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

ウーマン スマイル カンパニー
senshukai

February 8, 2019

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1 Consolidated Results of Operations for Fiscal 2018

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Fiscal 2018 Consolidated Statement of Income (YoY Comparison)

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(Millions of yen)

	2017		2018		YoY change	
		% to net sales		% to net sales	Difference	Change in % to net sales
Net sales	125,999		113,344		-12,655	
Cost of sales	71,437	56.7%	65,019	57.4%	-6,418	0.7%
Gross profit	54,561	43.3%	48,325	42.6%	-6,236	-0.7%
SG&A expenses	58,848	46.7%	52,388	46.2%	-6,460	-0.5%
Operating profit	-4,287	-3.4%	-4,063	-3.6%	224	-0.2%
Ordinary profit	-4,206	-3.3%	-4,277	-3.8%	-71	-0.5%
Profit attributable to owners of parent	-11,090	-8.8%	-6,027	-5.3%	5,063	3.5%

- Net sales decreased 10.0% year-over-year due to lower sales in the mail-order business despite higher sales in the bridal, corporates and other businesses.
- Operating loss was caused by the sales decrease and a lower cost to sales ratio.

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Fiscal 2018 Consolidated Balance Sheet (YoY Comparison)

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(Millions of yen)

	Dec. 31, 2017	Dec. 31, 2018	Difference
Assets			
• Current assets	48,854	40,406	-8,447
• Non-current assets	41,586	35,542	-6,044
Total assets	90,441	75,949	-14,491
Liabilities			
• Current liabilities	30,066	28,770	-1,296
• Non-current liabilities	18,826	12,326	-6,500
Total liabilities	48,892	41,096	-7,796
Net assets			
• Shareholders' equity	41,155	35,558	-5,596
• Accumulated other comprehensive income	318	-789	-1,108
• Non-controlling interests	74	84	9
Total net assets	41,548	34,853	-6,695
Total liabilities and net assets	90,441	75,949	-14,491

- Assets: Decrease in merchandise: ¥6,828 million; Decrease due to sale of Koshien Distribution Center: ¥2,462 million
- Liabilities: Decrease in payables resulting from planned reduction in purchases: ¥4,060 million; repayment and redemption of interest-bearing debt: ¥1,534 million
- Net assets: Increase in treasury shares: ¥6,782 million

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Fiscal 2018 Consolidated Statement of Cash Flows (YoY Comparison)

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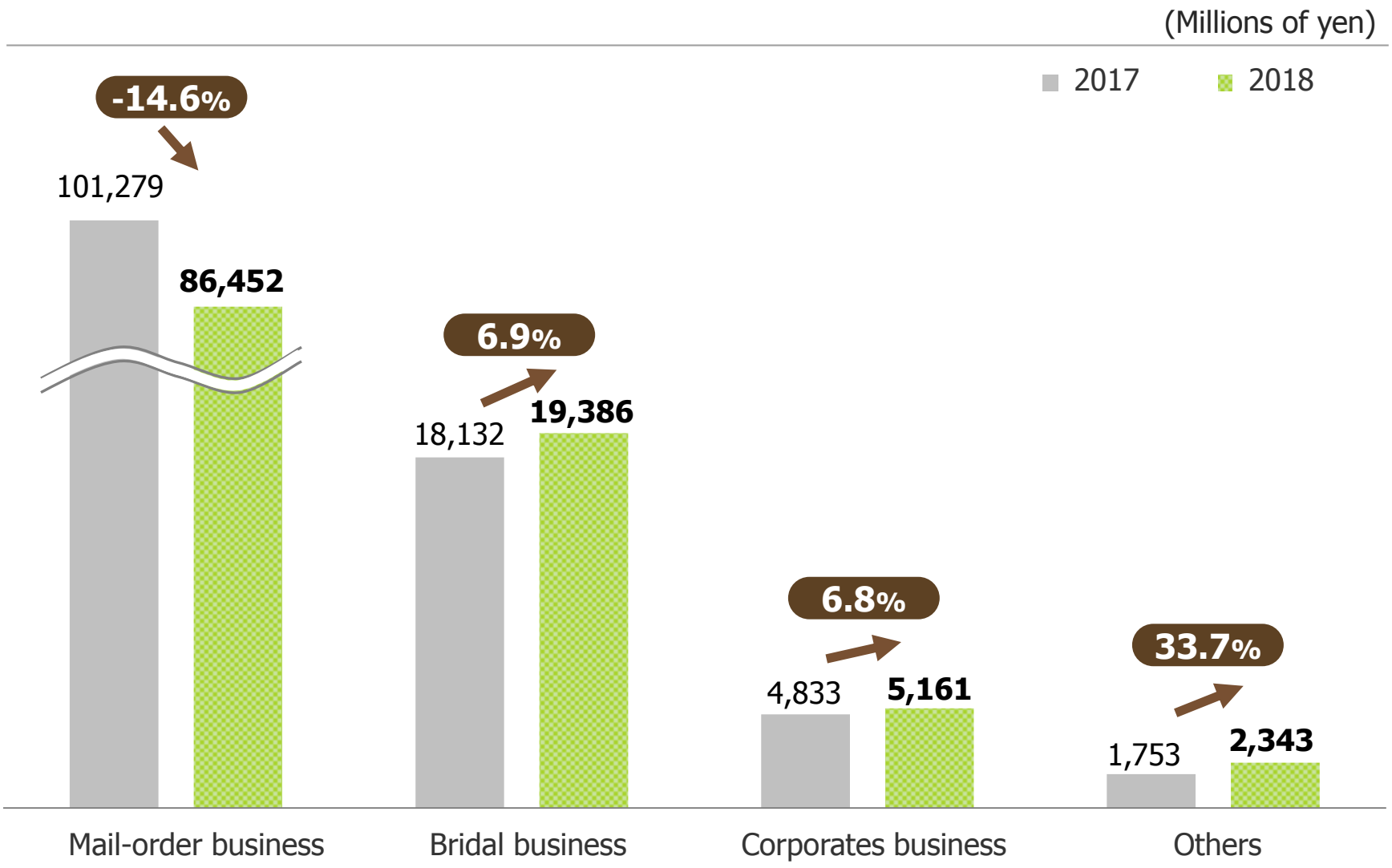
(Millions of yen)

