


Senshukai Co., Ltd.
Fiscal 2010 Earnings Presentation
February 3, 2011

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 株式会社 千趣会

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1. Results of Consolidated Operations for Fiscal 2010

Fiscal 2010 Consolidated Results Highlights

❖ **Profits increased despite lower sales from the slump in personal consumption**

Sales declined as consumers exhibited a strong preference for low-priced items, held back on new purchases, and due to poor weather

Profits rose strongly due to an improvement in the cost ratio from a decline in valuation losses, and due to broad cuts in SG&A expenses

❖ **Net assets increased and the shareholders' equity ratio recovered to 43.7%**

Net assets steadily improved due to the booking of profits

The shareholders' equity ratio recovered to 43.7%

❖ **Operating cash flow improved significantly due to more efficient use of working capital**

Quick collection of accounts receivable due to shorter grace periods

Steady decline in loans and bonds payable

Consolidated Results of Operations for Fiscal 2010 (YoY Comparison)

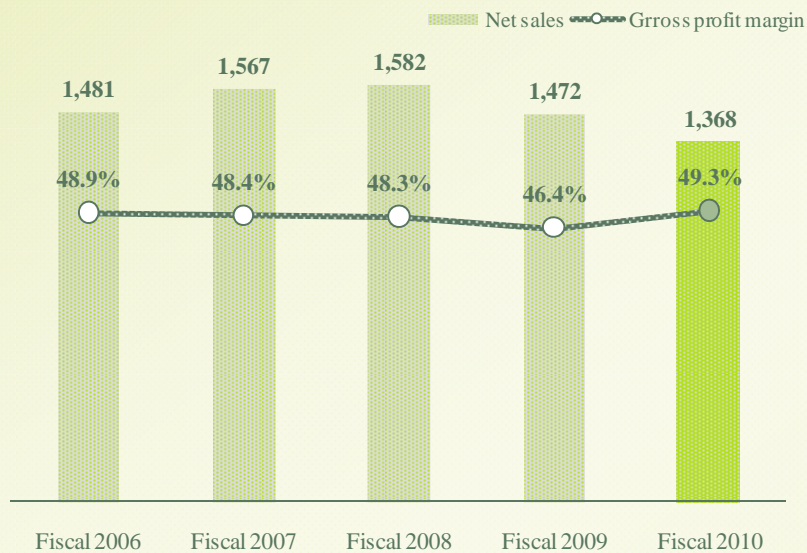
(Millions of yen)

	Fiscal 2009		Fiscal 2010		YoY change	
		% to net sales		% to net sales	Amount	%
Net sales	147,292	-	136,859	-	-10,433	-
Cost of sales	78,927	53.6%	69,447	50.7%	-9,480	-2.9%
Gross profit	68,364	46.4%	67,412	49.3%	-952	2.9%
SG&A expenses	70,770	48.0%	63,989	46.8%	-6,780	-1.2%
Operating income (loss)	-2,405	-1.6%	3,422	2.5%	5,827	4.1%
Ordinary income (loss)	-1,410	-1.0%	3,167	2.3%	4,577	3.3%
Net income (loss)	-3,811	-2.6%	2,037	1.5%	5,848	4.1%
Net income (loss) per share (Yen)	-84.18	-	47.04	-	-	-
Return on equity	-9.3%	-	5.3%	-	-	-

Trend in Sales and Profits

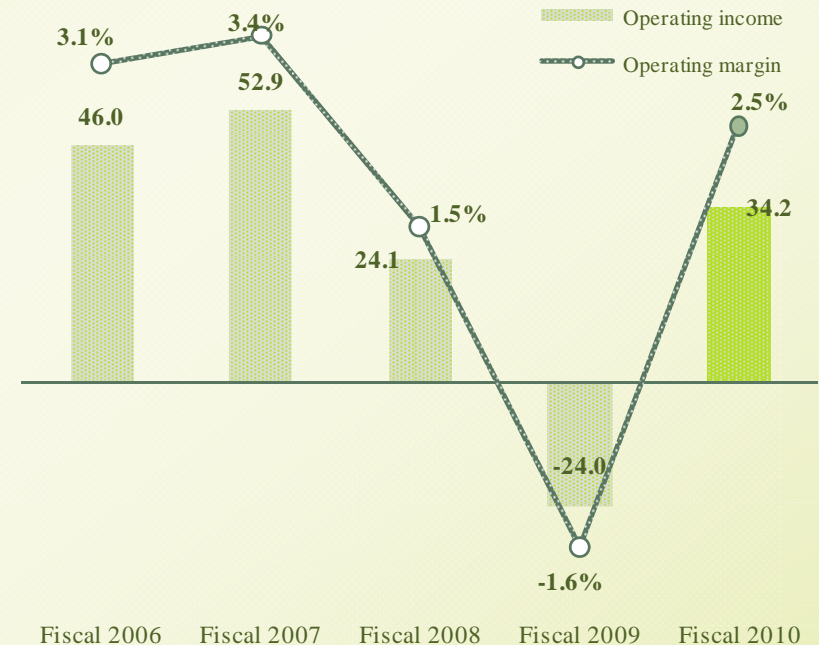
Consolidated Net Sales and Consolidated Gross Profit Margin

(100 millions of yen)



