

Senshukai Group Medium-term Management Plan 2021-2025

July 29, 2021
TSE First Section (8165)
SENSHUKAI CO.,LTD.

ウーマン スマイル カンパニー

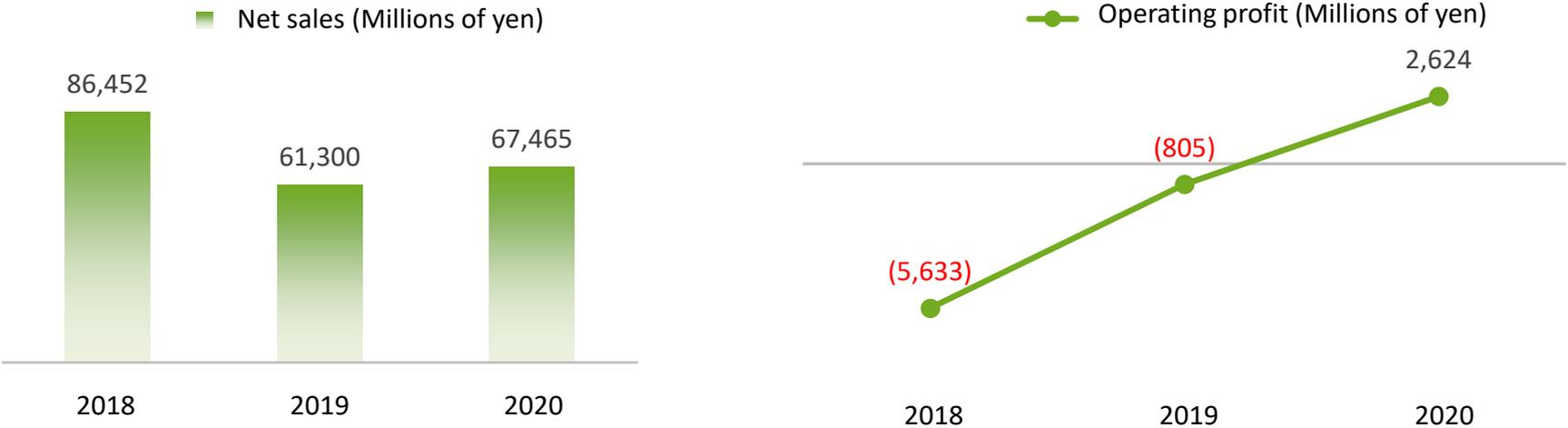
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- Implemented structural reforms based on the Medium-term Management Plan to overcome the 2017 management crisis. Established a management base for renewed growth by improving profitability and financial position as well as the capability of the corporate structure.**

