ウーマン スマイル カンパニー
senshukai

株式会社 千趣会

# Senshukai Co., Ltd.
# Fiscal 2013 Earnings Presentation

February 6, 2014

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# 1. Consolidated Results of Operations for Fiscal 2013


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# Consolidated Statements of Income for Fiscal 2013 (YoY Comparison)

(Millions of yen)

| | Fiscal 2012 | | Fiscal 2013 | | YoY change | |
|---|---|---|---|---|---|---|
| | | % to net sales | | % to net sales | Difference | Percentage points |
| Net sales | 145,750 | | 141,552 | | -4,198 | |
| Cost of sales | 76,392 | 52.4% | 72,475 | 51.2% | -3,917 | -1.2% |
| Gross profit | 69,357 | 47.6% | 69,077 | 48.8% | -280 | 1.2% |
| SG&A expenses | 67,248 | 46.2% | 65,057 | 46.0% | -2,191 | -0.2% |
| Operating income | 2,109 | 1.4% | 4,019 | 2.8% | 1,910 | 1.4% |
| Ordinary income | 2,765 | 1.9% | 4,631 | 3.3% | 1,866 | 1.4% |
| Net income | 2,029 | 1.4% | 4,046 | 2.9% | 2,017 | 1.5% |
| Net income per share (yen) | 46.86 | | 93.43 | | 46.57 | |
| Return on equity | 4.7% | | 8.5% | | 3.8% | |


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# Consolidated Balance Sheet for Fiscal 2013 (YoY Comparison)

(Millions of yen)

| | Dec. 31, 2012 | Dec. 31, 2013 | Difference | Remarks |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | **46,248** | **50,177** | **3,929** | ■ Cash and deposits: -¥900mn<br>■ Merchandise and finished goods: +¥4.6bn |
| Noncurrent assets | **46,639** | **48,622** | **1,983** | ■ Property, plant and equipment: +¥600mn<br>■ Intangible assets: -¥500mn<br>■ Investments and other assets: +¥1.9bn |
| Total assets | **92,887** | **98,800** | **5,913** | |
| **Liabilities** | | | | |
| Current liabilities | **37,062** | **39,635** | **2,573** | ■ Electronically recorded obligations-operating: +¥6.2bn<br>■ Short-term loans payable: +¥2.9bn<br>■ Accounts payable-factoring: -¥5.4bn |
| Noncurrent liabilities | **10,892** | **8,805** | **-2,087** | ■ Bonds payable: -¥700mn<br>■ Long-term loans payable: -¥2.1bn<br>■ Lease obligations: +¥400mn |
| Total liabilities | **47,955** | **48,440** | **485** | |
| **Net assets** | | | | |
| Shareholders' equity | **52,203** | **54,975** | **2,772** | ■ Retained earnings: +¥2.7bn |
| Accumulated other comprehensive income | **-7,271** | **-4,615** | **2,656** | ■ Valuation difference on available-for-sale securities: +¥1.3bn<br>■ Deferred gains or losses on hedges: +¥800mn |
| Total net assets | **44,932** | **50,359** | **5,427** | |
| Total liabilities and net assets | **92,887** | **98,800** | **5,913** | |


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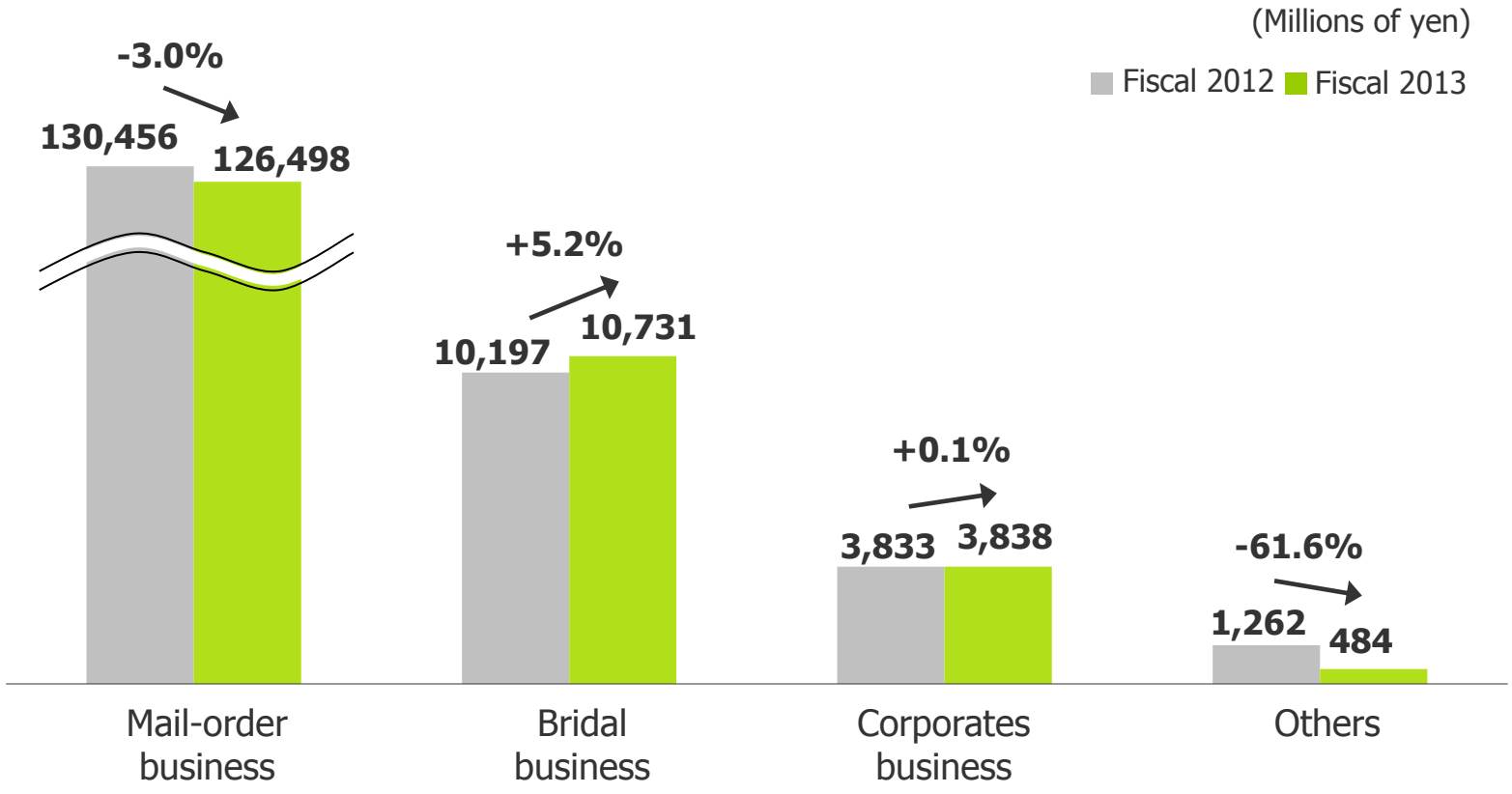
# Consolidated Statements of Cash Flows for Fiscal 2013 (YoY Comparison)

