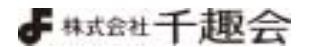


# Senshukai Co., Ltd. Fiscal 2011 Earnings Presentation

---

February 9, 2012



Copyright SENSHUKAI Co.,Ltd. All Rights Reserved.

# Overview of Fiscal 2011 Consolidated Results

Sales declined year-over-year in some months due to the impact of the Great East Japan Earthquake and unfavorable weather, but sales over the full fiscal year rose slightly due to the capture of new members through TV commercials and other cross-media promotions, growing Internet sales, and stronger product development. Operating income and ordinary income were roughly in line with year-ago levels. Net income declined mainly due to an increase in valuation losses on investment securities.

Net assets increased due to an increase in retained earnings and an improvement in deferred losses on hedges.

Progress in first fiscal year of growth strategy of Medium-Term Management Plan

## 1. Create "New *Belle Maison*"

Broaden recognition of *Belle Maison* brand through TV commercials and other cross-media promotions

Bolster merchandising through development of strategic products in each category

## 2. Strengthen the Internet business

Make *Belle Maison* Net smartphone compatible, increase use of videos, and open new websites via subsidiary Mobakore Co., Ltd to expand sales

## 3. Expand the bridal business

Saw contribution from opening of 13th bridal facility, in Chiba, and sales expanded from an increase in weddings and higher average sales per wedding

# Senshukai's Response to the Great East Japan Earthquake

## Donations

- ◆ Senshukai's donations:¥30mn Donations from employees of the Senshukai Group: ¥11.43mn
- ◆ *Belle Maisons* collections:¥25.19mn (end-Dec) (donations of ¥500 and *Belle Maison* points from customers)
- ◆ Smile Supporter's collections (earthquake edition):¥6.78mn (end-Dec) (¥10 from customers + ¥10 from Senshukai)

## Delivery of disaster relief goods

- ◆ Delivered approximately 200,000 items to city offices throughout Miyagi Prefecture, and to Counter-Disaster Headquarters in Fukushima and Hyogo Prefectures

## Earthquake charity concert

- ◆ April 30 "Play to Pray Charity Concert" (donated ¥180,000)
- ◆ December 17 "GREEN MIND from Fukushima (Motohiro Hata)" (donated ¥7.23mn)

## Gambare Tohoku! Special website for rediscovering unique goods "limono" from Tohoku

- ◆ June 14 Website opened 3% of sales donated

## Participated in "Mottainai Flea Market Sendai" corporate charity sale

- ◆ Donated sales of approximately ¥430,000 from 1,564 items to Miyagi Prefecture's Counter-Disaster Headquarters

## "Kizuna" wedding

- ◆ Subsidiary Dears Brain Inc., in collaboration with the non-profit organization "Shared Smile," provided free weddings and receptions to 12 couples impacted by the earthquake disaster

## Cooperated with FamilyMart Co., Ltd which opened a convenience store within a temporary housing site in Kawamatamachi, Fukushima Prefecture on June 26

- ◆ Sold Senshukai products and distributed catalogs and coupons

**From disaster relief to reconstruction support: Senshukai plans to continue its support activities for disaster areas**

# Senshukai's Corporate Vision

## Woman Smile Company

SENSHUKAI

Smiles are the creator of happiness.  
A smile on one face, and then another,  
is a promise of a brighter tomorrow.

Senshukai is a company  
that delivers smiles to women's daily lives,  
and by doing so, makes the world happy.

# Contents

1. Results of Consolidated Operations for Fiscal 2011
2. Overview by Segment
3. Consolidated Earnings Plan for Fiscal 2012

# 1. Results of Consolidated Operations for Fiscal 2011

# Consolidated Results of Operations for Fiscal 2011 (YoY Comparison)

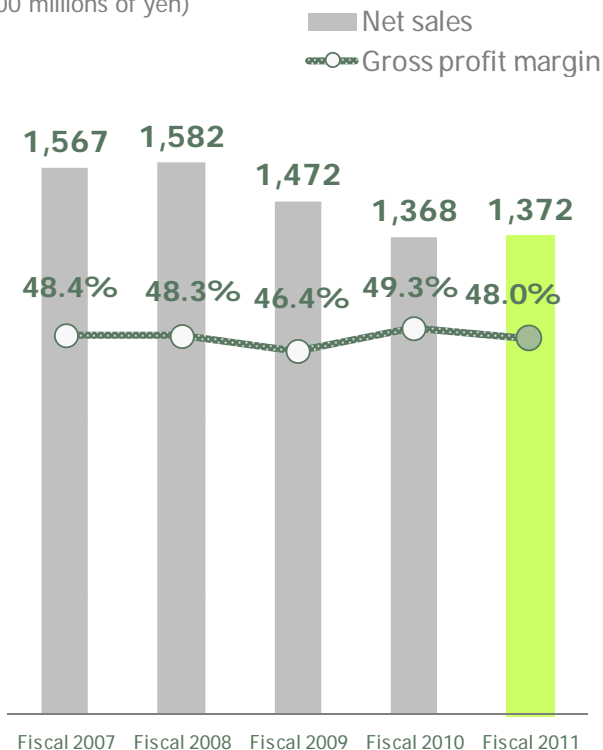
(Millions of yen)

