

Senshukai Co., Ltd. Fiscal 2013 Earnings Presentation

February 6, 2014

- 1.** Consolidated Results of Operations for Fiscal 2013
- 2.** Overview by Segment
- 3.** Consolidated Earnings Outlook for Fiscal 2014

1. Consolidated Results of Operations for Fiscal 2013

Consolidated Statements of Income for Fiscal 2013 (YoY Comparison)

(Millions of yen)

	Fiscal 2012		Fiscal 2013		YoY change	
		% to net sales		% to net sales	Difference	Percentage points
◆ Net sales	145,750		141,552		-4,198	
◆ Cost of sales	76,392	52.4%	72,475	51.2%	-3,917	-1.2%
◆ Gross profit	69,357	47.6%	69,077	48.8%	-280	1.2%
◆ SG&A expenses	67,248	46.2%	65,057	46.0%	-2,191	-0.2%
◆ Operating income	2,109	1.4%	4,019	2.8%	1,910	1.4%
◆ Ordinary income	2,765	1.9%	4,631	3.3%	1,866	1.4%
◆ Net income	2,029	1.4%	4,046	2.9%	2,017	1.5%
◆ Net income per share (yen)	46.86		93.43		46.57	
◆ Return on equity	4.7%		8.5%		3.8%	















Consolidated Balance Sheet for Fiscal 2013 (YoY Comparison)

(Millions of yen)

	Dec. 31, 2012	Dec. 31, 2013	Difference	Remarks
Assets				
Current assets	46,248	50,177	3,929	<ul style="list-style-type: none"> ■ Cash and deposits: -¥900mn ■ Merchandise and finished goods: +¥4.6bn
Noncurrent assets	46,639	48,622	1,983	<ul style="list-style-type: none"> ■ Property, plant and equipment: +¥600mn ■ Intangible assets: -¥500mn ■ Investments and other assets: +¥1.9bn
Total assets	92,887	98,800	5,913	
Liabilities				
Current liabilities	37,062	39,635	2,573	<ul style="list-style-type: none"> ■ Electronically recorded obligations-operating: +¥6.2bn ■ Short-term loans payable: +¥2.9bn ■ Accounts payable-factoring: -¥5.4bn
Noncurrent liabilities	10,892	8,805	-2,087	<ul style="list-style-type: none"> ■ Bonds payable: -¥700mn ■ Long-term loans payable: -¥2.1bn ■ Lease obligations: +¥400mn
Total liabilities	47,955	48,440	485	
Net assets				
Shareholders' equity	52,203	54,975	2,772	<ul style="list-style-type: none"> ■ Retained earnings: +¥2.7bn
Accumulated other comprehensive income	-7,271	-4,615	2,656	<ul style="list-style-type: none"> ■ Valuation difference on available-for-sale securities: +¥1.3bn ■ Deferred gains or losses on hedges: +¥800mn
Total net assets	44,932	50,359	5,427	
Total liabilities and net assets	92,887	98,800	5,913	

Consolidated Statements of Cash Flows for Fiscal 2013 (YoY Comparison)

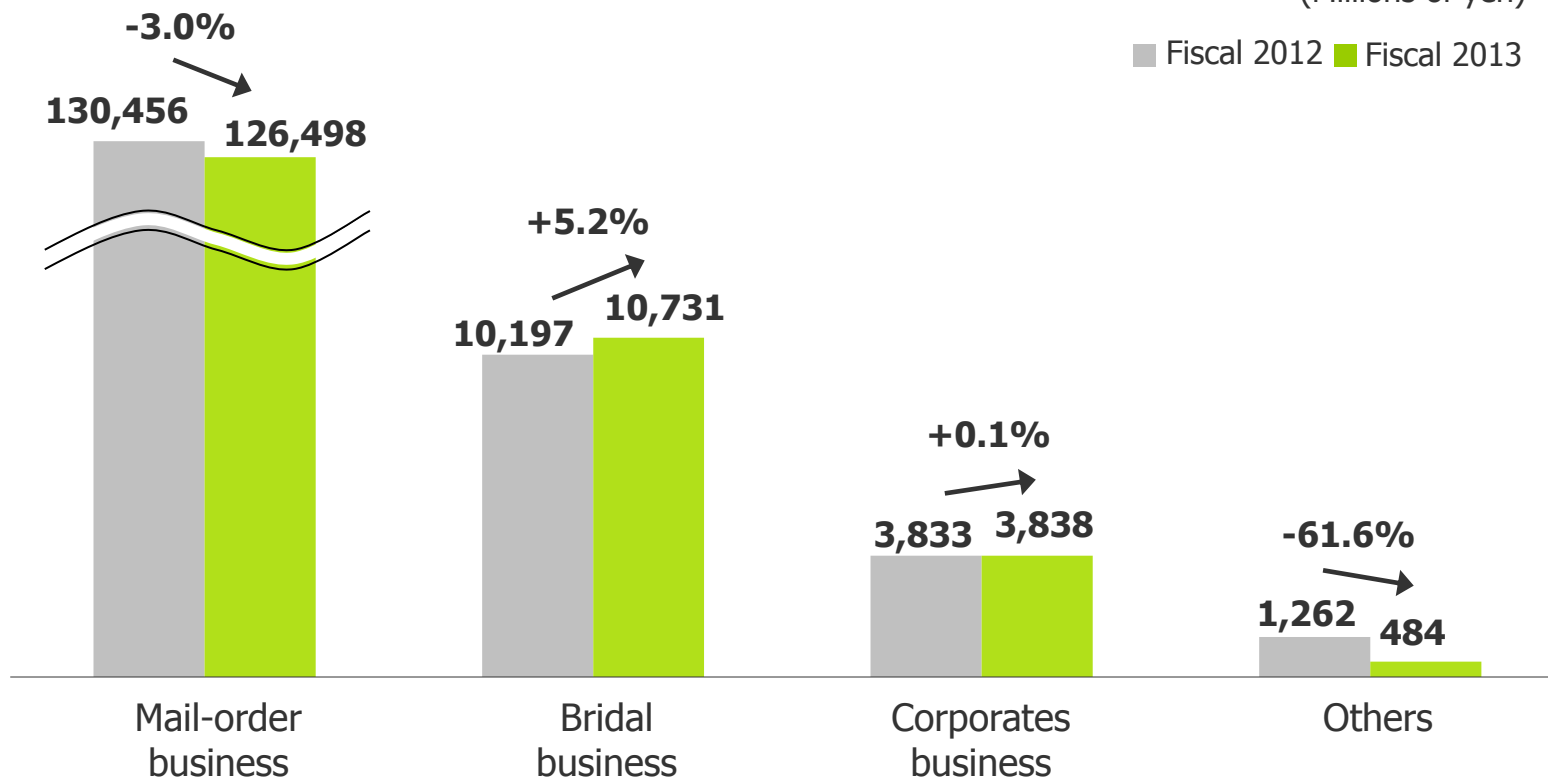
(Millions of yen)

