



**Senshukai Co., Ltd.**  
**Second Quarter of Fiscal 2011 Earnings Presentation**  
**July 28, 2011**

 株式会社 千趣会

Senshukai would like to express its deepest condolences to the families and friends of those who died in the Great East Japan Earthquake which struck on March 11, 2011, and extends its prayers to all those affected by the disaster.  
 We pray for the earliest possible recovery in disaster areas.

## The Great East Japan Earthquake: Impact on Senshukai and its response

### ❖ Donations of money and goods

#### ❖ Senshukai's donations

Donations from employees of the Senshukai Group

*Belle Maison's* collections

Smile Supporter's collections

*Gambare Tohoku/Iimono Saihakken* Special Charity's collections

30 million yen

11.43 million yen

Total: About 30 million yen  
(as of July 25)

All contributions made via  
the Japanese Red Cross Society

Ongoing

#### ❖ About 200,000 items

### ❖ Damage incurred by the Senshukai Group

#### ❖ Logistics center in Tochigi Prefecture

Call center in Chiba Prefecture

Minor damage

Currently recovered

#### ❖ Subsidiary Dears Brain

Eight guesthouses in Miyagi, Tochigi, and Ibaraki prefectures: equipment damage

Currently recovered

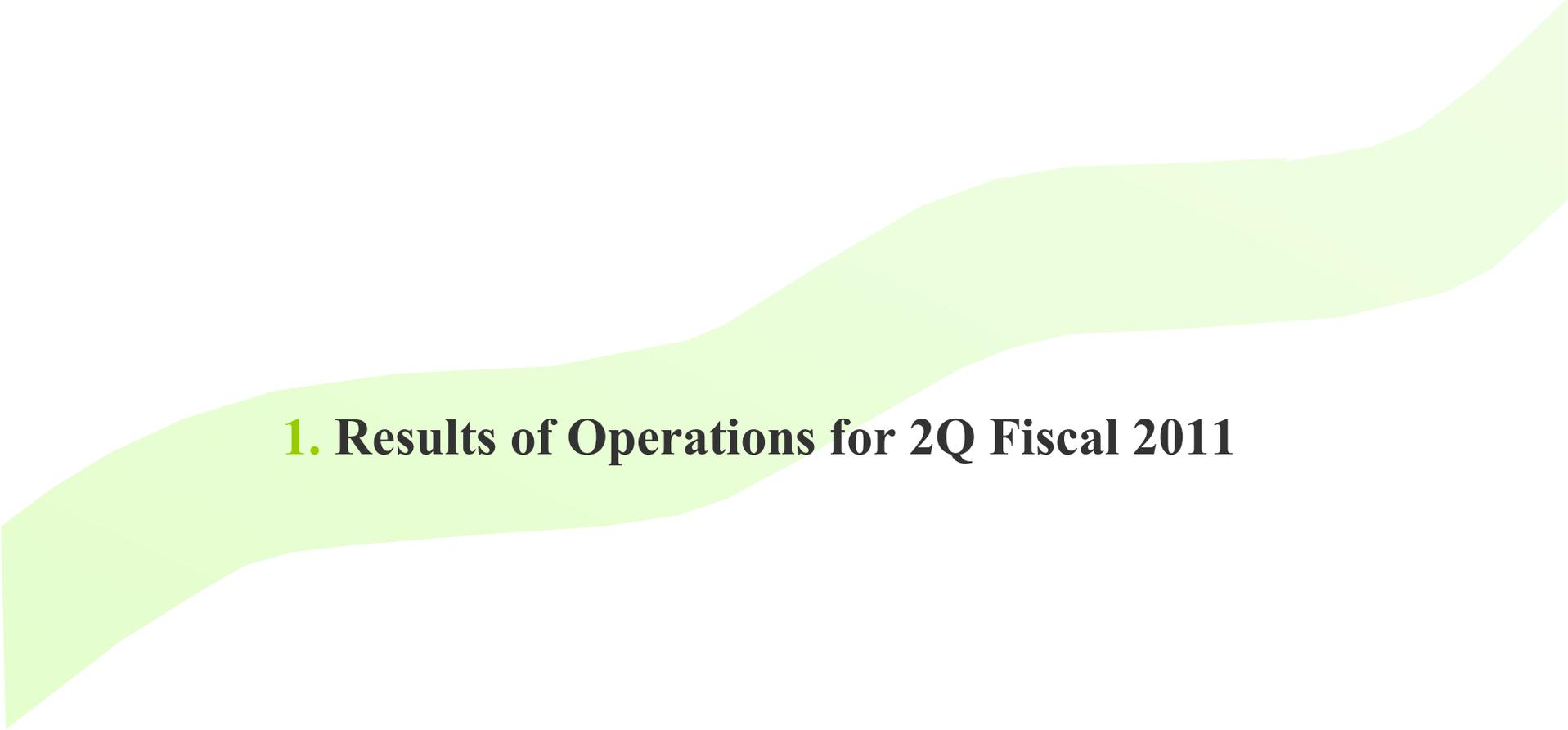
⇒ The disaster impacted sales by roughly 420 million yen, and profits by roughly 220 million yen.

