

ウーマン スマイル カンパニー
senshukai

SENSHUKAI CO.,LTD.

(Tokyo Stock Exchange, First Section: 8165)

Second Quarter of Fiscal 2015 Earnings Presentation

July 30, 2015


innovate
for Smiles 2018

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1. Consolidated Results of Operations for 2Q Fiscal 2015


for Smiles 2018

2Q Fiscal 2015 Consolidated Statement of Income (YoY Comparison)

(Millions of yen)

	2Q 2014		2Q 2015		YoY change	
		% to net sales		% to net sales	Difference	Change in % to net sales
Net sales	74,048		68,161		-5,887	-7.9%
Cost of sales	39,082	52.8%	36,451	53.5%	-2,631	0.7%
Gross profit	34,966	47.2%	31,710	46.5%	-3,256	-0.7%
SG&A expenses	33,132	44.7%	32,864	48.2%	-268	3.5%
Operating income	1,833	2.5%	-1,154	-1.7%	-2,987	-4.2%
Ordinary income	1,946	2.6%	-1,063	-1.6%	-3,009	-4.2%
Net income	914	1.2%	-1,219	-1.8%	-2,133	-3.0%

- Net sales decreased due to the prolonged drop in sales in the mail-order business after the April 2014 consumption tax hike, a revision in marketing measures (shift from coupon distribution to point offer structure), and a review of the price range (reduction of low-price products)
- Operating income decreased because of an increase in the cost of sales ratio due to the higher cost of merchandise as the yen weakened, growth in the percentage of sales from discounted merchandise and an increase in clearance sales

2Q Fiscal 2015 Consolidated Balance Sheet (Compared with End-Fiscal 2014)

(Millions of yen)

	Dec. 31, 2014	Jun. 30, 2015	Difference	Remarks
Assets				
• Current assets	53,554	58,273	4,718	<ul style="list-style-type: none"> ■ Cash and deposits: +¥11.6bn ■ Notes and accounts receivable-trade: -¥2.4bn
• Non-current assets	47,231	49,782	2,551	<ul style="list-style-type: none"> ■ Property, plant and equipment: +¥1.6bn ■ Investments and other assets: +¥0.9bn
Total assets	100,785	108,055	7,269	
Liabilities				
• Current liabilities	33,470	30,449	-3,021	<ul style="list-style-type: none"> ■ Income taxes payable: -¥0.7bn
• Non-current liabilities	14,153	18,027	3,874	<ul style="list-style-type: none"> ■ Long-term loans payable: +¥4.3bn
Total liabilities	47,624	48,477	853	
Net assets				
• Shareholders' equity	55,707	61,576	5,868	<ul style="list-style-type: none"> ■ Capital stock: +¥1.9bn ■ Capital surplus: +¥2.8bn ■ Retained earnings: -¥1.6bn ■ Treasury shares: -¥2.7bn
• Accumulated other comprehensive income	-2,546	-2,033	513	
• Minority interests	-	35	35	
Total net assets	53,160	59,577	6,416	
Total liabilities and net assets	100,785	108,055	7,269	

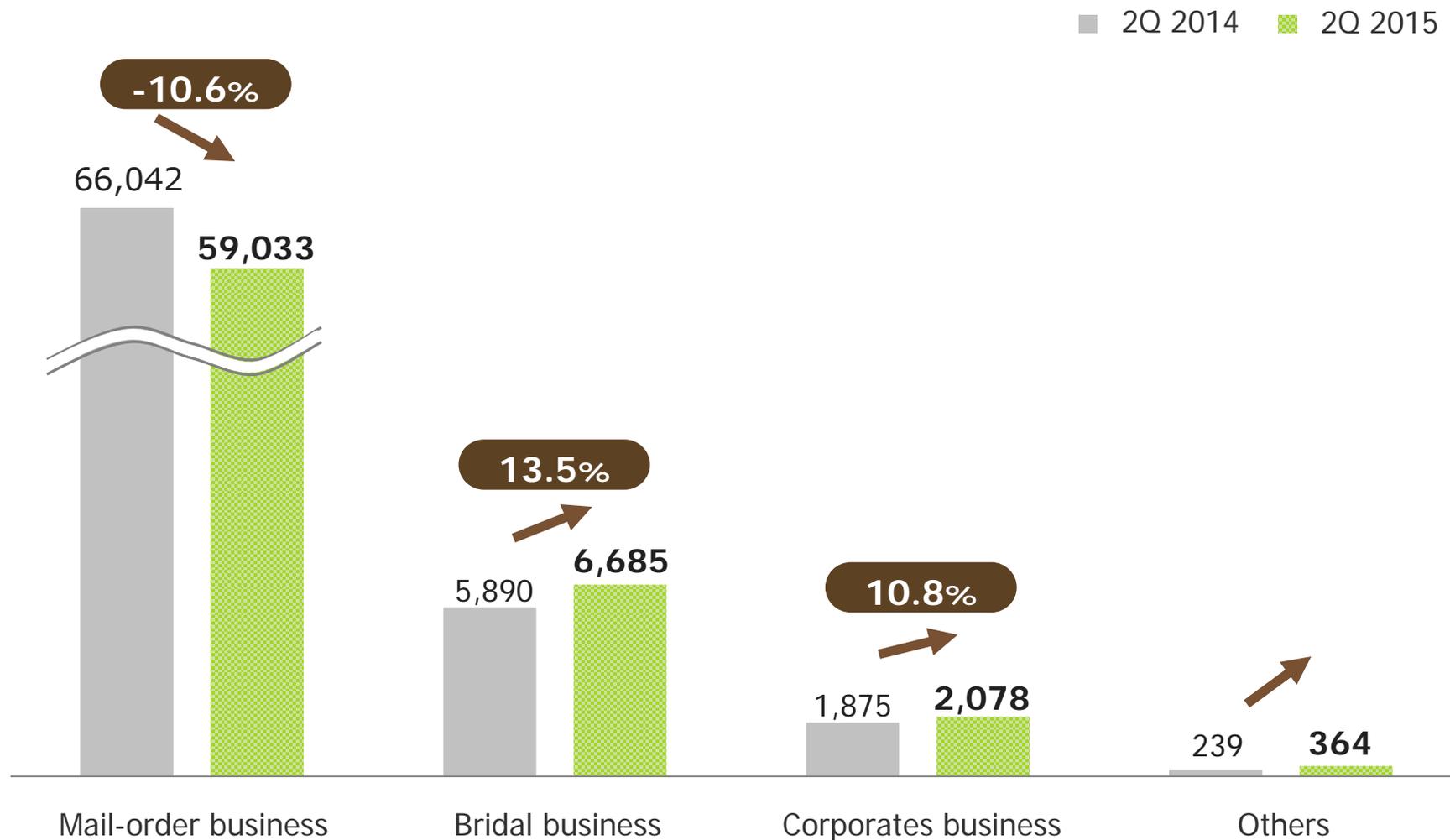
2Q Fiscal 2015 Consolidated Statement of Cash Flows (YoY Comparison)

