

# Senshukai Group Medium-term Management Plan 2018-2020

ウーマン スマイル カンパニー

senshukai

**October 27, 2017**

## 1. Assessment of the Current Medium-term Management Plan

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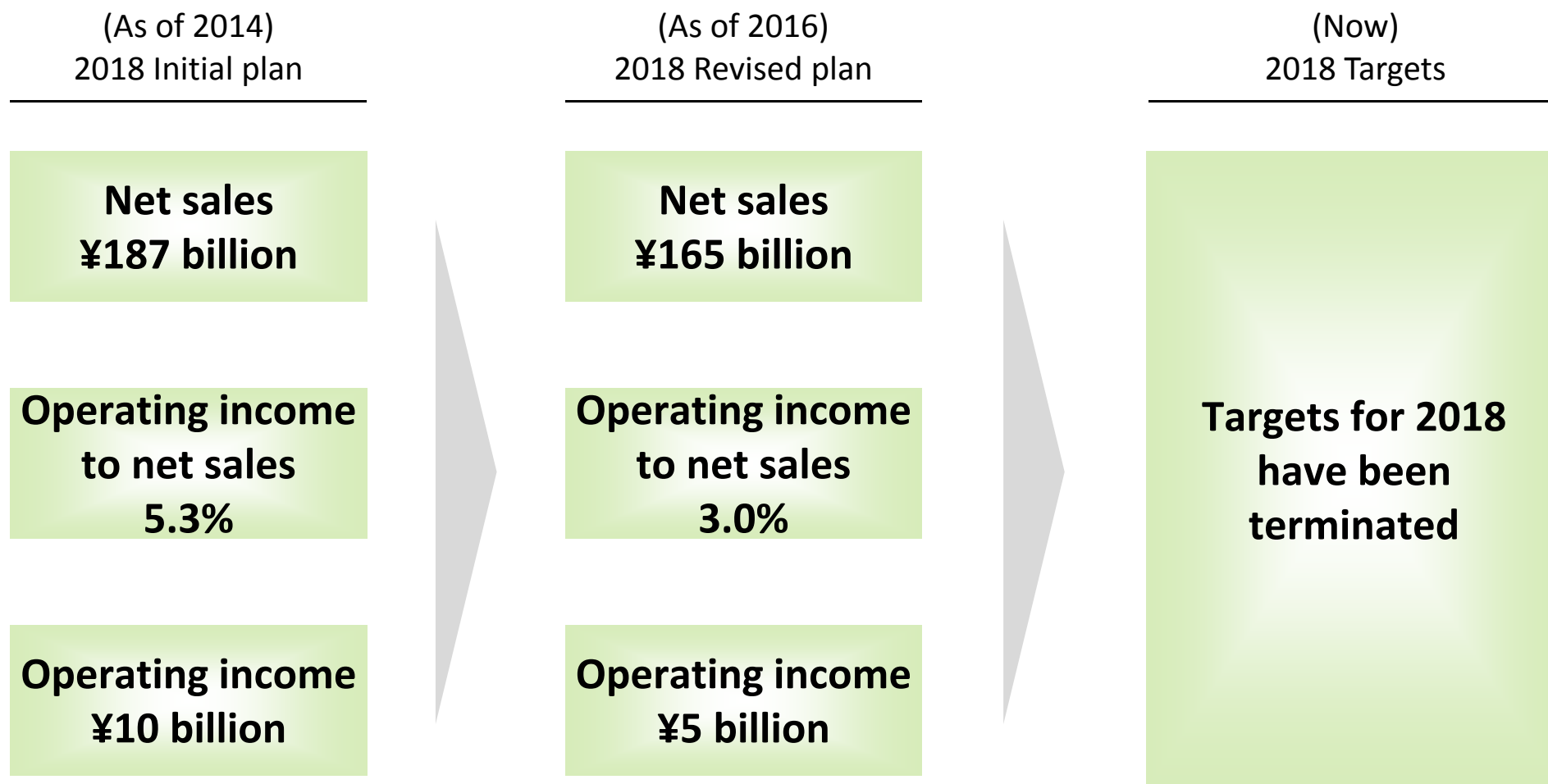
- *Belle Maison*
- Bridal, Childcare Support and Other Businesses
- Fulfillment

# 1. Assessment of the Current Medium-term Management Plan

ウーマン スマイル カンパニー

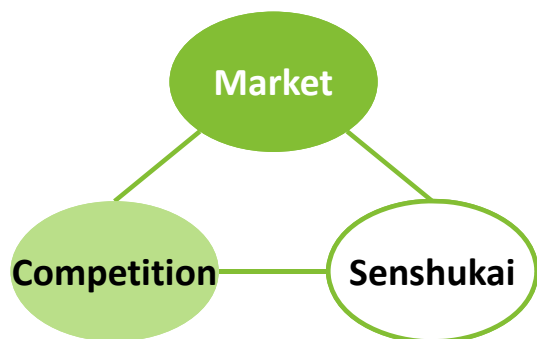
**senshukai**

- Senshukai has terminated the numerical targets of the current medium-term management plan.



- The e-commerce share of the mail-order market continues to grow and competition has become even more intense.

## Structure of Assessment



### Market

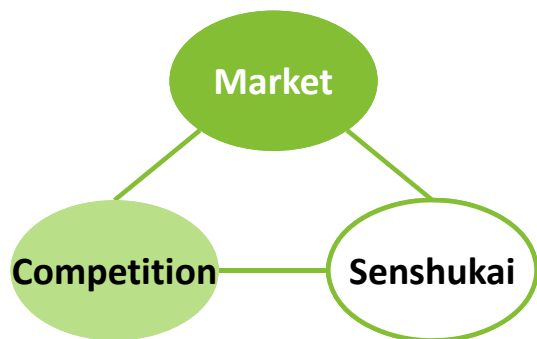
- ✓ **E-commerce continues to grow as the key component of the mail-order market**
  - E-commerce is growing at an average annual rate of 8% and is expected to account for more than 80% of all mail-order sales in Japan in 2018.  
(The increasing use of smartphones is boosting online sales particularly for apparel and household goods.)
  - Selling merchandise by distributing catalogs has become difficult in all categories.  
(The *Belle Maison* catalog response rate dropped by one-third between 2013 and 2016.)
- ✓ **But there will still be consumer segments where the demand for catalogs is strong**
  - Although the catalog mail-order market in Japan is shrinking, the annual rate of decline is only 1.8%.

### Competition

- ✓ **The difference between winners and losers is becoming sharper**
  - Winning platform companies like Amazon and START TODAY continue to grow and the momentum shows no signs of weakening.
  - Even market-leading companies with store networks like UNIQLO, Nitori and Ryohin Keikaku are steadily strengthening their profiles in the e-commerce market.  
(Online sales growth is particularly strong at Nitori.)
- ✓ **Competition involving services is intense**
  - In 2015, Amazon started a service that guarantees merchandise will be shipped within one hour of an order receipt. This sparked fierce competition involving delivery services.
  - Around 2015, many retailers started omni-channel services, such as the ability to pick up items ordered online at a store.

- Our pursuit of sales growth weakened the characteristics that set us apart from competitors. Additionally, the SPA (specialty store retailer of private label apparel) development strategy did not produce the expected benefits. Problems involving our organization/frameworks and business processes/systems prevented us from dealing with these issues.

## Structure of Assessment



### [Strategy] **Senshukai**

- ✓ **Constant focus on sales growth weakened distinguishing characteristics**
  - To increase sales, there was increasing emphasis on other wholesale products (product types increased 73% between 2012 and 2017). Customers lost sight of the characteristics that define Belle Maison and it became difficult to be profitable due to small margins and higher operating expenses.
- ✓ **Started the SPA development strategy, but executing the strategy itself became the goal**
  - We started implementing the SPA business model, but the execution of this model became its own goal. SPA activities grew to include merchandise that was not suitable for this business model. The result was a large volume of dead inventory that resulted in bargain sales, valuation losses and write-offs.

### [Organization/frameworks]

- ✓ **No organization or other frameworks capable of stopping the downturn in sales and earnings**
  - Inadequate corporate functions of administrative sections
  - No clarity about individuals accountable for problems occurred (everyone shared responsibility in small amounts)
  - Employees had broad-based rather than specialized skills, further preventing measures to resolve problems

### [Business processes/systems]

- ✓ **The workforce understood the need to respond to changes, notably the shift to e-commerce, but people continued to use long-span processes as before. Business systems also failed to reflect changing market conditions.**
  - People were overwhelmed with daily work required for catalog operations and unable to take on new challenges.
  - Senshukai fell behind competitors in responding to the growth of smartphone use.

