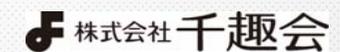


Senshukai Co., Ltd. Fiscal 2009 Earnings Presentation

January 28, 2010



Contents

- 1 . Results of Consolidated Operations for Fiscal 2009
- 2 . Progress on the Medium-Term Management Plan
(Fiscal 2008 – 2010)
- 3 . Consolidated Earnings Forecasts for Fiscal 2010
- 4 . Future Outlook
- 5 . Reference Materials



1. Results of Consolidated Operations for Fiscal 2009

Fiscal 2009 Consolidated Results Highlights

(Millions of yen)

❖ **Net Sales** **¥147.3bn (-6.9%)**

❖ **Operating Income** **- ¥2.4bn (-)**

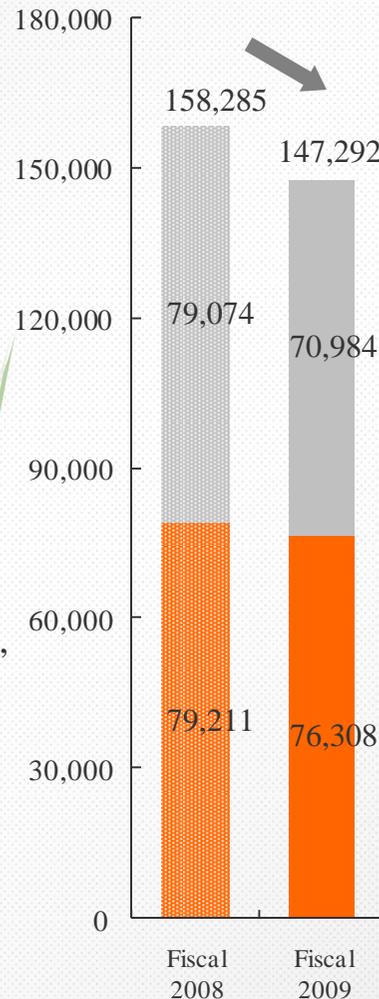
❖ **Net Income** **- ¥3.8bn (-)**

❖ Sales declined YoY as the deteriorating economy weighed on consumer sentiment, and due to unfavorable weather

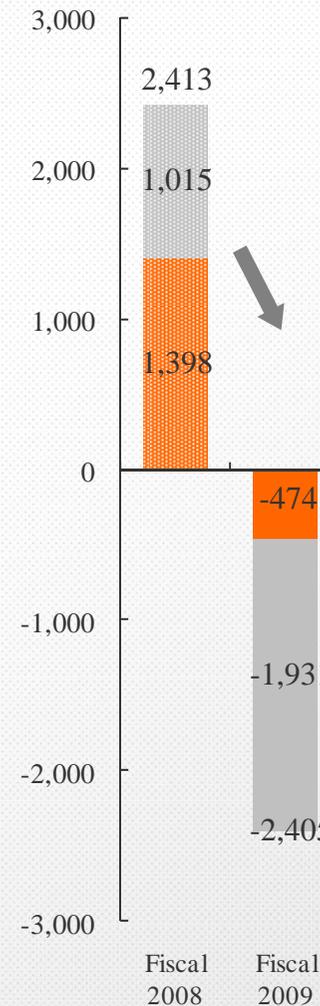
❖ Operating income turned negative due to a decline in gross profit from falling sales, and an increase in the cost-of-sales ratio from the introduction of more low-priced goods and an increase in valuation losses

❖ Net income was negative, despite foreign exchange gains, due to extraordinary losses booked for loss on valuation of investment securities

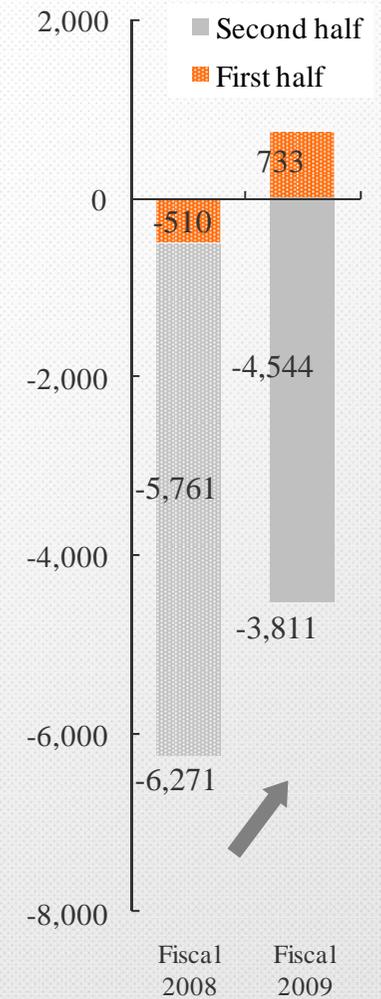
❖ **Net Sales**



❖ **Operating Income**



❖ **Net Income**



Consolidated Results of Operations for Fiscal 2009 (YoY Comparison)

(Millions of yen)

