

Senshukai Co., Ltd. Second Quarter of Fiscal 2009 Earnings Presentation

July 30, 2009

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SENSHUKAI CO., LTD.

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1. Results of Operations for Second Quarter of Fiscal 2009

2Q Fiscal 2009 Consolidated Results Highlights

(Millions of yen)

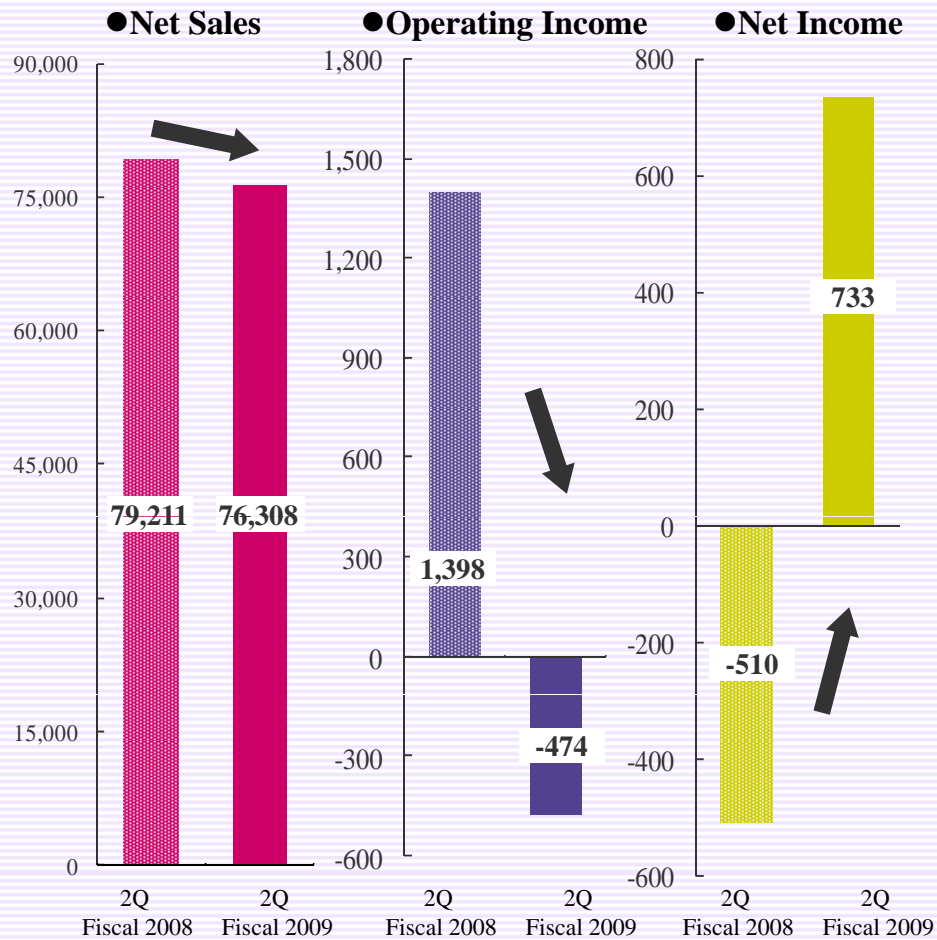
● **Net Sales** **¥76.3bn (-3.7%)**

● **Operating Income** - **¥0.47bn (-)**

● **Net Income** **¥0.73bn (-)**

* () represents year-on-year percentage changes

- Catalog business sales lower from slump in consumer spending
- Operating income down on sales decline and higher inventory valuation losses
- Net income for quarter up on foreign exchange gains and gains on valuation of compound financial instruments.



Consolidated Results of Operations for 2Q Fiscal 2009 (YoY Comparison)

