

Senshukai Co., Ltd.

Second Quarter of Fiscal 2012 Earnings Presentation

July 26, 2012

 株式会社千趣会

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1. Results of Consolidated Operations for 2Q Fiscal 2012

Consolidated Results of Operations for 2Q Fiscal 2012 (YoY Comparison)

(Millions of yen)

	2Q Fiscal 2011		2Q Fiscal 2012		YoY change	
		% to net sales		% to net sales	Difference	Percentage points
 Net sales	69,542	-	74,031	-	4,489	-
 Cost of sales	35,739	51.4%	38,999	52.7%	3,260	1.3%
 Gross profit	33,803	48.6%	35,031	47.3%	1,228	-1.3%
 SG&A expenses	31,404	45.2%	34,269	46.3%	2,865	1.1%
 Operating income	2,398	3.4%	762	1.0%	-1,636	-2.4%
 Ordinary income	2,631	3.8%	1,180	1.6%	-1,451	-2.2%
 Net income	2,166	3.1%	914	1.2%	-1,252	-1.9%

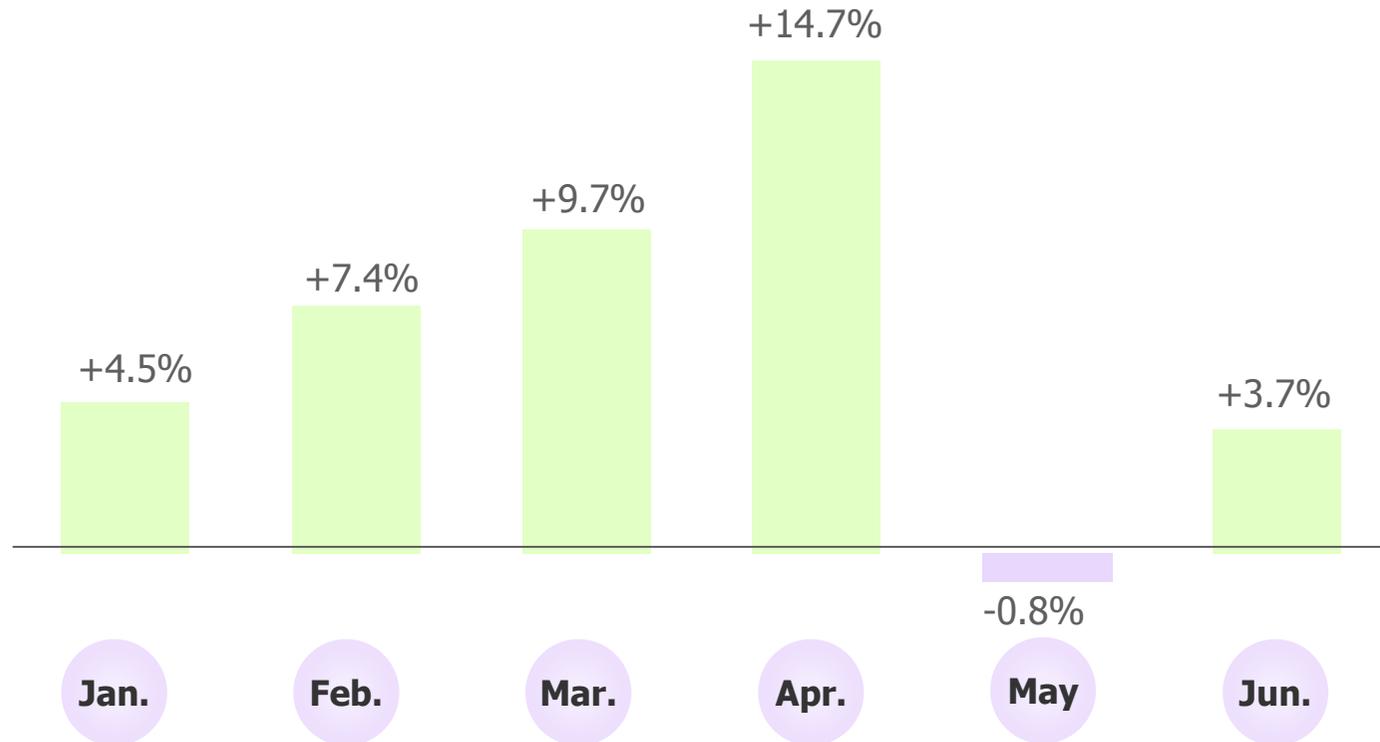
-  Net sales rose significantly YoY due to an increase in members and Internet sales
-  Operating income declined due to a rise in the cost-of-sales ratio and higher SG&A expenses

Consolidated Balance Sheet for 2Q Fiscal 2012

	Dec. 31, 2011	Jun. 30, 2012	Difference	Remarks	(Millions of yen)
 Assets					
Current assets	44,482	38,710	-5,772	Cash and deposits decreased. Merchandise and finished goods decreased due to the lower inventories.	
Noncurrent assets	45,959	46,920	961	Land increased due to the acquisition by a consolidated subsidiary	
Total assets	90,441	85,630	-4,811		
 Liabilities					
Current liabilities	41,244	35,187	-6,057	Notes and accounts payable-trade decreased due to the lower inventories. Short-term loans payable decreased due to the repayments. Forward exchange contracts decreased due to the improvement in market value.	
Noncurrent liabilities	7,753	7,828	75		
Total liabilities	48,997	43,015	-5,982		
 Net assets					
Shareholders' equity	50,910	51,521	611	Retained earnings increased due to the booking of net income.	
Accumulated other comprehensive income	-9,465	-8,906	559	Deferred losses on hedges decreased due to the improvement in market value.	
Total net assets	41,444	42,615	1,171		
 Total liabilities and net assets	90,441	85,630	-4,811		

