

Interim Consolidated Financial Report for Fiscal 2006, Ended June 30, 2006



July 27, 2006

Company Name: **Senshukai Co., Ltd.**
 Stock Exchanges: Tokyo and Osaka
 Stock Code: 8165
 (URL: <http://www.senshukai.co.jp>)
 Head Office: Osaka
 Representative: Mr. Yasuhiro Yukimachi, President and Representative Director
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Meeting of the Board of Directors for Approval of Financial Results: July 27, 2006
 U.S.GAAP: None

1. Interim Consolidated Results for Fiscal 2006 (January 1, 2006 – June 30, 2006)

(1) Operating Results

(¥ million, rounded down)

| | Net sales | | Operating income | | Ordinary income | |
|-------------------------|-----------|-------|------------------|--------|-----------------|--------|
| | | % | | % | | % |
| Interim ended Jun. 2006 | 74,843 | 0.7 | 2,529 | 42.0 | 2,579 | 30.3 |
| Interim ended Jun. 2005 | 74,295 | (3.9) | 1,780 | (14.4) | 1,979 | (11.4) |
| Year ended Dec. 2005 | 145,453 | | 3,432 | | 3,962 | |

| | Net income | | Net income per share (¥) | | Diluted net income per share (¥) | |
|-------------------------|------------|---|-----------------------------|-----|--|----|
| | | % | | | | |
| Interim ended Jun. 2006 | 2,035 | - | 44 | 27 | 44 | 02 |
| Interim ended Jun. 2005 | (605) | - | (14) | 04) | - | |
| Year ended Dec. 2005 | 1,267 | | 27 | 44 | 27 | 36 |

Notes:

1) Equity in earnings of unconsolidated subsidiaries

Interim ended Jun. 2006 : ¥38 million
 Interim ended Jun. 2005 : ¥84 million
 Year ended Dec. 2005 : ¥167 million

2) Average number of shares of common stock outstanding during the fiscal year (consolidated):

Interim ended Jun. 2006 : 45,981,924
 Interim ended Jun. 2005 : 43,103,536
 Year ended Dec. 2005 : 44,456,231

3) There were no changes in accounting principles that were applicable to the above figures.

4) Percentages for net sales, operating income, ordinary income and net income represent percentage changes from the corresponding period of the previous year.

(2) Consolidated Financial Position

| | Total assets (¥ million) | Net assets (¥ million) | Equity ratio (%) | Net assets per share (¥) |
|---------------------|-----------------------------|---------------------------|---------------------|-----------------------------|
| As of Jun. 30, 2006 | 90,087 | 54,139 | 60.0 | 1,173 78 |
| As of Jun. 30, 2005 | 86,504 | 49,558 | 57.3 | 1,086 49 |
| As of Dec. 31, 2005 | 92,788 | 52,519 | 56.6 | 1,143 12 |

Note: Number of shares issued and outstanding at the period-end (consolidated):

As of Jun. 30, 2006 : 46,076,882
 As of Jun. 30, 2005 : 45,613,753
 As of Dec. 31, 2005 : 45,901,707

(3) Consolidated Cash Flows

(¥ million)

| | Operating activities | Investing activities | Financing activities | Period-end cash and cash equivalents |
|-------------------------|----------------------|----------------------|----------------------|--------------------------------------|
| Interim ended Jun. 2006 | 1,355 | (1,454) | (416) | 10,865 |
| Interim ended Jun. 2005 | 705 | (2,857) | 2,797 | 11,887 |
| Year ended Dec. 2005 | 2,539 | (5,086) | 2,625 | 11,320 |

(4) Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries: 9

Equity-method non-consolidated subsidiaries: 3

Equity-method affiliates: 0

(5) Changes in Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries

New: 1

Excluded: 0

Equity-method affiliates:

New: 0

Excluded: 0

**2. Consolidated Outlook for the Fiscal Year Ending December 31, 2006
(January 1, 2006 – December 31, 2006)**

(¥ million)

| | Net sales | Ordinary income | Net income |
|-----------|-----------|-----------------|------------|
| Full year | 147,000 | 4,700 | 3,500 |

(Reference: Projected net income per share for the year: ¥75.96)

The above projections are based on information available at the time of release of this report. Actual results could differ significantly from projections due to a variety of factors.

For further details regarding projections, please refer to page 9.

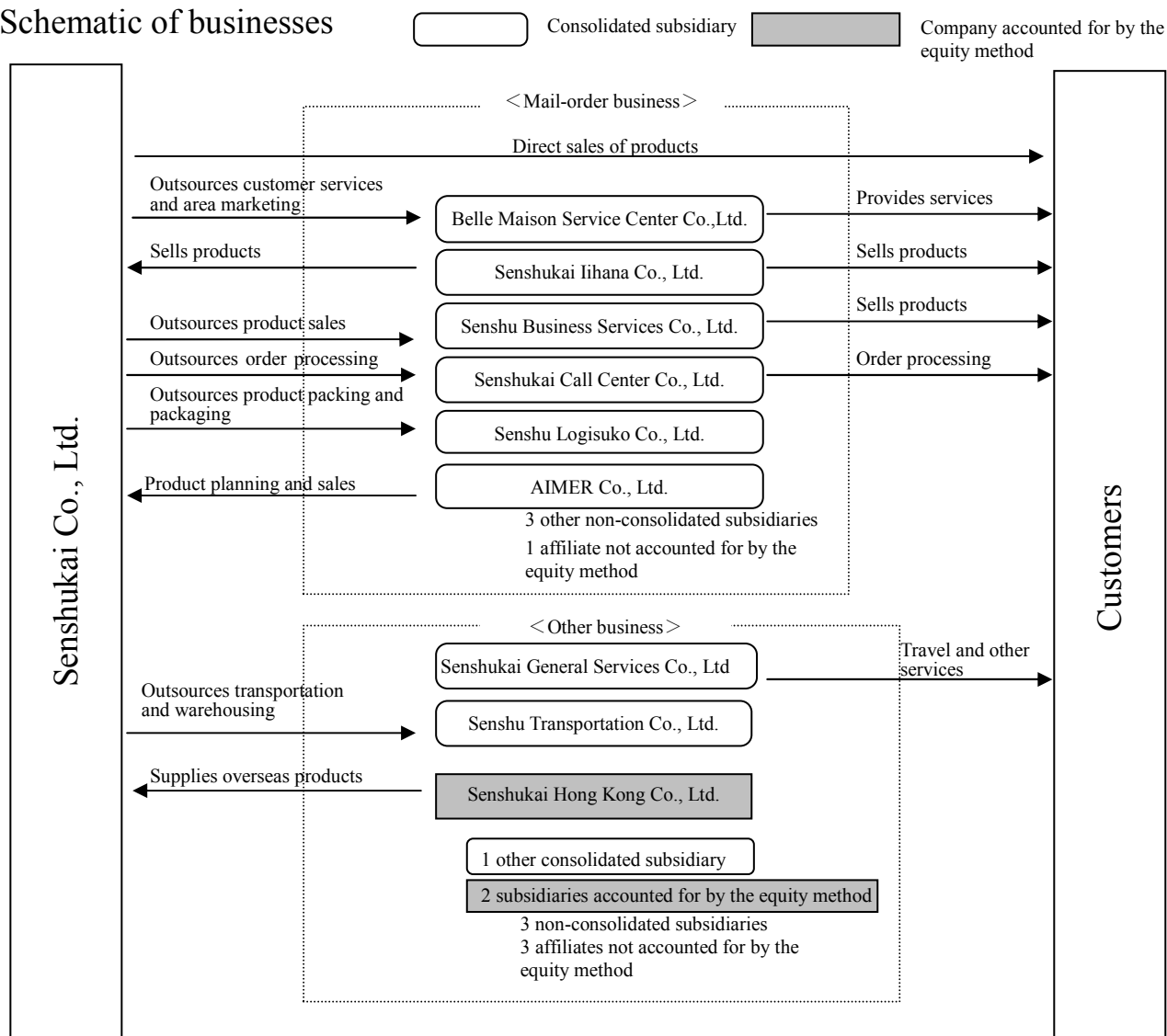
Group Organization

The Senshukai Group comprises the parent company, eighteen subsidiaries and four affiliates. The Group is principally engaged in the mail order business segment, and the other business segment, which includes transportation, warehousing, travel, services and other related businesses.

The following describes the position of each main business activity in the Group's operations and its relationship with the business segments.

| Segment | Main business | Company |
|---------------------|----------------------------------|---|
| Mail-order business | Mail order | Senshukai Co., Ltd., Belle Maison Service Center Co., Ltd., and 5 other companies |
| | Product sales | Senshu Business Services Co., Ltd. |
| | Order processing | Senshukai Call Center Co., Ltd. |
| | Transportation and warehousing | Senshu Logisuko Co., Ltd. |
| | Product planning and development | AIMER Co., Ltd. |
| Other business | Product sales | Senshukai Co., Ltd. and 2 other companies |
| | Services | Senshukai General Services Co., Ltd. and 5 other companies |
| | Transportation | Senshu Transportation Co., Ltd. |
| | Export sales | Senshukai Hong Kong Co., Ltd. and 2 other companies |

Schematic of businesses



Management Policies

1. Basic Management Policy

The Senshukai Group's corporate philosophy is to "contribute to society by providing our customers with outstanding products and services".

Senshukai works together with its shareholders, customers, business partners, employees and all other stakeholders to achieve mutual prosperity and increase corporate value.

2. Basic Policy Regarding Distribution of Earnings

The basic policy regarding the distribution of earnings of the Senshukai Group is to strengthen our business foundation, and maintain payment of stable dividends and return appropriate earnings to shareholders.

We will use retained earnings to make investments to advance the development of new businesses and raise the efficiency of existing businesses, improve the soundness of our financial position and work to further strengthen our competitiveness and corporate structure.

3. Policy on Reducing Senshukai's Trading Unit

The basic policy of the Senshukai Group regarding Senshukai's trading unit is to regularly consider reducing the size of the unit for trading shares on the stock exchange to improve the liquidity of the shares and broaden the shareholder base. If the trading unit is reduced, however, substantial expenses will be incurred. We must therefore take a cautious approach to any reduction in the trading unit, taking into consideration the demands of the market and other factors.

4. Key Performance Indicators

In line with the medium-term management plan, the Senshukai Group aims to move from sales-oriented management to management focused on corporate value. Specifically, we aim to generate operating cash flows of ¥10 billion in the fiscal year ending December 31, 2007. Furthermore, focusing more sharply on profitability, we have set a target of 5% for the operating income ratio.

One basic policy of the medium-term management plan is for the Senshukai Group to proactively invest in growth areas. Looking ahead, we aim to increase corporate value by growing earnings.

5. Medium- to Long-term Corporate Management Strategy and Issues

Senshukai has established and is implementing a medium-term management plan whose final year is the year ending December 31, 2007.

(1) Basic Policies of Medium-Term Management Plan

1) Higher Profitability for Core Businesses

In the catalog mail-order business (in particular, existing business areas in which our target customers are women in their late 20s and 30s), we shall forgo sales expansion that is not feasible, focusing instead on higher profitability.

2) Aggressive Investment in Growth Areas

We shall aggressively pursue investment aimed at the expansion of certain customer age groups, focusing on customers ranging from their 20s to 40s, and at the expansion of our sales channels, primarily the Internet and storefront businesses.

3) Improved Brand Value

Under the slogan "Super thrilling, super exciting," all employees work rigorously to create a *Belle Maison* that resonates with our customers' hearts.

(2) Strategies of Medium-Term Management Plan Over the Current Interim Period

1) Promotion of Supply Chain Management

We monitor key performance indicators every month. Furthermore, to implement improvements we are building a supply chain management system and modifying our organization.

2) Reassessment of Catalog Positioning

Following a reassessment of each catalog's positioning, in this fiscal year we published some new catalogs and discontinued some old ones. Looking ahead, we will continue to reassess catalogs.

3) Expansion of Customer Age Groups From 20s to 40s

20s: We are using Internet and mobile content targeting these customers to strengthen product sales and services. Also, we launched *Mobakore* (<http://www.mbkr.jp>), a shopping website exclusively for mobile phone customers, with DeNA Co., Ltd.

40s: Targeting these customers, we published the fashion catalog *Rashisa* and the interiors catalog *Luxe Living*, achieving steady sales.

4) Promotion of Internet Sales

We posted Internet sales of ¥27.3 billion, an increase of 24.6%, by further strengthening content of *Belle Maison Net*. This figure includes Internet direct sales of ¥11.5 billion, up 62%. We also steadily expanded mobile content sales.

5) Development of Storefront Business

We have opened six stores. Looking ahead, we will steadily increase our number of shops while looking for the best store model.

6) Stronger Development Capabilities

We launched a project to reassess and redesign the product development process. Looking ahead, we will promote measures to strengthen development capabilities at all development divisions.

7) Better Customer Service

We are working to strengthen many customer services, including reducing the number of days for deliveries and reducing the time taken to respond to inquiries.

6. Matters related to the parent company

Parent company information is not presented since Senshukai Co., Ltd does not have a parent company.

Operating Results and Financial Condition

1. Operating Results

(1) Overview

1) Performance

During the current interim period under review, the Japanese economy steadily progressed from a gentle recovery to expansion, maintaining a good balance between corporate capital investment and personal consumption, both of which are key sources of domestic demand. Nevertheless, the outlook is still clouded by various risks, especially regarding the possibilities of further increases in crude oil prices and a steep appreciation of the yen, as well as a business slowdown in the U.S. and low share prices. Despite the growth in personal consumption, the retail industry is witnessing differences in competitiveness and other disparities between business operations and companies, and the impact of inclement weather. In the mail-order industry, Internet sales companies, mobile sales companies and television shopping companies saw increased sales, but sales of general catalog mail order companies continued to languish. Companies actively pursued and implemented M&As and business alliances that transcended specific business operations. Severe business conditions continued as the market experienced increasingly intense price competition as well as even tougher consumer selectiveness regarding products and services.

Against this backdrop, the Senshukai Group worked to achieve the priority strategies of its medium-term management plan, whose third and final year is fiscal 2007, during the plan's second year.

As a result, during the current interim period under review, net sales increased 0.7% year over year to ¥74,843 million.

In terms of earnings, the gross profit margin rose 1.1 points year over year due to reduced cost of sales. The proportion of selling, general and administrative expenses to net sales, however, rose 0.1 points. As a result, operating income climbed 42.0% to ¥2,529 million and ordinary income increased 30.3% to ¥2,579 million. Net income increased ¥2,640 million to ¥2,035 million due to the absence of a loss on impairment of long-lived assets which was posted in the interim period of the previous fiscal year.

(2) Segment Information

[Mail-Order Business]

Consolidated sales during the current interim period under review in the mail-order business, which comprises the catalog and the *hanpukai* businesses, edged up 0.6% year over year to ¥71,757 million. Operating income increased 33.0% to ¥2,415 million.

1) Catalog Business

The catalog business provides customers with a variety of lifestyle ideas and offers unique Senshukai products through 18 different catalogs currently in circulation.