	Fiscal 2012	Fiscal 2013	Difference	Fiscal 2013 highlights
 Net cash provided by (used in) operating activities	2,337	2,174	-163	<ul style="list-style-type: none">  Income before income taxes and minority interests: +¥3.7bn  Depreciation: +¥2.6bn  Increase in inventories: -¥4.5bn  Increase in notes and accounts payable-trade: +¥4.6bn  Decrease in other current liabilities: -¥5.5bn
 Net cash provided by (used in) investing activities	-3,606	-2,168	1,438	<ul style="list-style-type: none">  Purchase of property, plant and equipment: -¥2.6bn  Proceeds from redemption of investment securities: +¥900mn
 Net cash provided by (used in) financing activities	991	-986	-1,977	<ul style="list-style-type: none">  Increase in short-term loans payable: +¥3.0bn  Repayment of long-term loans payable: -¥2.4bn  Cash dividends paid: -¥900mn
 Cash and cash equivalents at end of period	7,452	6,495	-957	

Net Sales by Consolidated Business Segment for Fiscal 2013 (YoY Comparison)

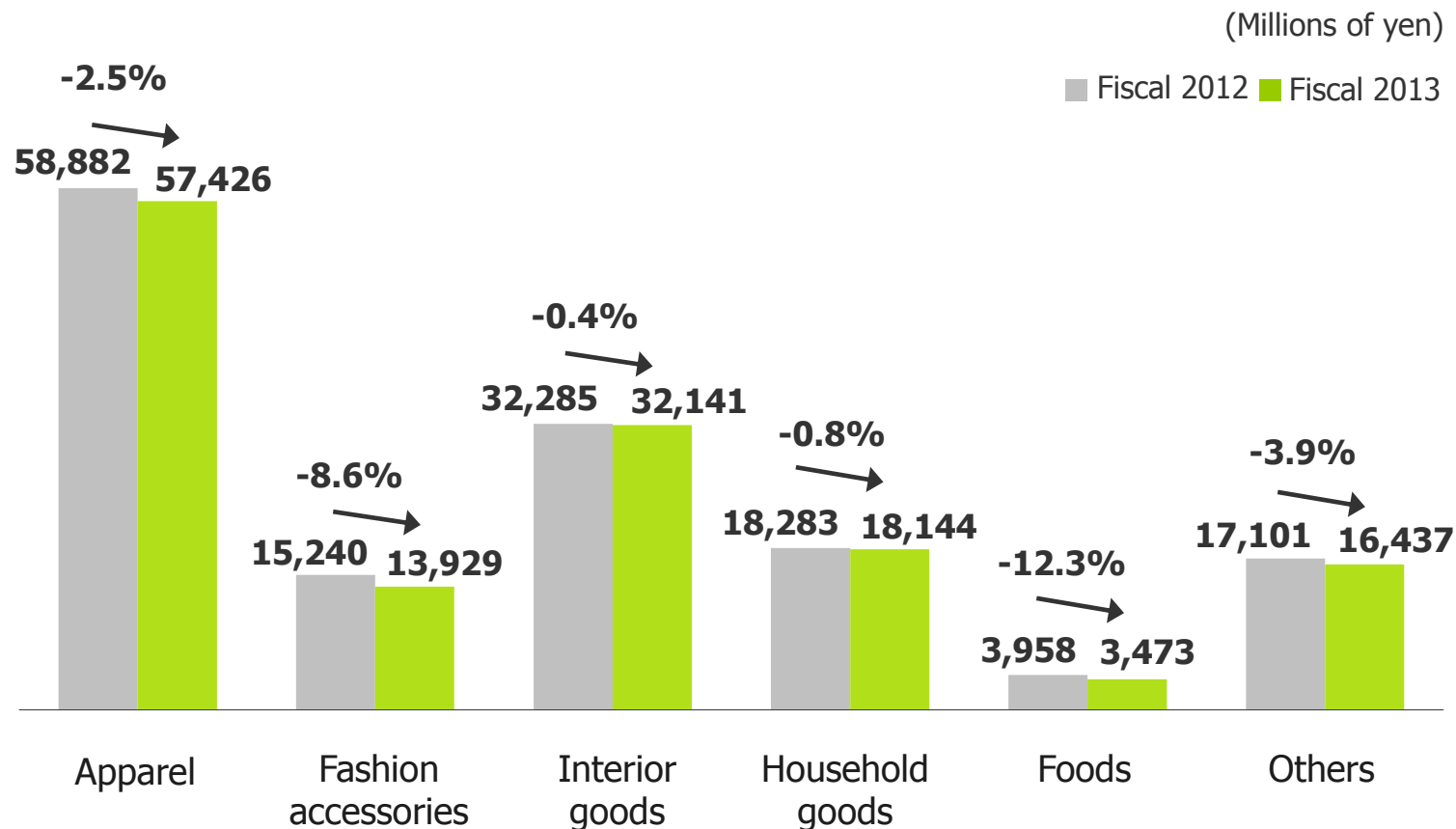
(Millions of yen)