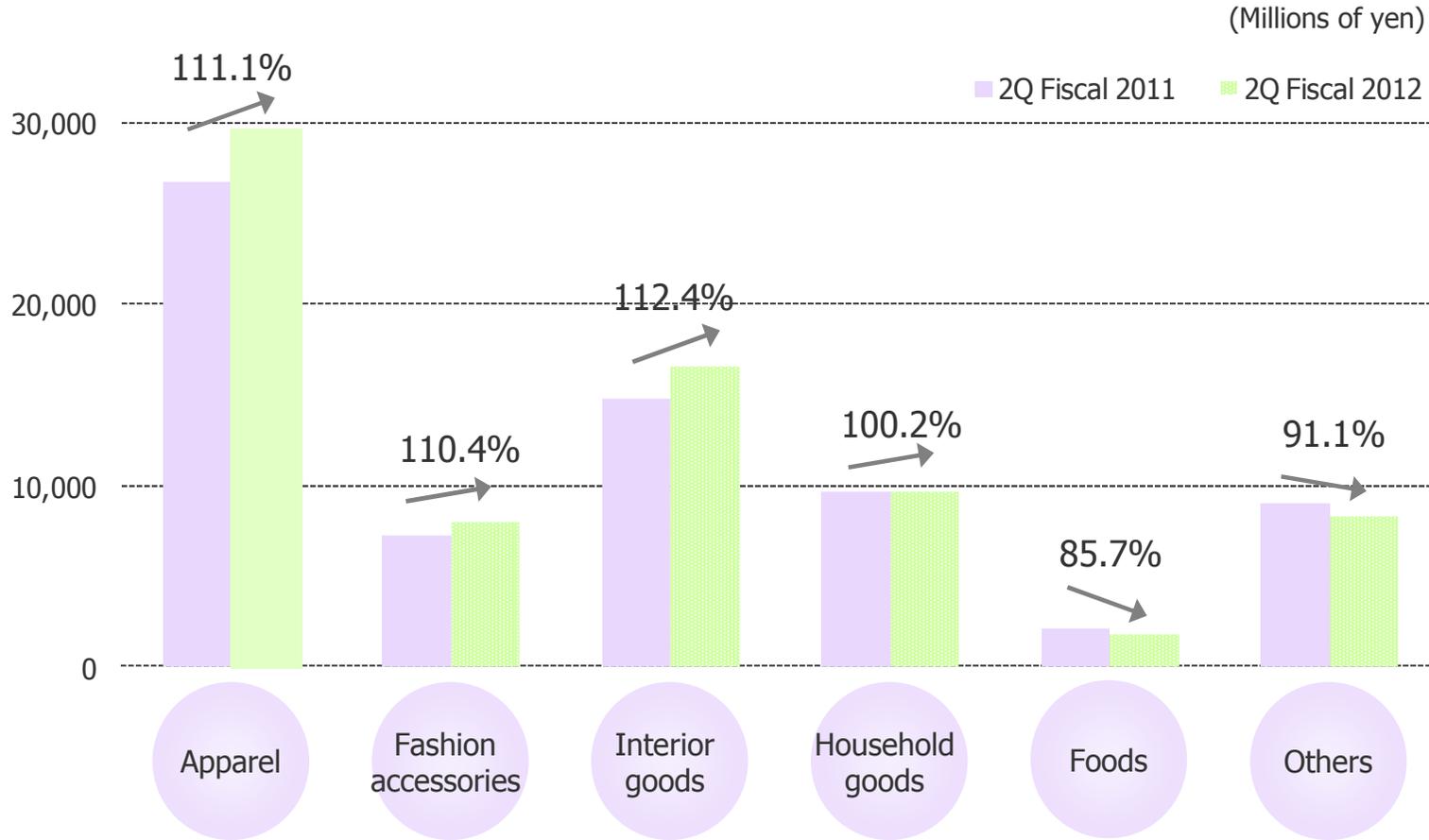
Trend in Monthly Sales (YoY Comparison)

Consolidated Net Sales



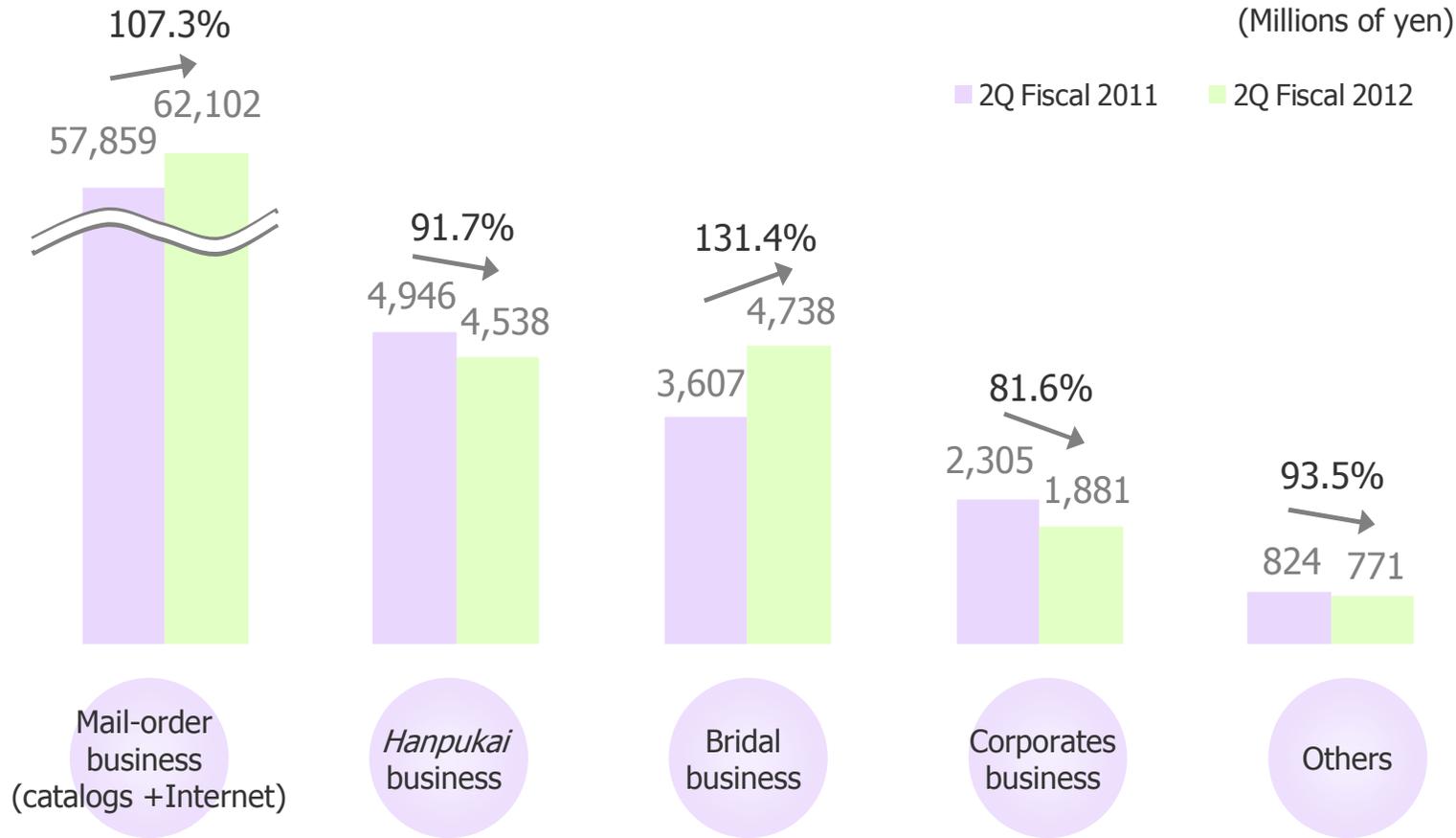
 Sales fell in May as unusually cool weather weighed on sales of summer items.