	2017	2018	Difference	
Net cash provided by (used in) operating activities	1,952	-1,950	-3,902	■ Loss before income taxes: -6,016 ■ Depreciation: +1,807 ■ Decrease in inventories: +6,778 ■ Decrease in notes and accounts payable-trade: -3,588
Net cash provided by (used in) investing activities	-397	3,196	3,594	■ Purchase of property, plant and equipment: -1,997 ■ Sales of property, plant and equipment: +2,527 ■ Withdrawal of time deposits +2,226
Net cash provided by (used in) financing activities	-1,148	-1,414	-265	■ Proceeds from issuance of common shares: +6,975 ■ Purchase of treasury shares: -6,785 ■ Repayments of long-term loans payable: -1,371
Cash and cash equivalents at end of period	17,323	17,147	-176	

❖ Senshukai has a committed credit line with the total amount of ¥10 billion with financial institutions and has a sufficient amount of working capital.

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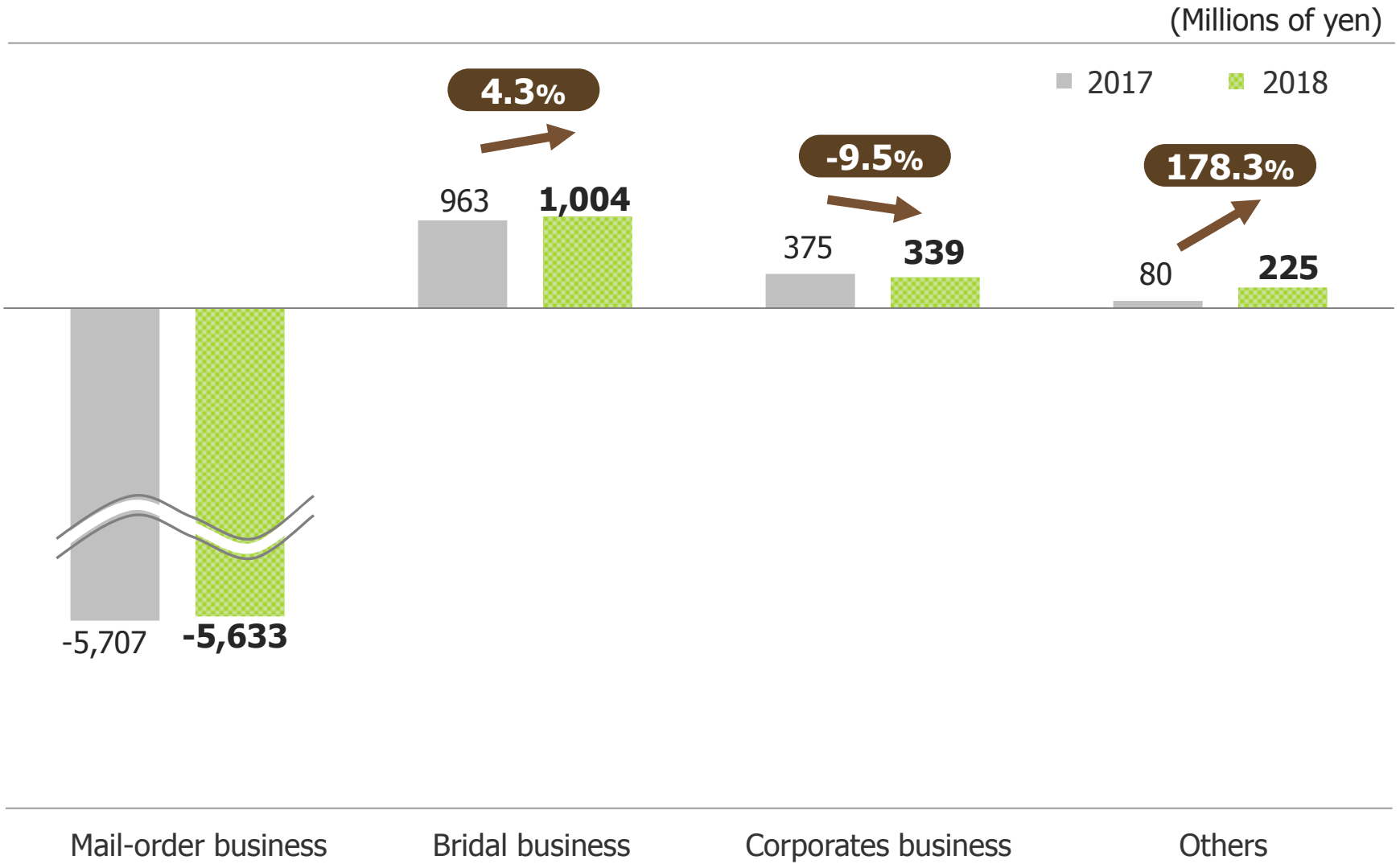
Fiscal 2018 Consolidated Sales by Business Segment
(YoY Comparison)



*Others: Childcare support business, services business, manufacturing and sales of cosmetics and other businesses

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Fiscal 2018 Consolidated Operating Profit by Business Segment
(YoY Comparison)



*Others: Childcare support business, services business, manufacturing and sales of cosmetics and other businesses

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2 Overview by Segment

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Overview of the Mail-order Business (YoY Comparison)

	2017	2018	Difference	Main factors
Net sales (Millions of yen)	101,279	86,452	-14,827	