## 2. The New Medium-term Management Plan

ウーマン スマイル カンパニー

**senshukai**

# Our Vision, Management Targets and Overall Strategy

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- Senshukai will continue to be a “Women’s Smiles Company”



Women’s Smiles Company

senshukai

*Smiles are the creator of happiness.*

笑顔が積み重なって、しあわせは生まれる。

*A smile on one face, and then another, is a promise of a brighter tomorrow.*

ひとりひとりが笑顔になれば、明日はもっと素敵になる。

*Senshukai is a company that delivers smiles to women’s daily lives,*

私たちは、女性の毎日に笑顔を届けることを通じて、

*and by doing so, makes the world happy.*

世の中をしあわせにしていく会社です。

Since its establishment in 1955, Senshukai has always operated businesses that encompass every stage of a woman’s life, including finding employment, marriage, child-birth and other major events.

■ The new targets for 2020 are the consolidated sales of ¥129 billion and operating income of ¥3.5 billion.

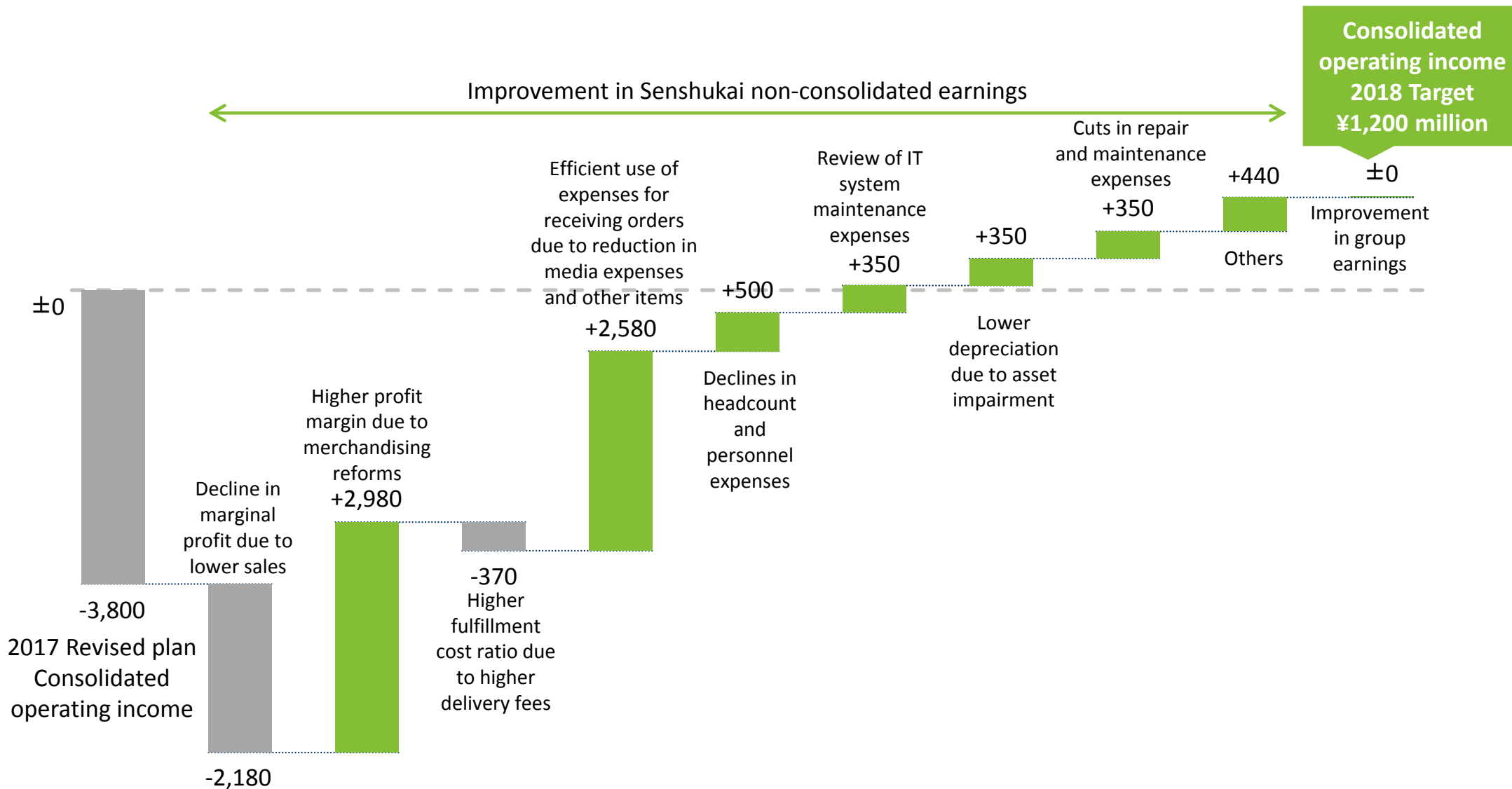


## ■ Targets for four major business segments

		<u>2016 Results</u>	<u>2017 Revised plan</u>	<u>2018 Targets</u>	<u>2019 Targets</u>	<u>2020 Targets</u>
<b>Mail-order</b>	Net sales	106,606	102,999	93,500	96,800	<b>100,000</b>
	Operating income	-240	-5,134	20	280	<b>1,450</b>
	Operating income to net sales	-0.2%	-5.0%	0.0%	0.3%	<b>1.5%</b>
<b>Bridal</b>	Net sales	16,818	17,799	17,850	17,900	<b>17,930</b>
	Operating income	751	873	960	1,000	<b>1,100</b>
	Operating income to net sales	4.5%	4.9%	5.4%	5.6%	<b>6.1%</b>
<b>Childcare support</b>	Net sales	501	635	780	1,200	<b>2,100</b>
	Operating income	31	35	30	50	<b>100</b>
	Operating income to net sales	6.2%	5.5%	3.8%	4.2%	<b>4.8%</b>
<b>Corporates</b>	Net sales	4,576	4,572	5,000	5,400	<b>6,000</b>
	Operating income	517	311	200	250	<b>300</b>
	Operating income to net sales	11.3%	6.8%	4.0%	4.6%	<b>5.0%</b>

(Millions of yen)

■ The 2018 consolidated operating income target of ¥1.2 billion incorporates benefits from *Belle Maison* inventory reductions and cuts in selling, group personnel and administrative expenses.



(Millions of yen)

### ■ Initiatives for positive operating income in 2018

#### 1. Belle Maison

##### 1-1. Increase the gross profit margin

- a) Improve earnings by terminating unprofitable categories
- b) Reduce number of product types and reexamine procurement strategies in order to hold inventories at the appropriate level
- c) Lower inventory disposal losses by using timely discounts and other measures to increase the pct. of merchandise sold to customers

\*Use the more favorable yen exchange rate to lower the cost of sales ratio for directly imported merchandise.

##### 1-2. Review of sales channel strategy and sales promotion measures

- a) Improve UI/UX of *Belle Maison Net* to push up customer purchase ratio
- b) Strengthen “Customer Service” by earnestly starting to use DMP and other initiatives to maximize sales promotion efficiency
- c) Slash media costs and enhance efficiency by a fundamental review of the catalog distribution strategy
- d) Review the points and discounts policy

#### 2. Senshukai Group

##### 2. Cut personnel and administrative expenses

- a) Reduce personnel expenses by using people in the most productive positions, improving operating efficiency and taking other actions
- b) Lower IT system expenses by downsizing IT system development and maintenance operations, etc.
- c) Cut maintenance and administrative expenses by reducing inventory storage expenses and selling non-current assets in order to eliminate wasteful and inefficient assets
- d) Reduce personnel and administrative expenses by right-sizing group companies
- e) Reduce all types of other fixed expenses

- Tightly focused merchandise specialization will be vital to Senshukai's survival at a time when the diversification of consumption patterns and intense competition are the key themes defining the business climate.
- No competitor can match Senshukai's ability to understand women and translate women's needs into products and services. Additionally, in the past, we used merchandise specialization to fuel consistent growth.