(Millions of yen)

| | Fiscal 2012 | Fiscal 2013 | Difference | Fiscal 2013 highlights |
|---|---|---|---|---|
| Net cash provided by (used in) operating activities | **2,337** | **2,174** | **-163** | ■ Income before income taxes and minority interests: +¥3.7bn<br>■ Depreciation: +¥2.6bn<br>■ Increase in inventories: -¥4.5bn<br>■ Increase in notes and accounts payable-trade: +¥4.6bn<br>■ Decrease in other current liabilities: -¥5.5bn |
| Net cash provided by (used in) investing activities | **-3,606** | **-2,168** | **1,438** | ■ Purchase of property, plant and equipment: -¥2.6bn<br>■ Proceeds from redemption of investment securities: +¥900mn |
| Net cash provided by (used in) financing activities | **991** | **-986** | **-1,977** | ■ Increase in short-term loans payable: +¥3.0bn<br>■ Repayment of long-term loans payable: -¥2.4bn<br>■ Cash dividends paid: -¥900mn |
| Cash and cash equivalents at end of period | **7,452** | **6,495** | **-957** | |


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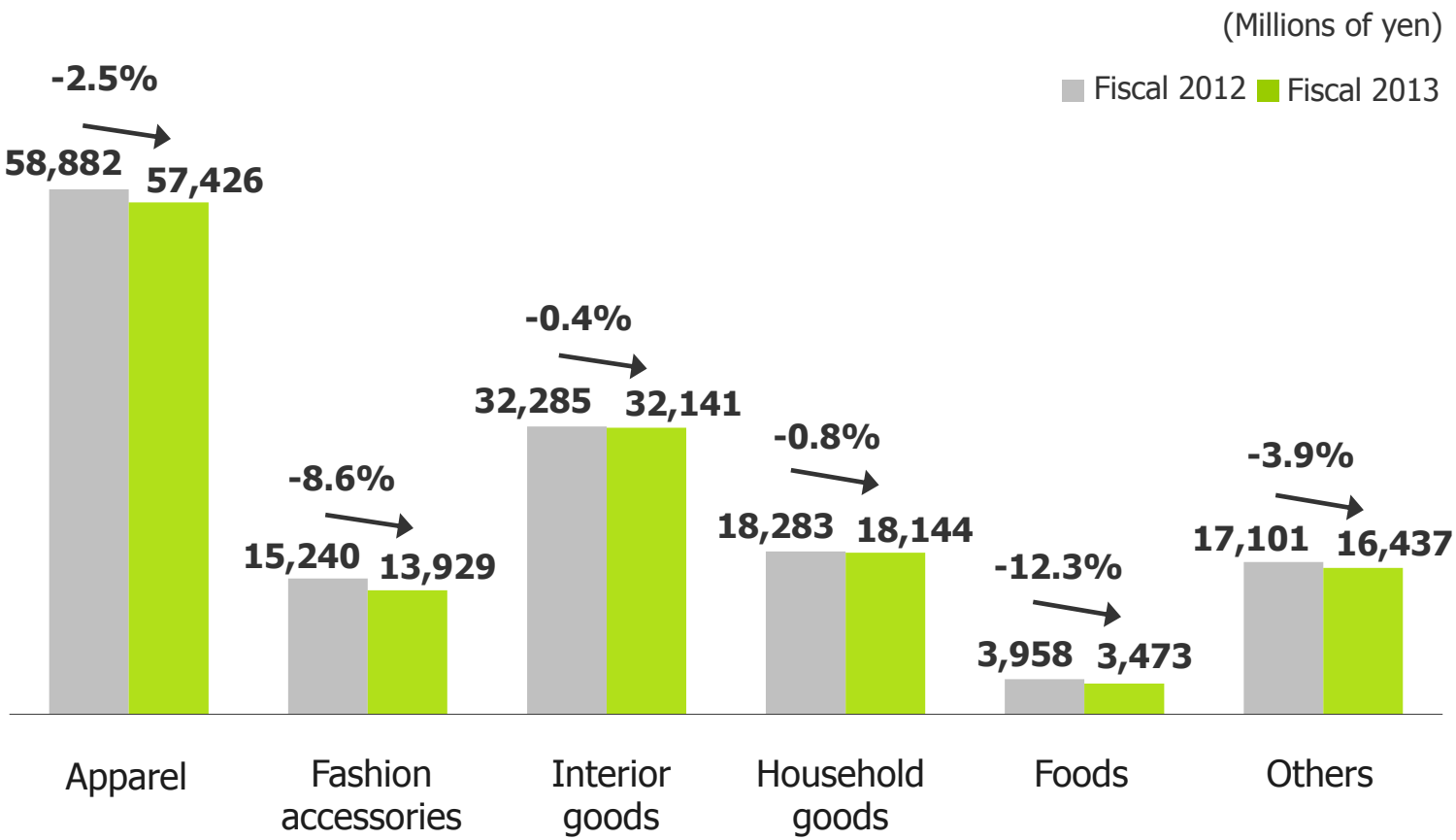
# Net Sales by Consolidated Business Segment for Fiscal 2013 (YoY Comparison)