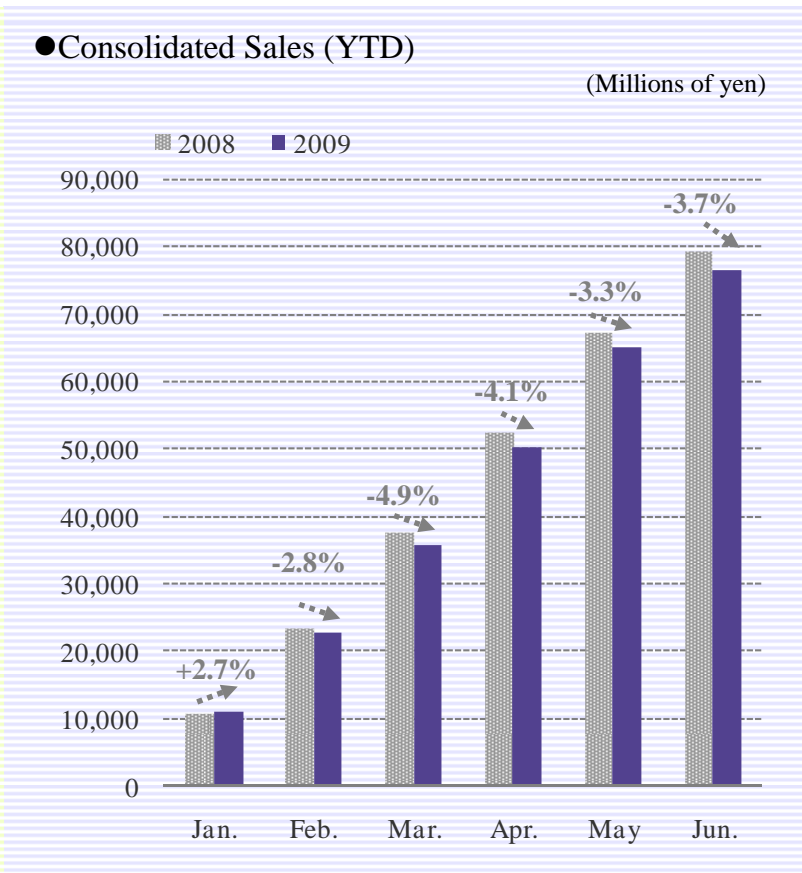
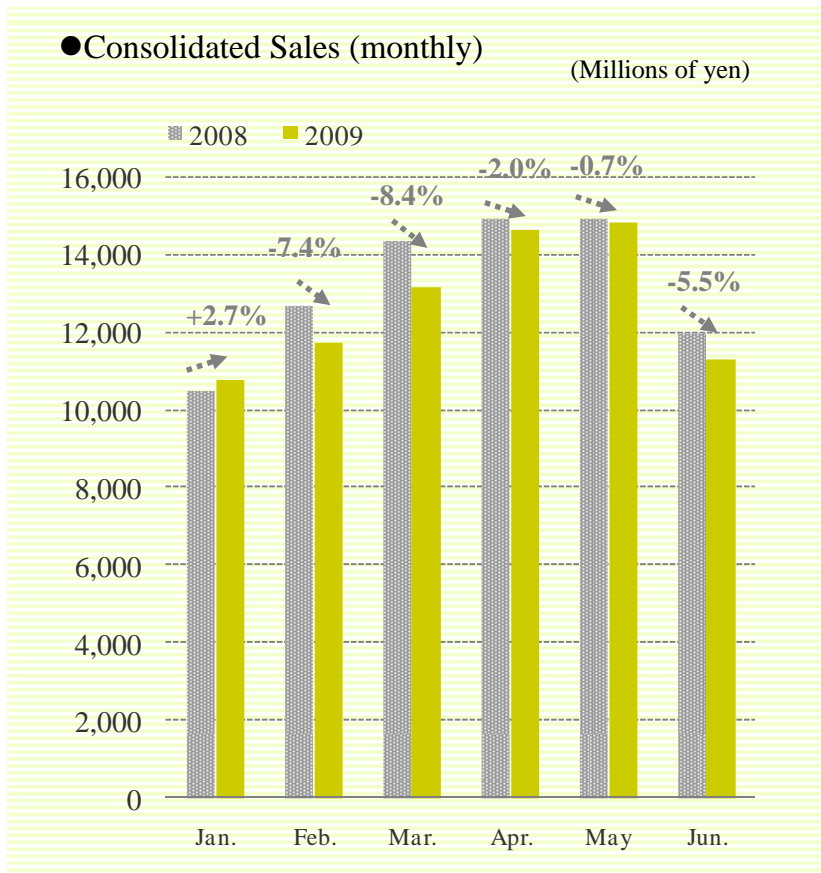
(Millions of yen)

	2Q Fiscal 2008	Comparison to Net Sales	2Q Fiscal 2009	Comparison to Net Sales	Difference	YoY Change %
Net Sales	79,211	-	76,308	-	-2,903	-3.7%
Cost of Sales	40,898	51.6%	40,510	53.1%	-388	-0.9%
Gross Profit	38,312	48.4%	35,797	46.9%	-2,515	-6.6%
SG&A Expenses	36,914	46.6%	36,272	47.5%	-642	-1.7%
Operating Income	1,398	1.8%	-474	-0.6%	-1,872	-
Ordinary Income	313	0.4%	1,064	1.4%	+751	239.7%
Net Income	-510	-0.6%	733	1.0%	+1,243	-