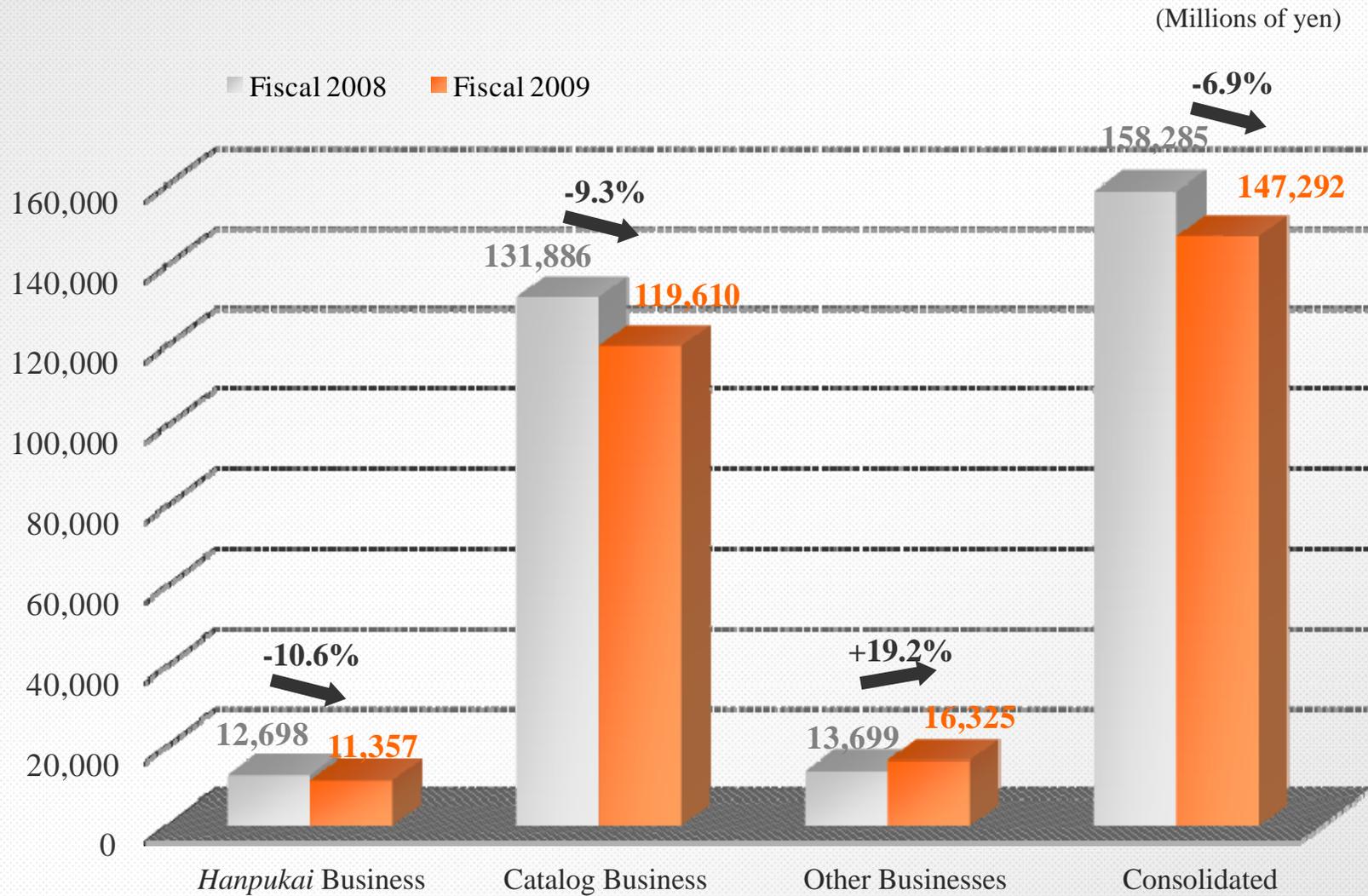
	Fiscal 2008		Fiscal 2009		YoY change	
		% to Net Sales		% to Net Sales	Amount	%
❖ Net Sales	158,285	-	147,292	-	-10,993	-6.9%
❖ Cost of Sales	81,912	51.7%	78,927	53.6%	-2,985	-3.6%
❖ Gross Profit	76,373	48.3%	68,364	46.4%	-8,009	-10.5%
❖ SG&A Expenses	73,960	46.8%	70,770	48.0%	-3,190	-4.3%
❖ Operating Income	2,413	1.5%	-2,405	-1.6%	-4,818	-
❖ Ordinary Income	-4,553	-2.9%	-1,410	-1.0%	3,143	-
❖ Net Income	-6,271	-4.0%	-3,811	-2.6%	2,460	-

Consolidated Balance Sheet for Fiscal 2009 (YoY Comparison)

(Millions of yen)

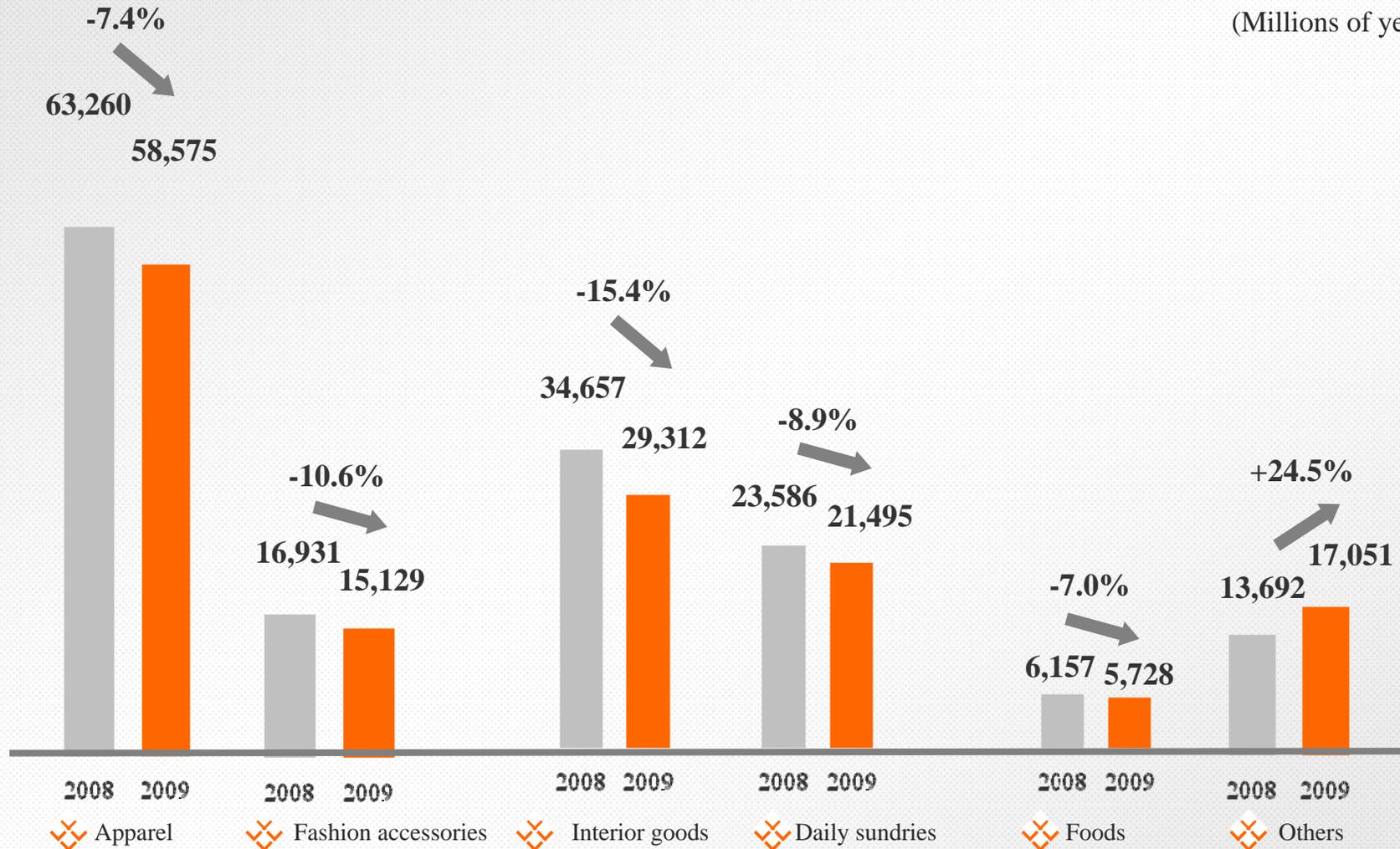
	Dec, 31, 2008	Dec, 31, 2009	Difference	Remarks
❖ Assets				
Current assets	49,998	42,117	-7,881	Inventories: promoted a policy of inventory reduction
Noncurrent assets	54,060	49,720	-4,340	Investment securities: sale of stock, impairment loss, etc. Deferred tax assets: decreased due to transfer
Total assets	104,059	91,837	-12,222	
❖ Liabilities				
Current liabilities	54,153	41,321	-12,832	Notes and accounts payable-trade: decreased due to lower purchases Short-term loans payable: decreased due to repayments Forward exchange contracts: cancellation of derivative contracts etc.
Noncurrent liabilities	5,631	12,609	6,978	Bonds payable: increased due to issuance Long-term loans payable: borrowed money for capital investment
Total liabilities	59,784	53,930	-5,854	
❖ Net Assets				
Shareholders' equity	54,830	48,140	-6,690	Retained earnings: booked a net loss Treasury stock: decreased due to purchase
Valuation and translation adjustments	-10,584	-10,247	337	
Minority interests	29	14	-15	
Total net assets	44,274	37,906	-6,368	
Total liabilities and net assets	104,059	91,837	-12,222	