Since its start in 1976, this business has won acclaim by satisfying member needs as a “lifestyle navigator” offering a product lineup in a wide range of categories—from clothing, interior goods and everyday items to maternity products and children’s clothing—with fashion apparel at its core.

Under the slogan “Super thrilling, super exciting,” during the current interim period under review we repositioned various media. As a result, net sales rose 4.0% year over year to ¥63,415 million.

2) *Hanpukai* Business

Senshukai’s *hanpukai* business employs an original, unique sales model differing from other mail order companies whereby goods are delivered monthly to all group and individual members, mainly working women.

Focusing on everyday items and foods, this business offers a lineup of various products that are highly

collectible, original and not available in retail stores.

Established in 2004, the *Belle Maison* Service Center Co., Ltd specializes in large workplace-based purchasing groups. Senshukai offers meticulous customer services and conducts sales promotions to retain these customers.

Despite this excellent framework, both sales and membership decreased compared with the same period in the previous fiscal year. *Hanpukai* sales during the current interim period under review declined 19.4% year over year to ¥8,342 million, and the average monthly membership in the interim period was 604,000.

[Other Businesses]

In addition to the mainstay travel and credit card services, this segment comprises transportation and storefront services, as well as B to B operations. During the current interim period under review, the consolidated sales of these businesses rose 4.8% year over year to ¥3,086 million.

As a result, operating income improved to ¥95 million, compared with an operating loss of ¥82 million in the same period of the previous fiscal year.

2. Financial Position

As of June 30, 2006, total assets were ¥90,087 million, down ¥2,701 million from the end of the previous fiscal year. In current assets, accounts receivable-other declined ¥1,628 million and cash and deposits decreased ¥352 million, although notes and accounts receivable-trade increased ¥1,202 million. In fixed assets, total property and equipment declined ¥108 million, mainly as the result of depreciation, while intangible assets increased ¥353 million due to software development.

In current liabilities, notes and accounts payable-trade decreased ¥1,051 million and the sum of accounts payable-other and accounts payable-factoring fell ¥1,022 million. In long-term liabilities, deferred tax liabilities fell ¥154 million and liabilities for retirement benefits for directors and corporate auditors declined ¥100 million.

Net assets increased ¥1,620 million from the end of the previous fiscal year, due mainly to the posting of the net income. Consequently, the equity ratio was 60.0%.

Cash Flow Position

On June 30, 2006, cash and cash equivalents amounted to ¥10,865 million, ¥454 million less than at the end of the previous fiscal year. This decrease mainly reflected a decline of ¥515 million in cash and cash equivalents due to operating, investing and financing activities, despite an increase of ¥60 million from the new consolidation of a subsidiary.

Operating activities provided net cash of ¥1,355 million. The main contributing factors were income before income taxes and minority interests of ¥2,553 million, depreciation of ¥812 million and a decrease in other current assets of ¥3,350 million. This was partly offset by an increase in notes and accounts receivable of ¥1,163 million, a decrease in notes and accounts payable of ¥1,071 million and a decrease in other current liabilities of ¥3,058 million.

Investing activities used net cash of ¥1,454 million. The main outflows were ¥505 million for purchases of intangible assets, and ¥1,100 million in purchases of investment securities.

Financing activities used net cash of ¥416 million. The main cash outflow was ¥458 million in cash dividends paid.

Cash Flow Indices

| | Dec. 31, 2003 | Dec. 31, 2004 | Dec. 31, 2005 | June 30, 2006 |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Equity ratio (%) | 54.1 | 53.9 | 56.6 | 60.0 |
| Equity ratio based on fair value (%) | 58.4 | 41.6 | 74.3 | 62.6 |
| Average debt repayment period (years) | 0.1 | 0.2 | 0.2 | 0.1 |
| Interest coverage ratio | 162.0 | 80.1 | 59.1 | 56.7 |

Notes:

1. Cash flow indices are calculated as follows using consolidated financial figures:
The equity ratio based on fair value is market capitalization divided by total assets.
The average debt repayment period in years is interest-bearing debt divided by the quantity of operating cash flows.
The average debt repayment period at the end of the first half of the fiscal year in years is interest-bearing debt divided by the quantity of operating cash flows multiplied by two.
The interest coverage ratio at the end of the first half of the fiscal year is operating cash flows divided by interest payments.
2. Market capitalization is calculated by multiplying the closing share price at the end of the first half of the fiscal year by the number of shares issued and outstanding at the end of the first half of the fiscal year, excluding treasury stock.
3. Interest-bearing debt represents all liabilities shown on the balance sheets for which interest is paid by Senshukai Group.
4. Operating cash flows and interest payments represent net cash provided by operating activities and interest expenses paid, respectively, on the consolidated statements of cash flows.

3. Business Risks

(1) Economic situation of manufacturing countries

The majority of the products sold by the Senshukai Group are imported from China and other Asian countries. Consequently, the Group's operating results and financial position may be impacted by the political or economic conditions, or the occurrence of natural disasters, in these countries.

(2) Exchange rate fluctuation

Some products handled in the mail order business, the Senshukai Group's mainstay business, are imported and denominated in foreign currencies. Although Senshukai employs forward-exchange contracts and applies hedging measures to reduce risks associated with exchange rate fluctuations, large fluctuations could affect the Senshukai Group's operating results and financial position.

(3) Risks associated with leaks of personal information

Senshukai and some subsidiaries handle personal information subject to Japan's Personal Information Protection Law. The Senshukai Group adheres to all relevant laws, has established a Customer Information Management Team to prevent information leaks and strengthened internal control systems. Furthermore, in June 2006 Senshukai obtained the Privacy Mark certification.

However, the unlikely event of a leakage of personal information handled by the Senshukai Group could significantly adversely affect the Group's operating results and financial position due to loss of public trust and the deterioration of its corporate image.

(4) Risks associated with natural disasters

Natural disasters or other unexpected events that disrupt the order processing or shipment operations of the Senshukai Group's mainstay mail order business may significantly affect the Group's operating results and financial position. To minimize these risks, Senshukai has established backup processing and shipment systems, and a preparatory framework for earthquake disasters. We have also established a Crisis Management Committee and formulated rules applicable to emergencies. Nevertheless, severe

damages to Senshukai facilities and disruptions to order processing or shipments resulting from a major disaster would significantly adversely affect the Group's operating results and financial position.

(5) Forward-looking statements

All forward-looking statements in the "Business Risks" section are based on the judgment of the Senshukai Group as of the presentation date of the financial report for the first half of fiscal 2006 (July 27, 2006).

4. Outlook for Fiscal 2006

Japan's economy has shown signs of business expansion. Continued growth is expected to be underpinned by increased consumption against the backdrop of expanded capital investment and employment. However, at the time of this report, the economy has not yet escaped from deflation. Looking ahead, we expect the distribution industry to continue facing severe business conditions regardless of business type.

For fiscal 2006, Senshukai projects net sales of ¥147,000 million, approximately ¥1,500 million higher than in the previous fiscal year. On the earnings front, Senshukai forecasts ordinary income of ¥4,700 million and net income of ¥3,500 million.

The following are our forecasts for fiscal 2006.

| (Consolidated) | | (¥ million) | | |
|------------------------|-----------|-----------------|------------|--|
| | Net sales | Ordinary income | Net income | |
| Fiscal 2006 (forecast) | 147,000 | 4,200 | 3,500 | |
| Fiscal 2005 (results) | 145,453 | 3,962 | 1,267 | |
| Change (%) | 1.1 | 18.6 | 176.1 | |

| (Non-consolidated) | | (¥ million) | | |
|------------------------|-----------|-----------------|------------|--|
| | Net sales | Ordinary income | Net income | |
| Fiscal 2006 (forecast) | 146,000 | 4,000 | 3,100 | |
| Fiscal 2005 (results) | 144,058 | 3,532 | 1,593 | |
| Change (%) | 1.3 | 13.2 | 94.6 | |

Note: The above forecasts are based on information available at the time of release of this report. Actual results could differ significantly from forecasts due to a variety of factors.

Interim Consolidated Financial Statements

(1) Interim Consolidated Balance Sheets

(¥ million)

| Term Item | As of June 30, 2005 | | As of June 30, 2006 | | As of December 31, 2005 | |
|--|---------------------|-------|---------------------|-------|-------------------------|-------|
| | Amount | % | Amount | % | Amount | % |
| Assets | | | | | | |
| I Current assets: | | | | | | |
| 1. Cash and deposits | 11,600 | | 10,780 | | 11,133 | |
| 2. Notes and accounts receivable-trade | 11,855 | | 11,248 | | 10,046 | |
| 3. Marketable securities | 287 | | 85 | | 187 | |
| 4. Inventories | 14,070 | | 14,999 | | 15,165 | |
| 5. Deferred income taxes | 156 | | - | | 380 | |
| 6. Accounts receivable-other | 5,394 | | 5,301 | | 6,929 | |
| 7. Other | 3,591 | | 4,310 | | 5,855 | |
| Allowance for doubtful accounts | (266) | | (162) | | (165) | |
| Total current assets | 46,689 | 54.0 | 46,563 | 51.7 | 49,532 | 53.4 |
| II Fixed assets: | | | | | | |
| 1. Property and equipment: (Note 1) | | | | | | |
| (1) Buildings and structures (Note 2) | 11,589 | | 11,080 | | 11,173 | |
| (2) Machinery and vehicles | 2,509 | | 2,038 | | 2,175 | |
| (3) Furniture and fixtures | 699 | | 803 | | 770 | |
| (4) Land (Note 2) | 11,943 | | 11,567 | | 11,481 | |
| (5) Construction in progress | - | | 6 | | 4 | |
| Total property and equipment | 26,743 | 30.9 | 25,496 | 28.3 | 25,605 | 27.6 |
| 2. Intangible assets, net | 1,215 | 1.4 | 1,828 | 2.0 | 1,475 | 1.6 |
| 3. Investments and other assets: | | | | | | |
| (1) Investment securities (Note 2) | 7,805 | | 12,007 | | 12,254 | |
| (2) Long-term loans receivable | 564 | | 788 | | 750 | |
| (3) Guarantee deposits | 1,266 | | 1,303 | | 1,258 | |
| (4) Other | 2,855 | | 2,741 | | 2,579 | |
| Allowance for doubtful accounts | (636) | | (642) | | (666) | |
| Total investments and other assets | 11,856 | 13.7 | 16,198 | 18.0 | 16,175 | 17.4 |
| Total fixed assets | 39,815 | 46.0 | 43,523 | 48.3 | 43,256 | 46.6 |
| Total Assets | 86,504 | 100.0 | 90,087 | 100.0 | 92,788 | 100.0 |

(¥ million)

| Item | Term | As of June 30, 2005 | | As of June 30, 2006 | | As of December 31, 2005 | |
|----------------------------------|--|---------------------|-------|---------------------|------|-------------------------|-------|
| | | Amount | % | Amount | % | Amount | % |
| Liabilities | | | | | | | |
| I Current liabilities: | | | | | | | |
| 1. | Notes and accounts payable-trade | 9,732 | | 9,935 | | 10,986 | |
| 2. | Current portion of long-term debt (Note 2) | 118 | | 51 | | 124 | |
| 3. | Accounts payable-other | 4,477 | | 4,549 | | 6,151 | |
| 4. | Accounts payable-factoring | 16,161 | | 15,502 | | 14,923 | |
| 5. | Accrued expenses | 1,587 | | 1,559 | | 1,950 | |
| 6. | Accrued income taxes | 297 | | 250 | | 308 | |
| 7. | Accrued consumption taxes | 264 | | 248 | | 305 | |
| 8. | Deferred tax liabilities | - | | 219 | | - | |
| 9. | Allowance for sales promotion | 597 | | 653 | | 686 | |
| 10. | Other | 553 | | 624 | | 2,130 | |
| | Total current liabilities | 33,790 | 39.1 | 33,595 | 37.3 | 37,567 | 40.5 |
| II Long-term liabilities: | | | | | | | |
| 1. | Long-term debt (Note 2) | 377 | | 335 | | 393 | |
| 2. | Deferred tax liabilities | 104 | | 692 | | 847 | |
| 3. | Deferred tax liabilities relating to land revaluation | 867 | | 804 | | 804 | |
| 4. | Liabilities for employees' retirement benefits | 14 | | 20 | | 14 | |
| 5. | Liabilities for retirement benefits for directors and corporate auditors | 389 | | 498 | | 599 | |
| 6. | Deposits received | 1,358 | | - | | - | |
| | Total long-term liabilities | 3,112 | 3.6 | 2,352 | 2.6 | 2,659 | 2.9 |
| | Total liabilities | 36,903 | 42.7 | 35,947 | 39.9 | 40,226 | 43.4 |
| Minority interests: | | | | | | | |
| | Minority interests | 42 | 0.0 | - | - | 43 | 0.0 |
| Shareholders' equity: | | | | | | | |
| | I Common stock | 20,359 | 23.5 | - | - | 20,359 | 21.9 |
| | II Capital surplus | 20,648 | 23.9 | - | - | 20,657 | 22.3 |
| | III Retained earnings | 16,881 | 19.5 | - | - | 18,438 | 19.9 |
| | IV Land revaluation difference | (7,371) | (8.5) | - | - | (7,462) | (8.1) |
| | V Net unrealized gains on available for sale securities | 416 | 0.5 | - | - | 1,719 | 1.8 |
| | VI Foreign currency translation adjustments | (37) | (0.0) | - | - | (40) | (0.0) |
| | VII Treasury stock | (1,337) | (1.6) | - | - | (1,153) | (1.2) |
| | Total shareholders' equity | 49,558 | 57.3 | - | - | 52,519 | 56.6 |
| | Total liabilities, minority interests and shareholders' equity | 86,504 | 100.0 | - | - | 92,788 | 100.0 |

(¥ million)

| Item | Term | As of June 30, 2005 | | As of June 30, 2006 | | As of December 31, 2005 | |
|--|------|---------------------|---|---------------------|-------|-------------------------|---|
| | | Amount | % | Amount | % | Amount | % |
| Net assets | | | | | | | |
| I Shareholders' equity: | | | | | | | |
| 1. Common stock | | - | - | 20,359 | 22.6 | - | - |
| 2. Capital surplus | | - | - | 20,715 | 23.0 | - | - |
| 3. Retained earnings | | - | - | 19,919 | 22.1 | - | - |
| 4. Treasury stock | | - | - | (1,041) | (1.2) | - | - |
| Total shareholders' equity | | - | - | 59,951 | 66.5 | - | - |
| II Valuation and translation adjustments: | | | | | | | |
| 1. Net unrealized gains on available for sale securities | | - | - | 1,205 | 1.3 | - | - |
| 2. Deferred hedge gains (losses) | | - | - | 429 | 0.5 | - | - |
| 3. Land revaluation difference | | - | - | (7,462) | (8.3) | - | - |
| 4. Foreign currency translation adjustments | | - | - | (39) | (0.0) | - | - |
| Total valuation and translation adjustments | | - | - | (5,867) | (6.5) | - | - |
| III Minority interests | | | | | | | |
| | | - | - | 55 | 0.1 | - | - |
| Total net assets | | - | - | 54,139 | 60.1 | - | - |
| Total liabilities and net assets | | - | - | 90,087 | 100.0 | - | - |