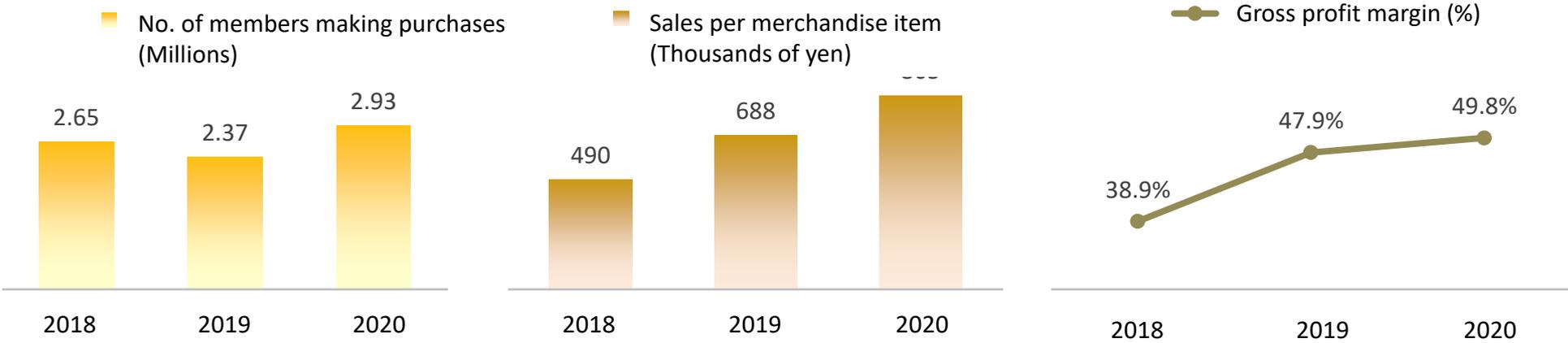


- Reviewed investment in the bridal business in the first quarter of 2021 and stepped up investment in the mail-order and online shopping business as its growing importance as a social infrastructure was confirmed. As a result, financial position improved, and the equity ratio rose to 64.4%.
- Worked cooperatively to implement reforms and improve productivity despite a significant decline in the number of employees in 2018.
- Structural reforms and enhanced profit and financial structure helped to eliminate uncertainty as a going concern.
- Viewing the COVID-19 pandemic as an opportunity, continued to build on the achievements of structural reforms to transit from a defensive to an offensive growth strategy.

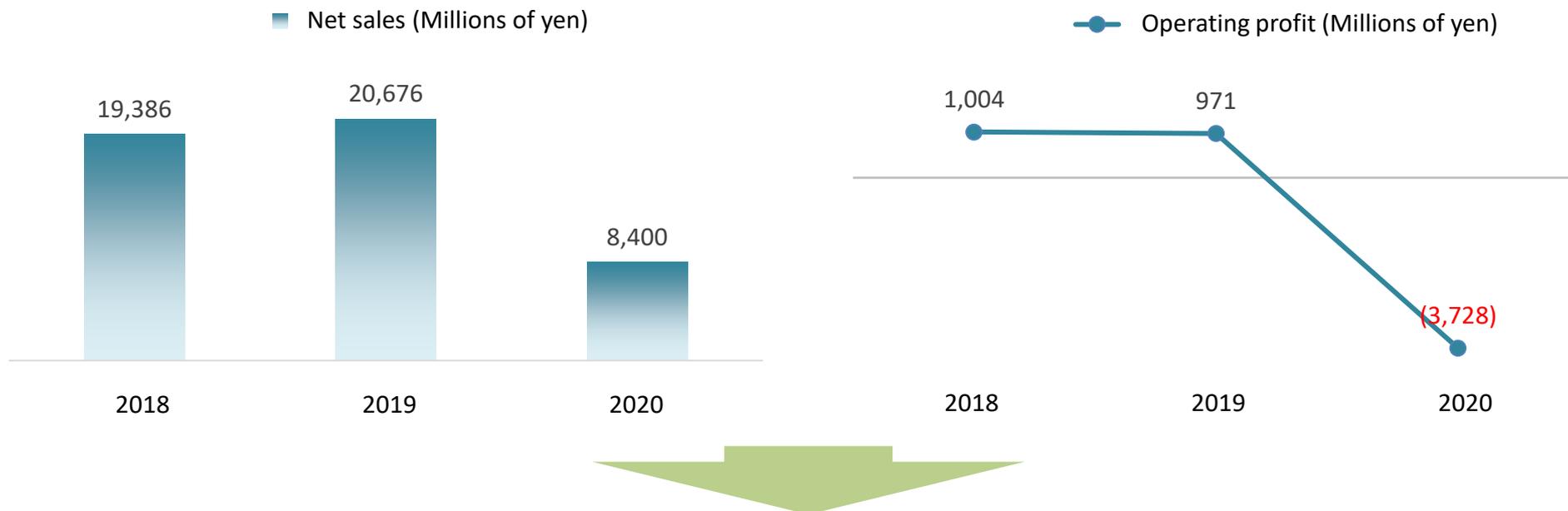
■ Sales of the mail-order and online shopping business started to revive from 2020 and operating profit increased significantly and moved into the black.



■ Marketing initiatives were successful and as a result the number of members has recovered. Improved product lineup and review of product development increased competitiveness of products while operational reforms contributed to enhancing profitability.



- Reviewed the business structure of the entire Senshukai Group following the significant impact of the COVID-19 crisis. Consequently, in fiscal 2021 redefined the bridal business as a business segment for indirect investment.