■ Fiscal 2012 ■ Fiscal 2013



- Mail-order business: Sales of apparel and fashion accessories declined
- Bridal business: Number of weddings and average sales per wedding increased due to the opening of a new facility
- Others: Sales declined due to the withdrawal from pet business

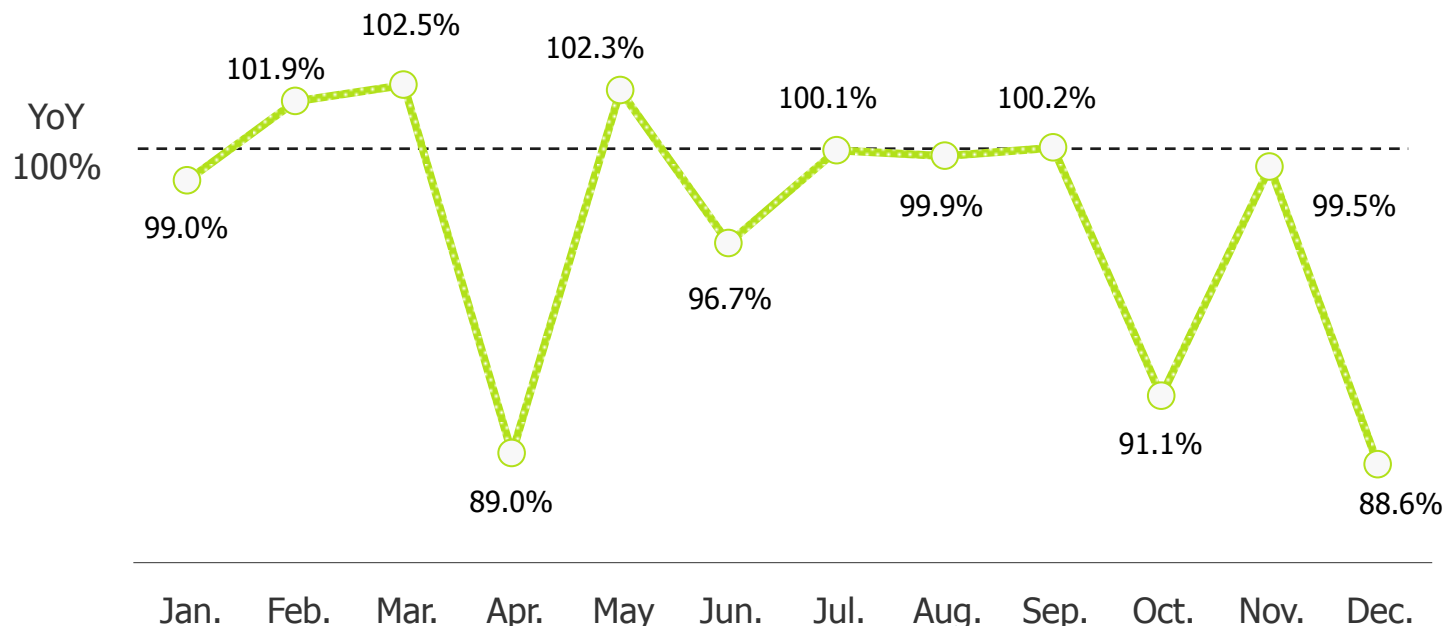
Consolidated Sales by Product Category for Fiscal 2013 (YoY Comparison)



- Apparel and fashion accessories: Sales were weak overall due to unfavorable weather and other factors
- Interior goods: Strong sales of fabrics, furniture and storage products

Trend in Monthly Consolidated Sales for Fiscal 2013

Monthly Consolidated Sales (YoY Comparison)







- Sales of apparel declined at the beginning of the season (spring and autumn) due to unusually low temperatures in April and unusually warm temperatures in October
- Sales declined in December as unusually warm temperatures depressed demand for high-priced items (knitted outer wear, boots, etc.)
- In core apparel sales channels, our policies did not match trends, and the response to our sales promotions was weaker than in the previous year

2. Overview by Segment

Sales and Earnings by Segment in Fiscal 2013 (YoY Comparison)