	Fiscal 2010		Fiscal 2011		YoY change	
		% to net sales		% to net sales	Difference	Percentage points
Net sales	136,859		137,261		402	
Cost of sales	69,447	50.7%	71,311	52.0%	1,864	1.3%
Gross profit	67,412	49.3%	65,950	48.0%	-1,462	-1.3%
SG&A expenses	63,989	46.8%	62,842	45.8%	-1,147	-1.0%
Operating income	3,422	2.5%	3,107	2.3%	-315	-0.2%
Ordinary income	3,167	2.3%	3,233	2.4%	66	0.1%
Net income	2,037	1.5%	1,583	1.2%	-454	-0.3%
Net income per share (yen)	47.04		36.56		-10.48	
Return on equity	5.3%		3.9%		-1.4%	

# Trend in Sales and Profits

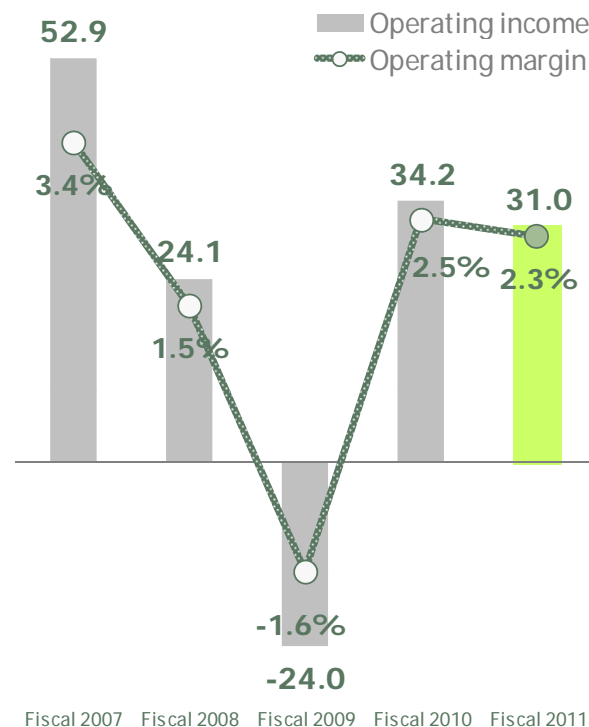
## Consolidated Net Sales and Gross Profit Margin

(100 millions of yen)



## Operating Income and Operating Margin Trends

(100 millions of yen)



◆ Net sales have begun to recover, but operating income declined due to rise in cost-of-sales ratio



# Consolidated Balance Sheet for Fiscal 2011 (YoY Comparison)

	Dec. 31, 2010	Dec. 31, 2011	Difference	Remarks
(Millions of yen)				
<b>Assets</b>				
Current assets	42,656	44,482	1,826	Merchandise and finished goods increased due to higher inventories. Cash and deposits decreased.
Noncurrent assets	47,430	45,959	-1,471	Investment securities decreased due to sales and impairment loss, etc.
Total assets	90,086	90,441	355	
<b>Liabilities</b>				
Current liabilities	41,318	41,244	-74	Trade payables increased due to higher inventories. Forward exchange contracts decreased due to a fall in balance.
Noncurrent liabilities	9,356	7,753	-1,603	Bonds payable decreased due to redemption. Long-term loans payable decreased due to repayments.
Total liabilities	50,675	48,997	-1,678	
<b>Net assets</b>				
Shareholders' equity	49,966	50,910	944	Retained earnings increased due to booking of net income.
Total accumulated other comprehensive income	-10,555	-9,465	1,090	Deferred losses on hedges decreased due to a fall in balance of forward exchange contracts
Total net assets	39,411	41,444	2,033	
<b>Total liabilities and net assets</b>	90,086	90,441	355	

# Consolidated Statements of Cash Flows for Fiscal 2011 (YoY Comparison)

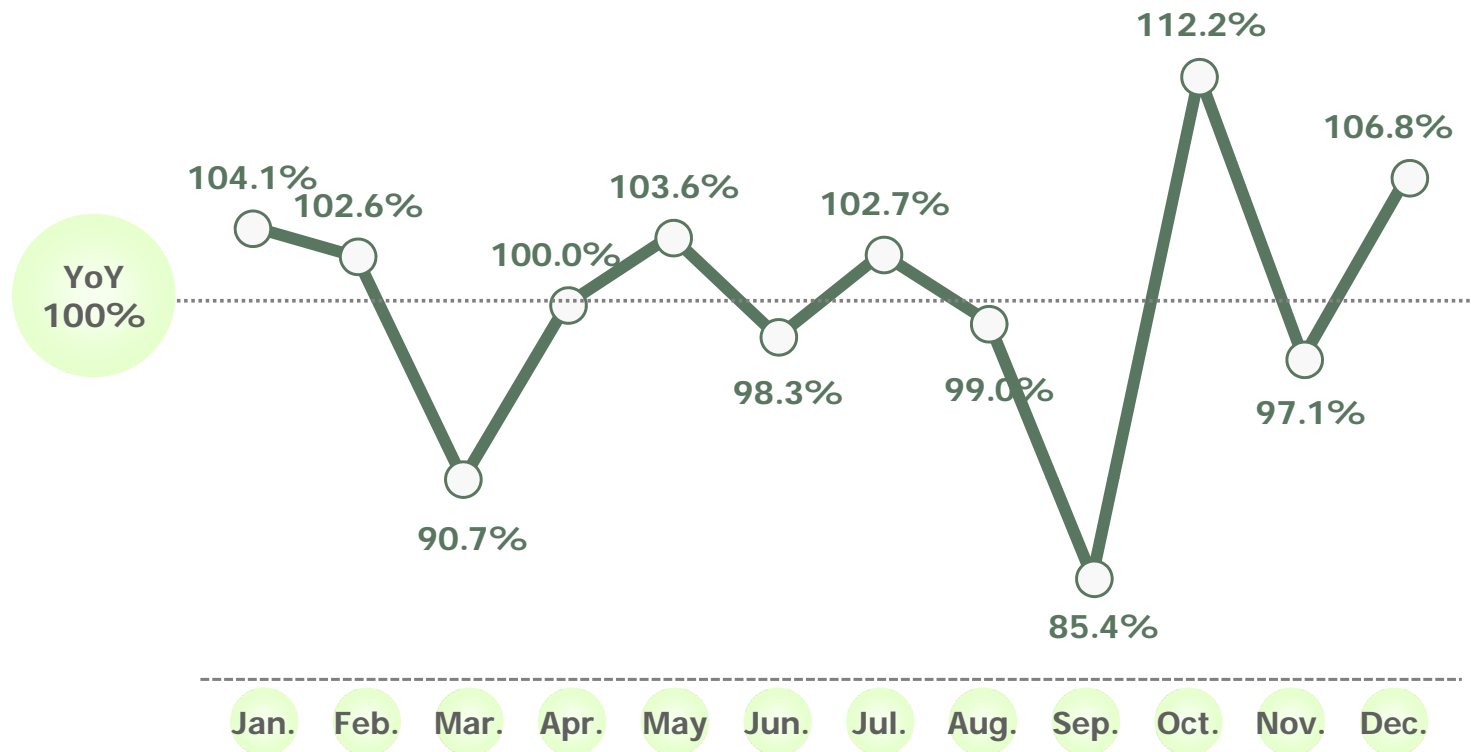
(Millions of yen)