Net Sales by Business Segment for Fiscal 2009 (YoY Comparison)



Trend in Sales by Product Category

(Millions of yen)



- ◆ In the “interior goods” category, sales were particularly weak for furniture, storage products, and fabrics
- ◆ The “others” category saw a contribution from the subsidiary Dears Brain which operates the wedding business

Current Situation of Catalog Business

	Fiscal 2008	Fiscal 2009	Difference
❖ Net sales (Millions of yen)	131,886	119,610	-12,276
❖ Number of active customers (10,000 members)	387	371	-16
❖ Average sales per customer (Yen)	12,953	12,267	-686
❖ Annual order frequency per customer (Times)	2.9	2.9	-
❖ Annual order amount per customer (Yen)	37,560	35,470	-2,090
❖ Catalog circulation (10,000 volume)	9,500	8,800	-700

❖ Due to fewer new members

❖ Decline due to an increase in online orders and the introduction of more low-priced products

Current Situation of *Hanpukai* Business

	Fiscal 2008	Fiscal 2009	Difference
❖ Net sales (Millions of yen)	12,698	11,357	-1,341
❖ Number of groups	81,000	70,000	-11,000
❖ Number of individuals	156,000	142,000	-14,000
❖ Number of group members	282,000	245,000	-37,000
❖ Number of individual members	156,000	142,000	-14,000

❖ Due to a slump in new product sales

❖ Declines due to failure to meet our target of improving the membership retention rate despite the introduction of *Belle Maison* incentive points

Current Situation of Other Businesses

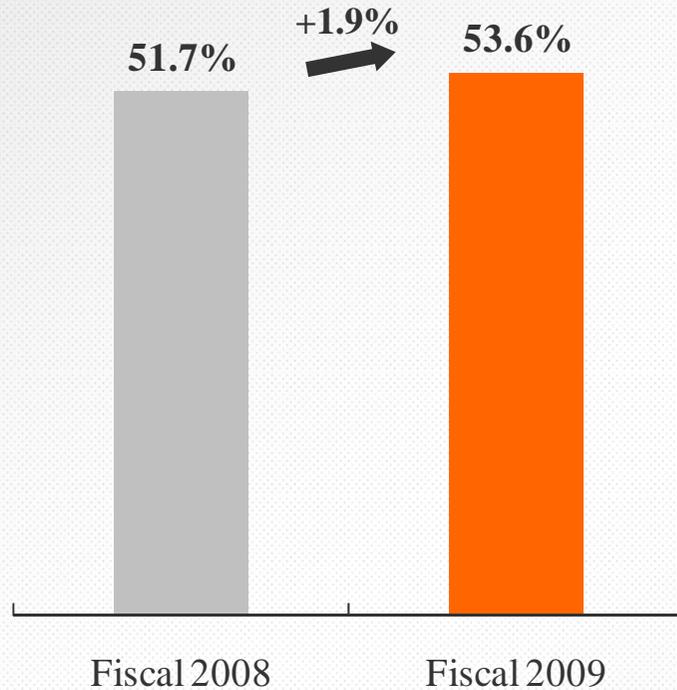
(Millions of yen)

Net sales	Fiscal 2008	Fiscal 2009	Difference	
❖ B-to-B operations	6,315	6,096	-219	❖ Decline in advertising business sales and gift catalog sales
❖ Storefront business (excluding outlet)	668	848	180	❖ Increase in <i>Kurasu Fuku</i> store openings (total network of 11 stores)
❖ Pet First Co., Ltd.	1,746	1,539	-207	
❖ Dears Brain Inc.	2,928	6,788	3,860	❖ Booking of sales for the full year in Fiscal 2009 (we booked sales for just second half in Fiscal 2008)
❖ Others	2,042	1,054	-988	❖ Lower sales at B·B·S
❖ Total	13,699	16,325	2,626	

*Dears Brain: subsidiary operates the wedding business *B.B.S: subsidiary in charge of apparel business

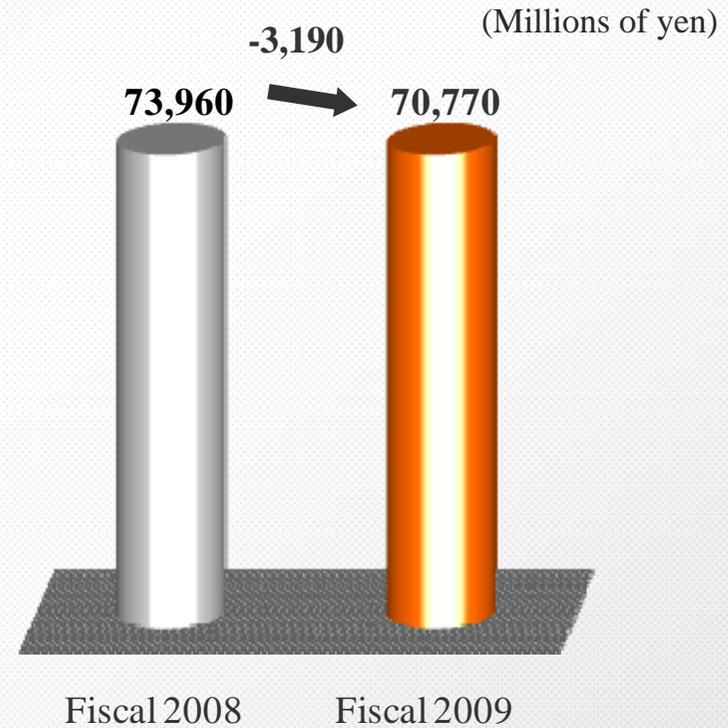
Overview of Cost-of-Sales Ratio and SG&A Expenses

❖ Cost-of-sales Ratio (Consolidated)



- ❖ Purchasing cost ratio roughly flat YoY
- ❖ Increase in amortization and valuation losses
 - Amortization +270 million yen
 - Valuation losses +2,330 million yen (change in accounting standards)

❖ SG&A Expenses (Consolidated)



- ❖ Packing and freightage expenses: decline due to improvement in the rapid delivery ratio and deliveries-to-orders ratio -1,340 million yen
- ❖ Printing expenses: decline due to circulation reduction -1,460 million yen
- ❖ Commission fee: decline in system-related expenses -660 million yen

Non-operating Income / Non-operating Expenses

(Millions of yen)

Non-operating income	Fiscal 2008	Fiscal 2009	Difference
❖ Interest income	270	90	-180
❖ Dividend income	173	314	141
❖ Gain on valuation of compound financial instruments	-	21	21
❖ Foreign exchange gains	-	1,403	1,403
❖ Other	481	320	-161
❖ Total	924	2,148	1,224

Non-operating expenses	Fiscal 2008	Fiscal 2009	Difference
❖ Interest expenses	162	317	155
❖ Foreign exchange losses	5,904	-	-5,904
❖ Commission fee	-	450	450
❖ Bond issuance cost	-	127	127
❖ Loss on valuation of compound financial instruments	1,331	-	-1,331
❖ Equity in losses of affiliates	247	65	-182
❖ Other	245	194	-51
❖ Total	7,890	1,154	-6,736