(Millions of yen)

	2Q 2014	2Q 2015	Difference	2Q 2015 highlights
Net cash provided by (used in) operating activities	3,514	3,141	-373	<ul style="list-style-type: none"> ■ Decrease in other current assets: +¥2.4bn ■ Decrease in inventories: +¥1.7bn ■ Decrease in other current liabilities: -¥2.3bn
Net cash provided by (used in) investing activities	-1,290	-3,653	-2,363	<ul style="list-style-type: none"> ■ Purchase of property, plant and equipment: -¥1.9bn ■ Payments into time deposits: -¥1.0bn ■ Purchase of shares of subsidiaries: -¥0.6bn
Net cash provided by (used in) financing activities	2,122	10,844	8,722	<ul style="list-style-type: none"> ■ Proceeds from long-term loans payable: +¥5.6bn ■ Proceeds from issuance of common shares: +¥3.8bn ■ Proceeds from disposal of treasury shares: +¥3.6bn ■ Repayments of long-term loans payable: -¥1.3bn
Cash and cash equivalents at end of period	11,118	18,309	7,190	

Consolidated Sales by Business Segment (YoY Comparison)

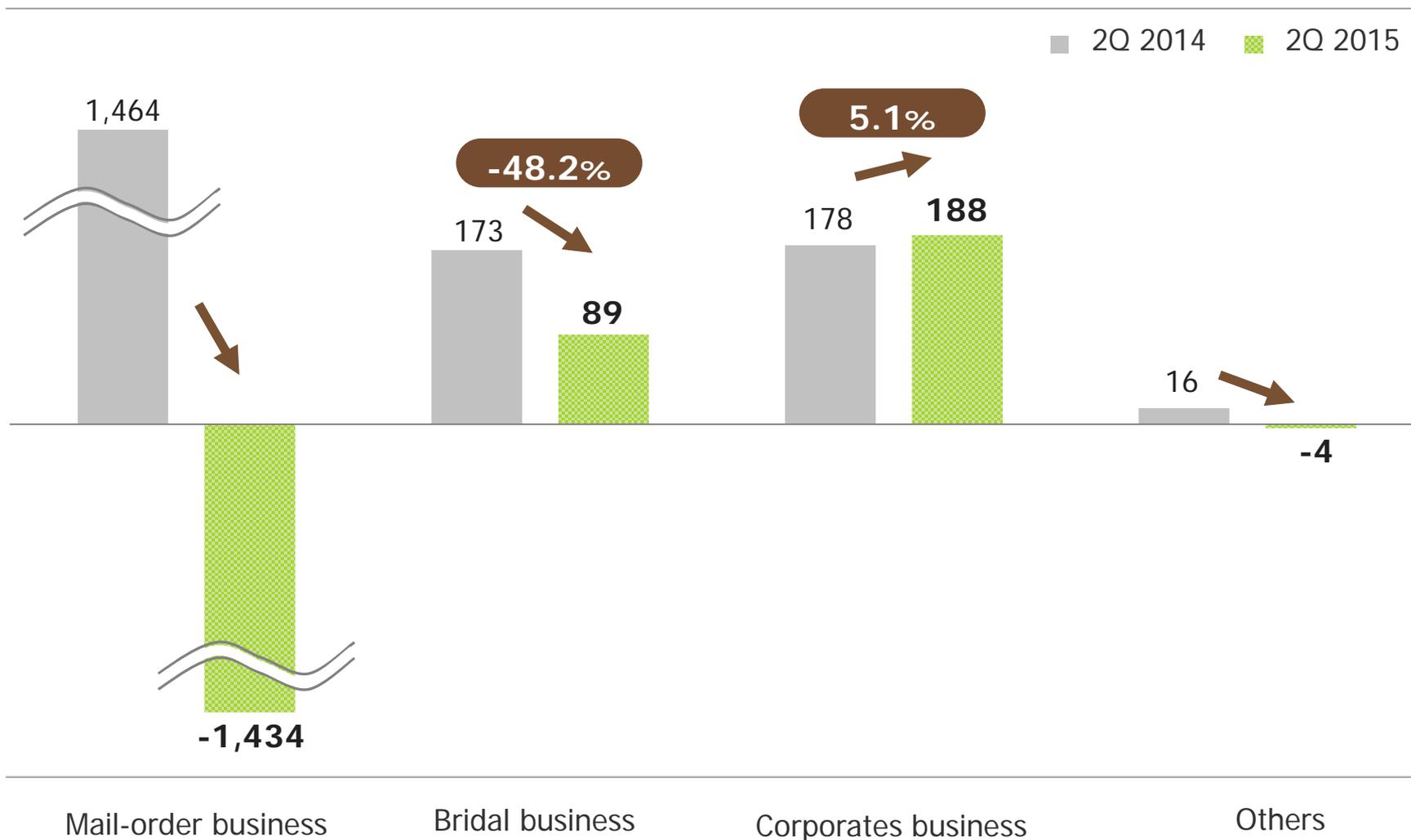
(Millions of yen)



* "Others" represents services business primarily offering insurance and credit card services, and childcare business

Consolidated Operating Income by Business Segment (YoY Comparison)

(Millions of yen)