# Contents

**1. Results of Operations for 2Q Fiscal 2011**

**2. Overview by Segment**

**3. Consolidated Earnings Forecasts for Fiscal 2011**



## **1. Results of Operations for 2Q Fiscal 2011**

## Consolidated Results of Operations for 2Q Fiscal 2011 (YoY Comparison)

(Millions of yen)

	2Q Fiscal 2010		2Q Fiscal 2011		YoY change	
		% to net sales		% to net sales	Difference	Percentage points
❖ Net Sales	69,629	-	69,542	-	-86	-
❖ Cost of Sales	35,152	50.5%	35,739	51.4%	587	0.9%
❖ Gross Profit	34,476	49.5%	33,803	48.6%	-673	-0.9%
❖ SG&A Expenses	32,419	46.6%	31,404	45.2%	-1,015	-1.4%
❖ Operating Income	2,057	3.0%	2,398	3.4%	341	0.4%
❖ Ordinary Income	2,010	2.9%	2,631	3.8%	621	0.9%
❖ Net Income	1,451	2.1%	2,166	3.1%	714	1.0%

- ❖ Net sales fell sharply in March due to the impact of the Great East Japan Earthquake, but were firm thereafter
- ❖ Gross profit margin declined due to a rise in the cost of sales, but operating income rose due to a decline in SG&A expenses

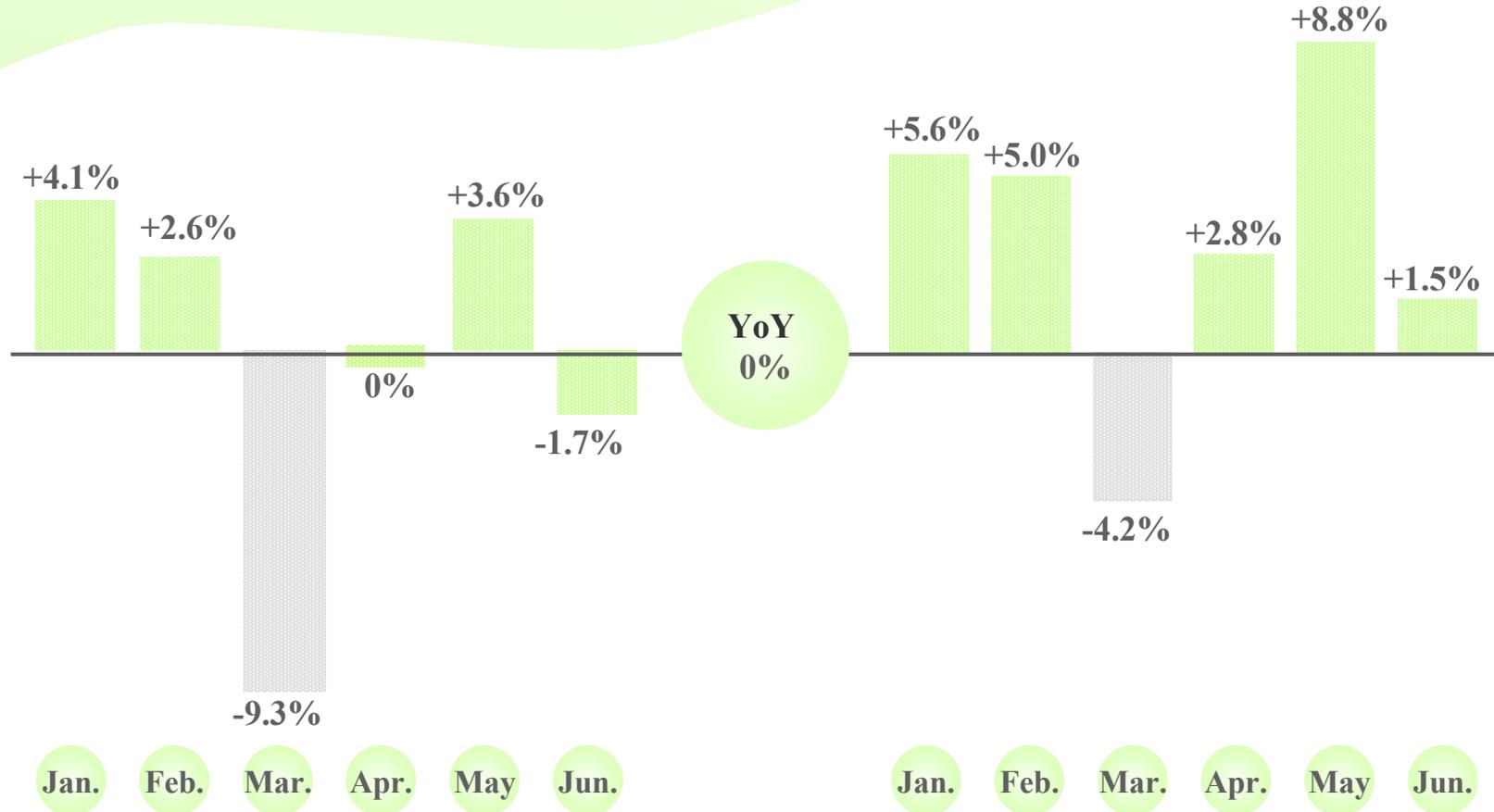
## Consolidated Balance Sheets for 2Q Fiscal 2011

