

Senshukai Co., Ltd.

Fiscal 2012 Earnings Presentation

February 8, 2013



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1. Results of Consolidated Operations for Fiscal 2012



Consolidated Results of Operations for Fiscal 2012 (YoY Comparison)

(Millions of yen)

	Fiscal 2011		Fiscal 2012		YoY change	
		% to net sales		% to net sales	Difference	Percentage points
◆ Net sales	137,261		145,750		8,489	Up 6.2%
◆ Cost of sales	71,311	52.0%	76,392	52.4%	5,081	0.4%
◆ Gross profit	65,950	48.0%	69,357	47.6%	3,407	-0.4%
◆ SG&A expenses	62,842	45.8%	67,248	46.2%	4,406	0.4%
◆ Operating income	3,107	2.3%	2,109	1.4%	-998	-0.9%
◆ Ordinary income	3,233	2.4%	2,765	1.9%	-468	-0.5%
◆ Net income	1,583	1.2 %	2,029	1.4%	446	0.2%
◆ Net income per share (yen)	36.56		46.86		10.3	
◆ Return on equity	3.9%		4.7%		0.8%	

Up 6.2%

Consolidated Balance Sheet for Fiscal 2012 (YoY Comparison)

(Millions of yen)

	Dec. 31, 2011	Dec. 31, 2012	Difference	Remarks
Assets				
Current assets	44,482	46,248	1,766	<ul style="list-style-type: none"> ■ Accounts receivable-other: +¥1.1bn ■ Forward exchange contracts: +¥700mn
Noncurrent assets	45,959	46,639	680	<ul style="list-style-type: none"> ■ Property, plant and equipment: +¥1.7bn ■ Intangible assets: -¥600mn
Total assets	90,441	92,887	2,446	
Liabilities				
Current liabilities	41,244	37,062	-4,182	<ul style="list-style-type: none"> ■ Forward exchange contracts: -¥1.9bn ■ Notes and accounts payable-trade: -¥1.2bn ■ Short-term loans payable: -¥400mn
Noncurrent liabilities	7,753	10,892	3,139	<ul style="list-style-type: none"> ■ Long-term loans payable: +¥3.0bn ■ Bonds payable: -¥700mn
Total liabilities	48,997	47,955	-1,042	
Net assets				
Shareholders' equity	50,910	52,203	1,293	<ul style="list-style-type: none"> ■ Retained earnings: +¥1.2bn
Accumulated other comprehensive income	-9,465	-7,271	2,194	<ul style="list-style-type: none"> ■ Deferred gains or losses on hedges: +¥1.6bn ■ Valuation difference on available-for-sale securities: +¥400mn
Total net assets	41,444	44,932	3,488	
Total liabilities and net assets	90,441	92,887	2,446	



Consolidated Statements of Cash Flows for Fiscal 2012 (YoY Comparison)

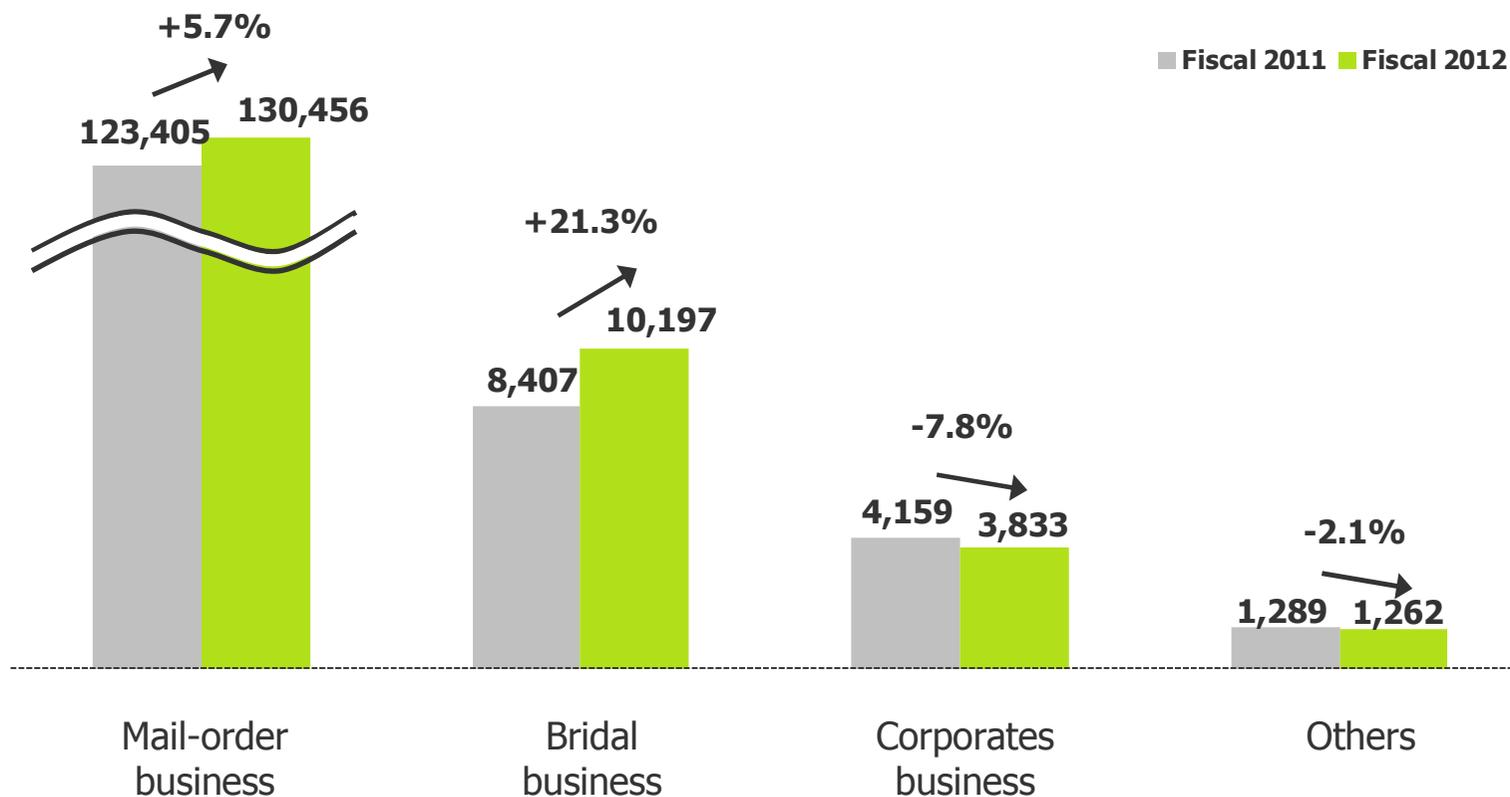
(Millions of yen)