- Mail-order business: Sales of apparel and fashion accessories declined
- Bridal business: Number of weddings and average sales per wedding increased due to the opening of a new facility
- Others: Sales declined due to the withdrawal from pet business


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# Consolidated Sales by Product Category for Fiscal 2013 (YoY Comparison)

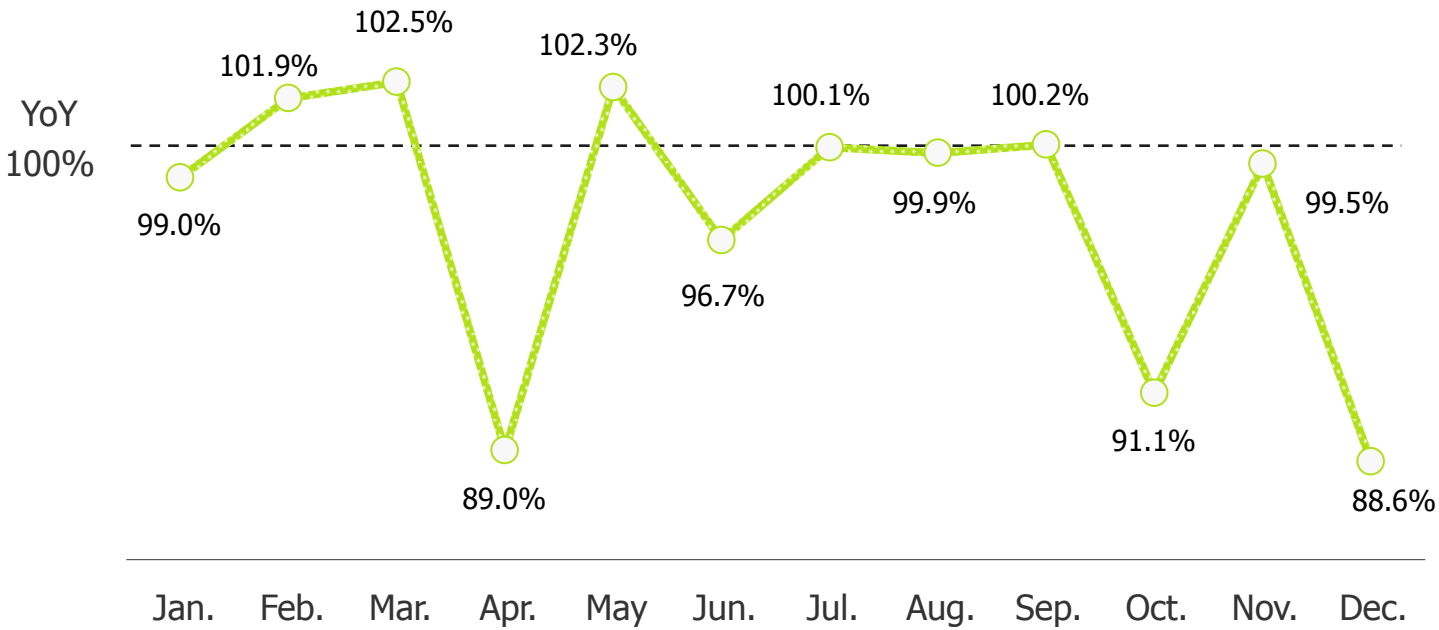



- Apparel and fashion accessories: Sales were weak overall due to unfavorable weather and other factors
- Interior goods: Strong sales of fabrics, furniture and storage products


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# Trend in Monthly Consolidated Sales for Fiscal 2013

## Monthly Consolidated Sales (YoY Comparison)




- Sales of apparel declined at the beginning of the season (spring and autumn) due to unusually low temperatures in April and unusually warm temperatures in October
- Sales declined in December as unusually warm temperatures depressed demand for high-priced items (knitted outer wear, boots, etc.)
- In core apparel sales channels, our policies did not match trends, and the response to our sales promotions was weaker than in the previous year