Consolidated Sales by Product Category (YoY Comparison)



- Apparel: strong sales of sportswear, maternity wear, lingerie, underwear, etc.
- Interior goods: strong sales of furniture, fabrics and bedding

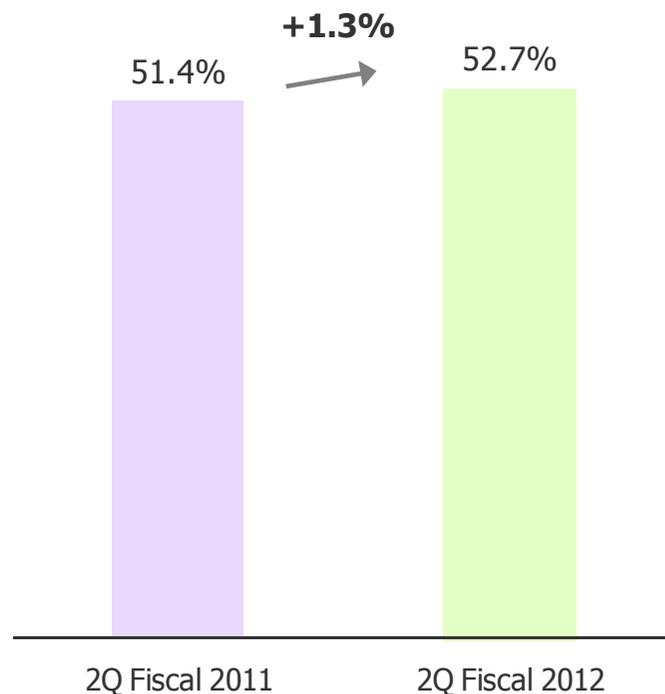
Net Sales by Consolidated Business Segment (YoY Comparison)



- Mail-order business sales rose due to higher sales of Internet-only products. TV advertising also benefited sales.
- Bridal business sales rose due to the drop out of the impact from the earthquake, and a contribution from the opening of "CANOVIANO Fukuoka."

Overview of Consolidated Cost-of-sales Ratio and SG&A Expenses (YoY Comparison)

