

SENSHUKAI CO.,LTD. (Tokyo Stock Exchange, First Section: 8165)
Second Quarter of Fiscal 2018
Earnings Presentation

ウーマン スマイル カンパニー

senshukai

July 26, 2018

- 1 Consolidated Results of Operations for 2Q Fiscal 2018
- 2 Overview by Segment
- 3 Consolidated Earnings Outlook for Fiscal 2018
- Reasons for Revisions to Fiscal 2018 Forecasts and Second Half Actions -
- 4 Others

1 Consolidated Results of Operations for 2Q Fiscal 2018

(Millions of yen)

	2Q 2017		2Q 2018		YoY change	
		% to net sales		% to net sales	Difference	Change in % to net sales
Net sales	63,186		57,199		-5,987	-9.5%
Cost of sales	34,212	54.1%	31,357	54.8%	-2,855	0.7%
Gross profit	28,973	45.9%	25,842	45.2%	-3,131	-0.7%
SG&A expenses	30,222	47.8%	26,981	47.2%	-3,241	-0.6%
Operating profit	-1,248	-2.0%	-1,138	-2.0%	110	0.0%
Ordinary profit	-849	-1.3%	-993	-1.7%	-144	-0.4%
Profit attributable to owners of parent	-6,208	-9.8%	-1,153	-2.0%	5,055	7.8%

- ◆ Net sales decreased due to weak Belle Maison sales in the mail-order business
- ◆ Despite extensive cost-cutting measures, there was an operating loss as the gross profit margin decreased due to lower sales and a higher cost of sales ratio caused mainly by bargain sales

2Q Fiscal 2018 Consolidated Balance Sheet (Compared with End-Fiscal 2017)

ウーマン スマイル カンパニー

senshukai

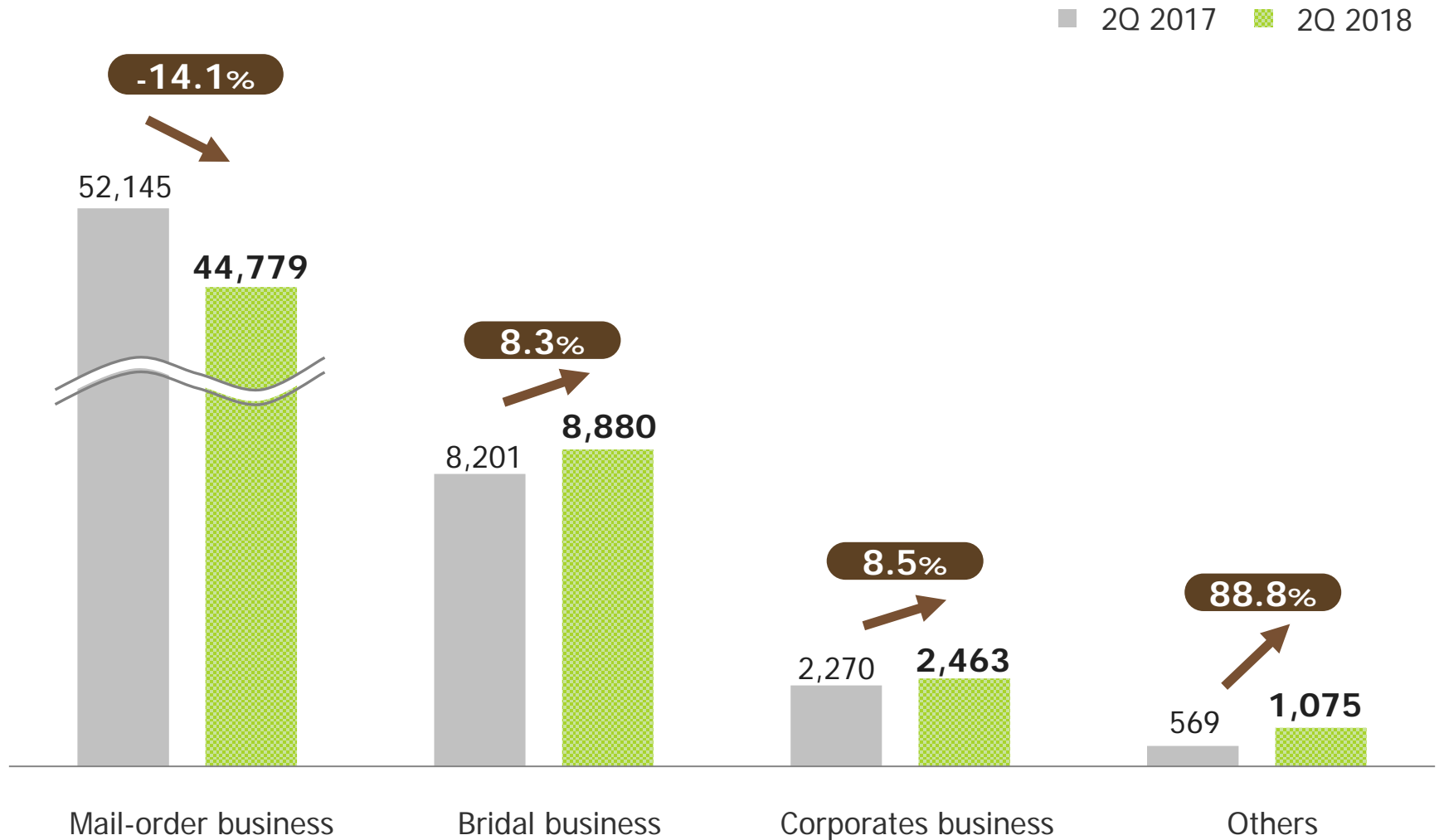
(Millions of yen)