- An examination of the business portfolio of the Senshukai Group led to the conclusion that revising the policy for investments in the bridal business and strengthening the financial soundness of Senshukai and associated companies would result in the growth of corporate value and produce significant benefits for customers and shareholders.
- As long-term risk has been limited and financial soundness improved, resources were channeled to the mail order and online shopping business because the importance of this business as part of a vital social infrastructure has increased because of the pandemic.
- We will continue making investments based on the alliance with Dears Brain Holdings Inc. in order to retain our involvement in the wedding business sector as a channel for providing products and services to customers.

For details, refer to the “Notice of Change in Consolidated Subsidiaries (Transfer of Shares) and Revisions to Consolidated Outlook” released on March 23, 2021 (Japanese version only).

Changes in the business climate

- ◆ Permanent changes in consumer values and behavior due to the pandemic
- ◆ New standards for corporate activities (ESG/SDGs/Others) for sustainable growth
- ◆ More competition from other industries due to DX progress and increasing e-commerce demand

Central theme for business activities

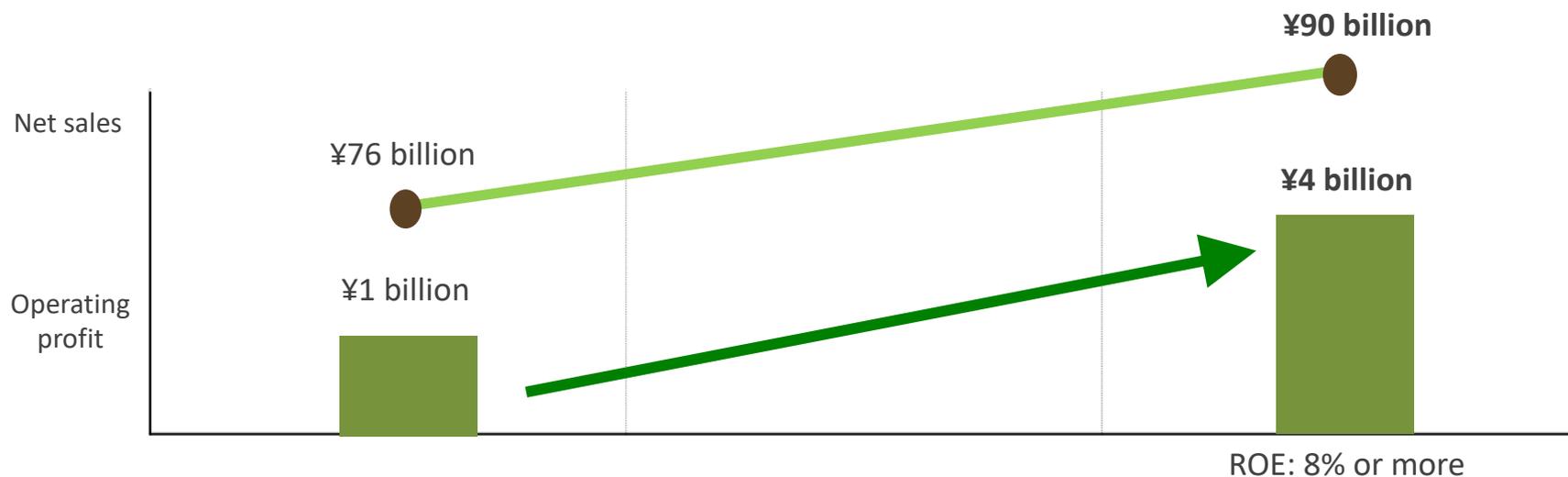
- ◆ **Take the following actions to remain close to customers by remaining dedicated to the spirit of placing priority on relationships with customers that has guided our activities since our inception**
 - Use today's digital activities to alter ties with customers and how we provide customers with new ideas (Progress with the DX)
 - Supply products and services that closely reflect customers' needs and a broad range of lifestyles
 - Use activities with customers concerning social issues for the creation of a sustainable society

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Our “Women’s Smiles Company” vision, which was announced in 2011, will continue to evolve to reflect changes in our markets. Senshukai has been dedicated to creating smiles since starting operations 66 years ago. Our goal is to make even more people happy in order to help make the future better for everyone.

