ウーマン スマイル カンパニー
senshukai

株式会社 千趣会

Senshukai Co., Ltd.
Second Quarter of Fiscal 2013 Earnings Presentation

July 25, 2013

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1. Results of Consolidated Operations for 2Q Fiscal 2013

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Consolidated Results of Operations for 2Q Fiscal 2013 (YoY Comparison)

(Millions of yen)

	2Q Fiscal 2012		2Q Fiscal 2013		YoY change		
		% to net sales		% to net sales	Difference (amount)	Difference (%)	Change in % to net sales
Net sales	**74,031**	**-**	**72,736**	**-**	**-1,295**	**-1.7%**	**-**
Cost of sales	**38,999**	**52.7%**	**37,222**	**51.2%**	**-1,777**	**-4.6%**	**-1.5%**
Gross profit	**35,031**	**47.3%**	**35,513**	**48.8%**	**482**	**1.4%**	**1.5%**
SG&A expenses	**34,269**	**46.3%**	**33,887**	**46.6%**	**-382**	**-1.1%**	**0.3%**
Operating income	**762**	**1.0%**	**1,626**	**2.2%**	**864**	**113.3%**	**1.2%**
Ordinary income	**1,180**	**1.6%**	**1,995**	**2.7%**	**815**	**69.1%**	**1.1%**
Net income	**914**	**1.2%**	**1,241**	**1.7%**	**327**	**35.8%**	**0.5%**

- Net sales declined due to weak sales in the *hanpukai* and catalog businesses, as well as in other businesses resulting from withdrawal from pet business
- Operating income rose significantly due to an improvement in the gross profit margin and the cutting of SG&A expenses

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Consolidated Balance Sheet for 2Q Fiscal 2013 (YoY Comparison)

(Millions of yen)

	Dec. 31, 2012	Jun. 30, 2013	Difference	Remarks
Assets				
Current assets	**46,248**	**44,496**	**-1,751**	■ Accounts receivable-other decreased
Noncurrent assets	**46,639**	**46,799**	**160**	■ Land decreased ■ Investment securities increased
Total assets	**92,887**	**91,296**	**-1,591**	
Liabilities				
Current liabilities	**37,062**	**33,567**	**-3,494**	■ Notes and accounts payable-trade decreased ■ Short-term loans payable decreased
Noncurrent liabilities	**10,892**	**10,468**	**-424**	■ Long-term loans payable decreased
Total liabilities	**47,955**	**44,035**	**-3,919**	
Net assets				
Shareholders' equity	**52,203**	**52,689**	**486**	■ Retained earnings increased
Accumulated other comprehensive income	**-7,271**	**-5,429**	**1,841**	■ Valuation difference on available-for-sale securities increased ■ Deferred gains or losses on hedges increased
Total net assets	**44,932**	**47,260**	**2,328**	
Total liabilities and net assets	**92,887**	**91,296**	**-1,591**	