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2. Overview by Segment


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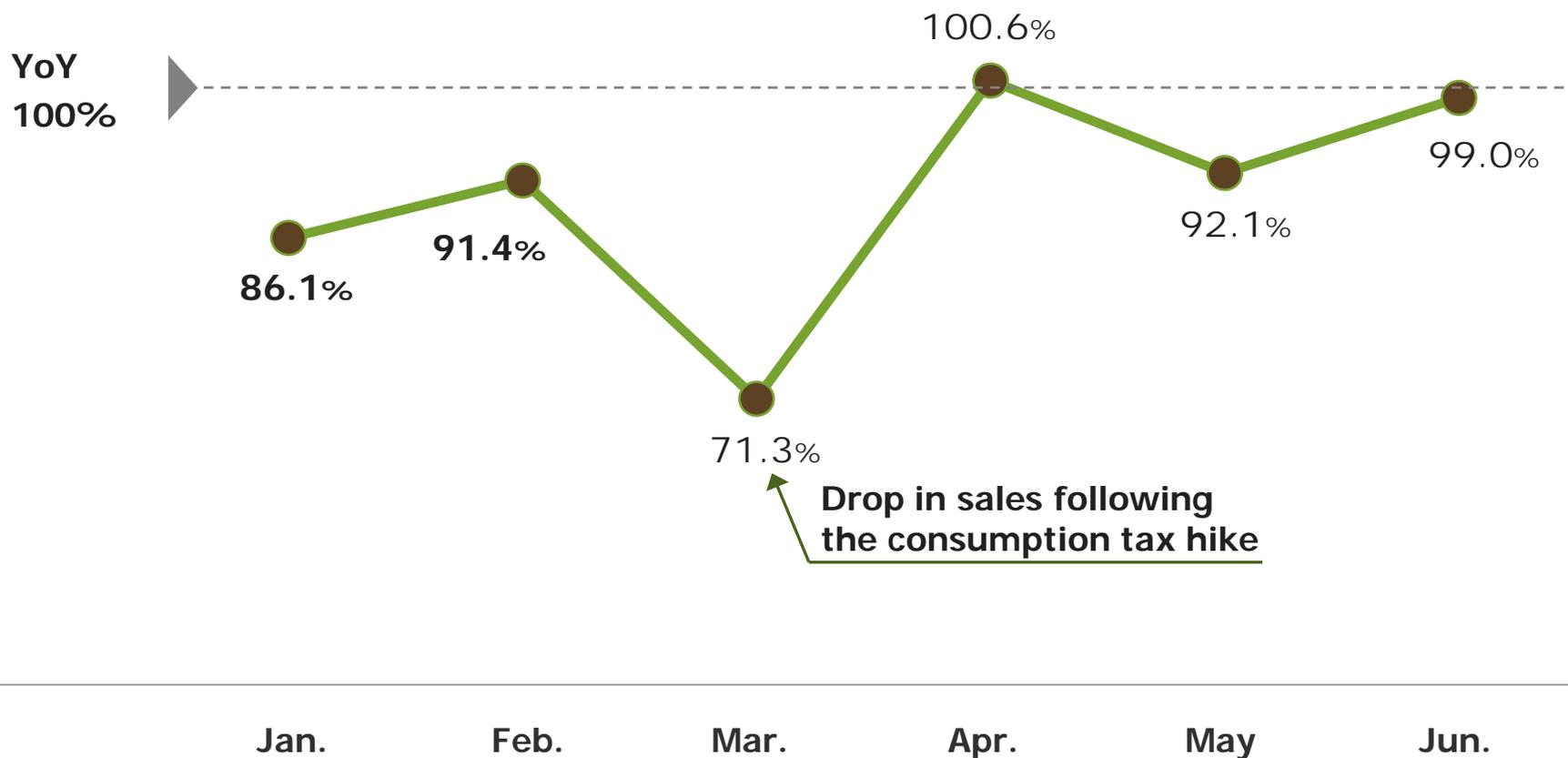
Overview of the Mail-order Business (YoY Comparison)

	2Q 2014	2Q 2015	Difference	Major factors
Net sales (Millions of yen)	66,042	59,033	-7,009	
Operating income (Millions of yen)	1,464	-1,434	-2,898	
Semi-annual number of active customers (10,000 members)	275.9	258.4	-17.5	■ Revision in marketing measures and cancellation of TV commercials
Semi-annual number of new members (10,000 members)	44.0	40.2	-3.8	
Average sales per order (Yen)	10,726	10,325	-401	■ Review of the price range resulted in a decrease in the number of purchases
Semi-annual order frequency per customer (Times)	2.12	2.08	-0.04	
Catalog circulation (10,000 volume)	3,531	3,778	247	■ Increase in the number of new medium

* All figures other than net sales and operating income are non-consolidated data for the mail-order business (excluding the *Hanpukai* business)