(2) Interim Consolidated Statements of Income

(¥ million)

| Item | Term | Interim fiscal 2005 | | Interim fiscal 2006 | | Fiscal 2005 | |
|---|------|---------------------------------|-------|---------------------------------|-------|-------------------------------------|-------|
| | | January 1, 2005 – June 30, 2005 | | January 1, 2006 – June 30, 2006 | | January 1, 2005 – December 31, 2005 | |
| | | Amount | % | Amount | % | Amount | % |
| I Net sales | | 74,295 | 100.0 | 74,843 | 100.0 | 145,453 | 100.0 |
| II Cost of sales | | 38,659 | 52.0 | 38,075 | 50.9 | 75,173 | 51.7 |
| Gross profit | | 35,635 | 48.0 | 36,767 | 49.1 | 70,279 | 48.3 |
| III Selling, general and administrative expenses | | | | | | | |
| 1. Packing and freight | | 5,246 | | 5,381 | | 10,292 | |
| 2. Sales promotion expenses | | 13,143 | | 12,314 | | 25,200 | |
| 3. Provision for sales promotion expenses | | 597 | | 653 | | 686 | |
| 4. Provision for allowance for doubtful accounts | | 12 | | 140 | | 9 | |
| 5. Directors' and corporate auditors' remuneration | | 245 | | 271 | | 569 | |
| 6. Salaries | | 4,700 | | 4,750 | | 9,375 | |
| 7. Bonuses | | 699 | | 609 | | 1,673 | |
| 8. Provision for allowance for retirement benefits for directors and corporate auditors | | 31 | | 1 | | 301 | |
| 9. Depreciation | | 909 | | 809 | | 1,799 | |
| 10. Other | | 8,268 | | 9,306 | | 16,937 | |
| Operating income | | 1,780 | 2.4 | 2,529 | 3.4 | 3,432 | 2.4 |
| IV Other income | | | | | | | |
| 1. Interest income | | 40 | | 96 | | 117 | |
| 2. Dividend income | | 25 | | 46 | | 45 | |
| 3. Equity in earnings of unconsolidated subsidiaries | | 84 | | 38 | | 167 | |
| 4. Foreign exchange gains | | 39 | | - | | 135 | |
| 5. Other | | 90 | 0.4 | 107 | 0.3 | 220 | 0.4 |
| V Other expenses | | | | | | | |
| 1. Interest expenses | | 21 | | 23 | | 44 | |
| 2. Foreign exchange losses | | - | | 154 | | - | |
| 3. Other | | 60 | 0.1 | 62 | 0.3 | 111 | 0.1 |
| Ordinary income | | 1,979 | 2.7 | 2,579 | 3.4 | 3,962 | 2.7 |

(¥ million)

| Item | Term | Interim fiscal 2005 January 1, 2005 – June 30, 2005 | | | Interim fiscal 2006 January 1, 2006 – June 30, 2006 | | | Fiscal 2005 January 1, 2005 – December 31, 2005 | | |
|---------------------------------|---|--|-------|-------|--|-------|-----|---|-------|-----|
| | | Amount | | % | Amount | | % | Amount | | % |
| | | | | | | | | | | |
| VI Extraordinary gains | | | | | | | | | | |
| 1. | Gains on sales of property and equipment (Note 1) | 47 | | | 3 | | | 47 | | |
| 2. | Gains on sales of investment securities | 0 | 47 | 0.0 | 54 | 57 | 0.1 | 1 | 48 | 0.0 |
| VII Extraordinary losses | | | | | | | | | | |
| 1. | Losses on sales and disposal of property and equipment (Note 2) | 9 | | | 5 | | | 243 | | |
| 2. | Provision for allowance for doubtful accounts | - | | | - | | | 3 | | |
| 3. | Loss on write-down of investment securities | - | | | 17 | | | 2 | | |
| 4. | Losses on sales of investment securities | - | | | 0 | | | - | | |
| 5. | Loss on disposal of merchandise | - | | | 59 | | | - | | |
| 6. | Establishment commemoration costs | - | | | - | | | 114 | | |
| 7. | Loss on transfer of golf business | - | | | - | | | 26 | | |
| 8. | Loss on impairment of long-lived assets (Note 3) | 1,860 | 1,869 | 2.5 | - | 82 | 0.1 | 1,860 | 2,251 | 1.5 |
| | Income before income taxes and minority interests | | 157 | 0.2 | | 2,553 | 3.4 | | 1,759 | 1.2 |
| | Income taxes | 227 | | | 188 | | | 308 | | |
| | Deferred income taxes | 534 | 761 | 1.0 | 314 | 502 | 0.7 | 181 | 490 | 0.3 |
| | Minority interests | | 0 | 0.0 | | 15 | 0.0 | | 1 | 0.0 |
| | Net income (loss) | | (605) | (0.8) | | 2,035 | 2.7 | | 1,267 | 0.9 |

(3) Interim Consolidated Statements of Capital Surplus and Retained Earnings, and Changes in Shareholders' Equity**Interim Consolidated Statements of Capital Surplus and Retained Earnings**

(¥ million)

| Item | Term | Interim fiscal 2005 | | Fiscal 2005 | |
|---|------|---------------------------------|--------|-------------------------------------|--------|
| | | January 1, 2005 – June 30, 2005 | | January 1, 2005 – December 31, 2005 | |
| Capital surplus: | | | | | |
| I Balance at beginning of year | | | 19,866 | | 19,866 |
| II Increase in capital surplus | | | | | |
| Gains on disposition of treasury stocks | | 782 | 782 | 791 | 791 |
| III Balance at end of year | | | 20,648 | | 20,657 |
| Retained earnings: | | | | | |
| I Balance at beginning of year | | | 19,372 | | 19,372 |
| II Increase in retained earnings | | | | | |
| Net income | | - | - | 1,267 | 1,267 |
| III Appropriations | | | | | |
| Net loss | | 605 | | - | |
| Cash dividends paid | | 335 | | 700 | |
| Bonuses to directors and corporate auditors | | 9 | | 9 | |
| Transfer of land revaluation difference | | 1,539 | 2,490 | 1,490 | 2,201 |
| IV Balance at end of year | | | 16,881 | | 18,438 |

Interim Consolidated Statement of Changes in Shareholders' Equity

Interim fiscal 2006 (January 1, 2006 – June 30, 2006)

(¥ million)

| Item \ Term | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of December 31, 2005 | 20,359 | 20,657 | 18,438 | (1,153) | 58,302 |
| Changes in the consolidated interim period | | | | | |
| Dividend of surplus | | | (459) | | (459) |
| Directors' bonuses | | | (47) | | (47) |
| Net income | | | 2,035 | | 2,035 |
| Purchases of treasury stocks | | | | (11) | (11) |
| Disposal of treasury stocks | | 57 | | 122 | 179 |
| Decrease in retained earnings due to increase in the number of consolidated subsidiaries. | | | (48) | | (48) |
| Changes(net) in items other than shareholders' equity | | | | | |
| Total changes in the consolidated interim period | - | 57 | 1,480 | 111 | 1,649 |
| Balance as of June 30, 2006 | 20,359 | 20,715 | 19,919 | (1,041) | 59,951 |

| Item \ Term | Valuation and translation adjustments | | | | | Minority interests | Total net assets |
|---|---|-------------------------------|-----------------------------|--|---|--------------------|------------------|
| | Net unrealized gains on available for sale securities | Deferred hedge gains (losses) | Land revaluation difference | Foreign currency translation adjustments | Total valuation and translation adjustments | | |
| Balance as of December 31, 2005 | 1,719 | - | (7,462) | (40) | (5,783) | 43 | 52,562 |
| Changes in the consolidated interim period | | | | | | | |
| Dividend of surplus | | | | | | | (459) |
| Directors' bonuses | | | | | | | (47) |
| Net income | | | | | | | 2,035 |
| Purchases of treasury stocks | | | | | | | (11) |
| Disposal of treasury stocks | | | | | | | 179 |
| Decrease in retained earnings due to increase in the number of consolidated subsidiaries. | | | | | | | (48) |
| Changes (net) in items other than shareholders' equity | (514) | 429 | - | 1 | (84) | 12 | (72) |
| Total changes in the consolidated interim period | (514) | 429 | - | 1 | (84) | 12 | 1,576 |
| Balance as of June 30, 2006 | 1,205 | 429 | (7,462) | (39) | (5,867) | 55 | 54,139 |

(4) Interim Consolidated Statements of Cash Flows

(¥ million)

| Item | Term | Interim fiscal 2005 | Interim, fiscal 2006 | Fiscal 2005 |
|---|------|------------------------------------|------------------------------------|--|
| | | January 1, 2005 – June 30, 2005 | January 1, 2006 – June 30, 2006 | January 1, 2005 – December 31, 2005 |
| | | Amount | Amount | Amount |
| I Cash flows from operating activities: | | | | |
| 1. Income before income taxes and minority interests | | 157 | 2,553 | 1,759 |
| 2. Depreciation | | 912 | 812 | 1,806 |
| 3. Loss on impairment of long-lived assets | | 1,860 | - | 1,860 |
| 4. Loss on write-down of investment securities | | - | 17 | 2 |
| 5. Decrease (increase) in provision for allowance for doubtful accounts | | 6 | (27) | (64) |
| 6. Increase (decrease) in employees' retirement benefits | | (43) | 5 | (44) |
| 7. Decrease (increase) in reserve for sales promotion | | 472 | (32) | 561 |
| 8. Interest and dividend income | | (66) | (142) | (163) |
| 9. Interest expenses | | 21 | 23 | 44 |
| 10. Equity in earnings of unconsolidated subsidiaries | | - | (38) | (167) |
| 11. Gains on sales of property and equipment | | (47) | (3) | (47) |
| 12. Losses on sales and disposal of property and equipment | | 9 | 5 | 243 |
| 13. Increase in notes and accounts receivable | | (1,855) | (1,163) | (347) |
| 14. Decrease (increase) in inventories | | (97) | 179 | (1,192) |
| 15. Decrease in other current assets | | 3,842 | 3,350 | 205 |
| 16. Decrease (increase) in notes and accounts payable | | (537) | (1,071) | 716 |
| 17. Decrease (increase) in accrued consumption taxes | | 94 | (60) | 135 |
| 18. Decrease in other current liabilities | | (3,171) | (3,058) | (630) |
| 19. Directors' and corporate auditors' bonuses | | (9) | (47) | (9) |
| 20. Other | | (587) | (41) | (1,796) |
| Subtotal | | 959 | 1,258 | 2,873 |
| 21. Interest and dividend income received | | 80 | 165 | 162 |
| 22. Interest paid | | (20) | (23) | (42) |
| 23. Income taxes paid | | (314) | (44) | (452) |
| Net cash provided by operating activities | | 705 | 1,355 | 2,539 |

| Item | Term | Interim fiscal 2005 January 1, 2005 – June 30, 2005 | Interim, fiscal 2006 January 1, 2006 – June 30, 2006 | Fiscal 2005 January 1, 2005 – December 31, 2005 |
|--|------|---|--|---|
| | | Amount | Amount | Amount |
| II Cash flows from investing activities: | | | | |
| 1. Purchases of property and equipment | | (1,145) | (393) | (1,344) |
| 2. Proceeds from sales of property and equipment | | 180 | 5 | 589 |
| 3. Purchases of intangible assets | | (219) | (505) | (713) |
| 4. Purchases of investment securities | | (2,472) | (1,100) | (5,140) |
| 5. Proceeds from sales of investment securities | | 536 | 649 | 849 |
| 6. Increase (decrease) in time deposits | | 103 | (300) | 403 |
| 7. Other | | 160 | 190 | 270 |
| Net cash used in investing activities | | (2,857) | (1,454) | (5,086) |
| III Cash flows from financing activities: | | | | |
| 1. Net increase (decrease) in short-term bank loans, net | | - | - | 0 |
| 2. Proceeds from long-term debt | | 85 | - | 85 |
| 3. Repayments of long-term debt | | (126) | (123) | (128) |
| 4. Purchases of treasury stock | | (6) | (11) | (21) |
| 5. Proceeds from disposal of treasury stock | | 3,186 | 179 | 3,394 |
| 6. Cash dividends paid | | (335) | (458) | (700) |
| 7. Cash dividends paid to minority interests | | (5) | (2) | (5) |
| Net cash used in (provided by) financing activities | | 2,797 | (416) | 2,625 |
| IV Net decrease (increase) in cash and cash equivalents | | 645 | (515) | 78 |
| V Cash and cash equivalents at beginning of year | | 11,242 | 11,320 | 11,242 |
| VI Increase in cash and cash equivalents due to consolidation of subsidiary | | - | 60 | - |
| VII Cash and cash equivalents at end of year | | 11,887 | 10,865 | 11,320 |

Summary of Significant Accounting Policies Used in Preparation of Consolidated Financial Statements

| Interim fiscal 2005 January 1, 2005 – June 30, 2005 | Interim fiscal 2006 January 1, 2006 – June 30, 2006 | Fiscal 2005 January 1, 2005 – December 31, 2005 |
|---|---|---|
| <p>1. Scope of Consolidation (1) Number of consolidated subsidiaries: 8 Main consolidated subsidiaries: Senshukai General Services Co., Ltd. Senshu Logisuko Co., Ltd. Senshukai Call Center Co., Ltd.</p> <p>On August 1, 2004, Senshu Logistics Co., Ltd. changed its name to Senshu Logisuko Co., Ltd. and on September 1, 2004, eight area sales subsidiaries were integrated to form Belle Maison Service Center Co., Ltd.</p> <p>(2) Number of non-consolidated subsidiaries: 7 Main non-consolidated subsidiaries Senshukai Hong Kong Co., Ltd.</p> <p>Reason excluded from scope of consolidation: The consolidated financial statements do not include the accounts of the aforementioned non-consolidated subsidiaries since the entities are small-scale businesses whose combined total assets, sales revenues, net income/loss (equity in earnings/loss) or retained earnings (equity in earnings) have no significant effect on the overall results of consolidated financial statements.</p> <p>2. Application of the Equity Method (1) Number of non-consolidated subsidiaries accounted for by the equity method: 3 Main non-consolidated subsidiaries accounted for by the equity method: Senshukai Hong Kong Co., Ltd.</p> | <p>1. Scope of Consolidation (1) Number of consolidated subsidiaries: 9 Same as on the left.</p> <p>Senshukai Iihana Co., Ltd., a non-consolidated subsidiary in the previous fiscal year, was included in the scope of consolidation from the current fiscal period due to its increased importance.</p> <p>(2) Number of non-consolidated subsidiaries: 9 Same as on the left.</p> <p>Reason excluded from scope of consolidation: Same as on the left.</p> <p>2. Application of the Equity Method (1) Number of non-consolidated subsidiaries accounted for by the equity method: 3 Same as on the left.</p> | <p>1. Scope of Consolidation (1) Number of consolidated subsidiaries: 8 Same as on the left.</p> <p>On September 1, 2004, eight area sales subsidiaries were integrated to form Belle Maison Service Center Co., Ltd, and thus seven companies were excluded from the scope of consolidation.</p> <p>(2) Number of non-consolidated subsidiaries: 8 Same as on the left.</p> <p>Reason excluded from scope of consolidation: Same as on the left.</p> <p>2. Application of the Equity Method (1) Number of non-consolidated subsidiaries accounted for by the equity method: 3 Same as on the left.</p> |