(Millions of yen)

	Fiscal 2012	Fiscal 2013	Difference	YoY change
 Mail-order business				
Net sales	130,456	126,498	-3,958	-3.0%
Operating income	994	2,840	1,846	185.6%
 Bridal business				
Net sales	10,197	10,731	534	5.2%
Operating income	752	701	-51	-6.7%
 Corporates business				
Net sales	3,833	3,838	5	0.1%
Operating income	396	393	-3	0.8%
 Others				
Net sales	1,262	484	-778	-61.6%
Operating income	-33	83	116	-

Overview of the Mail-order Business (YoY Comparison)

*Excluding the *Hanpukai* business

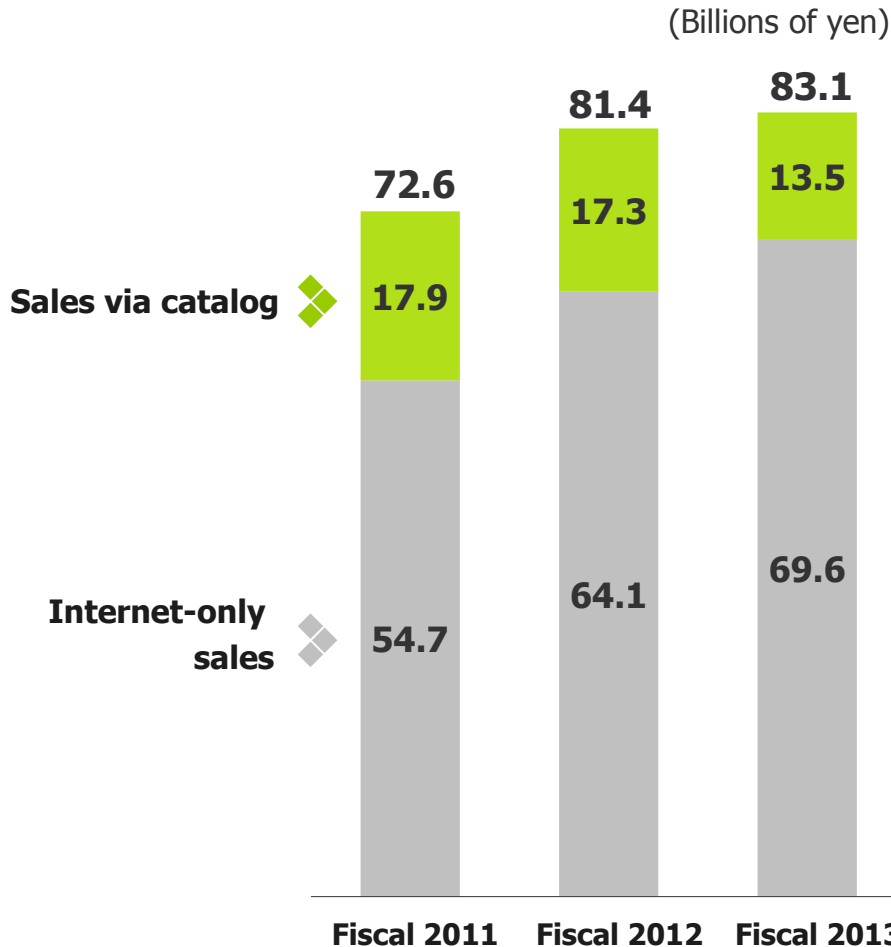
	Fiscal 2012	Fiscal 2013	Difference
◆ Annual number of active customers (10,000 members)	409.1	403.6	-5.5
◆ Average sales per order (Yen)	10,563	10,536	-27
◆ Annual order frequency per customer (Times)	2.96	2.90	-0.06
◆ Catalog circulation (10,000 volume)	6,691	6,463	-228
◆ Number of new members (10,000 members)	91.8	90.9	-0.9
◆ Average sales per product (Yen)	2,553	2,560	7
◆ Annual order amount per customer (Yen)	31,301	30,592	-709

- Annual number of active customers: Declined
- Average sales per order: Declining trend bottomed out

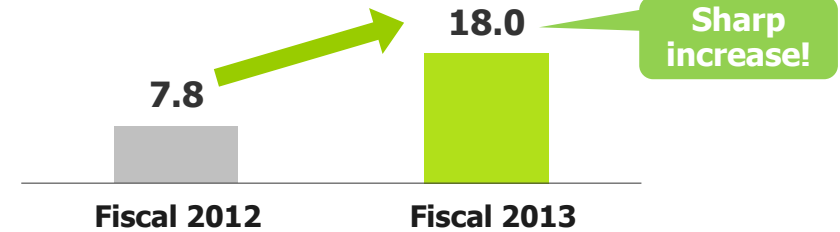
Internet-related Indicators and Policies in Fiscal 2013

(Billions of yen)

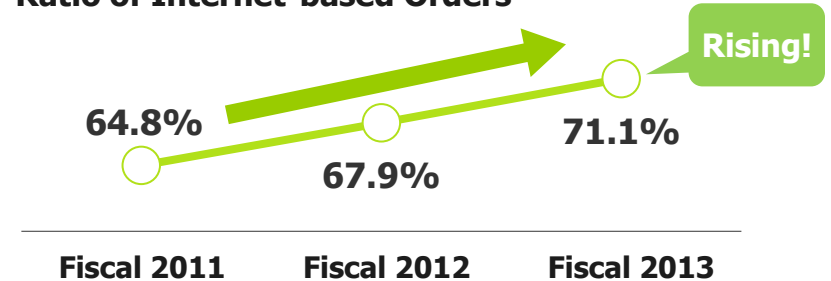
Internet Sales (including mobile sales)