- ❖ Elimination of loss on valuation of compound financial instruments due to higher exchange rate and share prices
- ❖ Elimination of foreign exchange losses

Extraordinary Income / Extraordinary Losses

(Millions of yen)

Extraordinary income	Fiscal 2008	Fiscal 2009	Difference
❖ Gain on sales of noncurrent assets	245	1	-244
❖ Other extraordinary income	-	42	42
❖ Total	245	43	-202

Extraordinary losses	Fiscal 2008	Fiscal 2009	Difference
❖ Loss on sales and retirement of noncurrent assets	759	95	-664
❖ Loss on valuation of investment securities	594	573	-21
❖ Loss on sales of investment securities	28	576	548
❖ Impairment loss	153	356	203
❖ Other	52	124	72
❖ Total	1,587	1,726	139

- ❖ Increase in loss on sales of investment securities
- ❖ Increase in impairment loss

Fiscal 2009 Topic I

❖ Opened “*Belle Maison LABS*” to test new expression technologies and search methods for *Belle Maison Net*

❖ Research choreographing of “recognition” and “fun” in shopping



❖ <http://www.bellemaison.jp/labs>

❖ From Fiscal 2010 we will include all brassieres in our “pink ribbon campaign” to support women

❖ We will contribute one yen for each brassiere sold (we sold 1.75 million units in Fiscal 2008)



❖ <http://www.bellemaison.jp/pink>

❖ *Belle Maison Lifestyle Laboratory* made Fiscal 2010 lifestyle forecasts in its issue “*Hyoban Shohi no Jidai*” (“Age of Reputation Consumption”)



Fiscal 2009 Topic II

❖ Staged Suga Shikao's first overseas live concert & triumphant homecoming performance



© Office Augusta

- ❖ December 7 London
- ❖ December 14 Tokyo
- ❖ December 18 Osaka



© Office Augusta

❖ Senshukai & JDN co-sponsorship First Creative Competition Staged "1000cc"

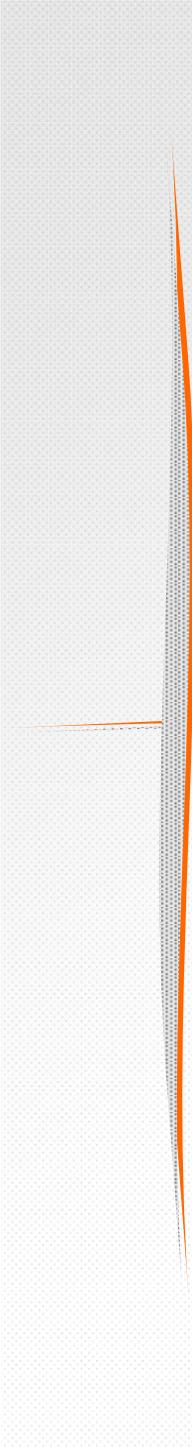
- ❖ November Final screening process concludes
11 designs chosen for awards and commendation



LOGOMARK DESIGN MANUAL

❖ http://www.senshukai.co.jp/main/top/sliver/sliver_index.htm

❖ <http://www.japandesign.ne.jp/1000cc/>

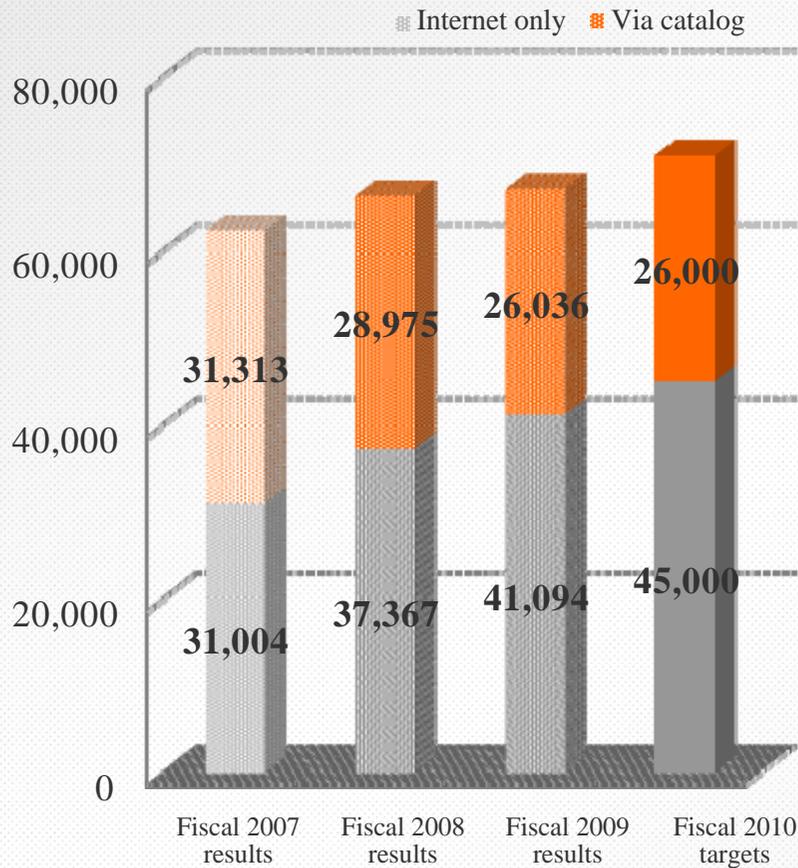


2. Progress on the Medium-Term Management Plan (Fiscal 2008 – 2010)

Promotion of Channel Mix (Internet Sales, Number of Stores and Sales)

Internet Sales

(Millions of yen)