	Fiscal 2010	Fiscal 2011	Difference
Net cash provided by (used in) operating activities	9,585	448	-9,137
Net cash provided by (used in) investing activities	-1,094	-2,077	-983
Net cash provided by (used in) financing activities	-6,417	-1,727	4,690
Cash and cash equivalents at end of period	10,855	7,500	-3,355

- ❖ Operating CF: Quick collection of accounts receivable due to shorter grace periods in Fiscal 2010  
Increase of inventories in Fiscal 2011
- ❖ Investing CF: Aggressive investment in IT systems
- ❖ Financing CF: Repayment of long-term loans payable and an increase in short-term loans payable

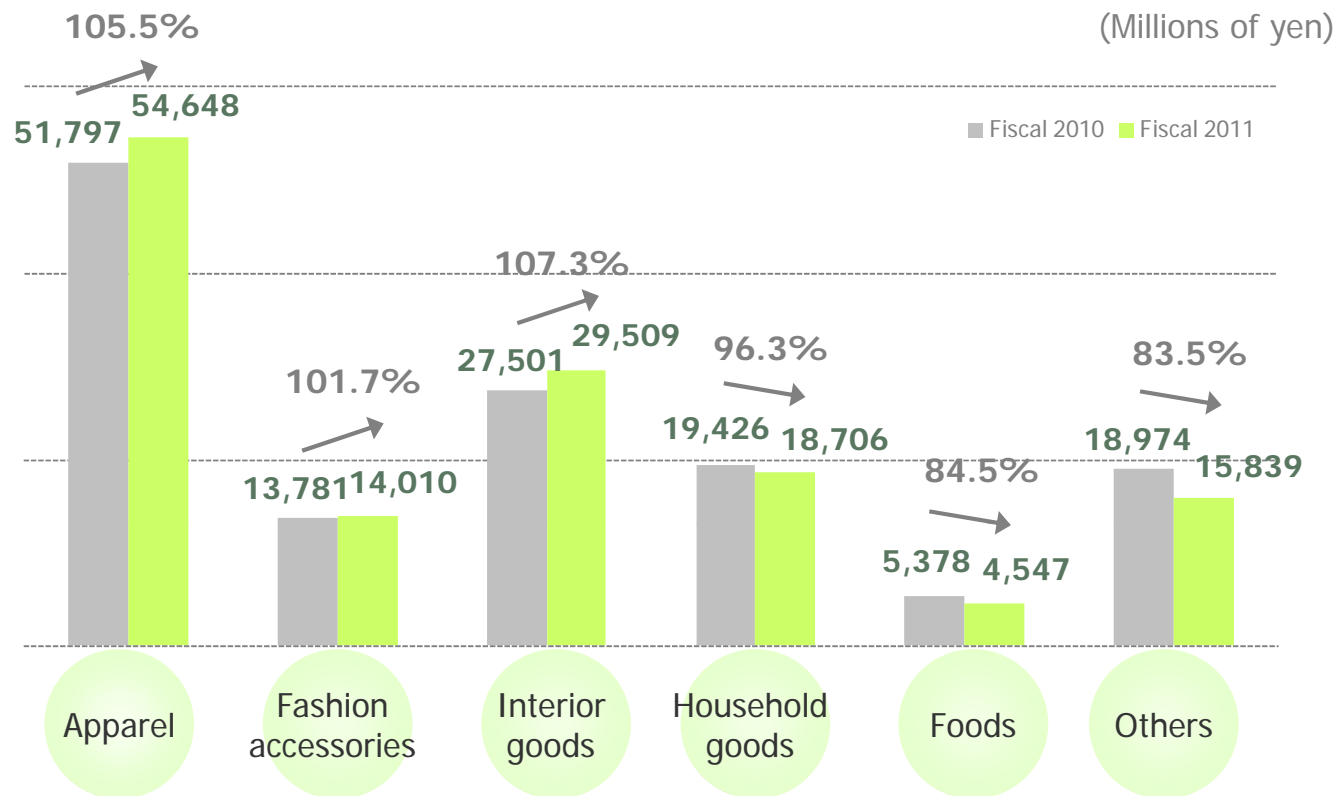
# Trend in Monthly Sales for Fiscal 2011 (YoY Comparison)