### Micro-trends

- ✓ Declining income and increasing income inequality
  - ✓ Polarization of consumption between budget-minded people and people buying high-priced items
  - ✓ A shift from buying things to buying experiences
  - ✓ Continuing aging of Japan's population and rising spending by seniors
- **More diversification of consumption patterns**

### Industry analysis

- ✓ E-commerce continues to grow as the key component of the mail-order market
  - ✓ But there will still be consumer segments where the demand for catalogs is strong
- **Significant differences exist within the mail-order market**

### Competitive landscape analysis

- ✓ The difference between winners and losers is becoming sharper
  - ✓ Competition involving services is intense
- **Companies without a tight focus will not survive**

### Senshukai strengths

[Past strength]

- ✓ **Specialization**  
There were many catalogs for specific categories (handbags, accessories, storage goods, etc.) that were fun simply to look through.

[Continuing strengths]

- ✓ **Ability to think from the standpoint of woman and comprehend women**
- ✓ **Ability to translate women's needs into products and services**  
(a provider of support for women since the 1955 start of operations)
- ✓ Ability to create interesting and effective catalogs (started distributing catalogs in 1976)

[New strengths]

- ✓ **Non-retail businesses to support women (weddings, childcare and others)**  
(The numerous activities in these businesses to achieve growth have given us an even better understanding of the needs of women.)

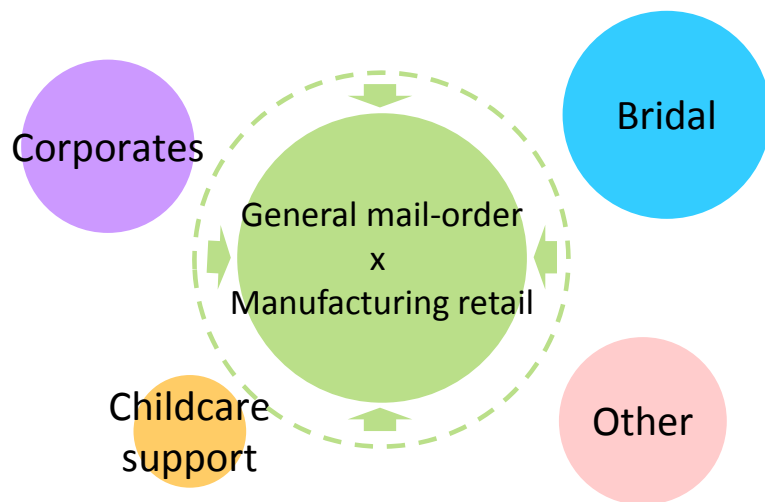
- In the past, Senshukai’s core business was the combination of “general mail-order sales and a manufacturing retail” business. Now, to meet the diversifying needs of women, our emphasis is shifting to a combination of “specialty stores and a merchandise conception retail” business.
- We will also use a variety of non-retail businesses to support women in even more ways.

## Senshukai’s Strategy

- Transition from a “general” to a “specialty store collection” retail format and from “manufacturing retail” to “merchandise conception retail”
- Creating synergies across business units to serve women in many ways in addition to the sale of merchandise

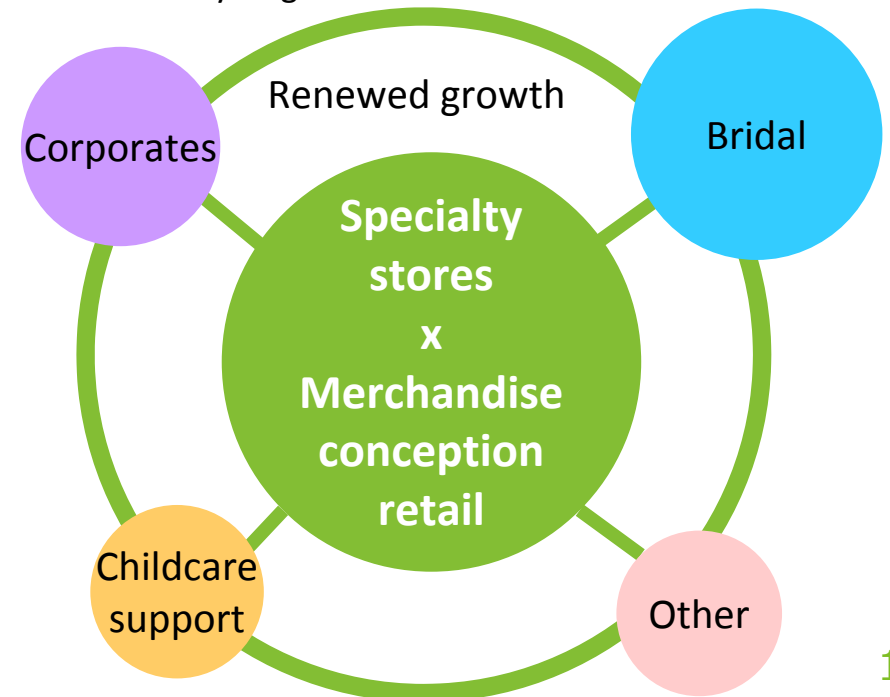
(Today)

- Steady decline in the scale of the general mail-order sales x manufacturing retail business
- Inability to create synergies across business units



(New strategy)

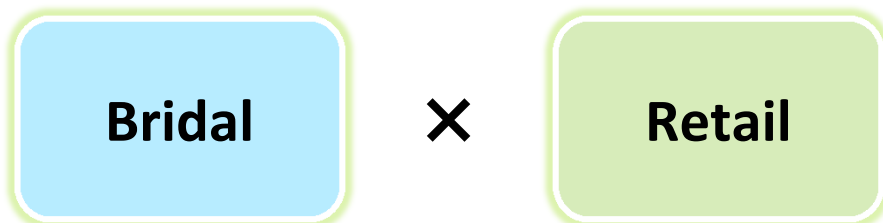
- Renewed growth by using specialization and merchandise conception retail
- Creation of synergies across business units



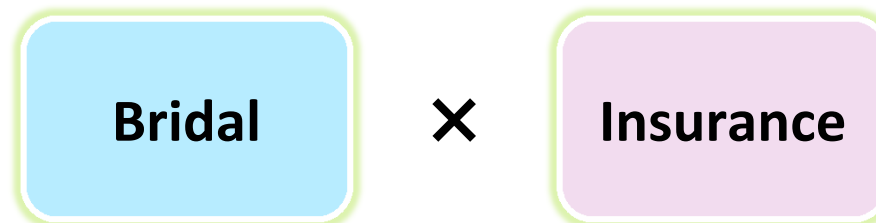
- Senshukai provides a broad spectrum of support for women, unlike at competing retailers. Only a company like Senshukai that has launched bridal, childcare support and other businesses for women is able to create substantial synergies across business units that can further benefit women.

### Examples of synergies

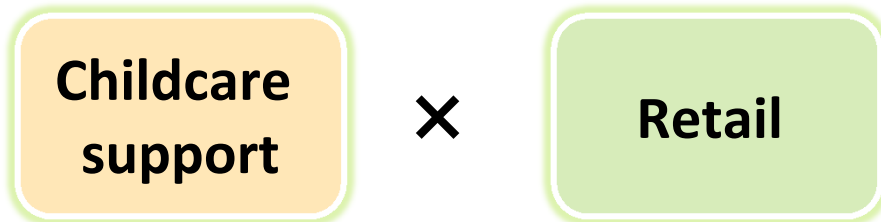
#### Sale of new lifestyle home interiors



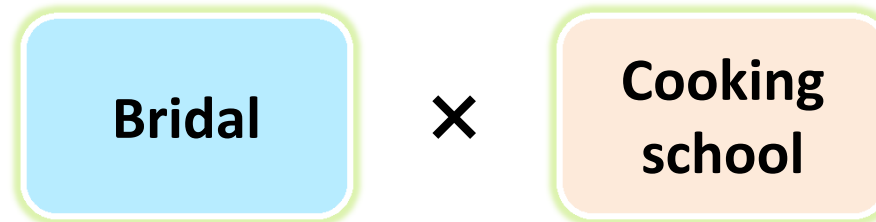
#### Insurance consultations



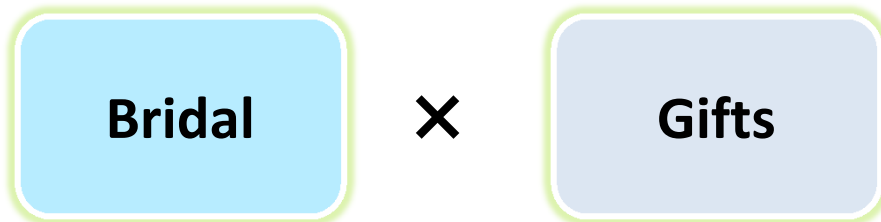
#### Development and sale of childcare products



