Financial Report for Fiscal Year 2009 (Ended December 31, 2009)

January 28, 2010

Company name: **Senshukai Co., Ltd.**
Stock Exchanges: Tokyo and Osaka, First Sections
Stock Code: 8165
URL: http://www.senshukai.co.jp
Representative: Mr. Yasuhiro Yukimachi, President and Representative Director
Inquiries: Mr. Michio Tanabe, Senior Managing Director
Tel: +81-6-6881-3100

Scheduled date of annual general meeting of shareholders: March 30, 2010
Scheduled date of payment of dividend: -
Scheduled date of filing of Annual Security Report: March 31, 2010

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

1. Consolidated Financial Results for Fiscal Year 2009 (January 1, 2009 – December 31, 2009)

(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 Year 2009	147,292	(6.9)	(2,405)	-	(1,410)	-	(3,811)	-
Fiscal Year 2008	158,285	1.0	2,413	(54.4)	(4,553)	-	(6,271)	-

	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 Year 2009	(84.18)	-	(9.3)	(1.4)	(1.6)
Fiscal Year 2008	(134.26)	-	(12.5)	(4.5)	1.5

Reference: Equity in earnings (losses) of affiliates (million yen) Fiscal Year 2009: (65) Fiscal Year 2008: (247)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2009	91,837	37,906	41.3	874.89
Fiscal Year 2008	104,059	44,274	42.5	947.19

Reference: Shareholders' equity (million yen) Fiscal Year 2009: 37,892 Fiscal Year 2008: 44,245

(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 Year 2009	521	(1,141)	1,035	8,795
Fiscal Year 2008	3,849	(7,388)	8,199	8,186

2. Dividends

	Dividend per share					Total dividends (total)	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Yearend	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal Year 2008	-	8.00	-	9.00	17.00	794	-	1.6
Fiscal Year 2009	-	6.00	-	0.00	6.00	280	-	0.7
Fiscal Year 2010 (forecasts)	-	6.00	-	6.00	12.00		31.5	

3. Consolidated Outlook for Fiscal Year 2010 (January 1, 2010 – December 31, 2010)

(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
2Q 2010 (cumulative)	71,500	(6.3)	750	-	950	-	730	-	16.85
Full Year 2010	142,300	(3.4)	2,100	-	2,050	-	1,650	-	38.10

4. Other

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Changes in accounting principles, procedures and presentation methods for preparation of consolidated financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

Note: Please refer to "Changes in Significant Accounting Policies for the Preparation of Consolidated Financial Statements" on page 24 for further information.

(3) Number of shares outstanding (common shares)

1) Number of shares outstanding at end of period (including treasury stock)

Fiscal Year 2009: 47,630,393 shares Fiscal Year 2008: 47,630,393 shares

2) Number of treasury stock at end of period

Fiscal Year 2009: 4,319,385 shares Fiscal Year 2008: 917,908 shares

Note: Please refer to "Per Share Information" on page 37 for the number of shares used in calculating consolidated net income per share.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for Fiscal Year 2009 (January 1, 2009 – December 31, 2009)

(1) Non-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 Year 2009	136,941	(9.1)	(2,347)	-	(617)	-	(3,664)	-
Fiscal Year 2008	150,729	(1.1)	2,353	(49.0)	(3,853)	-	(6,155)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal Year 2009	(80.95)	-
Fiscal Year 2008	(131.77)	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2009	87,757	37,814	43.1	873.08
Fiscal Year 2008	99,613	44,096	44.3	943.99

Reference: Shareholders' equity (million yen) Fiscal Year 2009: 37,814 Fiscal Year 2008: 44,096

2. Non-consolidated Outlook for Fiscal Year 2010 (January 1, 2010 – December 31, 2010)

(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
2Q 2010 (cumulative)	65,900	(7.1)	700	-	900	-	900	-	20.78
Full Year 2010	131,300	(4.1)	2,100	-	2,200	-	1,800	-	41.56

*Cautionary statement with respect to forward-looking statements

The above projections are based on information available at the time of release of this report. Actual results could differ significantly from these projections due to a variety of factors. For further details regarding the projections, please refer to page 7.

1. Operating Results

(1) Analysis of Operating Results

Overview

In the fiscal year under review, the Japanese economy showed some signs of improvement thanks to benefits from the government's economic stimulus measures, and progress in inventory adjustment, but conditions remained harsh overall as the employment environment deteriorated, household incomes declined, and the government in November declared that the economy was mired in deflation. In the retail industry, sales of apparel remained weak, with few exceptions, due in part to unseasonably warm weather in November and December. Personal consumption slumped as consumers increasingly adopted a "thrifty" and "defensive" stance toward spending. In the mail-order industry, e-commerce continued to drive overall sales, but general mail-order companies that also issue catalogs saw their sales continue to decline. The future outlook remains uncertain in our view because the intensely competitive environment has created more price competition, and prompted consumers to become more selective regarding products and services.