## Consolidated Monthly Net Sales



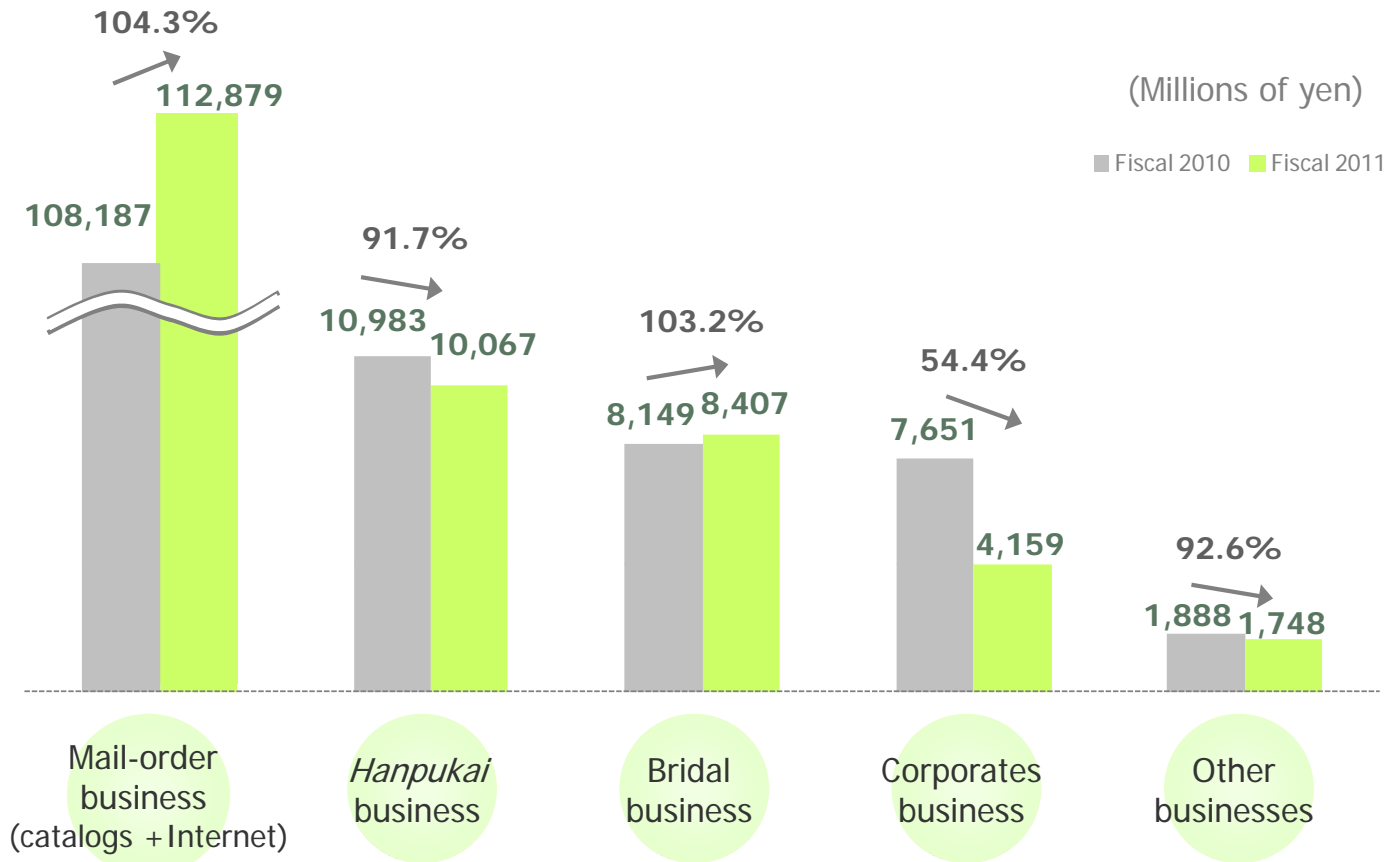
- ◆ Sales in March declined due to the impact of the earthquake, trended firm until September when sales dropped due to the impact of the heat wave and typhoons, and generally rose year-over-year from October due to the sharp drop in temperatures.

# Consolidated Sales by Product Category for Fiscal 2011 (YoY Comparison)



- ◆ Apparel: strong sales of maternity wear, baby clothes, underwear, and men's wear
- ◆ Interior goods: strong sales of fabrics and bedding

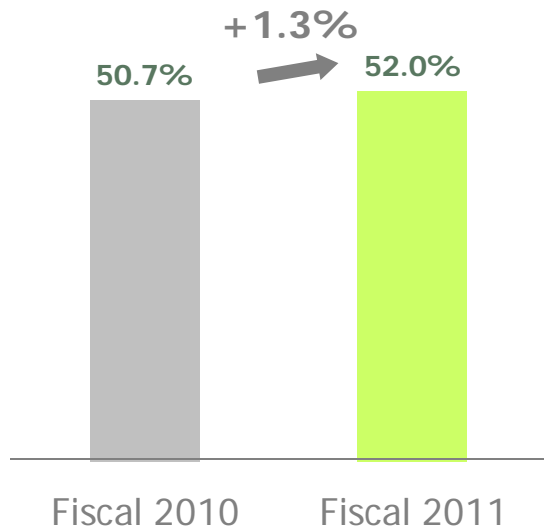
# Net Sales by Consolidated Business Segment for Fiscal 2011 (YoY Comparison)