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# 2. Overview by Segment


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

(Millions of yen)

| | Fiscal 2012 | Fiscal 2013 | Difference | YoY change |
|---|---|---|---|---|
| **Mail-order business** | | | | |
| Net sales | **130,456** | **126,498** | **-3,958** | **-3.0%** |
| Operating income | **994** | **2,840** | **1,846** | **185.6%** |
| **Bridal business** | | | | |
| Net sales | **10,197** | **10,731** | **534** | **5.2%** |
| Operating income | **752** | **701** | **-51** | **-6.7%** |
| **Corporates business** | | | | |
| Net sales | **3,833** | **3,838** | **5** | **0.1%** |
| Operating income | **396** | **393** | **-3** | **0.8%** |
| **Others** | | | | |
| Net sales | **1,262** | **484** | **-778** | **-61.6%** |
| Operating income | **-33** | **83** | **116** | **-** |


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# Overview of the Mail-order Business (YoY Comparison)

*Excluding the *Hanpukai* business

| | Fiscal 2012 | Fiscal 2013 | Difference |
|---|---|---|---|
| Annual number of active customers (10,000 members) | **409.1** | **403.6** | **-5.5** |
| Average sales per order (Yen) | **10,563** | **10,536** | **-27** |
| Annual order frequency per customer (Times) | **2.96** | **2.90** | **-0.06** |
| Catalog circulation (10,000 volume) | **6,691** | **6,463** | **-228** |
| Number of new members (10,000 members) | **91.8** | **90.9** | **-0.9** |
| Average sales per product (Yen) | **2,553** | **2,560** | **7** |
| Annual order amount per customer (Yen) | **31,301** | **30,592** | **-709** |

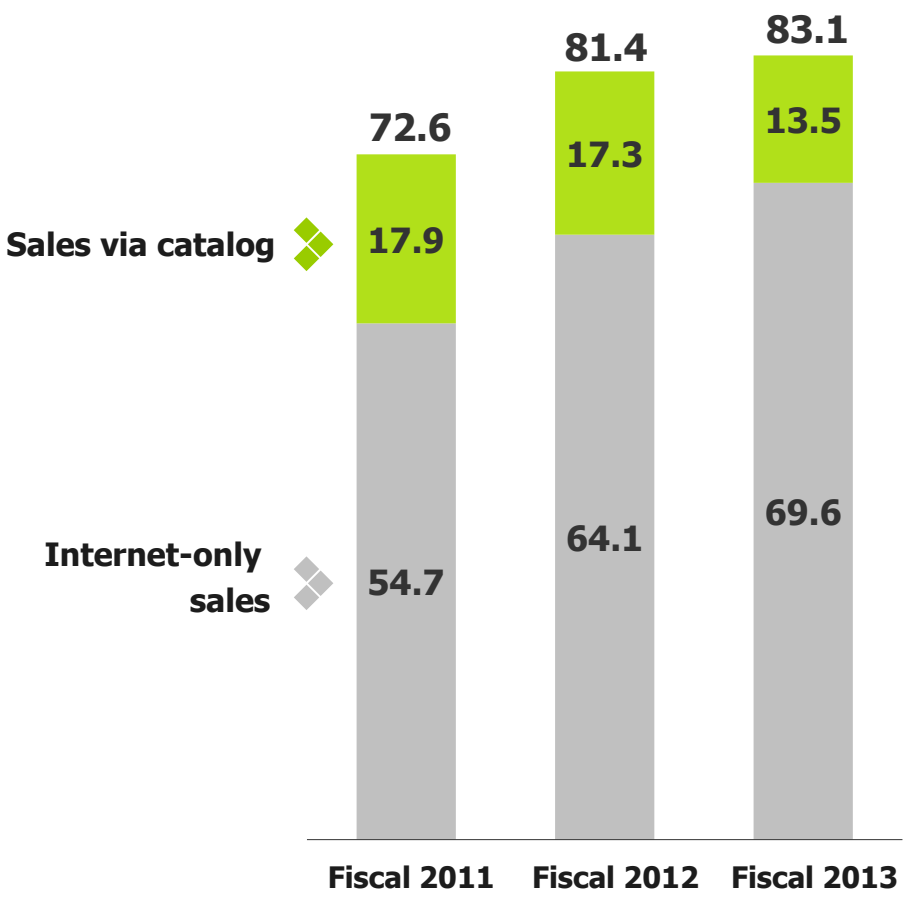
- Annual number of active customers: Declined
- Average sales per order: Declining trend bottomed out


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# Internet-related Indicators and Policies in Fiscal 2013

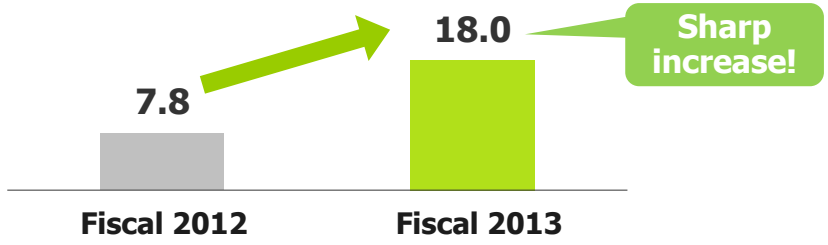
## Internet Sales (including mobile sales)

(Billions of yen)

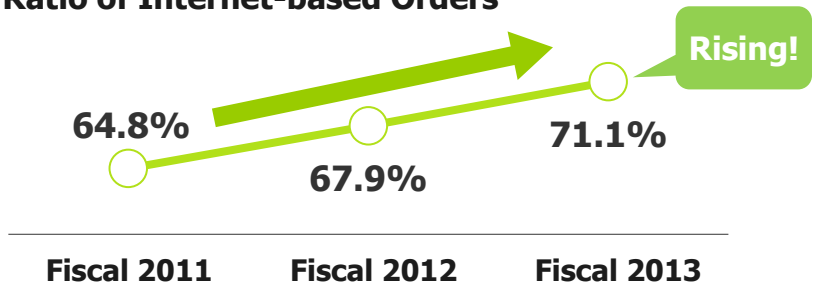



## Smartphone-only Sales

(Billions of yen)




## Ratio of Internet-based Orders




## Revision to review system in October 2013

- Enhanced expression and communication functions
  →Together with synergies from policies to promote postings, postings doubled!