In this environment, the Senshukai Group intends to push forward with core strategies in the second year of its medium-term management plan which concludes in Fiscal Year 2010.

However, net sales in the current fiscal year significantly declined 6.9% year-over-year to 147,292 million yen from the previous fiscal year.

In terms of profits, the flexible implementation of clearance sales and other means to stimulate demand in the face of rising inventories caused by falling sales were not completely successful, and the resulting increase in the cost ratio and valuation losses caused gross profits to decline. Operating losses totaled 2,405 million yen (compared with an operating income of 2,413 million yen in the previous fiscal year) despite efforts to offset the decline in gross profit by slashing catalog costs and other SG&A expenses. Ordinary losses totaled 1,410 million yen (compared with ordinary losses of 4,553 million yen in the previous fiscal year) due to foreign exchange gains and other factors. Net losses totaled 3,811 million yen (compared with net losses of 6,271 million yen in the previous fiscal year) due to losses on valuation of investment securities, losses on sales of investment securities, and booking of an impairment loss.

Segment information

(Mail-order Business)

Consolidated sales in the mail-order business, which comprises the catalog and the *hanpukai* businesses, decreased 9.4% year-over-year to 130,967 million yen in the current fiscal year. In terms of profits, the Group booked an operating loss of 2,285 million yen (compared with an operating income of 2,866 million yen in the previous fiscal year), due to a decline in sales, and an increase in the cost-of-sales ratio from a change in the valuation method for inventories that increased valuation losses.

(1) Catalog business

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

Internet orders account for more than 50% of sales in the catalog business, and the Group continues to promote a shift from catalogs to the Internet. Internet orders also increased year-over-year in the current fiscal year under review. However, overall sales in the catalog business declined year-over-year in every month except January as the global recession reduced consumer spending. As a result, consolidated sales in the catalog business decreased 9.3% year-over-year to 119,610 million yen in the fiscal year under review.

(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.

Sales and members declined year-over-year in the current fiscal year under review due to a slump in new product sales, and a below-target retention rate.

As a result, consolidated sales in the *hanpukai* business declined 10.6% year-over-year to 11,357 million yen.

(Other Businesses)

The “other businesses” segment consists of the services business which primarily offers travel and credit card services, the storefront business, the pet business, the corporates business which provides products and services to corporations, and the guesthouse-style wedding business operated by Dears Brain Inc. Consolidated sales in this segment increased 19.2% year-over-year to 16,325 million yen.

Consequently, operating losses decreased from 439 million yen to 190 million yen.

(2) Analysis of Financial Position

Balance sheet position

Assets totaled 91,837 million yen at the end of the current fiscal year, down 12,222 million yen from the end of the previous fiscal year.

Current assets decreased 7,881 million yen to 42,117 million yen. The main factors were an increase of 942 million yen in cash and deposits, decreases of 5,432 million yen in merchandise and finished goods, 639 million yen in notes and accounts receivable-trade, 464 million yen in deferred tax assets and 460 million yen in accounts receivable-other, respectively. Noncurrent assets decreased 4,340 million yen to 49,720 million yen, mainly due to an increase of 84 million yen in intangible assets, decreases in property, plant and equipment of 484 million yen and investments and other assets of 3,940 million yen.

Current liabilities decreased 12,832 million yen to 41,321 million yen. The main factors were an increase of 700 million yen in current portion of bonds, decreases of 6,742 million yen in forward exchange contracts, 4,034 million yen in short-term loans payable, 2,081 million yen in accounts payable-factoring and 1,592 million yen in notes and accounts payable-trade, respectively. Noncurrent liabilities increased 6,977 million yen to 12,609 million yen, mainly due to increases in bonds payable of 3,884 million yen and long-term loans payable of 3,471 million yen. Consequently, the equity ratio was 41.3%.

Cash flow position

The balance of cash and cash equivalents at the end of the current fiscal year was 8,795 million yen, an increase of 608 million yen from the end of the previous fiscal year.

Operating activities provided net cash of 521 million yen (net cash provided of 3,849 million yen in the previous fiscal year). The main cash inflows were depreciation and amortization of 2,503 million yen and a decrease in inventories of 5,440 million yen. Cash outflows included the payments for cancelation money on derivative contract of 3,760 million yen, and loss before income taxes and minority interests of 3,093 million yen.

Investing activities used net cash of 1,141 million yen (net cash used of 7,388 million yen in the previous fiscal year). The main cash inflow was a 1,000 million yen proceeds from sales of investment securities. The main cash outflows were 1,384 million yen for purchase of property, plant and equipment and 987 million yen for purchase of intangible assets.

Financing activities provided net cash of 1,035 million yen (net cash provided of 8,199 million yen in the previous fiscal year). The main cash inflows were proceeds from long-term loans payable of 7,184 million yen and proceeds from issuance of bonds of 4,872 million yen, while cash outflows include a net decrease in short-term loans payable of 5,000 million yen, repayment of long-term loans payable of 2,761 million yen, purchase of treasury stock of 2,142 million yen, and cash dividends paid of 700 million yen.