	Fiscal 2011	Fiscal 2012	Difference	Fiscal 2012 highlights
◆ Net cash provided by (used in) operating activities	448	2,337	1,889	<ul style="list-style-type: none"> ■ Income before income taxes and minority interests: +¥2.4bn ■ Depreciation: +¥2.7bn ■ Increase in other current assets: -¥1.3bn ■ Decrease in notes and accounts payable-trade: -¥1.2bn
◆ Net cash provided by (used in) investing activities	-2,077	-3,606	-1,529	<ul style="list-style-type: none"> ■ Purchase of property, plant and equipment: -¥2.5bn ■ Purchase of intangible assets: -¥1.1bn
◆ Net cash provided by (used in) financing activities	-1,727	991	2,718	<ul style="list-style-type: none"> ■ Proceeds from long-term loans payable: +¥5.7bn ■ Repayment of long-term loans payable: -¥1.6bn ■ Decrease in short-term loans payable: -¥1.5bn
◆ Cash and cash equivalents at end of period	7,500	7,452	-48	



Net Sales by Consolidated Business Segment for Fiscal 2012 (YoY Comparison)

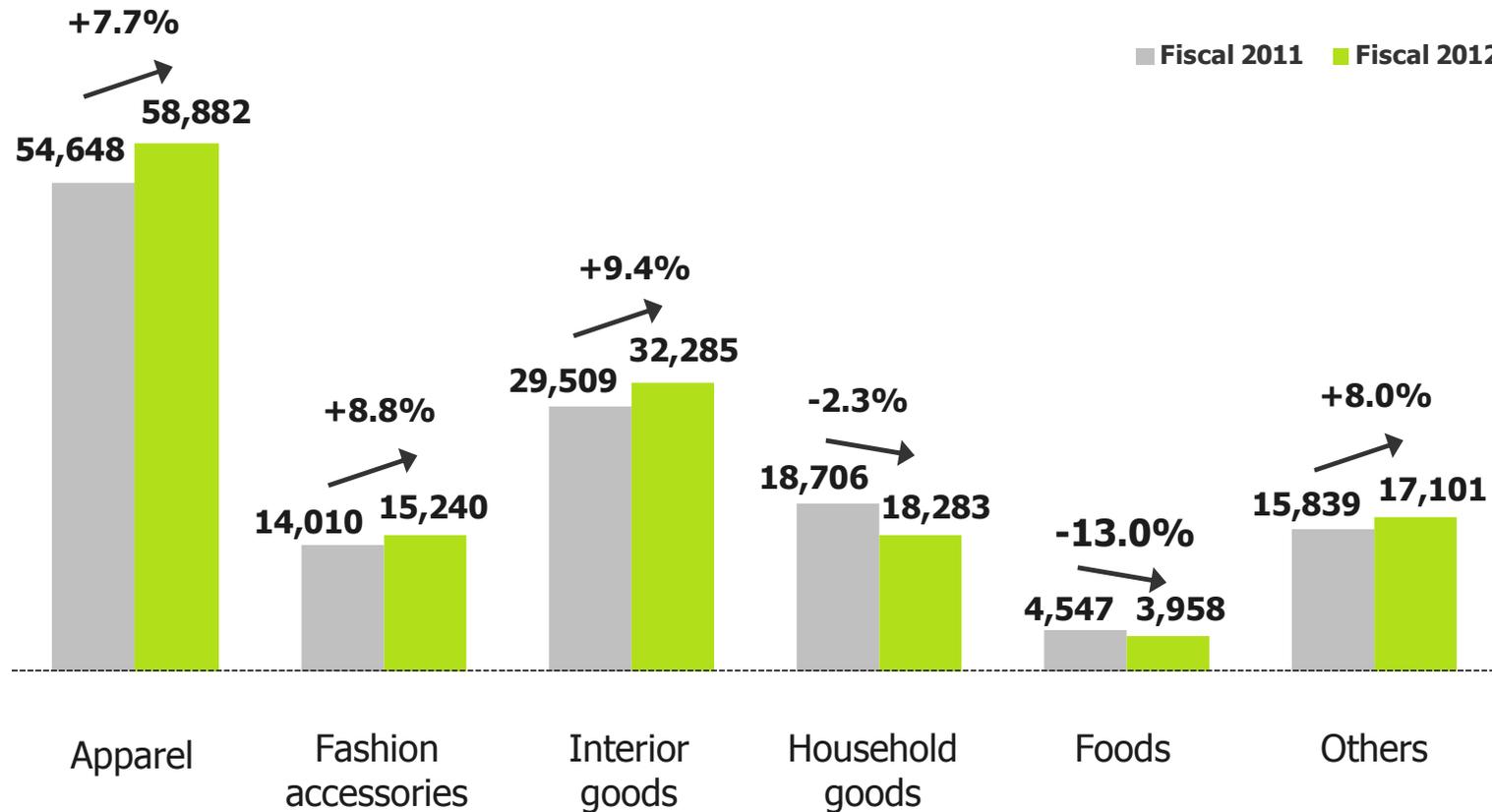
(Millions of yen)