| <p style="text-align: center;">Interim fiscal 2005 January 1, 2005 – June 30, 2005</p> | <p style="text-align: center;">Interim fiscal 2006 January 1, 2006 – June 30, 2006</p> | <p style="text-align: center;">Fiscal 2005 January 1, 2005 – December 31, 2005</p> |
|--|---|---|
| <p>(2) Main non-consolidated subsidiaries and affiliates not accounted for by the equity method: Bellne USA, INC. SENSHUKAI AMERICA, INC. (inactive)</p> <p>Reason not accounted for by the equity method: The afore mentioned entities are not accounted for under the equity method since they have very minor effects on consolidated net income/loss and consolidated retained earnings and are relatively insignificant in the context of consolidated financial statements.</p> <p>3. Fiscal Years for Consolidated Subsidiaries The fiscal years of all consolidated subsidiaries coincide with Senshukai’s fiscal year.</p> <p>4. Accounting Standards (1) Valuation standards and accounting treatment for important assets 1) Investment securities Other investment securities Available-for-sale securities are reported at fair value, determined by the market price as of the end of the interim period and other factors, with unrealized gains or losses, net of applicable taxes, reported in a separate component of shareholders’ equity. The cost of available-for sale securities sold is determined based on the moving-average method. Available-for-sale securities whose fair value is not readily determinable are stated at cost based on the moving-average method.</p> | <p>(2) Main non-consolidated subsidiaries and affiliates not accounted for by the equity method: Same as on the left.</p> <p>Reason not accounted for by the equity method: Same as on the left.</p> <p>3. Fiscal Years for Consolidated Subsidiaries Same as on the left.</p> <p>4. Accounting Standards (1) Valuation standards and accounting treatment for important assets 1) Investment securities Other investment securities Available-for-sale securities are reported at fair value, determined by the market price as of the end of the interim period and other factors, with unrealized gains or losses, net of applicable taxes, reported in a separate component of net assets. The cost of available-for sale securities sold is determined based on the moving-average method. Available-for-sale securities whose fair value is not readily determinable are stated at cost based on the moving-average method.</p> | <p>(2) Main non-consolidated subsidiaries and affiliates not accounted for by the equity method: Same as on the left.</p> <p>Reason not accounted for by the equity method: Same as on the left.</p> <p>3. Fiscal Years for Consolidated Subsidiaries Same as on the left.</p> <p>4. Accounting Standards (1) Valuation standards and accounting treatment for important assets 1) Investment securities Other investment securities Available-for-sale securities are reported at fair value, determined by the market price as of the fiscal year-end and other factors, with unrealized gains or losses, net of applicable taxes, reported in a separate component of shareholders’ equity. The cost of available-for sale securities sold is determined based on the moving-average method. Available-for-sale securities whose fair value is not readily determinable are stated at cost based on the moving-average method.</p> |

| Interim fiscal 2005 January 1, 2005 – June 30, 2005 | Interim fiscal 2006 January 1, 2006 – June 30, 2006 | Fiscal 2005 January 1, 2005 – December 31, 2005 |
|---|---|---|
| <p>2) Derivatives All derivatives are recognized as either assets or liabilities and measured at fair value.</p> <p>3) Inventories Inventories are stated at the lower of cost, determined by the average method, or market.</p> <p>(2) Method for depreciating and amortizing important assets 1) Property and equipment Depreciation is computed by the declining-balance method, but the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is as follows: Buildings and structures 38 to 50 years Machinery and vehicles 12 years</p> | <p>2) Derivatives Same as on the left.</p> <p>3) Inventories Same as on the left.</p> <p>(2) Method for depreciating and amortizing important assets 1) Property and equipment Same as on the left.</p> | <p>2) Derivatives Same as on the left.</p> <p>3) Inventories Same as on the left.</p> <p>(2) Method for depreciating and amortizing important assets 1) Property and equipment Same as on the left.</p> |

| <p align="center">Interim fiscal 2005 January 1, 2005 – June 30, 2005</p> | <p align="center">Interim fiscal 2006 January 1, 2006 – June 30, 2006</p> | <p align="center">Fiscal 2005 January 1, 2005 – December 31, 2005</p> |
|--|--|--|
| <p>2) Intangible assets Intangible assets are amortized using the straight-line method. However, in-house software is amortized by the straight-line method based on an estimated useful life of five years.</p> <p>3. Accounting for significant allowances</p> <p>1) Allowance for doubtful accounts The allowance for doubtful accounts provides for possible losses arising from default on accounts receivable. The allowance is made up of two components: the estimated credit loss for doubtful receivables based on an individual assessment of each account, and a general reserve calculated based on historical default rates.</p> <p>2) Liabilities for employees' retirement benefits The Group accounts for the liabilities for retirement benefits of certain consolidated subsidiaries based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are calculated based on the compendium method.</p> <p>3) Liabilities for directors' retirement benefits Retirement benefits to directors and corporate auditors of Senshukai and certain consolidated subsidiaries are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.</p> | <p>2) Intangible assets Same as on the left.</p> <p>(3) Accounting for allowances</p> <p>1) Allowance for doubtful accounts Same as on the left. .</p> <p>2) Liabilities for employees' retirement benefits Same as on the left.</p> <p>3) Liabilities for directors' retirement benefits Same as on the left.</p> | <p>2) Intangible assets Same as on the left.</p> <p>(3) Accounting for allowances</p> <p>1) Allowance for doubtful accounts Same as on the left. .</p> <p>2) Liabilities for employees' retirement benefits Same as on the left.</p> <p>3) Liabilities for directors' retirement benefits Same as on the left.</p> |

| Interim fiscal 2005 January 1, 2005 – June 30, 2005 | Interim fiscal 2006 January 1, 2006 – June 30, 2006 | Fiscal 2005 January 1, 2005 – December 31, 2005 |
|--|---|--|
| <p>4) Allowance for sales promotion This allowance is provided to cover future cost outlays related to the mileage point system, which is aimed at sales promotion. The allowance provides for the projected monetary redemption value of mileage points calculated based on the unredeemed value of issued points and historical redemption ratios.</p> <p>(4) Conversion of credit and liabilities in foreign currencies to Japanese currency All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts, currency swaps and currency options. The balance sheet accounts and revenue and expense accounts of the unconsolidated foreign subsidiaries for which the equity method of accounting was translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.</p> <p>(5) Accounting for sales promotion expenses Senshukai conducts a mail-order business, and among sales promotion expenses, catalog-related expenses corresponding to net sales in the second half of the fiscal year are classified as prepaid expenses and included in “other” under current assets.</p> | <p>4) Allowance for sales promotion Same as on the left.</p> <p>(4) Conversion of credit or liabilities in foreign currencies to Japanese currency All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts, currency swaps and currency options. The balance sheet accounts and revenue and expense accounts of the unconsolidated foreign subsidiaries for which the equity method of accounting was translated into Japanese yen at the current exchange rate as of the balance sheet date except for net assets, which is translated at the historical rate.</p> <p>(5) Accounting for sales promotion expenses Same as on the left.</p> | <p>4) Allowance for sales promotion Same as on the left.</p> <p>(4) Conversion of credit or liabilities in foreign currencies to Japanese currency All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts, currency swaps and currency options. The balance sheet accounts and revenue and expense accounts of the unconsolidated foreign subsidiaries for which the equity method of accounting was translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.</p> <p>(5) Accounting for sales promotion expenses Senshukai conducts a mail-order business, and among sales promotion expenses, catalog-related expenses corresponding to net sales in the next consolidated fiscal year are classified as prepaid expenses and included in “other” under current assets to better match expenses to earnings in each year.</p> |

| Interim fiscal 2005 January 1, 2005 – June 30, 2005 | Interim fiscal 2006 January 1, 2006 – June 30, 2006 | Fiscal 2005 January 1, 2005 – December 31, 2005 |
|---|--|--|
| <p>(6) Accounting for leases Finance leases, other than those that transfer ownership of the leased assets to the lessees, are treated in the same way as ordinary operating leases for accounting purposes.</p> <p>(7) Accounting for hedging 1) Hedge Accounting Methods Deferred hedge accounting is used.</p> <p>2) Hedging instruments/hedged items Hedging instruments: foreign exchange forward contracts, currency swaps and currency options; Hedged items; trade accounts payable denominated in foreign currencies</p> <p>3) Hedging policy Senshukai mainly hedges against fluctuations in foreign exchange rates and cash flows, in conformity with internal management guidelines.</p> <p>4) Evaluation of hedging effectiveness High correlation and effectiveness between the hedging instruments and the hedged items are regularly verified. However, the evaluation is omitted in the case that market risk in derivatives is fully offset by opposite movements in the value of hedged assets or liabilities.</p> <p>(8) Accounting for consumption tax Financial statements are prepared exclusive of national and regional consumption taxes.</p> | <p>(6) Accounting for leases Same as on the left.</p> <p>(7) Accounting for hedging 1) Hedge Accounting Methods Same as on the left.</p> <p>2) Hedging instruments/hedged items Same as on the left.</p> <p>3) Hedging policy Same as on the left.</p> <p>4) Evaluation of hedging effectiveness Same as on the left.</p> <p>(8) Accounting for consumption tax Same as on the left.</p> | <p>(6) Accounting for leases Same as on the left.</p> <p>(7) Accounting for hedging 1) Hedge Accounting Methods Same as on the left.</p> <p>2) Hedging instruments/hedged items Same as on the left.</p> <p>3) Hedging policy Same as on the left.</p> <p>4) Evaluation of hedging effectiveness Same as on the left.</p> <p>(8) Accounting for consumption tax Same as on the left.</p> |

| Interim fiscal 2005 January 1, 2005 – June 30, 2005 | Interim fiscal 2006 January 1, 2006 – June 30, 2006 | Fiscal 2005 January 1, 2005 – December 31, 2005 |
|--|--|--|
| <p>5. Scope of cash and cash equivalents Cash and cash equivalents are cash on hand and short-term investments that are readily convertible into cash, and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and bond funds, all of which mature or become due within three months of the date of acquisition.</p> | <p>5. Scope of cash and cash equivalents Same as on the left.</p> | <p>5. Scope of cash and cash equivalents Same as on the left.</p> |

Summary of Significant Accounting Policies Used in Preparation of Consolidated Financial Statements

| <p align="center">Interim fiscal 2005 January 1, 2005 – June 30, 2005</p> | <p align="center">Interim fiscal 2006 January 1, 2006 – June 30, 2006</p> | <p align="center">Fiscal 2005 January 1, 2005 – December 31, 2005</p> |
|--|---|---|
| <p>Accounting for impairment of fixed assets: In August 2002, the Business Accounting Council issued a Statement of Opinion, Accounting for Impairment of Fixed Assets, and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No. 6, Guidance for Accounting Standard for Impairment of Fixed Assets. These new pronouncements are effective for fiscal years beginning on or after April 1, 2005, with early adoption permitted for fiscal years ending on or after March 31, 2004. The Group adopted the new accounting standard for impairment of fixed assets as of January 1, 2005.</p> <p>The effect of the adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes and minority interests by ¥1,860 million.</p> <p>The accumulated impairment loss is directly deducted from the amount of each asset based on the revised regulations for the preparation of consolidated financial statements.</p> | <p>Presentation of Net Assets in Balance Sheet Effective from the first half of the year ending December 31, 2006, Senshukai adopted the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standard Statement No.5, issued on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the</p> | <p>Accounting for impairment of fixed assets: In August 2002, the Business Accounting Council issued a Statement of Opinion, Accounting for Impairment of Fixed Assets, and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No. 6, Guidance for Accounting Standard for Impairment of Fixed Assets. These new pronouncements are effective for fiscal years beginning on or after April 1, 2005, with early adoption permitted for fiscal years ending on or after March 31, 2004 The Group adopted the new accounting standard for impairment of fixed assets as of January 1, 2005.</p> <p>The effect of the adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes and minority interests by ¥1,860 million.</p> <p>The accumulated impairment loss is directly deducted from the amount of each asset based on the revised regulations for the preparation of consolidated financial statements.</p> |

| | | |
|--|---|--|
| | <p>Balance Sheet" (Accounting Standard Guidance No.8, issued on December 9, 2005).</p> <p>The total amount of conventional shareholders' equity was ¥53,655 million.</p> <p>Due to the revision of the corporate law regarding interim financial statements, net assets in the interim balance sheet are shown based on the revised regulation.</p> | |
|--|---|--|

Reclassifications

| Interim fiscal 2005 January 1, 2005 – June 30, 2005 | Interim fiscal 2006 January 1, 2006 – June 30, 2006 |
|---|---|
| <p>Consolidated balance sheets:</p> <p>The "Law Partially Amending the Securities Exchange Law" (Law No. 97, 2004) was enacted on June 9, 2004 and came into force on December 1, 2004, and the Accounting Standards Committee Report No. 14 called Implementation Guidelines to Accounting for Financial Instruments was revised on February 15, 2005. As a result, investments in limited liability investment partnerships and similar partnerships (those deemed as marketable securities in accordance with Article 2-2 of the Securities and Exchange Law) are accounted for as investment securities from the interim period under review.</p> <p>The amount of applicable investments included in investment securities at June 30, 2005 was ¥195 million.</p> <p>"Accounts payable-factoring," which was included in "accounts payable-other" in the previous interim period, is shown as a separate line item in the interim period under review, to clarify its contents.</p> <p>The amount of "accounts payable-factoring" included in "accounts payable-other" at June 30, 2004 was ¥14,489 million.</p> | <p>Consolidated cash flow statements:</p> <p>'Equity in earnings (losses) of unconsolidated subsidiaries," which was included in "other" under "cash flows from operating activities" in the previous interim period, is shown as a separate line item in the interim period under review, to clarify its contents.</p> <p>The amount of 'equity in losses of unconsolidated subsidiaries" included in "other" under "cash flows from operating activities" at June 30, 2005 was ¥84 million.</p> |