Growth by using a Unique Co-creation Model centered on the mail-order and online shopping business

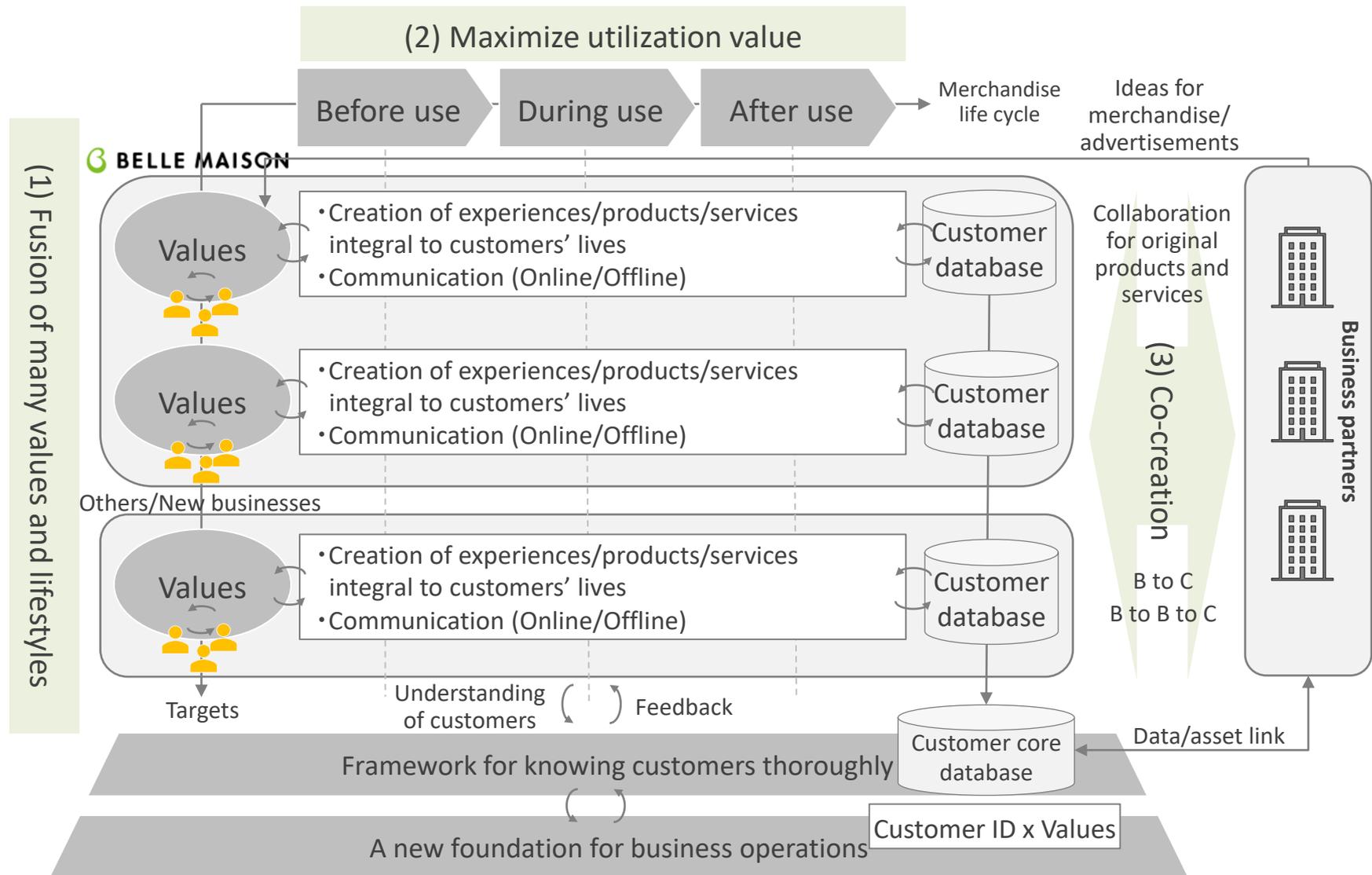


Three Goals

- (1) Be a source of unique products and services that can be integral elements of our customers' lives by reflecting in our products and services a broad range of values and lifestyles and an accurate understanding of customers' lifestyles.
- (2) Use close ties with customers to supply more products that are environmentally responsible, can be used with confidence, and make customers excited to purchase and use. Increase measures for the recycling and reuse of merchandise (maximize utilization value*) for contributing to a sustainable society where all products are used as much as possible.
- (3) Play a role in the establishing of a co-creation society that brings together people and companies that share the same values and encompasses many types of lifestyles.