- Mail-order business: Sales rose due to cross-media promotions and strong Internet sales
- Bridal business: Sales rose due to the opening of new guesthouses
- Corporates business: Sales declined due to the end of contract with major outsourcing client

Consolidated Sales by Product Category for Fiscal 2012 (YoY Comparison)

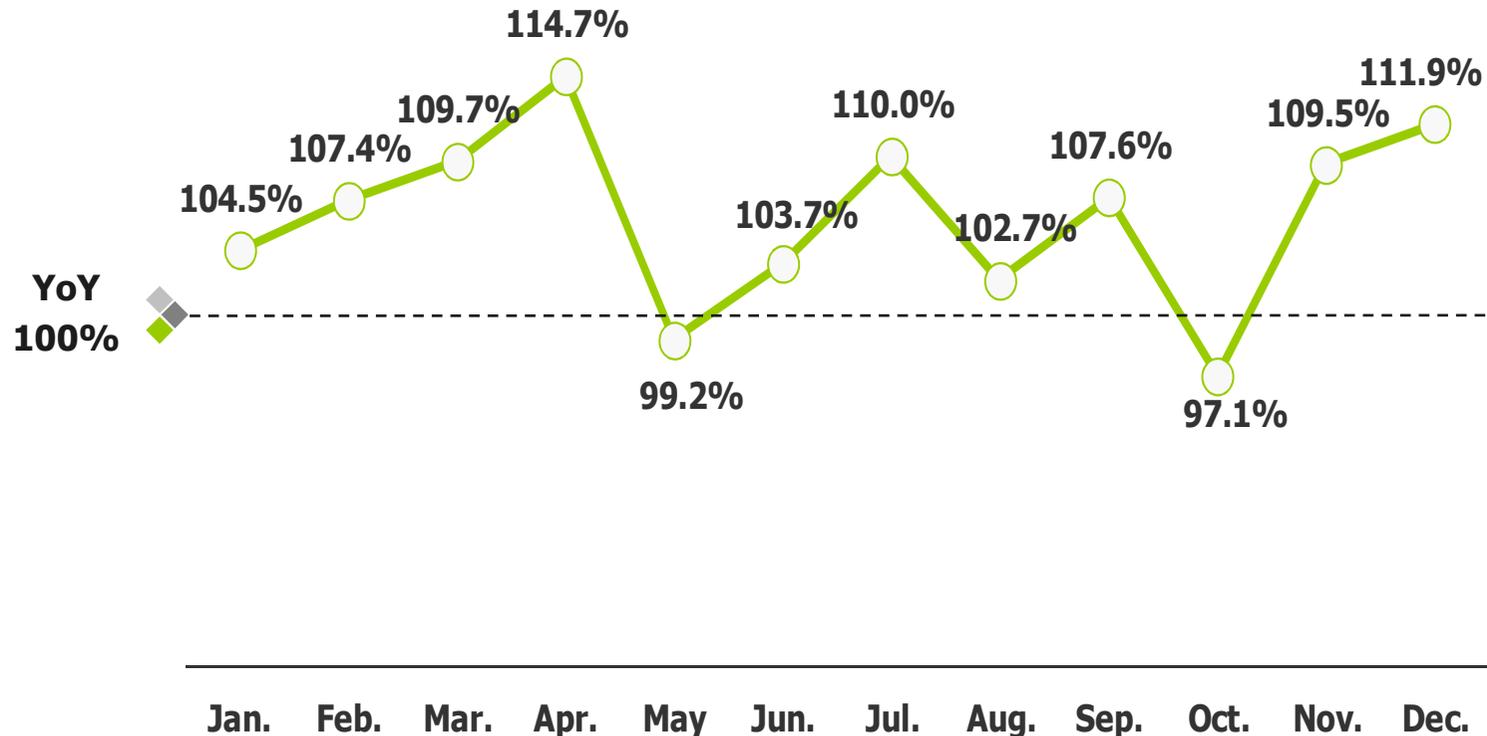
(Millions of yen)



- Apparel: Strong sales of overall women's apparel (outerwear/underwear), maternity wear, and baby clothes
- Interior goods: Strong sales of fabrics and bedding

