



Financial Report for Fiscal 2007 (Ended December 31, 2007)

January 31, 2008

Company name: **Senshukai Co., Ltd.**

Stock Exchanges: Tokyo and Osaka, First Sections

Stock Code: 8165

URL: <http://www.senshukai.co.jp>

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Scheduled date of annual general meeting of shareholders: March 28, 2008

Scheduled date of payment of dividend: March 31, 2008

Scheduled date of filing of Annual Security Report: March 31, 2008

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for Fiscal 2007 (January 1, 2007 – December 31, 2007)

(1) Consolidated operating results (Percentages represent changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2007	156,792	5.8	5,291	15.0	5,626	7.4	2,494	(31.2)
Fiscal 2006	148,150	1.9	4,602	34.1	5,240	32.3	3,627	186.2

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal 2007	53.60	53.46	4.5	5.8	3.4
Fiscal 2006	78.81	78.55	6.6	5.6	3.1

Reference: Investment profit (loss) on equity method (million yen)

Fiscal 2007: (164) Fiscal 2006: 193

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Dec. 31, 2007	98,422	55,955	56.8	1,197.62
As of Dec. 31, 2006	95,508	55,708	58.3	1,207.89

Reference: Shareholders' equity (million yen)

As of Dec. 31, 2007: 55,945 As of Dec. 31, 2006: 55,661

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2007	1,444	(6,047)	2,305	3,526
Fiscal 2006	1,470	(6,426)	(875)	5,549

2. Dividends

(Record date)	Dividend per share			Total dividends (annual)	Payout ratio (consolidated)	Dividend on equity (consolidated)
	Interim	Yearend	Annual			
	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2006	10.00	10.00	20.00	921	25.4	1.7
Fiscal 2007	13.00	14.00	27.00	1,260	50.4	2.2
Fiscal 2008 (forecast)	8.00	9.00	17.00		56.7	

3. Consolidated Outlook for Fiscal 2008 (January 1, 2008 – December 31, 2008)

(Percentages represent changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	81,500	2.3	2,100	(39.9)	2,100	(46.4)	900	(55.0)	19.27
Full year	160,000	2.0	3,300	(37.6)	3,400	(39.6)	1,400	(43.9)	29.97

1. Operating Results

(1) Analysis of Operating Results

Overview

The Japanese economy remained firm in the first half of the fiscal year under review due to strong corporate earnings, but this did not lead to a recovery in personal consumption, and the outlook for consumption grew uncertain in the second half due to concerns over the US economy, and the impact of surging crude oil and raw material prices on consumer prices. This negative environment encouraged realignment in the retail industry which continued apace centered on M&A, and the mail-order industry faced challenges, impacted like other retailers by unfavorable weather and other negative factors.

Against this backdrop, the Senshukai Group focused on priority strategies in the final year of its medium-term management plan which ended in Fiscal 2007.

Consolidated net sales increased 5.8% year-over-year to 156,792 million yen in the fiscal year under review.

The cost ratio rose, but operating income still increased 15.0% year-over-year to 5,291 million yen due to a decline in the SG&A-to-sales ratio through reductions in printing and other catalog-related expenses. Ordinary income increased 7.4% to 5,626 million yen due to an increase in interest income, and foreign exchange gains. However, net income declined 31.2% to 2,494 million yen due to the emergence of corporate taxes from an absence of tax loss carry forwards.

Segment information

[Mail-order Business]

Consolidated sales in the mail-order business, which comprises the catalog and the *hanpukai* businesses, increased 2.6% year-over-year to 145,664 million yen, and operating income increased 18.9% to 5,603 million yen in the fiscal year under review.

1) Catalog business

The catalog business provides customers with a variety of lifestyle ideas and offers original Senshukai products through 18 different catalogs to meet customer needs. We continued to reassess the position of each media under the slogan of “Super thrilling, Super exciting.” *Watashitachi no Kurasu Fuku*, a core fashion catalog, continued to see steady sales since last year. As a result, consolidated net sales rose 4.4% year-over-year to 131,095 million yen.

2) *Hanpukai* business

The *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 sundries and foods, the business offers a wide lineup of products that are highly collectible, original, and not available in retail stores.

We created the office vending box (*Choko Tabo* BOX) business this fiscal year to expand contact points in various occupational fields and restructure the *hanpukai* business.

We developed 17 new products this fiscal year. However, consolidated sales in the *hanpukai* business declined 11.3% year-over-year to 14,568 million yen, and average monthly membership was 538,400.

[Other Businesses]

In the ‘other businesses’ segment – which comprises mainstay travel and credit card services, transportation and storefront services, BtoB operations, and the newly added pet business – consolidated sales increased 82.0% year-over-year to 11,128 million yen. However, operating losses expanded 194 million yen year-over-year to 293 million yen.

Note: We changed segment business classifications in the current fiscal year, and reclassified last year’s results to enable comparisons with the current fiscal year. See ‘Segment Information’ (on pages 25 and 26) for details on new segment business classifications.

(2) Analysis of Financial Position

Assets totaled 98,422 million yen at the end of the current fiscal year under review, up 2,913 million yen from the end of the previous fiscal year.

Current assets increased 896 million yen year-over-year to 48,224 million yen, mainly due to a 2,020 million yen decrease in cash and deposits, and a 2,885 million yen increase in inventories. Fixed assets totaled 50,197 million yen, mainly due to property and equipment, intangible assets, and investment and other assets increased 435 million yen, 745 million yen and 836 million yen, respectively.

Current liabilities increased 3,620 million yen year-over-year to 41,175 million yen, mainly due to short-term bank loans, and accrued income taxes increased 2,946 million yen and 1,601 million yen, respectively. Long-term liabilities decreased 954 million yen to 1,291 million yen, mainly due to long-term debt, and deferred tax liabilities decreased 342 million yen and 529 million yen, respectively.

Net assets increased 247 million yen year-over-year to 55,955 million yen, mainly due to a 919 million yen decrease in deferred hedge gains (losses), and a 1,363 million yen increase in retained earnings. Consequently, the equity ratio was 56.8%.

Cash flow position

The balance of cash and cash equivalents at the end of the current fiscal year under review was 3,526 million yen, a decline of 2,023 million yen from the end of the previous fiscal year.

Operating activities provided net cash of 1,444 million yen (provided 1,470 million yen at the end of the previous fiscal year). The main contributing factors were income before income taxes and minority interests of 4,749 million yen, and depreciation expenses of 1,724 million yen. These factors were partly offset by an increase in inventories of 2,742 million yen, an increase in other current assets of 1,661 million yen, and a decrease in notes and accounts payable-trade of 964 million yen.

Investing activities used net cash of 6,047 million yen (used 6,426 million yen at the end of the previous fiscal year). The main cash outflows were 3,354 million yen for purchases of investment securities, and 1,904 million yen for purchase of property and equipment.

Financing activities provided net cash of 2,305 million yen (used 875 million yen at the end of the previous fiscal year). The main contributing factor was a 3,000 million yen net increase of short-term bank loans.

Cash flow indices

	Fiscal 2005 (As of Dec. 31, 2005)	Fiscal 2006 (As of Dec. 31, 2006)	Fiscal 2007 (As of Dec. 31, 2007)
Equity ratio (%)	56.6	58.3	56.8
Equity ratio based on fair value (%)	74.3	58.5	56.0
Average debt repayment period (years)	0.2	0.3	2.1
Interest coverage ratio	59.1	30.3	20.6

Notes: 1. Cash flow indices are calculated as follows using consolidated financial figures:

The equity ratio is shareholders' equity divided by total assets.

The equity ratio based on fair value is market capitalization divided by total assets.

The average debt repayment period is interest-bearing debt divided by the quantity of operating cash flows.

The interest coverage ratio is operating cash flows divided by interest payments.

- Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares issued and outstanding at the end of the period, excluding treasury stock.
- Interest-bearing debt represents all liabilities shown on the consolidated balance sheets that incur interest.
- Operating cash flows and interest payments represent net cash provided by operating activities and interests paid, respectively, on the consolidated statements of cash flows.

(3) Basic Policy Regarding Distribution of Earnings and Dividends in the Current and Next Fiscal Year

Strengthening the business foundation while ensuring stable dividends-to-equity ratio and an appropriate return of earnings to shareholders is our basic policy regarding the distribution of earnings.

Specifically, we intend to maintain a payout ratio of 30% on a consolidated basis going forward.

We will use retained earnings to invest in the development of new businesses, raise the efficiency of existing businesses, improve the soundness of our financial condition, and strengthen our competitiveness and corporate structure.

We plan a total annual dividend of 27 yen per share, comprised of a yearend dividend of 14 yen per share, and an interim dividend of 13 yen per share, in line with our aforementioned policy.

We plan a dividend of 17 yen per share for the new fiscal year to maintain a payout ratio above 30% on a parent basis. This would give a payout ratio of 56.7% on a consolidated basis.