Cash flow indices

	Fiscal Year 2007 (As of Dec. 31, 2007)	Fiscal Year 2008 (As of Dec. 31, 2008)	Fiscal Year 2009 (As of Dec. 31, 2009)
Equity ratio (%)	56.8	42.5	41.3
Equity ratio based on fair value (%)	56.0	31.7	22.3
Average debt repayment period (years)	2.1	3.7	35.1
Interest coverage ratio (times)	20.6	23.6	1.9

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.
2. 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.
3. Interest-bearing debt represents all liabilities shown on the consolidated balance sheets that incur interest.
4. Operating cash flows and interest payments represent net cash provided by (used in) 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

The Group's basic policy is to strengthen the business foundation while maintaining stable dividends, taking into consideration the payout ratio, and ensuring a fair distribution of earnings to shareholders.

Specifically, the Group's policy regarding the distribution of earnings to shareholders is to strive continuously for a payout ratio of 30% on a consolidated basis. However, we sincerely regret that we must suspend the yearend dividend for Fiscal Year 2009, as announced on December 11, 2009, due to the booking of a net loss.

Senshukai apologizes profusely to its shareholders, and promises to work even harder to raise its corporate value and improve its earnings structure.

Regarding dividends in Fiscal Year 2010, we plan to pay a total annual dividend of 12 yen per share comprised of an interim dividend of 6 yen per share and a yearend dividend of 6 yen per share, due to the recovery in business performance.

(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 significantly and adversely affect 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 forward exchange contracts and other hedging devices to reduce the risk associated with exchange rate fluctuations, large fluctuations could significantly and 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 significantly and 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 a backup system, bolstered the earthquake resistance of its facilities, and moved to diversify its distribution centers. We have also established a Crisis Management Committee and formulated rules applicable to emergencies. Nevertheless, damage to Senshukai facilities and disruptions to order processing or shipment operations 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) Legal and regulatory risk

The Senshukai Group's mainstay business, the mail-order business, is governed by laws including the Law Against Unjustifiable Premiums and Misleading Representations ("Premiums and Representations Law"), the Special Products Trading Law, the Pharmaceutical Law, and the Product Liability Law. The Company is thorough in educating employees, and establishing an administrative and compliance structure, to ensure strict compliance with all laws and regulations. If the event those compliance-related problems were to emerge, however, this could impair the corporate image, thereby significantly and adversely affect the Group's business and operating results.

7) Risks related to unfavorable weather

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

8) Risks associated with volatility in raw materials prices

The Senshukai Group's mainstay business, the mail-order business, uses paper for catalog printing, and a greater than expected increase in the price of paper, pulp, and other raw materials, as well as price hikes by transportation companies that deliver the Group's products to reflect surging crude oil prices, could significantly and adversely affect the Group's operating results.

9) Risks associated with share price fluctuation

The Senshukai Group holds marketable shares, primarily those of its business partners, which means it is subject to risks associated with share price fluctuation. Trends in share prices could significantly and adversely affect the Group's operating results and financial position.

10) 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 28, 2010) of this financial report for Fiscal Year 2009.

(5) Outlook for Fiscal Year 2010

Senshukai sees an uncertain outlook for the domestic economy, and believes the economy could decelerate going forward given deteriorating employment conditions, a persistent excess of production capacity, and ongoing deflation. The Group also believes consumers will become more thrifty and show an increased preference for low-priced goods as sentiment slumps further. In summary, it believes the business environment does not warrant optimism.

For the new fiscal year, Senshukai forecasts net sales will decline approximately 3.4% year-over-year to 142,300 million yen given the harsh economic outlook. The Group will move forward with efforts to lower a wide range of costs, not just fixed costs, and will prioritize the restructuring of its business with an emphasis on moving from catalogs to the Internet. All companies within the Group will pull together to continue efforts to shift the Group to a low-cost basis. Senshukai forecasts operating income of 2,100 million yen, ordinary income of 2,050 million yen, and net income of 1,650 million yen. The Group's policy going forward is to secure stable profits.

Our earnings forecasts for the new fiscal year are as follows.

Consolidated (Million yen)

	Net sales	Operating income	Ordinary income	Net income
Fiscal Year 2010 (forecast)	142,300	2,100	2,050	1,650
Fiscal Year 2009 (results)	147,292	(2,405)	(1,410)	(3,811)
Change (%)	(3.4)	-	-	-

Non-consolidated (Million yen)

	Net sales	Operating income	Ordinary income	Net income
Fiscal Year 2010 (forecast)	131,300	2,100	2,200	1,800
Fiscal Year 2009 (results)	136,941	(2,347)	(617)	(3,664)
Change (%)	(4.1)	-	-	-

* 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.