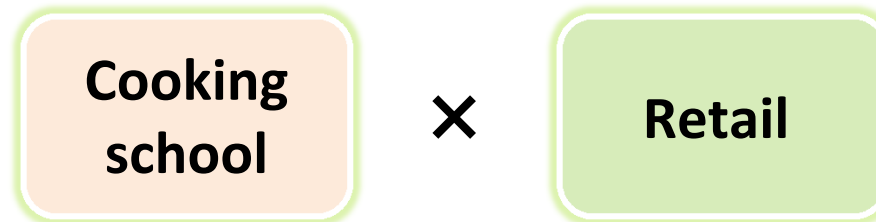
#### Cooking skills for a new lifestyle



#### Gift sales



#### Sales of foodstuff and kitchen utensils





## Business Strategy

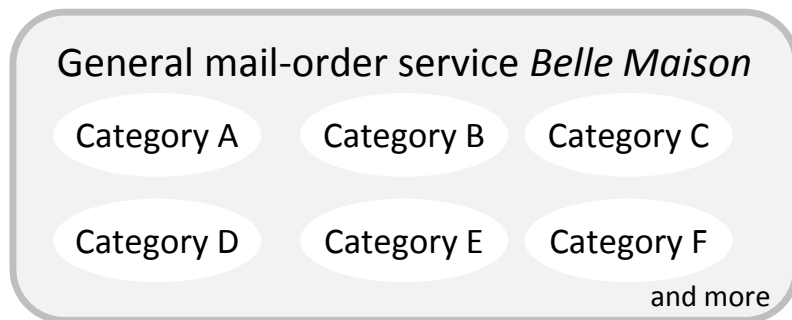
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- ***Belle Maison***
- Bridal, Childcare Support and Other Businesses
- Fulfillment

- Transform *Belle Maison* into a collection of specialty stores with three goals: (1) Sell specialized merchandise; (2) Build a business model for each specialty store format; (3) Manage earnings separately for each specialty store format.

## Before

- ✓ General mail-order service *Belle Maison* covered all categories of products and services

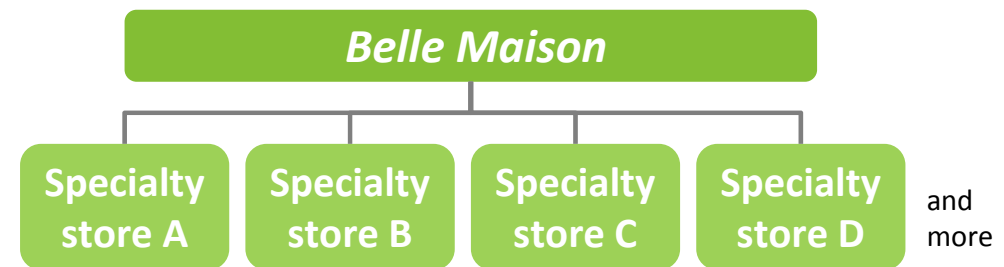


[Past business model]

- Emphasis on a general (all-inclusive) merchandise selection
- A single business model for *Belle Maison*
- Earnings managed for Belle Maison as a single unit

## New strategy

- ✓ Specialized merchandise and services are provided at each specialty store, transforming *Belle Maison* into a collection of specialty stores.



[The new business model (**major changes**)]

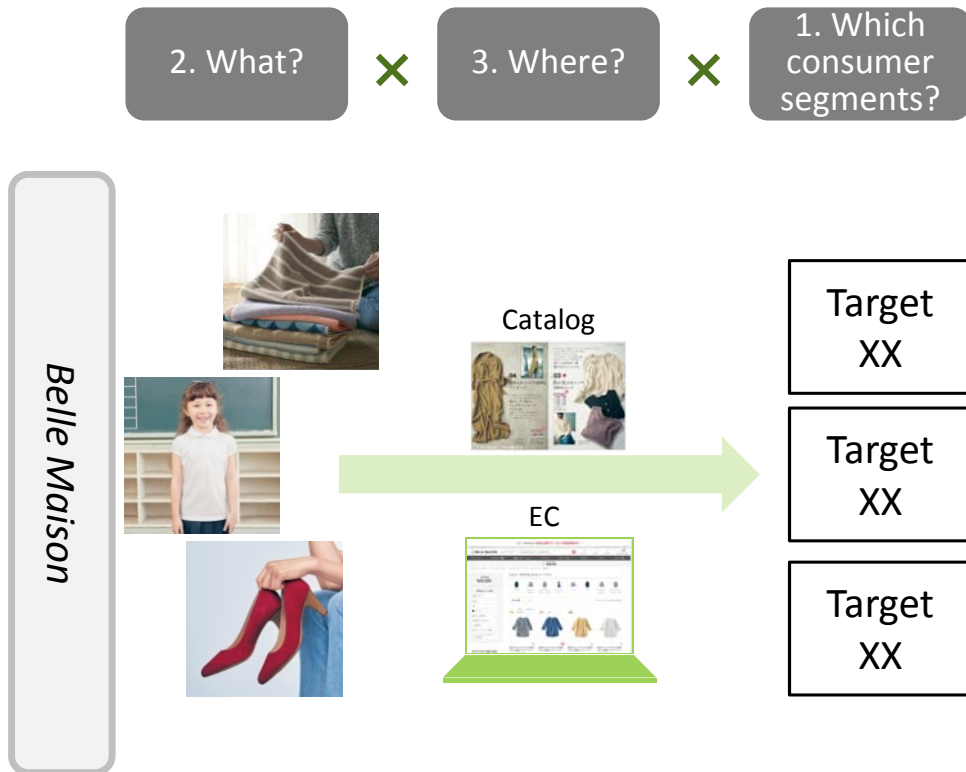
- Emphasis on selling specialized merchandise**
- Building a business model for each specialty store format (again)**
- Earnings managed separately for each specialty store format**

**The goal is to be more competitive by concentrating resources on carefully chosen market sectors.**

- In the past, there was a single business model for *Belle Maison*. Our plan is to establish a business model for each specialty store format, including for the use of catalogs.
- We will consider using the physical stores in each specialty store format to show customers the functions and other benefits of merchandise and then use e-commerce to sell the merchandise.
- Each specialty store format will separately conduct cross-border e-commerce, external e-commerce, wholesaling and other operations.

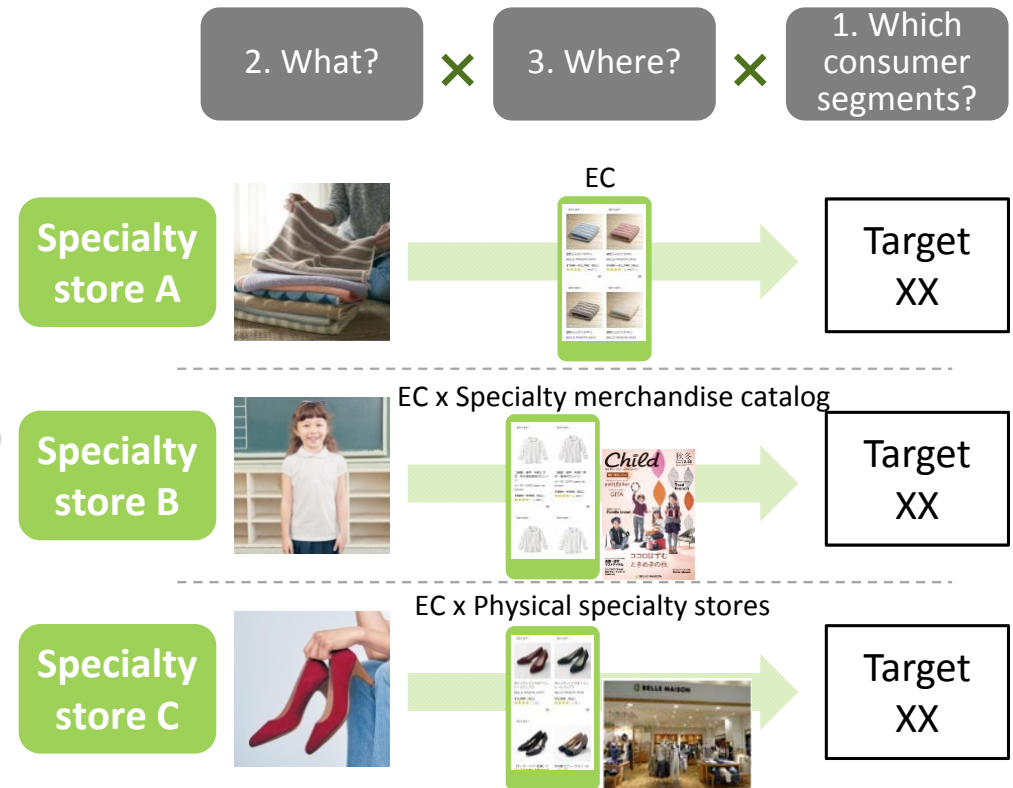
## Previous business model

### ✓ A single business model for *Belle Maison*



## The new business model

### ✓ A separate business model for each specialty store format, including the use of catalogs



■ Our plans are for specialty stores in approximately the following categories.