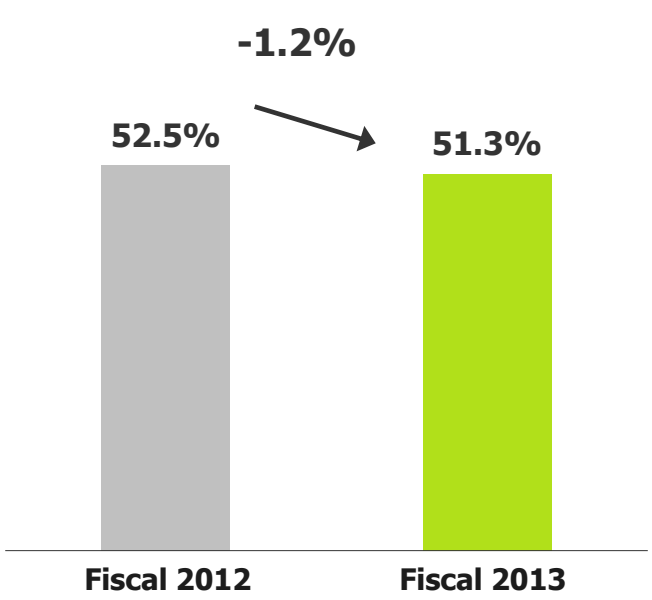
## Revision to search system at end-November 2013

- Product searches made easier

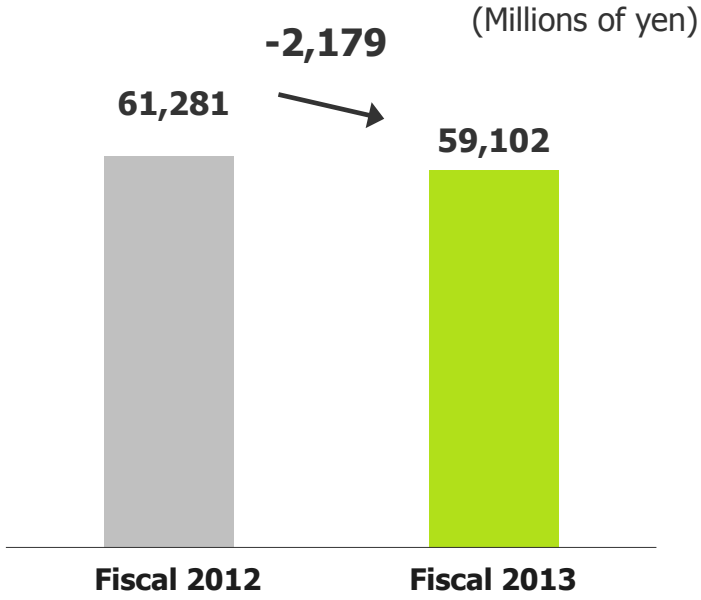

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# Differences in Cost-of-sales Ratio and SG&A Expenses in the Mail-order Business for Fiscal 2013 (YoY Comparison)

## Cost-of-sales Ratio




## SG&A Expenses




- Increased sales of strategic products* (Hotcott, etc.)
- Review of the price range (shifted from low-tier prices to mid-tier prices)
- Strengthened direct import procurement

*Strategic products
Products with added value in terms of functionality or design

- Distribution-related costs:
  Declined due to more efficient logistics operations
  [a decrease of ¥930mn]
- Catalog costs:
  Declined due to reduction in paper costs and catalog circulation, and review in printed paper
  [a decrease of ¥920mn]


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# Overview of the Bridal Business (YoY Comparison)

| | Fiscal 2012 | Fiscal 2013 | Difference |
|---|---|---|---|
| Net sales (Millions of yen) | 10,197 | 10,731 | 534 |
| Operating income (Millions of yen) | 752 | 701 | -51 |
| Guesthouses | 15 | 16 | 1 |
| Weddings (Couples) | 2,594 | 2,632 | 38 |
| Average sales per wedding (10,000 yen) | 382.7 | 397.6 | 14.9 |

- Existing guesthouses struggled due to fewer visiting customers, but this was offset by an increase in the contract rate and average sales per wedding, and contributions from the opening of a new facility
  Still, operating income declined slightly as higher sales could not make up for an increase in SG&A expenses


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# Overview of the Corporates Business (YoY Comparison)

(Millions of yen)

| | Fiscal 2012 | Fiscal 2013 | Difference |
|---|---|---|---|
| Net sales | 3,833 | 3,838 | 5 |
| Contracting services | 2,656 | 2,706 | 50 |
| Sampling | 785 | 907 | 122 |
| Novelties | 314 | 144 | -170 |
| Others | 78 | 81 | 3 |
| Operating income | 396 | 393 | -3 |

- Sampling: Increase in new customers
- Novelties: Decrease in major clients


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# 3. Consolidated Earnings Outlook for Fiscal 2014


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# Consolidated Earnings Outlook for Fiscal 2014 (YoY Comparison)