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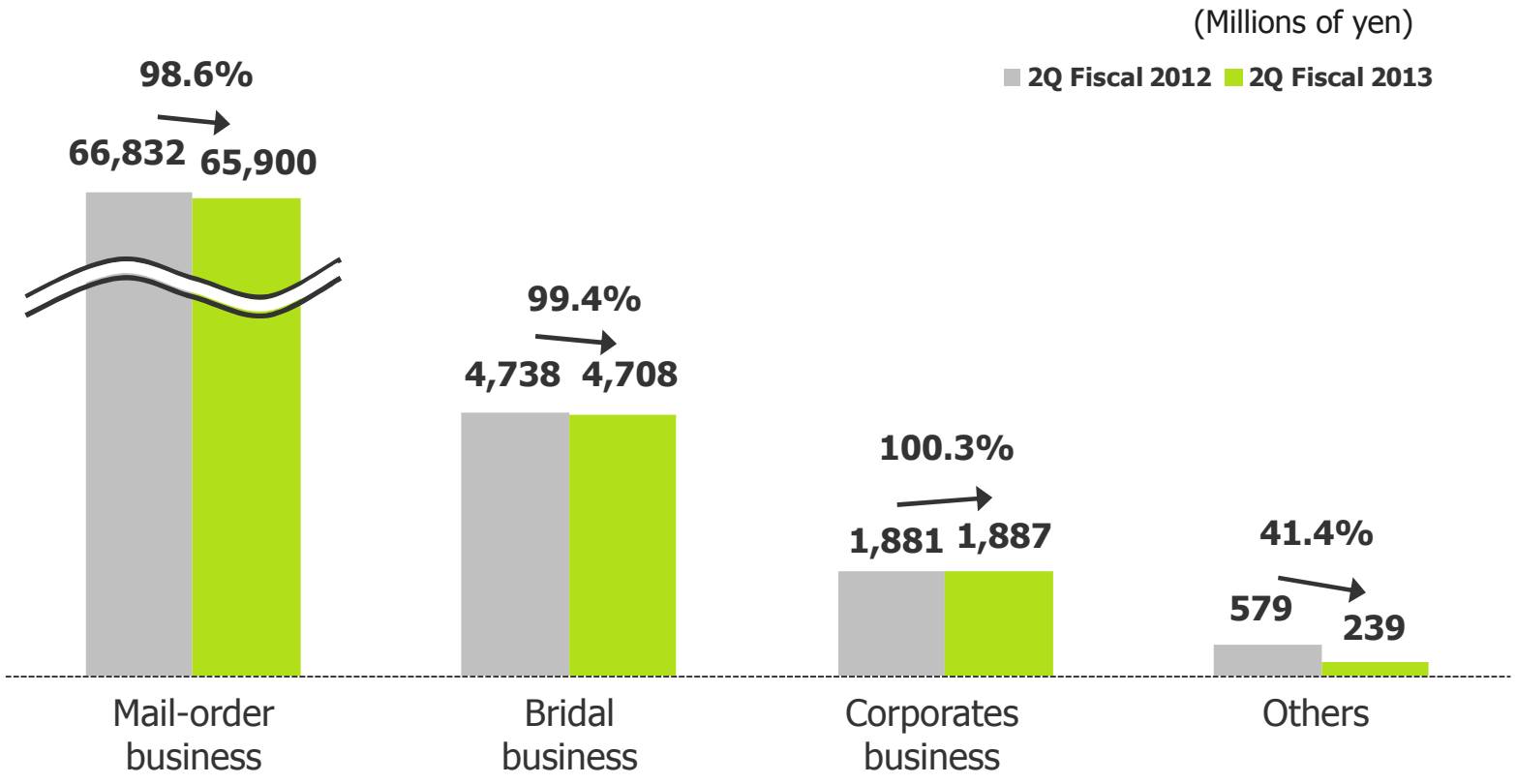
Net Sales by Consolidated Business Segment (YoY Comparison)



- Mail-order business: Weak sales in the catalog business in April, and sales in the *hanpukai* business declined
- Bridal business: Number of weddings declined
- Others: Sales declined due to withdrawal from pet business

