half Highlights From Fiscal 2005 -2



Opening of *Belle Maison Market* *Utsunomiya*

This shop opened in the city of Utsunomiya, Tochigi Prefecture, on (Wed.) November 23, 2005. Targeting the Company's main customer base—new families—this shop is filled with original *Belle Maison* merchandise, particularly general goods for the kitchen and home, previously available only by catalog.

This latest opening brings the total number of *Belle Maison Market* shops to six across Japan.

Opening of *REBONDIR*

Minami Aoyama

This latest shop, serving as a private fitting room (reservation only) for *REBONDIR* catalog customers—typically sophisticated and fashion conscious women in their 20s and 30s—opened on (Tues.) September 13, 2005, in the Minami Aoyama district of Tokyo's Minato Ward.



Progress on the Medium-Term Management Plan (2005~2007)

SCM Promotion (Status of Each Indicator)

	Fiscal 2004 Results	Fiscal 2005 Results	Degree of Improvement	Fiscal 2007 Medium-term Management Plan Targets	
Reduction in distribution-related cost ratio	Direct transaction lead time	69 days	70.5 days		45 days
	Domestic indirect lead time	30 days	26 days		25 days
	Rapid Delivery Ratio*	73.5 %	78.4 %		85.0 %
	Delivery-to-order ratio	145.1 %	137.5 %		130.0 %
Reduction in cost-of-sales ratio	Inventory turnover	5.5 times	4.8 times		7.0 times
	Import ratio	62.2 %	66.1 %		70.0 %
	Direct transaction rate	10.1 %	11.7 %		15.0 %

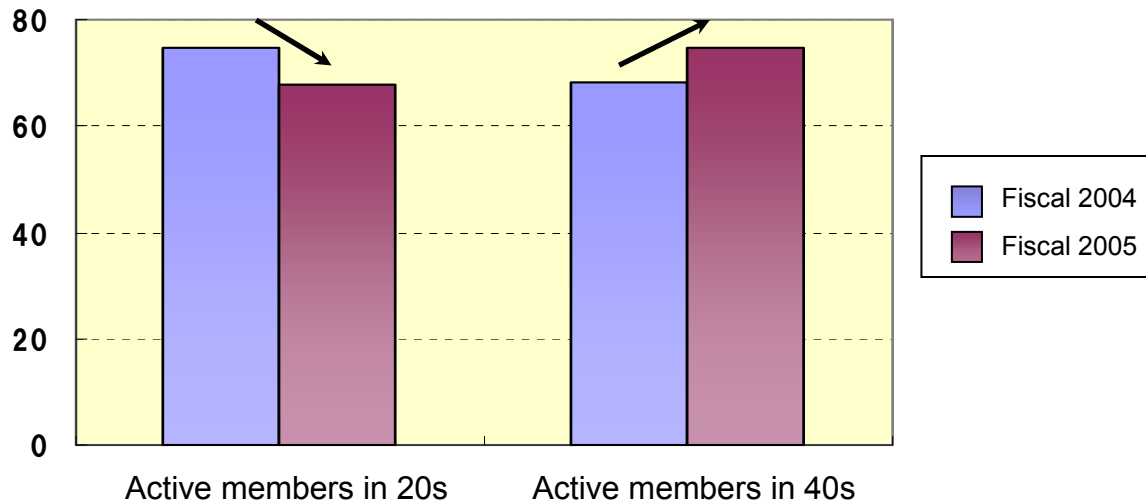
*The ratio of product in stock and available for immediate delivery.

● Direct transaction lead times grew due to robust sales of directly sourced overseas merchandise during the fall and winter.

The Company aims to shorten lead times and shrink inventories further through projects to improve forecast precision and enhance MD processes, as well as efforts to further bolster alliances with key suppliers.

Customer Base Enlargement (Capturing the 20s and 40s Demographics)

(10,000 people)