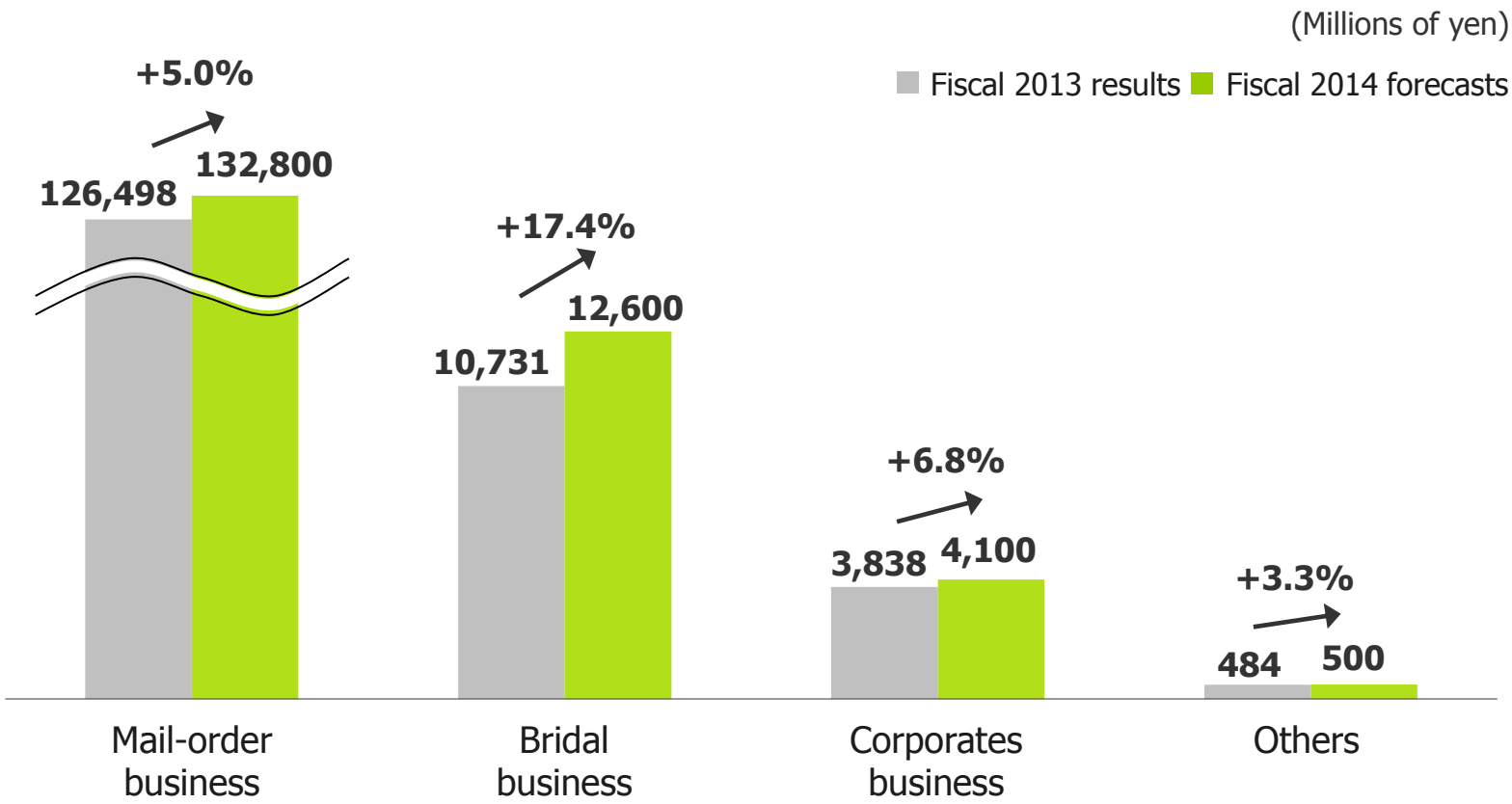
(Millions of yen)

| | Fiscal 2013 (Results) | | Fiscal 2014 (Initial forecasts) | | YoY change | |
|---|---|---|---|---|---|---|
| | | % to net sales | | % to net sales | Difference | Percentage points |
| Net sales | **141,552** | | **150,000** | | **8,448** | Up 6.0% |
| Cost of sales | **72,475** | **51.2%** | **79,228** | **52.8%** | **6,753** | **1.6%** |
| Gross profit | **69,077** | **48.8%** | **70,772** | **47.2%** | **1,695** | **-1.6%** |
| SG&A expenses | **65,057** | **46.0%** | **67,172** | **44.8%** | **2,115** | **-1.2%** |
| Operating income | **4,019** | **2.8%** | **3,600** | **2.4%** | **-419** | **-0.4%** |
| Ordinary income | **4,631** | **3.3%** | **4,000** | **2.7%** | **-631** | **-0.6%** |
| Net income | **4,046** | **2.9%** | **2,300** | **1.5%** | **-1,746** | **-1.4%** |

- We forecast sales to rise in all segments, but profits to decline at every level because in the mail-order business, the yen's depreciation and surging raw materials prices increase the cost-of-sales ratio, and reorganization of the logistics network temporarily increases SG&A expenses.