(4) Business Risks

1) Economic situation in manufacturing countries

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

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 foreign exchange forward contracts and other hedging devices to reduce the risk associated with exchange rate fluctuations, large fluctuations could adversely affect the Group's operating results and financial position.

3) Risks associated with personal information leaks

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

However, in the unlikely event that personal information handled by the Senshukai Group leaks, this could damage public trust and the corporate image, thereby adversely affect the Group's operating results and financial position.

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

5) System risk

The Senshukai Group's computer system could be negatively impacted by a variety of factors including earthquakes, typhoons, floods, hardware or software trouble, terrorism, and cyber-terror. Trouble that requires an inordinate amount of time to restore the system could significantly and adversely affect the Group's operating results and financial position since almost all operations at Senshukai are processed by computer.

6) Risks related to unfavorable weather

Cool summers, long rainy seasons, warm winters, and other unusual and unfavorable weather could impact demand and sales in the Senshukai Group's mail-order business, and adversely affect the Group's operating results and financial position.

7) 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 (January 31, 2008) of this financial report for Fiscal 2007.

(5) Outlook for Fiscal 2008

The Japanese economy faces challenges going forward including a potential slowdown of the US economy, and surging raw materials prices. The outlook for consumption is also increasingly uncertain, and we expect competition to only become fiercer in the retail industry.

Against this backdrop, we have formulated a new three-year medium-term management plan that runs from Fiscal 2008 through Fiscal 2010.

We intend to move forward with business, in line with this plan, to expand enterprise value.

Our forecasts for the new fiscal year are as follows.

Consolidated

(Million yen)

	Net sales	Operating income	Ordinary income	Net income
Fiscal 2008 (forecast)	160,000	3,300	3,400	1,400
Fiscal 2007 (results)	156,792	5,291	5,626	2,494
Change (%)	2.0	(37.6)	(39.6)	(43.9)

Non-consolidated

(Million yen)

	Net sales	Operating income	Ordinary income	Net income
Fiscal 2008 (forecast)	154,000	3,500	4,000	2,000
Fiscal 2007 (results)	152,367	4,611	5,364	2,898
Change (%)	1.1	(24.1)	(25.4)	(31.0)

3. Management Policies

(1) Basic Management Policy

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

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

(2) Key Performance Indicators

Our new medium-term management plan that starts in Fiscal 2008 aims to maximize group strengths, and targets strong growth in existing core businesses and new businesses. Specifically, it targets consolidated sales of 180,000 million yen, operating income of 8,000 million yen (a record), and operating cash flow of 7,000 million yen, by Fiscal 2010.

Going forward, we aim to enhance corporate value by increasing growth and improving the earnings structure.

(3) Medium- to Long-term Corporate Management Strategy and Issues

We have formulated a medium-term management plan that ends in Fiscal 2010.

Basic policies of the Medium-term Management Plan

1) Promote channel mix

- Develop new formats that fuse various channels such as the Internet and brick-and-mortar stores

2) Develop multiple brands

- Shift from a single brand, *Belle Maison*, to a multiple brand strategy

3) Expand the customer base

- Expand customers in the over-50 segment by developing new goods for the seniors market, as well as new media to reach them
- Do not rush expansion of the early 20s market, but steadily win this customer segment over through alliances with other companies and M&A, and through the utilization of new media including the Internet, mobile phones, and magazines
- Strengthen expansion of the late 20s market, and maintain our overall base of 20s customers

4) Strengthen SCM (supply chain management)

- Restructure the management framework to reduce inventories and improve cash flow

Consolidated Financial Statements**Consolidated Financial Statements****(1) Consolidated Balance Sheets**

(Million yen)

Account	Period	Fiscal 2006 (As of Dec. 31, 2006)		Fiscal 2007 (As of Dec. 31, 2007)		Change
		Amount	%	Amount	%	
Assets						
I Current assets						
1. Cash and deposits		5,464		3,444		(2,020)
2. Notes and accounts receivable-trade		11,293		11,211		(81)
3. Marketable securities		85		85		0
4. Inventories		16,432		19,318		2,885
5. Deferred tax assets		100		86		(13)
6. Accounts receivable-other		7,835		9,347		1,512
7. Forward exchange contracts		1,444		15		(1,428)
8. Other		4,864		4,967		102
Allowance for doubtful accounts		(192)		(254)		(61)
Total current assets		47,328	49.6	48,224	49.0	896
II Fixed assets						
1. Property and equipment *1						
(1) Buildings and structures		10,492		10,286		(205)
(2) Machinery and vehicles		1,859		1,575		(283)
(3) Furniture and fixtures		793		897		104
(4) Land	*5	11,411		11,305		(105)
(5) Construction in progress		36		962		926
Total property and equipment		24,592	25.7	25,028	25.4	435
2. Intangible assets		2,600	2.7	3,346	3.4	745
3. Investments and other assets						
(1) Investment securities	*2,3	16,509		15,573		(936)
(2) Long-term loans receivable		1,102		366		(735)
(3) Guarantee deposits		1,304		1,442		137
(4) Deferred tax assets		55		299		243
(5) Other		2,660		4,444		1,783
Allowance for doubtful accounts		(645)		(302)		342
Total investments and other assets		20,987	22.0	21,823	22.2	836
Total fixed assets		48,180	50.4	50,197	51.0	2,017
Total assets		95,508	100.0	98,422	100.0	2,913

(Million yen)

Account	Period	Fiscal 2006 (As of Dec. 31, 2006)		Fiscal 2007 (As of Dec. 31, 2007)		Change
		Amount	%	Amount	%	
Liabilities						
I Current liabilities						
1. Notes and accounts payable-trade		11,710		11,023		(687)
2. Short-term bank loans	*3	53		3,000		2,946
3. Accounts payable-other		7,046		6,423		(623)
4. Accounts payable-factoring		14,990		15,027		36
5. Accrued expenses		1,908		2,016		108
6. Accrued income taxes		285		1,887		1,601
7. Accrued consumption taxes		181		232		50
8. Deferred tax liabilities		265		64		(201)
9. Liabilities for directors and corporate auditors' bonuses		49		51		2
10. Allowance for sales promotion expenses		276		133		(142)
11. Other		786		1,315		528
Total current liabilities		37,554	39.3	41,175	41.8	3,620
II Long-term liabilities						
1. Long-term debt	*3	342		-		(342)
2. Deferred tax liabilities		533		3		(529)
3. Deferred tax liabilities relating to land revaluation	*5	804		764		(39)
4. Liabilities for employees' retirement benefits		17		53		36
5. Liabilities for retirement benefits for directors and corporate auditors		497		424		(73)
6. Other		50		45		(5)
Total long-term liabilities		2,245	2.4	1,291	1.3	(954)
Total liabilities		39,800	41.7	42,466	43.1	2,665
Net assets						
I Shareholders' equity						
1. Common stock		20,359	21.3	20,359	20.7	-
2. Capital surplus		20,716	21.7	21,038	21.4	322
3. Retained earnings		20,889	21.9	22,253	22.6	1,363
4. Treasury stock		(1,041)	(1.1)	(630)	(0.6)	411
Total shareholders' equity		60,923	63.8	63,020	64.1	2,096
II Valuation and translation adjustments						
1. Net unrealized gains on available-for-sale securities		1,336	1.4	486	0.5	(850)
2. Deferred hedge gains (losses)		734	0.8	(185)	(0.2)	(919)
3. Land revaluation difference	*5	(7,301)	(7.7)	(7,359)	(7.5)	(58)
4. Foreign currency translation adjustments		(31)	(0.0)	(16)	(0.0)	15
Total valuation and translation adjustments		(5,261)	(5.5)	(7,074)	(7.2)	(1,813)
III Minority interests		46	0.0	10	0.0	(36)
Total net assets		55,708	58.3	55,955	56.9	247
Total liabilities and net assets		95,508	100.0	98,422	100.0	2,913

(2) Consolidated Statements of Income

(Million yen)

Account	Period	Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)		Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)		Change
		Amount	%	Amount	%	
		I Net sales		148,150	100.0	
II Cost of sales	*1	75,727	51.1	80,864	51.6	5,136
Gross profit		72,423	48.9	75,928	48.4	3,505
III Selling, general and administrative expenses	*2	67,821	45.8	70,637	45.0	2,816
1. Packing and freight		10,586		10,383		
2. Sales promotion expenses		24,483		24,430		
3. Provision for allowance for sales promotion expenses		276		133		
4. Provision for allowance for doubtful accounts		194		249		
5. Bad debt loss		134		119		
6. Directors' and corporate auditors' remuneration		536		568		
7. Salaries		9,578		10,577		
8. Bonuses		1,471		1,621		
9. Provision for liabilities for directors and corporate auditors' bonuses		49		51		
10. Provision for liabilities for employees' retirement benefits		10		15		
11. Provision for liabilities for retirement benefits for directors and corporate auditors		2		2		
12. Depreciation expenses		1,612		1,684		
13. Other		18,881		20,798		
Operating income		4,602	3.1	5,291	3.4	689
IV Other income		773	0.5	904	0.6	130
1. Interest income		175		353		
2. Dividend income		69		103		
3. Foreign exchange gains		120		135		
4. Investment profit on equity method		193		-		
5. Gains on cancellation of insurance contracts		4		0		
6. Other		209		311		
V Other expenses		134	0.1	568	0.4	433
1. Interest expenses		48		64		
2. Losses on write-down of compound financial instruments		-		212		
3. Losses on investment partnership management		16		6		
4. Investment loss on equity method		-		164		
5. Expenses related to fixed asset investment		-		41		
6. Other		70		78		
Ordinary income		5,240	3.5	5,626	3.6	386