Trend in Monthly Consolidated Sales for Fiscal 2012 (YoY Comparison)

Monthly Consolidated Sales



- Sales increased due to cross-media promotions and further strong Internet sales
The number of active customers exceeded 4 million!
- Sales of summer wear were weak in May, and autumn wear in October, due to unfavorable weather, but otherwise sales were comparatively firm

クーマン スマイル カンパニー

senshukai

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株式会社 千趣会

2. Overview by Segment

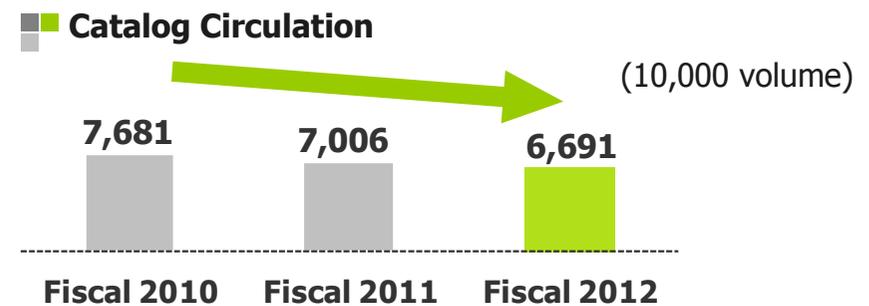
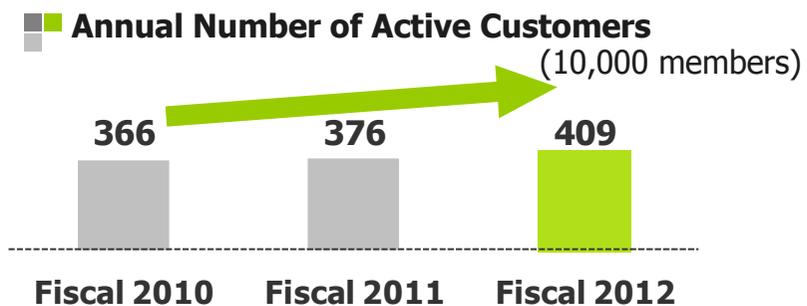
Sales and Earnings by Segment in Fiscal 2012 (YoY Comparison)

(Millions of yen)

	Fiscal 2011	Fiscal 2012	Difference	YoY change
◆ Mail-order business				
Net sales	123,405	130,456	7,051	+5.7%
Operating income	2,183	994	-1,189	-54.4%
◆ Bridal business				
Net sales	8,407	10,197	1,790	+21.3%
Operating income	482	752	270	+55.8%
◆ Corporates business				
Net sales	4,159	3,833	-326	-7.8%
Operating income	448	396	-52	-11.5%
◆ Others				
Net sales	1,289	1,262	-27	-2.1%
Operating income	-14	-33	-19	-

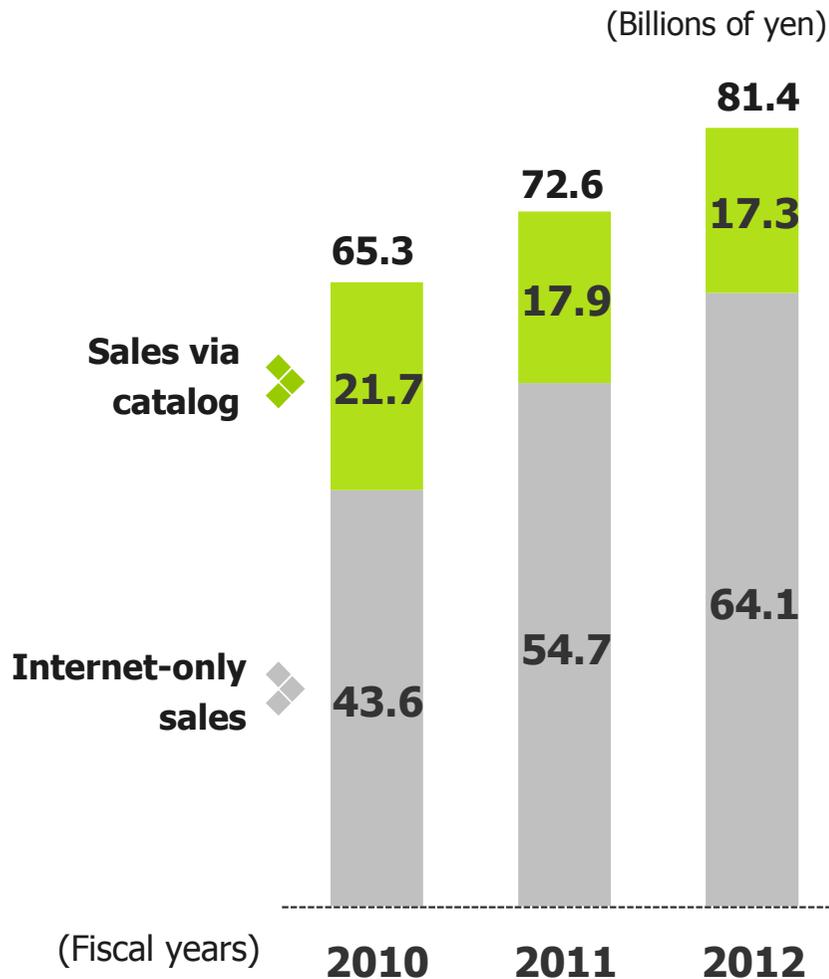
Overview of the Mail-order Business (YoY Comparison) *Excluding the *Hanpukai* business