Consolidated Balance Sheet for 2Q Fiscal 2009

Accounts	Dec. 31, 2008	Jun. 30, 2009	Difference	Remarks	(Millions of yen)
Assets					
Current assets	49,998	45,710	-4,288	Inventories: promoted a policy of inventory reduction Accounts receivable-other: declined due to lower sales	
Fixed assets	54,060	53,592	-468	Decrease in investments and other assets	
Total assets	104,059	99,302	-4,756		
Liabilities					
Current liabilities	54,153	38,449	-15,703	Forward exchange contracts: declined due to cancellation of derivative contracts and weaker yen Short-term bank loans: shift to long-term bank loans and bonds	
Long-term liabilities	5,631	14,666	+9,034	Increase in long-term bank loans and bonds	
Total liabilities	59,784	53,115	-6,669		
Net Assets					
Shareholders' equity	54,830	55,142	+312	Booked a net income	
Valuation and translation adjustments	-10,584	-8,973	+1,611	Impacted by deferred hedge gains (losses)	
Minority interests	29	17	-11		
Total net assets	44,274	46,186	+1,912		
Total liabilities and net assets	104,059	99,302	-4,756		

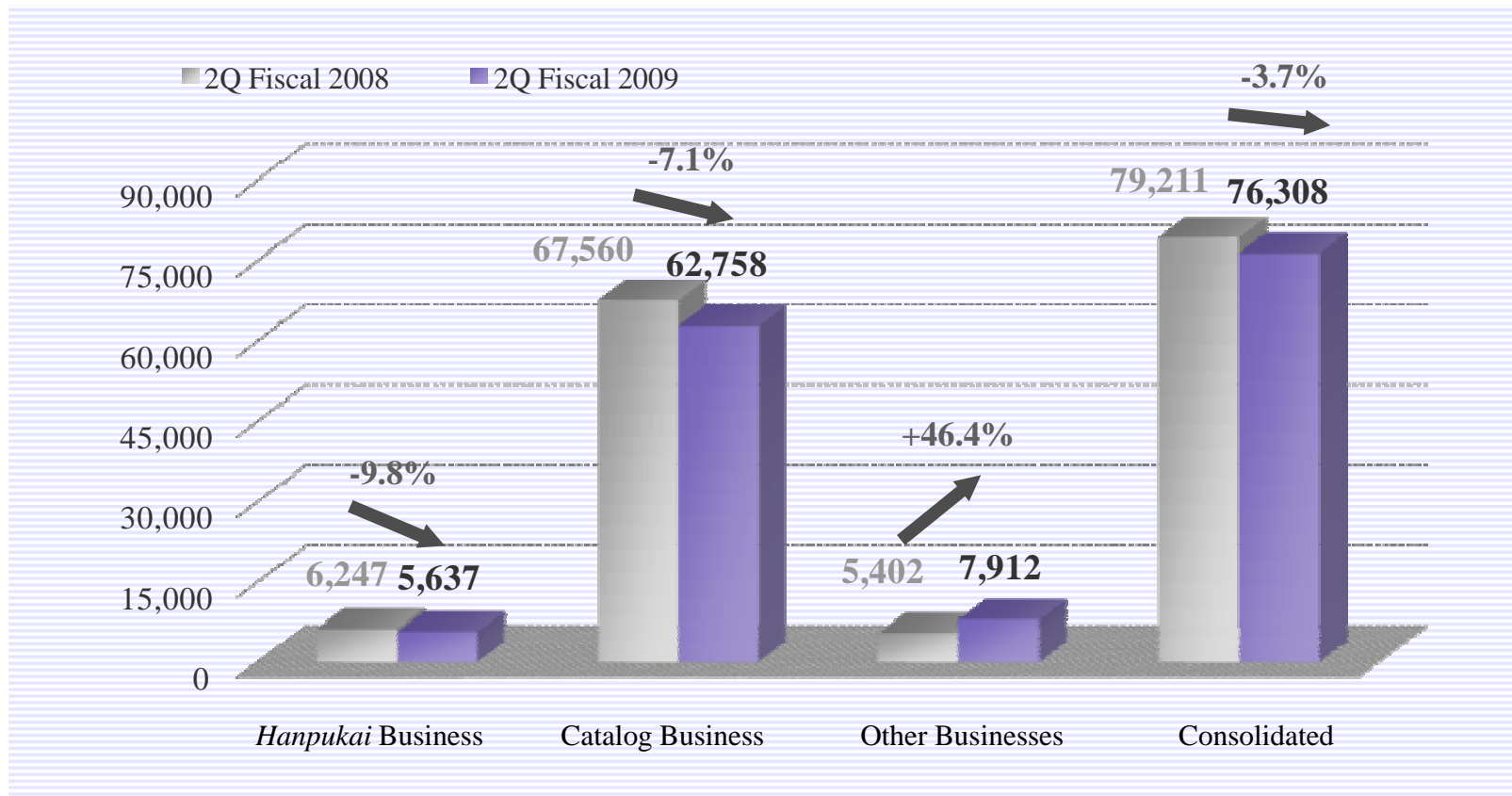
Trends in the Sales for the First Half (YoY Comparison) (Monthly and YTD)