Supplemental Information

| <p style="text-align: center;">interim fiscal 2005 January 1, 2005 – June 30, 2005</p> | <p style="text-align: center;">Interim fiscal 2006 January 1, 2006 – June 30, 2006</p> | <p style="text-align: center;">Fiscal 2005 January 1, 2005 – December 31, 2005</p> |
|---|--|--|
| <p>External standard taxation in the corporate income taxation</p> <p>Effective the current fiscal year, following the implementation of Amendments to the “Local Tax Law” (Legislation No. 9, 2003) on March 31, 2003 and the subsequent introduction from fiscal years starting on or after April 1, 2004 of a size-based enterprise tax, the Group has adopted the new accounting standard issued by ASBJ on February 13, 2004 (Accounting Standard Implementation Guidance No. 12): “Implementation Guidance on Presentation of Size-based Portion of Enterprise Taxes in Statements of Income.” Accordingly, the amount of enterprise taxes that have a tax basis on the “value added” and the “amount of capital” are incorporated in selling, general and administrative expenses.</p> <p>As an effect of this change, selling, general and administrative expenses increased by ¥69 million, and operating income, ordinary income and net income before income taxes decreased by equivalent amounts, compared to the amounts that would have been reported.</p> | <p style="text-align: center;">-----</p> | <p>External standard taxation in the corporate income taxation</p> <p>Effective the current fiscal year, following the implementation of Amendments to the “Local Tax Law” (Legislation No. 9, 2003) on March 31, 2003 and the subsequent introduction from fiscal years starting on or after April 1, 2004 of a size-based enterprise tax, the Group has adopted the new accounting standard issued by ASBJ on February 13, 2004 (Accounting Standard Implementation Guidance No. 12): “Implementation Guidance on Presentation of Size-based Portion of Enterprise Taxes in Statements of Income.” Accordingly, the amount of enterprise taxes that have a tax basis on the “value added” and the “amount of capital” are incorporated in selling, general and administrative expenses.</p> <p>As an effect of this change, selling, general and administrative expenses increased by ¥123 million, and operating income, ordinary income and net income before income taxes decreased by equivalent amounts, compared to the amounts that would have been reported.</p> |

Notes to Consolidated Balance Sheet

(¥ million)

| As of June 30, 2005 | As of June 30, 2006 | As of December 31, 2005 |
|--|--|--|
| 1. Accumulated depreciation on property and equipment 33,544 | 1. Accumulated depreciation on property and equipment 32,216 | 1. Accumulated depreciation on property and equipment 31,652 |
| 2. Assets pledged as collateral | 2. Assets pledged as collateral | 2. Assets pledged as collateral |
| (1) Collateral-backed assets | (1) Collateral-backed assets | (1) Collateral-backed assets |
| Buildings and(book structures value) 51 | Buildings and(book structures value) 64 | Buildings and(book structures value) 50 |
| Land (book value) 33 | Land (book value) 33 | Land (book value) 33 |
| Investment (book securities value) 1,623 | Investment (book securities value) 2,275 | Investment (book securities value) 2,330 |
| <u>Total</u> 1,708 | <u>Total</u> 2,373 | <u>Total</u> 2,414 |
| (2) Collateral-backed liabilities | (2) Collateral-backed liabilities | (2) Collateral-backed liabilities |
| Current portion of long-term debt 82 | Current portion of long-term debt 36 | Current portion of long-term debt 86 |
| Long-term debt 263 | Long-term debt 233 | Long-term debt 274 |
| <u>Total</u> 346 | <u>Total</u> 270 | <u>Total</u> 361 |
| 3. Contingent liabilities | 3. Contingent liabilities | 3. Contingent liabilities |
| Guarantees of bank loans | Guarantees of bank loans | Guarantees of bank loans |
| Employees' housing loans 65 | Employees' housing loans 45 | Employees' housing loans 50 |
| Senshukai Hong Kong Co., Ltd. 80 | | Senshukai Hong Kong Co., Ltd. 80 |
| <u>Total</u> 145 | | <u>Total</u> 131 |

Notes to Consolidated Statements of Income

(¥ million)

| Interim fiscal 2005 January 1, 2005 – June 30, 2005 | Interim fiscal 2006 January 1, 2006 – June 30, 2006 | Fiscal 2005 January 1, 2005 – December 31, 2005 |
|---|---|---|
| 1. Gains on sales of property and equipment | 1. Gains on sales of property and equipment | 1. Gains on sales of property and equipment |
| Buildings and structures 18 | Machinery and vehicles 2 | Buildings and structures 18 |
| Machinery and vehicles 7 | Furniture and fixtures 0 | Machinery and vehicles 7 |
| Furniture and fixtures 0 | Total 3 | Furniture and fixtures 0 |
| Land 20 | | Land 20 |
| Total 47 | | Total 47 |
| 2. Losses on sales and disposal of property and equipment | 2. Losses on sales and disposal of property and equipment | 2. Losses on sales and disposal of property and equipment |
| Losses on disposal of buildings and structures 4 | Losses on disposal of buildings and structures 4 | Losses on disposal of buildings and structures 41 |
| Loss on sales of buildings and structures 2 | Losses on disposal of furniture and fixtures 0 | Loss on sales of buildings and structures 2 |
| Loss on sales of machinery and vehicles 1 | Total 5 | Loss on sales of machinery and vehicles 2 |
| Total 9 | | Losses on disposal of machinery and vehicles 97 |
| | | Losses on disposal of furniture and fixtures 12 |
| | | Losses on sales of land 87 |
| | | Total 243 |

| Interim fiscal 2005 January 1, 2005 – June 30, 2005 | Interim fiscal 2006 January 1, 2006 – June 30, 2006 | Fiscal 2005 January 1, 2005 – December 31, 2005 | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|-----------------|-----------------|-------------------------|-------------|------------------------|-------|--------------------------------------|-----------|------|-----|--|---|----------|-------------|------|-----------------|-------------------------|-------------|------------------------|-------|--------------------------------------|-----------|------|-----|
| <p>3. Loss on impairment of long-lived assets</p> <p>For the current fiscal year, the Senshukai Group posted an impairment loss on the following asset groups.</p> <table border="1" data-bbox="150 477 587 1021"> <thead> <tr> <th>Location</th> <th>Primary use</th> <th>Type</th> <th>Impairment loss</th> </tr> </thead> <tbody> <tr> <td>Awara, Fukui Prefecture</td> <td>Golf course</td> <td>Land, buildings, other</td> <td>1,730</td> </tr> <tr> <td>Tokorozawa Saitama Prefecture, other</td> <td>Idle land</td> <td>Land</td> <td>129</td> </tr> </tbody> </table> <p>In principle, the grouping of assets is based on categories of management accounting.</p> <p>The book value of the above asset groups was marked down to the recoverable amount, reflecting a decrease in land prices and weak prospects for improved short-term performance due to worsening operating profitability. This markdown was posted as an impairment loss.</p> <p>The impairment loss on the golf course was ¥1,730 million (including, land: ¥1,234 million; buildings: ¥180 million; other: ¥315 million). The impairment loss on idle land was ¥129 million (including, land: ¥121 million; other: ¥8 million).</p> <p>The recoverable amount was measured at its net selling price determined by an appraisal report from an independent real-estate appraiser.</p> | Location | Primary use | Type | Impairment loss | Awara, Fukui Prefecture | Golf course | Land, buildings, other | 1,730 | Tokorozawa Saitama Prefecture, other | Idle land | Land | 129 | <p style="text-align: center;">-----</p> | <p>3. Loss on impairment of long-lived assets</p> <p>For the current fiscal year, the Senshukai Group posted an impairment loss on the following asset groups. The transfer of the golf course in Awara City, Fukui Prefecture was completed in December 2005.</p> <table border="1" data-bbox="976 622 1417 1133"> <thead> <tr> <th>Location</th> <th>Primary use</th> <th>Type</th> <th>Impairment loss</th> </tr> </thead> <tbody> <tr> <td>Awara, Fukui Prefecture</td> <td>Golf course</td> <td>Land, buildings, other</td> <td>1,730</td> </tr> <tr> <td>Tokorozawa Saitama Prefecture, other</td> <td>Idle land</td> <td>Land</td> <td>129</td> </tr> </tbody> </table> <p>In principle, the grouping of assets is based on categories of management accounting.</p> <p>The book value of the above asset groups was marked down to the recoverable amount, reflecting a decrease in land prices and weak prospects for improved short-term performance due to worsening operating profitability. This markdown was posted as an impairment loss.</p> <p>The impairment loss on the golf course was ¥1,730 million (including, land: ¥1,234 million; buildings: ¥180 million; other: ¥315 million). The impairment loss on idle land was ¥129 million (including, land: ¥121 million; other: ¥8 million).</p> <p>The recoverable amount was measured at its net selling price determined by an appraisal report from an independent real-estate appraiser.</p> | Location | Primary use | Type | Impairment loss | Awara, Fukui Prefecture | Golf course | Land, buildings, other | 1,730 | Tokorozawa Saitama Prefecture, other | Idle land | Land | 129 |
| Location | Primary use | Type | Impairment loss | | | | | | | | | | | | | | | | | | | | | | | |
| Awara, Fukui Prefecture | Golf course | Land, buildings, other | 1,730 | | | | | | | | | | | | | | | | | | | | | | | |
| Tokorozawa Saitama Prefecture, other | Idle land | Land | 129 | | | | | | | | | | | | | | | | | | | | | | | |
| Location | Primary use | Type | Impairment loss | | | | | | | | | | | | | | | | | | | | | | | |
| Awara, Fukui Prefecture | Golf course | Land, buildings, other | 1,730 | | | | | | | | | | | | | | | | | | | | | | | |
| Tokorozawa Saitama Prefecture, other | Idle land | Land | 129 | | | | | | | | | | | | | | | | | | | | | | | |

Notes to Interim Consolidated Statement of Changes in Shareholders' Equity

Interim fiscal 2006 (January 1, 2006 – June 30, 2006)

1. Type and number of outstanding shares and treasury stocks

(Thousand shares)

| | As of December 31, 2005 | Increase during the current interim period | Decrease during the current interim period | As of June 30, 2006 |
|---------------------|----------------------------|--|--|---------------------|
| Outstanding shares | | | | |
| Common stock | 47,630 | - | - | 47,630 |
| Total | 47,630 | - | - | 47,630 |
| Treasury stock | | | | |
| Common stock (Note) | 1,728 | 7 | 182 | 1,553 |
| Total | 1,728 | 7 | 182 | 1,553 |

Note:

Treasury stock increased by 7,000 shares due to the purchase of odd-lot shares.

Treasury stock decreased by 182,000 shares due to the transfer of odd-lot shares in response to purchase requests and transfer of 182,000 shares upon exercise of stock options.

2. Dividends

(1) Dividends paid to shareholders

| Date of approval | Type of shares | Dividend amount (Millions of yen) | Dividend per share (Yen) | Record date | Effective date |
|--|----------------|--------------------------------------|-----------------------------|----------------------|----------------|
| March 30, 2006 Annual General Meeting of Shareholders | Common stock | 459 | 10 | December 31, 2005 | March 31, 2006 |

(2) Dividends with record date within current interim period but to become effective after current interim period

| Date of approval | Type of shares | Dividend amount (Millions of yen) | Resource for distribution | Dividend per share (Yen) | Record date | Effective date |
|---|----------------|--------------------------------------|---------------------------|--------------------------|---------------|----------------------|
| July 27, 2006 Board of Directors Meeting | Common stock | 460 | Retained earnings | 10 | June 30, 2006 | September 1, 2006 |

Notes to Consolidated Statements of Cash Flows

(¥ million)

| Interim fiscal 2005 January 1, 2005 – June 30, 2005 | Interim fiscal 2006 January 1, 2006 – June 30, 2006 | Fiscal 2005 January 1, 2005 – December 31, 2005 |
|--|--|--|
| Reconciliation between balance sheet accounts and term-end balance of cash and cash equivalents (As of June 30, 2005) | Reconciliation between balance sheet accounts and term-end balance of cash and cash equivalents (As of June 30, 2006) | Reconciliation between balance sheet accounts and term-end balance of cash and cash equivalents (As of December 31, 2005) |
| Cash and deposits 11,600 | Cash and deposits 10,780 | Cash and deposits 11,133 |
| Marketable securities 287 | Marketable securities 85 | Marketable securities 187 |
| Cash and cash equivalents 11,887 | Cash and cash equivalents 10,865 | Cash and cash equivalents 11,320 |

Per Share Information

| Interim fiscal 2005 January 1, 2005 – June 30, 2005 | | Interim fiscal 2006 January 1, 2006 – June 30, 2006 | | Fiscal 2005 January 1, 2005 – December 31, 2005 | |
|---|----------|---|----------|--|----------|
| Shareholders' equity per share | 1,086.49 | Shareholders' equity per share | 1,173.78 | Shareholders' equity per share | 1,143.12 |
| Net loss per share | 14.04 | Net income per share | 44.27 | Net income per share | 27.44 |
| | | Diluted net income per share | 44.02 | Diluted net income per share | 27.36 |
| Diluted net income per share is not presented because a net loss was posted for the interim period despite the existence of diluted shares. | | <p>(Additional information)</p> <p>Due to the revision on January 1, 2006 of the "Implementation Guidance for Accounting Standard for Earnings Per Share" (Financial Accounting Standards Implementation Guidance No.4), effective from the current interim period the amount of deferred hedged gain/loss (after adjustment for taxes) is included in net assets associated with common stock at the end of the interim period.</p> <p>Net assets per share for the current interim period, if calculated by the method used for the interim financial statements for the previous interim period, would be ¥1,164.47.</p> | | | |

Note: The following is the basis for calculating net income per share and diluted net income per share.

| | Interim fiscal 2005 January 1, 2005 – June 30, 2005 | Interim fiscal 2006 January 1, 2006 – June 30, 2006 | Fiscal 2005 January 1, 2005 – December 31, 2005 |
|--|--|--|--|
| Net income per share | | | |
| Net income (¥ million) | (605) | 2,035 | 1,267 |
| Net income unavailable to common shareholders (¥ million) | - | - | 47 |
| (Including: appropriations for directors' and corporate auditors' bonuses (¥ million) | (-) | (-) | (47) |
| Net income related to common stock (¥ million) | (605) | 2,035 | 1,219 |
| Average number of shares of common stock outstanding during the fiscal year (thousand of shares) | 43,103 | 45,981 | 44,456 |
| Diluted net income per share | | | |
| Adjustment to net income (¥ million) | - | - | - |

| | | | |
|--|--|-------|--|
| Increase in number of common shares (thousands of shares) (Including: subscription rights) | - | 255 | 122 |
| Subscription rights (thousands of shares) | (-) | (255) | (122) |
| Number of latent shares with no dilution excluded from calculation of diluted net income per share | Stock options (subscription rights of 1,230 units) granted by resolution of Ordinary General Meeting of Shareholders on March 30, 2004 | ----- | Stock options (subscription rights of 1,227 units) granted by resolution of Ordinary General Meeting of Shareholders on March 30, 2004 |

Going Concern Assumption

Not applicable.

Segment Information

1. Business segments

Interim fiscal 2005 (January 1, 2005—June 30, 2005)

(¥ million)

| | Mail-order business | Other | Total | Elimination or corporate | Consolidated |
|------------------------------|---------------------|-------|--------|--------------------------|--------------|
| I Sales and operating income | | | | | |
| Sales | | | | | |
| (1) Sales to customers | 71,351 | 2,943 | 74,295 | - | 74,295 |
| (2) Inter-segment sales | 212 | 337 | 550 | (550) | - |
| Total | 71,564 | 3,280 | 74,845 | (550) | 74,295 |
| Operating expenses | 69,747 | 3,363 | 73,111 | (596) | 72,514 |
| Operating income (loss) | 1,816 | (82) | 1,734 | 46 | 1,780 |

Notes:

- The classification of business segments is based on categories adopted for internal management purposes.
- Principal activities of each business segment.
 - (1) Mail-order business: Catalog and *hanpukai* businesses
 - (2) Other businesses: Services, transportation and other businesses
- There are no unallocated operating expenses included in the “elimination or corporate” column.