	Fiscal 2011	Fiscal 2012	Difference
Annual number of active customers (10,000 members)	375.6	409.1	33.5
Average sales per customer (Yen)	10,985	10,563	-422
Annual order frequency per customer (Times)	2.91	2.96	0.05
Catalog circulation (10,000 volume)	7,006	6,691	-315
Number of new members (10,000 members)	74.2	91.8	17.6
Average sales per product (Yen)	2,738	2,553	-185
Annual order amount (Yen)	32,006	31,301	-705



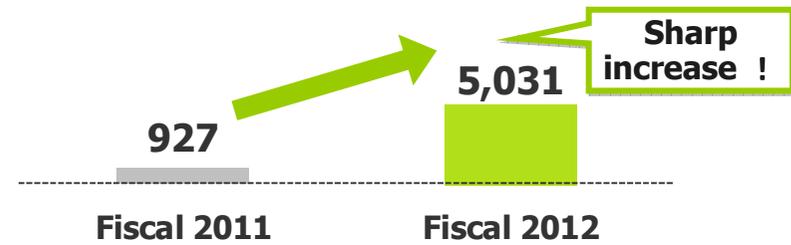
Internet-related Indicators and Policies in Fiscal 2012

Internet Sales (including mobile sales)

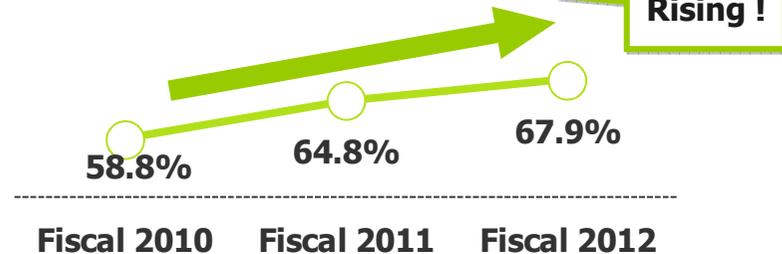


Smartphone-only Sales

(Millions of yen)



Ratio of Internet-based Orders



October 2012

Launched "*Belle Maison Digital Catalog app*"

- Includes new features such as playing videos in the digital catalog app

Cross-media Activities (Autumn-winter TV Commercials)

Autumn (nationally broadcast October 12-28)



Winter (nationally broadcast November 16 to December 2)



Catalogs placed in 100 yen shops and drugstores



Newspaper inserts and drugstore leaflets



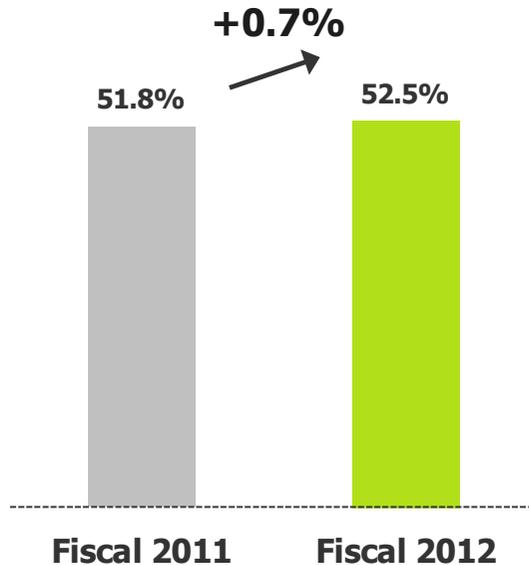
Added free-shipping campaign for new website visitors



Free-shipping campaign for new members a hit! Results even exceeded those of last year when we also broadcast TV commercials

■ Differences in Cost-of-sales Ratio and SG&A Expenses in the Mail-order Business for Fiscal 2012 (YoY Comparison)

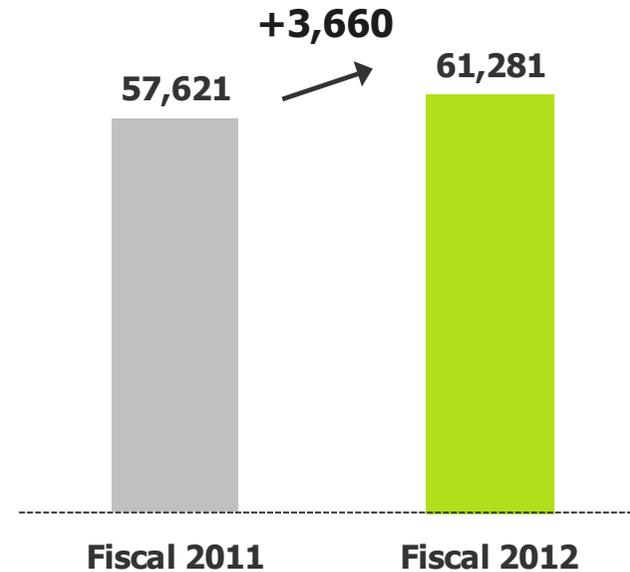
■ Cost-of-sales Ratio



- Increase in bargain sales
- Increase in inventory clearance sales

■ SG&A Expenses

(Millions of yen)