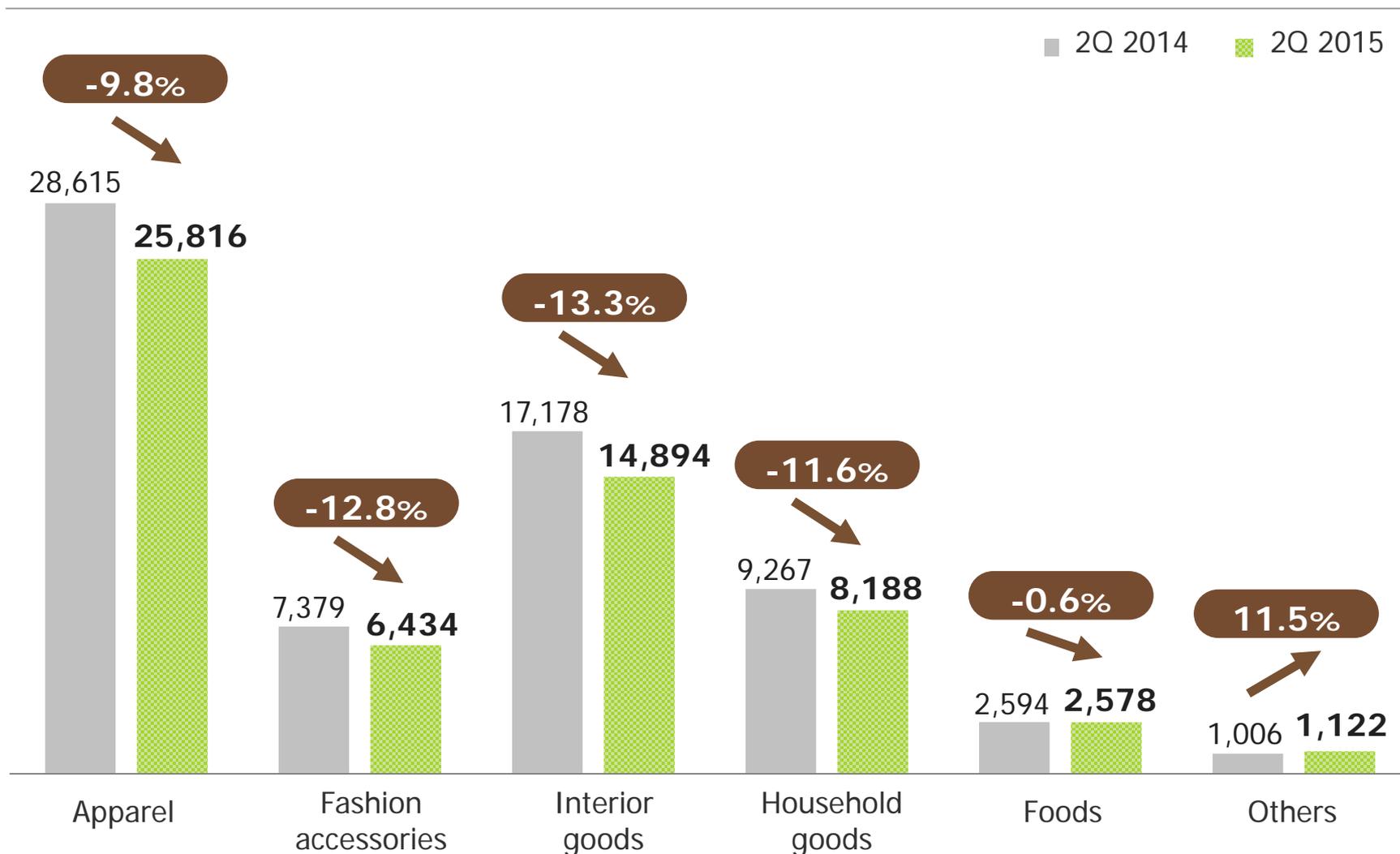
Mail-order Business –Monthly Sales

January to June: 89.4%



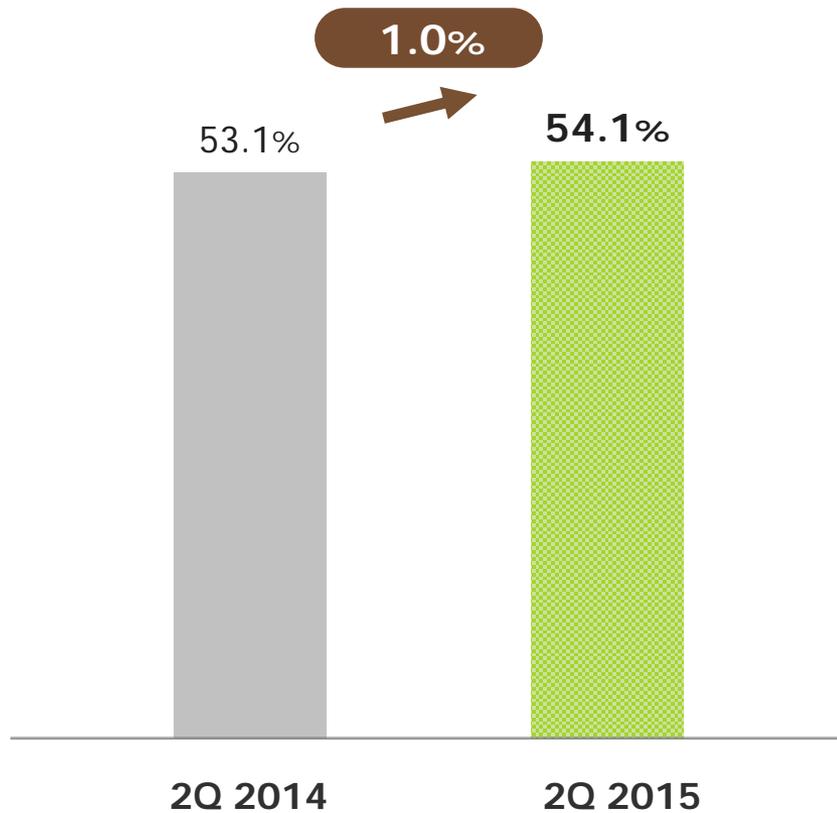
Mail-order Business –Sales by Product Category (YoY Comparison)

(Millions of yen)



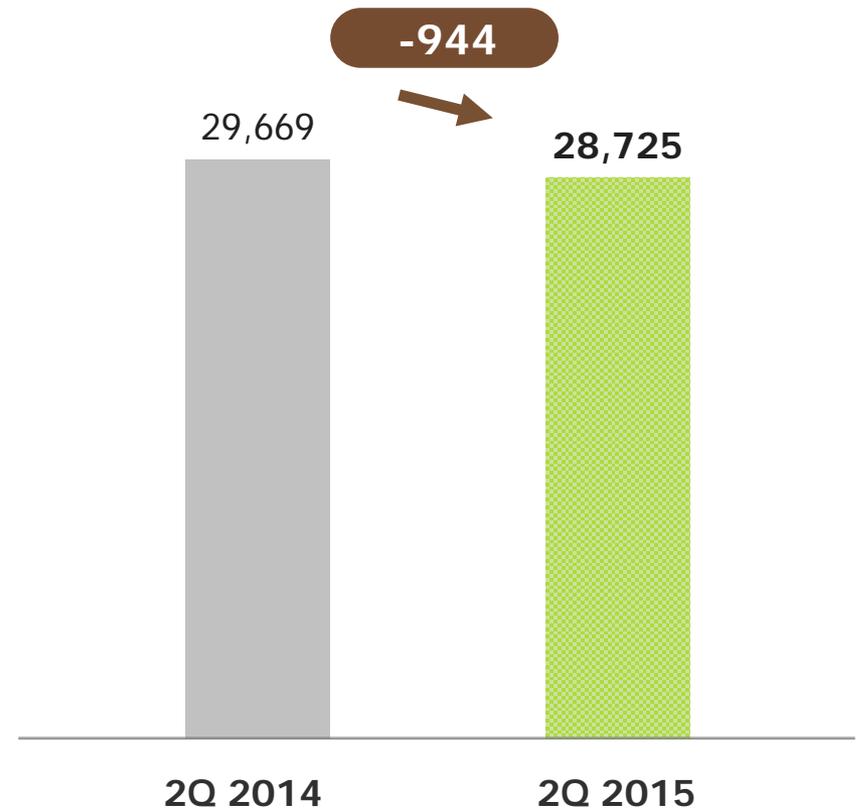
Mail-order Business –Differences in Cost-of-sales Ratio and SG&A Expenses (YoY Comparison)

Cost-of-sales Ratio



SG&A Expenses

(Millions of yen)



- ◆ Growth in the percentage of sales from discounted merchandise
- ◆ The cost-of-sales ratio increased due to the weaker yen (For merchandise purchased from trading companies and manufacturers and direct purchases)

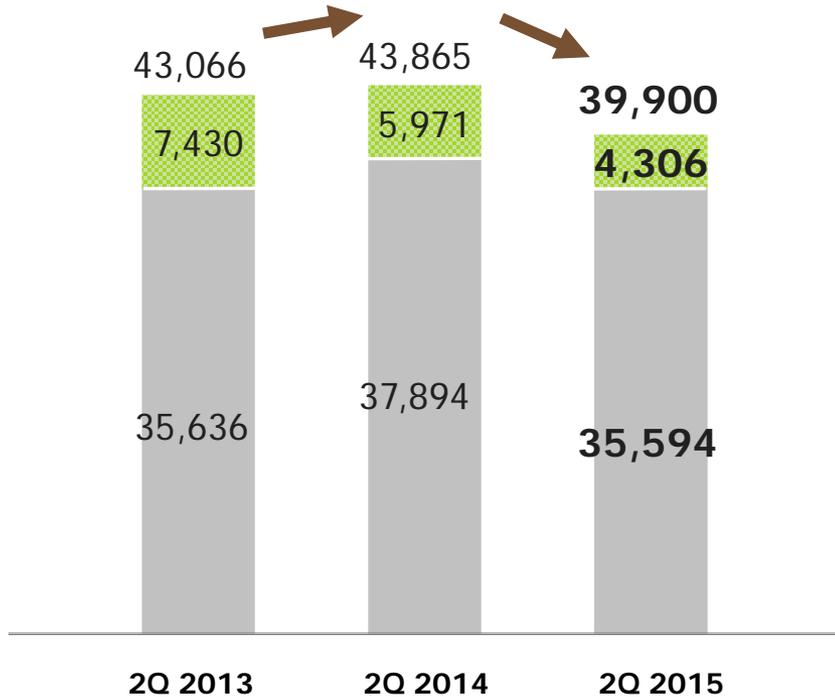
- ◆ Distribution costs:
Packing expenses decreased due to lower sales
- ◆ SG&A expenses:
Number of pages of catalogs decreased
Printing and production costs for catalogs were cut