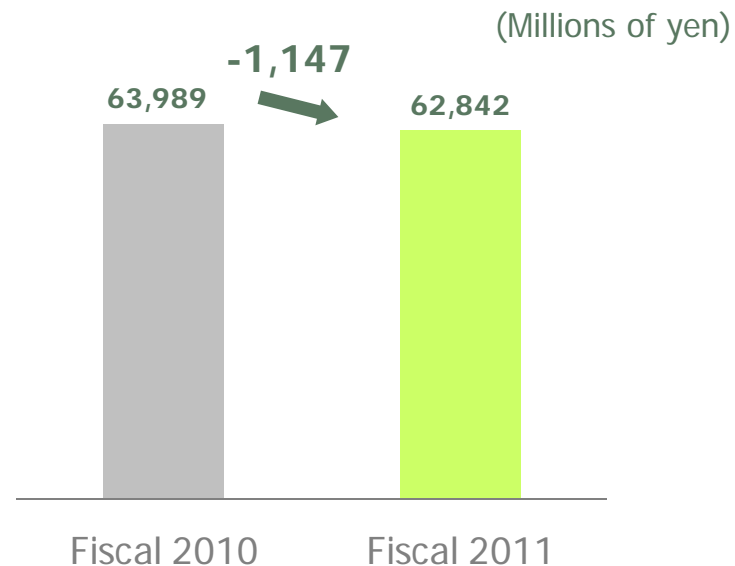
- ❖ Mail-order business sales rose driven by higher Internet sales. Bridal business sales rose, despite an impact from the earthquake, due to the opening of the Chiba facility. Sales in the Corporates business declined due to end of a contract with a major client.

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

## Consolidated Cost-of-sales Ratio



## Consolidated SG&A Expenses



- ❖ Procurement costs increased due to a surge in raw materials costs and higher labor costs in China
- ❖ Bargain sales and inventory clearance sales increased
- ❖ Valuation losses increased due to an increase in inventory

- ❖ Sales expenses:  
Catalog costs declined ¥1.46bn due to media reorganization and consolidation (catalog circulation -6.75 million copies)  
Sales promotion expenses increased due to cross-media promotions
- ❖ General and administrative expenses:  
overall reduction

## 2. Overview by Segment

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

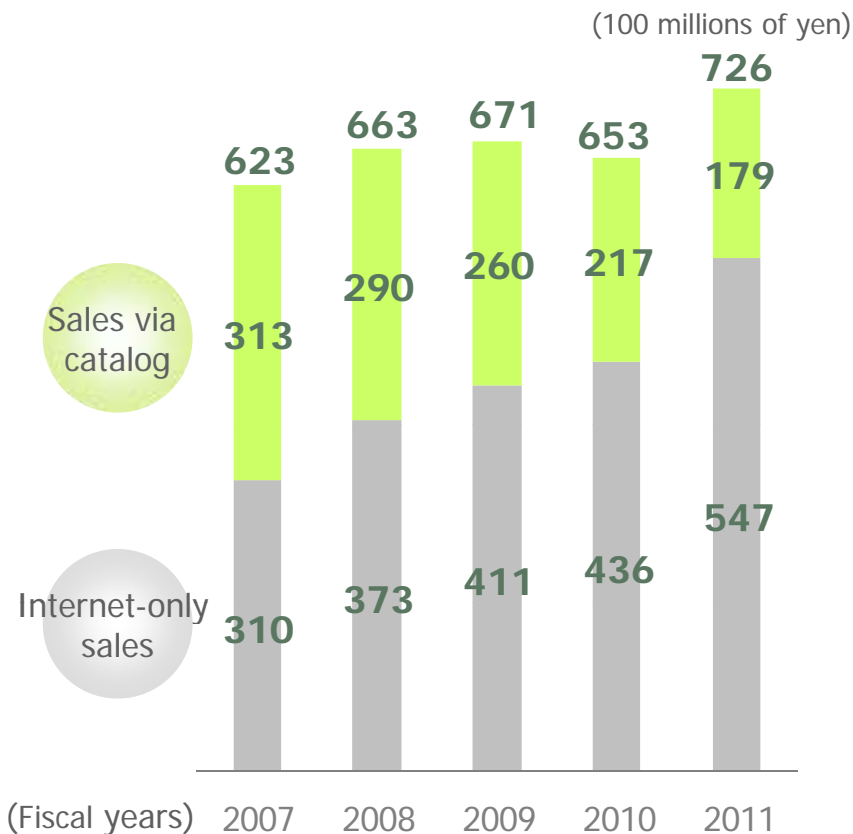
	Fiscal 2010	Fiscal 2011	Difference
Annual number of active customers (10,000 members)	366.1	375.6	9.5
Average sales per customer (Yen)	11,270	10,985	-285
Annual order frequency (Times)	2.9	2.9	0
Catalog circulation (10,000 volume)	7,681	7,006	-675
Number of new members (10,000 members)	67.4	74.2	6.8
Average sales per product (Yen)	2,831	2,738	-93
Annual order amount (Yen)	33,082	32,006	-1,076

- ◆ Annual members and new members increased thanks to marketing measures including cross-media promotions and free shipping campaigns, but average order sales per customer declined



# Internet-related Indicators and Policies in Fiscal 2011

## Internet Sales (including mobile sales)



◆ Internet-only sales increased ¥11.1bn YoY

◆ October 2011

❖ Opened "*Belle Maison* Video Shopping"