Operating Income and Operating Margin Trends

(100 millions of yen)



Sales continued to decline due to weak personal consumption, but profits recovered in Fiscal 2010

Consolidated Balance Sheet for Fiscal 2010 (YoY Comparison)

(Millions of yen)

Dec. 31, 2009 Dec. 31, 2010 Difference

Remarks

Assets

Current assets	42,117	42,656	539	Merchandise and finished goods [Increase in initial inventories] Decrease in notes and accounts receivable-trade, increase in cash and deposits
Noncurrent assets	49,720	47,430	-2,289	Investment securities [sales, redemption, impairment loss, etc.]
Total assets	91,837	90,086	-1,750	

Liabilities

Current liabilities	41,321	41,318	-2	Trade payables [Increase due to the growth in inventories] Short-term loans payable [decrease due to repayments]
Noncurrent liabilities	12,609	9,356	-3,252	Bonds payable [decrease due to redemption] Long-term loans payable [decrease due to repayments]
Total liabilities	53,930	50,675	-3,254	

Net assets

Shareholders' equity	48,140	49,966	1,826	Retained earnings [booking of net income]
Valuation and translation adjustments	-10,247	-10,555	-307	
Minority interests	14	-	-14	
Total net assets	37,906	39,411	1,504	

Total liabilities and net assets

	91,837	90,086	-1,750	
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Consolidated Statements of Cash Flows for Fiscal 2010 (YoY Comparison)

(Millions of yen)

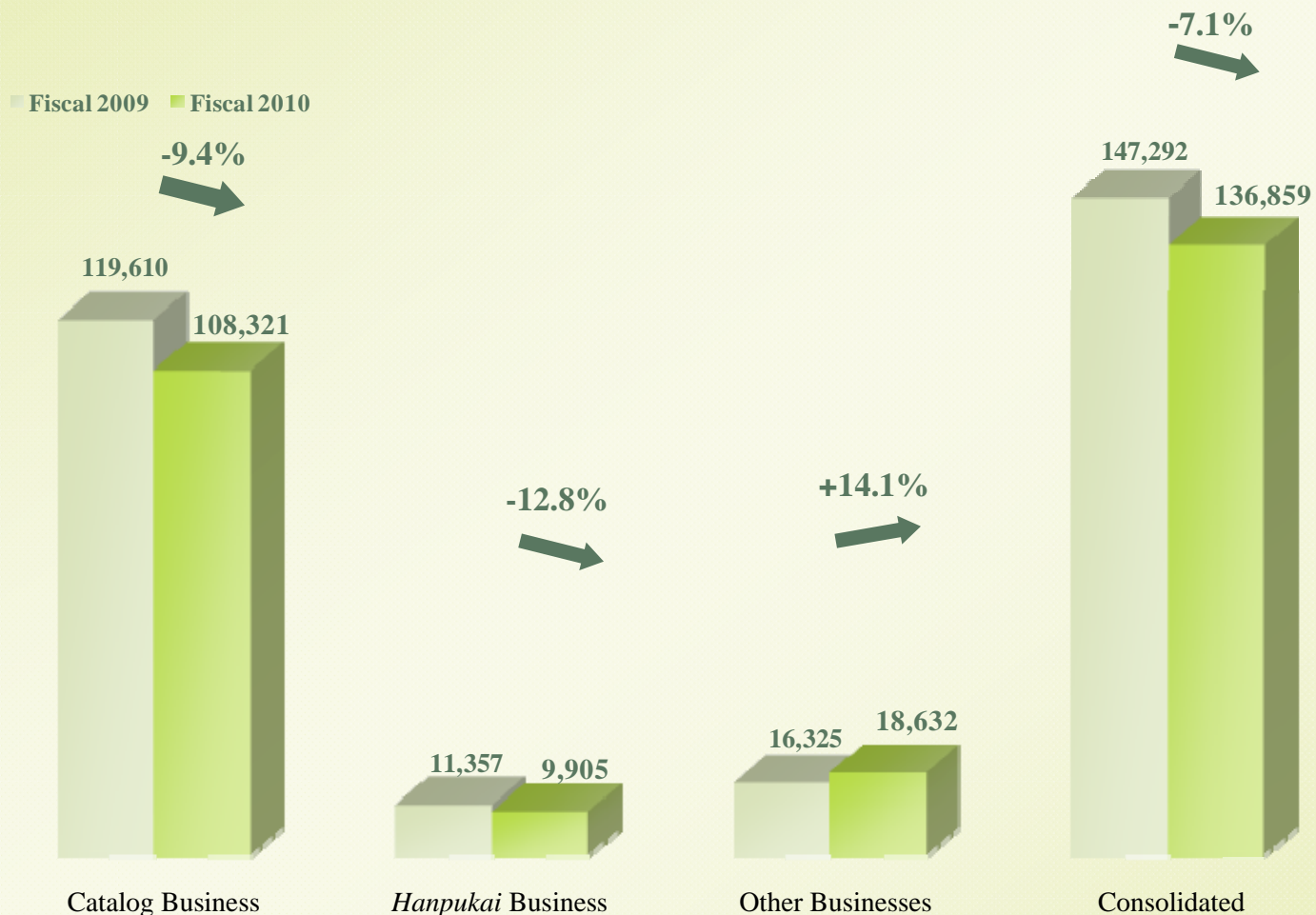
	Fiscal 2009	Fiscal 2010	Difference
❖ Net cash provided by (used in) operating activities	521	9,585	9,064
❖ Net cash provided by (used in) investing activities	-1,141	-1,094	47
❖ Net cash provided by (used in) financing activities	1,035	-6,417	-7,452
❖ Effect of exchange rate change on cash and cash equivalents	-2	-14	-11
❖ Net increase (decrease) in cash and cash equivalents	413	2,060	1,646
❖ Cash and cash equivalents at end of period	8,795	10,855	2,060