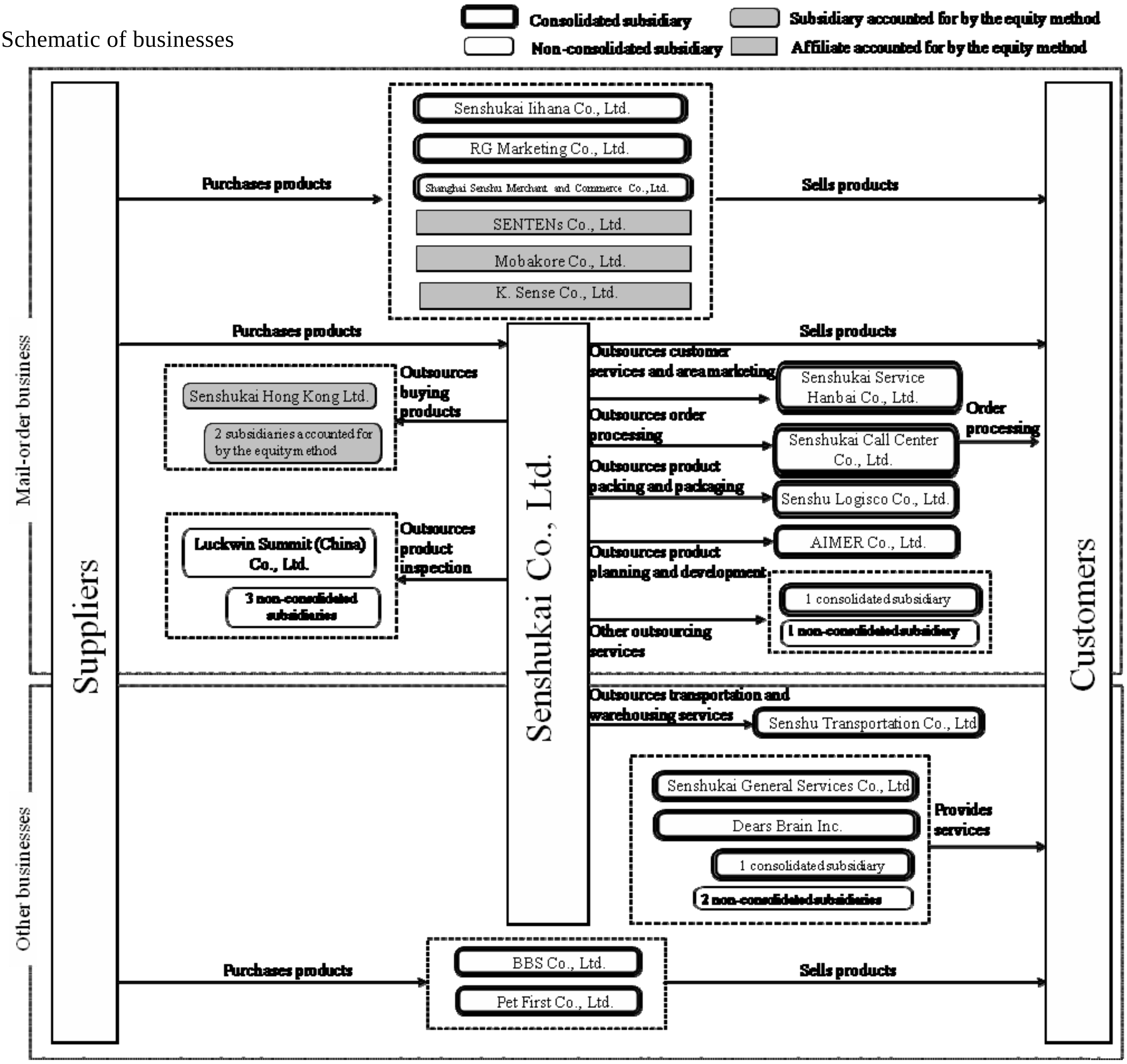
2. Group Organization

The Senshukai Group comprises the parent company, 24 subsidiaries, and 3 affiliates. Mail-order sales is the mainstay business, and other businesses include product sales, services, and transportation.

The following describes the position of each major business activity in the Group’s operations and business segments.

Segment	Major business activity	Company
Mail-order business	Mail order	Senshukai Co., Ltd., Senshukai Service Hanbai Co., Ltd., Senshukai Iihana Co., Ltd., RG Marketing Co., Ltd., Shanghai Senshu Merchant and Commerce Co., Ltd., Senshukai Hong Kong Ltd., Luckwin Summit (China) Co., Ltd., SENTENs Co., Ltd., Mobakore Co., Ltd., K. Sense Co., Ltd., and 7 other companies
	Order processing	Senshukai Call Center Co., Ltd.
	Transportation and warehousing	Senshu Logisco Co., Ltd.
	Product planning and development	AIMER Co., Ltd.
Other businesses	Product sales	Senshukai Co., Ltd., B·B·S Co., Ltd., Pet First Co., Ltd.
	Services	Senshukai Co., Ltd., Senshukai General Services Co., Ltd., Dears Brain Inc., and 3 other companies
	Transportation	Senshu Transportation Co., Ltd.