■ Spring and summer merchandise off to solid start in January, but sales slumping since February as consumers hold off on purchases.

Net Sales by Business Segment for Fiscal 2009 (YoY Comparison)

(Millions of yen)



■ Sales increased in the “other businesses” as Dears Brain Inc. was made a consolidated subsidiary.

Current Situation of Catalog Business

	2Q Fiscal 2008	2Q Fiscal 2009	Difference	
Net Sales (Millions of yen)	67,560	62,758	-4,801	Average sales per customer and number of customers declined
Semi-annual number of active customers (10,000 members)	282	260	-22	Number of new customers declined and retention rate dropped
Average sales per customer (Yen)	12,989	12,580	-409	Declined due to increased percentage of Internet orders
Semi-annual order frequency (Times)	2.0	2.1	+0.1	Order frequency increased
Catalog circulation (10,000 volume)	5,210	5,054	-156	Declined due to online shift and more efficient catalog distribution

Current Situation of *Hanpukai* Business

Rebuilding of the *Hanpukai* Business

■ Office vending box business (*Choko Tabe* BOX)

As of June 30: about 20,000 boxes

Approximately 65% of these are in offices that are not *hanpukai* (monthly delivery) program members. Efforts to attract new *hanpukai* and catalog subscribers have so far resulted in 700 new memberships.



Current Situation of Other Businesses

(Millions of yen)

Net Sales	2Q Fiscal 2008	2Q Fiscal 2009	Difference
B-to-B Operations	3,219	2,856	-363
Storefront business (excluding outlet)	288	416	+128
Pet First Co., Ltd.	782	754	-27
Dears Brain Inc.	-	3,275	+3,275
Others	1,112	607	-504
Total	5,402	7,911	+2,509

Sampling and gift catalogs declined

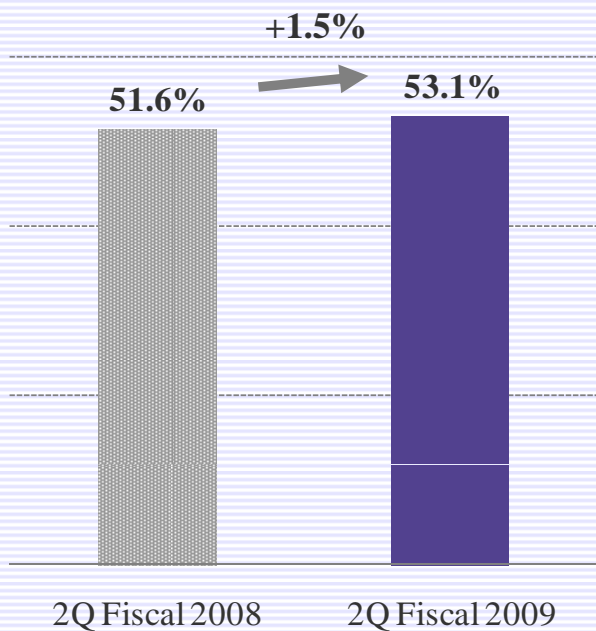
Opening of *Kurasu Fuku* stores (total: 9 stores)

We booked sales from the second half of 2008

Lower sales at B·B·S Co., Ltd.