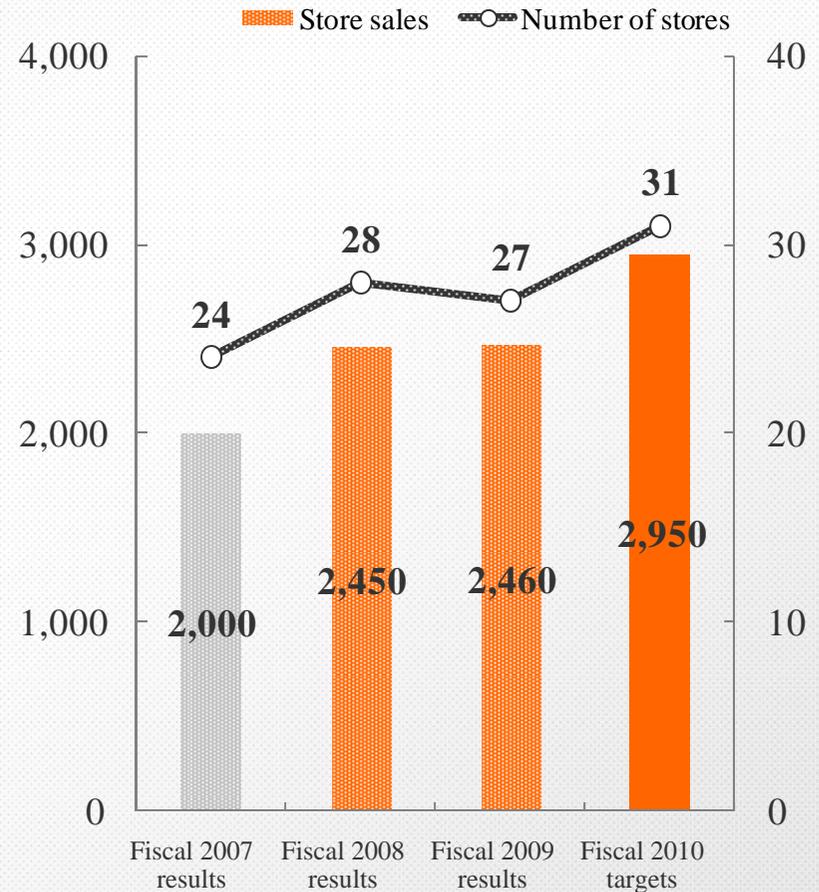


- * Via catalog: Customer reads a catalog then purchases by Internet, entering catalog number
- * Internet only: Customer makes purchase by putting product into online shopping cart

Number of Stores and Sales

(Millions of yen)

(Number of stores)



◆ Sales at *Kurasu Fuku* stores rose steadily

SCM Promotion (Status of Each Indicator)

	Fiscal 2008 Results	Degree of Improvement	Fiscal 2009 Results	
Reduction in distribution-related variable cost	Rapid delivery ratio	78.1%	82.5%	❖ Improvement due to sharp decline in sales
	Delivery-to-order ratio	143.3%	135.0%	
	Import ratio	71.4%	69.8%	❖ Slight decrease due to decline in sales of apparel, a product category with a high import ratio
Reduction in cost-of-sales ratio	Direct transaction ratio	22.7%	21.0%	
	Inventory turnover	4.2 times	4.2 times	❖ Steady reduction
	Inventories (catalog products)	¥15.2 billion	¥11.3 billion	

- * Rapid delivery ratio: The ratio of products in stock that are available for immediate delivery.
- * Delivery-to-order ratio = number of deliveries / number of orders.
- * Direct transaction: Our own SPA transactions that are not via trading companies.
- * Inventories: Inventories of catalog products at the end of December

The background is a light grey with a fine halftone dot pattern. A vertical orange line on the left side curves slightly towards the right. A horizontal orange line crosses the page, starting from the left edge and ending near the right edge, with a slight upward curve in the middle. The section header is positioned in the upper right quadrant of the page.

3. Consolidated Earnings Forecasts for Fiscal 2010

Consolidated Earnings Forecasts for Fiscal 2010 (YoY Comparison)

(Millions of yen)

	Fiscal 2009		Fiscal 2010		YoY change	
		% to Net Sales		% to Net Sales	Amount	%
❖ Net Sales	147,292	-	142,300	-	-4,992	-3.4%
❖ Cost of Sales	78,927	53.6%	72,974	51.3%	-5,953	-7.5%
❖ Gross Profit	68,364	46.4%	69,325	48.7%	961	1.4%
❖ SG&A Expenses	70,770	48.0%	67,225	47.2%	-3,545	-5.0%
❖ Operating Income	-2,405	-1.6%	2,100	1.5%	4,505	-
❖ Ordinary Income	-1,410	-1.0%	2,050	1.4%	3,460	-
❖ Net Income	-3,811	-2.6%	1,650	1.2%	5,461	-

- ❖ We plan an annual dividend of 12 yen per share (6 yen in each of the first and second halves of the fiscal year), and a payout ratio of 31.5%

Efforts to Restructure the Catalog Business

❖ Variable Costs

- ❖ Improve the efficiency of distribution centers and call centers (consolidate and relocate distribution warehouses)
- ❖ Reduce order costs by shifting to online orders

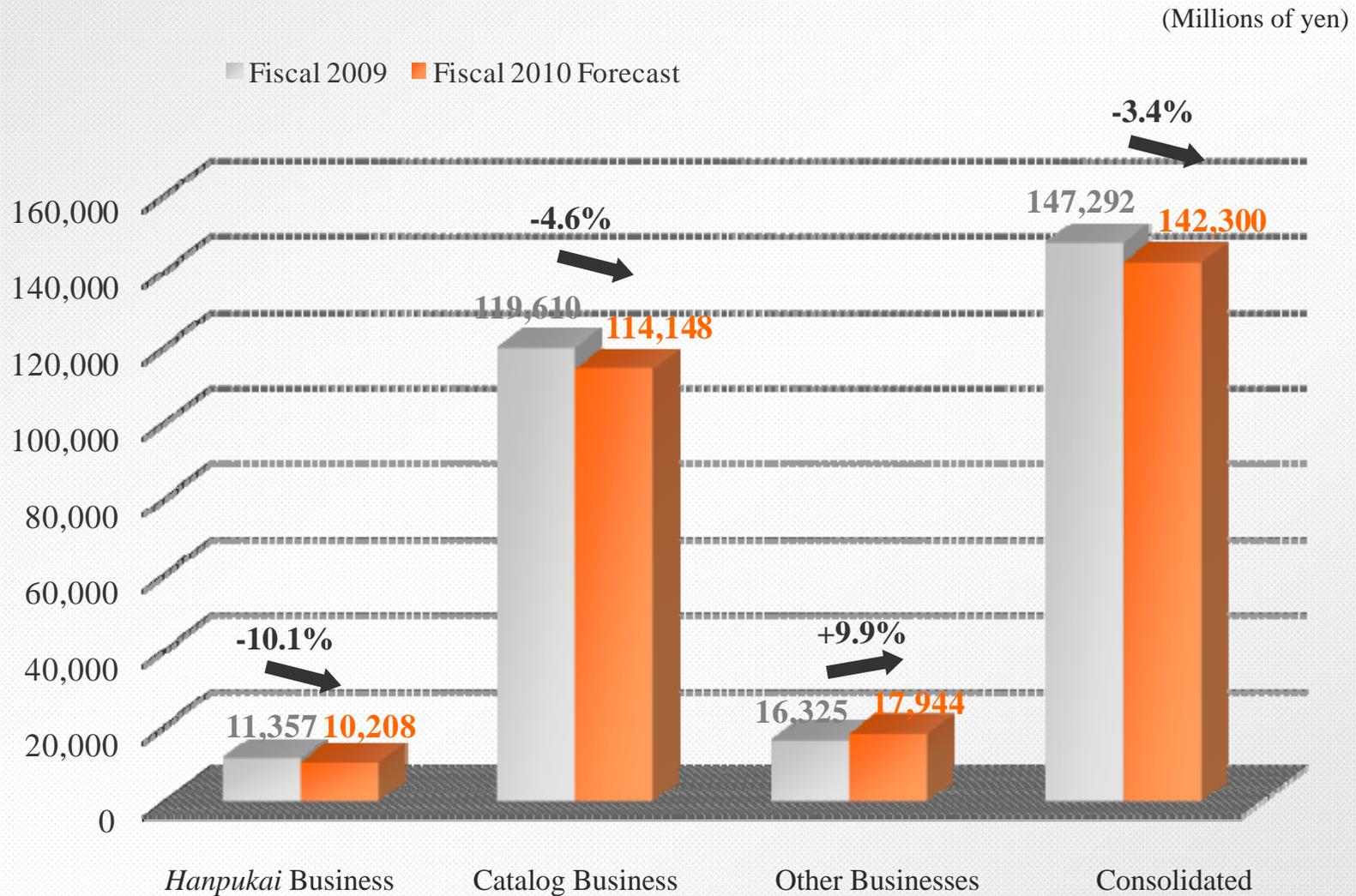
❖ Catalog Costs

- ❖ Printing costs: Reduce circulation and review catalog editions
- ❖ Production costs: Internalize photographing, and consolidate studios
- ❖ Catalog mailing costs: Improve the efficiency of catalog distribution