	Dec. 31, 2010	Jun. 30, 2011	Difference	Remarks	(Millions of yen)
<b>Assets</b>					
<b>Current assets</b>	42,656	39,935	-2,720	Cash and deposits and accounts receivable-other decreased.	
<b>Noncurrent assets</b>	47,430	46,932	-498	Investment securities decreased due to sales.	
<b>Total assets</b>	90,086	86,868	-3,218		
<b>Liabilities</b>					
<b>Current liabilities</b>	41,318	36,144	-5,173	Short-term loans payable decreased due to repayments. Accounts payable-other decrease due to lower expenses, etc. Forward exchange contracts decreased.	
<b>Noncurrent liabilities</b>	9,356	8,941	-415	Bonds payable decreased due to redemption. Long-term loans payable decreased due to repayments. Others increased due to booking of asset retirement obligations.	
<b>Total liabilities</b>	50,675	45,086	-5,589		
<b>Net assets</b>					
<b>Shareholders' equity</b>	49,966	51,786	1,819	Retained earnings increased due to booking of net income.	
<b>Valuation and translation adjustments</b>	-10,555	-10,004	550	Deferred losses on hedges decreased due to a fall in balance of forward exchange contracts	
<b>Total net assets</b>	39,411	41,781	2,370		
<b>Total liabilities and net assets</b>	90,086	86,868	-3,218		

# Trend in Monthly Sales (YoY Comparison)

❖ Consolidated Net Sales

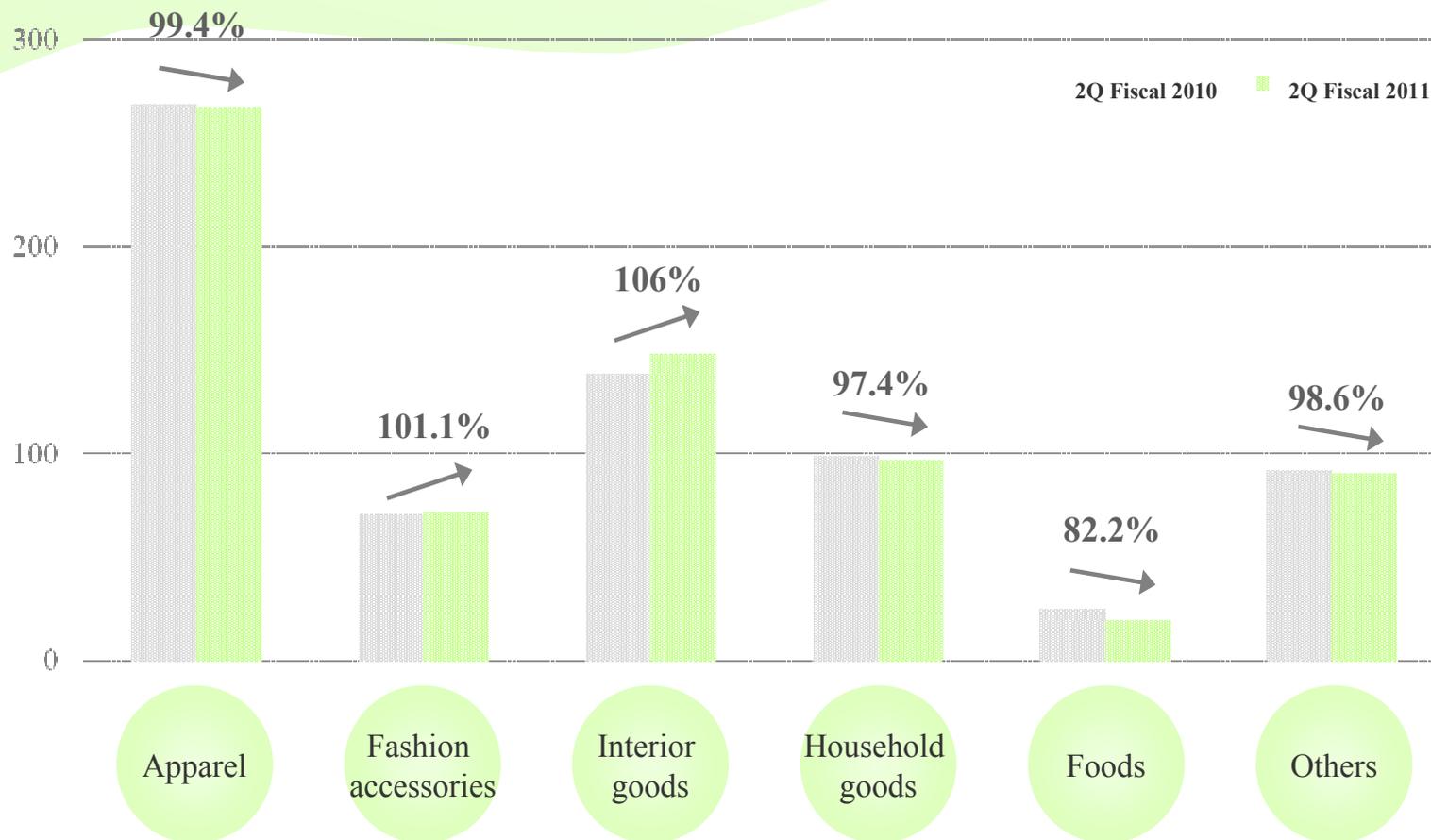
❖ Catalog Business Sales



❖ Net sales fell in March due to the impact of the earthquake, but recovered from April thanks to television advertising and a “free-shipping” campaign