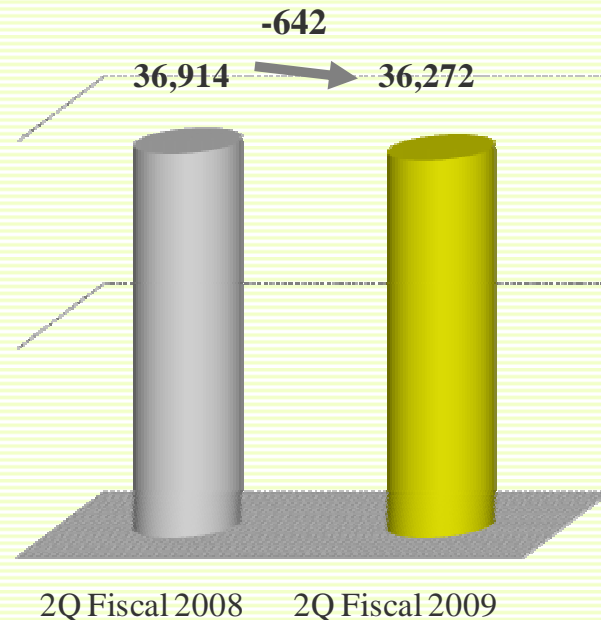
Overview of Cost-of-Sales Ratio and SG&A Expenses

● Cost-of-sales Ratio (Consolidated)



- Catalog Business: Higher valuation losses (up approx. ¥1.9bn YoY)
 - Increase due to change in the valuation of inventories
 - Increase due to the growth in inventories from bargain sales in the previous fiscal year

● SG&A Expenses (Consolidated) (Millions of yen)



- Decrease in packing and freight due to improvement of delivery-to-order ratio
- Lower printing costs due to decrease in catalog circulation and the number of pages
- Increase in labor costs due to increase in consolidated subsidiaries
- Increase in depreciation due to new stores, headquarters and systems.

2. Highlights and Results Compared to Initial Targets for Second Quarter of Fiscal 2009

Results Compared to Initial Targets for 2Q Fiscal 2009

(Millions of yen)

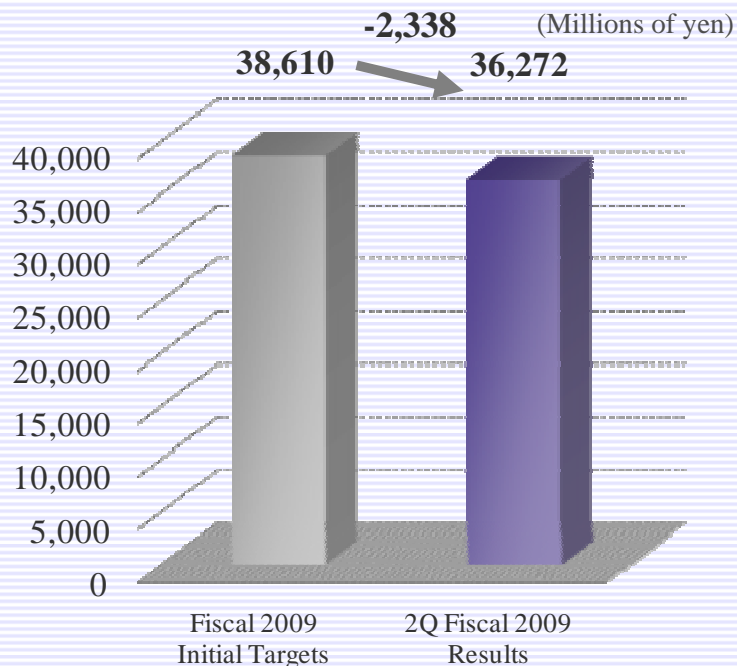
	2Q Fiscal 2009 Initial Targets	Comparison to Net Sales	2Q Fiscal 2009 Results	Comparison to Net Sales	Difference	Progress Indicator %
Net Sales	82,000	-	76,308	-	-5,692	-6.9%
Cost of Sales	42,090	51.3%	40,510	53.1%	-1,580	-3.8%
Gross Profit	39,910	48.7%	35,797	46.9%	-4,113	-10.3%
SG&A Expenses	38,610	47.1%	36,272	47.5%	-2,338	-6.1%
Operating Income	1,300	1.6%	-474	-0.6%	-1,774	-
Ordinary Income	1,400	1.7%	1,064	1.4%	-336	-23.9%
Net Income	970	1.2%	733	1.0%	-237	-24.4%

Breakdown of Changes in Cost-of-Sales Ratio and SG&A Expenses (Comparison to initial budget)

● Cost-of-sales Ratio

Increase in cost-of-sales ratio in line with higher valuation losses and higher bargain sales from catalogs, websites and fax

● SG&A Expenses



(Millions of yen)

Packing and freight	-688
Sales promotion expenses	-390
Catalog-related expenses	-290
Labor costs	-228
Rent	-103
Other expenses	-639
Total	-2,338

◆ Cut each costs

Highlights from First Half of Fiscal 2009 (1)

Developments in our Chinese Mail-Order Business



Chinese mail-order subsidiary Shanghai Senshu Merchant and Commerce Co., Ltd. opened *Belle Maison Kurasu Fuku* store on January 17.