	Dec. 31, 2017	Jun. 30, 2018	Difference	Remarks
Assets				
• Current assets	48,854	40,782	-8,071	<ul style="list-style-type: none"> ■ Cash and deposits: -¥3.9bn ■ Accounts receivable-other: -¥1.7bn ■ Merchandise and finished goods: -¥1.2bn
• Non-current assets	41,586	40,766	-819	<ul style="list-style-type: none"> ■ Property, plant and equipment: -¥0.3bn ■ Investments and other assets: -¥0.4bn
Total assets	90,441	81,549	-8,891	
Liabilities				
• Current liabilities	30,066	28,412	-1,654	<ul style="list-style-type: none"> ■ Bonds with share acquisitions rights: +¥5.0bn ■ Electronically recorded obligations-operating: -¥1.2bn ■ Accounts payable-trade: -¥1.6bn ■ Other (Accounts payable-other, etc.): -¥3.6bn
• Non-current liabilities	18,826	12,962	-5,863	<ul style="list-style-type: none"> ■ Bonds with share acquisitions rights: -¥5.0bn ■ Long-term loans payable: -¥0.7bn
Total liabilities	48,892	41,374	-7,518	
Net assets				
• Shareholders' equity	41,155	40,294	-860	<ul style="list-style-type: none"> ■ Retained earnings: +¥5.9bn ■ Treasury shares: -¥6.7bn
• Accumulated other comprehensive income	318	-195	-514	<ul style="list-style-type: none"> ■ Valuation difference on available-for-sale securities: -¥0.1bn ■ Deferred gains or losses on hedges: -¥0.1bn
• Non-controlling interests	74	76	1	
Total net assets	41,548	40,175	-1,373	
Total liabilities and net assets	90,441	81,549	-8,891	

(Millions of yen)

	2Q 2017	2Q 2018	Difference	2Q 2018 highlights
Net cash provided by (used in) operating activities	1,296	-3,322	-4,619	<ul style="list-style-type: none"> ■ Decrease in notes and accounts payable-trade: -¥2.7bn ■ Decrease in accounts payable-other: -¥1.9bn (Payments for business structure reform expenses) ■ Decrease in inventories: +¥1.2bn ■ Depreciation: +¥0.8bn
Net cash provided by (used in) investing activities	-761	-29	731	<ul style="list-style-type: none"> ■ Purchase of property, plant and equipment: -¥0.5bn ■ Proceeds from sales of investment securities: +¥0.3bn
Net cash provided by (used in) financing activities	-387	-493	-106	<ul style="list-style-type: none"> ■ Proceeds from issuance of common shares: +¥6.9bn ■ Purchase of treasury shares: -¥6.7bn ■ Repayments of long-term loans payable: -¥0.6bn
Cash and cash equivalents at end of period	16,743	13,400	-3,342	