<i>Belle Maison</i>	Target	Larger selection/Activities only a special store can do
Maternity/baby products	<ul style="list-style-type: none"> <li>• Pregnant women</li> <li>• Mothers with age 0 to 5 children</li> </ul>	<ul style="list-style-type: none"> <li>• Maternity/baby apparel</li> <li>• Maternity/childcare products</li> <li>• New product development and content distribution in corporation with the childcare support business</li> </ul>
Home interior goods	<ul style="list-style-type: none"> <li>• People starting a new lifestyle</li> <li>• People planning to relocate</li> <li>• People thinking about remodeling</li> </ul>	<ul style="list-style-type: none"> <li>• Interior/remodeling products for new lifestyles and single people</li> <li>• Ideas for coordinated interior decoration</li> <li>• Tie-ups with consulting sales shops, synergy with the bridal business</li> </ul>
Formal apparel	<ul style="list-style-type: none"> <li>• Mothers with children starting kindergarten or elementary school</li> <li>• The growing number of female managers at companies and other organizations</li> </ul>	<ul style="list-style-type: none"> <li>• Apparel with an attractive profile that conceals a part of a woman's figure she does not like</li> <li>• Formal wear that can also be worn to work</li> <li>• Apparel for a sudden funeral, wedding or other event, apparel alterations</li> </ul>
Plus-size apparel	<ul style="list-style-type: none"> <li>• Women dissatisfied with current apparel selections</li> </ul>	<ul style="list-style-type: none"> <li>• Stylish adult outer and inner wear starting at size LL</li> <li>• Elegant apparel that can be worn to work</li> <li>• Develop apparel with participation of customers</li> </ul>
Gourmet products	<ul style="list-style-type: none"> <li>• Women with a strong interest in gourmet cuisine and cooking</li> </ul>	<ul style="list-style-type: none"> <li>• Seasonings and other processed food items not sold at ordinary supermarkets</li> <li>• High-end gourmet products</li> <li>• Tie-ups with cooking schools</li> </ul>
Others		

- Over the years, **specialization** that closely reflects customers (women) was the core strength behind Senshukai's growth. Now, this vital strength is about to be lost.
- Our goal is renewed growth by restoring our specialization.

[Initial phase]

Door-to-door sales increased the number of customers



[Growth phase I]

Hit products due to high degree of specialization reflecting women's needs

✓ Examples of hit products

- Kokeshi dolls
- Recipe cards
- Towels
- Tableware
- Magazine about knitting
- Phonograph records
- Culture publications, others

A period of many hit products

Started catalogs sales



(1976)

[Growth phase II]

Highly specialized catalogs were very popular

✓ Focus on catalogs for specific categories that were fun simply to look through

Catalogs:

- Fashion for women in their 20s
- Luxury merchandise
- Handbags
- Accessories
- Storage goods
- Sporting goods
- Animated character goods, others

A period when sales increased along with the number of catalogs distributed

[Growth phase III]

Catalogs slowly became more general to make the business larger and increase efficiency

✓ Established position as a general mail-order retailer

- Passed Mutoh in 1980 to become Japan's largest general mail-order retailer
- Avg. annual growth of 17.7% from 1982 to 1990 raised membership to more than 4mn
- Tokyo Stock Exchange first section listing in 1990

[No-growth phase]

Emergence and growth of EC sparks intense competition for mail-order sales

✓ Big companies and start-up companies launch e-commerce operations

- Amazon
- Rakuten
- UNIQLO
- Nitori
- MUJI
- START TODAY
- LOWYA, etc.

Increased product lineup to offset sales lost to e-commerce

✓ Negative "generalization" of merchandise that led to the addition of merchandise with few distinguishing features

Design?  
Functions?  
Price?



(If the necessary actions are not taken now, there is a risk of becoming caught a negative loop that would cause a long-term downturn)

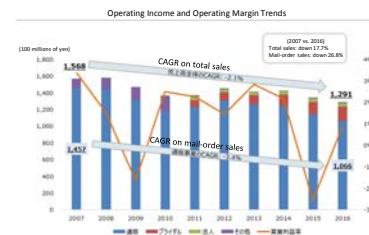
Customers had difficulty identifying the value that Belle Maison offered

Competitor X    Competitor Y

*Belle Maison*

Competitor Z

Sales continued to fall (and operations became unprofitable)



[Renewed growth]

Restoration of specialization

- ✓ Merchandise specialization means having added value and distinguishing characteristics that match the needs of each customer.
- ✓ The goal is to once again do what we were able to accomplish in the past.

- In prior years, Senshukai published highly specialized catalogs covering many product sectors. Simply looking at the catalogs was fun for customers.
- In response to an increasing number of competitors, Senshukai shifted to general catalogs in order to aim for a larger scale of operations and higher efficiency.

## Past Catalogs

- ✓ Catalogs tightly focused on specific categories covering many product sectors that were fun simply looking through



## Today's Catalogs

- ✓ General catalogs with emphasis on efficiency



- Merchandise conception retail is a retail business model that relies on the ability to create new and innovative products rather than the ability to manufacture products.
- Each specialty store format will transition to merchandise conception retail by using new product conception capabilities backed by its own category of specialization.
- Most important is a product lineup based on highly distinctive concepts. We will also select the best possible procurement method for each item. Furthermore, our goal will be to be a source of experiences rather than simply products.

### Manufacturing retail

- ✓ **A retail business model centered on manufacturing capabilities**



[Previous business model]

- Main strength was an enormous number of original products  
(quick and efficient manufacture of products)
- Goal was a higher pct. of SPA merchandise
- The objective was to sell products

### Conception retail

- ✓ **A retail business model centered on the ability to create new and innovative products**



[New business model (**Primary changes**)]

- Main strength is a product lineup based on highly distinctive concepts**
- Select the best possible procurement method (OEM, ODM, SPA and others)**
- Provide experiences rather than simply products**

# “Always Anticipate Your Needs”

## *Belle Maison*

*Belle Maison* reflects the stages of the lives of women who work and enjoy their lives in many ways.