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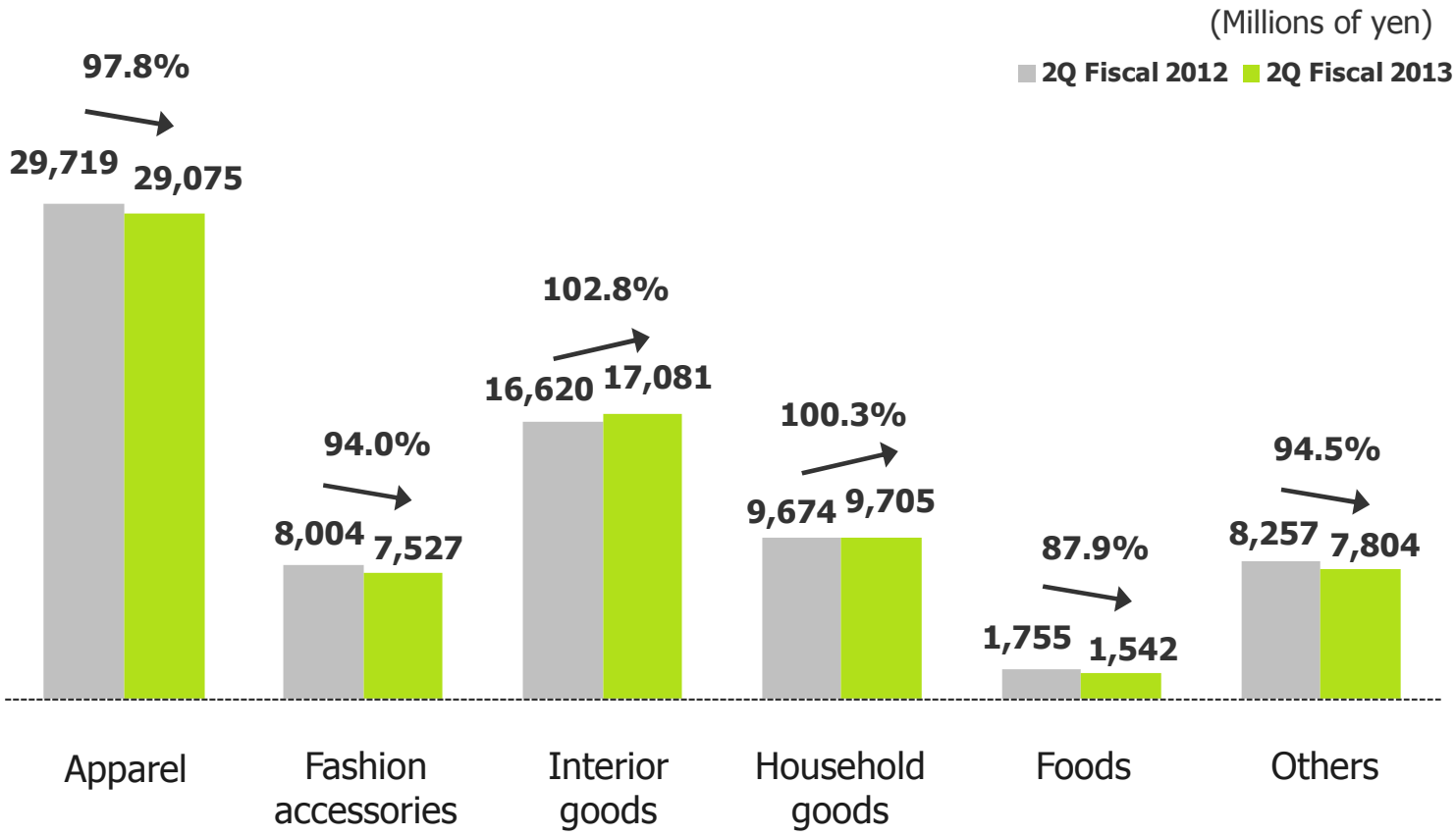
Consolidated Sales by Product Category (YoY Comparison)



- Apparel and fashion accessories: Sales were weak overall due to unfavorable weather and other factors
- Interior goods: Strong sales of fabrics, furniture and storage products