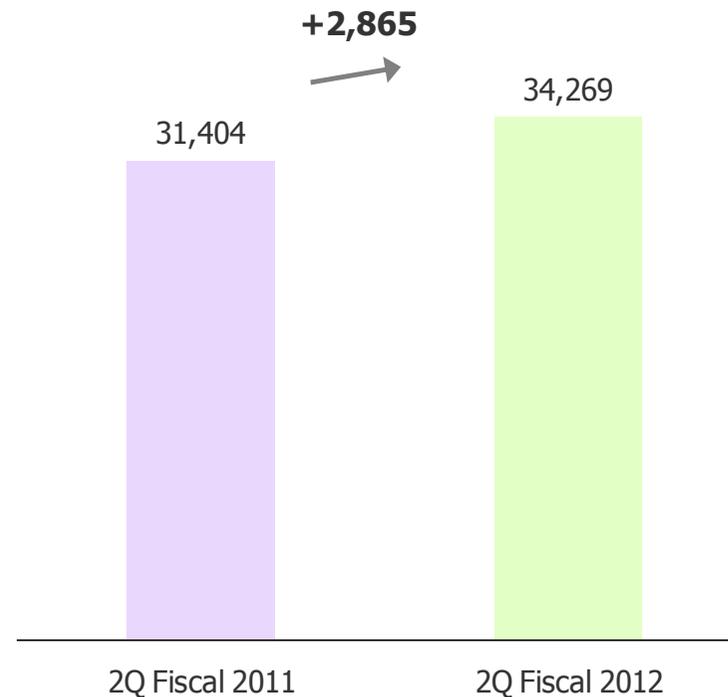
Consolidated Cost-of-sales Ratio



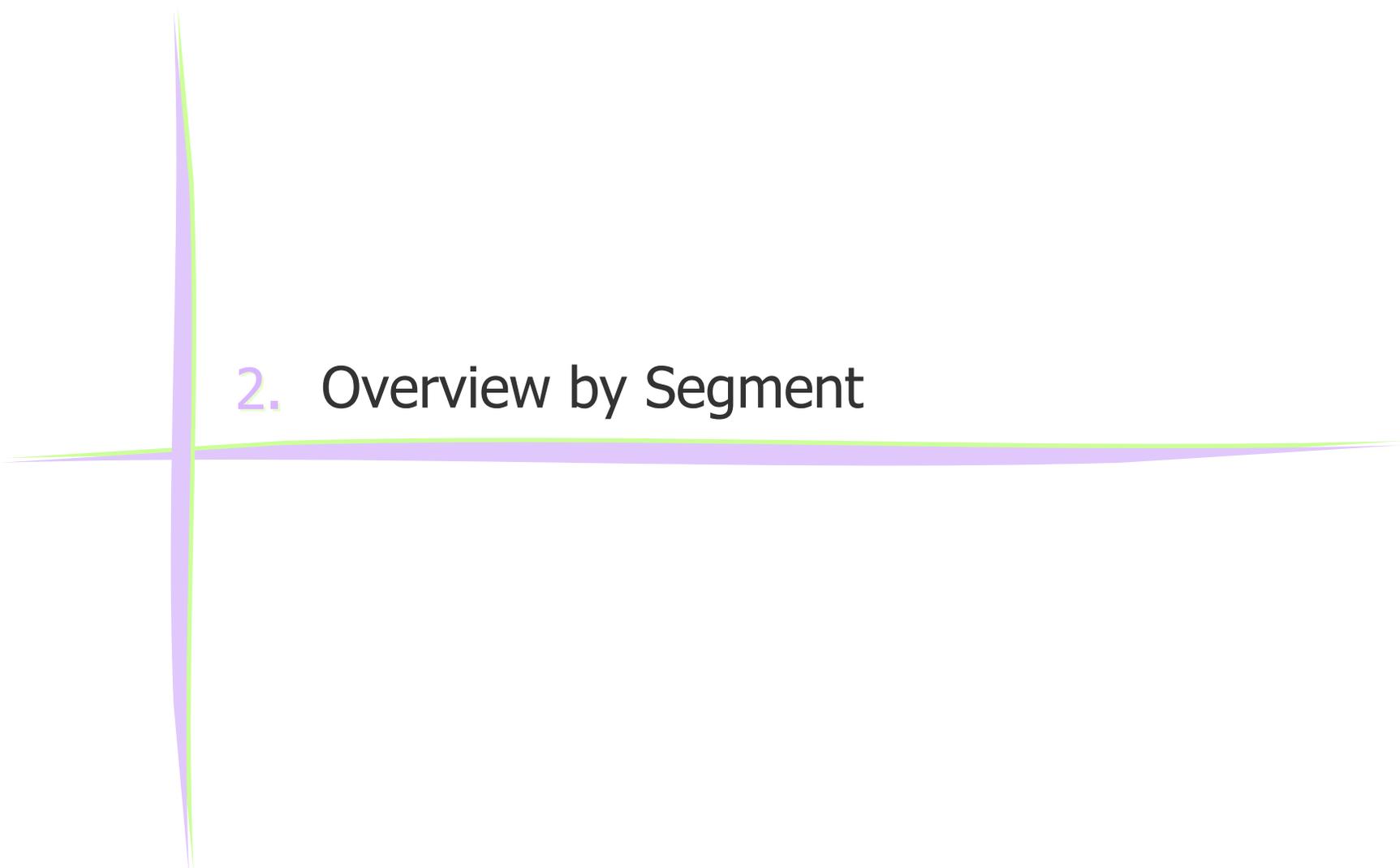
- Increase in sales of Internet-only products which tend to have a high cost-of-sales ratio.
- Increase in bargain sales and inventory clearance sales.

Consolidated SG&A Expenses

(Millions of yen)



- Sales expenses
 - Freightage and packing expenses:
 - Increase in shipments due to free shipping campaigns
 - Catalog costs:
 - Increase due to paper price hikes and the launch of new catalogs



2. Overview by Segment

Overview of the Mail-order Business (Catalogs + Internet) (YoY Comparison)

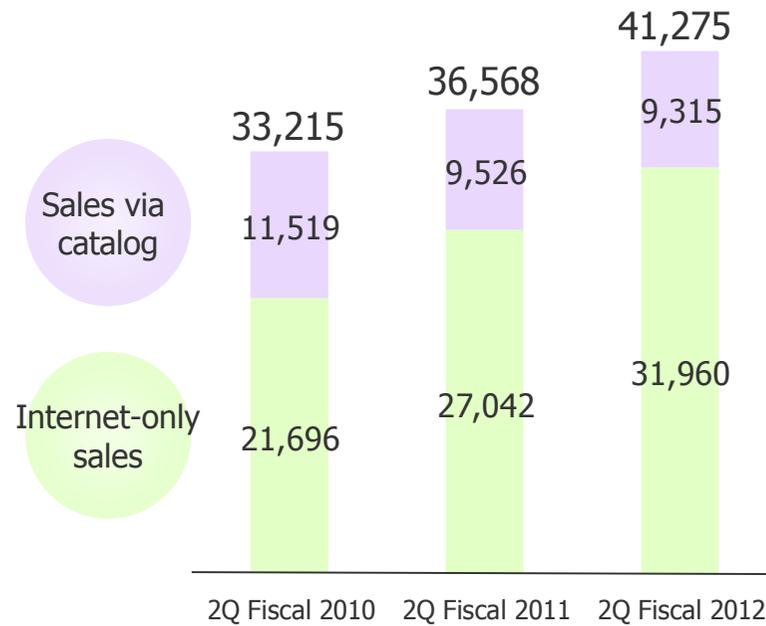
	2Q Fiscal 2011	2Q Fiscal 2012	Difference
 Number of orders (10,000 orders)	551.2	621.3	70.1
 Semi-annual number of active customers (10,000 members)	263.8	291.0	27.2
 Semi-annual number of new members (10,000 members)	36.4	45.5	9.1
 Average sales per customer (Yen)	11,168	10,522	-646
 Semi-annual order frequency per customer (Times)	2.09	2.13	0.04
 Catalog circulation (10,000 volume)	3,724	3,627	-97