Interim fiscal 2006 (January 1, 2006—June 30, 2006)

(¥ million)

| | Mail-order business | Other | Total | Elimination or corporate | Consolidated |
|------------------------------|---------------------|-------|--------|--------------------------|--------------|
| I Sales and operating income | | | | | |
| Sales | | | | | |
| (1) Sales to customers | 71,757 | 3,086 | 74,843 | - | 74,843 |
| (2) Inter-segment sales | 335 | 358 | 694 | (694) | - |
| Total | 72,092 | 3,445 | 75,537 | (694) | 74,843 |
| Operating expenses | 69,677 | 3,349 | 73,027 | (713) | 72,314 |
| Operating income (loss) | 2,415 | 95 | 2,510 | 19 | 2,529 |

Notes:

- The classification of business segments is based on categories adopted for internal management purposes.
- Principal activities of each business segment.
 - (1) Mail-order business: Catalog and *hanpukai* businesses
 - (2) Other businesses: Services, transportation and other businesses
- There are no unallocated operating expenses included in the “elimination or corporate” column.

Fiscal 2005 (January 1, 2005—December 31, 2005)

(¥ million)

| | Mail-order business | Other | Total | Elimination or corporate | Consolidated |
|------------------------------|---------------------|-------|---------|--------------------------|--------------|
| I Sales and operating income | | | | | |
| Sales | | | | | |
| (1) Sales to customers | 139,391 | 6,062 | 145,453 | - | 145,453 |
| (2) Inter-segment sales | 677 | 675 | 1,352 | (1,352) | - |
| Total | 140,068 | 6,737 | 146,805 | (1,352) | 145,453 |
| Operating expenses | 136,532 | 6,776 | 143,309 | (1,288) | 142,020 |
| Operating income (loss) | 3,535 | (38) | 3,496 | (64) | 3,432 |

Notes:

1. The classification of business segments is based on categories adopted for internal management purposes.
2. Principal activities of each business segment.
 - (1) Mail-order business: Catalog and *hanpukai* businesses
 - (2) Other businesses: Services, transportation and other businesses
3. There are no unallocated operating expenses included in the “elimination or corporate” column.

2. Geographical segment information

As there were no overseas consolidated subsidiaries or significant overseas branch offices for the interim periods ended June 30, 2005 and 2006, and the fiscal year ended December 31, 2005, geographical segment information has not been presented.

3. Overseas sales

Overseas sales have not been presented because they represented less than 10% of total consolidated sales for the interim periods ended June 30, 2005 and 2006, and the fiscal year ended December 31, 2005.

Leasing transactions

Leasing transactions have not been presented because they are disclosed via EDINET.

Investment Securities

Interim fiscal 2005 (January 1, 2005—June 30, 2005)

1. Available-for-sale securities with fair value (as of June 30, 2005)

(¥ million)

| | Cost | Carrying amount | Difference |
|--|-------|-----------------|------------|
| (Securities with fair value exceeding cost | | | |
| 1) Stocks | 3,313 | 3,913 | 600 |
| 2) Bonds | | | |
| Corporate bonds | - | - | - |
| Other | 3,148 | 3,016 | (131) |
| 3) Others | 388 | 393 | 4 |
| Subtotal | 6,850 | 7,323 | 473 |

2. Available-for-sale securities whose fair value is not readily determinable (as of June 30, 2005)

Available-for-sale securities

Unlisted stocks 345 million

MMF 287 million

Interim fiscal 2006 (January 1, 2006—June 30, 2006)

1. Available-for-sale securities with fair value (as of June 30, 2006)

(¥ million)

| | Cost | Carrying amount | Difference |
|--|-------|-----------------|------------|
| (Securities with fair value exceeding cost | | | |
| 1) Stocks | 4,027 | 6,622 | 2,595 |
| 2) Bonds | | | |
| Corporate bonds | - | - | - |
| Other | 2,550 | 2,252 | (297) |
| 3) Others | 501 | 461 | (40) |
| Subtotal | 7,078 | 9,335 | 2,257 |

Note: The costs are amounts that have been treated for impairment loss.

The impairment loss totaled ¥17 million.

2. Available-for-sale securities whose fair value is not readily determinable (as of June 30, 2005)

Available-for-sale securities

Unlisted stocks 1,859 million

MMF 85 million

Others 164 million

Fiscal 2005 (January 1, 2005—December 31, 2005)

1. Available-for-sale securities with fair value (as of December 31, 2005)

(¥ million)

| | Cost | Carrying amount | Difference |
|--|-------|-----------------|------------|
| (Securities with fair value exceeding cost | | | |
| 1) Stocks | 3,683 | 6,667 | 2,983 |
| 2) Bonds | | | |
| Corporate bonds | - | - | - |
| Other | 999 | 1,032 | 33 |
| 3) Others | 385 | 436 | 51 |
| Subtotal | 5,067 | 8,136 | 3,068 |
| (Securities with fair value equal to or below their cost | | | |
| 1) Stocks | - | - | - |
| 2) Bonds | | | |
| Corporate bonds | - | - | - |
| Other | 1,950 | 1,840 | (109) |
| 3) Others | 10 | 10 | - |
| Subtotal | 1,960 | 1,850 | (109) |
| Total | 7,028 | 9,987 | 2,958 |

Note: The costs are amounts that have been treated for impairment loss.

The impairment loss totaled ¥2 million.

2. Available-for-sale securities whose fair value is not readily determinable (as of December 31, 2005)

| | |
|-------------------------------|---------------|
| Available-for-sale securities | |
| Unlisted stocks | 1,876 million |
| MMF | 187 million |
| Others | 187 million |

Derivative transactions

Derivative transactions have not been presented because they are disclosed via EDINET.

Production, Orders and Sales

1, Production

There were no production activities.

2, Orders

There were no production activities in response to orders received.

3, Sales

(1) Sales by each business segment

(¥ million)

| Term Business segment | Interim fiscal 2005 January 1, 2005 – June 30, 2005 | | Interim fiscal 2006 January 1, 2006 – June 30, 2006 | | Fiscal 2005 January 1, 2005 – December 31, 2005 | |
|--------------------------|---|--------------|---|--------------|---|--------------|
| | Amount | Share (%) | Amount | Share (%) | Amount | Share (%) |
| Mail-order business | 71,351 | 96.0 | 71,757 | 95.9 | 139,391 | 95.8 |
| Other businesses | 2,943 | 4.0 | 3,086 | 4.1 | 6,062 | 4.2 |
| Total | 74,295 | 100.0 | 74,843 | 100.0 | 145,453 | 100.0 |

Note: The figures above are stated exclusive of consumption tax.

(2) Sales by type

(¥ million)

| Term Type | Interim fiscal 2005 January 1, 2005 – June 30, 2005 | | Interim fiscal 2006 January 1, 2006 – June 30, 2006 | | Fiscal 2005 January 1, 2005 – December 31, 2005 | |
|--------------------------------------|---|--------------|---|--------------|---|--------------|
| | Amount | Share (%) | Amount | Share (%) | Amount | Share (%) |
| Publications | 269 | 0.4 | 372 | 0.5 | 536 | 0.4 |
| Clothing | 25,814 | 34.7 | 27,537 | 36.8 | 50,474 | 34.7 |
| Household goods | 27,738 | 37.3 | 28,370 | 37.9 | 54,710 | 37.6 |
| Hobby and leisure interests goods | 14,919 | 20.1 | 12,972 | 17.3 | 27,505 | 18.9 |
| Other | 5,551 | 7.5 | 5,589 | 7.5 | 12,225 | 8.4 |
| Total | 74,295 | 100.0 | 74,843 | 100.0 | 145,453 | 100.0 |

Note: The figures above are stated exclusive of consumption tax.



Interim Non-Consolidated Financial Report for Fiscal 2006, Ended June 30, 2006

July 27, 2006

Company Name: **Senshukai Co., Ltd.**
 Stock Exchanges: Tokyo and Osaka
 Stock Code: 8165
 (URL: <http://www.senshukai.co.jp>)
 Head Office: Osaka
 Representative: Mr. Yasuhiro Yukimachi, President and Representative Director
 Inquiries: Mr. Kazuhide Fujiyoshi, Director, IR & Publicity Office, Financial Planning Dept.
 Tel: 06-6881-3100

Meeting of the Board of Directors for Approval of Results: July 27, 2006

Commencement Date of Dividend Payment: September 1, 2006

Adoption of the Unit Share System: Yes (One *tangen* Unit: 1,000 shares)

1. Interim Non-Consolidated Results for Fiscal 2006 (January 1, 2006 – June 30, 2006)

(1) Operating Results

(¥ million, rounded down)

| | Net sales | | Operating income | | Ordinary income | |
|-------------------------|-----------|-------|------------------|--------|-----------------|--------|
| | | % | | % | | % |
| Interim ended Jun. 2006 | 74,050 | 0.5 | 1,838 | 47.2 | 2,108 | 14.0 |
| Interim ended Jun. 2005 | 73,663 | (3.4) | 1,249 | (21.2) | 1,848 | (14.4) |
| Year ended Dec. 2005 | 144,058 | | 2,691 | | 3,532 | |

| | Net income | | Net income per share (¥) | |
|-------------------------|------------|---|--------------------------|--|
| | | % | | |
| Interim ended Jun. 2006 | 1,830 | - | 39 81 | |
| Interim ended Jun. 2005 | (33) | - | (0 78) | |
| Year ended Dec. 2005 | 1,593 | | 35 05 | |

Notes:

- 1) Average number of outstanding shares

| | | |
|-------------------------|---|------------|
| Interim ended Jun. 2006 | : | 45,981,924 |
| Interim ended Jun. 2005 | : | 43,103,536 |
| Year ended Dec. 2005 | : | 44,456,231 |
- 2) There were no changes in accounting standards that were applicable to the above figures.
- 3) Percentages for net sales, operating income, ordinary income and net income represent percentage changes from the corresponding period of the previous year.

(2) Non-Consolidated Financial Position

| | Total assets (¥ million) | Net assets (¥ million) | Equity ratio (%) | Net assets per share (¥) |
|---------------------|--------------------------|------------------------|------------------|--------------------------|
| As of Jun. 30, 2006 | 88,533 | 53,413 | 60.3 | 1,159 23 |
| As of Jun. 30, 2005 | 83,665 | 49,182 | 58.8 | 1,078 25 |
| As of Dec. 31, 2005 | 90,856 | 51,926 | 57.2 | 1,130 50 |

Notes: 1) Number of outstanding shares

| | | |
|---------------------|---|------------|
| As of Jun. 30, 2006 | : | 46,076,882 |
| As of Jun. 30, 2005 | : | 45,613,753 |
| As of Dec. 31, 2005 | : | 45,901,707 |

2) Treasury stock held

| | | |
|---------------------|---|-----------|
| As of Jun. 30, 2006 | : | 1,553,511 |
| As of Jun. 30, 2005 | : | 2,016,640 |

As of Dec. 31, 2005

: 1,728,686

2. Non-Consolidated Earnings Outlook for Fiscal 2006 (January 1, 2006 – December 31, 2006)

(¥ million, rounded down)

| | Net sales | Ordinary income | Net income |
|-----------|-----------|-----------------|------------|
| Full year | 146,000 | 4,000 | 3,100 |

(Reference: Projected net income per share for the full year: ¥67.28)

3. Dividend Payments

| | Annual dividend per share (¥) | | |
|------------------------|--------------------------------|---------------------------------|----------------------------------|
| | Interim dividend per share (¥) | Year-end dividend per share (¥) | Full-year dividend per share (¥) |
| Fiscal 2005 | 8.00 | 10.00 | 18.00 |
| Fiscal 2006 (Results) | 10.00 | - | 20.00 |
| Fiscal 2006 (Forecast) | - | 10.00 | |

The above projections are based on information available at the time of release of this report. Actual results could differ significantly from projections due to a variety of factors.

For further details regarding projections, please refer to page 9.

Interim Non-Consolidated Financial Statements

(1) Interim Non-Consolidated Balance Sheets

(¥ million)

| Item | Term | As of June 30, 2005 | | As of June 30, 2006 | | As of December 31, 2005 | |
|--|------|---------------------|--------------|---------------------|--------------|-------------------------|--------------|
| | | Amount | % | Amount | % | Amount | % |
| Assets | | | | | | | |
| I Current assets: | | | | | | | |
| 1. Cash and deposits | | 9,701 | | 9,164 | | 9,240 | |
| 2. Notes receivable | | 46 | | 3 | | 3 | |
| 3. Accounts receivable | | 11,651 | | 11,069 | | 9,910 | |
| 4. Inventories | | 14,039 | | 14,962 | | 15,128 | |
| 5. Accounts receivable-other | | 5,396 | | 5,217 | | 6,990 | |
| 6. Other | | 3,475 | | 4,271 | | 6,013 | |
| Allowance for doubtful accounts | | (268) | | (163) | | (169) | |
| Total current assets | | 44,040 | 52.6 | 44,525 | 50.3 | 47,115 | 51.9 |
| II Fixed assets: | | | | | | | |
| 1. Property and equipment: (Note 1) | | | | | | | |
| 1) Buildings | | 10,849 | | 10,444 | | 10,521 | |
| 2) Machinery and equipment | | 2,465 | | 1,953 | | 2,136 | |
| 3) Land | | 11,468 | | 11,416 | | 11,330 | |
| 4) Other | | 1,237 | | 1,219 | | 1,269 | |
| Total property and equipment | | 26,020 | 31.1 | 25,033 | 28.3 | 25,257 | 27.8 |
| 2. Intangible assets-net | | | | | | | |
| | | 1,198 | 1.5 | 1,810 | 2.0 | 1,459 | 1.6 |
| 3. Investments and other assets: | | | | | | | |
| 1) Investment securities (Note 2) | | 6,905 | | 10,644 | | 11,270 | |
| 2) Other | | 7,045 | | 8,076 | | 7,334 | |
| Allowance for doubtful accounts | | (1,545) | | (1,557) | | (1,581) | |
| Total investments and other assets | | 12,405 | 14.8 | 17,163 | 19.4 | 17,023 | 18.7 |
| Total fixed assets | | 39,624 | 47.4 | 44,007 | 49.7 | 43,740 | 48.1 |
| Total Assets | | 83,665 | 100.0 | 88,533 | 100.0 | 90,856 | 100.0 |