Schematic of businesses



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 medium-term management plan (runs from Fiscal Year 2008 through Fiscal Year 2010) aims to maximize group strengths, and targets strong growth in existing core businesses and new businesses.

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

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

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

1) Basic policies of the Medium-term Management Plan

i. Promotion of Channel Mix

We intend to further deepen "multi-channel promotion" targeted in the previous medium-term management plan, by not merely expanding channel numbers, but fusing channels in fundamental ways and speeding up operations to achieve synergies.

ii. Development of Multiple Brands

To diversify the business through expansion of product and service offerings, and capture certain age groups that are difficult to capture with a single brand (*Belle Maison*), we will move forward with a multi-brand strategy appropriate for different customer segments and product genres, and avoid damaging its value.

iii. Expansion of Customer Base

We will expand customers in the over-50 segment by developing new goods for the seniors market, as well as new media to reach them. We will also aim to expand customers in their 20s, but we do not intend to 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. We will strengthen expansion of the late 20s market, and maintain our overall base of 20s customers.

iv. SCM (supply chain management) Promotion

Improving cash flow, which deteriorated due to expanding inventories, is a top priority. We will restructure the management framework to improve the efficiency of inventories and further strengthen SCM.

2) Fiscal Year 2009 strategies in the Medium-term Management Plan

i. Promotion of Channel Mix

Each division will have channel control functions starting from previous fiscal year, and will be responsible for promoting channel mix including administration of channel sales and implementation of policies for Internet and brick-and-mortar stores. Internet sales totaled 67,100 million yen throughout the Group (of this, pure Internet sales totaled 41,000 million yen), and we opened five new storefront *Kurasu Fuku* stores, bringing the total number of these stores to 11. We intend to deepen the reach of our sales channels going forward.

ii. Development of Multiple Brands

We are redefining the *Belle Maison* brand, and working to clarify *Belle Maison* brands from other brands to improve their respective values, and by extension, raise the Senshukai group’s overall value.

iii. Expansion of Customer Base

20s: To capture more customers in their 20s, we renewed the catalog *Fashion Plus* in March 2009, optimizing its product lineup, item numbers, and pricing range to suit the lifestyles and tastes of the catalog’s target customer base. Also, we launched at our website new online services, such as one that allows users to virtually try on different items, to complement our catalog services, we offered new products that can only be bought online, and we began offering new brands. We also inserted in the magazine *With* a bound-in catalog booklet.

50s: For members in their 50s, we launched in July 2009 Kadokawa SS Communications Inc (Kadokawa SSC), and K. Sense Co., Ltd. to run a seniors’ mail-order business and marketing business. We offered and developed products that suit the tastes’ of women in their 50s via bound-in catalog booklets inserted in Kadokawa SSC’s monthly magazine *Mainichi ga Hakken* (Everyday Brings a New Discovery).

iv. SCM (supply chain management) Promotion

The “delivery-to-order ratio” and the “rapid delivery ratio” improved over the previous fiscal year. Also, we drastically reduced the value of inventories by approximately 4,000 million yen year-over-year by implementing bargains quickly after the expiration of catalogs, by implementing bargains over the Internet, and by making precise orders. We aim to optimize inventory levels going forward to improve the cost ratio.

(4) Other Important Business Matters

Not applicable.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Million yen)

	Fiscal Year 2008 (As of Dec. 31, 2008)	Fiscal Year 2009 (As of Dec. 31, 2009)
Assets		
Current assets		
Cash and deposits	*2 7,670	*2 8,613
Notes and accounts receivable-trade	10,888	10,248
Short-term investment securities	524	182
Inventories	16,497	-
Merchandise and finished goods	-	10,967
Raw materials and supplies	-	112
Deferred tax assets	1,009	545
Accounts receivable-other	8,028	7,568
Other	5,695	4,174
Allowance for doubtful accounts	(316)	(294)
Total current assets	49,998	42,117
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	*2 34,365	*2 34,570
Accumulated depreciation	(19,305)	(20,351)
Buildings and structures, net	15,059	14,219
Machinery, equipment and vehicles	12,071	12,154
Accumulated depreciation	(10,938)	(11,034)
Machinery, equipment and vehicles, net	1,133	1,120
Tools, furniture and fixtures	3,313	3,136
Accumulated depreciation	(2,151)	(2,080)
Tools, furniture and fixtures, net	1,162	1,056
Land	*4 11,168	*4 11,078
Construction in progress	13	577
Total property, plant and equipment	28,536	28,052
Intangible assets		
Goodwill	2,963	2,793
Other	2,502	2,756
Total intangible assets	5,465	5,549
Investments and other assets		
Investment securities	*1 11,368	*1 9,378
Long-term loans receivable	826	631
Lease and guarantee deposits	1,626	1,673
Deferred tax assets	1,546	196
Other	4,894	4,449
Allowance for doubtful accounts	(203)	(210)
Total investments and other assets	20,058	16,118
Total noncurrent assets	54,060	49,720
Total assets	104,059	91,837