Cost to sales ratio (%)	59.7	61.1	1.4	■ Increase in share of bargain and clearance sales ■ Increase in write-downs
SG&A expenses (Millions of yen)	47,584	40,253	-7,331	■ Decreases in printing, production and catalog mailing costs due to reductions in number of catalogs and pages ■ Lower depreciation due to asset impairment ■ Cost reduction by reexamining each expense items
Operating profit (Millions of yen)	-5,707	-5,633	74	
Annual number of active customers (10,000 members)	323.7	278.4	-45.3	
Annual number of new customers (10,000 members)	75.2	68.6	-6.6	

* The annual number of active customers and new customers are non-consolidated data for the mail-order business (excluding the *Hanpukai* business).

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Overview of the Bridal Business (YoY Comparison)

	2017	2018	Difference	Main factors
Net sales (Millions of yen)	18,132	19,386	1,254	■ Increase in the number of weddings at existing facilities and higher sales per wedding
● New facilities	0	0	0	
● Existing facilities	18,132	19,386	1,254	
Operating profit (Millions of yen)	963	1,004	41	
Guesthouses	24	24	0	
Weddings (Couples)	4,635	4,869	234	
Average sales per wedding (10,000 yen)	368.7	373.5	4.8	

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Overview of the Corporates Business (YoY Comparison)

(Millions of yen)

	2017	2018	Difference	Main factors
Net sales	4,833	5,161	327	
• Contracting services	3,518	3,777	259	■ Increase in orders for outsourced logistics and call center services and consulting services
• Sampling	1,038	1,100	62	■ Higher sales to current clients for outbound call center services and growth in new contracts
• Novelties	259	261	1	
• Others	17	22	5	
Operating profit	375	339	-35	