- Catalog costs: Higher average paper costs, increase in pages Growth in production costs from increase in pages [+¥1.11bn]
- Selling-related expenses: Increase in cross-media promotion and listing costs [+¥720mn]
- Shipping-related expenses: Increase in shipping and shipping-related expenses from increase in number of shipments [+¥1.21bn]
- Depreciation expenses: Increase due to system investments [+¥360mn]

Overview of the Bridal Business (YoY Comparison)

	Fiscal 2011	Fiscal 2012	Difference
◆ Net sales (Millions of yen)	8,407	10,197	1,790
◆ Operating income (Millions of yen)	482	752	270
◆ Guesthouses	13	15	2
◆ Weddings (Couples)	2,105	2,594	489
◆ Average sales per wedding (10,000 yen)	390.2	382.7	-7.5

- Net sales and operating income increased year-over-year due to contributions from new guesthouses in Fukuoka and Kagoshima

Overview of the Corporates Business (YoY Comparison)

(Millions of yen)

	Fiscal 2011	Fiscal 2012	Difference
◆ Net sales	4,159	3,833	-326
■ Contracting services	2,933	2,656	-277
■ Sampling	777	785	8
■ Novelties	355	314	-41
■ Others	94	78	-16
◆ Operating income	448	396	-52

- Contracting services: Net sales decreased year-over-year due to the end of contract with major outsourcing client

3. Consolidated Earnings Outlook for Fiscal 2013

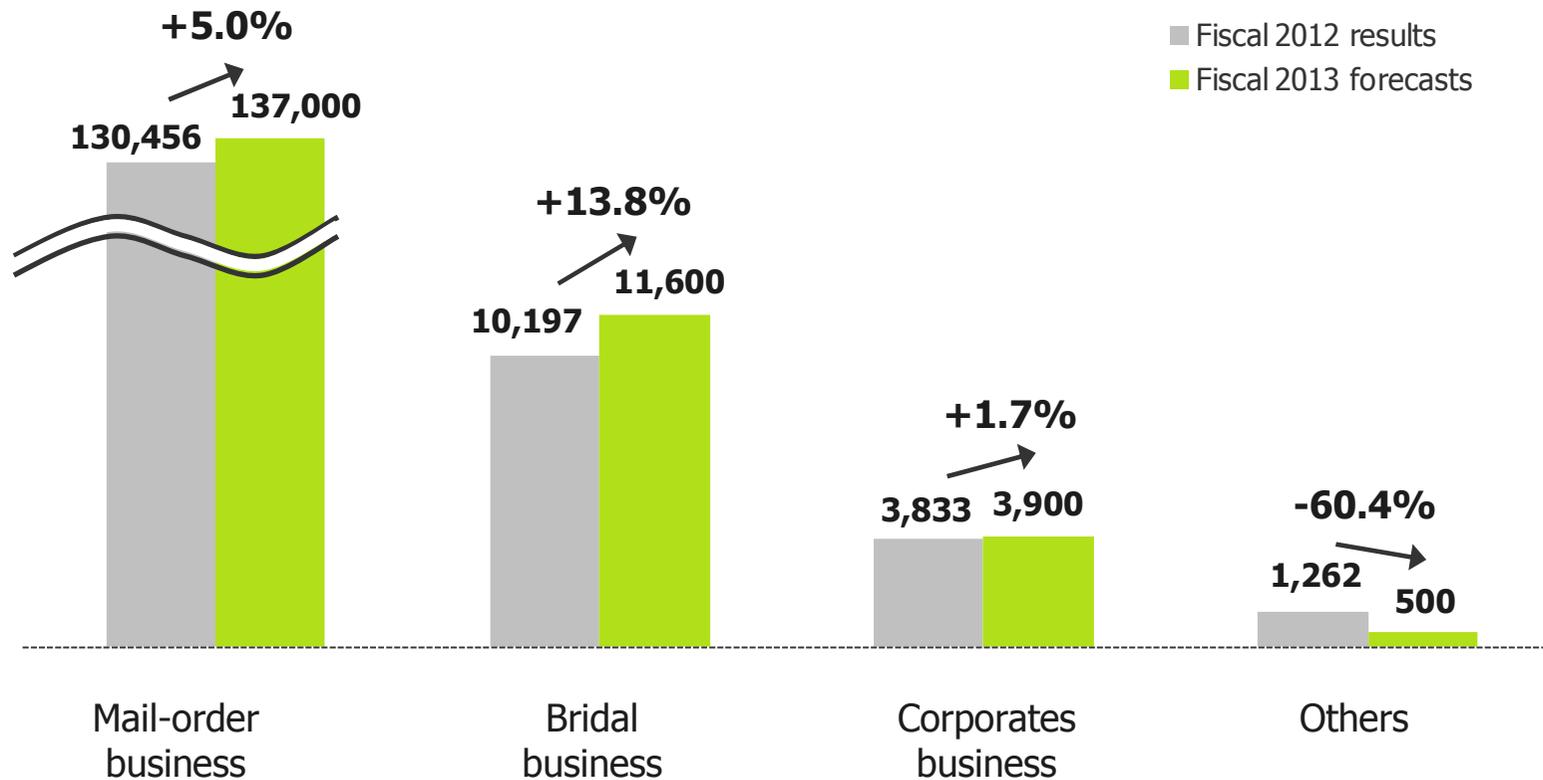
Consolidated Earnings Outlook for Fiscal 2013 (YoY Comparison)