(Million yen)

	Fiscal Year 2008 (As of Dec. 31, 2008)	Fiscal Year 2009 (As of Dec. 31, 2009)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,527	6,934
Short-term loans payable	*2 9,957	*2,*5 5,923
Current portion of bonds	*2 66	*2 766
Accounts payable-other	6,508	6,754
Accounts payable-factoring	15,789	13,707
Accrued expenses	1,854	1,983
Income taxes payable	194	271
Accrued consumption taxes	289	361
Deferred tax liabilities	-	2
Provision for sales promotion expenses	346	526
Forward exchange contracts	9,788	3,045
Other	831	1,043
Total current liabilities	54,153	41,321
Noncurrent liabilities		
Bonds payable	*2 168	*2 4,052
Long-term loans payable	*2 4,112	*2 7,584
Deferred tax liabilities	-	1
Deferred tax liabilities for land revaluation	764	756
Provision for retirement benefits	45	35
Provision for directors’ retirement benefits	335	-
Other	206	178
Total noncurrent liabilities	5,631	12,609
Total liabilities	59,784	53,930
Net assets		
Shareholders’ equity		
Capital stock	20,359	20,359
Capital surplus	21,038	21,038
Retained earnings	14,064	9,517
Treasury stock	(631)	(2,774)
Total shareholders’ equity	54,830	48,140
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1,312)	(1,013)
Deferred gains or losses on hedges	(2,038)	(2,044)
Revaluation reserve for land	(7,103)	(7,067)
Foreign currency translation adjustment	(130)	(122)
Total valuation and translation adjustments	(10,584)	(10,247)
Minority interests	29	14
Total net assets	44,274	37,906
Total liabilities and net assets	104,059	91,837

(2) Consolidated Statements of Income

(Million yen)

	Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
Net sales	158,285	147,292
Cost of sales	*1 81,912	*1 78,927
Gross profit	76,373	68,364
Selling, general and administrative expenses		
Freightage and packing expenses	10,193	8,849
Promotion expenses	25,303	23,507
Provision for allowance for sales promotion expenses	346	525
Provision of allowance for doubtful accounts	287	273
Bad debts expenses	46	39
Directors' compensations	577	565
Salaries and allowances	11,206	11,631
Bonuses	1,372	1,429
Provision for retirement benefits	13	19
Provision for directors' retirement benefits	61	-
Depreciation	2,127	2,501
Other	22,423	21,427
Total selling, general and administrative expenses	*2 73,960	*2 70,770
Operating income (loss)	2,413	(2,405)
Non-operating income		
Interest income	270	90
Dividends income	172	314
Foreign exchange gains	-	1,403
Gain on valuation of compound financial instruments	-	21
Co-sponsor fee	103	42
Miscellaneous income	377	276
Total non-operating income	924	2,148
Non-operating expenses		
Interest expenses	162	317
Loss on valuation of compound financial instruments	1,331	-
Equity in losses of affiliates	247	65
Foreign exchange losses	5,904	-
Commission fee	-	450
Bond issuance cost	-	127
Miscellaneous loss	245	193
Total non-operating expenses	7,890	1,154
Ordinary loss	(4,553)	(1,410)
Extraordinary income		
Gain on sales of noncurrent assets	*3 245	*3 1
Gain on redemption of debt	-	42
Total extraordinary income	245	43

(Million yen)

	Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	*4 759	*4 95
Loss on valuation of investment securities	594	573
Loss on sales of investment securities	28	576
Impairment loss	*5 153	*5 356
Special retirement expenses	48	-
Loss on valuation of golf club membership	2	-
Provision of allowance for doubtful accounts	1	28
Other	-	95
Total extraordinary losses	1,587	1,726
Loss before income taxes and minority interests	(5,895)	(3,093)
Income taxes-current	444	322
Income taxes-deferred	(74)	432
Total income taxes	370	754
Minority interests in income (loss)	5	(36)
Net loss	(6,271)	(3,811)

(3) Consolidated Statements of Changes in Net Assets

(Million yen)

	Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	20,359	20,359
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	20,359	20,359
Capital surplus		
Balance at the end of previous period	21,038	21,038
Changes of items during the period		
Disposal of treasury stock	0	(0)
Total changes of items during the period	0	(0)
Balance at the end of current period	21,038	21,038
Retained earnings		
Balance at the end of previous period	21,691	14,064
Changes of items during the period		
Dividends from surplus	(1,027)	(700)
Net loss	(6,271)	(3,811)
Reversal of revaluation reserve for land	(256)	(35)
Increase (decrease) in retained earnings due to change in the number of consolidated subsidiaries and equity method affiliates	(70)	-
Total changes of items during the period	(7,626)	(4,547)
Balance at the end of current period	14,064	9,517
Treasury stock		
Balance at the end of previous period	(630)	(631)
Changes of items during the period		
Purchase of treasury stock	(1)	(2,142)
Disposal of treasury stock	0	0
Total changes of items during the period	(1)	(2,142)
Balance at the end of current period	(631)	(2,774)
Total shareholders' equity		
Balance at the end of previous period	62,458	54,830
Changes of items during the period		
Dividends from surplus	(1,027)	(700)
Net loss	(6,271)	(3,811)
Purchase of treasury stock	(1)	(2,142)
Disposal of treasury stock	0	0
Reversal of revaluation reserve for land	(256)	(35)
Increase (decrease) in retained earnings due to change in the number of consolidated subsidiaries and equity method affiliates	(70)	-
Total changes of items during the period	(7,627)	(6,690)
Balance at the end of current period	54,830	48,140

(Million yen)

	Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	486	(1,312)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,798)	299
Total changes of items during the period	(1,798)	299
Balance at the end of current period	(1,312)	(1,013)
Deferred gains or losses on hedges		
Balance at the end of previous period	376	(2,038)
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,415)	(6)
Total changes of items during the period	(2,415)	(6)
Balance at the end of current period	(2,038)	(2,044)
Revaluation reserve for land		
Balance at the end of previous period	(7,359)	(7,103)
Changes of items during the period		
Net changes of items other than shareholders' equity	256	35
Total changes of items during the period	256	35
Balance at the end of current period	(7,103)	(7,067)
Foreign currency translation adjustment		
Balance at the end of previous period	(16)	(130)
Changes of items during the period		
Net changes of items other than shareholders' equity	(114)	8
Total changes of items during the period	(114)	8
Balance at the end of current period	(130)	(122)
Total valuation and translation adjustments		
Balance at the end of previous period	(6,512)	(10,584)
Changes of items during the period		
Net changes of items other than shareholders' equity	(4,072)	336
Total changes of items during the period	(4,072)	336
Balance at the end of current period	(10,584)	(10,247)
Minority interests		
Balance at the end of previous period	10	29
Changes of items during the period		
Net changes of items other than shareholders' equity	18	(14)
Total changes of items during the period	18	(14)
Balance at the end of current period	29	14
Total net assets		
Balance at the end of previous period	55,955	44,274
Changes of items during the period		
Dividends from surplus	(1,027)	(700)
Net loss	(6,271)	(3,811)
Purchase of treasury stock	(1)	(2,142)
Disposal of treasury stock	0	0
Reversal of revaluation reserve for land	(256)	(35)
Increase (decrease) in retained earnings due to change in the number of consolidated subsidiaries and equity method affiliates	(70)	-
Net changes of items other than shareholders' equity	(4,053)	322
Total changes of items during the period	(11,681)	(6,367)
Balance at the end of current period	44,274	37,906

(4) Consolidated Statements of Cash Flows

(Million yen)

	Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
Net cash provided by (used in) operating activities		
Loss before income taxes and minority interests	(5,895)	(3,093)
Depreciation and amortization	2,140	2,503
Impairment loss	153	356
Increase (decrease) in allowance for doubtful accounts	(61)	(14)
Increase (decrease) in allowance for sales promotion expenses	212	180
Interest and dividends income	(442)	(404)
Interest expenses	162	317
Foreign exchange losses (gains)	5,797	(1,528)
Equity in (earnings) losses of affiliates	247	65
Loss (gain) on valuation of compound financial instruments	1,331	(21)
Bond issuance cost	-	127
Loss (gain) on sales of noncurrent assets	(245)	(1)
Loss (gain) on sales of investment securities	-	576
Loss (gain) on sales and retirement of noncurrent assets	759	95
Loss (gain) on valuation of investment securities	594	573
Decrease (increase) in notes and accounts receivable-trade	350	665
Decrease (increase) in inventories	2,844	5,440
Decrease (increase) in other current assets	950	1,908
Increase (decrease) in notes and accounts payable-trade	(3,183)	(1,605)
Increase (decrease) in accrued consumption taxes	249	82
Increase (decrease) in other current liabilities	(51)	(1,871)
Other, net	87	(29)
Subtotal	5,998	4,325
Interest and dividends income received	417	433
Interest expenses paid	(163)	(270)
Payments for cancelation money on derivative contract	-	(3,760)
Income taxes paid	(2,404)	(206)
Net cash provided by (used in) operating activities	3,849	521
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(2,617)	(1,384)
Proceeds from sales of property, plant and equipment	447	3
Purchase of intangible assets	(659)	(987)
Proceeds from sales of intangible assets	0	-
Purchase of investment securities	(2,473)	(88)
Proceeds from sales of investment securities	825	1,000
Proceeds from withdrawal of time deposits	-	200
Decrease (increase) in time deposits	(997)	-
Purchase of investments in subsidiaries	-	(65)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	*2 (2,297)	-
Other, net	382	181
Net cash provided by (used in) investing activities	(7,388)	(1,141)