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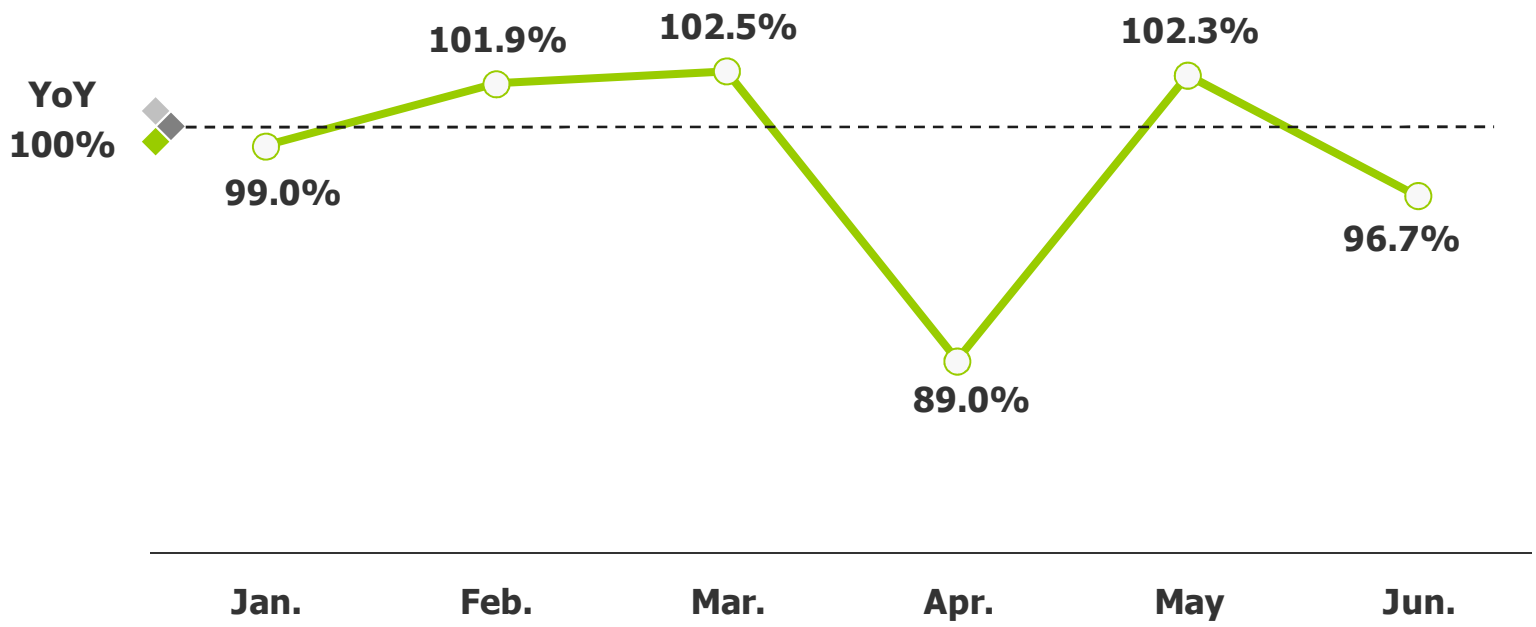
Trend in Monthly Consolidated Sales for Fiscal 2013 (YoY Comparison)

Monthly Consolidated Sales



- April: Weak sales of spring and summer apparel resulting from lower temperatures

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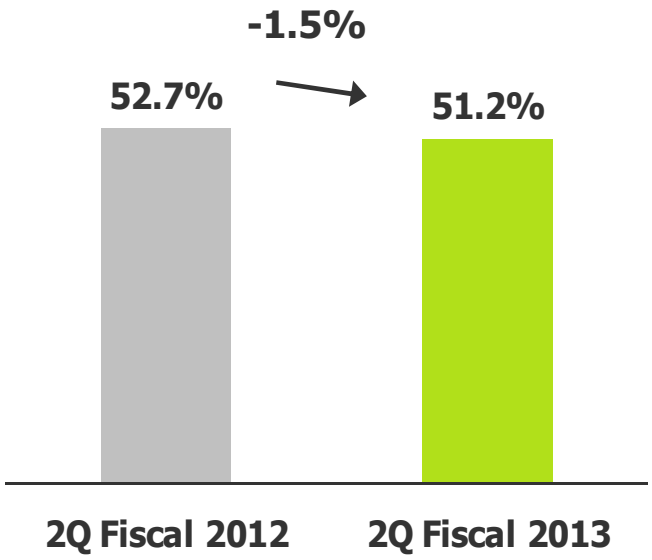
Differences in Consolidated Cost-of-sales Ratio and SG&A Expenses (YoY Comparison)