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3 Consolidated Earnings Outlook for Fiscal 2019

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Fiscal 2019 Consolidated Earnings Outlook (YoY Comparison)

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(Millions of yen)

	2018 (Results)		2019 (Forecasts)		YoY change	
		% to net sales		% to net sales	Difference	Change in % to net sales
Net sales	113,344		94,000		-19,344	
Cost of sales	65,019	57.4%	49,900	53.1%	-15,119	-4.3%
Gross profit	48,325	42.6%	44,100	46.9%	-4,225	4.3%
SG&A expenses	52,388	46.2%	44,800	47.7%	-7,588	1.5%
Operating profit	-4,063	-3.6%	-700	-0.7%	3,363	2.9%
Ordinary profit	-4,277	-3.8%	-1,100	-1.2%	3,177	2.6%
Profit attributable to owners of parent	-6,027	-5.3%	4,300	4.6%	10,327	9.9%

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Major components of improvements in consolidated operating profit

(Billions of yen)

Consolidated operating loss in 2018	-4.0
Lower gross profit due to sales decrease	-3.5
Improvement in profit	7.1
➢ Elimination of inventory disposal	3.5
➢ Reduction in personnel expenses	1.4
➢ Head office relocation, reductions in IT system maintenance expenses, rents and other expenses	0.6
➢ Reduction in other SG&A expenses	1.6
Senshukai non-consolidated profit	3.6
Profit (loss) in subsidiaries	-0.3
Consolidated operating loss in 2019	-0.7

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4 Medium-term Management Plan 2019-2021

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Medium-term Management Plan Policy

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Changes in external environment

- Rapid shift in consumption to EC
- Competition intensified as entrants with newly-structured business models enter the market

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- Lower operating margin in the mail-order business due to a focus on sales volume
- Higher operating expenses

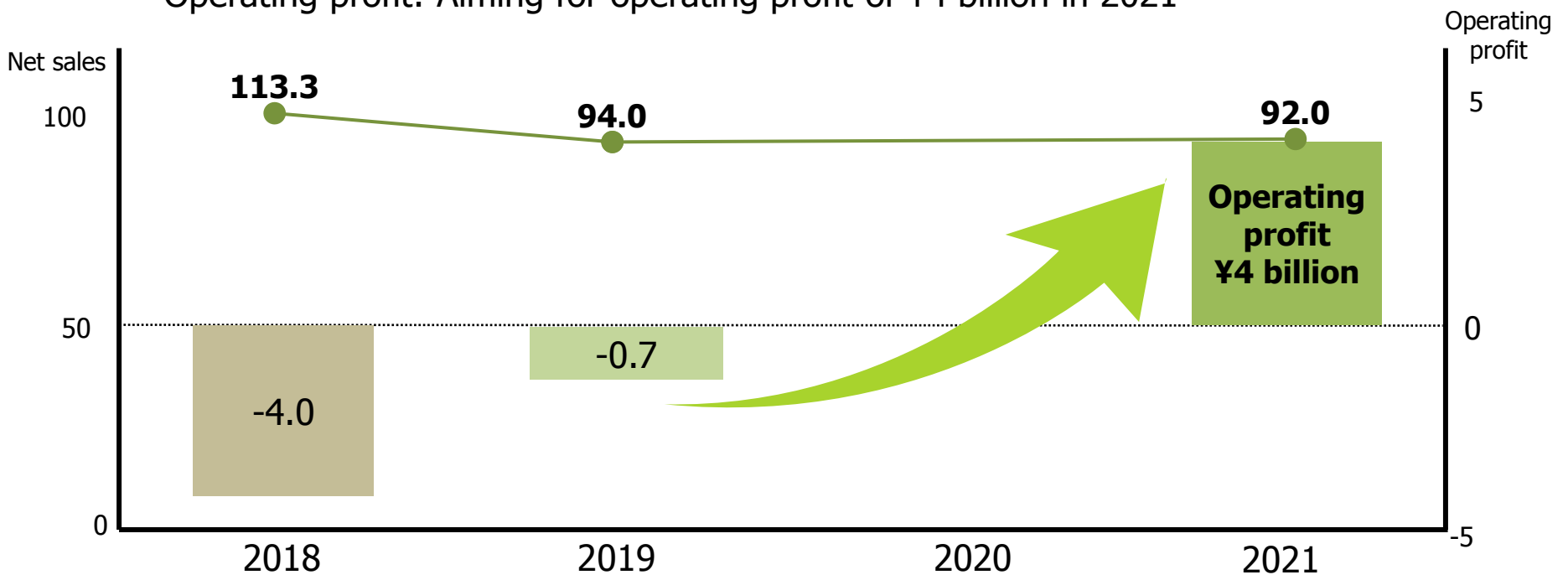
Performance deteriorating - particularly in the core mail-order business