(¥ million)

| Item | Term | As of June 30, 2005 | | As of June 30, 2006 | | As of December 31, 2005 | |
|---|------|---------------------|-------|---------------------|------|-------------------------|-------|
| | | Amount | % | Amount | % | Amount | % |
| Liabilities | | | | | | | |
| I Current liabilities: | | | | | | | |
| 1. Notes payable | | 4,115 | | 4,282 | | 3,880 | |
| 2. Accounts payable | | 5,588 | | 5,619 | | 7,092 | |
| 3. Current portion of long-term debt (Note 2) | | 116 | | 51 | | 124 | |
| 4. Accounts payable-other | | 4,464 | | 4,593 | | 5,935 | |
| 5. Accounts payable-factoring | | 16,161 | | 15,502 | | 14,923 | |
| 6. Accrued expenses | | 1,056 | | 1,055 | | 1,277 | |
| 7. Accrued income taxes | | 78 | | 78 | | 141 | |
| 8. Allowance for sales promotion | | 597 | | 653 | | 686 | |
| 9. Other | | 604 | | 952 | | 2,266 | |
| Total current liabilities | | 32,783 | 39.2 | 32,791 | 37.1 | 36,327 | 40.0 |
| II Long-term liabilities: | | | | | | | |
| 1. Long-term debt (Note 2) | | 377 | | 335 | | 393 | |
| 2. Deferred tax liabilities | | 158 | | 747 | | 910 | |
| 3. Deferred tax liabilities relating to land revaluation | | 837 | | 804 | | 804 | |
| 4. Liabilities for retirement benefits for directors and corporate auditors | | 324 | | 441 | | 494 | |
| Total long-term liabilities | | 1,698 | 2.0 | 2,328 | 2.6 | 2,602 | 2.8 |
| Total liabilities | | 34,482 | 41.2 | 35,119 | 39.7 | 38,929 | 42.8 |
| Shareholders' equity: | | | | | | | |
| I Common stock | | 20,359 | 24.3 | - | - | 20,359 | 22.4 |
| II Capital surplus | | | | | | | |
| 1) Capital reserve | | 19,864 | | - | | 19,864 | |
| 2) Other capital surplus | | 784 | | - | | 793 | |
| Total capital surplus | | 20,648 | 24.7 | - | - | 20,657 | 22.8 |
| III Retained earnings | | | | | | | |
| 1) Profit reserve | | 1,118 | | - | | 1,118 | |
| 2) Voluntary reserve | | 13,730 | | - | | 13,730 | |
| 3) Unappropriated income | | 1,620 | | - | | 2,931 | |
| Total retained earnings | | 16,469 | 19.7 | - | - | 17,780 | 19.6 |
| IV Land revaluation difference | | (7,413) | (8.9) | - | - | (7,462) | (8.2) |
| V Net unrealized gains on available for sale securities | | 456 | 0.6 | - | - | 1,744 | 1.9 |
| VI Treasury stock | | (1,337) | (1.6) | - | - | (1,153) | (1.3) |
| Total shareholders' equity | | 49,182 | 58.8 | - | - | 51,926 | 57.2 |
| Total liabilities, and shareholders' equity | | 83,665 | 100.0 | - | - | 90,856 | 100.0 |

(¥ million)

| Item | Term | As of June 30, 2005 | | As of June 30, 2006 | | As of December 31, 2005 | |
|--|------|---------------------|---|---------------------|-------|-------------------------|---|
| | | Amount | % | Amount | % | Amount | % |
| Net assets | | | | | | | |
| I Shareholders' equity: | | | | | | | |
| (1) Common stock | | - | - | 20,359 | 23.0 | - | - |
| (2) Capital surplus | | | | | | | |
| 1. Capital reserve | | - | - | 19,864 | | - | - |
| 2. Other capital surplus | | - | - | 851 | | - | - |
| Total capital surplus | | - | - | 20,715 | 23.4 | - | - |
| (3) Retained earnings | | | | | | | |
| 1. Profit reserve | | - | - | 1,118 | | - | - |
| 2. Other profit reserve | | | | | | | |
| Reserve for deferred fixed assets | | - | - | 80 | | - | - |
| Reserve for losses of overseas investment | | - | - | 34 | | - | - |
| General reserve | | - | - | 13,600 | | - | - |
| Retained earnings brought forward | | - | - | 4,284 | | - | - |
| Total retained earnings | | - | - | 19,117 | 21.6 | - | - |
| (4) Treasury stock | | - | - | (1,041) | (1.2) | - | - |
| Total shareholders' equity | | - | - | 59,150 | 66.8 | - | - |
| II Valuation and translation adjustments: | | | | | | | |
| 1. Net unrealized gains on available for sale securities | | - | - | 1,297 | 1.4 | - | - |
| 2. Deferred hedge gains (losses) | | - | - | 429 | 0.5 | - | - |
| 3. Land revaluation difference | | - | - | (7,462) | (8.4) | - | - |
| Total valuation and translation adjustments | | - | - | (5,736) | (6.5) | - | - |
| Total net assets | | - | - | 53,413 | 60.3 | - | - |
| Total liabilities and net assets | | - | - | 88,533 | 100.0 | - | - |

(2) Interim Non-Consolidated Statements of Income

(¥ million)

| Item | Term | Interim fiscal 2005 | | Interim fiscal 2006 | | Fiscal 2005 | |
|---|------|---------------------------------|-------|---------------------------------|-------|-------------------------------------|-------|
| | | January 1, 2005 – June 30, 2005 | | January 1, 2006 – June 30, 2006 | | January 1, 2005 – December 31, 2005 | |
| | | Amount | % | Amount | % | Amount | % |
| I Net sales | | 73,663 | 100.0 | 74,050 | 100.0 | 144,058 | 100.0 |
| II Cost of sales | | 38,764 | 52.6 | 38,191 | 51.6 | 75,571 | 52.5 |
| Gross profit | | 34,898 | 47.4 | 35,858 | 48.4 | 68,486 | 47.5 |
| III Selling, general and administrative expenses | | 33,648 | 45.7 | 34,020 | 45.9 | 65,794 | 45.6 |
| Operating income | | 1,249 | 1.7 | 1,838 | 2.5 | 2,691 | 1.9 |
| IV Other income (Note 1) | | 667 | 0.9 | 490 | 0.6 | 976 | 0.7 |
| V Other expenses (Note 2) | | 68 | 0.1 | 221 | 0.3 | 135 | 0.1 |
| Ordinary income | | 1,848 | 2.5 | 2,108 | 2.8 | 3,532 | 2.5 |
| VI Extraordinary gains | | 27 | 0.1 | 54 | 0.1 | 63 | 0.0 |
| VII Extraordinary losses (Notes 3 and 4) | | 1,395 | 1.9 | 82 | 0.1 | 1,762 | 1.2 |
| Income before income taxes | | 481 | 0.7 | 2,080 | 2.8 | 1,833 | 1.3 |
| Income taxes | | 9 | 0.0 | 11 | 0.0 | 18 | 0.0 |
| Deferred income taxes | | 505 | 0.7 | 238 | 0.3 | 221 | 0.2 |
| Net income (loss) | | (33) | (0.0) | 1,830 | 2.5 | 1,593 | 1.1 |
| Unappropriated retained earnings brought forward | | 3,194 | | - | | 3,194 | |
| Interim dividend | | - | | - | | 364 | |
| Transfer from unrealized losses on revaluation of land | | 1,539 | | - | | 1,490 | |
| Unappropriated retained earnings | | 1,620 | | - | | 2,931 | |
| | | | | | | | |

(3) Interim Non-Consolidated Statement of Changes in Shareholders' Equity

Interim fiscal 2006 (January 1, 2006 – June 30, 2006)

| Item | Term | Shareholders' equity: | | | | | | | | | | Treasury stock | Total shareholders' equity |
|--|--------|-----------------------|-----------------|-----------------------|-----------------------|----------------|-----------------------------------|---|-----------------|-----------------------------------|-------------------------|----------------|----------------------------|
| | | Common stock | Capital surplus | | | Profit reserve | Retained earnings | | | | Total retained earnings | | |
| | | | Capital reserve | Other capital surplus | Total capital surplus | | Other profit reserve | | | | | | |
| | | | | | | | Reserve for deferred fixed assets | Reserve for losses of overseas investment | General reserve | Retained earnings brought forward | | | |
| Balance as of December 31, 2005 | 20,359 | 19,864 | 793 | 20,657 | 1,118 | 84 | 46 | 13,600 | 2,931 | 17,780 | (1,153) | 57,644 | |
| Changes in the interim period | | | | | | | | | | | | | |
| Reversal of reserve for deferred fixed assets | | | | | | (3) | | | 3 | - | | - | |
| Reversal of reserve for losses of overseas investment | | | | | | | (11) | | 11 | - | | - | |
| Dividend of surplus | | | | | | | | | (459) | (459) | | (459) | |
| Directors' bonuses | | | | | | | | | (34) | (34) | | (34) | |
| Net income | | | | | | | | | 1,830 | 1,830 | | 1,830 | |
| Purchases of treasury stocks | | | | | | | | | | | (11) | (11) | |
| Disposal of treasury stocks | | | 57 | 57 | | | | | | | 122 | 179 | |
| Changes (net) in items other than shareholders' equity | | | | | | | | | | | | | |
| Total changes in the interim period | - | - | 57 | 57 | - | (3) | (11) | - | 1,352 | 1,337 | 111 | 1,505 | |
| Balance as of June 30, 2006 | 20,359 | 19,864 | 851 | 20,715 | 1,118 | 80 | 34 | 13,600 | 4,284 | 19,117 | (1,041) | 59,150 | |

| Item | Term | Valuation and translation adjustments: | | | | Total net assets |
|--|------|---|-------------------------------|-----------------------------|---|------------------|
| | | Net unrealized gains on available for sale securities | Deferred hedge gains (losses) | Land revaluation difference | Total valuation and translation adjustments | |
| Balance as of December 31, 2005 | | 1,744 | - | (7,462) | (5,718) | 51,926 |
| Changes in the interim period | | | | | | |
| Reversal of reserve for deferred fixed assets | | | | | | - |
| Reversal of reserve for losses of overseas investment | | | | | | - |
| Dividend of surplus | | | | | | (459) |
| Directors' bonuses | | | | | | (34) |
| Net income | | | | | | 1,830 |
| Purchases of treasury stocks | | | | | | (11) |
| Disposal of treasury stocks | | | | | | 179 |
| Changes (net) in items other than shareholders' equity | | (447) | 429 | - | (18) | (18) |
| Total changes in the interim period | | (447) | 429 | - | (18) | 1,487 |
| Balance as of June 30, 2006 | | 1,297 | 429 | (7,462) | (5,736) | 53,413 |

Summary of Significant Accounting Policies

| <p align="center">Interim fiscal 2005 January 1, 2005 – June 30, 2005</p> | <p align="center">Interim fiscal 2006 January 1, 2006 – June 30, 2006</p> | <p align="center">Fiscal 2005 January 1, 2005 – December 31, 2005</p> |
|--|---|---|
| <p>1. Valuation standards and accounting treatment for assets</p> <p>1) Investment securities</p> <p>(1) Subsidiaries and affiliates Subsidiaries and affiliates are stated at cost determined by the moving-average method.</p> <p>(2) Other investment securities Available-for-sale securities are reported at fair value, determined by the market price as of the end of the interim period and other factors, with unrealized gains or losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of available-for sale securities sold is determined based on the moving-average method. Available-for-sale securities whose fair value is not readily determinable are stated at cost based on the moving-average method.</p> <p>2) Derivatives All derivatives are recognized as either assets or liabilities and measured at fair value.</p> <p>3) Inventories Inventories are stated at the lower of cost, determined by the average method, or market.</p> <p>2. Method for depreciating and amortizing fixed assets</p> <p>1) Property and equipment Depreciation is computed by the declining-balance method, but the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is as follows:</p> | <p>1. Valuation standards and accounting treatment for assets</p> <p>1) Investment securities</p> <p>(1) Subsidiaries and affiliates Same as on the left.</p> <p>(2) Other investment securities Available-for-sale securities are reported at fair value, determined by the market price as of the end of the interim period and other factors, with unrealized gains or losses, net of applicable taxes, reported in a separate component of net assets. The cost of available-for sale securities sold is determined based on the moving-average method. Available-for-sale securities whose fair value is not readily determinable are stated at cost based on the moving-average method.</p> <p>2) Derivatives Same as on the left.</p> <p>3) Inventories Same as on the left.</p> <p>2. Method for depreciating and amortizing fixed assets</p> <p>1) Property and equipment Same as on the left.</p> | <p>1. Valuation standards and accounting treatment for assets</p> <p>1) Investment securities</p> <p>(1) Subsidiaries and affiliates Same as on the left.</p> <p>(2) Other investment securities Available-for-sale securities are reported at fair value, determined by the market price as of the fiscal year-end and other factors, with unrealized gains or losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of available-for sale securities sold is determined based on the moving-average method. Available-for-sale securities whose fair value is not readily determinable are stated at cost based on the moving-average method.</p> <p>2) Derivatives Same as on the left.</p> <p>3) Inventories Same as on the left.</p> <p>2. Method for depreciating and amortizing fixed assets</p> <p>1) Property and equipment Same as on the left.</p> |

| Interim fiscal 2005 January 1, 2005 – June 30, 2005 | Interim fiscal 2006 January 1, 2006 – June 30, 2006 | Fiscal 2005 January 1, 2005 – December 31, 2005 |
|--|--|--|
| <p>Buildings 38 to 50 years Machinery and equipment 12 years</p> <p>2) Intangible assets Intangible assets are amortized using the straight-line method. However, in-house software is amortized by the straight-line method based on an estimated useful life of five years.</p> <p>3. Accounting for allowances</p> <p>1) Allowance for doubtful accounts The allowance for doubtful accounts provides for possible losses arising from default on accounts receivable. The allowance is made up of two components: the estimated credit loss for doubtful receivables based on an individual assessment of each account, and a general reserve calculated based on historical default rates.</p> <p>2) Liabilities for retirement benefits for directors and corporate auditors Retirement benefits to directors and corporate auditors of Senshukai are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.</p> <p>3) Allowance for sales promotion This allowance is provided to cover future cost outlays related to the mileage point system, which is aimed at sales promotion. The allowance provides for the projected monetary redemption value of mileage points calculated based on the unredeemed value of issued points and historical redemption ratios.</p> | <p>2) Intangible assets Same as on the left.</p> <p>3. Accounting for allowances</p> <p>1) Allowance for doubtful accounts Same as on the left.</p> <p>2) Liabilities for retirement benefits for directors and corporate auditors Same as on the left.</p> <p>3) Allowance for sales promotion Same as on the left.</p> | <p>2) Intangible assets Same as on the left.</p> <p>3. Accounting for allowances</p> <p>1) Allowance for doubtful accounts Same as on the left.</p> <p>2) Liabilities for retirement benefits for directors and corporate auditors Same as on the left.</p> <p>3) Allowance for sales promotion Same as on the left.</p> |