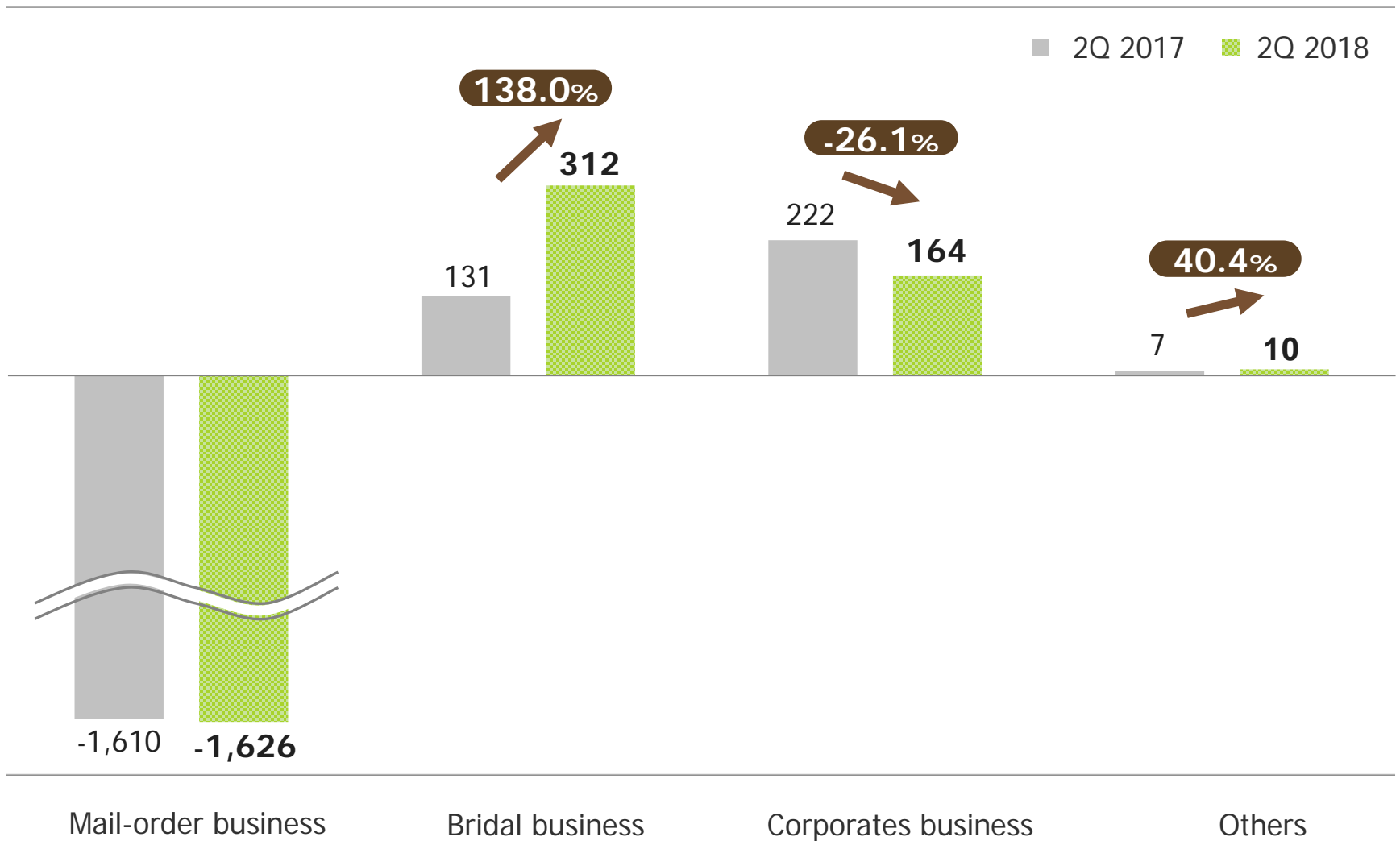
(Millions of yen)



* "Others" represents services business primarily offering insurance and credit card services, childcare business, and manufacturing and sales of cosmetics.

Consolidated Operating Profit by Business Segment (YoY Comparison)

(Millions of yen)



* "Others" represents services business primarily offering insurance and credit card services, childcare business, and manufacturing and sales of cosmetics.