## Consolidated Sales by Product Category (YoY Comparison)

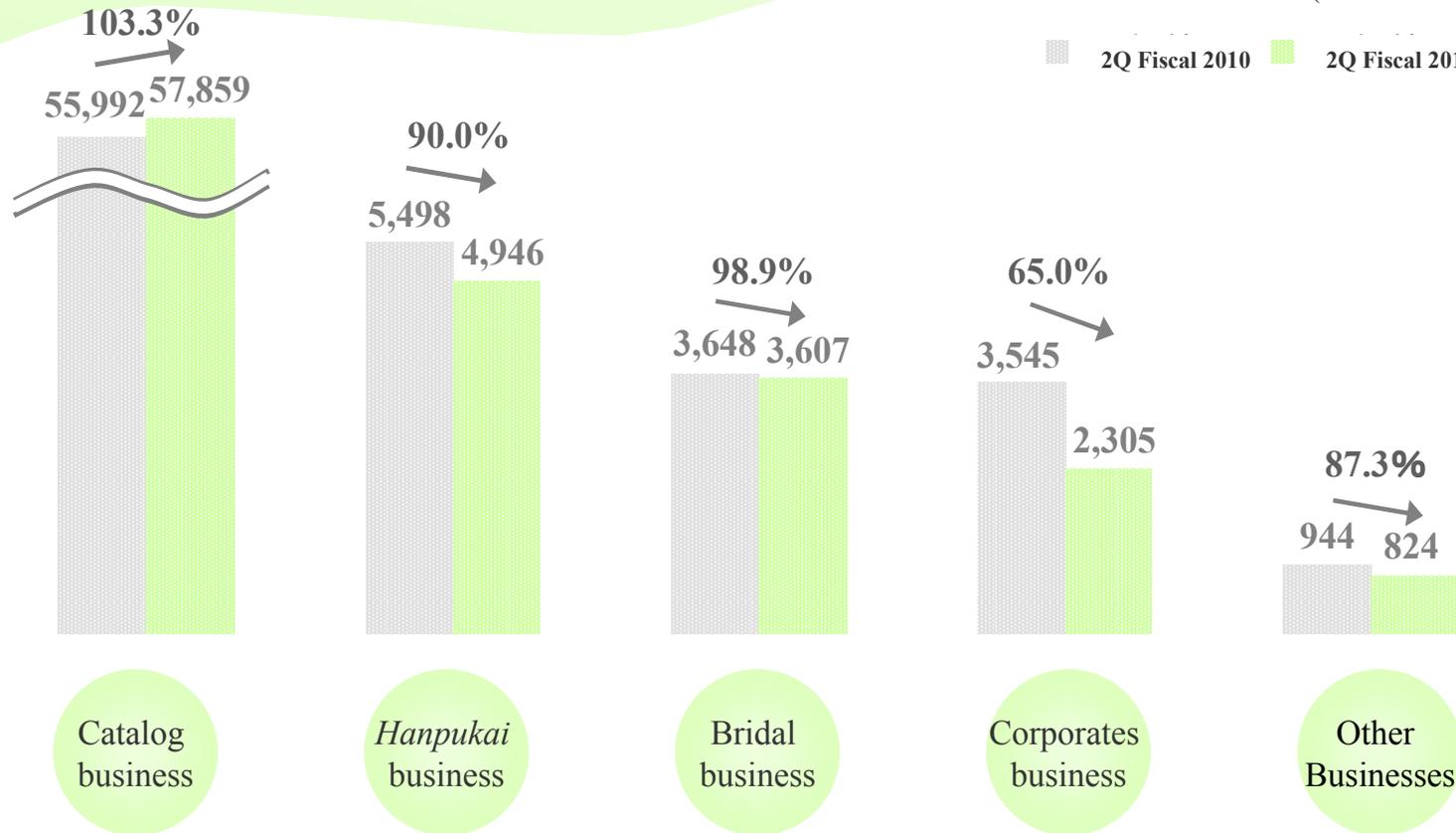
(100 millions of yen)



- ❖ Interior goods: strong sales of fabrics and bedding
- ❖ Apparel: in line with trends since last year, strong sales of maternity wear and baby clothes, but weak sales of sportswear

## Net Sales by Consolidated Business Segment (YoY Comparison)

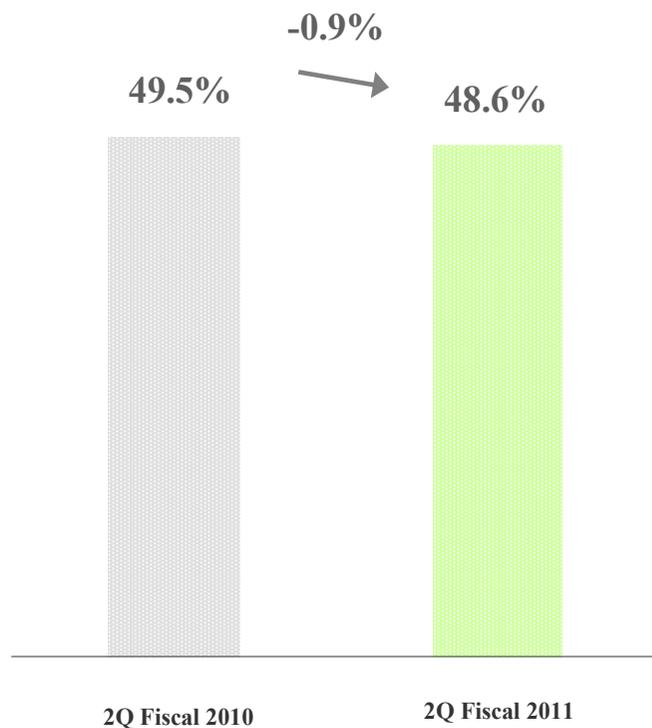
(Millions of yen)