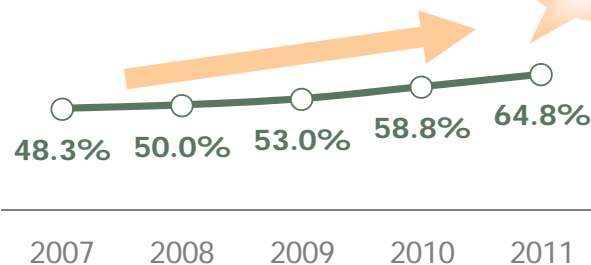
❖ Began distributing apps for smartphones

"App for searching *Belle Maison Net* order numbers"

"App for distribution of sale information"

- As a result, the ratio of orders from smartphones is increasing

◆ Ratio of Internet-based orders



# Overview of the *Hanpukai* Business (YoY Comparison)

	Fiscal 2010	Fiscal 2011	Difference
Number of groups (10,000 groups)	6.9	6.2	-0.7
Number of group members (10,000 members)	21.2	18.7	-2.5
Average sales per group (Yen)	5,585	5,867	282
Number of individual members (10,000 members)	11.8	13.4	1.6
Average sales per individual (Yen)	3,105	3,099	-6
Total <i>Hanpukai</i> members (10,000 members)	33.0	32.1	-0.9

◆ Despite decline in number of group members, average sales per group rose

◆ Despite decline in average sales per individual, number of individual members increased

✿ **New hit products**

👑 **No.1 Pelvis tightening shorts**



**Sales 140,000 units**

👑 **No.2 Little library**



**134,000 units**

👑 **No.3 Wireless beauty bra**



**85,000 units**

## Overview of Bridal Business (YoY Comparison)

	Fiscal 2010	Fiscal 2011	Difference
Net sales (Millions of yen)	8,149	8,407	258
Guesthouses	12	13	1
Weddings (Couples)	2,036	2,105	69
Average sales per wedding (10,000 yen)	391.1	395.6	4.5

- ❖ Net sales were impacted by the earthquake, but recovered faster than we had expected. Sales increased year-over-year due to an increase in average sales per wedding and a contribution from the opening of the Chiba facility.
- ❖ Number of weddings and average sales per wedding increased year-over-year. Average sales per wedding exceeded ¥4mn at some facilities.

# Overview of Corporates Business (YoY Comparison)

(Millions of yen)

Breakdown of sales	Fiscal 2010	Fiscal 2011	Difference
Contracting services	5,992	2,933	-3,059
Sampling	723	777	54
Novelties	320	355	35
Others	614	92	-522
Total	7,651	4,159	-3,492

- ❖ Contracting services: decreased due to end of contract with major outsourcing client
- ❖ Others: Gift catalog "MUSUBI" were transferred to the mail-order business

### 3. Consolidated Earnings Plan for Fiscal 2012

# Consolidated Earnings Plan for Fiscal 2012 (YoY Comparison)

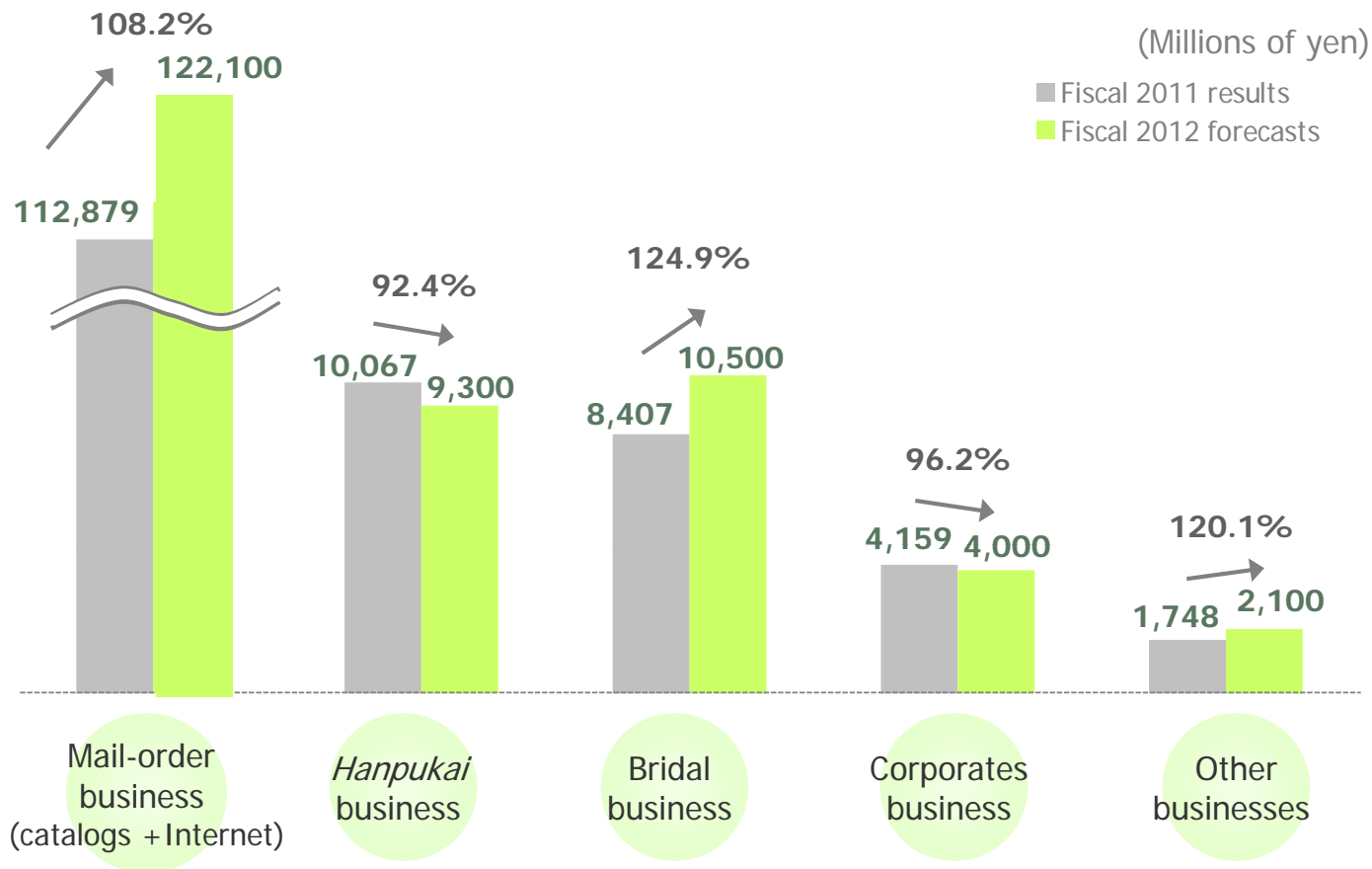
(Millions of yen)