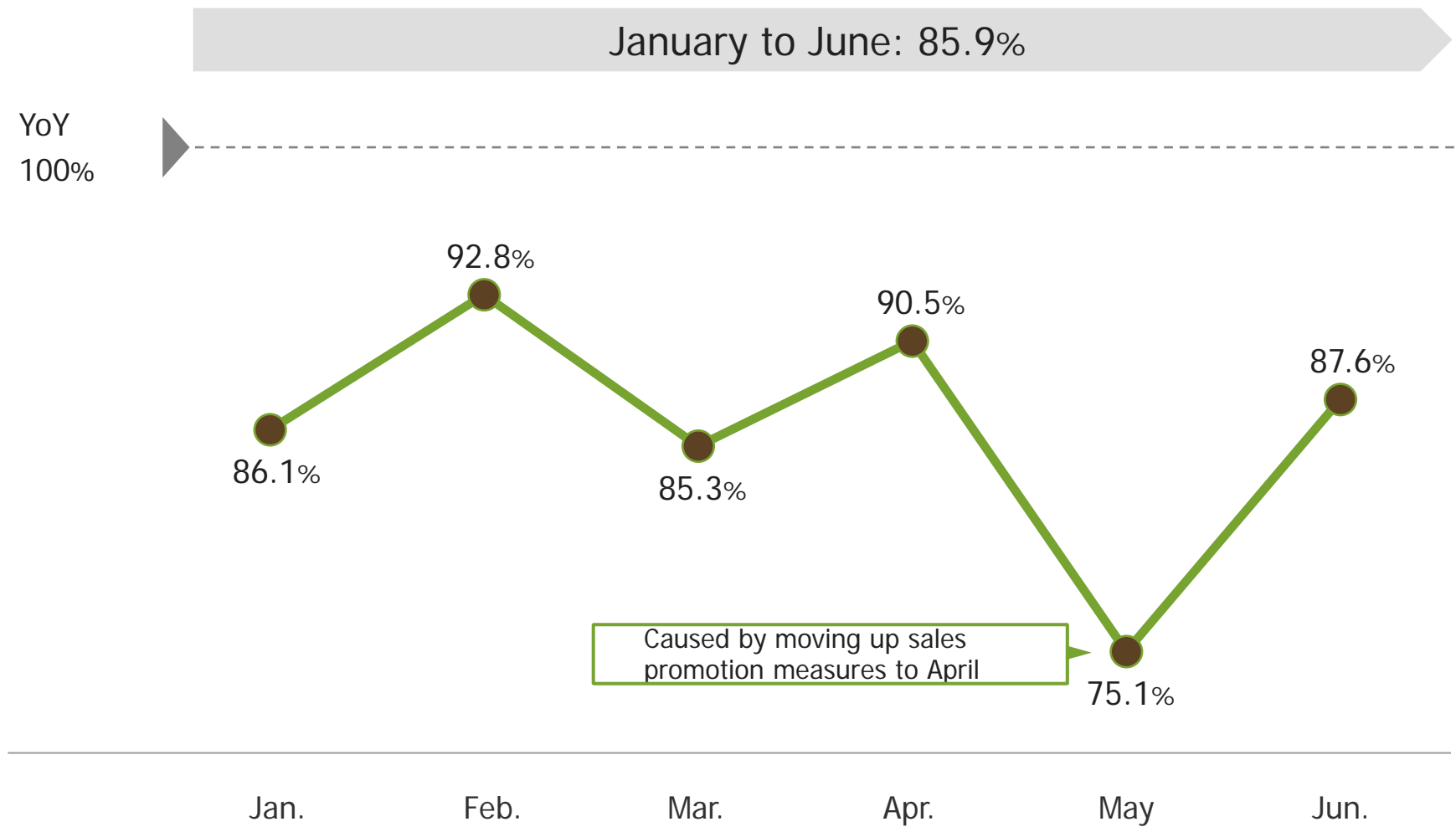
2 Overview by Segment

Overview of the Mail-order Business (YoY Comparison)

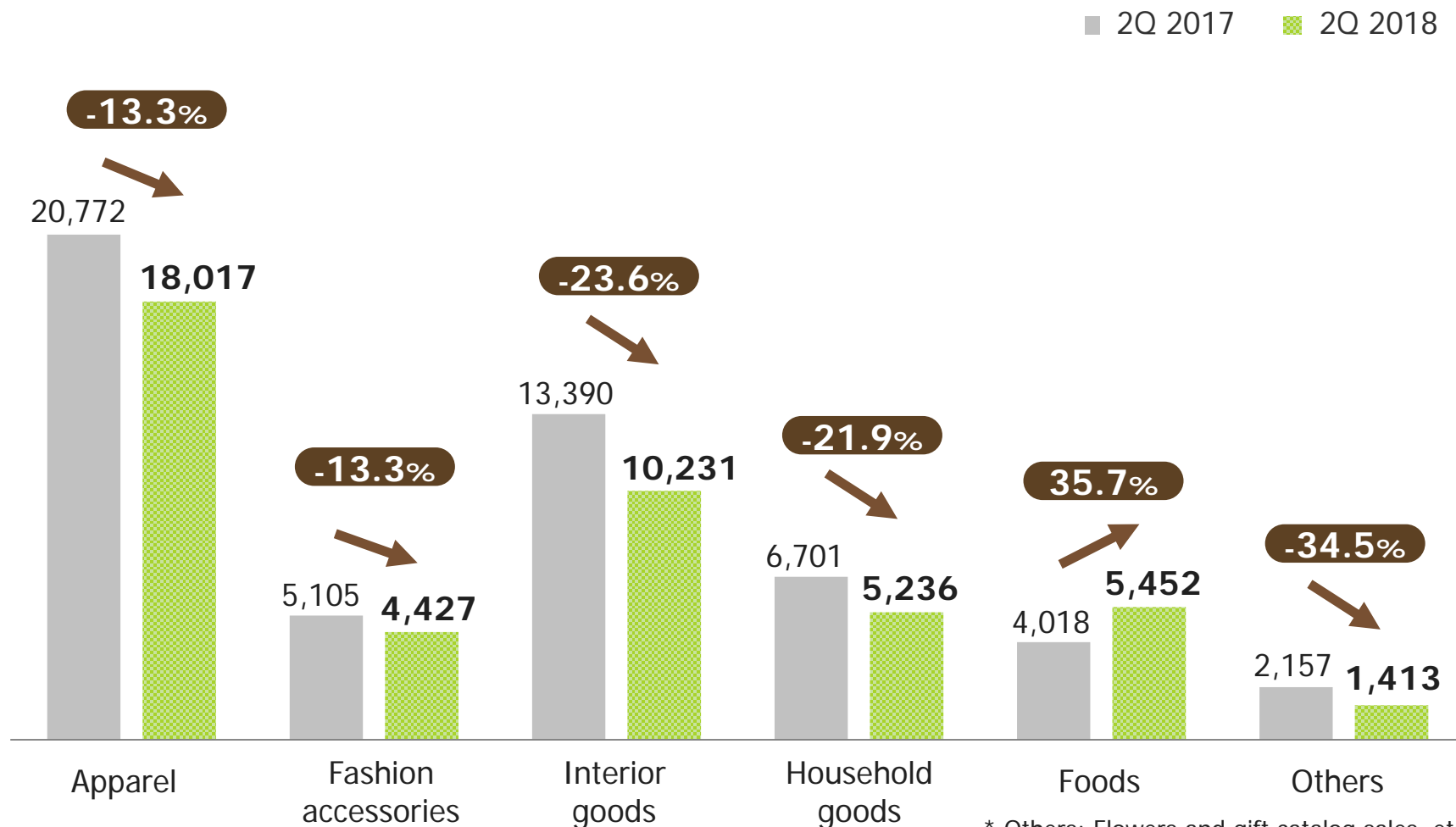
	2Q 2017	2Q 2018	Difference	Main factors
Net sales (Millions of yen)	52,145	44,779	-7,366	
Operating profit (Millions of yen)	-1,610	-1,626	-16	
Semi-annual number of active customers (10,000 members)	224.4	184.6	-39.8	■ Decrease in the number of current customers
Semi-annual number of new members (10,000 members)	37.5	35.7	-1.8	
Average sales per order (Yen)	10,036	9,514	-522	■ Decrease in the number of current customers with high average sales per order
Semi-annual order frequency per customer (Times)	2.09	1.92	-0.17	
Catalog circulation (10,000 volumes)	3,056	2,247	-809	
Ratio of Internet-based orders	82.4%	85.1%	2.7%	
Share of smartphone sales to Internet sales	53.6%	58.9%	5.3%	