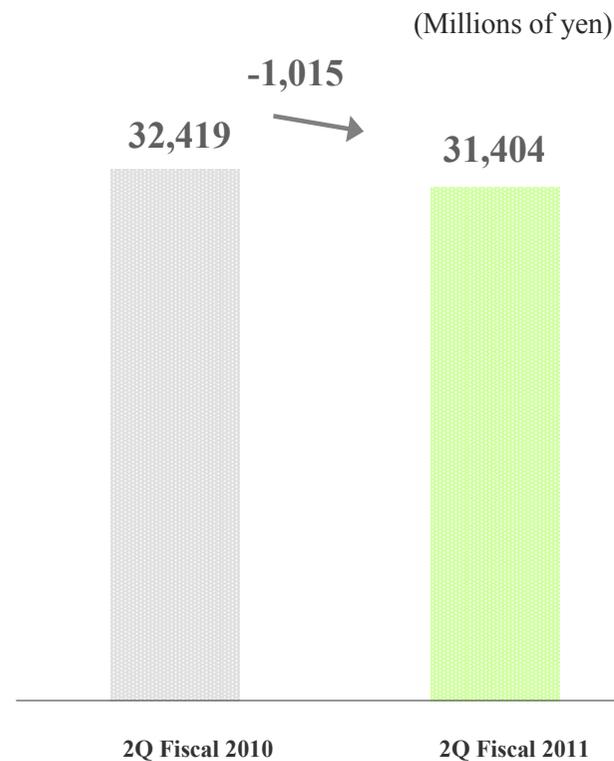
- ❖ Catalog business: increased due to steady increase in Internet sales
- ❖ Bridal business: decreased due to **postponement** of wedding ceremonies and receptions in the wake of the earthquake
- ❖ Corporates business: decreased due to end of contract with major outsourcing client

## Overview of Consolidated Gross Profit Margin and SG&A Expenses (YoY Comparison)

### ❖ Consolidated Gross Profit Margin



### ❖ Consolidated SG&A Expenses



- ❖ Purchasing cost ratio: surge in raw materials expenses
- ❖ Valuation losses: increased due to a higher inventory level

- ❖ Packing and freightage expenses declined due to improvement in the delivery-to-order ratio: -179
- ❖ Catalog costs declined due to circulation reduction: -959
- ❖ Other expenses increased: +123



## **2. Overview by Segment**

## Overview of Catalog Business (YoY Comparison)

	2Q Fiscal 2010	2Q Fiscal 2011	Difference
❖ Number of orders (10,000 orders)	547.3	551.2	3.9
❖ Semi-annual number of active customers (10,000 members)	259.9	263.8	3.9
❖ Average sales per customer (Yen)	11,386	11,168	-218
❖ Semi-annual order frequency per customer (Times)	2.1	2.1	±0
❖ Catalog circulation (10,000 volume)	4,201	3,724	-477

- ❖ Number of orders/Number of active customers: increased due to cross-media promotions in spring
- ❖ Catalog circulation: decreased due to more efficient distribution of catalogs and a decline in the number of media

## Overview of *Hanpukai* Business (YoY Comparison)

	2Q Fiscal 2010	2Q Fiscal 2011	Difference	
❖ Number of groups (10,000 groups)	7.2	6.4	-0.8	❖ Greater-than-expected decline in office groups
❖ Average sales per group (yen)	5,230	5,770	540	❖ Higher average sales per group resulted in a greater-than-expected improvement in earnings

### ❖ Hit products in first half

↓ Pelvis support shorts



👑 No.1

Pelvis tightening shorts

Sales 86,000 units

↓ Note paper and stationery in illustrated case



👑 No.2

Little library

67,000 units

↓ Alluring bra with outerwear feel



👑 No.3

Dressy bra

32,000 units

## Overview of Bridal Business (YoY Comparison)

	2Q Fiscal 2010	2Q Fiscal 2011	Difference
❖ Net sales (millions of yen)	3,648	3,607 (4,154)	-41
❖ Guesthouses	12	13 (13)	1
❖ Weddings (couples)	902	905 (1,096)	3
❖ Average sales per wedding (10,000 yen)	391	390 (379)	-1

\*Initial plan in parentheses

- ❖ Net sales: Despite the opening of a new guesthouse, sales declined slightly due to the postponement of weddings and receptions in the wake of the Great East Japan Earthquake, and damage to some guesthouses
- ❖ Average sales per wedding: Roughly in line with the YoY figure
- ❖ References: Average sales per wedding/reception: 3.26 million yen (“Zexy Marriage Trend Report” by Recruit Co., Ltd.)  
: Bridal market size: 1.5 trillion yen (Yano Research Institute estimate)

## Overview of Corporates Business (YoY Comparison)

(Millions of yen)

Breakdown of sales	2Q Fiscal 2010	2Q Fiscal 2011	Difference
❖ Contracting services	2,744	1,646	-1,098
❖ Sampling	376	432	56
❖ Novelties	168	190	22
❖ Others	257	37	-220
❖ Total	3,545	2,305	-1,240