Internet Sales

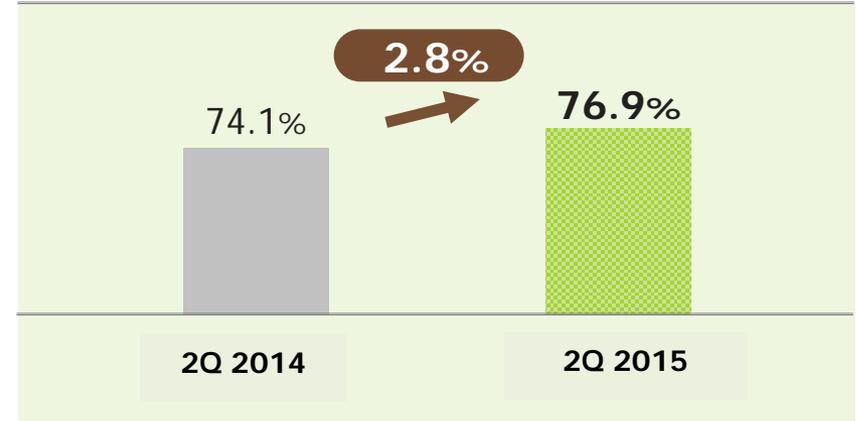
(Millions of yen)

(including mobile sales)

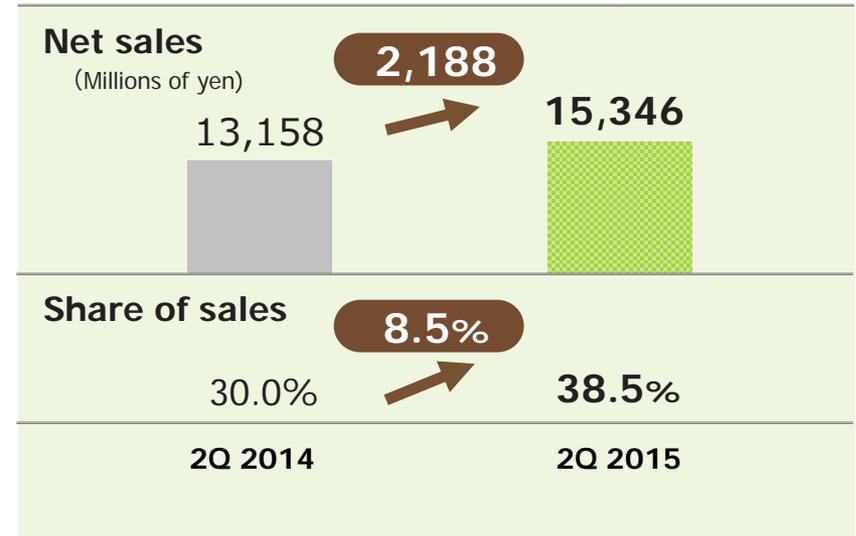
- Sales via catalog: Customer reads a catalog then purchases by Internet, entering catalog number
- Internet-only sales: Customer makes purchase through the Internet by putting products into online shopping cart



Ratio of Internet-based Orders



Amount and Share of Smartphone Sales



Overview of the Bridal Business (YoY Comparison)

	2Q 2014	2Q 2015	Difference	Major factors
Net sales (Millions of yen)	5,890	6,685	795	
• New facilities (including PLANETWORK facilities)	-	929	929	■ Opening of new facility in Niigata, and two PLANETWORK facilities
• Existing facilities	5,890	5,756	-134	
Operating income (Millions of yen)	173	89	-84	
Guesthouses	18	21	3	■ Opening of new facility in Niigata, and two PLANETWORK facilities
Weddings (Couples)	1,518	1,722	204	
Average sales per wedding (10,000 yen)	379	377	-2	■ Sales per wedding are low at PLANETWORK's restaurant wedding

(Millions of yen)

	2Q 2014	2Q 2015	Difference	Major factors
Net sales	1,875	2,078	202	
• Contracting services	1,324	1,434	110	■ Increase in contracting sales of existing clients
• Sampling	430	505	75	■ Increase in the number of new clients
• Novelties	85	115	30	■ Increase in the number of new clients
• Others	34	22	-12	
Operating income	178	188	10	