-  Steady increase in number of orders and active customers due to TV advertising and Internet-related measures
-  Average sales per customer declined due to free shipping campaigns, but order frequency per customer increased slightly

Internet-related Indicators

Internet Sales

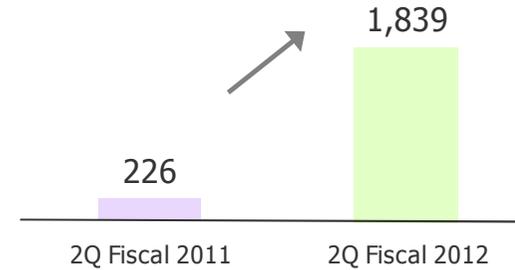
(Millions of yen)



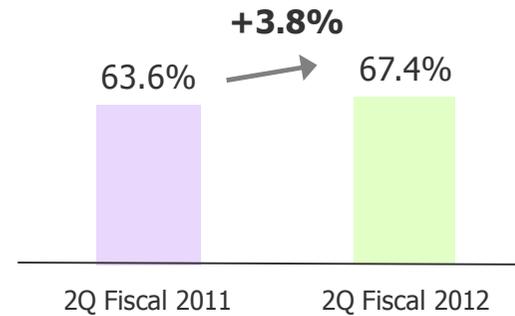
- Sales via catalog: Customer reads a catalog then purchases by Internet, entering catalog number.
- Internet-only sales: Customer makes purchase through the Internet by putting products into online shopping cart.

Amount of Smartphone Orders

(Millions of yen)



Ratio of Internet-based Orders



Internet-related measures: Activity targeting* through websites, e-mail, and recommendations

*Website viewers are categorized according to their activity history, and products, advertisements, and messages displayed according to their tastes and preferences

Overview of the *Hanpukai* Business (YoY Comparison)

	2Q Fiscal 2011	2Q Fiscal 2012	Difference
Number of groups (10,000 groups)	6.4	5.8	-0.6
Number of group members (10,000 members)	19.2	17.2	-2.0
Number of individual members (10,000 members)	11.5	12.8	1.3
Total <i>Hanpukai</i> members (10,000 members)	30.7	30	-0.7

Hit products in first half

Cute and "smart"
towel/handkerchief that
converts to a "pouch"



No.1

Moomin pocket handkerchief

Microfiber mini-mitten for
wiping water and dust



No.2

Chokochoko mini-mitten

Underwear that lifts the hip



No.3

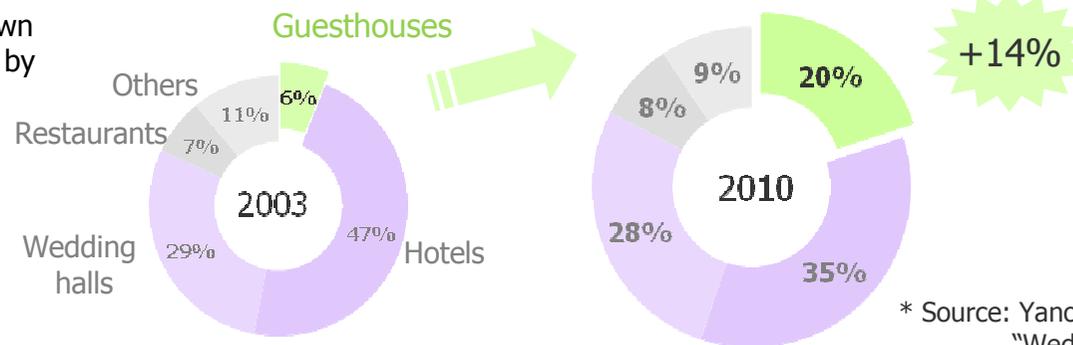
"Bi line" hip pants

Overview of the Bridal Business (YoY Comparison)

	2Q Fiscal 2011	2Q Fiscal 2012	Difference
Net sales (Millions of yen)	3,607	4,738	1,131
Guesthouses	13	14	1
Weddings (Couples)	905	1,220	315
Average sales per wedding (10,000 yen)	384	378	-6