- ❖ Contracting services: decreased due to end of contract with major outsourcing client
- ❖ Others: gift catalogs were transferred to the catalog business

## 2Q Results Relative to Initial Plan (Comparison to Initial Budget)

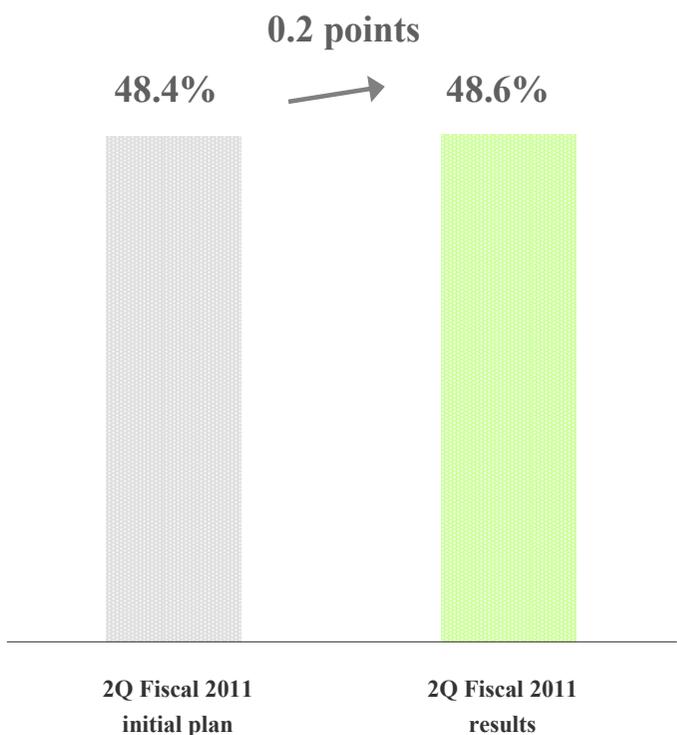
(Millions of yen)

	Initial plan for 2Q Fiscal 2011		2Q Fiscal 2011		Relative to initial plan	
		% to net sales		% to net sales	Difference	Percentage points
❖ Net Sales	69,000	-	69,542	-	542	-
❖ Cost of Sales	35,588	51.6%	35,739	51.4%	151	-0.2%
❖ Gross Profit	33,411	48.4%	33,803	48.6%	392	0.2%
❖ SG&A Expenses	32,211	46.7%	31,404	45.2%	-807	-1.5%
❖ Operating Income	1,200	1.7%	2,398	3.4%	1,198	1.7%
❖ Ordinary Income	1,600	2.3%	2,631	3.8%	1,031	1.5%
❖ Net Income	1,100	1.6%	2,166	3.1%	1,066	1.5%

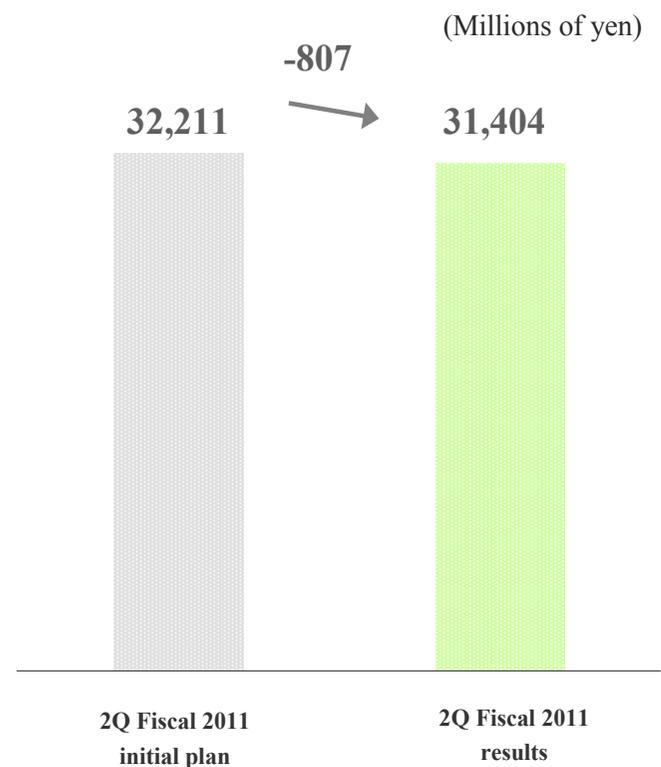
- ❖ Sales slightly exceeded the initial plan, and the gross profit margin improved due to a decline in valuation losses.
- ❖ Profits increased at each level due to across-the-board cuts in SG&A expenses.

# Differences in Gross Profit Margin and SG&A Expenses Relative to the Initial Plan for 2Q (Comparison to Initial Budget)

## Consolidated Gross Profit Margin



## Consolidated SG&A Expenses



Valuation losses declined due to the early clear-out of inventory

- ◆ Sales promotion expenses -233
- ◆ Production costs -211
- ◆ Fixtures and supplies expenses -101
- ◆ Other expenses -262