Basic Policy of New Medium-term Management Plan

- Realize structural reform of the mail-order business
  - ➢ Reconstruct earnings foundation
  - ➢ Strengthen sales capabilities with a new marketing strategy
- Maximize corporate value as a group
  - ➢ Reinforce mail-order, bridal, childcare support, and corporates businesses

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Net sales: Lower sales due to business-scale optimization
Operating profit: Aiming for operating profit of ¥4 billion in 2021

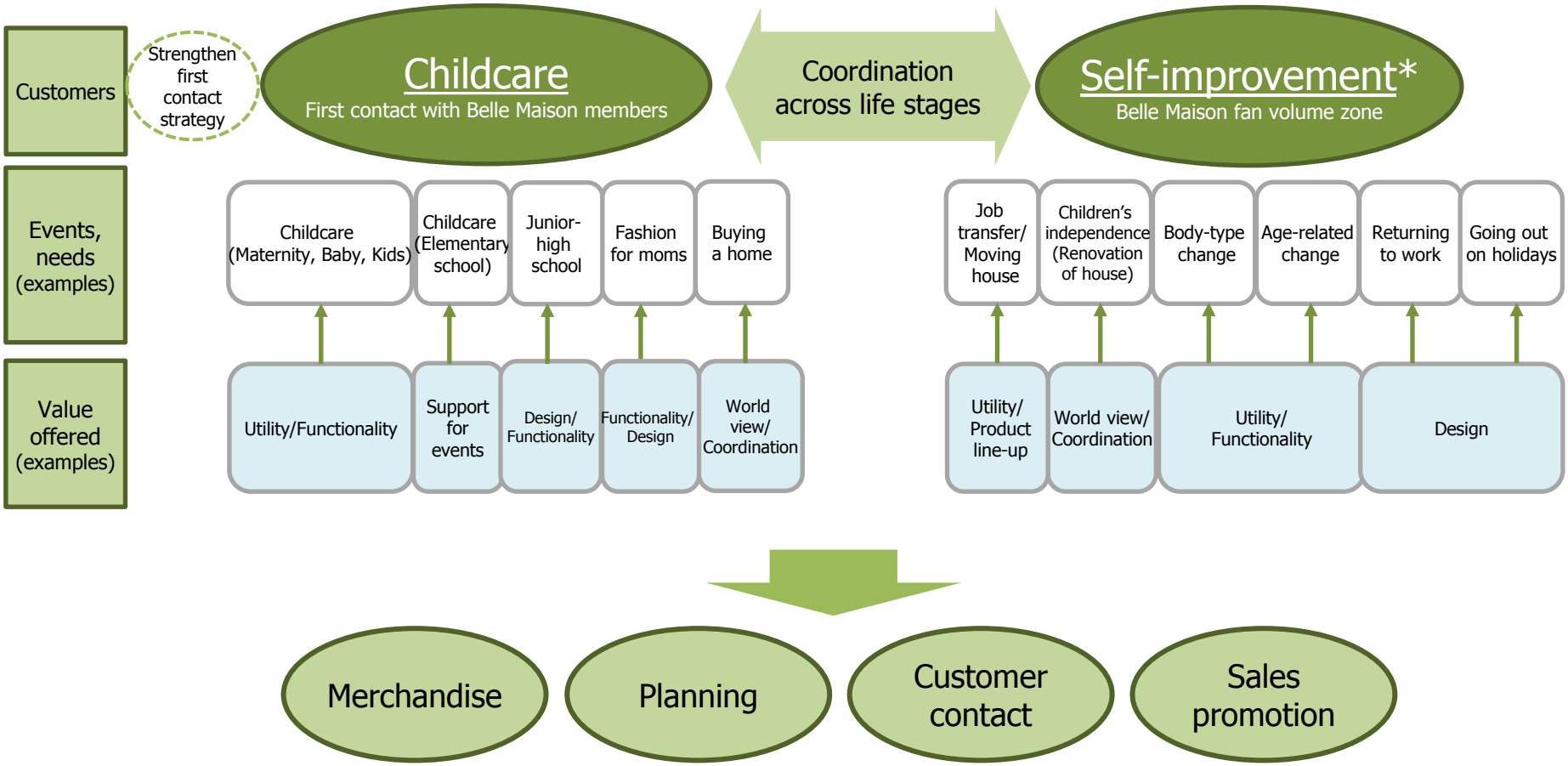


Build the foundations for regrowth	Sow the seeds for regrowth	Manifestation of results/Regrowth
• Reorganize business domains • Optimize business scale • Streamline organizational and personnel structures • Reorganize group companies • Reduce cost—dispose non-core assets	• Marketing tailored to life stage • Maximize the strengths of our catalogs • Review development, production and procurement structures	• Start from the first point of contact with "childcare," and stay close for a long time through all the life-stage changes that follow thereafter • Establish a stable profit structure by offering differentiated original products • Maximize synergies within the group and expand earnings foundation including new businesses

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Mail-order Business Marketing Policy

Evolve into a model which provides values for customers' life events and needs for a long time, centering on the "childcare" stage and the "self-improvement" stage, which are the mainstays of our customer base



Clarify the relationship between customers' "needs" and the "value offered," and thoroughly ensure that the product line-up and communications reflect the relationship

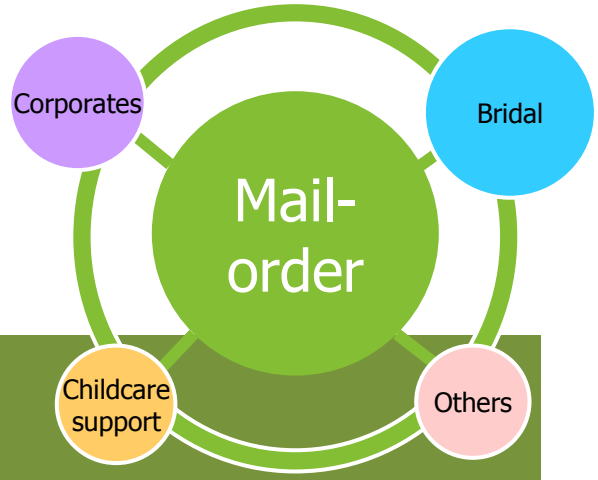
* "Self-Improvement": Internal definition for a segment that searches for a new lifestyle and own sense of personality outside the "childcare" stage

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Life Event Business/Peripheral Businesses

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Build earnings foundation and achieve growth, not just in the mail-order business but in our other businesses as well