Net cash provided by operating activities increased due to decrease in trade receivables

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

(Millions of yen)

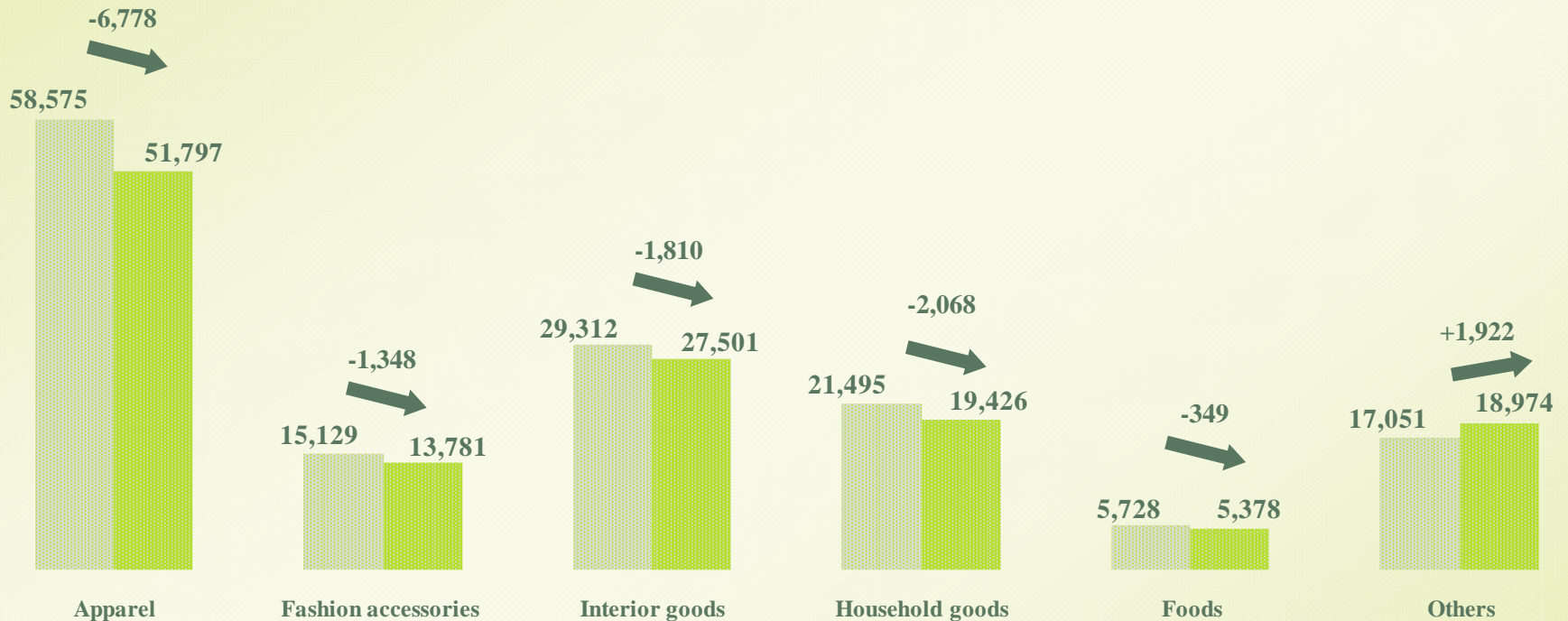


- ◆ Sales declined in the catalog and *hanpukai* businesses due to a decline in memberships and average prices
- ◆ Sales in “other businesses” rose due to increases in the corporates and bridal businesses

Fiscal 2010 Trend in Sales by Product Category

(Millions of yen)

■ Fiscal 2009 ■ Fiscal 2010

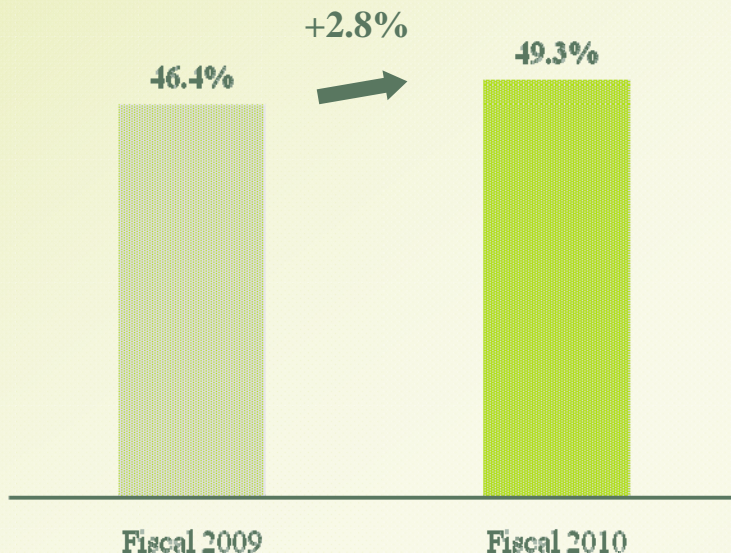


◆ In the apparel category, sales were weak for outerwear but strong for kids' wear. In the interior goods category, sales of furniture and storage products were slow.