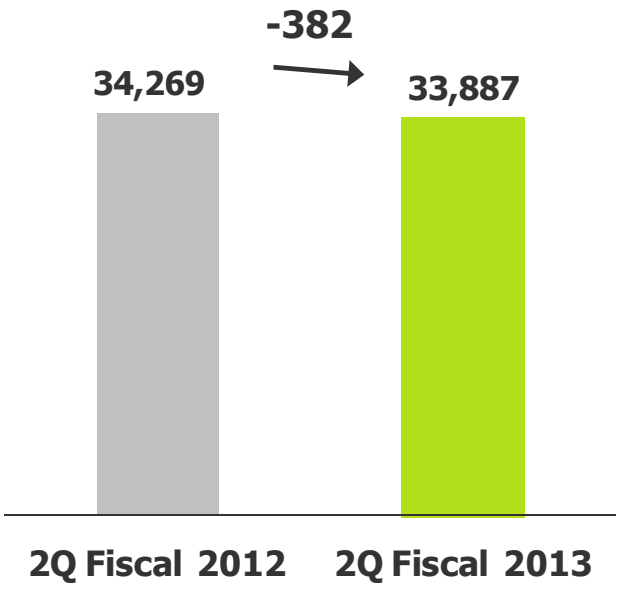
Consolidated Cost-of-sales Ratio



- Decrease in valuation losses on goods thanks to the early implementation of bargain and clearance sales
- Cut procurement costs by consolidating suppliers and shifting procurement from domestic to direct imports

Consolidated SG&A Expenses

(Millions of yen)



- Selling expenses: Decrease in distribution-related costs thanks to more efficient logistics

  Cuts made to printing costs from review in the paper used in printing catalogs

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2. Overview by Segment

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Sales and Earnings by Segment in 2Q Fiscal 2013 (YoY Comparison)

(Millions of yen)

	2Q Fiscal 2012	2Q Fiscal 2013	Difference	YoY change
Mail-order business				
Net sales	**66,832**	**65,900**	**-932**	**-1.4%**
Operating income	**389**	**1,344**	**955**	**245.6%**
Bridal business				
Net sales	**4,738**	**4,708**	**-30**	**-0.6%**
Operating income	**239**	**65**	**-174**	**-72.5%**
Corporates business				
Net sales	**1,881**	**1,887**	**6**	**0.3%**
Operating income	**177**	**212**	**35**	**19.7%**
Others				
Net sales	**579**	**239**	**-340**	**-58.7%**
Operating income	**-43**	**4**	**47**	**-**

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

	2Q Fiscal 2012	2Q Fiscal 2013	Difference
Number of orders (10,000 orders)	**621.3**	**612.2**	**-9.1**
Semi-annual number of active customers (10,000 members)	**291.0**	**292.3**	**1.3**
Semi-annual number of new members (10,000 members)	**45.5**	**48.1**	**2.6**
Average sales per customer (Yen)	**10,522**	**10,461**	**-61**
Semi-annual order frequency per customer (Times)	**2.13**	**2.09**	**-0.04**
Catalog circulation (10,000 volume)	**3,627**	**3,536**	**-91**

- Number of orders decreased despite an increase in the number of active customers, due to a decline in order frequency per customer

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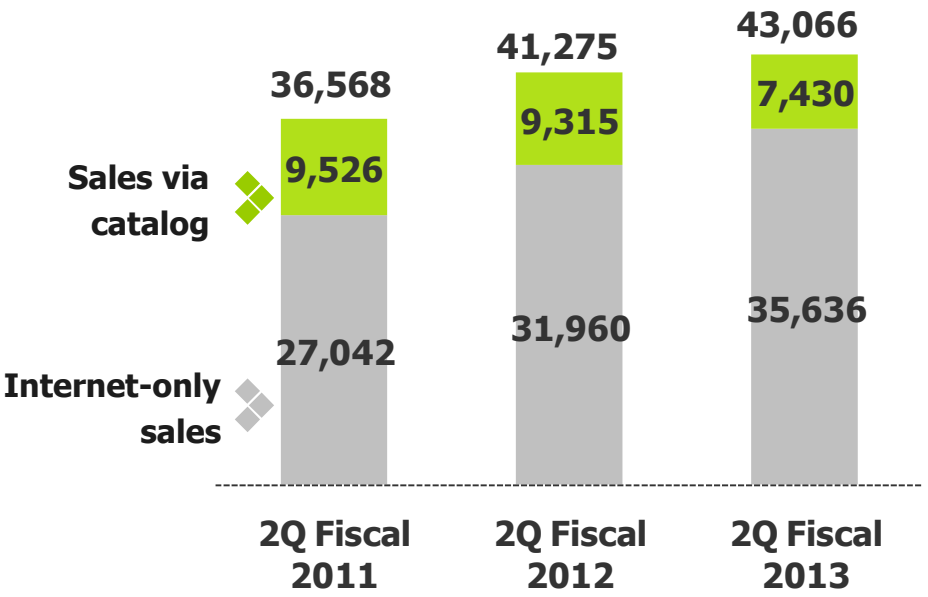
Internet-related Indicators