Smartphone-only Sales



Ratio of Internet-based Orders



Revision to review system in October 2013

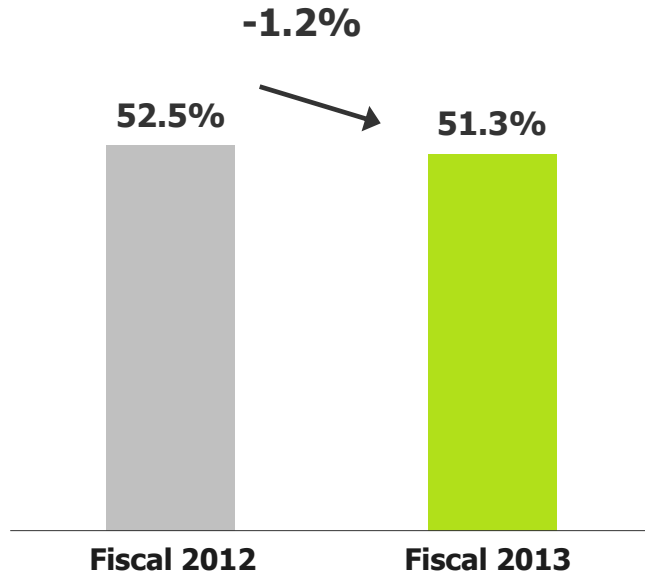
- Enhanced expression and communication functions
→ Together with synergies from policies to promote postings, postings doubled!

Revision to search system at end-November 2013

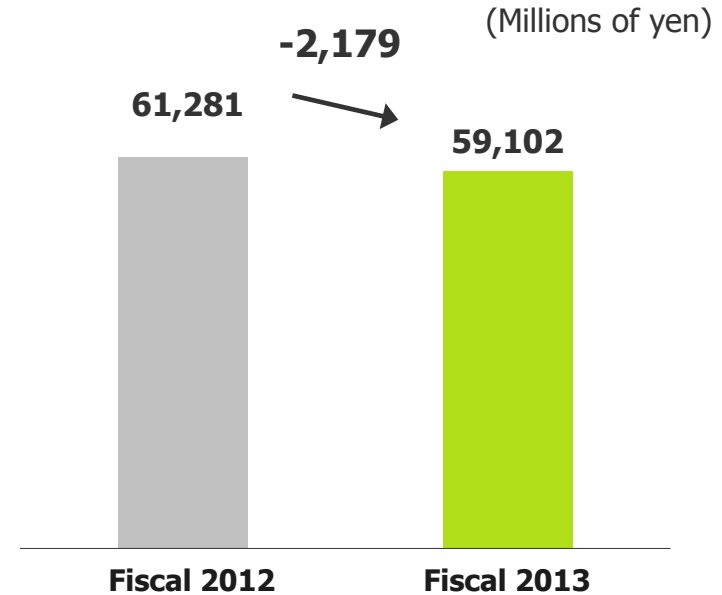
- Product searches made easier

Differences in Cost-of-sales Ratio and SG&A Expenses in the Mail-order Business for Fiscal 2013 (YoY Comparison)

Cost-of-sales Ratio



SG&A Expenses



- Increased sales of strategic products* (Hotcott, etc.)
- Review of the price range (shifted from low-tier prices to mid-tier prices)
- Strengthened direct import procurement

*Strategic products

Products with added value in terms of functionality or design

- Distribution-related costs:
Declined due to more efficient logistics operations [a decrease of ¥930mn]
- Catalog costs:
Declined due to reduction in paper costs and catalog circulation, and review in printed paper [a decrease of ¥920mn]

Overview of the Bridal Business (YoY Comparison)

	Fiscal 2012	Fiscal 2013	Difference
◆ Net sales (Millions of yen)	10,197	10,731	534
◆ Operating income (Millions of yen)	752	701	-51
◆ Guesthouses	15	16	1
◆ Weddings (Couples)	2,594	2,632	38
◆ Average sales per wedding (10,000 yen)	382.7	397.6	14.9

- Existing guesthouses struggled due to fewer visiting customers, but this was offset by an increase in the contract rate and average sales per wedding, and contributions from the opening of a new facility. Still, operating income declined slightly as higher sales could not make up for an increase in SG&A expenses.