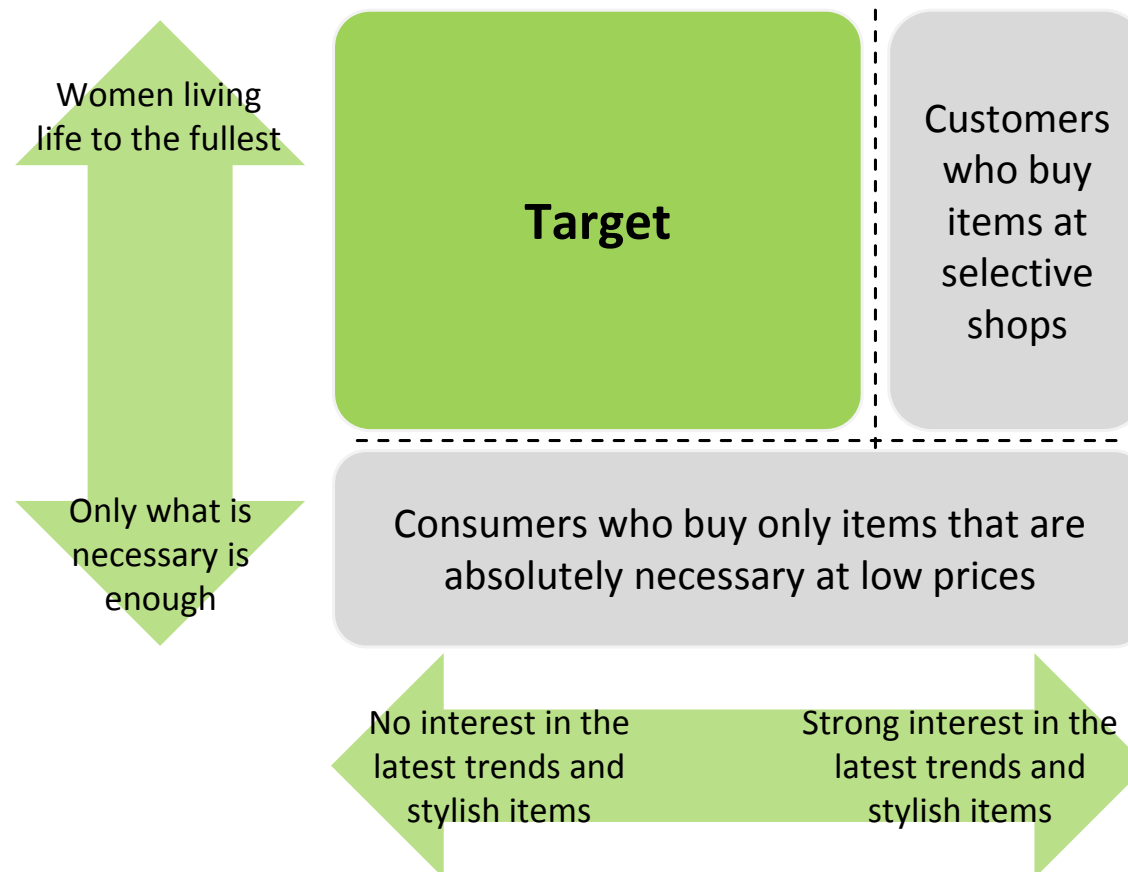
We understand their lifestyles and listen to their innermost thoughts.

By using these insights, we create ideas that anticipate the needs of women. This spirit underlies everything we produce and select and all the services we provide.



- *Belle Maison* targets two customer segments: women who are enjoying their lives and women who want to enjoy fashions that are currently popular or are stylish.
- Each specialty store format selects its own target customer segments from these two larger *Belle Maison* segments. Store operations then closely reflect the needs of their respective target segments.

### Customer Segments Targeted by *Belle Maison*



- Every specialty store has a somewhat different selection of merchandise, but all stores have the same goal of maintaining the proper balance among three elements: ideas that anticipate customers' needs, designs and prices.

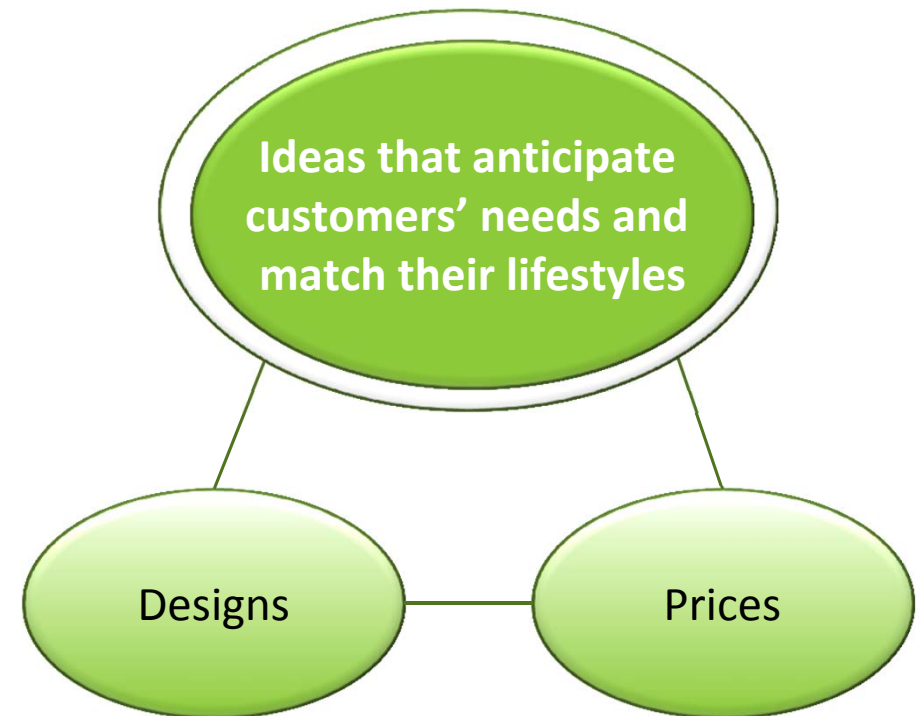
### *Belle Maison's Value*

#### Customer's innermost thoughts

- Want to do household chores quickly and efficiently
- Unable to enjoy stylish fashions due to time needed for work and childcare
- Body profile is beginning to change

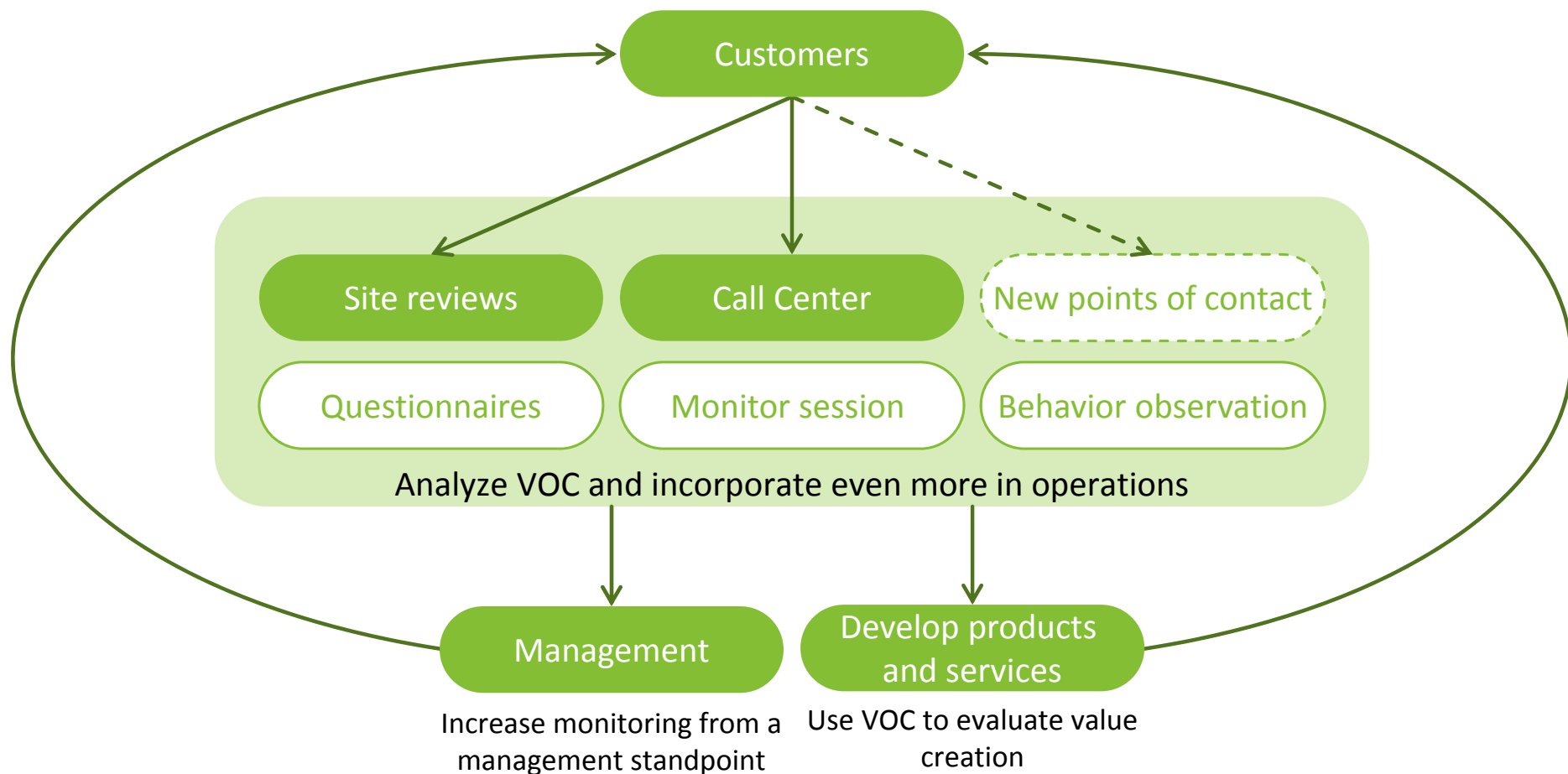
However

- Stylish items are difficult to use and expensive
- Functional items are expensive and unsophisticated
- Cheap items are unsophisticated and difficult to use