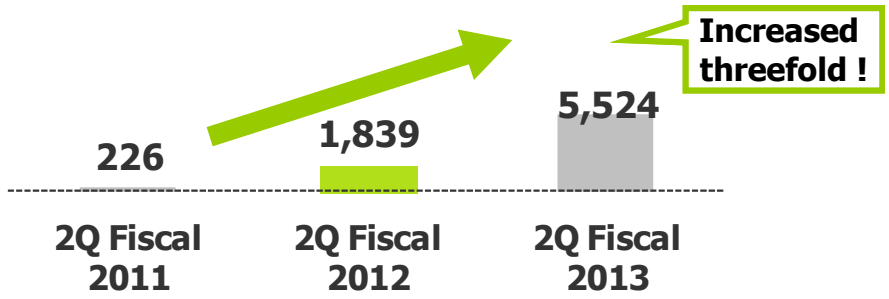
Internet Sales (including mobile sales)

(Millions of yen)

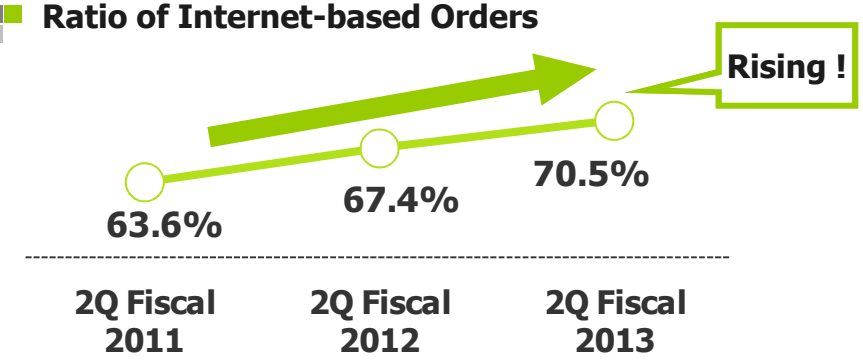


(Millions of yen)

Amount of Smartphone-only Orders



Ratio of Internet-based Orders



- 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

- March: Began distribution of free shopping app for smartphones
  "Belle Maison Catalog Plus": Added "Kazashite" check (augmented reality (AR)) function
  "Belle Maison Product Search": Enabled product searches by popularity ranking

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Overview of the Bridal Business (YoY Comparison)

	2Q Fiscal 2012	2Q Fiscal 2013	Difference
Net sales (Millions of yen)	**4,738**	**4,708**	**-30**
Guesthouses	**14**	**16**	**2**
Weddings (Couples)	**1,220**	**1,155**	**-65**
Average sales per wedding (10,000 yen)	**378**	**398**	**20**

- Net sales decreased despite an increase in average sales per wedding, due to fewer weddings

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Overview of the Corporates Business (YoY Comparison)

(Millions of yen)

	2Q Fiscal 2012	2Q Fiscal 2013	Difference
Net sales	**1,881**	**1,887**	**6**
Contracting services	**1,274**	**1,256**	**-18**
Sampling	**393**	**499**	**106**
Others	**214**	**132**	**-82**

- Sampling: Concluded large contracts for direct merchandising (DM) and catalog inserts

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3. 2Q Fiscal 2013 Results Relative to Initial Plan

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Consolidated Results Compared to Initial Plan for 2Q Fiscal 2013

(Millions of yen)