(Million yen)

Account	Period	Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)		Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)		Change
		Amount	%	Amount	%	
		VI Extraordinary gains		57	0.0	
1. Gains on sales of fixed assets	*3	3		38		
2. Gains on sales of investment securities		54		174		
3. Reversal of allowance for doubtful accounts		-		121		
VII Extraordinary losses		1,422	0.9	1,212	0.8	(210)
1. Losses on sales and disposal of fixed assets	*4	110		338		
2. Losses on write-down of investment securities		17		94		
3. Losses on sales of investments securities		0		-		
4. Impairment loss	*5	128		-		
5. Losses on cancellation of contracts		415		265		
6. Losses on liquidation of subsidiaries	*6	328		331		
7. Losses on disposal of merchandise		270		-		
8. Losses on cancellation of insurance contracts		130		-		
9. Losses on cancellation of guarantee deposits		20		-		
10. Compensation expense		-		170		
11. Losses on cancellation of leases		-		13		
Income before income taxes and minority interests		3,874	2.6	4,749	3.0	874
Income taxes		375	0.3	2,069	1.3	1,693
Deferred income taxes		(136)	(0.1)	205	0.1	342
Minority interests (losses)		7	0.0	(20)	(0.0)	(28)
Net income		3,627	2.4	2,494	1.6	(1,133)

(3) Consolidated Statements of Changes in Shareholders' Equity

Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of Dec. 31, 2005	20,359	20,657	18,438	(1,153)	58,302
Changes in the fiscal year					
Dividend of surplus (Note)			(459)		(459)
Dividend of surplus			(460)		(460)
Bonuses to directors and corporate auditors (Note)			(47)		(47)
Net income			3,627		3,627
Purchases of treasury stock				(18)	(18)
Disposal of treasury stock		58		129	188
Transfer of land revaluation difference			(161)		(161)
Decrease in retained earnings due to change in the number of consolidated subsidiaries			(48)		(48)
Changes (net) in items other than shareholders' equity					
Total changes in the fiscal year	-	58	2,450	111	2,620
Balance as of Dec. 31, 2006	20,359	20,716	20,889	(1,041)	60,923

(Million yen)

	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 Dec. 31, 2005	1,719	-	(7,462)	(40)	(5,783)	43	52,562
Changes in the fiscal year							
Dividend of surplus (Note)							(459)
Dividend of surplus							(460)
Bonuses to directors and corporate auditors (Note)							(47)
Net income							3,627
Purchases of treasury stock							(18)
Disposal of treasury stock							188
Transfer of land revaluation difference							(161)
Decrease in retained earnings due to change in the number of consolidated subsidiaries							(48)
Changes (net) in items other than shareholders' equity	(382)	734	161	9	522	3	525
Total changes in the fiscal year	(382)	734	161	9	522	3	3,146
Balance as of Dec. 31, 2006	1,336	734	(7,301)	(31)	(5,261)	46	55,708

Note: Appropriation of earnings resolved at the annual general meeting of shareholders in March 2006.

Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of Dec. 31, 2006	20,359	20,716	20,889	(1,041)	60,923
Changes in the fiscal year					
Dividend of surplus			(1,066)		(1,066)
Net income			2,494		2,494
Purchases of treasury stock				(32)	(32)
Disposal of treasury stock		322		443	765
Transfer of land revaluation difference			58		58
Decrease in retained earnings due to change in the number of consolidated subsidiaries and equity method affiliates			(122)		(122)
Changes (net) in items other than shareholders' equity					
Total changes in the fiscal year	-	322	1,363	411	2,096
Balance as of Dec. 31, 2007	20,359	21,038	22,253	(630)	63,020

(Million yen)

	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 Dec. 31, 2006	1,336	734	(7,301)	(31)	(5,261)	46	55,708
Changes in the fiscal year							
Dividend of surplus							(1,066)
Net income							2,494
Purchases of treasury stock							(32)
Disposal of treasury stock							765
Transfer of land revaluation difference							58
Decrease in retained earnings due to change in the number of consolidated subsidiaries and equity method affiliates							(122)
Changes (net) in items other than shareholders' equity	(850)	(919)	(58)	15	(1,813)	(36)	(1,849)
Total changes in the fiscal year	(850)	(919)	(58)	15	(1,813)	(36)	247
Balance as of Dec. 31, 2007	486	(185)	(7,359)	(16)	(7,074)	10	55,955

(4) Consolidated Statements of Cash Flows

(Million yen)

Account	Period	Fiscal 2006	Fiscal 2007	Change
		(Jan. 1, 2006 – Dec. 31, 2006)	(Jan. 1, 2007 – Dec. 31, 2007)	
		Amount	Amount	
I Cash flows from operating activities				
1. Income before income taxes and minority interests		3,874	4,749	874
2. Depreciation expenses		1,620	1,724	103
3. Impairment loss		128	-	(128)
4. Decrease (increase) in allowance for doubtful accounts		6	(266)	(272)
5. Increase in liabilities for employees' retirement benefits		1	8	7
6. Decrease in allowance for sales promotion expenses		(410)	(142)	268
7. Interest and dividend income		(244)	(456)	(212)
8. Interest expenses		48	64	16
9. Investment profit (loss) on equity method		(193)	164	358
10. Losses on write-down of compound financial instruments		-	212	212
11. Gains on sales of fixed assets		(3)	(38)	(35)
12. Gains on sales of investment securities		-	(174)	(174)
13. Losses on sales and disposal of fixed assets		110	338	227
14. Losses on write-down of investment securities		17	94	77
15. Losses on cancellation of contracts		415	-	(415)
16. Losses on liquidation of subsidiaries		328	331	2
17. Losses on disposal of merchandise		270	-	(270)
18. Losses on cancellation of insurance contracts		130	-	(130)
19. Losses on cancellation of guarantee deposits		20	-	(20)
20. Decrease (increase) in notes and accounts receivable-trade		(1,221)	375	1,596
21. Increase in inventories		(1,524)	(2,742)	(1,217)
22. Increase in other current assets		(2,013)	(1,661)	351
23. Decrease (increase) in notes and accounts payable-trade		703	(964)	(1,668)
24. Increase (decrease) in accrued consumption taxes		(127)	146	273
25. Increase (decrease) in other current liabilities		(146)	170	317
26. Directors' and corporate auditors' bonuses paid		(47)	-	47
27. Other		(243)	(432)	(188)
Subtotal		1,501	1,501	0
28. Interests and dividends received		246	438	192
29. Interests paid		(48)	(69)	(21)
30. Income taxes paid		(229)	(426)	(196)
Net cash provided by operating activities		1,470	1,444	(26)
II Cash flows from investing activities				
1. Purchases of property and equipment		(558)	(1,904)	(1,345)
2. Proceeds from sales of property and equipment		371	147	(223)
3. Purchases of intangible assets		(1,083)	(1,827)	(744)
4. Proceeds from sales of intangible assets		60	-	(60)
5. Purchases of investment securities		(5,323)	(3,354)	1,968
6. Proceeds from sales of investment securities		649	2,623	1,974
7. Increase in time deposits		(500)	(1,217)	(717)
8. Purchases of business	*2	-	(236)	(236)
9. Other		(42)	(278)	(235)
Net cash used in investing activities		(6,426)	(6,047)	378
III Cash flows from financing activities				
1. Net increase in short-term bank loans		-	3,000	3,000
2. Proceeds from long-term debt		-	66	66
3. Repayments of long-term debt		(123)	(456)	(332)
4. Purchases of treasury stock		(18)	(32)	(13)
5. Proceeds from sales of treasury stock		188	765	577
6. Proceeds from minority interests		-	30	30
7. Cash dividends paid		(919)	(1,065)	(146)
8. Cash dividends paid to minority interests		(2)	(2)	-
Net cash provided by (used in) financing activities		(875)	2,305	3,181
IV Decrease in cash and cash equivalents		(5,831)	(2,298)	3,533
V Cash and cash equivalents at beginning of period		11,320	5,549	(5,771)
VI Increase in cash and cash equivalents due to consolidation of subsidiary		60	275	214
VII Cash and cash equivalents at end of period	*1	5,549	3,526	(2,023)

Significant Accounting Policies for the Preparation of Consolidated Financial Statements

Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)	Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)
<p>1. Scope of consolidation</p> <p>(1) Number of consolidated subsidiaries: 9</p> <p>Main consolidated subsidiaries: Senshukai General Services Co., Ltd. Senshu Logisuko Co., Ltd. Senshukai Call Center Co., Ltd.</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 year due to its increased importance. HBS Co., Ltd. was liquidated in December 2006. Belle Maison Service Center Co., Ltd. changed its name to Senshukai Service Hanbai Co., Ltd. effective September 1, 2006.</p> <p>(2) Number of non-consolidated subsidiaries: 12</p> <p>Main non-consolidated subsidiaries: Senshukai Hong Kong Ltd.</p> <p>Reason for exclusion from scope of consolidation The consolidated financial statements do not include the accounts of above mentioned non-consolidated subsidiaries since their total assets, net sales, net income/loss (equity in earnings) or retained earnings (equity in earnings) have no significant effect on the overall results of consolidated financial statements.</p> <p>2. Application of equity method</p> <p>(1) Number of non-consolidated subsidiaries accounted for by the equity method: 3</p> <p>Main non-consolidated subsidiaries accounted for by the equity method: Senshukai Hong Kong Ltd.</p> <p>(2) _____</p> <p>(3) _____</p> <p>(4) Main non-consolidated subsidiaries and affiliates not accounted for by the equity method: Shanghai Senshu Merchant and Commerce Co., Ltd.</p>	<p>1. Scope of consolidation</p> <p>(1) Number of consolidated subsidiaries: 13</p> <p>Main consolidated subsidiaries: Senshukai General Services Co., Ltd. Senshu Logisuko Co., Ltd. Senshukai Call Center Co., Ltd. Melody Square Co., Ltd., B-BOP Studio Co., Ltd., Pet First Co., Ltd. and Future Compass Co., Ltd., non-consolidated subsidiaries in the previous fiscal year, were included in the scope of consolidation from the current fiscal year due to their increased importance. Melody Square Co., Ltd. acquired B-BOP Studio Co., Ltd. on July 1, 2007, and changed the company name to B-B-S Co., Ltd. HBS Co., Ltd. was liquidated and excluded from consolidation in December 2006. RG Marketing Co., Ltd. was included in the scope of consolidation due to its establishment.</p> <p>(2) Number of non-consolidated subsidiaries: 6</p> <p>Main non-consolidated subsidiaries: Senshukai Hong Kong Ltd.</p> <p>Reason for exclusion from scope of consolidation Same as on the left.</p> <p>2. Application of equity method</p> <p>(1) Number of non-consolidated subsidiaries accounted for by the equity method: 4</p> <p style="text-align: center;">Same as on the left.</p> <p>Shanghai Senshu Merchant and Commerce Co., Ltd. was included in the scope of the equity-method non-consolidated subsidiary from the current fiscal year due to its increased importance.</p> <p>(2) Number of equity-method affiliate: 1</p> <p>Main equity-method affiliate SENTENs Co., Ltd. SENTENs Co., Ltd. was included in the scope of equity-method affiliate due to its establishment.</p> <p>(3) Of the companies accounted for by the equity method, certain companies have balance sheet date more than six months distant from that of the Company. To prepare for consolidated financial statements, most recent interim financial statements from the consolidated balance sheet date of such companies are used. We make consolidated adjustments as necessary for major transactions that occur subsequently in the period before the consolidated balance sheet date.</p> <p>(4) Main non-consolidated subsidiaries and affiliates not accounted for by the equity method: Mobakore Co., Ltd.</p>

Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)	Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)
<p>Reason for not accounted for by the equity method The above-mentioned entity is not accounted for under the equity method since its net income/loss (equity in earnings) or retained earnings (equity in earnings) have no significant effect on the overall results 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 asset 1) Investment securities Available-for-sale 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 net assets. The cost of available-for-sale securities sold is determined based on the moving-average method.</p> <p>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 Derivatives are stated at market value.</p> <p>3) Inventories Inventories are stated at the lower of cost, determined by the monthly 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 (excluding attached structures) acquired on or after April 1, 1998.</p> <p>The range of useful lives is as follows: Buildings and structures: 38-50 years Machinery and vehicles: 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>Reason for 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 asset 1) Investment securities Available-for-sale securities Same as on the left.</p> <p>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 Depreciation is computed by the declining-balance method, but the straight-line method is applied to buildings (excluding attached structures) acquired on or after April 1, 1998.</p> <p>The range of useful lives is as follows: Buildings and structures: 38-50 years Machinery and vehicles: 12 years</p> <p>(Change in accounting policy) Effective from the current fiscal year, property and equipment purchased on or after April 1, 2007 is depreciated in line with methods prescribed in the revised Corporate Tax Law. This change in accounting policy has no significant effect on the amount of income.</p> <p>2) Intangible assets Same as on the left.</p>

Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)	Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)
<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 directors and corporate auditors' bonuses Bonuses to directors and corporate auditors of Senshukai and consolidated subsidiaries are provided at the amount which would be required for future estimated bonus obligations.</p> <p>(Change in accounting policy) Effective from the current fiscal year, the Company has adopted "Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4, November 29, 2005). The effect of this change was to decrease operating income, ordinary income and income before income taxes and minority interests by 49 million yen respectively. The impact on segment businesses can be found in applicable portions of this report.</p> <p>3) Allowance for sales promotion expenses 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) Liabilities for employees' retirement benefits Allowance for retirement benefits of certain consolidated subsidiaries are provided based on the retirement benefit obligations and pension assets at the balance sheet date. The retirement benefit obligations are calculated based on the compendium method.</p> <p>5) Liabilities for retirement benefits for directors and corporate auditors Retirement benefits to directors and corporate auditors of Senshukai and of certain consolidated subsidiaries, and Senshukai's executive officers are provided at the amount which would be required if all of them retired at the balance sheet date pursuant to the internal rules.</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 spot 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 income statement accounts of the overseas equity-method affiliates were translated into Japanese yen at the spot exchange rate as of the balance sheet date except for net assets, which are translated at the historical rate.</p>	<p>(3) Accounting for allowances</p> <p>1) Allowance for doubtful accounts Same as on the left.</p> <p>2) Liabilities for directors and corporate auditors' bonuses Bonuses to directors and corporate auditors of Senshukai and consolidated subsidiaries are provided at the amount which would be required for future estimated bonus obligations.</p> <p>3) Allowance for sales promotion expenses Same as on the left.</p> <p>4) Liabilities for employees' retirement benefits Same as on the left.</p> <p>5) Liabilities for retirement benefits for directors and corporate auditors 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>

Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)	Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)
<p>(5) Accounting for sales promotion expenses The Company conducts a mail-order business, and among sales promotion expenses, catalog-related expenses corresponding to net sales in the next fiscal year are classified as prepaid expenses and included in “Other” under current assets to better match expenses to earnings in each year.</p>	<p>(5) Accounting for sales promotion expenses Same as on the left.</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>(7) Accounting for hedging 1) Hedge accounting methods The deferred hedge accounting method is adopted.</p>	<p>(7) Accounting for hedging 1) Hedge accounting methods Same as on the left.</p>
<p>2) Hedging instruments/ hedged items Hedging instruments: foreign exchange forward contracts, currency options and currency swaps Hedged items: accounts payable for imports, denominated in foreign currencies</p>	<p>2) Hedging instruments/ hedged items Same as on the left.</p>
<p>3) Hedging policy Risks from fluctuation in foreign currency exchange and cash flows are hedged in accordance with internal policies.</p>	<p>3) Hedging policy Same as on the left.</p>
<p>4) Evaluation of hedging effectiveness High correlation and effectiveness between the hedging instruments and the hedged items are regularly verified. However, with respect to foreign exchange forward contracts and other instruments used in payment for imports and others, the evaluation is omitted in cases where such hedging operations deems to fully offset cash flow variances that may be caused due to fluctuation in foreign currency exchange.</p>	<p>4) Evaluation of hedging effectiveness Same as on the left.</p>
<p>(8) Accounting for consumption taxes Financial statements are prepared exclusive of national and regional consumption taxes.</p>	<p>(8) Accounting for consumption taxes Same as on the left.</p>
<p>5. Valuation of consolidated subsidiaries’ assets and liabilities The assets and liabilities of consolidated subsidiaries are evaluated using the fair value method.</p>	<p>5. Valuation of consolidated subsidiaries’ assets and liabilities Same as on the left.</p>
<p>6. _____</p>	<p>6. Amortization of goodwill and negative goodwill Amortization of goodwill and negative goodwill are estimated for each period in which it is expected to emerge, and then equally amortized over the designated amortization period.</p>
<p>7. 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>7. Scope of cash and cash equivalents Same as on the left.</p>

Changes in the Significant Accounting Policies for the Preparation of Consolidated Financial Statements

Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)	Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)
<p>Accounting for presentation of net assets on balance sheet: Effective from the current fiscal year, the Company has adopted “Accounting Standard for Presentation of Net Assets on the Balance Sheet” (ASBJ Statement No. 5, December 9, 2005) and “Guidance on Accounting Standards for Presentation of Net Assets on Balance Sheet” (ASBJ Guidance No. 8, December 9, 2005).</p> <p>Under the previous standard, the amount equivalent to total shareholders’ equity would be 54,927 million yen. Net assets on the consolidated balance sheets for the current fiscal year are presented based on the revised Standards for the Preparation of Consolidated Financial Statements.</p>	—————

Reclassifications

Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)	Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)
<p>Consolidated statements of income: “Losses on investment partnership management,” included in “Other” under “Other expenses” in the previous fiscal year, is shown as a separate line item since the amount exceeded 10/100 of total other expenses.</p> <p>The amount of “Losses on investment partnership management” included in “Other” under “Other expenses” in the previous fiscal year was 7 million yen.</p> <p style="text-align: center;">—————</p>	<p style="text-align: center;">—————</p> <p>Consolidated statements of cash flows: “Gains on sales of investment securities,” which was included in “Other” under “Cash flows from operating activities” in the previous fiscal year, is shown as a separate line item in the current period, to clarify its contents.</p> <p>The amount of “Gains on sales of investment securities” included in “Other” under “Cash flows from operating activities” in the previous fiscal year was minus 54 million yen.</p>

Notes to Consolidated Financial Statements**Notes to Consolidated Balance Sheets**

(Million yen)

Fiscal 2006 (As of Dec. 31, 2006)	Fiscal 2007 (As of Dec. 31, 2007)
*1. Accumulated depreciation on property and equipment 32,083	*1. Accumulated depreciation on property and equipment 32,247
*2. Shares of non-consolidated subsidiaries and affiliates Investment securities 1,332	*2. Shares of non-consolidated subsidiaries and affiliates Investment securities 2,207
*3. Assets pledged as collateral (1) Collateral assets Investment securities (book value) 1,357 (2) Collateral-backed liabilities by the above assets Short-term bank loans 37 Long-term debt 238 <hr/> Total 276	*3. _____
4. Contingent liabilities Guarantees of bank loans Employees' housing loans 43	4. Contingent liabilities Guarantees of bank loans Employees' housing loans 35
*5. Land revaluation The Company revalued its business-use land in accordance with the "Law Concerning Revaluation of Land" (Law No. 34 enacted on March 31, 1998) and the "Law to Partially Modify the Law Concerning Revaluation of Land" (revised on March 31, 1999). The result was included in net assets as "Land revaluation difference," after deducting the deferred tax liabilities relating to land revaluation. Method of revaluation by Clause 3, Article 3 of the law The method is based on Article 16 of the "Land-Value Tax Law" (Ordinance No. 69 enacted in 1991) as specified by Clause 4, Article 2 of the "Enforcement Regulations of the Law Concerning Revaluations of Land" (Ordinance No. 119 enacted on March 31, 1998), and computation by reasonable adjustment of the value calculated by the Director of the National Tax Agency to calculate land value as the basis of calculating land taxes as specified by the latter Ordinance. Date of revaluation Mar. 31, 2000 Difference between market value of relevant land on December 31, 2006 and its book value after revaluation (3,202)	*5. Land revaluation Same as on the left. Method of revaluation by Clause 3, Article 3 of the law Same as on the left. Date of revaluation Mar. 31, 2000 Difference between market value of relevant land on December 31, 2007 and its book value after revaluation (2,999)

Notes to Consolidated Statements of Income

(Million yen)

Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)	Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)								
*1. Among cost of sales, valuation losses using the lower of cost or market method were 38 million yen.	*1. Among cost of sales, valuation losses using the lower of cost or market method were 53 million yen.								
*2. R&D expenses included in general and administrative expenses 673	*2. R&D expenses included in general and administrative expenses 635								
*3 Gains on sales of fixed assets	*3 Gains on sales of fixed assets								
Machinery and vehicles 3	Machinery, vehicles and others 3								
Furniture and fixtures 0	Land 35								
Total 3	Total 38								
*4. Losses on sales and disposal of fixed assets	*4. Losses on sales and disposal of fixed assets								
Losses on sales of land and buildings 41	Losses on disposal of buildings and structures 9								
Losses on disposal of buildings and structures 5	Losses on disposal of machinery and vehicles 90								
Losses on disposal of machinery and vehicles 46	Losses on disposal of furniture and fixtures 13								
Losses on disposal of furniture and fixtures 14	Losses on disposal of intangible assets 224								
Losses on disposal of intangible assets 1	Total 338								
Total 110									
*5. Impairment loss For the current fiscal year, the Senshukai Group posted impairment loss on the following asset groups.	*5. _____								
Million yen									
<table border="1"> <thead> <tr> <th>Location</th> <th>Primary use</th> <th>Type</th> <th>Impairment loss</th> </tr> </thead> <tbody> <tr> <td>Otaru, Hokkaido, and others</td> <td>Business assets on stores</td> <td>Buildings, structures and others</td> <td>128</td> </tr> </tbody> </table>	Location	Primary use	Type	Impairment loss	Otaru, Hokkaido, and others	Business assets on stores	Buildings, structures and others	128	
Location	Primary use	Type	Impairment loss						
Otaru, Hokkaido, and others	Business assets on stores	Buildings, structures and others	128						
In principle, the grouping of assets is based on categories of management accounting. The book value of the above asset groups was marked down to the recoverable amount, reflecting a weak prospects for improved short-term performance due to worsening operating profitability. This markdown was posted as an impairment loss. The impairment loss on buildings and structures, furniture and fixtures, and lease assets were 15 million yen, 4 million yen and 108 million yen, respectively. The recoverable amount was measured at its net selling price.									
*6. Losses on liquidation of subsidiary There was a loss on closing Bellne USA, Inc.	*6. Losses on liquidation of subsidiary There was a loss on reiquidition of Shoplat Co., Ltd.								

Notes to Consolidated Statements of Changes in Shareholders' Equity

Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of Dec. 31, 2005 (Thousand shares)	Increase during the current fiscal year (Thousand shares)	Decrease during the current fiscal year (Thousand shares)	Number of shares as of Dec. 31, 2006 (Thousand shares)
Outstanding shares				
Common stock	47,630	-	-	47,630
Total	47,630	-	-	47,630
Treasury stock				
Common stock (Note)	1,728	13	193	1,548
Total	1,728	13	193	1,548

Note: Common shares of treasury stock increased by 13,000 shares due to the purchase of odd-lot shares. Common shares of treasury stock decreased by 193,000 shares due to the transfer of odd-lot shares in response to purchase requests, and transfer of 193,000 shares upon exercise of stock options.

2. Dividends

(1) Dividend payment

Resolution	Type of share	Total amount of dividend (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on Mar. 30, 2006	Common stock	459	10	Dec. 31, 2005	Mar. 31, 2006
Board of Directors meeting on Jul. 27, 2006	Common stock	460	10	Jun. 30, 2006	Sep. 1, 2006

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Total amount of dividend (Million yen)	Resource for distribution	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on Mar. 29, 2007	Common stock	460	Retained earnings	10	Dec. 31, 2006	Mar. 30, 2007

Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of Dec. 31, 2006 (Thousand shares)	Increase during the current fiscal year (Thousand shares)	Decrease during the current fiscal year (Thousand shares)	Number of shares as of Dec. 31, 2007 (Thousand shares)
Outstanding shares				
Common stock	47,630	-	-	47,630
Total	47,630	-	-	47,630
Treasury stock				
Common stock (Note)	1,548	19	651	916
Total	1,548	19	651	916

Note: Common shares of treasury stock increased by 19,000 shares due to the purchase of odd-lot shares. Common shares of treasury stock decreased by 651,000 shares due to the transfer of odd-lot shares in response to purchase requests, and transfer of 651,000 shares upon exercise of stock options.