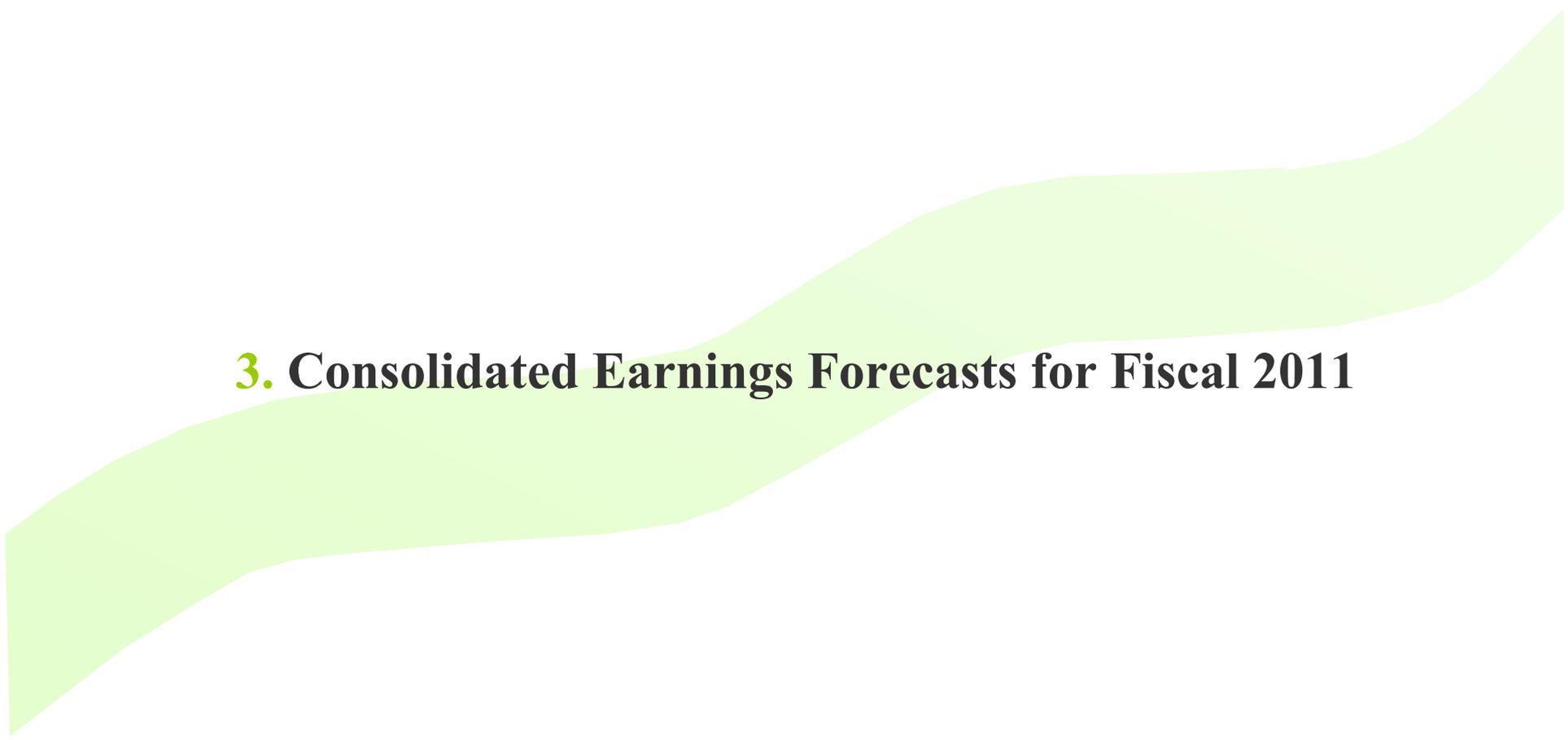
## Trend in Internet Sales in 2Q 2011, and Measures to Strengthen the Internet Business



- ❖ Renewal of *Belle Maison Net* in April
  - Strengthening of search engine functionality
  - Simplification of order flow
- ❖ Internet-related measures in the first half
  - Television advertising to guide users to the Internet
  - “Free-shipping” campaign for Internet orders only
- ❖ Future Internet-related measures
  - Smartphone-related application development
  - Full video use on Internet
- ❖ Mobakore
  - Opening of new website “mini cole” with brands for mothers and children

- Sales via catalog : Customer reads a catalog then purchases by Internet, entering catalog number.
- Internet-only sales: Customer makes purchase through the Internet by putting products into online shopping cart.

- ❖ Internet sales: Internet-only sales steadily increased
- ❖ Ratio of internet orders : 57% ⇒ 63%