On July 10, launched online shop inside Tao Bao, China's largest online shopping site

- Transaction value: 1.5 trillion yen
- Members: 98 million



Highlights from Second Quarter of Fiscal 2009 (2)

Senshukai a participant in eco-point program!

- Consumers can exchange eco-points for:
 - (1) *Belle Maison* gift certificates
 - (2) *Belle Maison* delicacies from all over Japan
 - (3) *Belle Maison* eco-friendly goods



Established *K. Sense*



- Joint venture with Kadokawa group subsidiary Kadokawa SS Communications Inc.

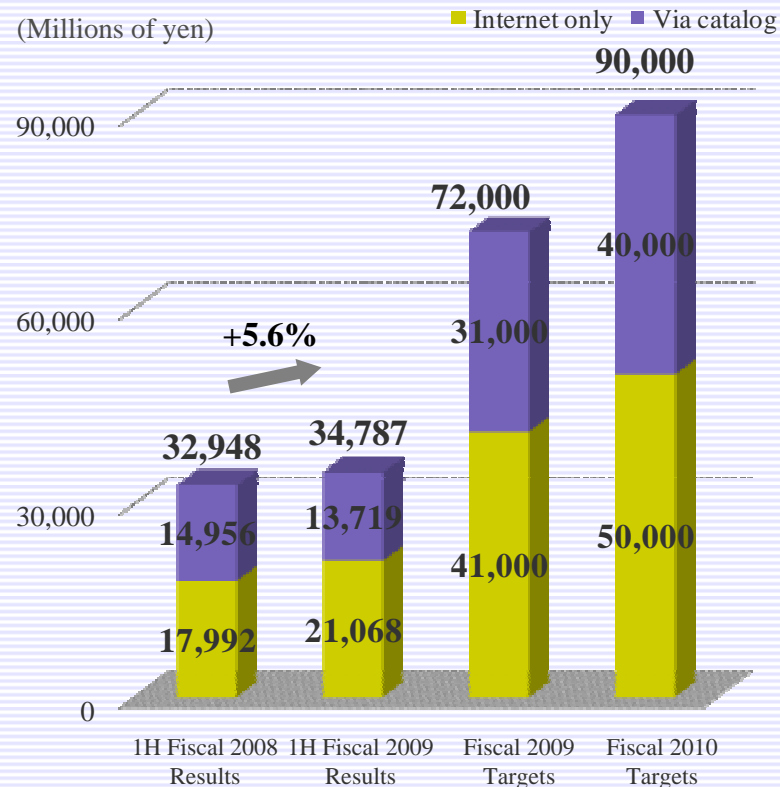
Operating mail-order and marketing businesses targeting seniors, leveraging monthly magazine *Mainichi ga Hakken* (Everyday Brings a New Discovery) subscriber base of around 110,000.

~Aiming for 5 billion yen in sales three years from now.

3. Progress on the Medium-Term Management Plan (Fiscal 2008 – 2010)

Promotion of Channel Mix (Internet Sales, Number of Stores and Sales)