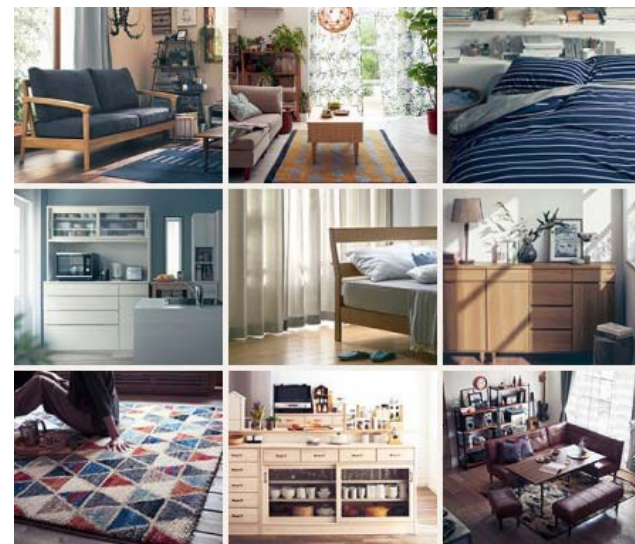
- For many years, Senshukai created many hit products by constantly listening to the wishes of women.
- With women's needs and problems more diverse than ever, now is the time to listen even more closely to what women are saying in order to provide distinctive merchandise that no competitor can match.

### A Business Model that Uses the Voice of the Customer (VOC)



## ■ New points of contact with customers (Belle Maison LIFESTYLING HORIE)

### Select furniture with the comprehensive support of a highly trained concierge



### Create realistic spaces by using 3D simulations and virtual reality



### ■ New points of contact with customers (Gourmet Studio FOOVER)

**A new format of cooking studio for people with advanced cooking skills to learn from chefs and cooking specialists**



### ■ New points of contact with customers (Pop-up stores)

### A sales event for BENE BIS shoes that includes 3D foot measurements



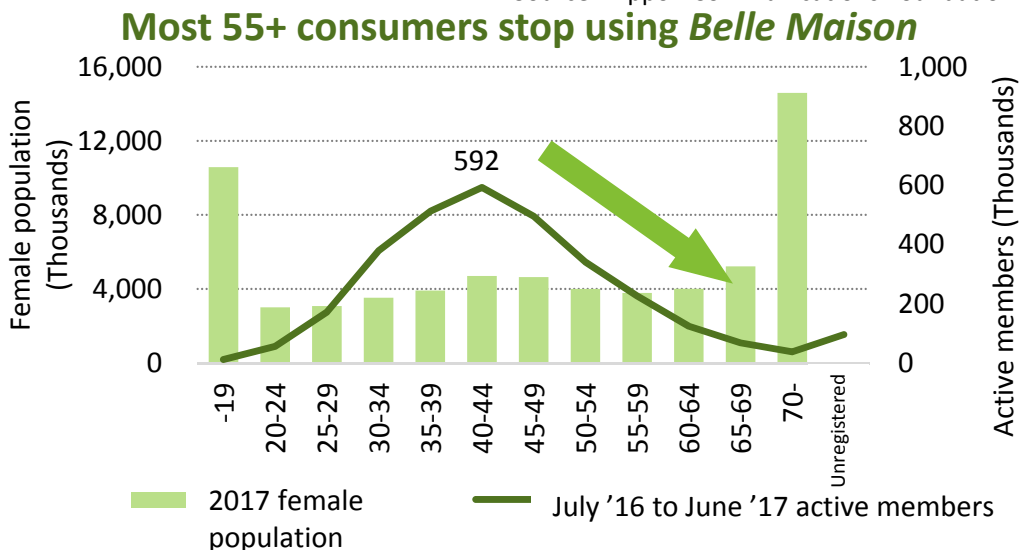
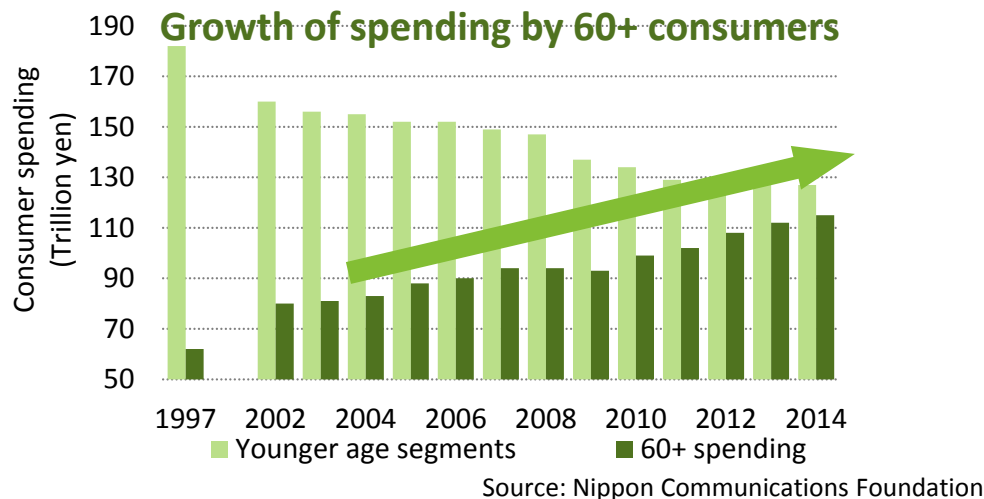
- Special stores that have a lower reliance on catalogs must quickly devise other ways to attract customers and create points of contact.
- Reinforce the ability to attract, contact and retain customers by using digital one-to-one marketing and content marketing.

	Attract more customers	Better customer services and retention
One-to-one marketing	<p>Speedy and unified actions to reinforce</p> <ul style="list-style-type: none"> <li>✓ <b>Personalized content of advertising</b></li> <li>✓ <b>Personalized content for mail messages</b></li> </ul>	<p>Website visit, purchasing history, catalog receipt history and other data to reinforce</p> <ul style="list-style-type: none"> <li>✓ <b>Personalized content</b></li> <li>✓ <b>Personalized merchandise recommendations</b></li> <li>✓ <b>Personalized marketing campaigns</b></li> </ul>
	*using a data management platform	*using a data management platform
Content marketing	<p>Expand the provision of information to attract more customers <b>by using the content of search engine optimizers, content curation sites and other external websites</b></p>	<p>Instead of only supplying product information, <b>use videos and other content to thoroughly explain the value of specific items</b> in order to raise the conversion rate.</p>

\*Data management platform: A platform that combines and manages a variety of data stored on the internet to enable its use for many kinds of activities

## Strengthen ongoing activities for building relationships with age 60+ customers

### The Senior Market in Japan



### Current and Upcoming Initiatives

#### Current Initiatives

- ✓ In March 2017, Senshukai acquired all businesses of JFR Online Co. Ltd., a catalog retailing company that was a subsidiary of J.FRONT RETAILING Co., Ltd. The business was then taken over by a new Senshukai subsidiary called Feel Life Inc.
- ✓ Feel Life has about 300,000 members, mostly in the age 60+ segment.
- ✓ Spending in this age segment is divided into two sectors: budget-minded people and people who spend a lot. The majority of Feel Life's customers are people who spend a lot on shopping.