### **3. Consolidated Earnings Forecasts for Fiscal 2011**

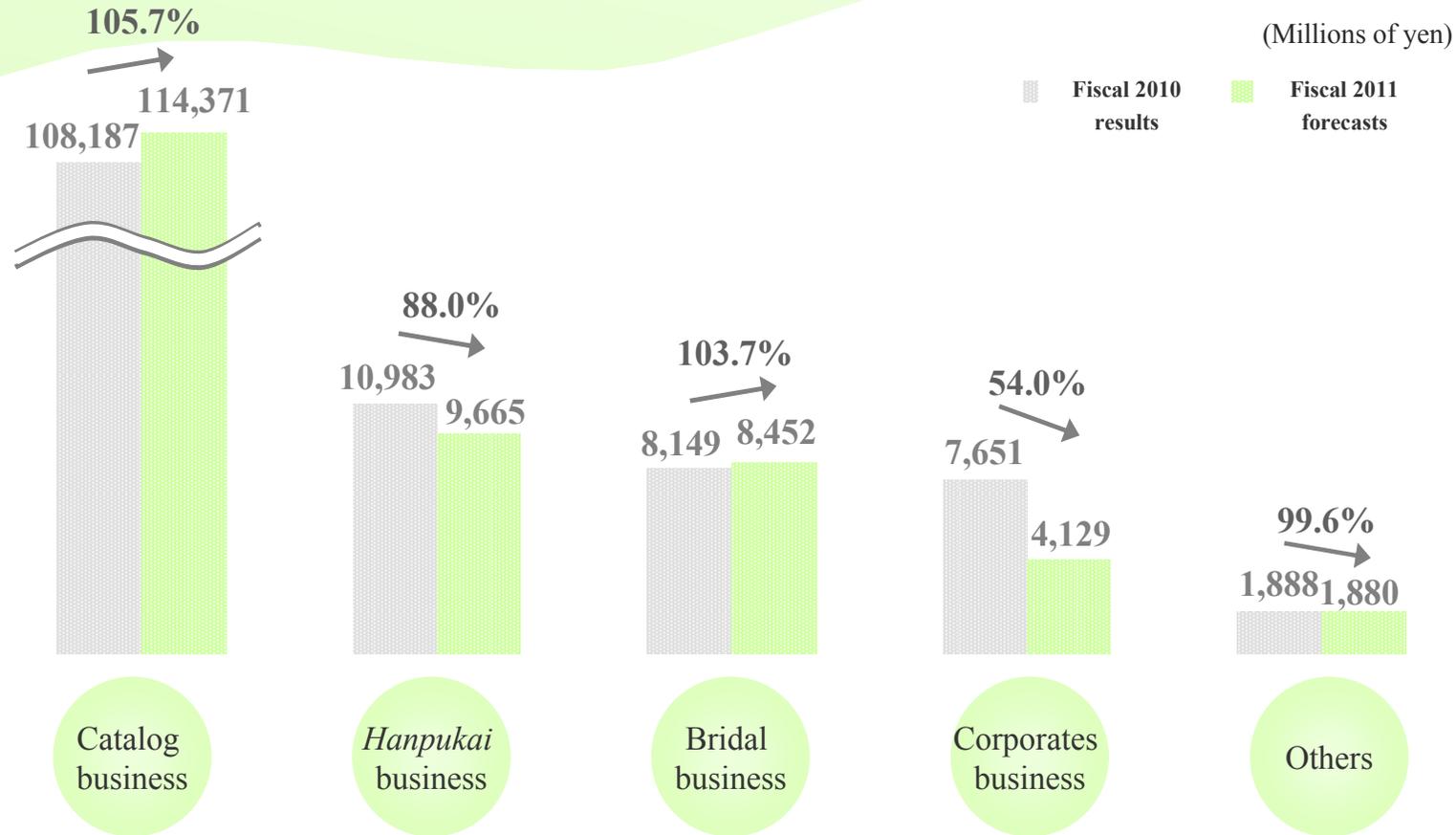
## Consolidated Earnings Forecasts for Fiscal 2011 (YoY Comparison)

(Millions of yen)

	Fiscal 2010 results		Fiscal 2011 forecasts		YoY change	
	Amount	% to net sales	Amount	% to net sales	Amount	Percentage points
❖ Net sales	136,859	-	138,500	-	1,641	-
❖ Cost of sales	69,447	50.7%	71,705	51.8%	2,258	1.1%
❖ Gross profit	67,412	49.3%	66,794	48.2%	-618	-0.9%
❖ SG&A expenses	63,989	46.8%	63,794	46.1%	-195	-0.7%
❖ Operating income	3,422	2.5%	3,000	2.2%	-422	-0.3%
❖ Ordinary income	3,167	2.3%	3,400	2.5%	233	0.2%
❖ Net income	2,037	1.5%	2,600	1.9%	563	0.4%

❖ We forecast an increase in sales, but a decline in the gross profit margin due to surging raw materials expenses and other procurement expenses, and a decline in operating income due to greater promotional spending in the second half.

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



- ❖ Catalog business: We expect Internet sales to continue to increase steadily in the second half
- ❖ Bridal business: We expect sales to recover in the second half
- ❖ Corporates business: We expect a continued impact in the second half from the end of a contract with a major outsourcing client

## Second-half Topics in Fiscal 2011

### ❖ Cross-media promotion in autumn



Manami Konishi - the main personality of our television advertising campaign

- ❖ As in spring, to be implemented to improve awareness of the *Belle Maison* brand, and acquire new customers
- ❖ Advertising on television and the Internet

### ❖ Store operations in China

- ❖ Currently operate 10 stores  
Shanghai: 2 stores; Beijing: 2 stores; Tianjin, Qingdao, Shenyang, Zibo, Dalian, Weihai
- ❖ We plan to open five new stores in Fiscal 2011



Dalian store opened in June

## Dividends and Results Announcements Scheduled in Fiscal 2011

### ❖ Dividend forecast

Our basic policy is to continuously return profits to shareholders targeting a consolidated payout ratio of 30%.

We plan a dividend of 7 yen per share in cumulative 2Q.

This, together with our dividend forecast of 7 yen per share for the yearend, gives an annual dividend of 14 yen per share.

### ❖ Dates of earnings announcements for Fiscal 2011

❖ Third quarter of Fiscal 2011	Friday, October 28, 2011
❖ Financial Report of Fiscal 2011	Thursday, February 9, 2012
❖ Presentation for earnings of fiscal 2011	Friday, February 10, 2012

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