❖ Fixed Costs

- ❖ Reduce IT costs
- ❖ Reorganize and consolidate distribution facilities
- ❖ Reduce other indirect costs at headquarters divisions

Projected Net Sales by Business Segment for Fiscal 2010 (YoY Comparison)



4 . Future Outlook

Main Initiatives in the Current Fiscal Year

I. Further expand the Internet business, and establish a new earnings model

A. Establish a *Belle Maison Net* Promotion Office

➔ Expand the current Internet business

- ❖ We plan to reform the current vertical structure of the Internet business in which each division is responsible for its respective field, into a horizontally integrated structure to better focus on customer needs and expand sales



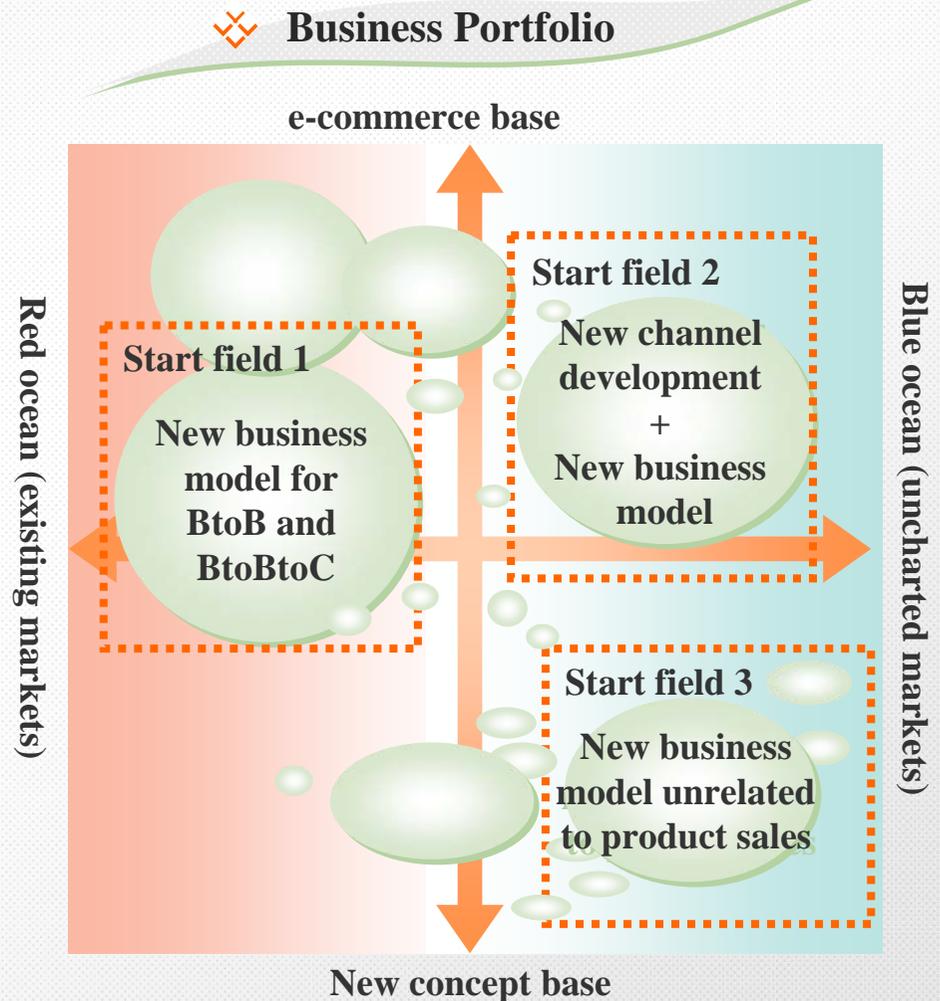
Main Initiatives in the Current Fiscal Year

I. Further expand the Internet business, and establish a new earnings model

B. E-commerce Development Department (Tokyo Business Division)

➔ **Develop uncharted worlds separate from *Belle Maison***

- ❖ Begin a new business model in the existing BtoB and BtoBtoC markets
- ❖ Develop a new business model in uncharted markets and new channels
- ❖ Develop a new business model unrelated to product sales



*The size of the bubble represents the approximate size of the market. 27

Main Initiatives in the Current Fiscal Year

II. Coalescence of organizational functions

❖ Consolidate the functions of planning divisions

❖ *Belle Maison* Lifestyle Research Department

- ◆ Surveys, lifestyle information gathering, and information dispatch (“*Hyoban Shohi no Jidai*”)

❖ Creative Research and Development Section

- ◆ Tokyo: Added value-type planning
- ◆ Osaka: Antenna-type planning

❖ Monthly Business Division, Lifestyle Planning Division (markets of office vending box)

- ◆ Ongoing planning and development of original products

Main Initiatives in the Current Fiscal Year

III. Development and sales planning of mega-hit products

- ❖ We want to change the customer image of Senshukai and *Belle Maison* products from “nice, but expensive” to “good quality and happy prices” to sharply expand our customer base and boost sales.

- ❖ **Pamphlets** A4 variant, quarto, eight pages
- ❖ **Products** 5-6 items
- ❖ **Issue period** April (schedule)
- ❖ **Circulation** Approx. 3 million (first edition)
→ Aim to expand to 10 million in the future
- ❖ **Editions** Approx. four per year (two in this year)
- ❖ **Distribution target** Our customers, business partners, and all other stakeholders
Open notice through newsletters, mass media, and web advertisements
- ❖ **Method of product selection**
(Ex.) Have each division put forward candidates for mega-hit products from among the products they handle; have the planning division polish the products with ideas and other added value; sell the products in collaboration with their respective manufacturers
- ❖ **Donations** We will donate 5 yen to the international NGO “Plan Japan” for each product sold; collaboration with “Because I am a Girl?” campaign.