(Millions of yen)

	Fiscal 2012 (Results)		Fiscal 2013 (Initial forecasts)		YoY change	
		% to net sales		% to net sales	Difference	Percentage points
◆ Net sales	145,750		153,000		7,250	Up 5.0%
◆ Cost of sales	76,392	52.4%	79,026	51.7%	2,634	-0.7%
◆ Gross profit	69,357	47.6%	73,973	48.3%	4,616	0.7%
◆ SG&A expenses	67,248	46.2%	69,273	45.2%	2,025	-1.0%
◆ Operating income	2,109	1.4%	4,700	3.1%	2,591	1.7%
◆ Ordinary income	2,765	1.9%	5,000	3.3%	2,235	1.4%
◆ Net income	2,029	1.4%	3,700	2.4%	1,671	1.0%

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

(Millions of yen)



- Mail-order business: Targeting higher sales through further expansion of Internet sales
- Bridal business: Targeting higher sales through opening of new facilities

■ ■ Topics in Fiscal 2013 (1)

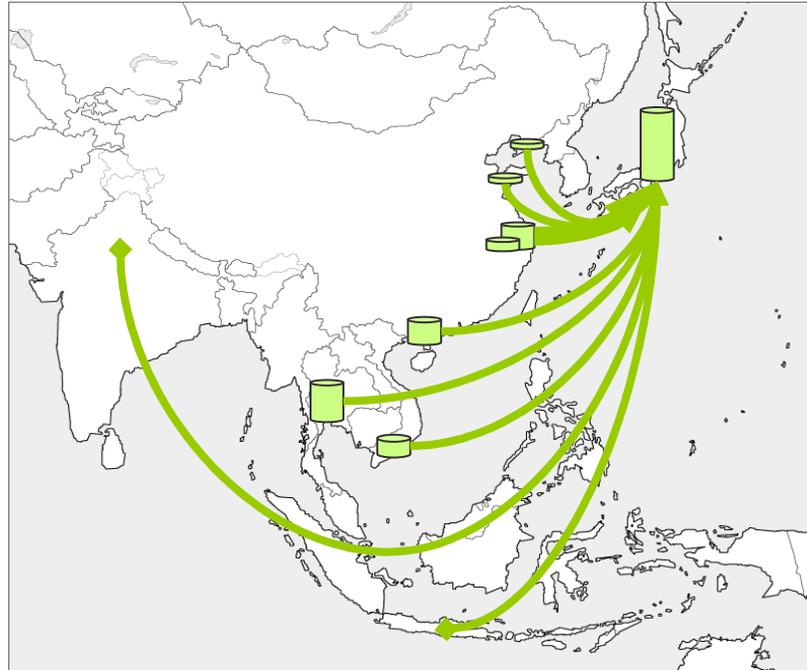


- ■ Reorganizing "Watashi no Kitai Fuku"
 - Issue "comprehensive" catalog targeting a wide customer base, and two select catalogs
- ■ Issue seasonal catalogs
 - Issue six "just season" catalogs including core catalogs "Watashi no Kitai Fuku" and "sumutoco"



- ■ Dears Brain's guesthouse "THE LEAVES Premium Terrace" opened in Maebashi City, Gunma Prefecture in March 2013, becoming the 16th guesthouse!
- ■ Opened in POWER MALL Maebashi-minami A linearly-designed stylish guesthouse with lots of natural light

Topics in Fiscal 2013 (2) Consolidation of Bonded Warehouses Overseas New warehouse in Pusan port FTZ (free trade zone)



Current status of logistics sites

- Of the eight overseas production sites, bonded storage is implemented at six sites (seven warehouses)
- 3-24 day transportation LT from overseas bonded warehouses to domestic shipment warehouses
- Three main logistics sites in Japan:
 - Chubu Distribution Center (Kani, Gifu)
 - Kanuma Distribution Center (Kanuma, Tochigi)
 - Koshien Distribution Center (Nishinomiya, Hyogo)



Targeted status of future logistics sites

- Consolidate bonded storage of all overseas production sites to one site in Pusan
- 1-2 day transportation LT from overseas bonded warehouse to domestic shipment warehouses
- Reduce total logistics costs by minimizing domestic inventory

Senshukai Group's CSR Activities in Fiscal 2012

Support of "Pink Ribbon" campaign



- October 21: Cooperated with Smile Walk Kobe; opened a booth**
 Held raffle, handed out 1,900 of mini labo's original mascot "Pink Love Cat" as consolation prizes, and distributed 3,300 educational leaflets



- October 7: Staged "Yu Sakai premium live"**
 Opened booth. Handed out 900 mascots, and distributed educational leaflets
- October (Pink Ribbon month):**
 Distributed 1,000 free mammography coupons issued by the Japan Cancer Society

Organic cotton project

- Widely promoted eco-friendly policies centered on "Organic Cotton Promotion Campaign" products sold in the sundries/interior catalog "sumutoco" from June**

(included inserts in packages, on boxes, at campaign website, e-mails, etc.)