2. Dividends

(1) Dividend payment

Resolution	Type of share	Total amount of dividend (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on Mar. 29, 2007	Common stock	460	10	Dec. 31, 2006	Mar. 30, 2007
Board of Directors meeting on Jul. 26, 2007	Common stock	606	13	Jun. 30, 2007	Aug. 31, 2007

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Total amount of dividend (Million yen)	Resource for distribution	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on Mar. 28, 2008	Common stock	653	Retained earnings	14	Dec. 31, 2007	Mar. 31, 2008

Notes to Consolidated Statements of Cash Flows

(Million yen)

Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)	Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)
*1. Reconciliation between balance sheet accounts and period-end balance of cash and cash equivalents (As of Dec. 31, 2006)	*1. Reconciliation between balance sheet accounts and period-end balance of cash and cash equivalents (As of Dec. 31, 2007)
Cash and deposits 5,464	Cash and deposits 3,444
Marketable securities 85	Marketable securities 85
Cash and cash equivalents <u>5,549</u>	Time deposits with deposit terms exceeding 3 months (3)
	Cash and cash equivalents <u>3,526</u>
*2. _____	*2. Assets and liabilities increased by business transferred during the fiscal year are as follows
	Current assets 112
	Fixed assets 380
	Total assets <u>492</u>
	Current liabilities 255
	Total liabilities <u>255</u>

Segment Information**1. Business segments**

Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)

(Million yen)

	Mail-order business	Other businesses	Total	Elimination or corporate	Consolidated
I Net sales and operating income					
Net sales					
(1) Sales to customers	142,081	6,068	148,150	-	148,150
(2) Inter-segment sales	793	709	1,503	(1,503)	-
Total	142,875	6,778	149,653	(1,503)	148,150
Operating expenses	138,267	6,771	145,038	(1,490)	143,548
Operating income	4,607	7	4,614	(12)	4,602
II Assets, depreciation expenses, impairment loss and capital expenditures					
Assets	93,676	2,843	96,520	(1,011)	95,508
Depreciation expenses	1,557	62	1,620	-	1,620
Impairment loss	-	128	128	-	128
Capital expenditures	2,039	140	2,179	-	2,179

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 others

3. There are no unallocated operating expenses included in the “elimination or corporate”.

4. Change in accounting policy

Effective from the current fiscal year, the Company has adopted “Accounting Standard for Directors’ Bonuses” (ASBJ Statement No. 4, November 29, 2005).

The effect of this change was to decrease 46 million yen of mail-order business operating income and 3 million yen of other businesses operating income.

Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)

(Million yen)

	Mail-order business	Other businesses	Total	Elimination or corporate	Consolidated
I Net sales and operating income					
Net sales					
(1) Sales to customers	145,664	11,128	156,792	-	156,792
(2) Inter-segment sales	1,260	1,086	2,347	(2,347)	-
Total	146,925	12,215	159,140	(2,347)	156,792
Operating expenses	141,321	12,508	153,829	(2,327)	151,501
Operating income (loss)	5,603	(293)	5,310	(19)	5,291
II Assets, depreciation expenses, impairment loss and capital expenditures					
Assets	95,115	4,738	99,853	(1,431)	98,422
Depreciation expenses	1,556	167	1,724	-	1,724
Impairment loss	-	-	-	-	-
Capital expenditures	2,897	608	3,506	-	3,506

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 others

3. There are no unallocated operating expenses included in the “elimination or corporate”.

4. Revisions to segment business classifications

The *Belle Mariee* wedding support business, previously classified in the “mail-order business,” was reclassified to the “other businesses” starting from the current fiscal year under review because it was restructured as a comprehensive bridal producer involved in wedding dress sales, wedding hall bookings, and chapel wedding management.

This revision lowered consolidated sales in the mail-order business by 137 million yen, and increased sales in “other businesses” by the same amount; similarly, the revision increased operating income in the mail-order business by 223 million yen, and lowered it in “other businesses” by the same amount.

Below we have recalculated the results for the previous fiscal year according to the revised business classifications implemented in the current fiscal year under review.

Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)					(Million yen)
	Mail-order business	Other businesses	Total	Elimination or corporate	Consolidated
I Net sales and operating income					
Net sales					
(1) Sales to customers	142,035	6,115	148,150	-	148,150
(2) Inter-segment sales	793	709	1,503	(1,503)	-
Total	142,828	6,825	149,653	(1,503)	148,150
Operating expenses	138,115	6,923	145,038	(1,490)	143,548
Operating income (loss)	4,713	(98)	4,614	(12)	4,602
II Assets, depreciation expenses, impairment loss and capital expenditures					
Assets	93,573	2,946	96,520	(1,011)	95,508
Depreciation expenses	1,556	64	1,620	-	1,620
Impairment loss	-	128	128	-	128
Capital expenditures	1,990	189	2,179	-	2,179

2. Geographical segment information

As there were no overseas consolidated subsidiaries or significant overseas branch offices for the fiscal years ended December 31, 2006 and 2007, 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 in the fiscal years ended December 31, 2006 and 2007.

Investment Securities

Fiscal 2006

1. Available-for-sale securities with fair value (As of Dec. 31, 2006) (Million yen)

	Acquisition cost	Carrying value	Difference
Securities with carrying value exceeding acquisition cost			
(1) Stocks	4,249	6,810	2,560
(2) Bonds			
Corporate bonds	-	-	-
Other bonds	1,100	1,141	41
(3) Others	149	149	0
Subtotal	5,499	8,101	2,602
Securities with carrying value not exceeding acquisition cost			
(1) Stocks	625	583	(42)
(2) Bonds			
Corporate bonds	-	-	-
Other bonds	3,250	3,099	(150)
(3) Others	401	373	(27)
Subtotal	4,277	4,057	(219)
Total	9,776	12,159	2,382

Note: The acquisition costs are amounts that have been treated for impairment loss. The impairment loss totaled 17 million yen.

2. Available-for-sale securities sold during the fiscal year (Jan. 1, 2006 – Dec. 31, 2006) (Million yen)

Proceeds	Total gains on sales	Total losses on sales
649	54	0

3. Carrying value of available-for-sale securities whose fair value is not readily determinable (As of Dec. 31, 2006)

Available-for-sale securities

Unlisted stocks	2,849 million yen
MMF	85 million yen
Others	168 million yen

4. Projected future redemption of securities with maturities classified as available-for-sale securities (As of Dec. 31, 2006)

	1 year or less	More than 1 year to 5 years	More than 5 to 10 years	More than 10 years
Bonds				
Corporate bonds	-	-	-	-
Other bonds	-	-	-	4,350
Total	-	-	-	4,350

Fiscal 2007

1. Available-for-sale securities with fair value (As of Dec. 31, 2007) (Million yen)

	Acquisition cost	Carrying value	Difference
Securities with carrying value exceeding acquisition cost			
(1) Stocks	2,597	3,979	1,382
(2) Bonds			
Corporate bonds	-	-	-
Other bonds	200	212	12
(3) Others	199	205	5
Subtotal	2,996	4,396	1,400
Securities with carrying value not exceeding acquisition cost			
(1) Stocks	1,664	1,417	(247)
(2) Bonds			
Corporate bonds	-	-	-
Other bonds	3,800	3,430	(369)
(3) Others	546	534	(11)
Subtotal	6,010	5,382	(628)
Total	9,007	9,778	771

Notes: 1. The acquisition costs are amounts that have been treated for impairment loss. The impairment loss totaled 87 million yen.

2. "Other bonds" in the "securities with carrying value not exceeding acquisition cost" category includes compound financial instruments, and the unrealized loss of 212 million yen is booked as "losses on write-down of compound financial instruments" under other expense.

2. Available-for-sale securities sold during the fiscal year (Jan. 1, 2007 – Dec. 31, 2007) (Million yen)

Proceeds	Total gains on sales	Total losses on sales
2,623	174	-

3. Carrying value of available-for-sale securities whose fair value is not readily determinable (As of Dec. 31, 2007)

(Million yen)

Category	Carrying value
(1) Available-for-sale securities	
Unlisted stocks	3,443
MMF	85
Others	143
(2) Subsidiary and affiliate stock	
Subsidiary and affiliate stock	2,207

Note: The carrying values are amounts that have been treated for impairment loss. The impairment loss totaled 7 million yen.

4. Projected future redemption of securities with maturities classified as available-for-sale securities (As of Dec. 31, 2007)

(Million yen)

	1 year or less	More than 1 year to 5 years	More than 5 to 10 years	More than 10 years
Bonds				
Corporate bonds	-	-	-	-
Other bonds	-	200	200	3,600
Total	-	200	200	3,600

Per Share Information

(Yen)

Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)		Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)	
Net assets per share	1,207.89	Net assets per share	1,197.62
Net income per share	78.81	Net income per share	53.60
Diluted net income per share	78.55	Diluted net income per share	53.46
(Supplemental information)			
Effective from the current fiscal year, the amount of deferred hedge gain/loss (after adjustment for taxes) is included in net assets associated with common stock on the balance sheet date due to the revision on January 31, 2006 of the “Implementation Guidance for Accounting Standard for Earnings Per Share” (ASBJ Guidance No.4).			
Net assets per share for the current fiscal year, if calculated by the method used for the financial statements for the previous fiscal year, would be 1,191.95 yen.			

Note: Basis for calculation of net income per share and diluted net income per share is as follows.

(Million yen)

	Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)	Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)
Net income per share		
Net income	3,627	2,494
Net income unavailable to common shareholders	-	-
Net income related to common stock	3,627	2,494
Average number of shares of common stock outstanding during the fiscal year (thousand shares)	46,031	46,543
Diluted net income per share		
Adjustment to net income	-	-
Increase in number of common stock (thousand shares)	157	129
[Including: subscription rights (thousand shares)]	[157]	[129]
Number of latent shares with no dilution excluded from calculation of diluted net income per share	-	-

Transactions with Related Parties

Not applicable.

Business Combinations

Not applicable.

Subsequent Events

Not applicable.