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# Consolidated Sales Outlook by Business Segment for Fiscal 2014 (YoY Comparison)




- Mail-order business: Targeting higher sales through expansion of Internet and smartphone sales
- Bridal business: Targeting higher sales through opening of new facilities and other events


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# Topics in Fiscal 2014 (1)

**Dears Brain Inc.: Kamakura Store and Kyoto Store to open in March and May 2014 (17th and 18th guesthouses)**



- KOTOWA Kamakura Tsurugaoka Kaikan



- KOTOWA Kyoto Yasaka

**Senshukai Child Care Co., Ltd.: Plan to establish a certified nursery school in Sakura City, Chiba Prefecture in September 2014**



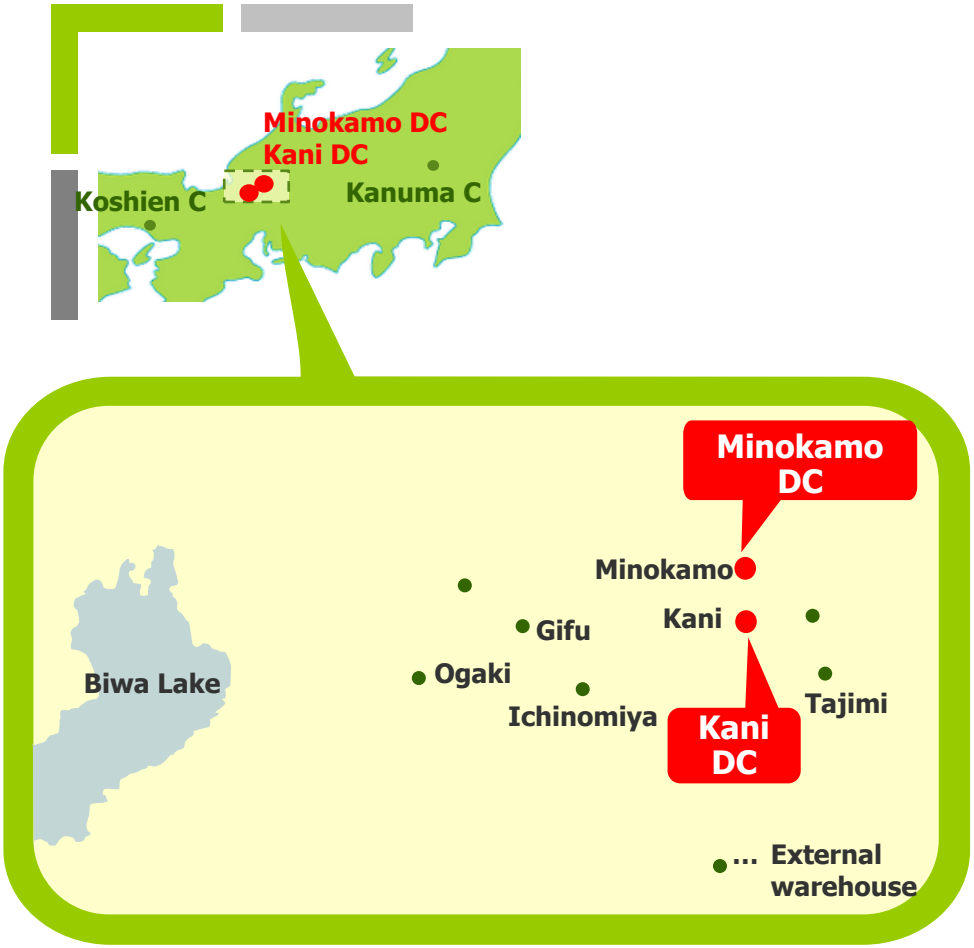
- Name: Egao no Mori (smile forecast) Nursery School Ino

- Aims to open 5-10 certified nursery schools in the Tokyo metropolitan area over the next 2-3 years


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# Topics in Fiscal 2014 (2)

## Minokamo Distribution Center (DC)




→January 2015: Scheduled to begin operations

- We aim to consolidate external warehouses in the Chubu area, improve the efficiency of logistics operations in conjunction with the neighboring distribution center, reduce costs, and shorten lead times

Reference:

| | |
|---|---|
| Minokamo DC: | Total floor space: 46,172m$^2$<br>Three stories |
| Kani DC: (Chubu merchandise center) | Total floor space: 63,490m$^2$<br>Five stories |


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# Senshukai's CSR Activities in Fiscal 2013

## Project to bring smiles to society with customers "Smile Forest Project" contributions exceed 30 million yen

We collected donations over 30 million yen from over 300,000 customers for our CSR activities "Tohoku Restoration Support," "Pink Ribbon Campaign," and "Environment Support." We used the funds to make donations to NPOs, contribute to support of mothers and children in the Tohoku region, and distribute free breast cancer screening coupons.

## Pink Ribbon Project



We conducted our own awareness event in October – "pink ribbon" month. We raised awareness of the importance of breast cancer screening by distributing awareness magnets and presenting free breast cancer screening coupons.






## Haha to Ko Tohoku Project (Tohoku restoration support for mothers and children)









We delivered potted carnations to every temporary home in Ofunato City, Iwate Prefecture, just as we did in the previous year. We also presented "okurumi" (baby blankets) to each precious child born in the Tohoku region, and conducted events to support childrearing salons.