Fiscal 2010 Overview of Gross Profit and SG&A Expenses

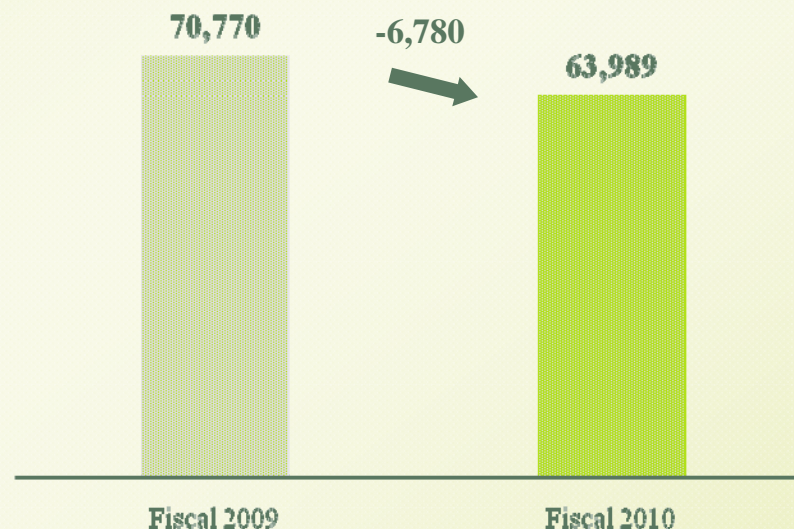
(Millions of yen)

❖ Consolidated Gross Profit Margin



- ❖ Purchasing cost ratio roughly flat YoY
- ❖ Decrease in charge-off and valuation losses
 - Charge-off -410 million yen
 - Valuation losses -3,770 million yen

❖ Consolidated SG&A Expenses

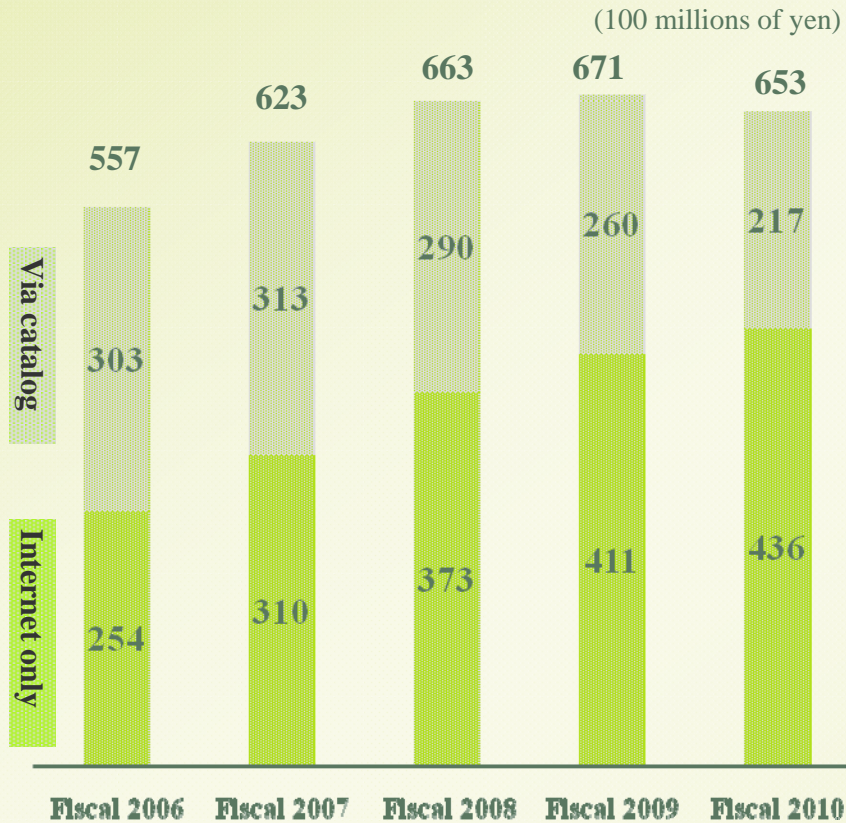


- ❖ Sales expenses: catalog costs declined due to more efficient distribution -3,390 million yen
(Catalog circulation: -11.2 million issues)
Other sales promotional costs declined -720 million yen
- ❖ Administrative expenses: personnel expenses, commission fee, rent, miscellaneous expenses, and fixtures and supplies expenses were cut -2,370 million yen