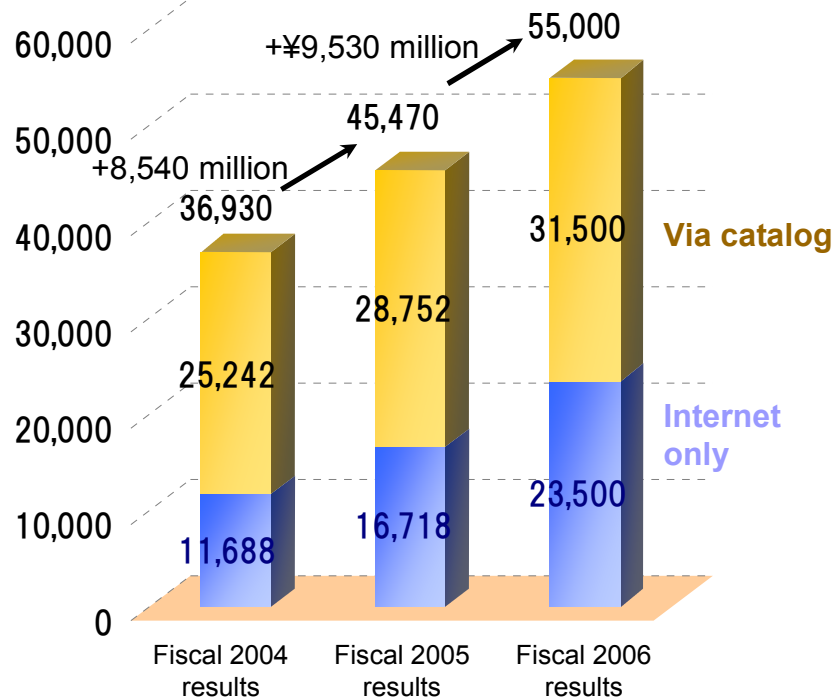


- Although efforts were made through *Petite Belle Maison* to capture new customers in their 20s, sales declined year on year. Future endeavors will focus on attracting customers via the Internet and mobile phones.
- New customers gained from the preview and launch editions of *Rashisa*, a fashion catalog for customers in their forties, and the launch edition of premium home interior catalog *Luxe living*, together with a higher retention rate for members in their forties, lifted sales year on year.

Internet Sales and Memberships

Internet Sales

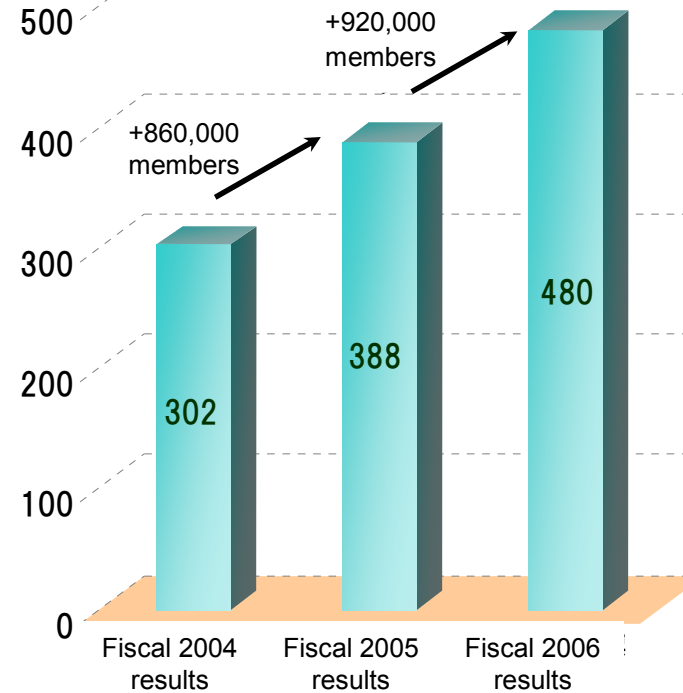
(Millions of yen)



● Web-merchandise development team launched to further expand Internet-only sales

Number of Bellene Members

(10,000 members)



● Aggressive initiatives are also under way in mobile commerce.