Main Initiatives in the Current Fiscal Year

IV. Reorganization of media, and the launch of a new catalog for men

- ❖ Renew *Belle Maison's* interior and sundries catalog!
Launch catalogs “*sumutoco*” and “*Remie style*”



- ❖ “*Shin Sumai to Zakka*” and “*HOME BASE*” → “*sumutoco*”
- ❖ “*Shin Seikatsukan*” → “*Remie style*”

❖ Men's kurasufuku

- ❖ Issue date March (schedule)
- ❖ Circulation 1 million

→ We believe we have as many potential men customers as we have women members
We aim to get them to shop through women

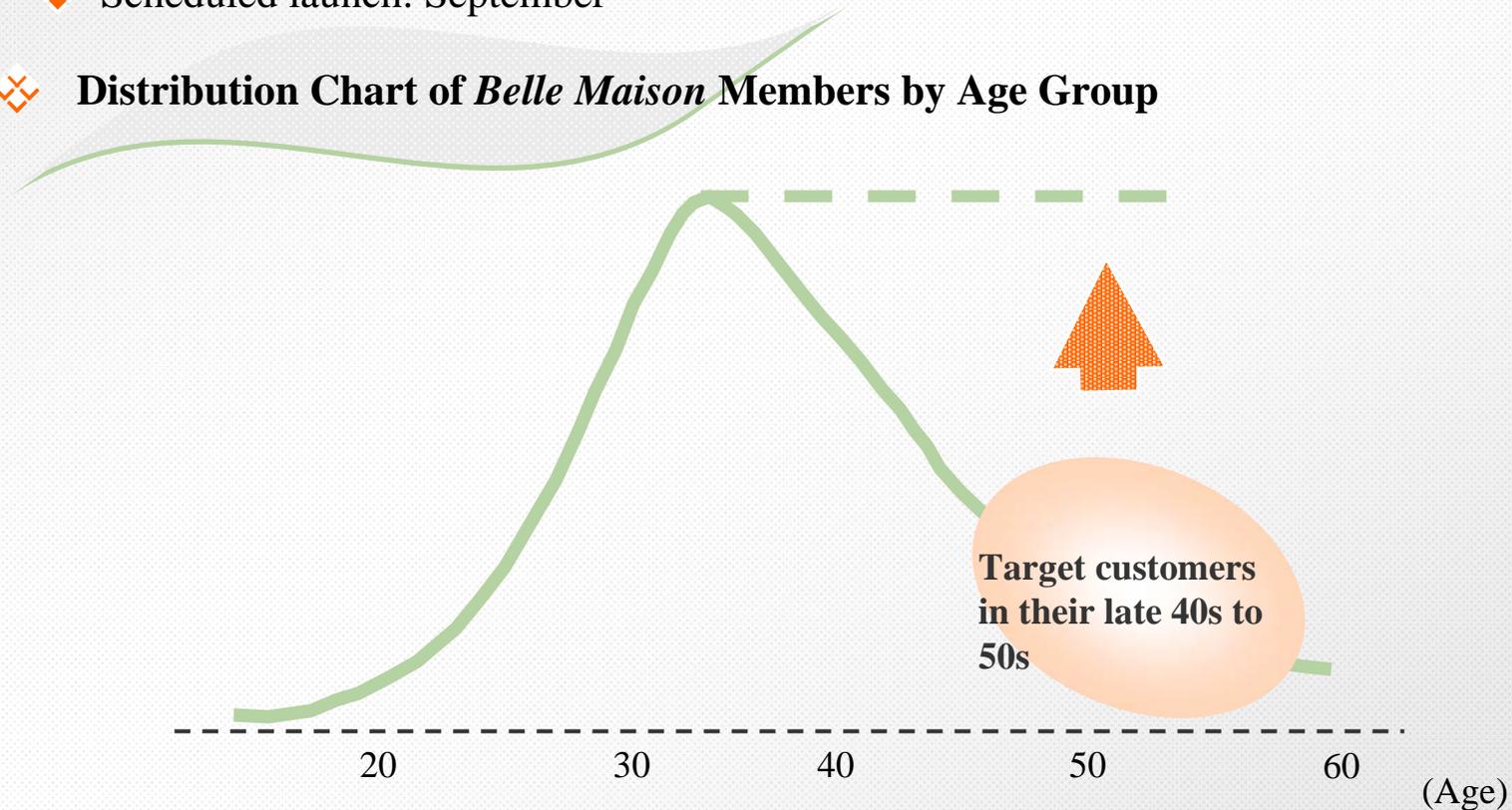


Main Initiatives in the Current Fiscal Year

V. Launch of a new catalog for customers in their 50s

- ❖ We aim to capture new members among customers with a high recognition of the *Belle Maison* brand, and expand sales
- ❖ Customer target: “around 50”
- ❖ Scheduled launch: September

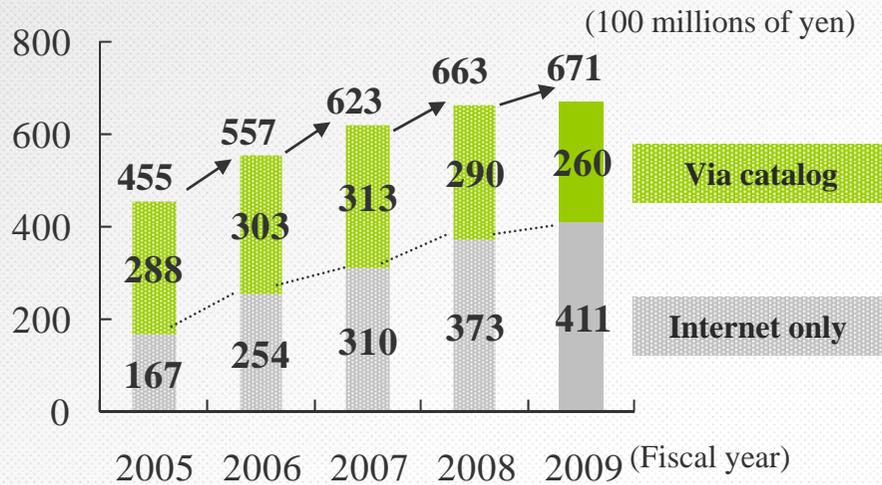
❖ Distribution Chart of *Belle Maison* Members by Age Group