Reference

Change in breakdown of wedding market by venue



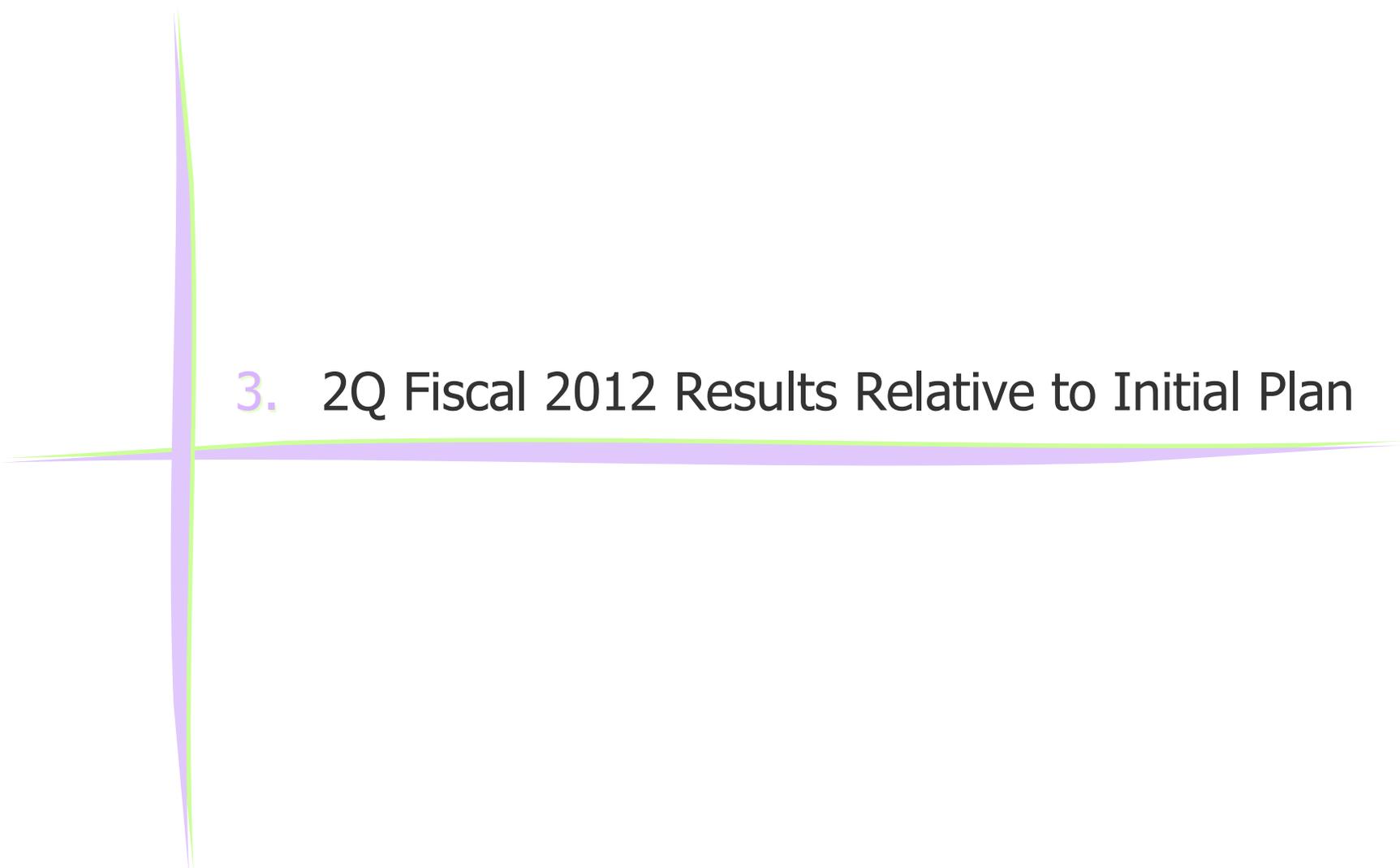
* Source: Yano Research Institute
"Wedding Industry Yearbook"

Overview of the Corporates Business (YoY Comparison)

(Millions of yen)

Breakdown of sales	2Q Fiscal 2011	2Q Fiscal 2012	Difference
 Contracting services	1,646	1,274	-372
 Sampling	423	393	-30
 Novelties	190	176	-14
 Others	45	38	-7
 Total	2,305	1,881	-424

 Contracting services: decreased due to end of contract with major outsourcing client



3. 2Q Fiscal 2012 Results Relative to Initial Plan

Results Compared to Initial Plan for 2Q Fiscal 2012

(Millions of yen)

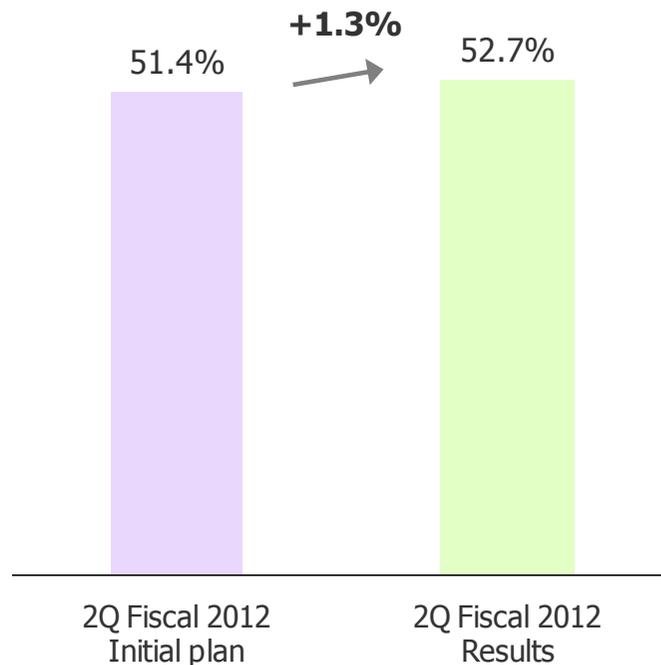
	2Q Fiscal 2012 (Initial plan)		2Q Fiscal 2012 (Results)		Relative to initial plan	
		% to net sales		% to net sales	Difference	Percentage points
 Net sales	73,900	-	74,031	-	131	-
 Cost of sales	38,011	51.4%	38,999	52.7%	988	1.3%
 Gross profit	35,888	48.6%	35,031	47.3%	-857	-1.3%
 SG&A expenses	34,188	46.3%	34,269	46.3%	81	0.0%
 Operating income	1,700	2.3%	762	1.0%	-938	-1.3%
 Ordinary income	1,800	2.4%	1,180	1.6%	-620	-0.8%
 Net income	1,500	2.0%	914	1.2%	-586	-0.8%

 Net sales were roughly in line with plan

 Operating income was short due to an increase in the cost-of-sales ratio

Differences in Cost-of-sales Ratio and SG&A Expenses Relative to the Initial Plan for 2Q