Omission of Disclosure

With respect to lease transactions, deferred tax accounting, derivative transactions, retirement benefits, and stock options, notes are not presented since the disclosure of such information is not significant in the context of the financial results.

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 business segment**

(Million yen)

Period	Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)		Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)		Change
	Amount	Share (%)	Amount	Share (%)	
Operating segment					
Mail-order business	142,035 [142,081]	95.9 [95.9]	145,664	92.9	3,629
Other businesses	6,115 [6,068]	4.1 [4.1]	11,128	7.1	5,013
Total	148,150	100.0	156,792	100.0	8,642

Notes: 1. Figures for Fiscal 2006 and Fiscal 2007 have been recalculated according to new business segment categories from the current fiscal year under review. Figures in brackets are segment results for the previous categories.

2. The figures above are stated exclusive of consumption taxes.

(2) Sales by type

(Million yen)

Type	Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)		Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)		Change
	Amount	Share (%)	Amount	Share (%)	
Publications	875	0.6	497	0.3	(377)
Clothing	54,242	36.6	61,306	39.1	7,063
Household goods	56,023	37.8	54,840	35.0	(1,183)
Hobby and leisure interests goods	25,160	17.0	25,504	16.3	343
Others	11,848	8.0	14,643	9.3	2,795
Total	148,150	100.0	156,792	100.0	8,642

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

Non-consolidated Financial Statements**Non-consolidated Financial Statements****(1) Non-consolidated Balance Sheets**

(Million yen)

Account	Period	Fiscal 2006 (As of Dec. 31, 2006)		Fiscal 2007 (As of Dec. 31, 2007)		Change
		Amount	%	Amount	%	
Assets						
I Current assets						
1. Cash and deposits		3,568		1,150		(2,417)
2. Notes receivable		4		7		3
3. Accounts receivable		11,153		10,836		(317)
4. Merchandise		16,293		18,979		2,686
5. Supplies		122		114		(7)
6. Advances		1,921		2,032		111
7. Prepaid expenses		2,415		2,530		115
8. Short-term loans receivable-affiliates		151		236		84
9. Accounts receivable-other		7,767		9,304		1,537
10. Forward exchange contracts		1,444		15		(1,428)
11. Other		315		158		(157)
Allowance for doubtful accounts		(194)		(256)		(62)
Total current assets		44,962	48.3	45,110	47.0	147
II Fixed assets						
1. Property and equipment						
(1) Buildings		9,891		9,631		(260)
(2) Structures		446		403		(42)
(3) Machinery and equipment		1,794		1,508		(285)
(4) Vehicles		8		9		1
(5) Furniture and fixtures		677		717		40
(6) Land		11,259		11,153		(105)
(7) Construction in progress		36		962		926
Total property and equipment		24,113	25.9	24,386	25.4	273
2. Intangible assets						
(1) Goodwill		-		185		185
(2) Leasehold rights		139		139		-
(3) Software		779		2,062		1,282
(4) Software in progress		1,621		648		(973)
(5) Other		43		40		(2)
Total intangible assets		2,584	2.8	3,076	3.2	492
3. Investments and other assets						
(1) Investment securities		14,392		12,534		(1,858)
(2) Affiliate stocks		2,990		4,696		1,705
(3) Long-term loans receivable		342		344		1
(4) Long-term loans receivable-employees		27		20		(6)
(5) Long-term loans receivable-affiliates		1,108		880		(227)
(6) Guarantee deposits		1,073		1,136		62
(7) Long-term prepaid expenses		183		145		(37)
(8) Deferred tax assets		-		164		164
(9) Reserve for directors insurance		832		886		53
(10) Long-term time deposits		-		2,100		2,100
(11) Other		1,381		982		(398)
Allowance for doubtful accounts		(919)		(524)		394
Total investments and other assets		21,413	23.0	23,366	24.4	1,952
Total fixed assets		48,111	51.7	50,829	53.0	2,718
Total assets		93,073	100.0	95,939	100.0	2,866

(Million yen)

Account	Period	Fiscal 2006 (As of Dec. 31, 2006)		Fiscal 2007 (As of Dec. 31, 2007)		Change
		Amount	%	Amount	%	
		Liabilities				
I Current liabilities						
1. Notes payable		4,117		4,302		185
2. Accounts payable-trade		7,565		6,407		(1,158)
3. Short-term bank loans		-		3,000		3,000
4. Current portion of long-term debt		53		-		(53)
5. Accounts payable-other		6,899		6,210		(689)
6. Accounts payable-factoring		14,990		15,027		36
7. Accrued expenses		1,164		1,254		90
8. Accrued income taxes		102		1,587		1,485
9. Accrued consumption taxes		97		125		28
10. Deposit received		234		615		381
11. Liabilities for directors and corporate auditors' bonuses		39		35		(3)
12. Allowance for sales promotion expenses		276		133		(142)
13. Deferred tax liabilities		284		94		(190)
14. Other		443		572		128
Total current liabilities		36,269	39.0	39,369	41.0	3,099
II Long-term liabilities						
1. Long-term debt		342		-		(342)
2. Deferred tax liabilities		528		-		(528)
3. Deferred tax liabilities relating to land revaluation		804		764		(39)
4. Liabilities for retirement benefits for directors and corporate auditors		441		377		(63)
5. Other		50		10		(40)
Total long-term liabilities		2,165	2.3	1,152	1.2	(1,013)
Total liabilities		38,435	41.3	40,521	42.2	2,086
Net assets						
I Shareholders' equity						
1. Common stock		20,359	21.9	20,359	21.2	-
2. Capital surplus						
(1) Capital reserve		19,864		19,864		-
(2) Other capital surplus		852		1,174		322
Total capital surplus		20,716	22.2	21,038	21.9	322
3. Retained earnings						
(1) Profit reserve		1,118		1,118		-
(2) Other retained earnings						
Reserve for reduction of fixed assets		76		73		(3)
Reserve for losses of overseas investment		38		34		(4)
General reserve		13,600		13,600		-
Retained earnings carried forward		4,973		6,871		1,897
Total retained earnings		19,807	21.3	21,697	22.6	1,889
4. Treasury stock		(1,041)	(1.1)	(630)	(0.6)	411
Total shareholders' equity		59,841	64.3	62,464	65.1	2,622
II Valuation and translation adjustments						
1. Net unrealized gains on available-for-sale securities		1,364	1.5	498	0.5	(865)
2. Deferred hedge gains (losses)		734	0.8	(185)	(0.2)	(919)
3. Land revaluation difference		(7,301)	(7.9)	(7,359)	(7.6)	(58)
Total valuation and translation adjustments		(5,202)	(5.6)	(7,046)	(7.3)	(1,843)
Total net assets		54,638	58.7	55,418	57.8	779
Total liabilities and net assets		93,073	100.0	95,939	100.0	2,866

(2) Non-consolidated Statements of Income

(Million yen)

Account	Period	Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)		Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)		Change
		Amount	%	Amount	%	
		I Net sales	146,917	100.0	152,367	
II Cost of sales	76,243	51.9	79,903	52.4	3,660	
Gross profit	70,673	48.1	72,463	47.6	1,790	
III Selling, general and administrative expenses	66,959	45.6	67,851	44.6	892	
1. Packing and freight	9,701		9,143			
2. Sales promotion expenses	24,927		24,986			
3. Sales commissions	1,773		2,287			
4. Provision for allowance for sales promotion expenses	276		133			
5. Provision for allowance for doubtful accounts	192		253			
6. Bad debt loss	132		117			
7. Directors' and corporate auditors' remuneration	253		294			
8. Salaries	5,378		5,301			
9. Bonuses	965		1,101			
10. Provision for liabilities for directors and corporate auditors' bonuses	39		35			
11. Welfare expenses	1,118		1,009			
12. Rents	1,982		1,275			
13. R&D expenses	723		654			
14. Commissions paid	13,021		15,049			
15. Depreciation expenses	1,552		1,540			
16. Other	4,919		4,666			
Operating income	3,714	2.5	4,611	3.0	897	
IV Other income	818	0.6	1,127	0.7	309	
1. Interest income	48		71			
2. Marketable securities interests	113		238			
3. Dividend income	337		430			
4. Foreign exchange gains	120		135			
5. Other	198		251			
V Other expenses	113	0.1	375	0.2	261	
1. Interest expenses	48		64			
2. Losses on write-down of compound financial instruments	-		194			
3. Losses on investment partnership management	16		6			
4. Expenses related to fixed asset investment	-		46			
5. Other	48		62			
Ordinary income	4,419	3.0	5,364	3.5	945	
VI Extraordinary gains	54	0.0	379	0.3	324	
1. Gains on sales of fixed assets	0		37			
2. Gains on sales of investment securities	54		174			
3. Reversal of allowance for doubtful accounts	-		167			