3. 2Q Fiscal 2015 Results Relative to Initial Plan

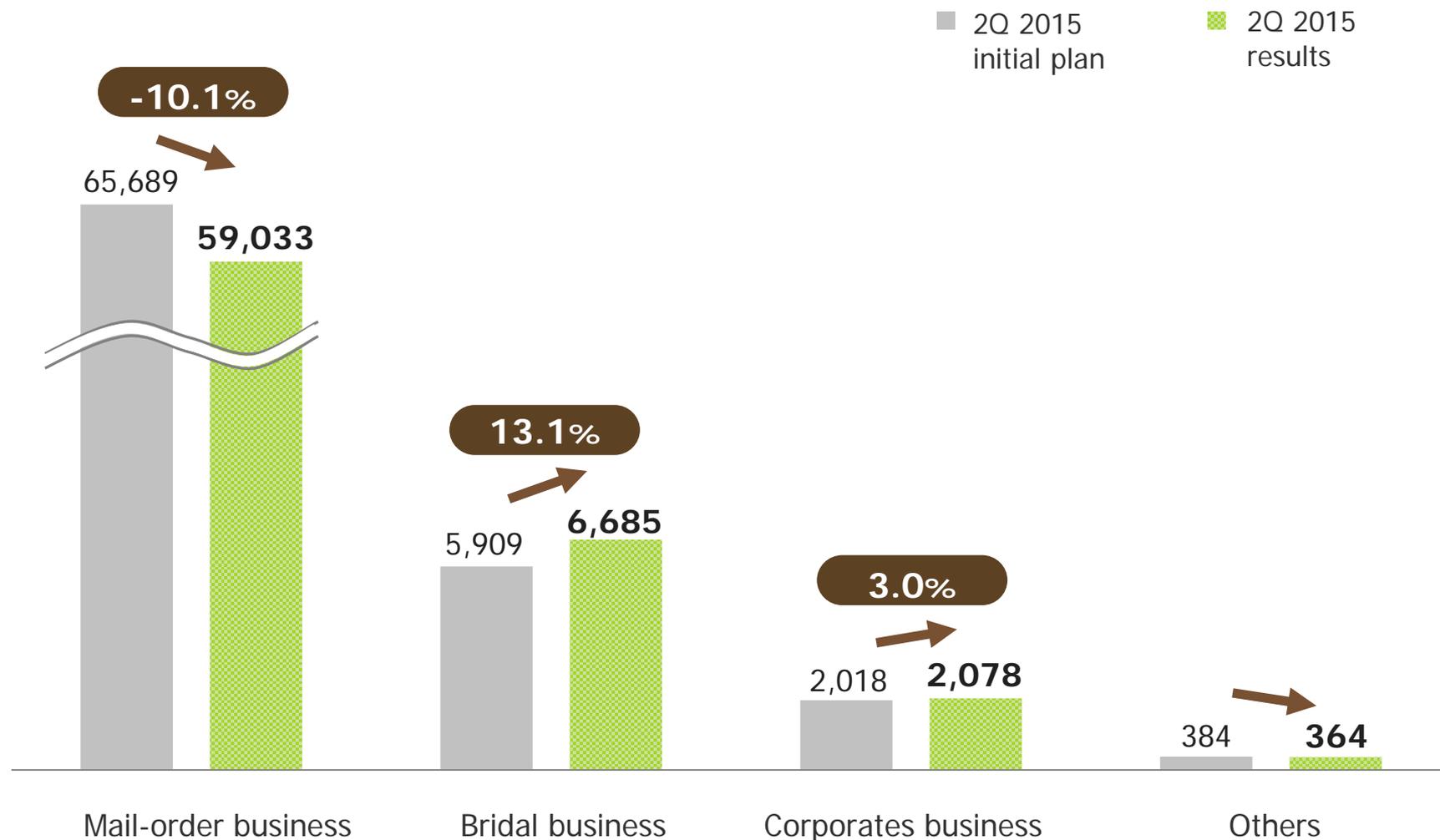

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(Millions of yen)

	2Q 2015 (Initial plan)		2Q 2015 (Results)		Relative to initial plan	
		% to net sales		% to net sales	Difference	Change in % to net sales
Net sales	74,000		68,161		-5,839	-7.9%
Cost of sales	39,185	53.0%	36,451	53.5%	-2,734	0.5%
Gross profit	34,814	47.0%	31,710	46.5%	-3,104	-0.5%
SG&A expenses	33,764	45.6%	32,864	48.2%	-900	2.6%
Operating income	1,050	1.4%	-1,154	-1.7%	-2,204	-3.1%
Ordinary income	1,250	1.7%	-1,063	-1.6%	-2,313	-3.3%
Net income	700	0.9%	-1,219	-1.8%	-1,919	-2.7%

Consolidated Sales by Business Segment (Compared with Initial Plan)

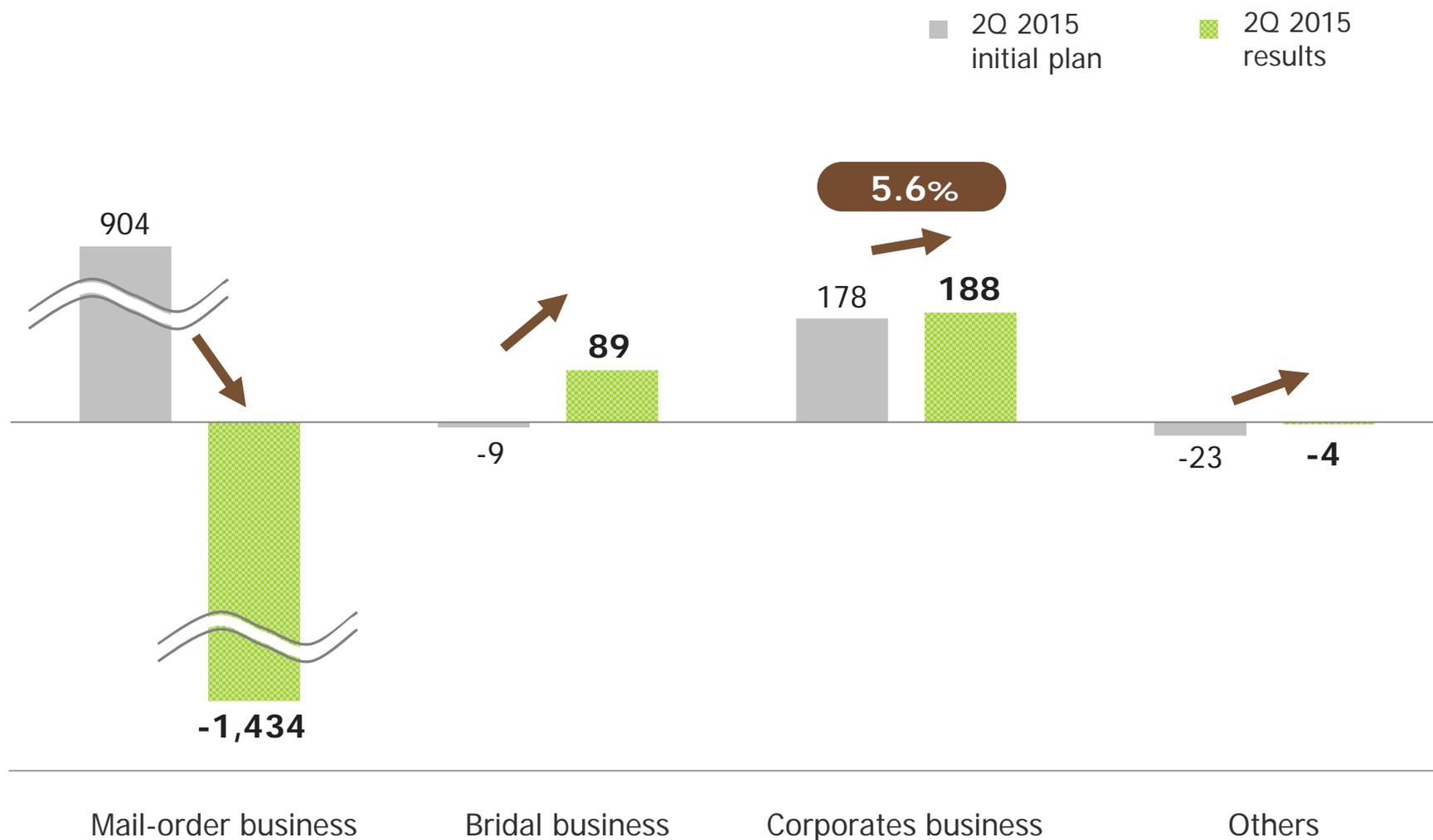
(Millions of yen)



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Consolidated Operating Income by Business Segment (Compared with Initial Plan)

(Millions of yen)



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4. Consolidated Earnings Outlook for Fiscal 2015