| <p style="text-align: center;">Interim fiscal 2005 January 1, 2005 – June 30, 2005</p> | <p style="text-align: center;">Interim fiscal 2006 January 1, 2006 – June 30, 2006</p> | <p style="text-align: center;">Fiscal 2005 January 1, 2005 – December 31, 2005</p> |
|---|---|--|
| <p>4. Conversion of credit and liabilities in foreign currencies to Japanese currency All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts, currency swaps and currency options.</p> | <p>4. Conversion of credit and liabilities in foreign currencies to Japanese currency Same as on the left.</p> | <p>4. Conversion of credit and liabilities in foreign currencies to Japanese currency Same as on the left.</p> |
| <p>5. Accounting for sales promotion expenses Senshukai conducts a mail-order business, and among sales promotion expenses, catalog-related expenses corresponding to net sales in the second half of the fiscal year are classified as prepaid expenses and included in “other” under current assets.</p> | <p>5. Accounting for sales promotion expenses Same as on the left.</p> | <p>5. Accounting for sales promotion expenses Senshukai conducts mail-order business, and among sales promotion expenses, catalog-related expenses corresponding to net sales in the next non-consolidated fiscal year are included in “other” under current assets to better match expenses to earnings in each year.</p> |
| <p>6. Accounting for leases Finance leases, other than those that transfer ownership of the leased assets to the lessees, are treated in the same way as ordinary operating leases for accounting purposes.</p> | <p>6. Accounting for leases Same as on the left.</p> | <p>6. Accounting for leases Same as on the left.</p> |
| <p>7. Accounting for hedging 1) Hedge Accounting Methods Deferred hedge accounting is used. 2) Hedging instruments/hedged items Hedging instruments: foreign exchange forward contracts, currency swaps and currency options; Hedged items; trade accounts payable denominated in foreign currencies</p> | <p>7. Accounting for hedging 1) Hedge Accounting Methods Same as on the left. 2) Hedging instruments/hedged items Same as on the left.</p> | <p>7. Accounting for hedging 1) Hedge Accounting Methods Same as on the left. 2) Hedging instruments/hedged items Same as on the left.</p> |

| Interim fiscal 2005 January 1, 2005 – June 30, 2005 | Interim fiscal 2006 January 1, 2006 – June 30, 2006 | Fiscal 2005 January 1, 2005 – December 31, 2005 |
|---|--|---|
| <p>3) Hedging policy Senshukai mainly hedges against fluctuations in foreign exchange rates and cash flows, in conformity with internal management guidelines.</p> <p>4) Evaluation of hedging effectiveness High correlation and effectiveness between the hedging instruments and the hedged items are regularly verified. However, the evaluation is omitted in the case that market risk in derivatives is fully offset by opposite movements in the value of hedged assets or liabilities.</p> <p>8. Accounting for consumption tax Financial statements are prepared exclusive of national and regional consumption taxes. Temporarily paid consumption taxes that offset withheld consumption taxes are included in “Other” under current liabilities.</p> | <p>3) Hedging policy Same as on the left.</p> <p>4) Evaluation of hedging effectiveness Same as on the left.</p> <p>8. Accounting for consumption tax Same as on the left.</p> | <p>3) Hedging policy Same as on the left.</p> <p>4) Evaluation of hedging effectiveness Same as on the left.</p> <p>8. Accounting for consumption tax Financial statements are prepared exclusive of national and regional consumption taxes.</p> |

Summary of Changes in Accounting Policies

| <p style="text-align: center;">Interim fiscal 2005 January 1, 2005 – June 30, 2005</p> | <p style="text-align: center;">Interim fiscal 2006 January 1, 2006 – June 30, 2006</p> | <p style="text-align: center;">Fiscal 2005 January 1, 2005 – December 31, 2005</p> |
|---|--|---|
| <p>Accounting for impairment of fixed assets:</p> <p>In August 2002, the Business Accounting Council issued a Statement of Opinion, Accounting for Impairment of Fixed Assets, and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No. 6, Guidance for Accounting Standard for Impairment of Fixed Assets. These new pronouncements are effective for fiscal years beginning on or after April 1, 2005, with early adoption permitted for fiscal years ending on or after March 31, 2004. The Group adopted the new accounting standard for impairment of fixed assets as of January 1, 2005.</p> <p>The effect of the adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes by ¥1,394 million.</p> <p>The accumulated impairment loss is directly deducted from the amount of each asset based on the revised regulations for the preparation of interim financial statements.</p> | <p style="text-align: center;">-----</p> <p>Presentation of Net Assets in Balance Sheet</p> <p>Effective from the first half of the year ending December 31, 2006, Senshukai adopted the new accounting standard, “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Accounting Standard Statement No.5, issued on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standard Guidance No.8, issued on December 9, 2005).</p> <p>The total amount of conventional shareholders’ equity was ¥52,984 million.</p> <p>Due to the revision of the corporate law regarding interim financial statements, net assets in the interim balance sheet are shown based on the revised regulation.</p> | <p>Accounting for impairment of fixed assets:</p> <p>In August 2002, the Business Accounting Council issued a Statement of Opinion, Accounting for Impairment of Fixed Assets, and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No. 6, Guidance for Accounting Standard for Impairment of Fixed Assets. These new pronouncements are effective for fiscal years beginning on or after April 1, 2005, with early adoption permitted for fiscal years ending on or after March 31, 2004. The Group adopted the new accounting standard for impairment of fixed assets as of January 1, 2005.</p> <p>The effect of the adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes by ¥1,394 million.</p> <p>The accumulated impairment loss is directly deducted from the amount of each asset based on the revised regulations for the preparation of financial statements.</p> |

Reclassifications

| Interim fiscal 2005 January 1, 2005 – June 30, 2005 | Interim fiscal 2006 January 1, 2006 – June 30, 2006 |
|---|--|
| <p>Balance sheets:</p> <p>The “Law Partially Amending the Securities Exchange Law” (Law No. 97, 2004) was enacted on June 9, 2004 and came into force on December 1, 2004, and the Accounting Standards Committee Report No. 14 called Implementation Guidelines to Accounting for Financial Instruments was revised on February 15, 2005. As a result, investments in limited liability investment partnerships and similar partnerships (those deemed as marketable securities in accordance with Article 2-2 of the Securities and Exchange Law) are accounted for as investment securities from the interim period under review.</p> <p>The amount of applicable investments included in investment securities at June 30, 2005 was ¥195 million.</p> <p>“Accounts payable-factoring” which was included in “accounts payable-other” in the previous interim period, is shown as a separate line item in the interim period under review, to clarify its contents.</p> <p>The amount of “accounts payable-factoring” included in “accounts payable-other” at June 30, 2004 was ¥14,489 million.</p> | ----- |

Supplemental Information

| <p align="center">Interim fiscal 2005 January 1, 2005 – June 30, 2005</p> | <p align="center">Interim fiscal 2006 January 1, 2006 – June 30, 2006</p> | <p align="center">Fiscal 2005 January 1, 2005 – December 31, 2005</p> |
|---|---|--|
| <p>External standard taxation in the corporate income taxation</p> <p>Effective the current fiscal year, following the implementation of Amendments to the “Local Tax Law” (Legislation No. 9, 2003) on March 31, 2003 and the subsequent introduction from fiscal years starting on or after April 1, 2004 of a size-based enterprise tax, the Group has adopted the new accounting standard issued by ASBJ on February 13, 2004 (Accounting Standard Implementation Guidance No. 12): “Implementation Guidance on Presentation of Size-based Portion of Enterprise Taxes in Statements of Income.” Accordingly, the amount of enterprise taxes that have a tax basis on the “value added” and the “amount of capital” are incorporated in selling, general and administrative expenses.</p> <p>As an effect of this change, selling, general and administrative expenses increased by ¥67 million, and operating income, ordinary income and income before income taxes decreased by equivalent amounts, compared to the amounts that would have been reported.</p> | <p align="center">-----</p> | <p>External standard taxation in the corporate income taxation</p> <p>Effective the current fiscal year, following the implementation of Amendments to the “Local Tax Law” (Legislation No. 9, 2003) on March 31, 2003 and the subsequent introduction from fiscal years starting on or after April 1, 2004 of a size-based enterprise tax, the Group has adopted the new accounting standard issued by ASBJ on February 13, 2004 (Accounting Standard Implementation Guidance No. 12): “Implementation Guidance on Presentation of Size-based Portion of Enterprise Taxes in Statements of Income.” Accordingly, the amount of enterprise taxes that have a tax basis on the “value added” and the “amount of capital” are incorporated in selling, general and administrative expenses.</p> <p>As an effect of this change, selling, general and administrative expenses increased by ¥121 million, and operating income, ordinary income and income before income taxes decreased by equivalent amounts, compared to the amounts that would have been reported.</p> |

Notes to Non-Consolidated Balance Sheets

(¥ million)

| As of June 30, 2005 | As of June 30, 2006 | As of December 31, 2005 |
|--|--|--|
| 1. Accumulated depreciation on property and equipment 32,266 | 1. Accumulated depreciation on property and equipment 31,827 | 1. Accumulated depreciation on property and equipment 31,241 |
| 2. Assets pledged as collateral | 2. Assets pledged as collateral | 2. Assets pledged as collateral |
| (1) Collateral-backed assets | (1) Collateral-backed assets | (1) Collateral-backed assets |
| Investment (book value) securities 1,623 | Investment (book value) securities 2,275 | Investment (book value) securities 2,330 |
| (2) Collateral-backed liabilities | (2) Collateral-backed liabilities | (2) Collateral-backed liabilities |
| Current portion of long-term debt 81 | Current portion of long-term debt 36 | Current portion of long-term debt 86 |
| Long-term debt 263 | Long-term debt 233 | Long-term debt 274 |
| <u>Total</u> 344 | <u>Total</u> 270 | <u>Total</u> 361 |
| 3. Contingent liabilities | 3. Contingent liabilities | 3. Contingent liabilities |
| Guarantees for bank loans | Guarantees for bank loans | Guarantees for bank loans |
| Employees' housing loans 65 | Employees' housing loans 45 | Employees' housing loans 50 |
| Senshukai Hong Kong Co., Ltd. 80 | | Senshukai Hong Kong Co., Ltd. 80 |
| <u>Total</u> 145 | | <u>Total</u> 131 |

Notes to Non-Consolidated Statements of Income

(¥ million)

| Interim fiscal 2005 January 1, 2005 – June 30, 2005 | Interim fiscal 2006 January 1, 2006 – June 30, 2006 | Fiscal 2005 January 1, 2005 – December 31, 2005 |
|--|--|--|
| <p>1. Major components of other income:</p> <p>Interest income 32 (including marketable securities interest) Dividend income 508 Exchange gains 39</p> | <p>1. Major components of other income:</p> <p>Interest income 82 (including marketable securities interest) Dividend income 314</p> | <p>1. Major components of other income:</p> <p>Interest income 107 (including marketable securities interest) Dividend income 528 Exchange gains 135</p> |
| <p>2. Major components of other expenses</p> <p>Interest expenses 21</p> | <p>2. Major components of other expenses</p> <p>Interest expenses 23 Exchange losses 154</p> | <p>2. Major components of other expenses</p> <p>Interest expenses 44</p> |
| <p>3. Major components of extraordinary losses</p> <p>Loss on impairment of 1,394 long-lived assets</p> | <p>-----</p> | <p>3. Major components of extraordinary losses</p> <p>Losses on sales and disposal of property and equipment 209 Loss on impairment of 1,394 long-lived assets</p> |

(¥ million)

| Interim fiscal 2005 January 1, 2005 – June 30, 2005 | Interim fiscal 2006 January 1, 2006 – June 30, 2006 | Fiscal 2005 January 1, 2005 – December 31, 2005 | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|--|-----------------|-----------------|------------------------------|---------------------------------|---|-------|--|-----------|------|-----|--|--|----------|---------|------|-----------------|------------------------------|---------------------------------|---|-------|--|-----------|------|-----|
| <p>4. Loss on impairment of long-lived assets For the current interim period, Senshukai posted an impairment loss on the following asset groups.</p> <table border="1" data-bbox="65 488 528 1003"> <thead> <tr> <th>Location</th> <th>Purpose</th> <th>Type</th> <th>Impairment loss</th> </tr> </thead> <tbody> <tr> <td>Awara City, Fukui Prefecture</td> <td>Leased facility for golf course</td> <td>Investment land, investment structures, other</td> <td>1,264</td> </tr> <tr> <td>Tokorozawa City, Saitama Prefecture, other</td> <td>Idle land</td> <td>Land</td> <td>129</td> </tr> </tbody> </table> <p>In principle, the grouping of assets is based on categories of management accounting.</p> <p>The book value of the above asset groups was marked down to the recoverable amount, reflecting a decrease in land prices and weak prospects for improved short-term performance due to worsening operating profitability. This markdown was posted as an impairment loss.</p> <p>The impairment loss on a golf course was ¥1,264 million (including, investment land: ¥1,234 million; other: ¥30 million) The impairment loss on idle land was ¥129 million (including, land: ¥121 million; other: ¥8 million).</p> <p>The recoverable amount was measured at its net selling price determined by an appraisal report from an independent real-estate appraiser.</p> | Location | Purpose | Type | Impairment loss | Awara City, Fukui Prefecture | Leased facility for golf course | Investment land, investment structures, other | 1,264 | Tokorozawa City, Saitama Prefecture, other | Idle land | Land | 129 | <p style="text-align: center;">-----</p> | <p>4. Loss on impairment of long-lived assets For the current fiscal year, Senshukai posted an impairment loss on the following asset groups. The sale of the leased facility for a golf course in Awara City, Fukui Prefecture was completed in October 2005.</p> <table border="1" data-bbox="1007 533 1500 1003"> <thead> <tr> <th>Location</th> <th>Purpose</th> <th>Type</th> <th>Impairment loss</th> </tr> </thead> <tbody> <tr> <td>Awara City, Fukui Prefecture</td> <td>Leased facility for golf course</td> <td>Investment land, investment structures, other</td> <td>1,264</td> </tr> <tr> <td>Tokorozawa City, Saitama Prefecture, other</td> <td>Idle land</td> <td>Land</td> <td>129</td> </tr> </tbody> </table> <p>In principle, the grouping of assets is based on categories of management accounting.</p> <p>The book value of the above asset groups was marked down to the recoverable amount, reflecting a decrease in land prices and weak prospects for improved short-term performance due to worsening operating profitability. This markdown was posted as an impairment loss.</p> <p>The impairment loss on the leased facility for a golf course was ¥1,264 million (including, investment land: ¥1,234 million; other: ¥30 million) The impairment loss on idle land was ¥129 million (including, land: ¥121 million; other: ¥8 million).</p> <p>The recoverable amount was measured at its net selling price determined by an appraisal report from an independent real-estate appraiser.</p> | Location | Purpose | Type | Impairment loss | Awara City, Fukui Prefecture | Leased facility for golf course | Investment land, investment structures, other | 1,264 | Tokorozawa City, Saitama Prefecture, other | Idle land | Land | 129 |
| Location | Purpose | Type | Impairment loss | | | | | | | | | | | | | | | | | | | | | | | |
| Awara City, Fukui Prefecture | Leased facility for golf course | Investment land, investment structures, other | 1,264 | | | | | | | | | | | | | | | | | | | | | | | |
| Tokorozawa City, Saitama Prefecture, other | Idle land | Land | 129 | | | | | | | | | | | | | | | | | | | | | | | |
| Location | Purpose | Type | Impairment loss | | | | | | | | | | | | | | | | | | | | | | | |
| Awara City, Fukui Prefecture | Leased facility for golf course | Investment land, investment structures, other | 1,264 | | | | | | | | | | | | | | | | | | | | | | | |
| Tokorozawa City, Saitama Prefecture, other | Idle land | Land | 129 | | | | | | | | | | | | | | | | | | | | | | | |