	Fiscal 2011		Fiscal 2012		YoY change	
		% to net sales		% to net sales	Difference	Percentage points
Net sales	137,261		148,000		10,739	
Cost of sales	71,311	52.0%	76,466	51.7%	5,155	-0.3%
Gross profit	65,950	48.0%	71,533	48.3%	5,583	0.3%
SG&A expenses	62,842	45.8%	67,533	45.6%	4,691	-0.2%
Operating income	3,107	2.3%	4,000	2.7%	893	0.4%
Ordinary income	3,233	2.4%	4,000	2.7%	767	0.3%
Net income	1,583	1.2%	3,000	2.0%	1,417	0.8%

- ◆ Senshukai will shift from solidifying its foundation to achieving steady growth in the second year of its Medium-Term Management Plan.

Targeting higher sales and profits by further boosting efficiencies and synergies with subsidiaries.

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



- ◆ Targeting higher sales in Mail-order business through expansion of Internet sales
- Targeting higher sales in Bridal business through opening of new facilities

# Fiscal 2012 Topics -1

## New catalogs

### ❖ *Watashi no Kitai Fuku* ❖



▲ For sparkly people ▲ For gentle people ▲ For fun people ▲ For smiley people

- ❖ Senshukai rearranged "Kurasufuku" into four catalogs by lifestyle
- Efficient media edited to match Senshukai's merchandising strategy

### ❖ *Bellenurse* ❖



- ❖ Catalogs for specific occupations (nurses)
- 20% of our original products
- Planned circulation of 300,000 copies

ウーマン スマイル カンパニー  
SENSHUKAI

### ❖ *Lifestyle interior book* ❖



- ❖ New interior and sundries catalog
- Senshukai's original interior brands

株式会社 千趣会



# Fiscal 2012 Topics -2

## Cross-media promotions to be continued in Fiscal 2012



❖ Commercial using actress Manami Konishi

### ❖ Shift in focus from promoting brand recognition to marketing specific products/services

Aiming to capture a wide range of women customers while focusing on core base of women in their 30s

- Broadcasts scheduled to begin from February 15

## Dears Brain Inc. - Open "CANOVIANO Fukuoka"



❖ Exterior



❖ Banquet room RUBINO

### ❖ "CANOVIANO Fukuoka"

Collaboration with owner-chef Takamasa Uetake of RISTORANTE CANOVIANO (Daikanyama, Tokyo), an Italian restaurant famous for original ingredients and cooking methods

- First restaurant to be managed by Dears Brain  
Opened January 5

# Fiscal 2012 Topics -3

## January 2012: New websites by Senshukai Iihana Co., Ltd. opened

Present & gift shop

❖ "KURIMO" ❖



Website devoted to selling home garden and gardening products

❖ "Hana Kurasu Yasai Kurasu" ❖



## January 2012: Launch of distribution of new apps for smartphones

Maternity support

❖ "Ninpu memo" ❖



Childrearing support

❖ "Bebi memo" ❖



## January 2012: Introduction of product information coordination system (Guides users to websites from *Belle Maison Net*)

- ❖ It is now possible to search and purchase products of subsidiaries Mobakore Co., Ltd., Pet First Co., Ltd., and Senshukai Iihana Co., Ltd. via *Belle Maison Net*

### Strengthening listing advertising

- ❖ As a new listing ad technique, utilized marketing ads\* starting last October

\*A method by which *Belle Maison Net* ads are shown on different web pages to users who have viewed *Belle Maison Net* in the past

**Senshukai will continue to actively develop new apps for smartphones and implement new marketing measures for *Belle Maison Net* and subsidiary websites**

# Senshukai's CSR Activities in Fiscal 2011

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

## Supporting women: support of "Pink Ribbon" campaign

- ❖ Senshukai is involved in a variety of activities to encourage breast cancer screening.



- ❖ Senshukai donates ¥1 for each bra sold from Fiscal 2010 as part of its "Pink Ribbon Sponsorship Products"

**Donated ¥1.62mn in 2011**

- ❖ Collaborated with Japan Cancer Society from Fiscal 2010 to distribute free breast cancer screening coupons

**Distributed 1,100 coupons in 2011**

- ❖ Opened a booth at Pink Ribbon Smile Walk Kobe in 2011

**Distributed Senshukai's original mascot "Pink Love Cat"**



## Promoting environmental preservation: select and provide environment-friendly products

- ❖ By eliminating waste in distribution, Senshukai is able to provide organic cotton products at roughly the same price as regular cotton products.