Consolidated Operating Forecasts for Fiscal 2006

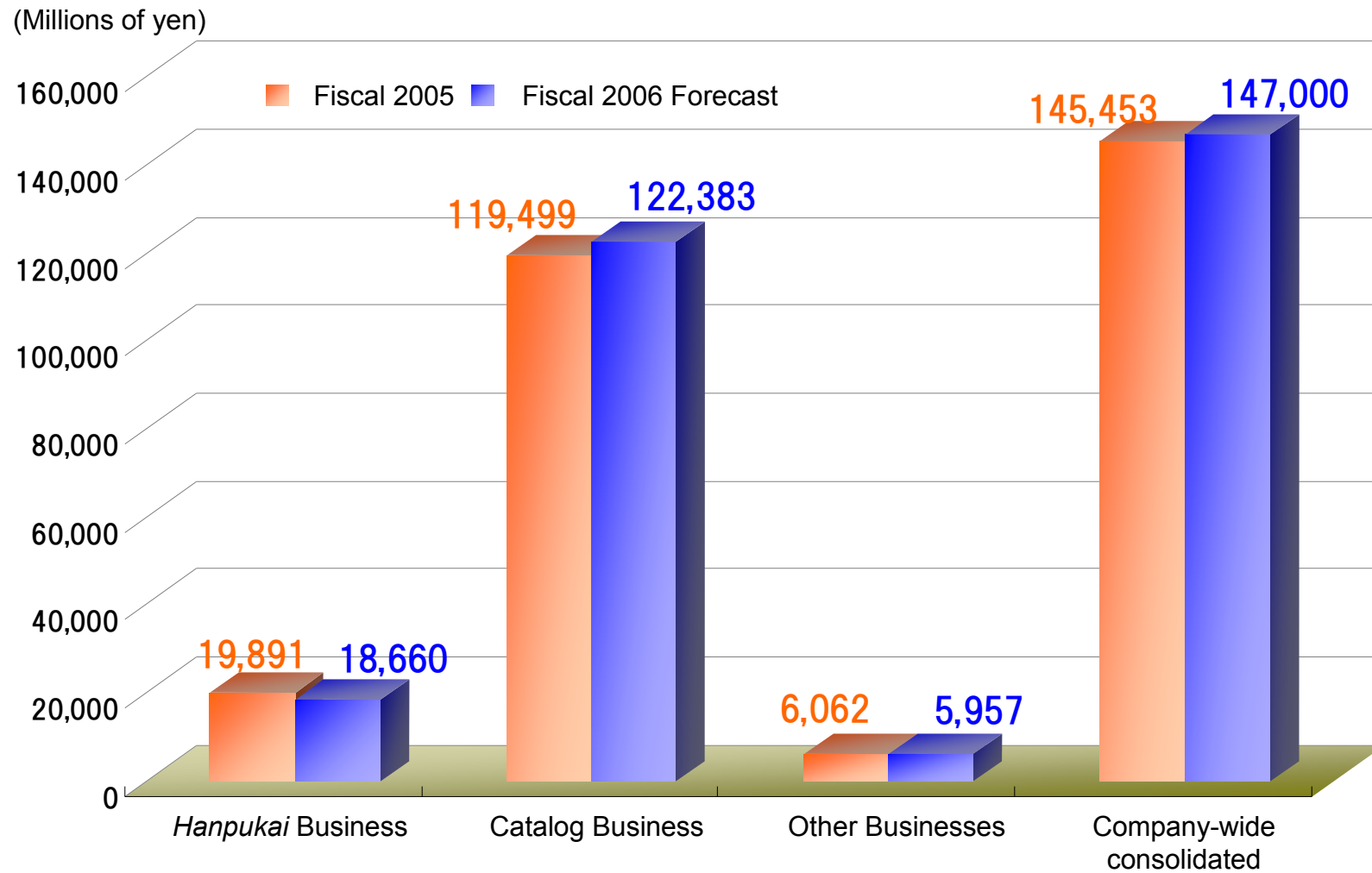
Consolidated Earnings Forecasts for Fiscal 2006 (YoY Comparison)

(Millions of yen)

	Fiscal 2005	Comparis on to Net Sales	Fiscal 2006	Comparis on to Net Sales	Difference	YoY % Change
Net Sales	145,453	-	147,000	-	+1,547	+1.1%
Cost of Sales	75,173	51.7%	73,894	50.3%	-1,279	-1.7%
Gross Profit	70,279	48.3%	73,106	49.7%	+2,827	+4.0%
SG&A Expenses	66,847	46.0%	68,905	46.8%	+2,058	+3.1%
Operating Income	3,432	2.4%	4,200	2.9%	+768	+22.4%
Ordinary Income	3,962	2.7%	4,200	2.9%	+238	+6.0%
Net Income	1,267	0.9%	3,200	2.2%	+1,933	+152.6%

●The projected full-year dividend is ¥20 per share to ensure a 30% dividend payout ratio in fiscal 2006.

Net Sales by Business Segment for Fiscal 2006 (YoY Comparison)



Major Initiatives for Fiscal 2006

Establish joint venture with DeNA

In collaboration with DeNA Co., Ltd., the Company will establish a joint venture where it will develop a mail-order business based on a mobile e-commerce format. Service at the new mobile shopping site, primarily targeting women in their 20s and selling mainly fashion and brand-related merchandise, is scheduled to begin in April 2006.