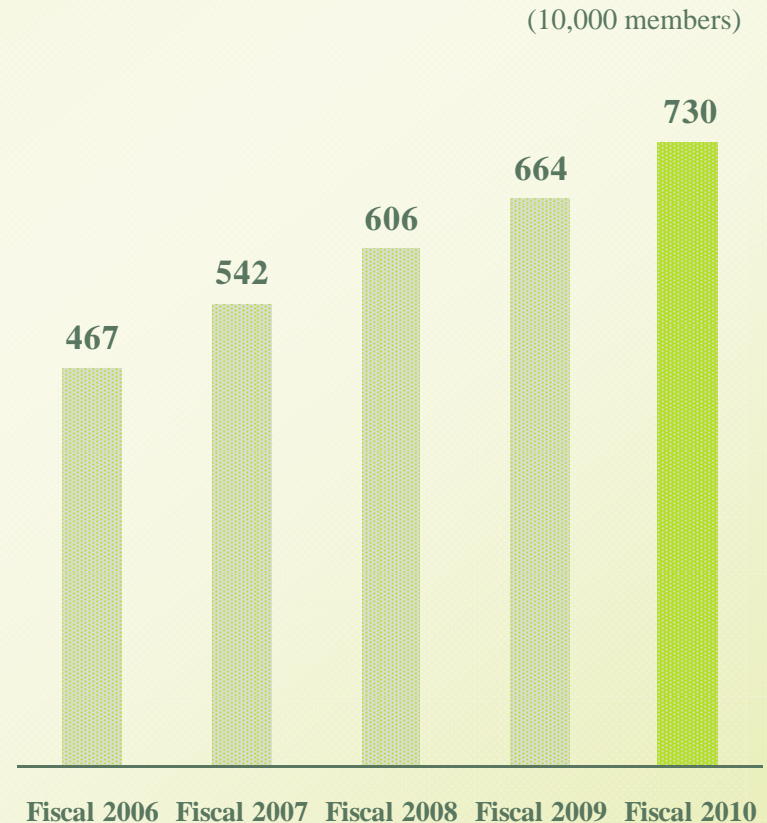
❖ Charge-off and valuation losses declined, catalog costs declined, and various other costs were cut

Internet-related Indicators

Internet Sales (including mobile sales)



Number of Internet Members



* Via catalog : Customer reads a catalog then purchases by Internet, entering catalog number

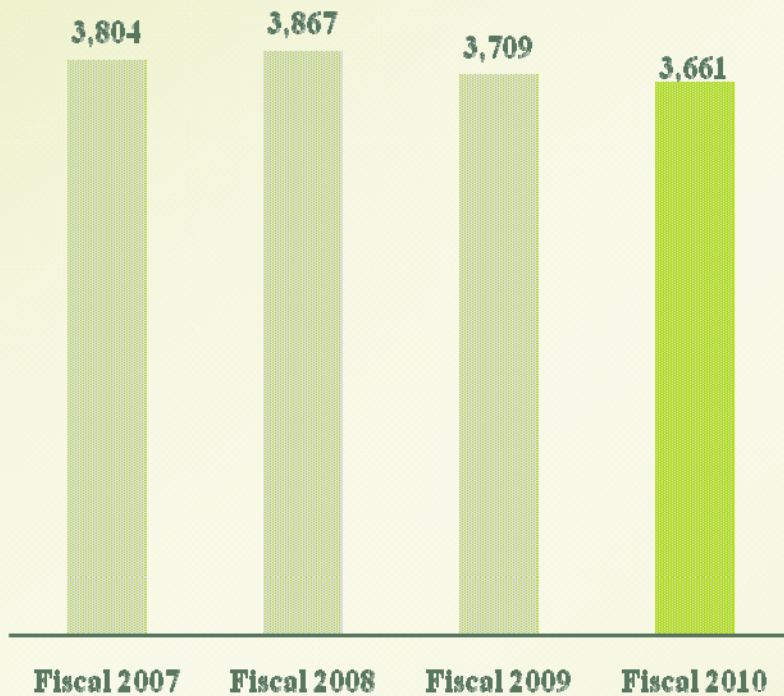
* Internet only: Customer makes purchase through the Internet by putting products into online shopping cart

Overall Internet sales declined slightly, but sales over the Internet only increased

Trend in Catalog-related Indices

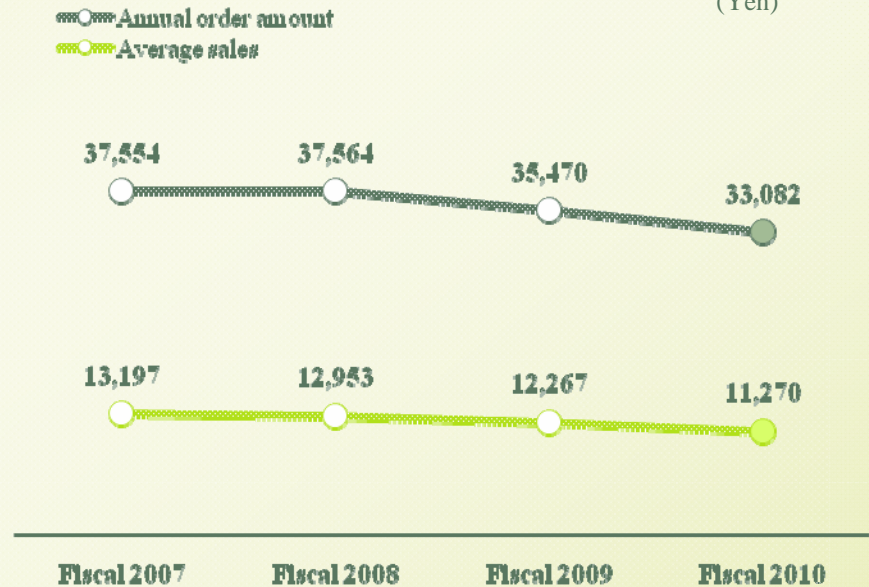
❖ **Buying Customers (the number of customers that ordered in one year)**