Account	Period	Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)		Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)		Change
		Amount	%	Amount	%	
		VII Extraordinary losses	1,404	0.9	943	
1. Losses on sales and disposal of fixed assets	107		334			
2. Losses on write-down of investment securities	17		94			
3. Losses on sales of investments securities	0		-			
4. Impairment loss	128		-			
5. Losses on cancellation of contracts	415		-			
6. Losses on liquidation of subsidiaries	328		331			
7. Losses on disposal of merchandise	255		-			
8. Losses on cancellation of insurance contracts	130		-			
9. Losses on cancellation of guarantee deposits	20		-			
10. Compensation expense	-		170			
11. Losses on cancellation of leases	-		13			
Income before income taxes	3,069	2.1	4,800	3.2	1,731	
Income taxes	74	0.1	1,619	1.1	1,545	
Deferred income taxes	(147)	(0.1)	282	0.2	430	
Net income	3,142	2.1	2,898	1.9	(244)	

(3) Non-consolidated Statements of Changes in Shareholders' Equity

Fiscal 2006 (Jan. 1, 2006 – Dec. 31, 2006)

(Million yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance as of Dec. 31, 2005	20,359	19,864	793	20,657
Changes in the fiscal year				
Reversal of reserve for reduction of fixed assets (Note)				
Reversal of reserve for losses of overseas investment (Note)				
Reversal of reserve for reduction of fixed assets				
Provision for reserve for losses of overseas investment				
Reversal of reserve for losses of overseas investment				
Dividend of surplus (Note)				
Dividend of surplus				
Bonuses to directors and corporate auditors (Note)				
Net income				
Purchases of treasury stock				
Disposal of treasury stock			58	58
Transfer of land revaluation difference				
Changes (net) in items other than shareholders' equity				
Total changes in the fiscal year	-	-	58	58
Balance as of Dec. 31, 2006	20,359	19,864	852	20,716

	Shareholders' equity							
	Retained earnings						Treasury stock	Total shareholders' equity
	Profit reserve	Other retained earnings				Total retained earnings		
		Reserve for reduction of fixed assets	Reserve for losses of overseas investment	General reserve	Retained earnings carried forward			
Balance as of Dec. 31, 2005	1,118	84	46	13,600	2,931	17,780	(1,153)	57,644
Changes in the fiscal year								
Reversal of reserve for reduction of fixed assets (Note)		(3)			3	-		-
Reversal of reserve for losses of overseas investment (Note)			(11)		11	-		-
Reversal of reserve for reduction of fixed assets		(3)			3	-		-
Provision for reserve for losses of overseas investment			14		(14)	-		-
Reversal of reserve for losses of overseas investment			(10)		10	-		-
Dividend of surplus (Note)					(459)	(459)		(459)
Dividend of surplus					(460)	(460)		(460)
Bonuses to directors and corporate auditors (Note)					(34)	(34)		(34)
Net income					3,142	3,142		3,142
Purchases of treasury stock							(18)	(18)
Disposal of treasury stock							129	188
Transfer of land revaluation difference					(161)	(161)		(161)
Changes (net) in items other than shareholders' equity								
Total changes in the fiscal year	-	(7)	(7)	-	2,041	2,026	111	2,196
Balance as of Dec. 31, 2006	1,118	76	38	13,600	4,973	19,807	(1,041)	59,841

(Million yen)

	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 Dec. 31, 2005	1,744	-	(7,462)	(5,718)	51,926
Changes in the fiscal year					
Reversal of reserve for reduction of fixed assets (Note)					-
Reversal of reserve for losses of overseas investment (Note)					-
Reversal of reserve for reduction of fixed assets					-
Provision for reserve for losses of overseas investment					-
Reversal of reserve for losses of overseas investment					-
Dividend of surplus (Note)					(459)
Dividend of surplus					(460)
Bonuses to directors and corporate auditors (Note)					(34)
Net income					3,142
Purchases of treasury stock					(18)
Disposal of treasury stock					188
Transfer of land revaluation difference					(161)
Changes (net) in items other than shareholders' equity	(380)	734	161	515	515
Total changes in the fiscal year	(380)	734	161	515	2,712
Balance as of Dec. 31, 2006	1,364	734	(7,301)	(5,202)	54,638

Note: Appropriation of earnings resolved at the annual general meeting of shareholders in March 2006.

Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)

(Million yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance as of Dec. 31, 2006	20,359	19,864	852	20,716
Changes in the fiscal year				
Reversal of reserve for reduction of fixed assets				
Provision of reserve for losses of overseas investment				
Reversal of reserve for losses of overseas investment				
Dividend of surplus				
Net income				
Purchases of treasury stock				
Disposal of treasury stock			322	322
Transfer of land revaluation difference				
Changes (net) in items other than shareholders' equity				
Total changes in the fiscal year	-	-	322	322
Balance as of Dec. 31, 2007	20,359	19,864	1,174	21,038

	Shareholders' equity							
	Retained earnings						Treasury stock	Total shareholders' equity
	Profit reserve	Other retained earnings				Total retained earnings		
		Reserve for reduction of fixed assets	Reserve for losses of overseas investment	General reserve	Retained earnings carried forward			
Balance as of Dec. 31, 2006	1,118	76	38	13,600	4,973	19,807	(1,041)	59,841
Changes in the fiscal year								
Reversal of reserve for reduction of fixed assets		(3)			3	-		-
Provision of reserve for losses of overseas investment			4		(4)	-		-
Reversal of reserve for losses of overseas investment			(9)		9	-		-
Dividend of surplus					(1,066)	(1,066)		(1,066)
Net income					2,898	2,898		2,898
Purchases of treasury stock							(32)	(32)
Disposal of treasury stock							443	765
Transfer of land revaluation difference					58	58		58
Changes (net) in items other than shareholders' equity								
Total changes in the fiscal year	-	(3)	(4)	-	1,897	1,889	411	2,622
Balance as of Dec. 31, 2007	1,118	73	34	13,600	6,871	21,697	(630)	62,464

(Million yen)

	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 Dec. 31, 2006	1,364	734	(7,301)	(5,202)	54,638
Changes in the fiscal year					
Reversal of reserve for reduction of fixed assets					-
Provision of reserve for losses of overseas investment					-
Reversal of reserve for losses of overseas investment					-
Dividend of surplus					(1,066)
Net income					2,898
Purchases of treasury stock					(32)
Disposal of treasury stock					765
Transfer of land revaluation difference					58
Changes (net) in items other than shareholders' equity	(865)	(919)	(58)	(1,843)	(1,843)
Total changes in the fiscal year	(865)	(919)	(58)	(1,843)	779
Balance as of Dec. 31, 2007	498	(185)	(7,359)	(7,046)	55,418

Changes in Members of Board of Directors (to be effective March 28, 2008)

1. Directors

(1) Candidate for directors

External director: Toshikatsu Sano (President of SMBC Consulting Co., Ltd.)

(2) Retiring directors

Senior managing director: Koichi Horii

Director: Kiyoshi Kubota (current President of Senshu Logisuko Co., Ltd.)

Mr. Koichi Horii will be appointed Adviser (part-time) effective March 28, 2008.

Mr. Kiyoshi Kubota remains as the President of Senshu Logisuko Co., Ltd.

(3) Promoted directors

Senior managing director: Kiichi Tagawa (current Managing Director, in charge of the Operating Department)

Senior managing director: Michio Tanabe (current Managing Director, in charge of the Corporate Development and Administration Departments)

2. Executive officers

(1) New appointments

Managing executive officer: Kazuhide Fujiyoshi (current Director, General Manager of the General Affairs and Corporate Development Divisions)

Executive officer: Masanori Maeda (current General Manager of the Gift & Gourmet Business Division)

Executive officer: Hisanori Maenaka (current General Manager of the Production Division)

Executive officer: Masatoshi Sugawara (current General Manager of the Marketing Division)

Executive officer: Shinjiro Inoue (current General Manager of the Monthly Business Division)

Executive officer: Takeshi Naito (current General Manager of the Operation Division)

* Mr. Kazuhide Fujiyoshi will become the Director, Managing Executive Officer, and General Manager of the General Affairs and the Corporate Development Divisions.

(2) Retiring executive officers

Executive officer: Kojiro Oyama (current Assist to President, and President of Senshukai General Services Co., Ltd.)

Executive officer: Yasuhiro Otsuka (current Assist to President, General Manager of Atopurame Development Section, and President of RG Marketing Co., Ltd.)

Executive officer: Manabu Dojo (current Assist to President, and General Manager of the Sales Department)

Executive officer: Kenji Hirota (current Assist to President, and Head of the Belle Maison Lifestyle Research Department)

* These retiring executive officers remain in charge of their operations.

(3) Promoted officers

Managing executive officer: Mamoru Asada (current Director, Executive Officer, and General Manager of the Lifestyle Business Division)

Managing executive officer: Shigemitsu Mineoka (current Executive Officer, General Manager of Fashion Business Division, and President of B·B·S Co., Ltd.)

* Mr. Mamoru Asada will become the Director, Managing Executive Officer, and General Manager of the Lifestyle Business Division.

** This financial report is solely a translation of summary of "kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*