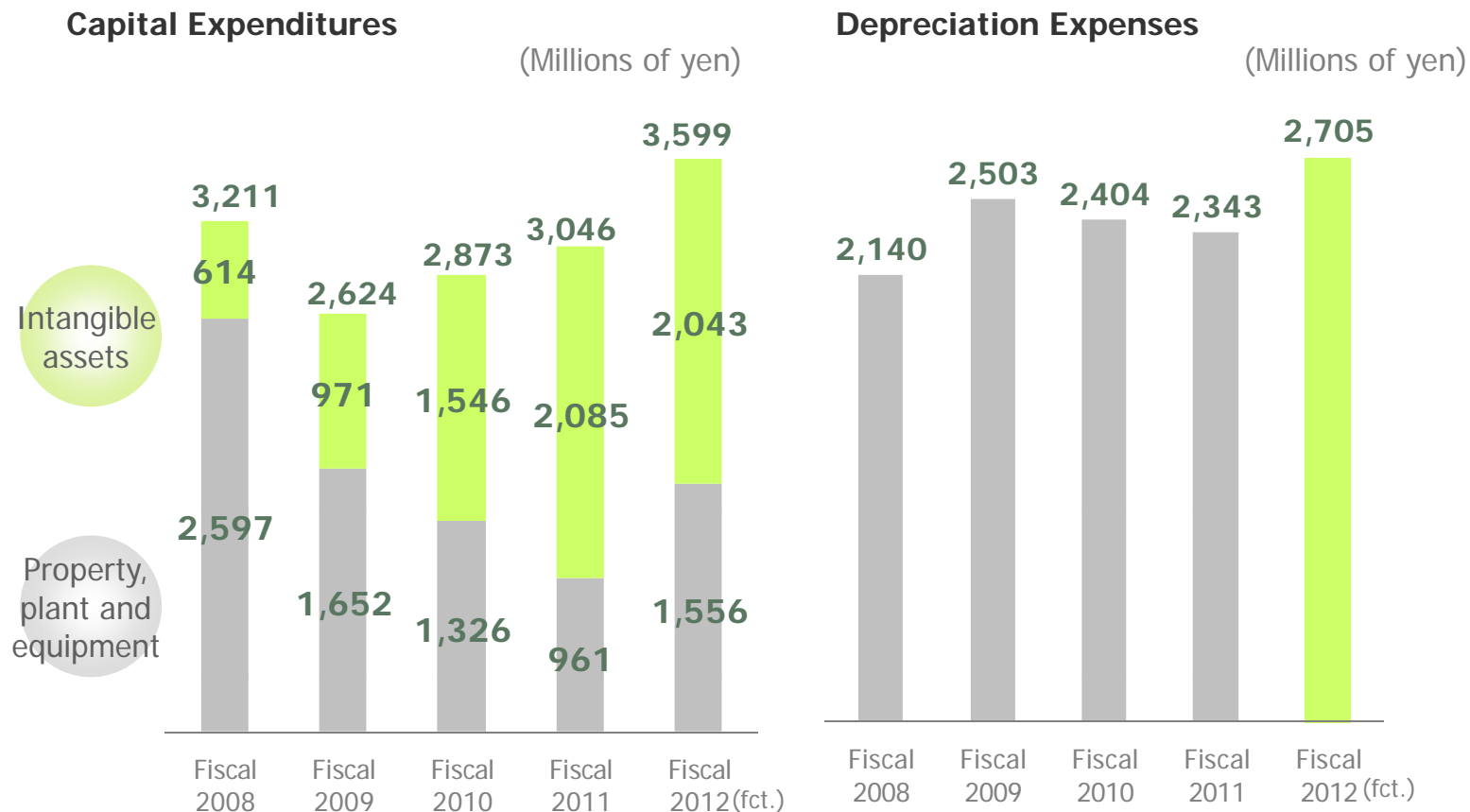
Senshukai hopes as many of its customers as possible to take advantage of organic cotton.

- ❖ Senshukai widely promoted the environment preservation, using the keyword "green," via its "Organic Cotton Promotion Campaign" in catalogs issued from June 2011.

**Provided approx. 50,000 samples of organic cotton mini-towels**



# Capital Expenditures / Depreciation Expenses



- ◆ Property, plant and equipment increased due to the opening of a new facility in subsidiary Dears Brain Inc.

# 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 2011 consolidated results, Senshukai plans to pay a total annual dividend of 14 yen per share comprised of an interim dividend of 7 yen per share and a year-end dividend of 7 yen per share, which has been initially planned.

For Fiscal 2012, Senshukai plans an annual dividend of 20 yen per share (10 yen each at interim and year-end), for a payout ratio of 28.9%.

**April 27 (Fri)      First quarter of Fiscal 2012**

**July 26 (Thu)      Second quarter of Fiscal 2012**

**July 27 (Fri)      Presentation for earnings for second quarter of Fiscal 2012 (Tokyo)**

**October 26 (Fri)    Third quarter of Fiscal 2012**

- ❖ 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.

# Woman Smile Company

SENSHUKAI

Smiles are the creator of happiness.  
A smile on one face, and then another,  
is a promise of a brighter tomorrow.

Senshukai is a company  
that delivers smiles to women's daily lives,  
and by doing so, makes the world happy.