(1,000 members)



❖ **Average Sales per Customer and Annual Order Amount**

(Yen)



❖ The average sales per order continued to decline, but the annual order frequency remained firm at 2.9

Measures Adopted in the Catalog Business in Fiscal 2010

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



- ❖ “Shin Sumai to Zakka” and “HOME BASE” → “sumutoco”
Sales generally steady thanks in part to hit products
- ❖ “Shin Seikatsukan” → “Remie style”
Strong sales of “mini labo” brand

❖ men's kurasufuku



- ⇒ We believe we have as many potential men customers as we have women members
We aim to get them to shop through women
- ❖ Issued one million copies in each of March and September, sales steady

❖ Otona no Fuku



- ❖ Targeted customers among those already familiar with *Belle Maison*, and greater sales
- ❖ Targeted customers around 50 years old
- ❖ Issued one million copies in September; sales strong

- ❖ Captured new customers through the reorganization of media and the issue of three new catalogs (men's kurasufuku, Otona no Fuku, and la fite (plus size clothings))

Fiscal 2010 Current Situation of *Hanpukai* Business

	Fiscal 2009	Fiscal 2010	Difference
❖ Net sales (Millions of yen)	11,357	9,905	-1,451
❖ <i>Hanpukai</i> membership (10,000 members)	38.7	33.1	-5.6

❖ Due to a slump in new product sales

❖ Ongoing decline in members



❖ Sola Iro Ensemble and other air fresheners
510,000 units



❖ Soup na Shiawase
470,000 units



❖ Chokochoko series
950,000 units

❖ Sales declined, but we achieved a profit thanks in part to hit products

Fiscal 2010 Sales in Other Businesses

(Millions of yen)

Businesses	Fiscal 2009	Fiscal 2010	Difference	
❖ Bridal	7,002	8,149	1,147	❖ Weddings increased as we opened a new wedding hall
❖ Corporates	6,096	7,651	1,555	❖ Increase in contract
❖ Pet	1,538	1,483	-55	
❖ Storefront business (excluding outlet)	848	943	95	❖ Increase in Kurasufuku store openings (total network of 11 stores)
❖ Others	840	405	-434	❖ Sales declined due to the liquidation of subsidiary B·B·S
❖ Total	16,325	18,632	2,307	

* Bridal business: Combined sales of Dears Brain and Belle Mariee Chapelle

❖ Sales and profits rose due to an increase in weddings and the opening of a new wedding hall at Dears Brain

Fiscal 2010 Non-operating Income (Expenses) / Extraordinary Income (Loss)

(Millions of yen)

❖ Non-operating income	Fiscal 2009	Fiscal 2010	Difference
Dividends income	314	105	-208
Foreign exchange gains	1,403	-	-1,403
Other	431	513	81
Total	2,148	619	-1,529

❖ Extraordinary income	Fiscal 2009	Fiscal 2010	Difference
Gain on sales of noncurrent assets	1	13	12
Other extraordinary income	42	52	9
Total	43	65	21

❖ Non-operating expenses	Fiscal 2009	Fiscal 2010	Difference
Interest expenses	317	279	-38
Foreign exchange losses	-	256	256
Commission fee	450	-	-450
Bond issuance cost	127	-	-127
Loss on valuation of compound financial instruments	-	164	164
Other	259	173	-85
Total	1,154	873	-280

❖ Extraordinary loss	Fiscal 2009	Fiscal 2010	Difference
Loss on sales and retirement of noncurrent assets	95	217	121
Loss on valuation of investment securities	573	253	-320
Loss on sales of investment securities	576	110	-465
Impairment loss	356	385	28
Loss on liquidation of business	-	317	317
Other	124	73	-50
Total	1,726	1,358	-368

❖ Booked foreign exchange losses from yen appreciation, and impairment losses

2. Consolidated Earnings Forecasts for Fiscal 2011

Consolidated Earnings Forecasts for Fiscal 2011 (YoY Comparison)