* All figures other than net sales and operating profit are non-consolidated data for the mail-order business (excluding the *Hanpukai* business)

Mail-order Business –Monthly Sales



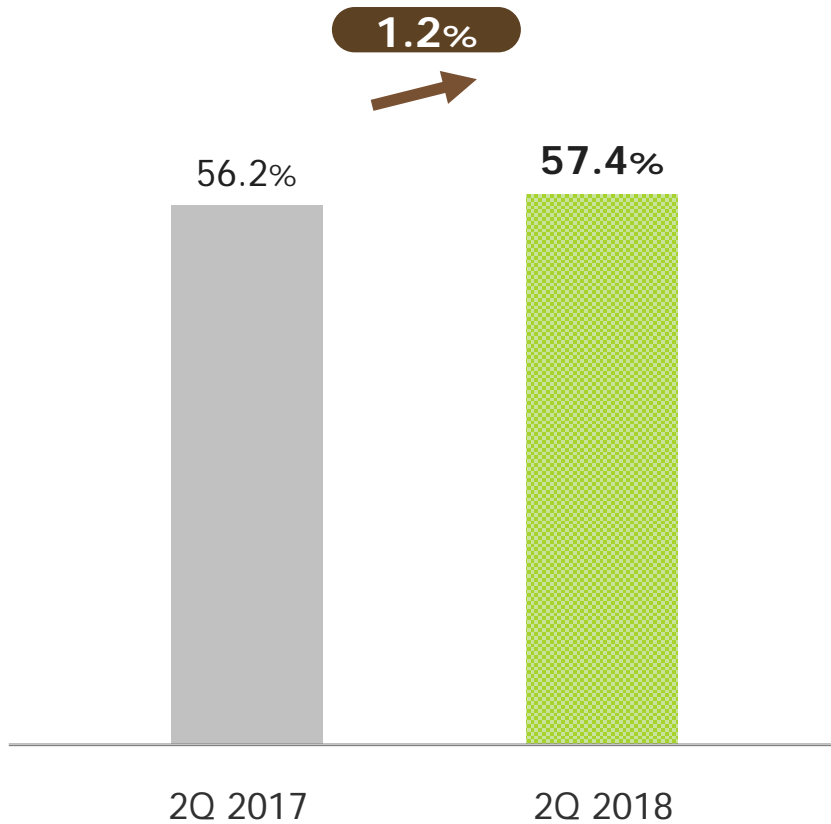
(Millions of yen)



* Others: Flowers and gift catalog sales, etc.

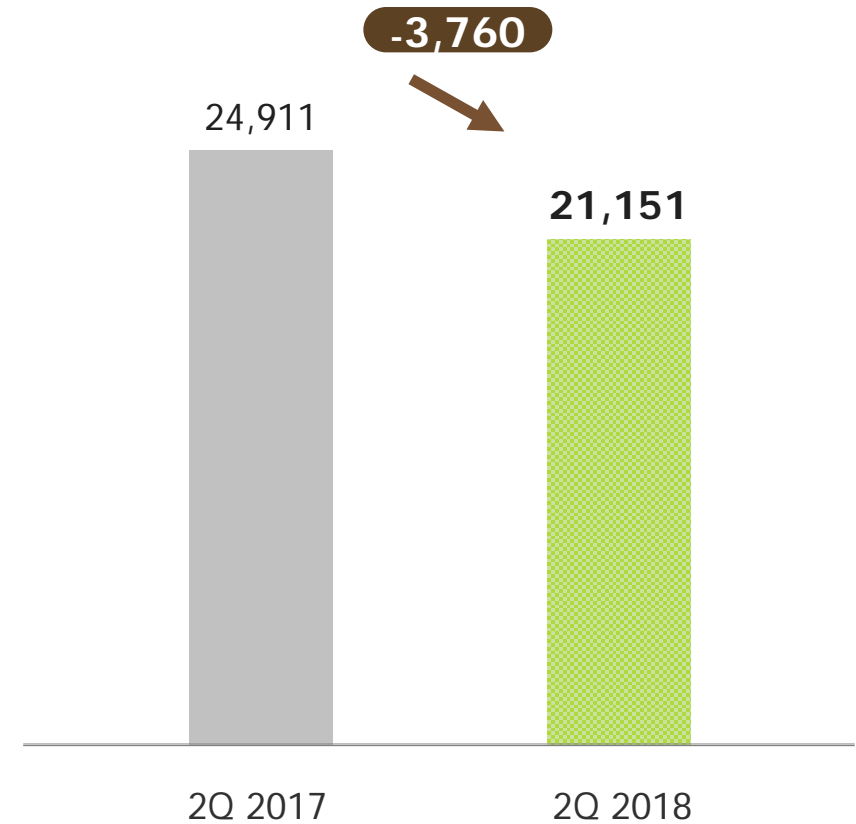
- ◆ Apparel: Reduction in number of outerwear styles brought down sales
- ◆ Interior goods: Sluggish sales of furniture, storage products and fabrics
- ◆ Foods: Increase in sales at subsidiaries Feel Life Inc. and Belle Neige Direct Co.,Ltd.