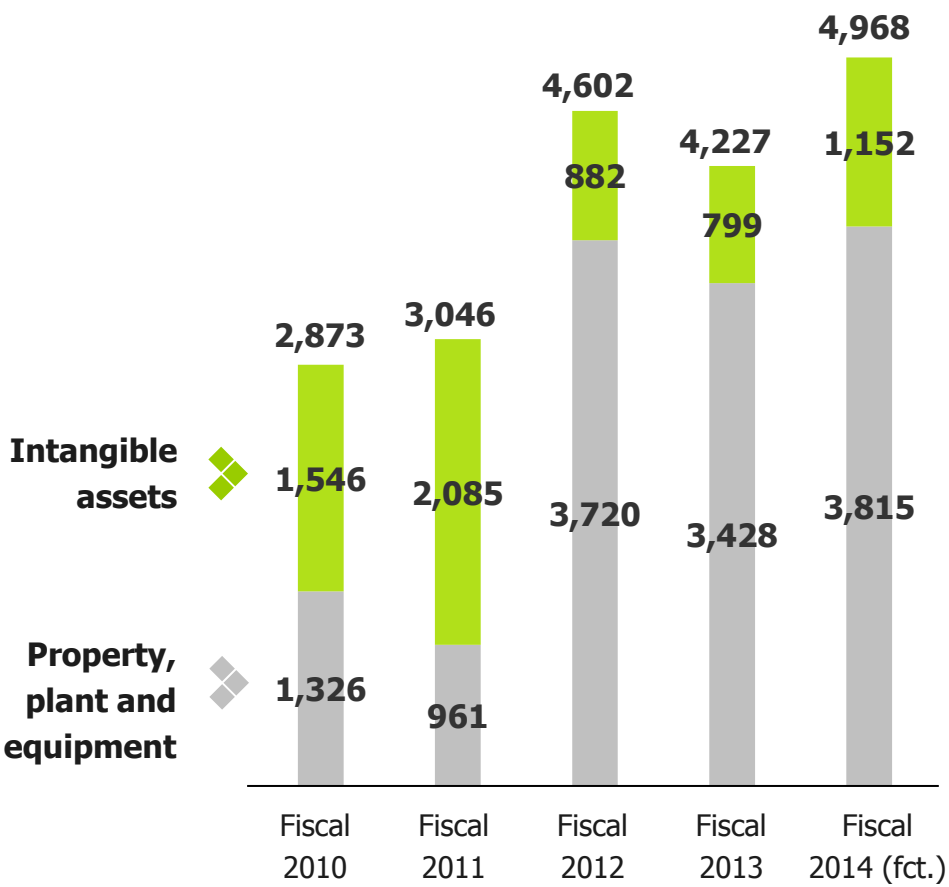



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# Trend and Plan for Capital Expenditures and Depreciation Expenses

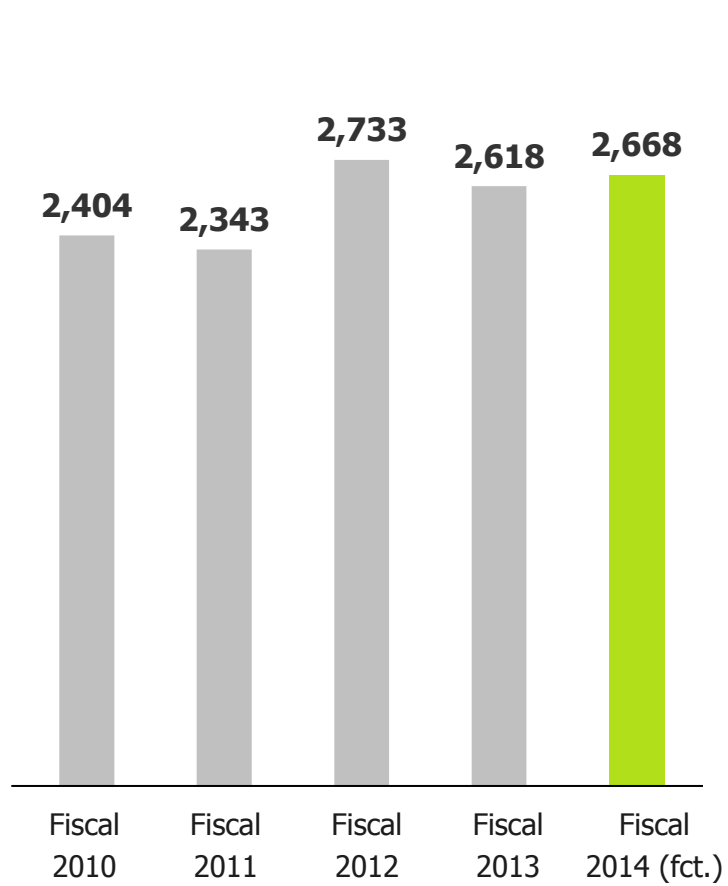
## Capital Expenditures

(Millions of yen)




## Depreciation Expenses

(Millions of yen)




- Property, plant and equipment: New facility related costs at Dears Brain Inc. and Minokamo Distribution Center to increase in 2013 to 2014.


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# Dividends and Results Announcements Scheduled in Fiscal 2014

- Senshukai's basic policy regarding dividends is to appropriately return profits to shareholders that reflects its business performance 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 2013 consolidated results, Senshukai plans to pay a total annual dividend of 24 yen per share comprised of an interim dividend of 12 yen per share and a year-end dividend of 12 yen per share, which has been initially planned.

  For Fiscal 2014, Senshukai plans an annual dividend of 24 yen per share (12 yen each at interim and year-end), the same as in Fiscal 2013.

  - **April 25 (Friday)** **Announcement of financial results for the first quarter of Fiscal 2014**
  - **July 31 (Thursday)** **Announcement of financial results for the second quarter of Fiscal 2014**
  - **August 1 (Friday)** **Earnings presentation for the second quarter of Fiscal 2014 (Tokyo)**
  - **October 31 (Friday)** **Announcement of financial results for the third quarter of Fiscal 2014**

- 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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