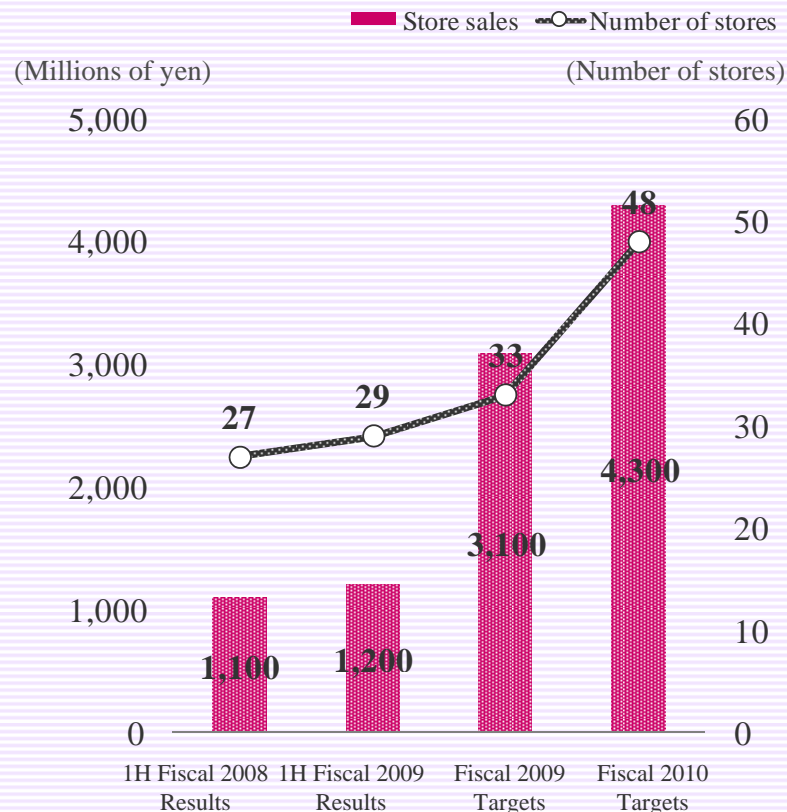
●Internet Sales



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

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

●Number of Stores and Sales



* Plan to open new *Kurasu Fuku* stores during the year

SCM Promotion (Status of Each Indicator)

	2Q Fiscal 2008 Results	Degree of Improvement	2Q Fiscal 2009 Results	
Major components of distribution-related variable cost	Rapid delivery ratio		85.9%	Improved
	Delivery-to-order ratio		126.8%	
Major components of cost-of-sales ratio	Import ratio		70.2%	Improved
	Direct transaction ratio		19.4%	
	Inventory turnover		4.2 times	
	Inventories		¥16.0 billion	

* Rapid delivery ratio: The ratio of products in stock that are available for immediate delivery

* Delivery-to-order ratio = number of deliveries / number of orders

* Direct transaction: Our own SPA transactions that are not via trading companies

* Inventories: Annual average of inventories of catalog products

4. Consolidated Outlook for Fiscal 2009

Consolidated Earnings Forecasts for Fiscal 2009 (YoY Comparison)

(Millions of yen)

	Fiscal 2008	Comparison to Net Sales	Fiscal 2009	Comparison to Net Sales	Difference	YoY Change %
Net Sales	158,285	-	152,480	-	-5,805	-3.7%
Cost of Sales	81,912	51.7%	79,201	51.9%	-2,711	-3.3%
Gross Profit	76,373	48.3%	73,278	48.1%	-3,095	-4.1%
SG&A Expenses	73,960	46.8%	72,178	47.3%	-1,782	-2.4%
Operating Income	2,413	1.5%	1,100	0.7%	-1,313	-54.4%
Ordinary Income	-4,553	-2.9%	2,100	1.4%	+6,653	-
Net Income	-6,271	-4.0%	1,510	1.0%	+7,781	-

Important Projects on Fiscal 2009 Agenda

Improved profits in second half

■ Reducing catalogs in circulation

→ Optimizing number of catalogs sent to each customer

Aiming to reduce circulation by 6 million:
from 43 million to 37 million

■ Cutting printing paper costs (9% reduction year-on-year)

Revamp of *Belle Maison* business

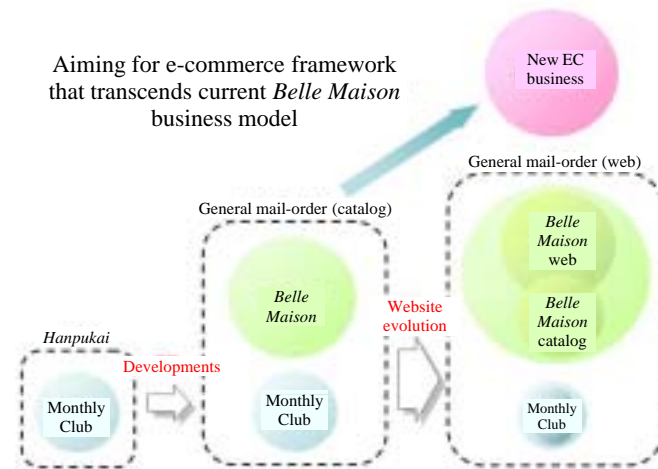
■ Looking to improve catalog business operating income!

→ Seeking improved cost structure through detailed review of present operations

- Formed project teams to implement marketing, product management, and supply chain management reforms

New e-commerce business

Aiming for e-commerce framework that transcends current *Belle Maison* business model