Overview of the Corporates Business (YoY Comparison)

(Millions of yen)

	Fiscal 2012	Fiscal 2013	Difference
◆ Net sales	3,833	3,838	5
■ Contracting services	2,656	2,706	50
■ Sampling	785	907	122
■ Novelties	314	144	-170
■ Others	78	81	3
◆ Operating income	396	393	-3

- Sampling: Increase in new customers
- Novelties: Decrease in major clients

3. Consolidated Earnings Outlook for Fiscal 2014

Consolidated Earnings Outlook for Fiscal 2014 (YoY Comparison)

(Millions of yen)

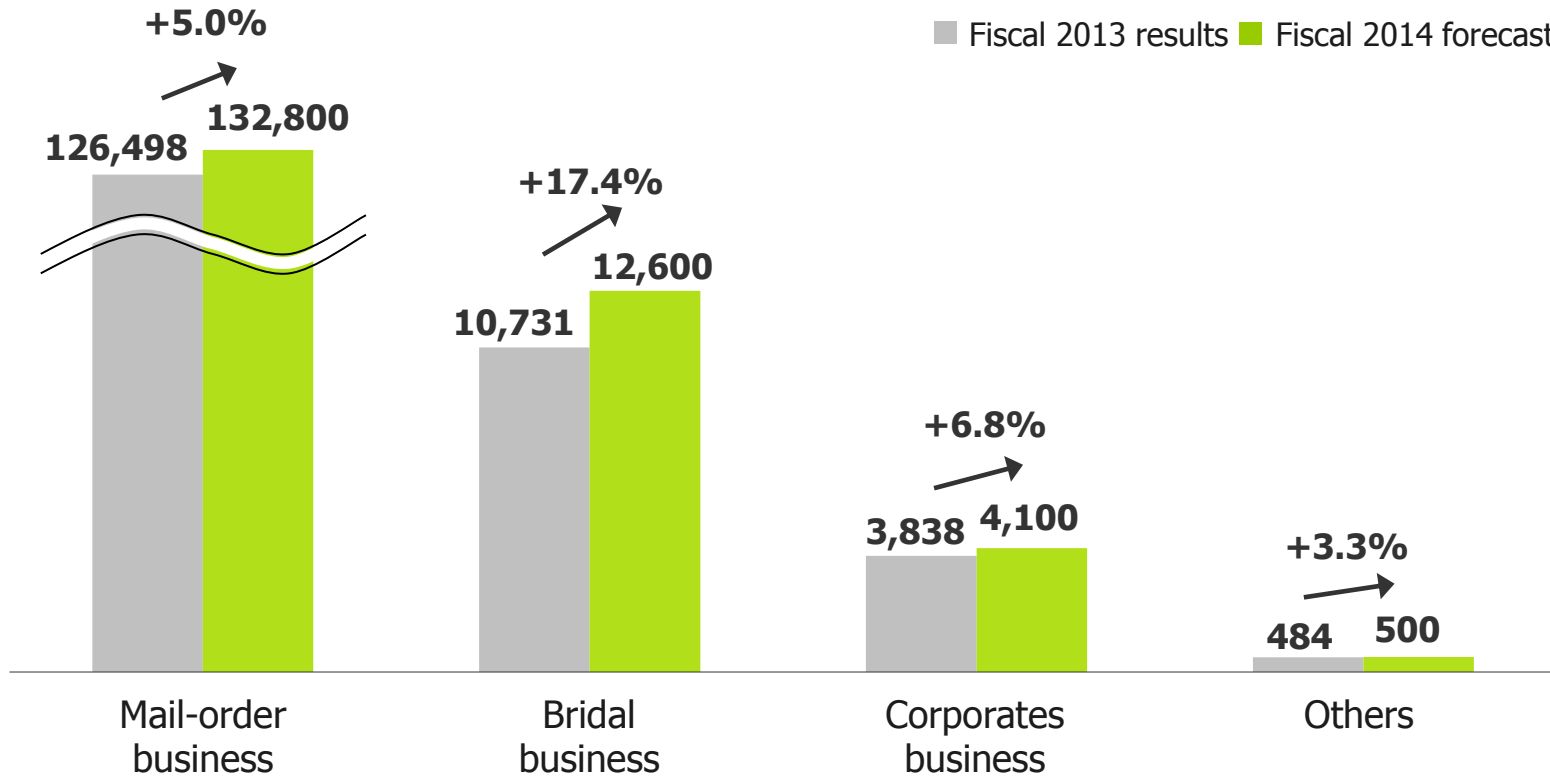
	Fiscal 2013 (Results)		Fiscal 2014 (Initial forecasts)		YoY change	
		% to net sales		% to net sales	Difference	Percentage points
◆ Net sales	141,552		150,000		8,448	Up 6.0%
◆ Cost of sales	72,475	51.2%	79,228	52.8%	6,753	1.6%
◆ Gross profit	69,077	48.8%	70,772	47.2%	1,695	-1.6%
◆ SG&A expenses	65,057	46.0%	67,172	44.8%	2,115	-1.2%
◆ Operating income	4,019	2.8%	3,600	2.4%	-419	-0.4%
◆ Ordinary income	4,631	3.3%	4,000	2.7%	-631	-0.6%
◆ Net income	4,046	2.9%	2,300	1.5%	-1,746	-1.4%

- We forecast sales to rise in all segments, but profits to decline at every level because in the mail-order business, the yen's depreciation and surging raw materials prices increase the cost-of-sales ratio, and reorganization of the logistics network temporarily increases SG&A expenses.