Post-quake reconstruction support

- Carnation present on Mother's Day**

On May 9-11, following the idea of subsidiary Senshukai Iihana, Senshukai and Saito Seika, a treats supplier that incurred damage from the earthquake, delivered carnation plants and treats (Kamome no tamago) to all 1,800 temporary homes in Ofunato City



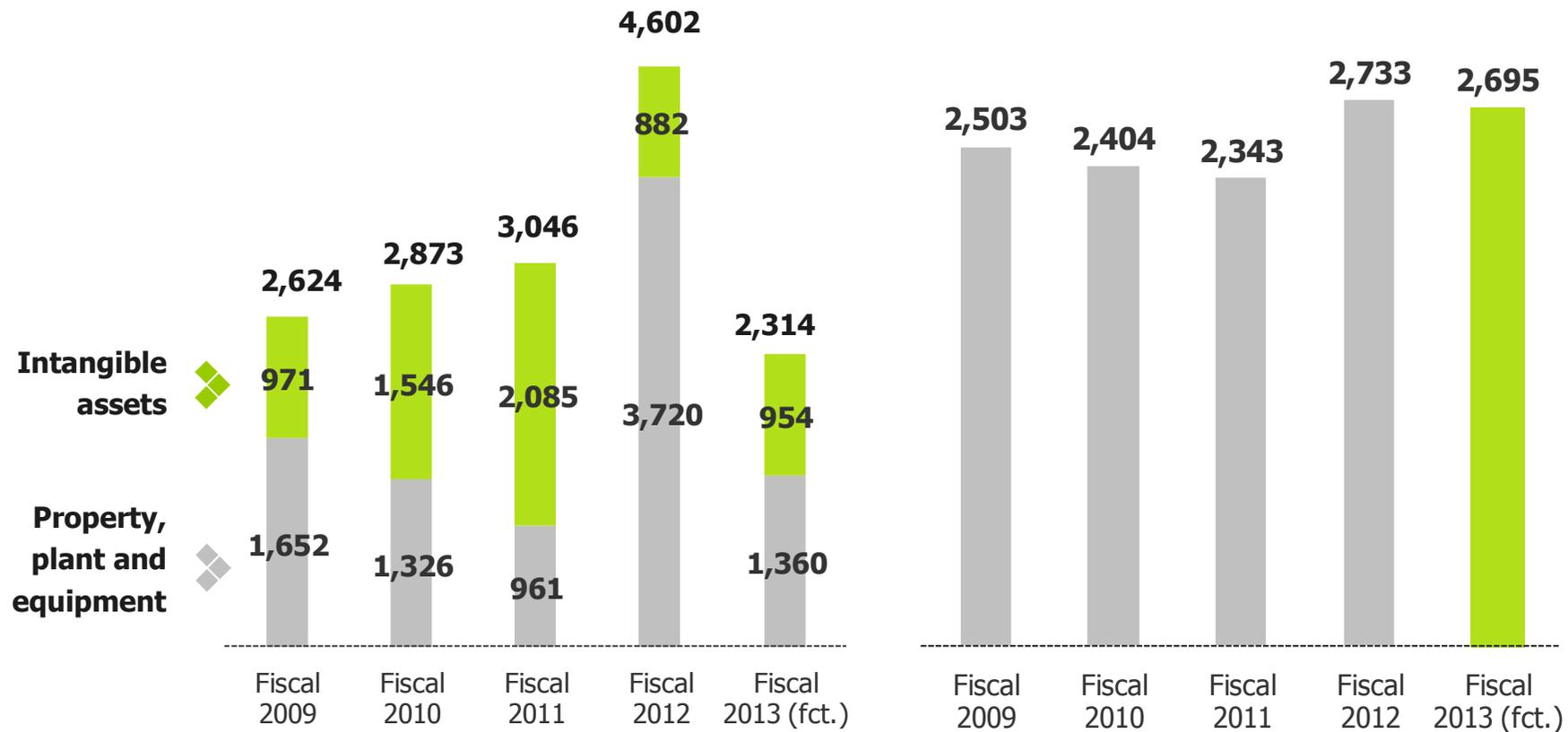
Trend and Plan in Capital Expenditures and Depreciation Expenses

■ Capital Expenditures

(Millions of yen)

■ Depreciation Expenses

(Millions of yen)



■ Property, plant and equipment: New facility related costs at Dears Brain to decline in 2013

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 2012 consolidated results, Senshukai plans to pay a total annual dividend of 20 yen per share comprised of an interim dividend of 10 yen per share and a year-end dividend of 10 yen per share, which has been initially planned.

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

- **April 26 (Friday)** **Earnings for the First quarter of Fiscal 2013**
- **July 25 (Thursday)** **Earnings for the Second quarter of Fiscal 2013**
- **July 26 (Friday)** **Earnings Presentation for the second quarter of Fiscal 2013 (Tokyo)**
- **October 25 (Friday)** **Earnings for the Third quarter of Fiscal 2013**

- 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.



Senshukai's Corporate Vision

Woman Smile Company

senshukai

Everyday happiness

The "good morning!" that wells up from within as I take a deep breath of the fresh morning air.

The excitement as I put my arms through the sleeves of the new jacket I wanted.

The thrill as I wait for the bread that I baked for everyone to finish cooking.

These are everyday moments of happiness.

Senshukai wants to provide products and services that bring smiles to people's faces.

This is why we will carefully focus on what is important, and pay close attention to non-visual details, as we painstakingly develop new products.