Service businesses designed to help women live through the biggest changes in their lives: marriage, pregnancy, childbirth, and parenting, with a smile

Bridal	・Strengthen sales capabilities and develop peripheral businesses ・Reinforce earnings foundation through renewal of existing facilities
Childcare Support	・Promote safe and secure nursery school management ・Start peripheral businesses (after school care, etc.) that pursue added value

Businesses based on the Senshukai's recognition and trustworthiness

Corporates	・Strengthen the contracted business by utilizing know-how in the mail-order business ・Improve efficiency of product sales and advertising businesses

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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.

Because of the consolidated and non-consolidated net losses in 2018, we plan to pay no ordinary dividend for 2018.

We plan to pay no interim dividend in 2019 and have not made a decision about the year-end dividend. Our highest priorities are the implementation of our medium-term management plan and the growth of shareholders' equity from the standpoint of the stability and safety of business operations. We will work diligently to deliver stable dividends to our shareholders as soon as possible.

Schedule for Earnings Announcements

● April 25, 2019 (Thursday)	Announcement of financial results for the first quarter of Fiscal 2019
● July 25, 2019 (Thursday)	Announcement of financial results for the second quarter of Fiscal 2019
● July 26, 2019 (Friday)	Earnings presentation for Fiscal 2019 (Tokyo)
● October 25, 2019 (Friday)	Announcement of financial results for the third quarter of Fiscal 2019

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.

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Senshukai will continue to be a “Women’s Smiles Company”



Since its establishment in 1955, Senshukai has always operated businesses that encompass every stage of a woman’s life, including finding employment, marriage, child-birth and other major events.
Once again, we will return to our customer-oriented origins and accomplish a decisive reform of our business structure.

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