Consolidated Sales Outlook by Business Segment for Fiscal 2014 (YoY Comparison)

(Millions of yen)

■ Fiscal 2013 results ■ Fiscal 2014 forecasts



- Mail-order business: Targeting higher sales through expansion of Internet and smartphone sales
- Bridal business: Targeting higher sales through opening of new facilities and other events

Topics in Fiscal 2014 (1)

- **Dears Brain Inc.: Kamakura Store and Kyoto Store to open in March and May 2014 (17th and 18th guesthouses)**



■ KOTOWA Kamakura Tsurugaoka Kaikan



■ KOTOWA Kyoto Yasaka

- **Senshukai Child Care Co., Ltd.: Plan to establish a certified nursery school in Sakura City, Chiba Prefecture in September 2014**

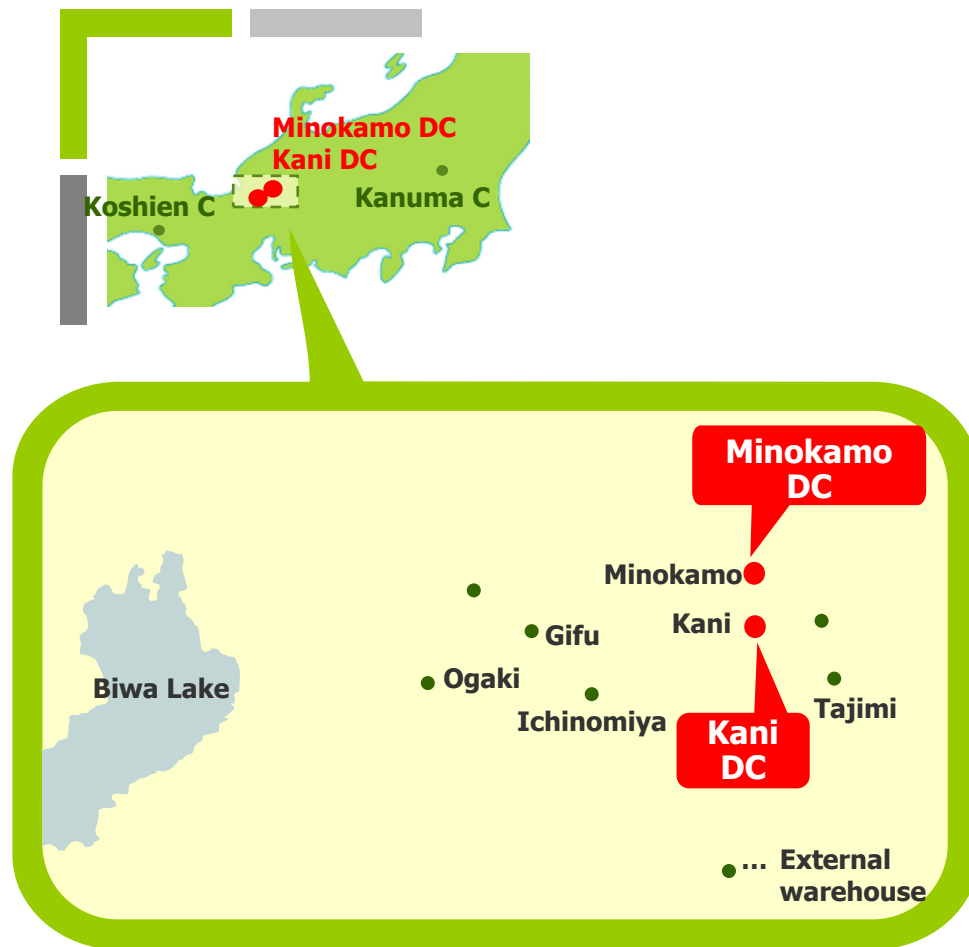


■ Name: Egao no Mori (smile forecast)
Nursery School Ino

- Aims to open 5-10 certified nursery schools in the Tokyo metropolitan area over the next 2-3 years

Topics in Fiscal 2014 (2)

Minokamo Distribution Center (DC)



→ January 2015: Scheduled to begin operations

- We aim to consolidate external warehouses in the Chubu area, improve the efficiency of logistics operations in conjunction with the neighboring distribution center, reduce costs, and shorten lead times

Reference:

Minokamo DC: Total floor space: 46,172m²
Three stories

Kani DC: Total floor space: 63,490m²
Five stories
(Chubu merchandise center)

Senshukai's CSR Activities in Fiscal 2013

Project to bring smiles to society with customers "Smile Forest Project" contributions exceed 30 million yen



We collected donations over 30 million yen from over 300,000 customers for our CSR activities "Tohoku Restoration Support," "Pink Ribbon Campaign," and "Environment Support." We used the funds to make donations to NPOs, contribute to support of mothers and children in the Tohoku region, and distribute free breast cancer screening coupons.

Pink Ribbon Project



We conducted our own awareness event in October – "pink ribbon" month. We raised awareness of the importance of breast cancer screening by distributing awareness magnets and presenting free breast cancer screening coupons.



Haha to Ko Tohoku Project (Tohoku restoration support for mothers and children)