* Utilization value is the sum of the value of goods and services (quality, price, accuracy of meeting needs, attractive and practical designs, materials/ideas for products people like and use a long time, and other attributes) and the value of those goods and services during and after their use.

Create customer experience value no other company can match by combining Senshukai's distinctive strengths, a unique customer database and the support of business partners



Digital technologies will be used effectively for all four reforms

1. Build a framework that enables everyone at the Senshukai Group to acquire a thorough knowledge of customers' needs and reflect these needs in all our activities
2. Rebuild our business model for maximization of the value of use to reflect the ongoing shift in consumer behavior from consumption to use.
3. Resolve the disharmony between new values and lifestyles, a theme dating back to our inception, by supplying unique products and services created with love and creative ideas. Expand this business model horizontally in Japan and other countries to enter new business domains (accomplished by further increasing co-creation with our partners).
4. Build a new management base to achieve these goals and ensure profitability

Build a framework that enables everyone at the Senshukai Group to acquire a thorough knowledge of customers' needs and reflect these needs in all our activities

- ◆ Establish a structure for one-to-one dialogues with customers for constantly creating opportunities to interact with customers
- ◆ Increase the use of the Belle Maison Desse monitor website membership database (about 200,000 registered members)
- ◆ Use in business operations the information acquired from the expansion of customer contact points resulting from rebuilding the business model
 - Use the shift to primarily mobile links for receiving and analyzing information from customers about merchandise during and after use
 - Receive and analyze feedback received directly from customers at offline stores
- ◆ Create more Senshukai fans by understanding customers from their perspective and using sound two-way communications
 - Use the analysis of customer feedback for providing useful messages and using suitable methods to approach customers
 - Reinforce two-way communications to make Senshukai a company that customers feel close to

Rebuild our business model for maximization of the value of use to reflect the ongoing shift in consumer behavior from consumption to use.

2-1: Use maximization of utilization value for realigning and strengthening products and services

2-2: Use mainly mobile links for customer communications
Reinforce the customer database, including during/after use

2-3: Implement new advertising programs by restructuring the business model

Before use

- ◆ Establish a new basic policy for creating products and services based on the principle of maximizing utilization value
- ◆ In accordance with the basic policy, create new products centered on experiences (priority on experience value, fusion of merchandise and services)
- ◆ For new types of products and services, use a made-to-order production model and activities that reduce risk and protect the environment
- ◆ Use centralized activities, including brand codes, for the management of basic policies to maintain outstanding quality
- ◆ Further raise sales per merchandise item and operating efficiency by using basic policies and new methods for selling products and services

During use

- ◆ Provide products and services in a manner that allows continuously using products as a useful item
- ◆ Establish and upgrade frameworks for sharing among customers information about how to use products properly and for a long time

After use

- ◆ Operate a purchasing service that allows customers to discard used merchandise easily and with confidence of reuse, recycling, or other proper handling (co-creation with partners)
- ◆ Provide a unique used merchandise service to help create a recycling-based society

Customer communications centered on mobile links

- ◆ Use the Senshukai app and other methods for maintaining two-way communications with customers before, during and after merchandise is used

Use offline channels

- ◆ Link store operations with convenient digital functions, such as a service that allows customers to see products prior to a purchase, online payments, loyalty points and other functions
- ◆ Effectively use paper catalogs by more narrowly targeting people who need these catalogs and using exclusive Senshukai editing functions

Reinforce the customer database, including during/after use

- ◆ Use a redesigned loyalty program to acquire and accumulate data about customer behavior other than purchasing data