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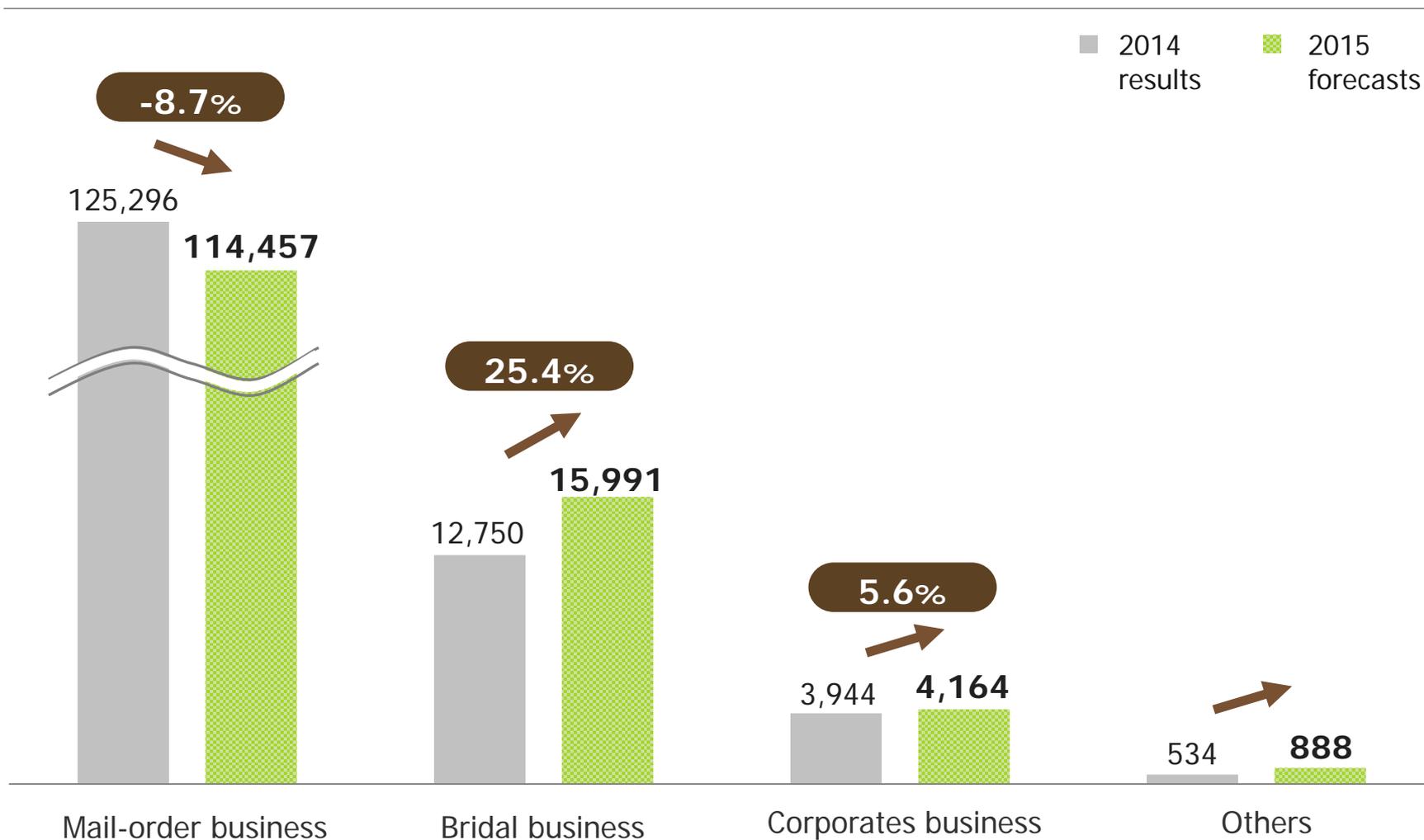
(Millions of yen)

	2014 (Results)		2015 (Forecasts)		YoY change	
		% to net sales		% to net sales	Difference	Change in % to net sales
Net sales	142,526		135,500		-7,026	-4.9%
Cost of sales	75,038	52.6%	72,509	53.5%	-2,529	0.9%
Gross profit	67,488	47.4%	62,990	46.5%	-4,498	-0.9%
SG&A expenses	64,399	45.2%	66,390	49.0%	1,991	3.8%
Operating income	3,088	2.2%	-3,400	-2.5%	-6,488	-4.7%
Ordinary income	3,549	2.5%	-3,150	-2.3%	-6,699	-4.8%
Net income	1,798	1.3%	-4,400	-3.2%	-6,198	-4.5%

- ◆ Net sales: Forecast a prolonged drop in sales in the mail-order business after the April 2014 consumption tax hike
Aiming for a recovery in sales through conducting more marketing measures in the second half
- ◆ Operating income: Forecast lower operating income due to increases in the cost of sales ratio and SG&A expenses (sales promotion expenses and expenses at Minokamo Distribution Center)
- ◆ Net income: Forecast lower net income as a recoverability of deferred tax assets is uncertain

Fiscal 2015 Consolidated Sales Outlook by Business Segment (YoY Comparison)