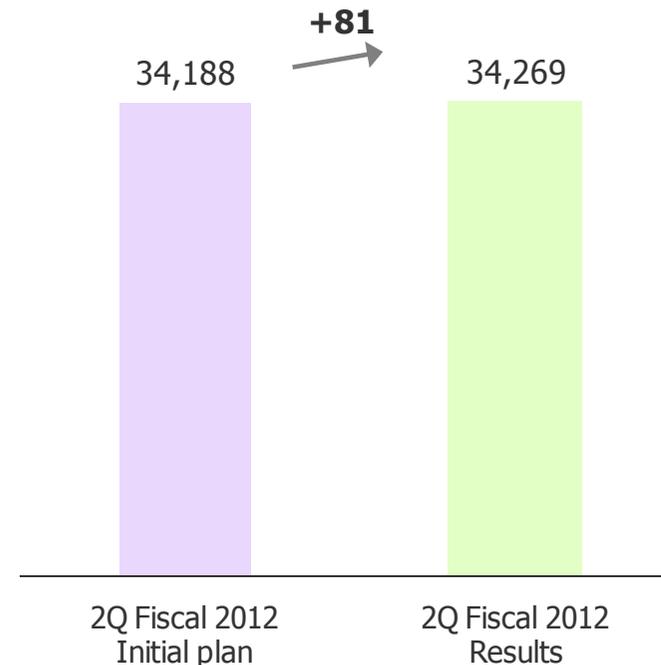
Cost-of-sales Ratio



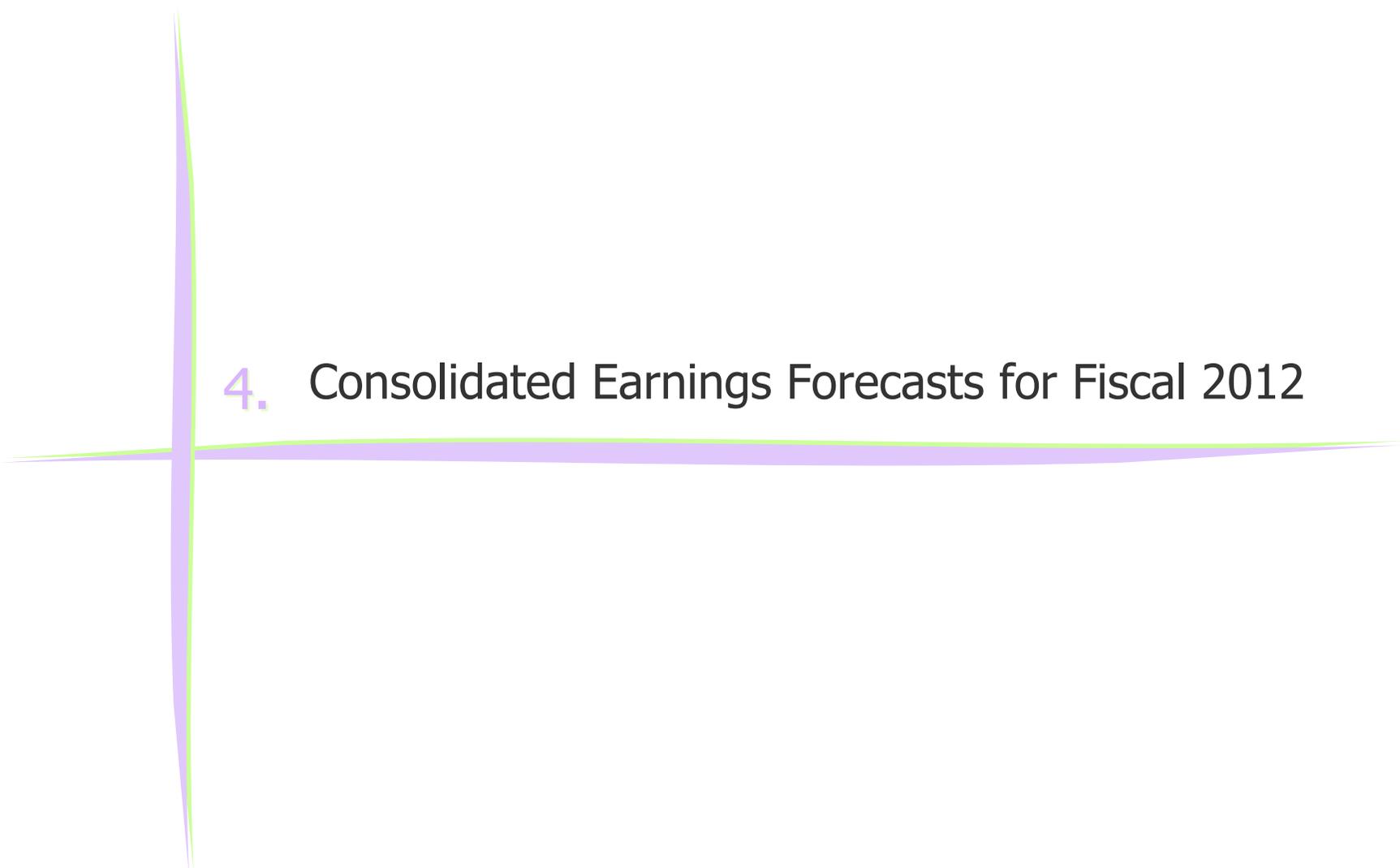
- Increase in sales of Internet-only products which tend to have a high cost-of-sales ratio
- Increase in bargain sales and inventory clearance sales.

SG&A Expenses

(Millions of yen)



- Increase in distribution-related costs as free shipping campaigns and a higher ratio of Internet-based sales lowered average sales per shipment
- Increase in printing costs from an increase in catalog requests
- General cut in SG&A expenses