Launch of *Rashisa* and *Shoes Park*



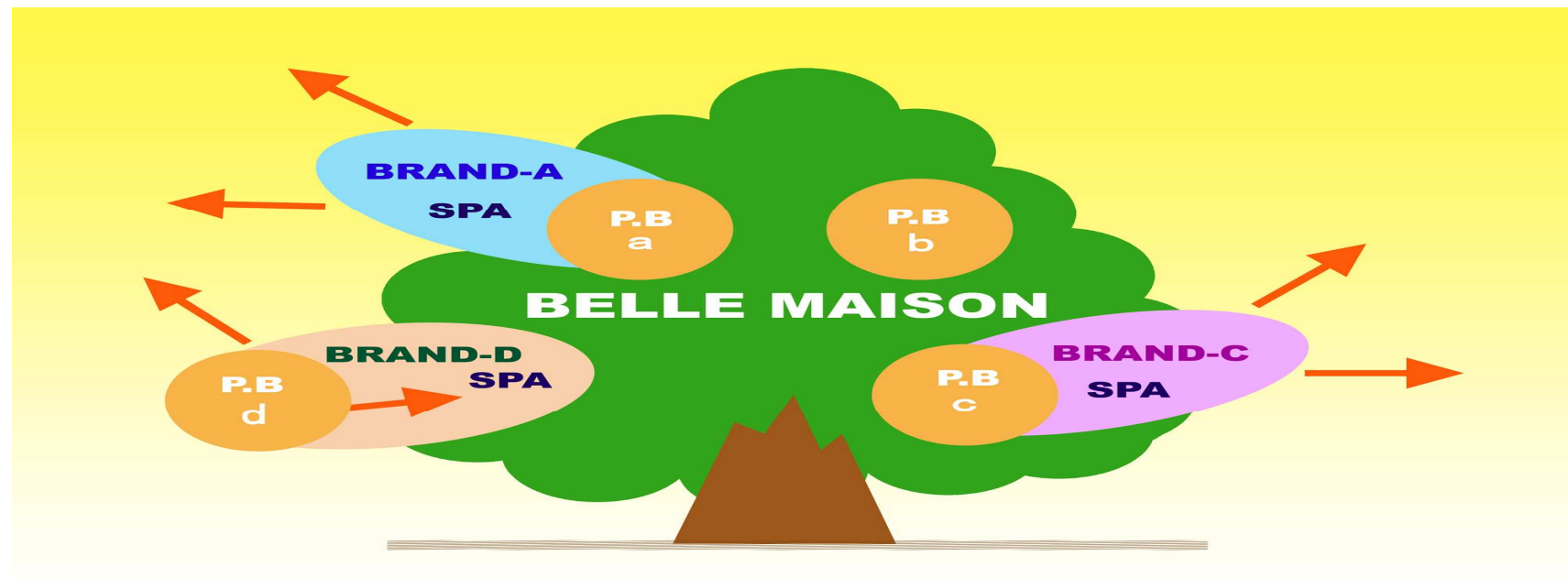
These covers are from the launch editions of *Rashisa*, a fashion brand catalog for women in their 40s, and *Shoes Park*, a comprehensive catalog with an emphasis on shoes.

Opening of the PET STREET (ST) site



PET ST, a web community site for pet owners, opened on January 11, 2006. This members-only site will appeal not only to dog and cat owners, but to anyone who loves pets.

Towards Becoming a Multi-Brand, Multi-Channel Company



● Senshukai is fully committed to broadening its customer base to multiply the number of customers and achieve further growth.

- ◆ Cultivate new customers by developing brands other than *Belle Maison*
- ◆ Each brand will combine marketing channels best suited to targeted customers and merchandise
- ◆ Focus efforts on creating non-mail order brands through content businesses utilizing IT and other initiatives

Medium-Term Initiatives for Maximizing Corporate Value

The Company has formulated and enacted a three-year, medium-term management plan designed to realize improved corporate value. This action notwithstanding, the Company, from the perspective of safeguarding shareholder interests, moved in December 2005 to frame a policy for responding to attempts at the large-scale purchase of its stock.

Senshukai believes that the decision to reject or accept such purchases should ultimately be deferred to the Company's shareholders. Senshukai's position is that this task requires it to provide shareholders with ample information to make such decisions.

To this end, Senshukai has set the following rules for purchases of its stock by specific shareholder groups that would raise their voting interest in the Company to 20% or more. These rules are: 1) prior to purchase, prospective buyers must present the Board of Directors with necessary and sufficient information concerning the purchase; and 2) the large-scale purchase of the Company's stock should commence only after a certain period of time has been allowed for the evaluation of the purchase by the Board of Directors. In the event of failure to follow these rules, the Company may conduct stock splits, issue stock options or take other countermeasures to safeguard shareholder interests.

On a related note, Senshukai established a special committee on January 19, 2006, to advise the Board of Directors on examining the pros and cons of countermeasures for dealing with attempts at the large-scale purchase of Company stock.

Earnings Announcement Schedule for Fiscal 2006

- April 21 (Fri.) First-quarter earnings announcement
- July 27 (Thurs.) Interim earnings announcement
- July 28 (Fri.) Interim earnings presentation (Tokyo)
- October 20 (Fri.) Third-quarter earnings announcement