	2Q Fiscal 2013 (Initial plan)		2Q Fiscal 2013 (Results)		Relative to initial plan		
		% to net sales		% to net sales	Difference (amount)	Difference (%)	Change in % to net sales
Net sales	**77,200**	**-**	**72,736**	**-**	**-4,464**	**-5.8%**	**-**
Cost of sales	**40,046**	**51.9%**	**37,222**	**51.2%**	**-2,824**	**-7.1%**	**-0.7%**
Gross profit	**37,153**	**48.1%**	**35,513**	**48.8%**	**-1,640**	**-4.4%**	**0.7%**
SG&A expenses	**35,153**	**45.5%**	**33,887**	**46.6%**	**-1,266**	**-3.6%**	**1.1%**
Operating income	**2,000**	**2.6%**	**1,626**	**2.2%**	**-374**	**-18.7%**	**-0.4%**
Ordinary income	**2,200**	**2.8%**	**1,995**	**2.7%**	**-205**	**-9.3%**	**-0.1%**
Net income	**1,400**	**1.8%**	**1,241**	**1.7%**	**-159**	**-11.4%**	**-0.1%**

- Net sales: Sales of spring and summer apparel in the mail-order business declined sharply, and sales in the bridal business also decreased
- Operating income: The gross profit margin improved, but profits declined and the SG&A-to-sales ratio increased due to lower sales

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4. Consolidated Earnings Outlook for Fiscal 2013

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Consolidated Earnings Outlook for Fiscal 2013 (YoY Comparison)

(Millions of yen)

	Fiscal 2012 (Results)		Fiscal 2013 (Forecasts)		YoY change		
		% to net sales		% to net sales	Difference (amount)	Difference (%)	Change in % to net sales
Net sales	**145,750**	**-**	**144,500**	**-**	**-1,250**	**-0.9%**	**-**
Cost of sales	**76,392**	**52.4%**	**74,281**	**51.4%**	**-2,111**	**-2.8%**	**-1.0%**
Gross profit	**69,357**	**47.6%**	**70,218**	**48.6%**	**861**	**1.2%**	**1.0%**
SG&A expenses	**67,248**	**46.2%**	**66,218**	**45.8%**	**-1,030**	**-1.5%**	**-0.4%**
Operating income	**2,109**	**1.4%**	**4,000**	**2.8%**	**1,891**	**89.6%**	**1.4%**
Ordinary income	**2,765**	**1.9%**	**4,400**	**3.0%**	**1,635**	**59.1%**	**1.1%**
Net income	**2,029**	**1.4%**	**3,500**	**2.4%**	**1,471**	**72.5%**	**1.0%**

- Net sales: We forecast a modest decline, despite a slight increase in the bridal and corporates businesses, due to declines in the mail-order and other businesses
- Operating income: We forecast a sharp increase due to ongoing improvement in the gross profit margin from 1H, and further declines in the SG&A-to-sales ratio