#### Upcoming Initiatives

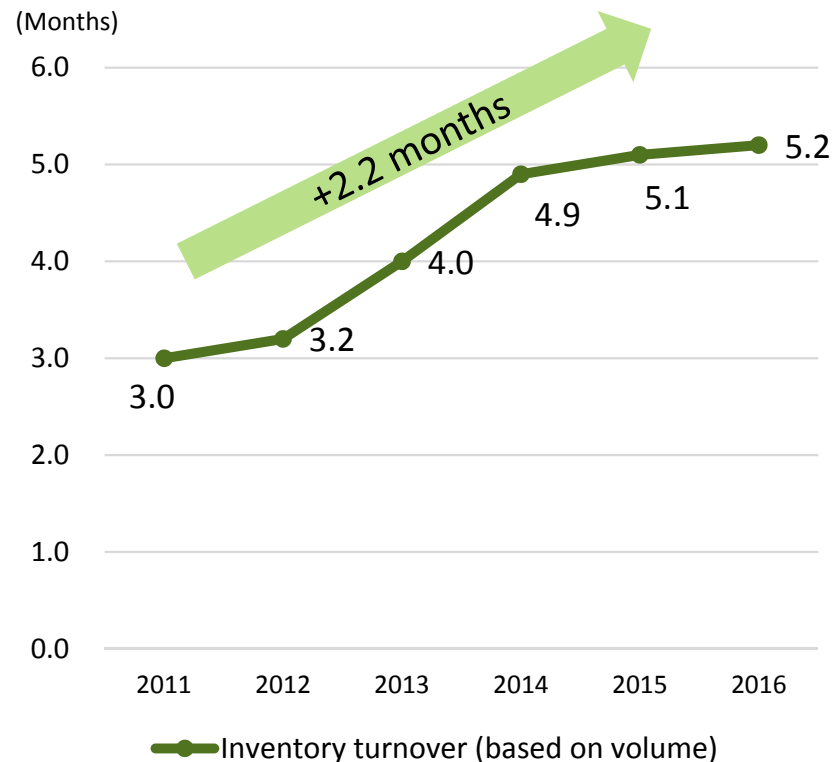
- ✓ Use Feel Life's know-how for retention and growth of the age 55+ customer segment.
- ✓ Enlarge markets by having Senshukai Group companies send customers to each other.
- ✓ Consider starting an "experience consumption business" that utilizes the Senshukai Group's large customer base.



- All specialty stores are reducing their inventories, in part to improve the Senshukai Group’s financial soundness. (Inventory reductions are an essential goal for all specialty stores.)

## Reason for the Need to Reduce Inventories

- ✓ Inventory turnover has been increasing year after year
- ✓ A big negative impact on financial indicators



## Upcoming Actions

End catalog-based long-span and economy-of-scale procurement activities

+

Use frequent, small-volume orders  
(shorter lead times, smaller lot sizes)

+

Use merchandise with a low inventory risk  
(purchase only items sold to customers, inventory links, direct purchases from manufacturers, and other measures)

**Goal is inventory turnover of three months  
(Inventory of less than ¥10.0 billion)**

## Business Strategy

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- *Belle Maison*
- **Bridal, Childcare Support and Other Businesses**
- Fulfillment

- Goals in the bridal business are to strengthen its business foundation and increase earnings while capturing synergies with other Senshukai Group businesses.

### Initiatives and Bridal Business Growth

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#### Japan's wedding market

- The number of marriages is declining due to Japan's falling population and the increasing number of women who choose to remain single.
- The average expenditure for a wedding is declining because more couples want a simple ceremony and fierce competition is causing rates to drop.



### Japan's wedding market is shrinking

#### Strategic goals

- Establish a competitive edge by renovating wedding facilities and creating new services and other innovative ideas.
- Lower the cost of sales ratio by performing more peripheral tasks internally.
- Use employee training programs to improve the quality of services.



### Improve earnings (profit margins) at all companies

- The goal is consistent growth over the next several years by seeking ways to deliver added value and entering peripheral business sectors.

### Initiatives and Childcare Support Growth

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#### Japan's childcare market

- Nursery school capacity is increasing by about 100,000 every year.
- But there is still a surplus of about 26,000 children waiting for admission.

But nursery school demand will eventually start declining along with Japan's population of children.

#### Strategic goals

Continue growing over the next several years (plan to open a nursery school again in 2018).

Seek ways to add value to prepare for the upcoming period of declining demand for nursery schools.

**At a later time, start considering the start of peripheral businesses**

Example: Childcare worker welfare service, rental of large playground equipment, e-learning training service

■ The goal is steady growth by taking on new challenges.

	Highlights	Issues
Corporates	<ul style="list-style-type: none"> <li>➤ Three core businesses: Sale of products, advertising and contracting services</li> </ul>	<ul style="list-style-type: none"> <li>➤ No prospects for significant growth of product sales and advertising businesses</li> </ul>
Gift (MUSUBI)	<ul style="list-style-type: none"> <li>➤ Two categories: Standard MUSUBI and MUSUBI Wedding (wedding gifts)</li> </ul>	<ul style="list-style-type: none"> <li>➤ More growth unlikely by using only the wedding channel due to the expected decline in the number of weddings</li> </ul>
Ihana	<ul style="list-style-type: none"> <li>➤ Currently has more than 10% share of online sales of flowers</li> </ul>	<ul style="list-style-type: none"> <li>➤ Significant growth is unlikely with only existing business operations</li> </ul>
Mobakore	<ul style="list-style-type: none"> <li>➤ Market has stopped growing and Mabakore's market position is weakening</li> </ul>	<ul style="list-style-type: none"> <li>➤ Need to raise sales to restore a sound market position and improve efficiency</li> </ul>
Belle Neige Direct	<ul style="list-style-type: none"> <li>➤ Sales of functional food products are climbing</li> </ul>	<ul style="list-style-type: none"> <li>➤ Infrastructure growth is not keeping up with sales growth</li> </ul>
Senshukai General Services	<ul style="list-style-type: none"> <li>➤ Cannot avoid the decline in fees in the credit card business</li> </ul>	<ul style="list-style-type: none"> <li>➤ Must keep the credit card business profitable and increase sales in the insurance business</li> </ul>
Huit Laboratories	<ul style="list-style-type: none"> <li>➤ Nissui Pharma Cosmetics became a wholly owned subsidiary</li> </ul>	<ul style="list-style-type: none"> <li>➤ Insufficient sharing of group customer assets and input of knowledge</li> </ul>

**Initiatives**

- **Focus on growth of contracting services by expanding the lineup of services, primarily support services for the rapidly growing e-commerce market**
- **Add experience-oriented catalog gifts and other items to target gift demand outside the wedding sector**
- **Expand wholesale and other B-to-B activities by aggressively creating sales channels**
- **Establish many new alliances and build a new business model**
- **Build an infrastructure capable of supporting sales growth**
- **Cut marketing expenses in the credit card business and use bridal business tie-ups and other measures for growth of the insurance business**
- **Realign existing brands and channels and develop new products in order to energize this business; use Senshukai Group sales channels**

## Business Strategy

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- *Belle Maison*
- Bridal, Childcare Support and Other Businesses
- **Fulfillment**

- Make steady progress with actions needed to deal with issues involving the logistics, IT system and call center functions.

	Highlights	Issues	Initiatives
Logistics	<ul style="list-style-type: none"> <li>➤ Progress with consolidation of operations in the Chubu region following completion of the Minokamo Distribution Center</li> <li>➤ Days needed for deliveries are decreasing and cost cutting measures have started</li> </ul>	<ul style="list-style-type: none"> <li>➤ Efficiency down due to an unexpected downturn in sales and expenses are rising again because of growing inventories</li> <li>➤ Centralized inventory management for new channels (stores, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>➤ <b>Outsource warehouse tasks</b></li> <li>➤ <b>Reorganize logistics bases</b></li> </ul>
IT systems	<ul style="list-style-type: none"> <li>➤ Rebuilding of the unnecessarily complex catalog core system is behind schedule</li> <li>➤ IT system expenses are rising as a pct. of sales</li> </ul>	<ul style="list-style-type: none"> <li>➤ Improve the productivity of development activities</li> <li>➤ Build an IT system for the new medium-term plan's business model goal</li> <li>➤ Start using new technologies</li> </ul>	<ul style="list-style-type: none"> <li>➤ <b>Start using agile development and other flexible development methods</b></li> <li>➤ <b>Develop IT systems compatible with many channels</b></li> <li>➤ <b>Study the use of artificial intelligence and start using this technology</b></li> </ul>
Call centers	<ul style="list-style-type: none"> <li>➤ Telephone orders are declining but questions from customers are becoming more complex</li> <li>➤ Customer feedback is collected and analyzed, but the information is not fully utilized</li> </ul>	<ul style="list-style-type: none"> <li>➤ Improve ability to answer customers' questions</li> <li>➤ Use VOC to develop and upgrade products and services</li> </ul>	<ul style="list-style-type: none"> <li>➤ <b>Enhance the provision of information from the perspective of customers</b></li> <li>➤ <b>Establish a process for the effective use of VOC</b></li> <li>➤ <b>Assemble a framework for incorporating VOC in business operations and management</b></li> </ul>

# Achieve renewed growth by reinvigorating *Belle Maison* and expanding all group businesses

## 2020 Targets

Net sales

**¥129.0 billion**

Operating  
income

**¥3.5 billion**

Profit

**¥3.0 billion**