Cost to Sales Ratio



SG&A Expenses

(Millions of yen)



- ◆ Increase in share of bargain and clearance sales

- ◆ Decrease in number of catalogs and pages: -1,302
- ◆ Lower personnel expenses due to decrease in employees : -991
- ◆ Lower depreciation due to asset impairment: -336
- ◆ Cost reduction by reexamining each expense items: -1,131

	2Q 2017	2Q 2018	Difference	Main factors
Net sales (Millions of yen)	8,201	8,880	679	■ Strong sales overall at existing facilities
Operating profit (Millions of yen)	131	312	181	
Guesthouses	23	23	0	
Weddings (Couples)	2,123	2,239	116	
Average sales per wedding (10,000 yen)	366	374	8	

(Millions of yen)

	2Q 2017	2Q 2018	Difference	Main factors
Net sales	2,270	2,463	193	
• Contracting services	1,572	1,697	125	<ul style="list-style-type: none"> Increases in outsourced logistics and call center services and in shipments and orders at current clients
• Sampling	547	635	88	<ul style="list-style-type: none"> Catalog circulation service sales decreased but higher sales to current clients for outbound call center services
• Novelties	142	119	-23	
• Others	7	11	4	
Operating profit	222	164	-58	

Consolidated Earnings Outlook for Fiscal 2018

- Reasons for Revisions to Fiscal 2018 Forecasts and

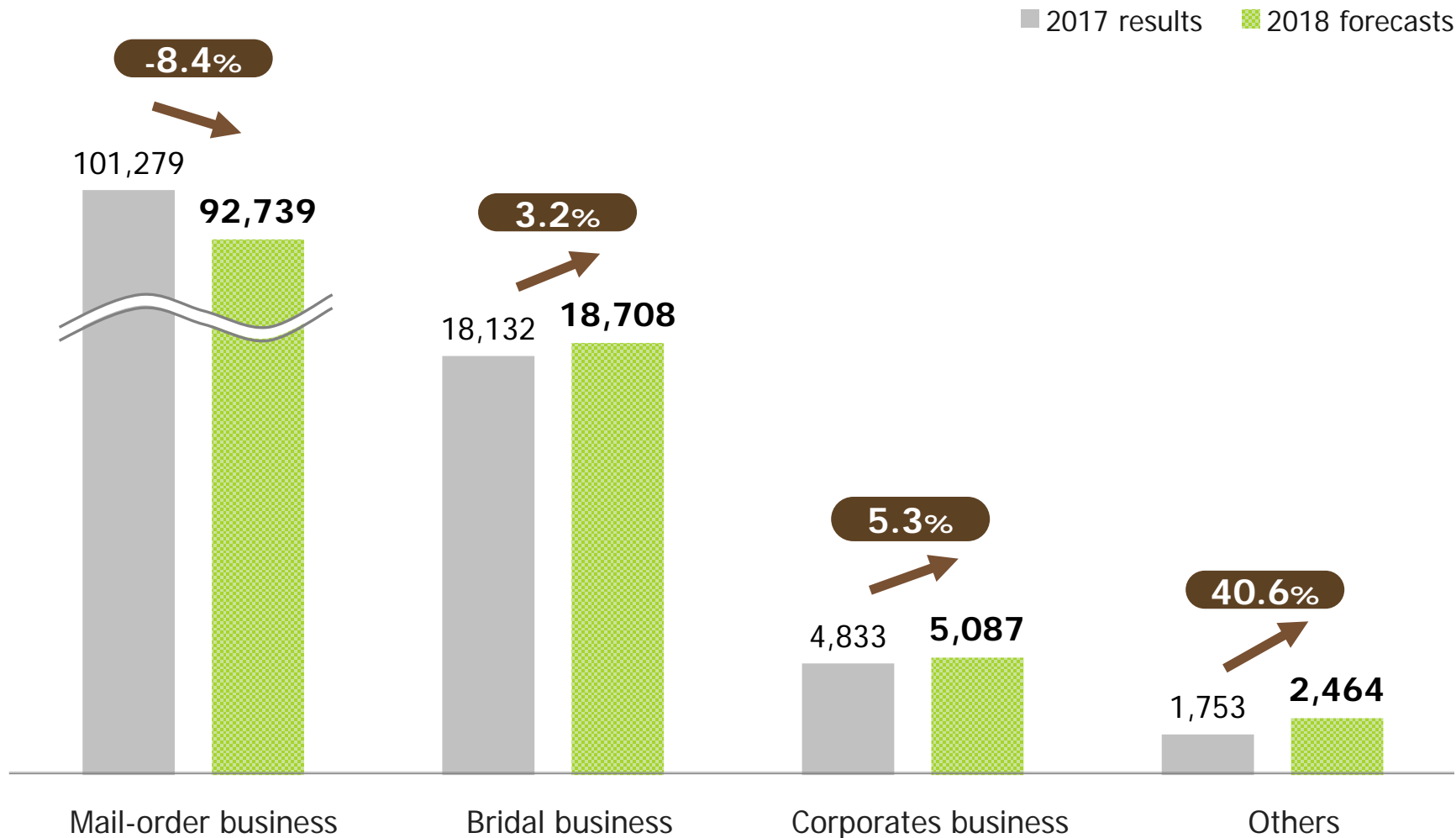
3

Second Half Actions -

(Millions of yen)

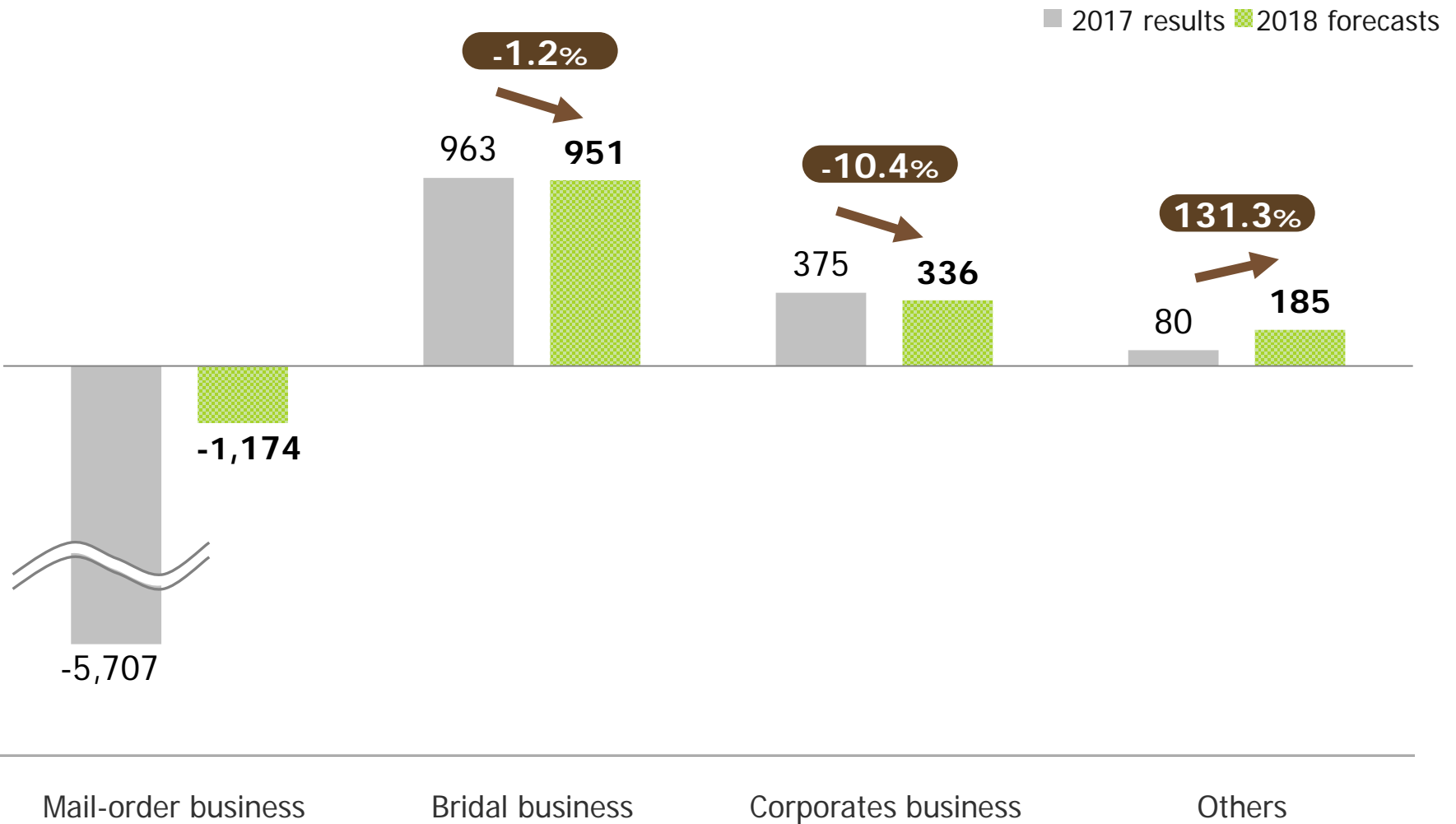
	2017 (Results)		2018 (Forecasts)		YoY change	
		% to net sales		% to net sales	Difference	Change in % to net sales
Net sales	125,999		119,000		-6,999	-5.6%
Cost of sales	71,437	56.7%	64,877	54.5%	-6,560	-2.2%
Gross profit	54,561	43.3%	54,122	45.5%	-439	2.2%
SG&A expenses	58,848	46.7%	53,822	45.2%	-5,026	-1.5%
Operating profit	-4,287	-3.4%	300	0.3%	4,587	3.7%
Ordinary profit	-4,206	-3.3%	400	0.3%	4,606	3.6%
Profit attributable to owners of parent	-11,090	-8.8%	200	0.2%	11,290	9.0%