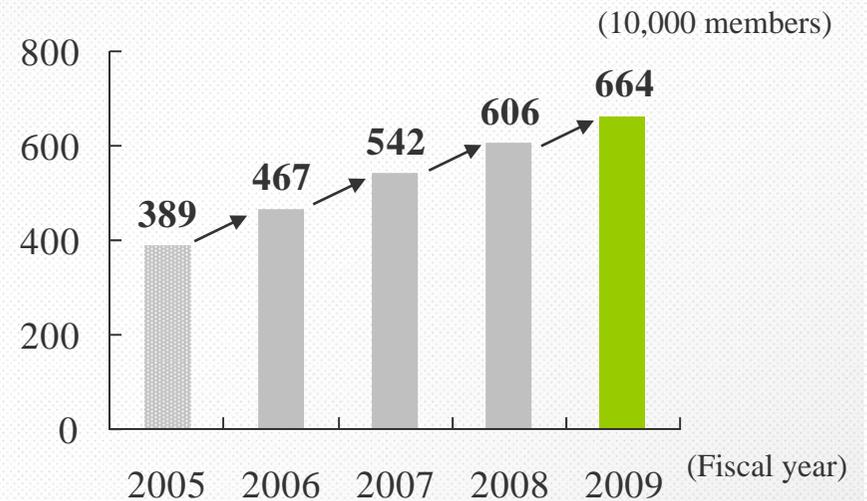
5 . Reference Materials

Reference 1: Internet-related Indicators

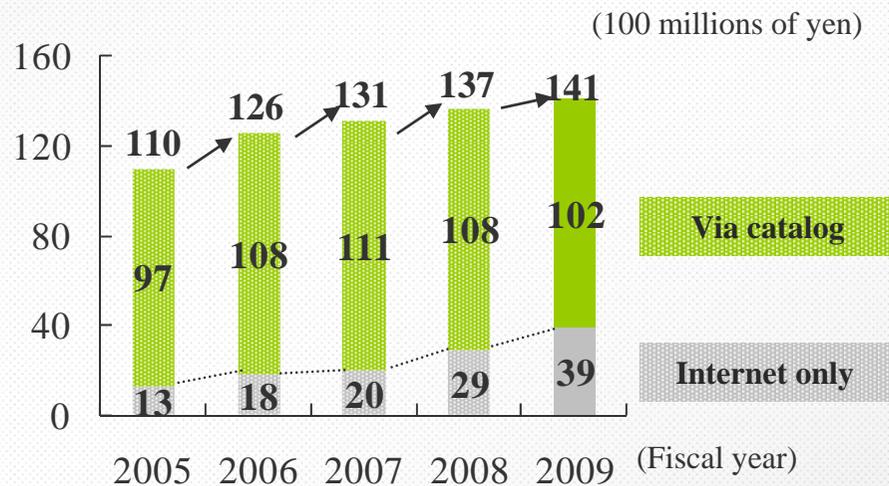
Internet Sales (including mobile sales)



Number of Internet Members



Mobile Sales



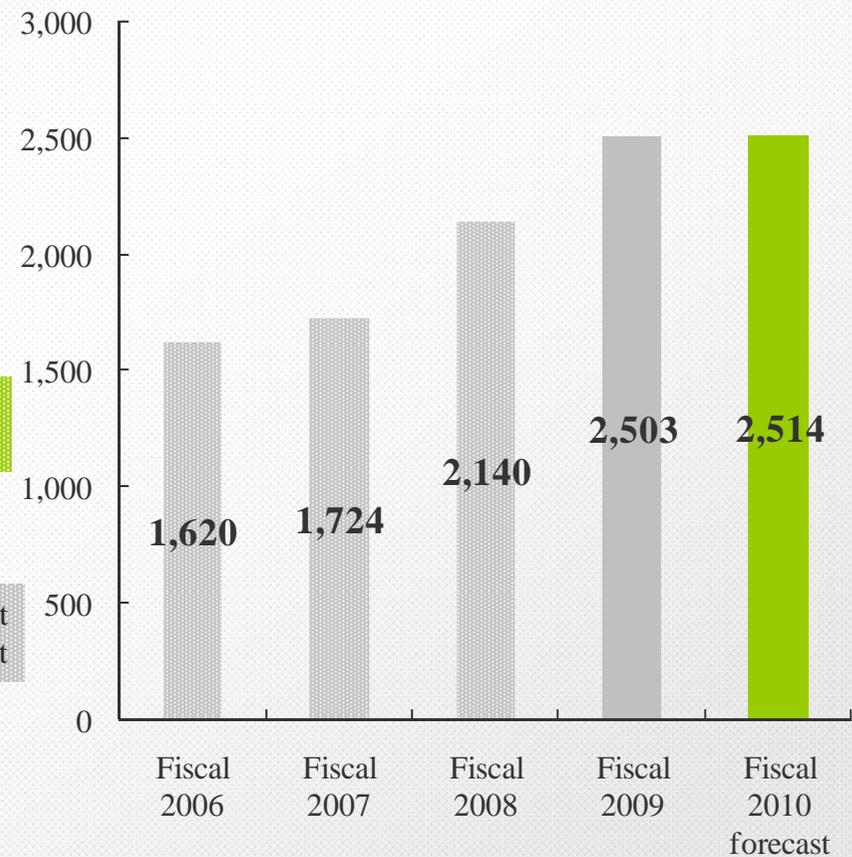
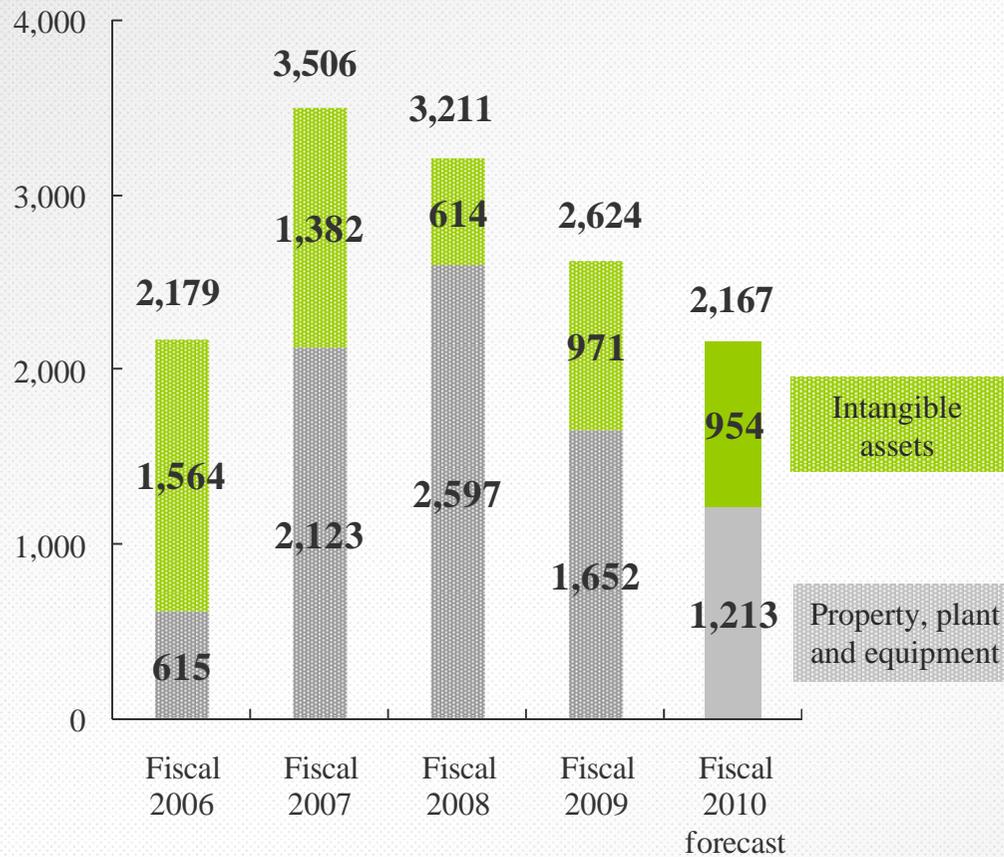
Reference 2: Capital Expenditures / Depreciation Expenses

Capital Expenditures

Depreciation Expenses

(Millions of yen)

(Millions of yen)



Scheduled Earnings Announcements in Fiscal 2010

- ❖ **April 30 (Friday)** **Earnings for first quarter of fiscal 2010**
- ❖ **July 29 (Thursday)** **Earnings for second quarter of fiscal 2010**
- ❖ **July 30 (Friday)** **Presentation for earnings
for second quarter of fiscal 2010 (Tokyo)**
- ❖ **October 29 (Friday)** **Earnings for third quarter of fiscal 2010**

❖ **The forward-looking statements contained in this earnings presentation are based on information that was available when this presentation was drafted. Therefore the actual results and operating performance could be significantly different to the forecasts due to the effects of various factors in the future.**