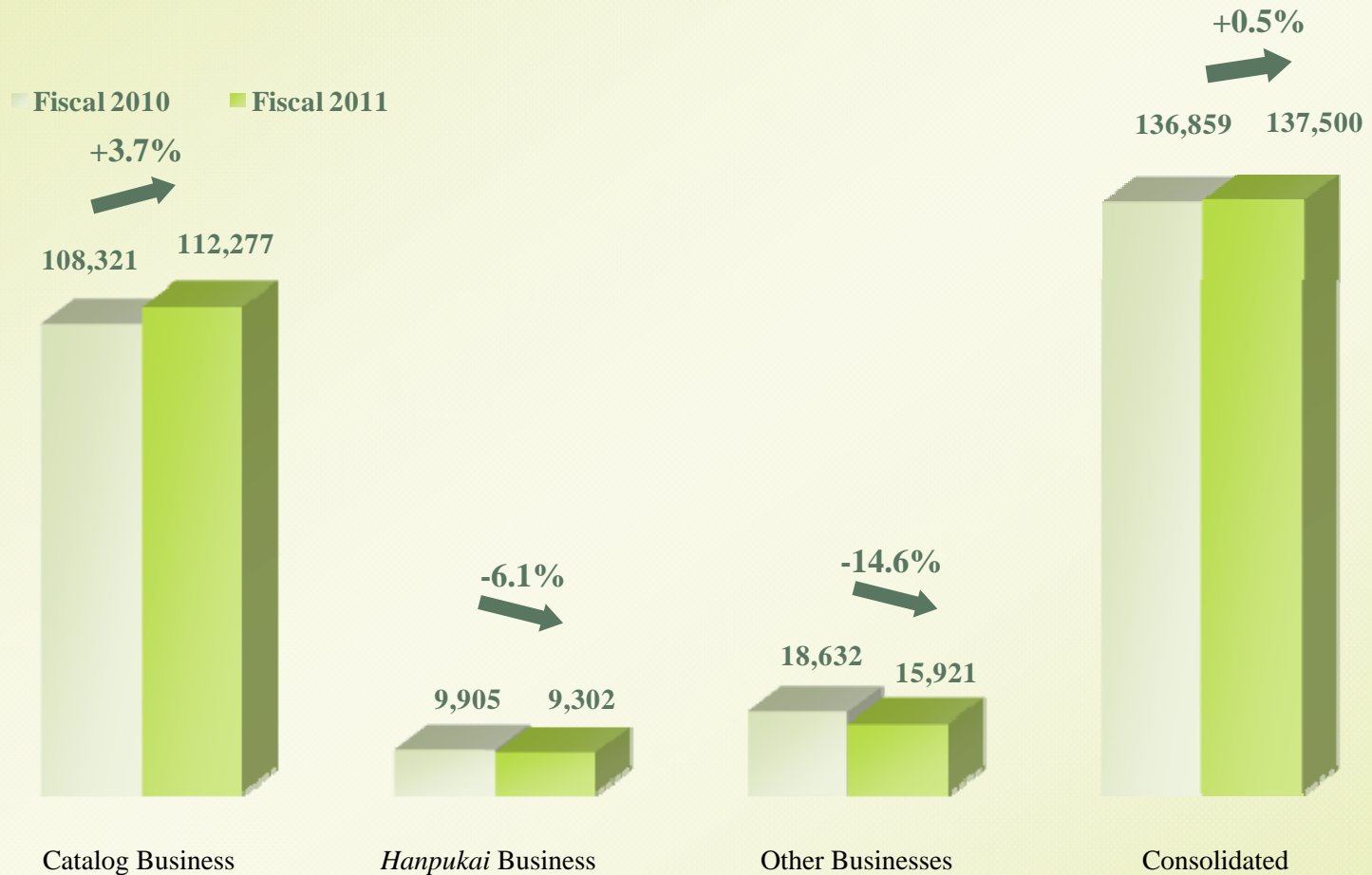
(Millions of yen)

	Fiscal 2010		Fiscal 2011		YoY change	
		% to net sales		% to net sales	Amount	%
❖ Net sales	136,859	-	137,500	-	641	-
❖ Cost of sales	69,447	50.7%	71,181	51.8%	1,734	1.1%
❖ Gross profit	67,412	49.3%	66,318	48.2%	-1,094	-1.1%
❖ SG&A expenses	63,989	46.8%	64,318	46.8%	329	0.0%
❖ Operating income	3,422	2.5%	2,000	1.5%	-1,422	-1.0%
❖ Ordinary income	3,167	2.3%	2,700	2.0%	-467	-0.3%
❖ Net income	2,037	1.5%	2,000	1.5%	-37	0.0%

❖ We forecast net sales will be on a par with last fiscal year, operating income will decline as rising procurement costs boost the cost ratio, and net income will be on a par with last fiscal year

Projected Net Sales by Business Segment for Fiscal 2011 (YoY Comparison)

(Millions of yen)



◆ We forecast an increase in catalog business sales due to the capture of new customers, but a decline in other business sales due to a decline in contract sales

Fiscal 2011 Topics

I Cross media promotion

- ❖ **Implement cross media promotion to improve/raise awareness of the *Belle Maison* brand, and capture new customers!**
 - ❖ Draw in new customers by advertising across a variety of media including television, newspapers (inserts), and the Internet
 - ❖ Nationwide television advertising campaign from April
 - ❖ Focus on creating a favorable impression for the *Belle Maison* brand



II Group businesses, growth strategy

- ❖ **Dears Brain:**
New wedding hall opened in Chiba

“The Meets Marina Terrace”



- ❖ Opened in January, boosting network to 13 halls

- ❖ **Shanghai Senshu Merchant and Commerce Co., Ltd.:**
Expand store network in China