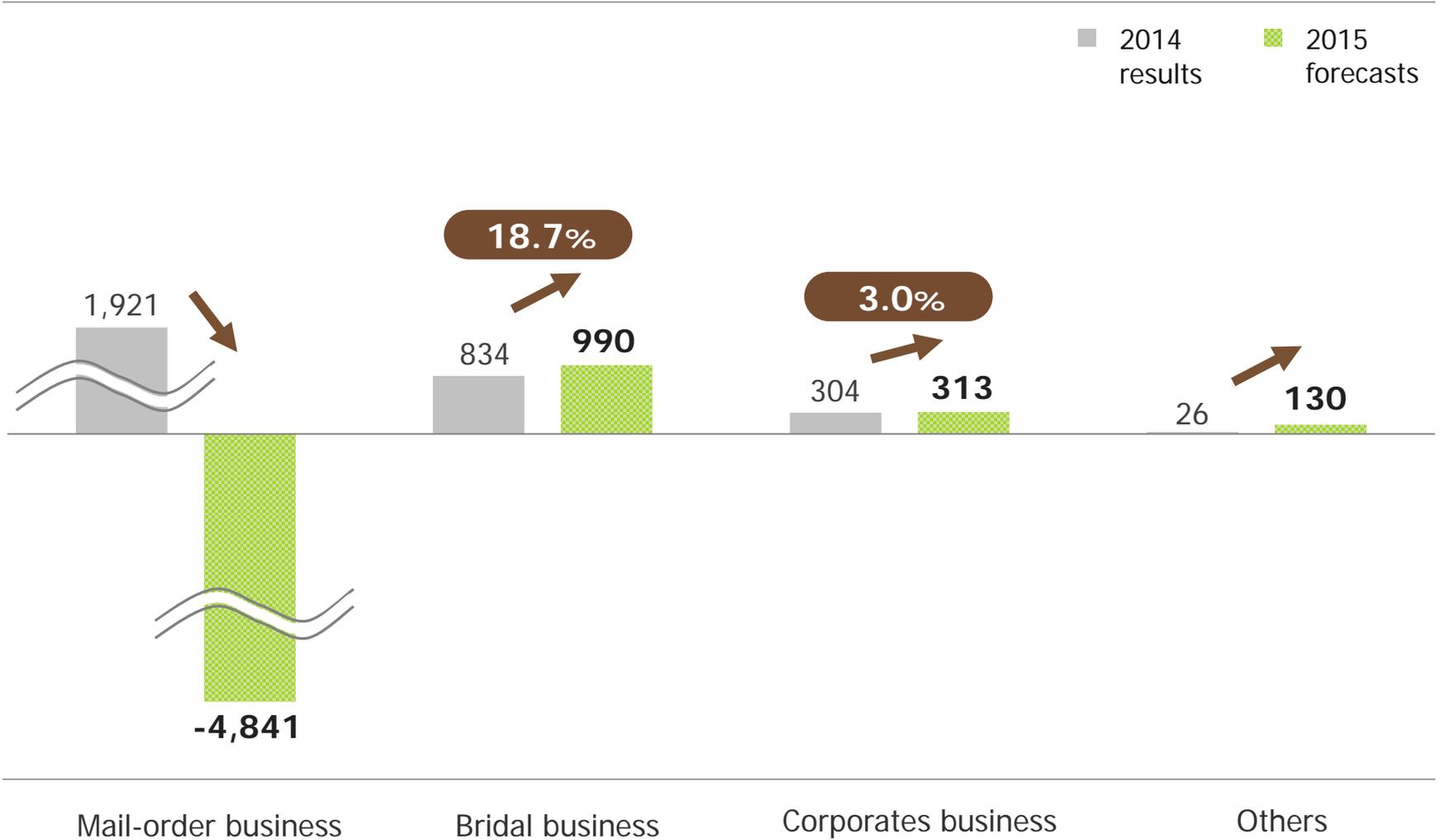
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Fiscal 2015 Consolidated Operating Income Outlook by Business Segment (YoY Comparison)

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5. Others

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Alliance with JFR and Alliance Activities

Senshukai and J.FRONT RETAILING Co., Ltd. (JFR) signed a capital and business alliance agreement on April 17. The two companies then established a Business Alliance Promotion Committee to determine specific activities for capturing synergies.

As a step that can be implemented quickly, the committee is focusing on the mutual use of brands and merchandise with the goal of increasing sales and improving profitability.

There will be a clearance sale as a limited-time trial in order to attract more customers to stores and websites. In addition, the merchandise of both companies will be sold during the summer vacation period at Daimaru and Matsuzakaya department stores and Senshukai's mail-order sales channels. These measures will be used to make consumers more aware of the two companies' brands and monitor the responses of customers in order to establish a foundation for full-scale joint sales activities.

From a longer-term perspective, alliance activities may also include the joint development of private brands and the outsourcing to Senshukai of operations for the JFR Group's virtual store business.



Senshukai merchandise is sold at Daimaru and Matsuzakaya dept. stores



JFR merchandise is sold on the Senshukai retail website

Acquisition of PLANETWORK CO.,LTD.



In March, Senshukai acquired from OG Capital Co., Ltd., a subsidiary of Osaka Gas Co., Ltd., all shares of PLANETWORK CO., LTD.

PLANETWORK has a house wedding business and other activities. The company has two facilities in the Osaka suburb of Suita, Mia Via and Geihinkan, which is located in the EXPO '70 Commemoration Park.

Acquiring PLANETWORK gives Senshukai a stronger position in the Kansai region, where more locations were needed as part of the establishment of a nationwide network of wedding facilities. These two Osaka area locations will be key elements of the growth strategy for the wedding business.





Using donations from customers to support worthy causes

Post-quake Reconstruction Support

Ishinomaki Child Raising Festival

This is the third year that Senshukai has provided to support for Baby Smile Ishinomaki, a non-profit organization operating mainly in Ishinomaki in Miyagi prefecture. By working with local governments and organizations, Senshukai has used donations and other measures to back up the important programs of Baby Smile Ishinomaki.

In June, Senshukai participated in a child raising event in Ishinomaki by operating a family photo studio with a professional photographer. Pictures were taken of 137 families, a total of 369 people.

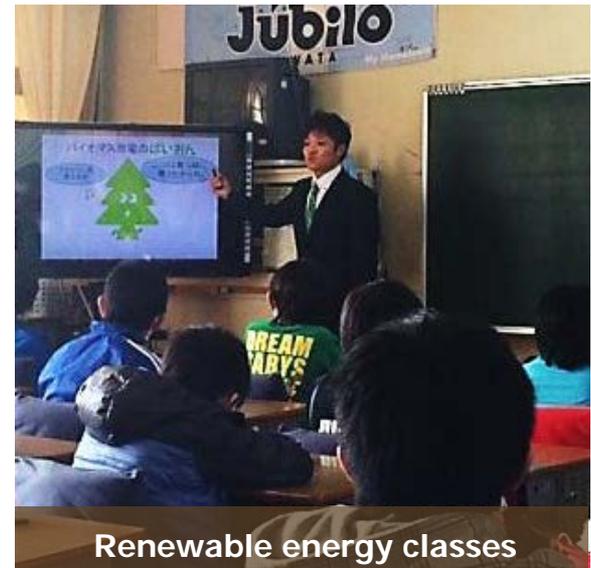
Environmental Activities

Green Power Classes at 10 Schools

Senshukai and Diamond, Inc. have been sending instructors to schools since 2014 to teach lessons about renewable energy. As of March 2015, which covers the first two phases, classes were held at 10 elementary schools throughout Japan. More of these classes are planned in order to give parents and their children an opportunity to think about the importance of renewable energy.



Senshukai's family photo corner at a Baby Smile Ishinomaki event



Renewable energy classes

Dividend Forecast

The Senshukai Group's basic policy for dividends is to return earnings to shareholders appropriately in a manner that reflects results of operations. We will maintain stable dividends that take into account the payout ratio as well as the need to use retained earnings to build a stronger foundation for business activities.

In the forecast announced on February 5, 2015, the forecast for the dividend applicable to 2015 was 16 yen, the sum of 8 yen interim and year-end dividends. However, due to the revisions to the first half and 2015 forecasts and other considerations, the interim dividend has been reduced to 4 yen and the forecast for the year-end dividend has been lowered to 4 yen.

Schedule for Earnings Announcements

- **October 30, 2015 (Friday)** **Announcement of financial results for the third quarter of Fiscal 2015**
- **February 4, 2016 (Thursday)** **Announcement of financial results for Fiscal 2015**
- **February 5, 2016 (Friday)** **Earnings presentation for Fiscal 2015 (Tokyo)**

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.