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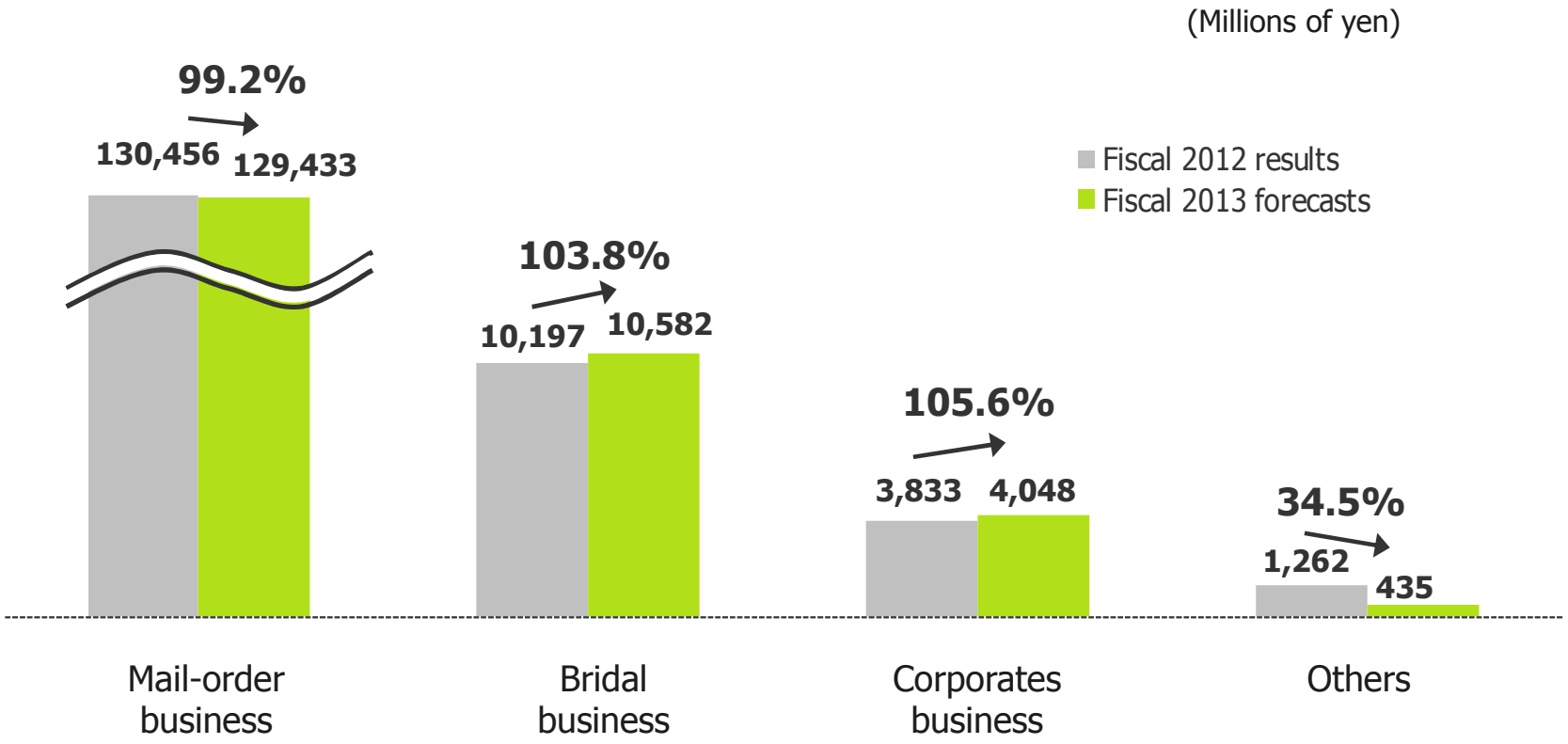
Net Sales Outlook by Business Segment for Fiscal 2013 (YoY Comparison)



- Mail-order business: We forecast a steady increase in Internet sales. However, we forecast an ongoing decline in the *hanpukai* business
- Bridal business: We forecast the opening of two new facilities in November 2012 and in March 2013 will contribute to higher sales in the second half
- Others: We forecast lower sales due to withdrawal from pet business

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Senshukai's CSR Activities in 2Q Fiscal 2013

Post-quake reconstruction support



"Mother's Day Smile Carnation" in Ofunato

On May 8-10 before Mother's Day, following the idea of subsidiary Senshukai Iihana as in previous year, Senshukai and Saito Seika, a treats supplier that incurred damage from the earthquake, delivered carnation plants and treats (Kamome no tamago) to all 1,800 temporary homes in Ofunato City

- The effort was broadcast by four local television stations, and reported by three newspapers



Collaboration with customers

Launched "Smile Forest Project" in March

We initiated CSR communications, centered on collecting donations, based on the slogan "Together with our customers, making everyone smile."

- Donations exceeded 12 million yen in the first half alone thanks to strong interest by customers



"Smile support festival!" in Ishinomaki

On May 25, sponsored an event via J'espere, together with local foundations, to support mothers and children in Ishinomaki. 66 mothers enjoyed making photo frames at the event

Environmental PR activities

In June, "environment month," we conducted environmental PR activities using delivery boxes

We used delivery boxes, which customers are worried about wasting, to promote awareness of the importance of natural resources, and introduced our efforts to reduce waste



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Dividends and Results Announcements Scheduled in Fiscal 2013

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

  We plan a dividend of 12 yen per share in cumulative 2Q.

  This, together with our divided forecast of 12 yen per share for the year-end, gives an annual dividend of 24 yen per share (annual dividend of 20 yen per share in Fiscal 2012).

Earnings for the Third quarter of Fiscal 2013	**October 25 (Friday)**
Earnings for the Fiscal 2013	**February 6, 2014 (Thursday)**
Earnings Presentation for the Fiscal 2013	**February 7, 2014 (Friday)**

- 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.

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