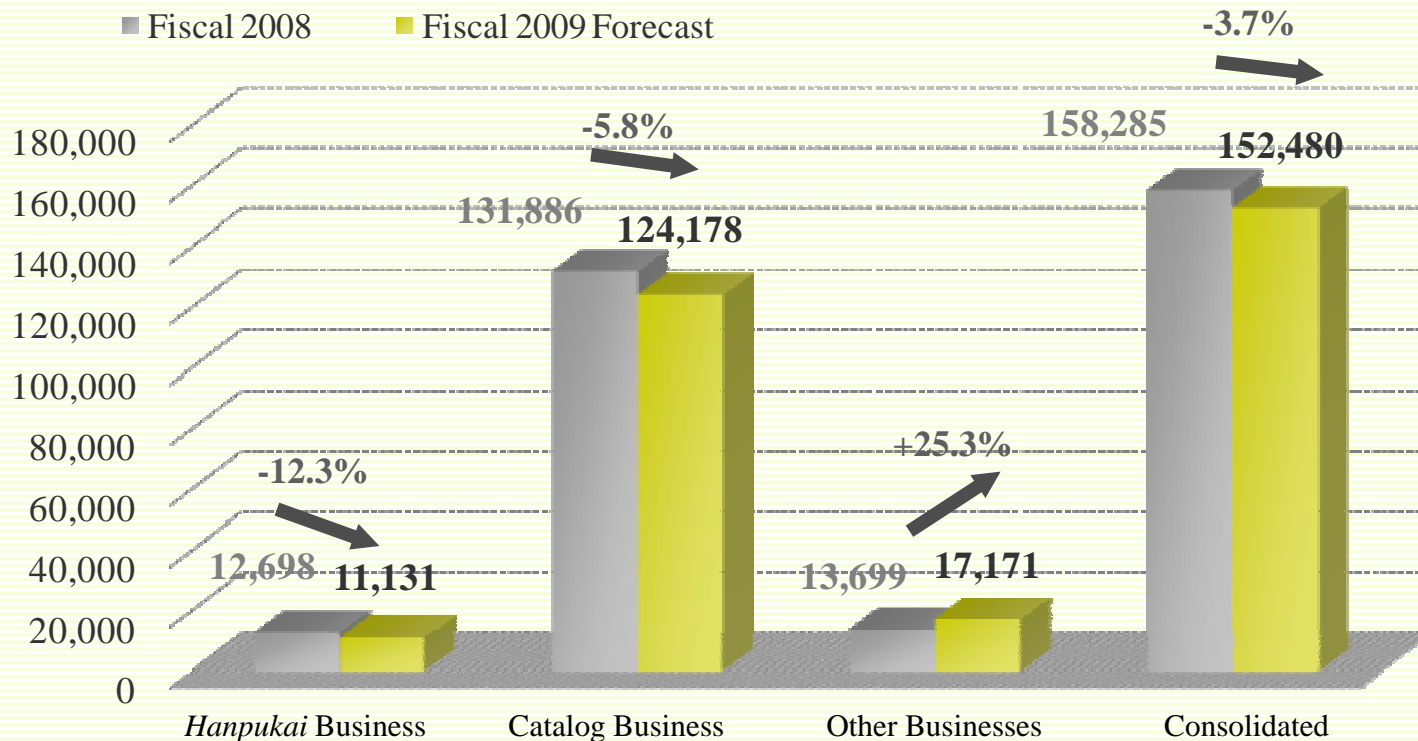
Established e-commerce development section in Tokyo Business Division on July 1

■ Seeking framework that goes beyond *Belle Maison* model

- (1) Building business model that creates customer value
- (2) Aiming to provide services offered nowhere else

Projected Net Sales by Business Segment for Fiscal 2009 (YoY Comparison)

(Millions of yen)



■ We expect lower sales in the *hanpukai* and catalog businesses, and an increase in sales in the “other businesses” due to a contribution from Dears Brain Inc.

5. Others

Dividend and Date of Earnings Announcement

- Senshukai has consistently maintained a dividend payout ratio of 30% as part of its shareholder return policy. Senshukai had initially planned to pay a total annual dividend of 17 yen per share. However, the Company regrets to announce that it has reduced the 2Q dividend to 6 yen per share and anticipates a lower year-end dividend of 6 yen per share, for a total annual dividend of 12 yen. The change takes into account 2Q results and downwardly revised estimates for fiscal 2009, as well as future business developments and our dividend policy of returning profits to shareholders.

The total annual dividend represents an expected dividend payout ratio for the group of 37%.

- Date of earnings announcements for Fiscal 2009

◆ Third quarter of Fiscal 2009	October 23, 2009 (Friday)
◆ Fiscal 2009	January 28, 2010 (Thursday)
◆ Earnings presentation	January 29, 2010 (Friday)

* The forward-looking statements contained in this earnings presentation are based on information that was available at the time. These forward-looking statements are subject to factors such as assumptions and risks that are known to exist or that may occur in the future. Any of these factors that are subject to change, or other risk factors could cause the actual results and operating performance to be significantly different to the forecasts presented here.