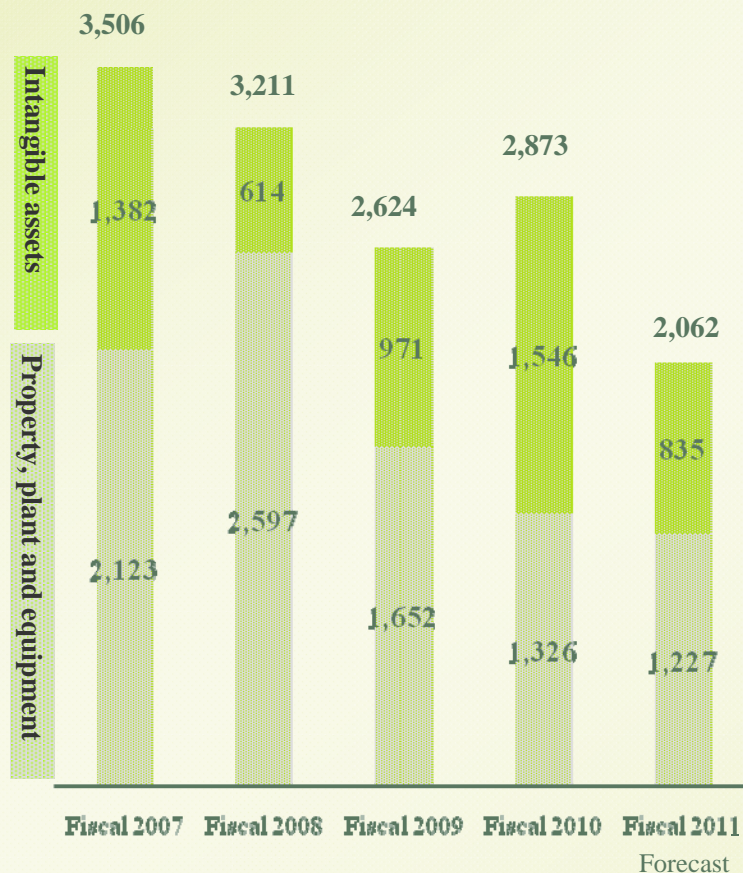


- ❖ Develop the business foundation, centered on stores with closely monitored profitability, by closely watching market trends and grasping market characteristics
- ❖ Target a network of 11 stores in Fiscal 2011

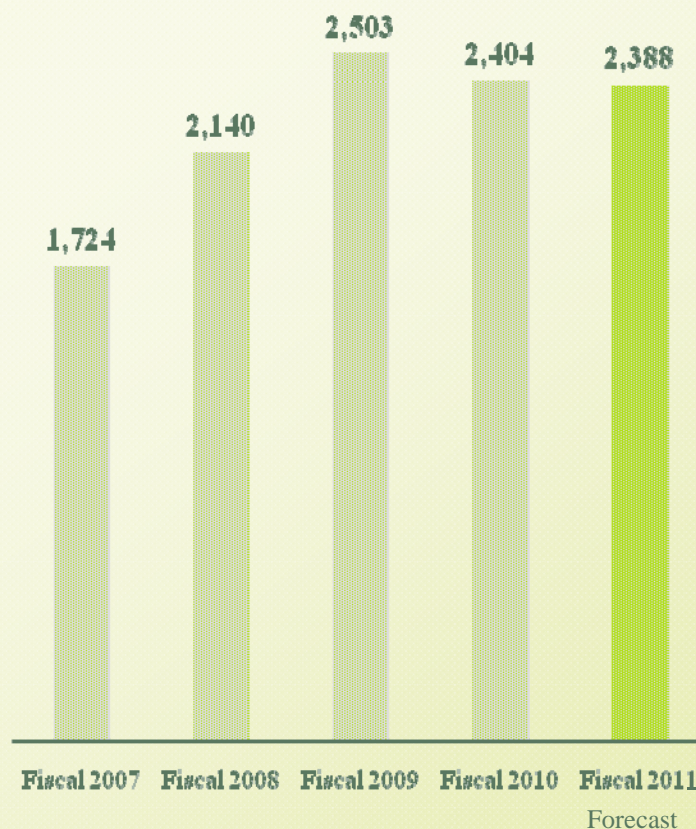
Capital Expenditures / Depreciation Expenses

(Millions of yen)

Capital Expenditures



Depreciation Expenses



Schedule of Dividends and Results Announcements

- ◆ Senshukai's basic policy regarding dividends is to appropriately return profits to shareholders by maintaining stable dividends that take into account a payout ratio while at the same time strengthening the business foundation with retained earnings.

Based on this policy and in light of Fiscal 2010 consolidated results, Senshukai raises its planned yearend dividend payment by 2 yen per share, from 6 yen to 8 yen, and together with the interim dividend of 6 yen, this translates into a total annual dividend of 14 yen per share.

For Fiscal 2011, Senshukai plans an annual dividend of 14 yen per share (7 yen each at interim and yearend), for a payout ratio of 30.3%.

- ◆ Date of earnings announcements for Fiscal 2011

- April 28 (Thu) First quarter of Fiscal 2011
- July 28 (Thu) Second quarter of Fiscal 2011
- July 29 (Fri) Presentation for earnings for second quarter of fiscal 2011 (Tokyo)
- October 28 (Fri) Third quarter of Fiscal 2011

- ◆ The forward-looking statements contained in this earnings presentation are based on information that was available at the time. Actual results could differ significantly from these projections due to a variety of factors.