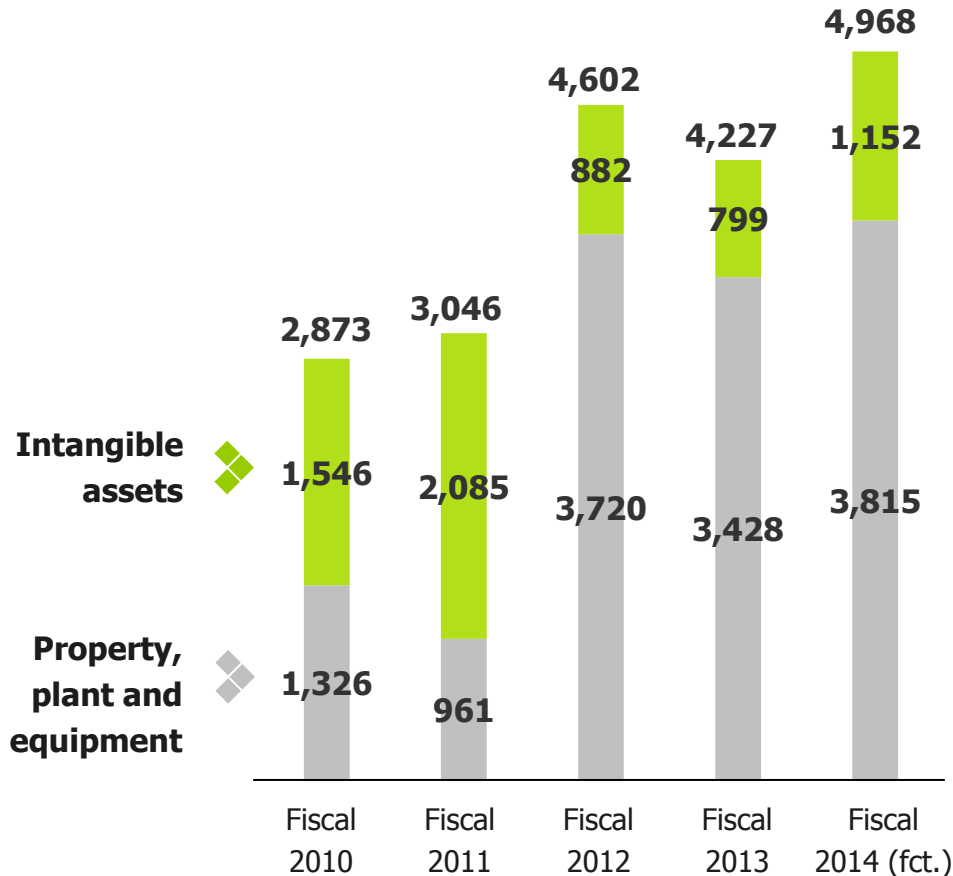
We delivered potted carnations to every temporary home in Ofunato City, Iwate Prefecture, just as we did in the previous year. We also presented "okurumi" (baby blankets) to each precious child born in the Tohoku region, and conducted events to support childrearing salons.



Trend and Plan for Capital Expenditures and Depreciation Expenses

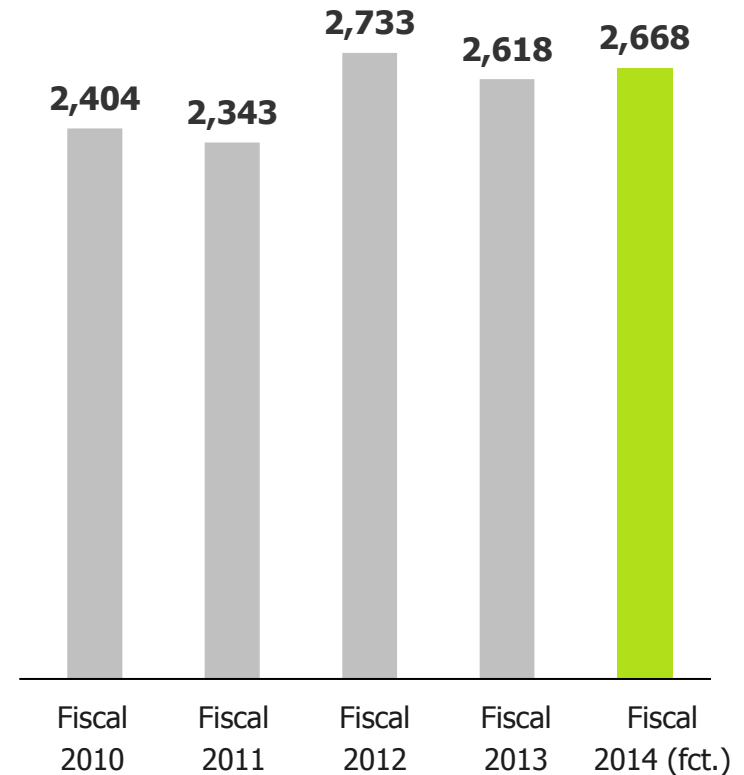
Capital Expenditures

(Millions of yen)



Depreciation Expenses

(Millions of yen)



■ Property, plant and equipment: New facility related costs at Dears Brain Inc. and Minokamo Distribution Center to increase in 2013 to 2014.

Dividends and Results Announcements Scheduled in Fiscal 2014

- Senshukai's basic policy regarding dividends is to appropriately return profits to shareholders that reflects its business performance 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 2013 consolidated results, Senshukai plans to pay a total annual dividend of 24 yen per share comprised of an interim dividend of 12 yen per share and a year-end dividend of 12 yen per share, which has been initially planned.

For Fiscal 2014, Senshukai plans an annual dividend of 24 yen per share (12 yen each at interim and year-end), the same as in Fiscal 2013.

- **April 25 (Friday)** **Announcement of financial results for the first quarter of Fiscal 2014**
- **July 31 (Thursday)** **Announcement of financial results for the second quarter of Fiscal 2014**
- **August 1 (Friday)** **Earnings presentation for the second quarter of Fiscal 2014 (Tokyo)**
- **October 31 (Friday)** **Announcement of financial results for the third quarter of Fiscal 2014**

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