Ad proposals focusing on “during/after use”

- ◆ By connecting with customers during and after use of our products, create new value such as measuring the effectiveness of advertisements that includes not only purchase (consumption) data but also data on the use of our products, and then provide feedback to our partners

Diversify advertising programs

- ◆ Shift from a catalog-centered to a mobile-centered approach to develop a menu that utilizes mobile devices in addition to the conventional advertising menu, as well as collaborative product and service planning with our partners
- ◆ Develop advertising proposals linked to a unified world view and brand code

Develop a business model for solving the “disharmony between various values and lifestyles” with “love” and “creative ideas”, which is a theme dating back to our inception, both in Japan and other countries to enter new business domains.

Develop markets where “disharmony between various values and lifestyles” are likely to emerge and increase in the future

◆ Examples

- Seniors: The aging of the population means that there is a variety of several different segments that cannot all simply be described as “seniors,” while the product offering is limited to a single category of elderly people
- Pets: Pets are becoming more and more important as households become more diverse due to nesting and other structures, but they are not being well looked after as lifelong companions
- Men’s involvement in childcare: accelerated by the spread of remote working, but exacerbated by a lack of support for “dads” (“mom” bags, “mother and child” handbooks, ...)

Develop B to B to C services for existing communities

◆ Develop services for IP holders/artists suffering from drop in income by promoting interaction with fans as well as from live events

- Provide monetization services that are compatible with people’s lives through product sales, utilizing our planning and e-commerce management capabilities

Build a new management base to achieve these goals and ensure profitability

- ◆ Establish a new organization that is dedicated to the rapid realization of the restructuring of our business model
- ◆ Review the decision-making process to manage the allocation of resources to the new divisions and the deployment of the prototypes realized by these new divisions throughout the company
- ◆ Progress of collaboration with JRE

Senshukai's new business model aims at expanding collaboration with other companies based on the customer's database and contact points. East Japan Railway Company (JRE) is a strong partner that will contribute to the development and expansion of both companies' businesses and contribute to the creation of a richer lifestyle for customers.

◆ JRE MALL's Belle Maison stores to grow sales and strengthen contact with customers

- Strengthen the planning, development and sales of original products that can only be purchased at these stores
- Strengthen the purchase and service experience to maximize customer convenience in conjunction with station buildings and stores in stations (e.g., picking up products at stations, etc.)

◆ Increase offline contact with customers by opening more stores in station buildings and inside stations

- Expand points of contact with customers and create opportunities for customers to experience the value of Senshukai's products
- Take on the challenge of developing spots that offer services to maximize value of Senshukai stores to customers

◆ Increase the number of new customers through VIEW Card and Belle Maison shopping coupon exchanges and enhance customer data

◆ Strengthen the linkage between Belle Maison discount points and JRE discount points, and create Belle Maison/JRE membership linkage

- Reinforce the quality and volume of Senshukai's customer database through cooperation with its membership

◆ Speed up new business development by leveraging JRE's vacant assets (stations and real estate) and collaboration with group companies



- ◆ The Senshukai Group's basic policy is strengthening the business foundation while maintaining stable dividends, taking into consideration the payout ratio, and ensuring a fair distribution of earnings to shareholders that reflects its business performance. Specifically, the Group's policy regarding the distribution of earnings to shareholders is to strive continuously for a payout ratio of 30% on a consolidated basis. The amount of dividends will be determined by comprehensively taking into consideration not only the net profit, but also future earnings forecasts, capital investment plans, financial conditions and other factors.
- ◆ The Group will use internal reserves to invest in the development of new businesses for the medium to long term, to promote the efficiency of existing businesses, to conduct mergers and acquisitions for expanding the Group businesses, to improve the soundness of its financials, and to generally further strengthen its competitiveness and operations.
- ◆ Senshukai has a shareholder benefit program that distributes to shareholders twice every year gift certificates based on the number of shares and the number of years the shares have been held. These gifts are an expression of appreciation to shareholders. This program is also a way to give shareholders a better understanding of Senshukai by using the company's products and Senshukai plans to continue this program in the future.

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