(Millions of yen)



* "Others" represents services business primarily offering insurance and credit card services, childcare business, and manufacturing and sales of cosmetics.

(Millions of yen)



* "Others" represents services business primarily offering insurance and credit card services, childcare business, and manufacturing and sales of cosmetics.

(Millions of yen)

	Initial 2018 Plan		Revised 2018 Plan		YoY change	
		% to net sales		% to net sales	Difference	Change in % to net sales
Net sales	124,000		119,000		-5,000	-4.0%
Cost of sales	67,091	54.1%	64,877	54.5%	-2,214	0.4%
Gross profit	56,908	45.9%	54,122	45.5%	-2,786	-0.4%
SG&A expenses	55,308	44.6%	53,822	45.2%	-1,486	0.6%
Operating profit	1,600	1.3%	300	0.3%	-1,300	-1.0%
Ordinary profit	1,900	1.4%	400	0.3%	-1,500	-1.1%
Profit attributable to owners of parent	1,400	1.1%	200	0.2%	-1,200	-0.9%

Net Sales

- ❖ Higher orders from smartphones, but not enough to offset decrease in orders using catalogs and PCs
- ❖ Smaller number of catalogs and pages due to review of catalog distribution to use catalogs more efficiently (decrease in “sales area”), but this change reduced sales more than expected
- ❖ Decrease in total number of Internet customer visits

Operating Profit

- ❖ Lower gross profit margin resulting from the sales decrease
- ❖ Higher cost to sales ratio due to an increase in bargain and inventory clearance sales

Second Half Actions to Increase Sales

- ❖ Increase marketing activities and procurement for Hotcott (warm cotton innerwear) and the Torokeru series
- ❖ Use additional marketing measures (direct mail every month to increase sales, large furniture free-shipping campaigns, and more sales promotions on SNS and other steps)
- ❖ Increase presence in malls operated by other companies

4 Others



The Smile Forest project is supported by donations from customers

- Making as many mothers and children as possible happy -

▲ The Hahatoko Fund was established in July as part of the Smile Forest project

Creating more smiles for as many mothers and children as possible is the central objective of the new Hahatoko Fund. To accomplish this, the fund supports activities for solving social issues in Japan involving mothers and their children.



The Three themes of the Hahatoko Fund

Theme 1 Encourage more women to become mothers

The Ashinaga Foundation (<https://www.ashinaga.org/>) is used to make contributions for supporting orphans and their parents.

Theme 2 Support for mothers and children

Assistance for raising children and various associated activities.

Theme 3 Support for children affected by natural disasters

Assistance for raising children affected by natural disasters



▲ Support for victims of flooding in western Japan

Following the heavy rain and flooding in July 2018 in western Japan, Belle Maison Net started a campaign to collect donations for disaster response activities. Donations from the company as well as from customers were given to the Japan Red Cross to help victims of this disaster.

There were also donations of clothing and other items. On July 13, the city of Soja in Okayama received 3,055 items including women's underwear, blankets, baby and children's clothing and underwear, and other items. On July 19, midwives associations in Hiroshima and Okayama prefectures received 300 each of post-birth underwear, nursing apparel, baby apparel and four folds gauze blanket. Also, 100 towels were given to the Disaster Volunteer Center in Hiroshima's Aki-ku.

Senshukai will continue to assist these disaster victims by providing its products to locations that have a framework in place to receive and distribute these items.

In addition, all Senshukai Group companies are accepting disaster aid donations from their employees.



Dividend Forecast

Senshukai's policy regarding dividends is to distribute earnings to shareholders in a manner that reflects its performance. Furthermore, the policy is to pay stable dividends that take into account the payout ratio while reflecting the need to use retained earnings to strengthen the company's foundation for business operations.

In the 2017 earnings announcement dated February 8, 2018, Senshukai stated there is no plan to pay a dividend for the first half of 2018 and no decision has been made about the year-end dividend.

Schedule for Earnings Announcements

- October 26, 2018 (Friday) Announcement of financial results for the third quarter of Fiscal 2018
- February 7, 2019 (Thursday) Announcement of financial results for Fiscal 2018
- February 8, 2019 (Friday) Earnings presentation for Fiscal 2018 (Tokyo)

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