4. Consolidated Earnings Forecasts for Fiscal 2012

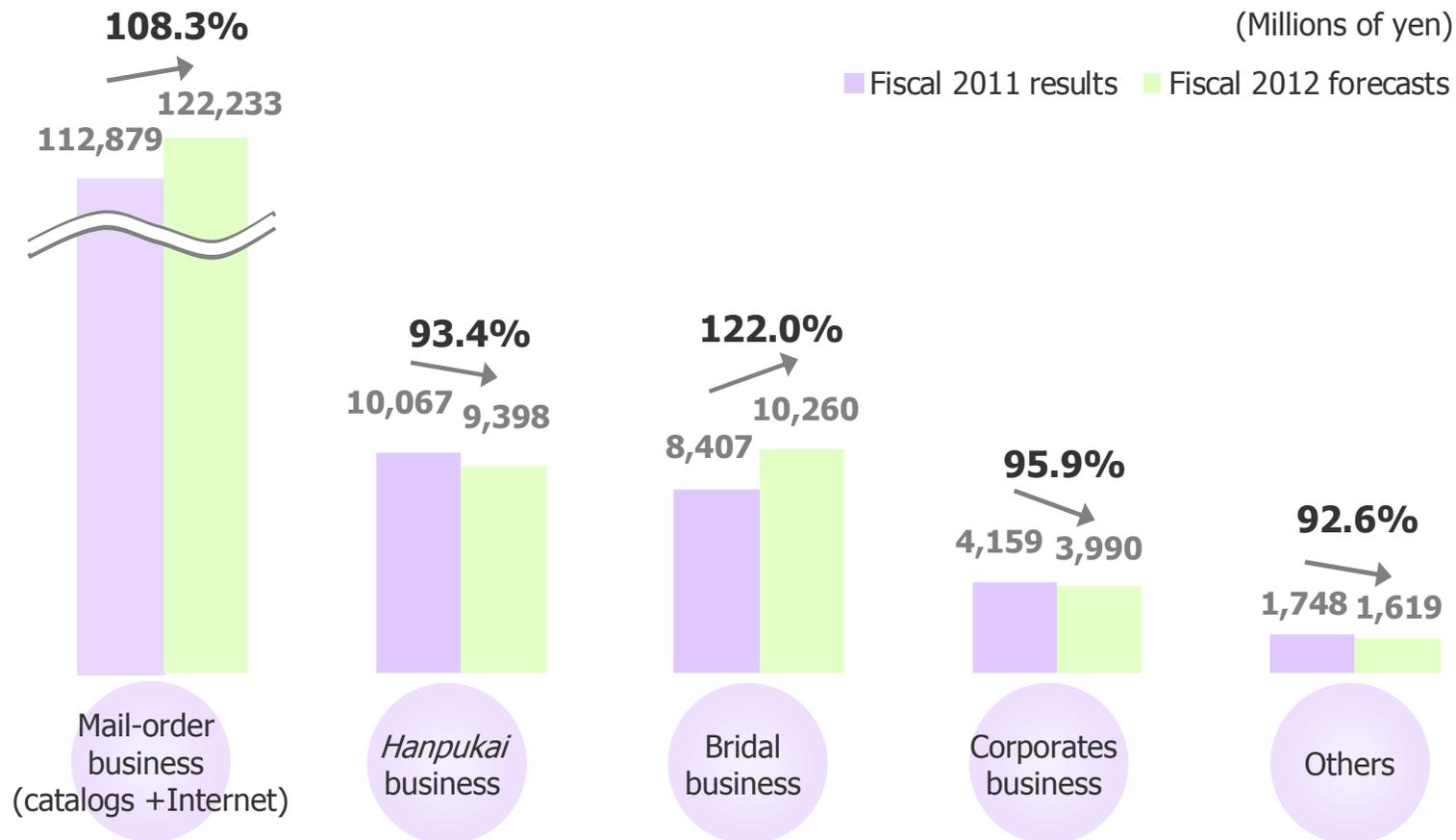
Consolidated Earnings Forecasts for Fiscal 2012 (YoY Comparison)

(Millions of yen)

	Fiscal 2011 results		Fiscal 2012 forecasts		YoY change	
		% to net sales		% to net sales	Difference	Percentage points
 Net sales	137,261	-	147,500	-	10,239	-
 Cost of sales	71,311	52.0%	76,783	52.1%	5,472	0.1%
 Gross profit	65,950	48.0%	70,716	47.9%	4,766	-0.1%
 SG&A expenses	62,842	45.8%	67,416	45.7%	4,574	-0.1%
 Operating income	3,107	2.3%	3,300	2.2%	193	-0.1%
 Ordinary income	3,233	2.4%	3,500	2.4%	267	0.0%
 Net income	1,583	1.2%	2,850	1.9%	1,267	0.7%

-  We expect net sales to increase from an increase in Internet-based sales, and the cost-of-sales ratio to increase slightly due to higher sales of Internet-only products and other factors
-  We expect SG&A expenses to rise generally, but to decline slightly as a percentage of sales, boosting profits YoY at every level

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



- Mail-order business: We forecast a steady increase. However, we forecast a modest decline in the *Hanpukai* business
- Bridal business: We forecast the opening of new facilities will contribute to a significant YoY increase in sales

Second-half Topics in Fiscal 2012



Opening of new *Kurasu Fuku* stores (Saitama)

SOYOCA FUJIMINO opened on June 29th!

- Third store in Kanto region after LaLaport Shin Misato and Chiba New Town stores
- Total 13 stores



Dears Brain opens new facility in Kagoshima

"The Peak Premium Terrace" to open in November!!



- Two party rooms with balconies, designed with a "*Satsuma-kiriko*" motif
- Total 15 facilities
Total 23 banquet rooms



Senshukai's CSR Activities in First-half Fiscal 2012

As a "Woman Smile Company," Senshukai will conduct business activities that customers can relate with so they can live with smiles.



Post-quake reconstruction support

Presented Mother's Day carnations to mothers in all temporary homes in Ofunato City

To support evacuees, Senshukai, its group company Senshukai Iihana, and business partner Saito Seika collaborated in delivering a set of carnations and candy to all 1,800 temporary homes in Ofunato City in Iwate Prefecture under the slogan of "The power of flowers to make people smile."

The campaign was widely reported by local TV and media outlets



June environment month

PR of eco-friendly products through spread of organic cotton



By eliminating waste in distribution, Senshukai is able to provide organic cotton products at roughly the same price as regular cotton products. We would like to spread understanding about the environment by having many customers use organic cotton.

We held a PR event at a Tokyo girls school.



Dividends and Results Announcements Scheduled in Fiscal 2012

Dividend forecast

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

We plan a dividend of 10 yen per share in cumulative 2Q.

This, together with our divided forecast of 10 yen per share for the year-end, gives an annual dividend of 20 yen per share for a payout ratio of 30.4%.

Dates of earnings announcements for Fiscal 2012

- | | |
|---|----------------------------|
|  Earnings for the third quarter of Fiscal 2012 | Friday, October 26 |
|  Earnings for the Fiscal 2012 | Thursday, February 7, 2013 |
|  Earnings Presentation for the Fiscal 2012 | Friday, February 8, 2013 |

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