(Million yen)

	Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	4,566	(5,000)
Proceeds from long-term loans payable	5,052	7,184
Repayment of long-term loans payable	(358)	(2,761)
Proceeds from issuance of bonds	-	4,872
Redemption of bonds	(33)	(416)
Purchase of treasury stock	(1)	(2,142)
Proceeds from sales of treasury stock	0	0
Cash dividends paid	(1,026)	(700)
Net cash provided by (used in) financing activities	8,199	1,035
Effect of exchange rate change on cash and cash equivalents	-	(2)
Net increase (decrease) in cash and cash equivalents	4,660	413
Cash and cash equivalents at beginning of period	3,526	8,186
Increase in cash and cash equivalents from newly consolidated subsidiary	-	195
Cash and cash equivalents at end of period	*1 8,186	*1 8,795

Going Concern Assumption

Not applicable.

Significant Accounting Policies for the Preparation of Consolidated Financial Statements

Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
1. Scope of consolidation (1) Number of consolidated subsidiaries: 13 Main consolidated subsidiaries: Senshukai General Services Co., Ltd. Senshu Logisco Co., Ltd. Senshukai Call Center Co., Ltd. Dears Brain Inc. Dears Brain Inc., previously accounted for by the equity-method affiliate, was included in the scope of consolidation due to the acquisition of additional shares in May 2008. The equity method was applied for the current interim period, as Senshukai sets the assumed acquisition date to the interim consolidated balance sheet date. Future Compass Co., Ltd. was liquidated in December 2008.	1. Scope of consolidation (1) Number of consolidated subsidiaries: 14 Main consolidated subsidiaries: Senshukai General Services Co., Ltd. Senshu Logisco Co., Ltd. Senshukai Call Center Co., Ltd. Dears Brain Inc. Shanghai Senshu Merchant and Commerce Co., Ltd., non-consolidated subsidairy in the previous fiscal year, was included in the scope of consolidation due to its increased importance. Senshukai Retailing Service Co., Ltd. was included in the scope of consolidation due to its establishment. Future Compass Co., Ltd. was liquidated and excluded from consolidation in December 2008.
(2) Number of non-consolidated subsidiaries: 11 Main non-consolidated subsidiaries: Senshukai Hong Kong Ltd. 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.	(2) Number of non-consolidated subsidiaries: 10 Main non-consolidated subsidiaries: Senshukai Hong Kong Ltd. Reason for exclusion from scope of consolidation Same as on the left.
2. Application of equity method (1) Number of non-consolidated subsidiaries accounted for by the equity method: 4 Main non-consolidated subsidiaries accounted for by the equity method: Senshukai Hong Kong Ltd.	2. Application of equity method (1) Number of non-consolidated subsidiaries accounted for by the equity method: 3 Same as on the left. Shanghai Senshu Merchant and Commerce Co., Ltd. was included in the scope of consolidation and excluded from the equity-method non-consolidated subsidiary in the current fiscal year due to its increased importance.
(2) Number of equity-method affiliate: 2 Equity-method affiliate: SENTENs Co., Ltd. Mobakore Co., Ltd. Dears Brain Inc. was treated as an equity-method affiliate in the current interim period due to the acquisition of shares in November 2007, but moved from an equity-method affiliate to a consolidated subsidiary following the acquisition of additional shares in May 2008. The equity method was applied for the current interim period, and losses included with investment loss on equity method, as Senshukai sets the assumed acquisition date to the interim consolidated balance sheet date.	(2) Number of equity-method affiliates: 3 Equity-method affiliates: SENTENs Co., Ltd. Mobakore Co., Ltd. K. Sense Co., Ltd. K. Sense Co., Ltd. was included in the scope of equity-method affiliate due to its establishment.

Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
Mobakore Co., Ltd. was included in the scope of the equity-method affiliate due to its increased importance.	
(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.	(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 second-quarter 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.
(4) Main non-consolidated subsidiaries and affiliates not accounted for by the equity method: Innovation Information Technology (Shanghai) Co., Ltd. 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.	(4) Main non-consolidated subsidiaries and affiliates not accounted for by the equity method: Innovation Information Technology (Shanghai) Co., Ltd. Reason for not accounted for by the equity method Same as on the left.
3. Fiscal years for consolidated subsidiaries The fiscal years of all consolidated subsidiaries coincide with Senshukai's fiscal year. Dears Brain Inc. has changed its balance sheet date from June 30 to December 31 in the current fiscal year.	3. Fiscal years for consolidated subsidiaries The fiscal years of all consolidated subsidiaries coincide with Senshukai's fiscal year.
4. Accounting standards (1) Valuation standards and accounting treatment for important asset 1) Short-term 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.	4. Accounting standards (1) Valuation standards and accounting treatment for important asset 1) Short-term investment securities Available-for-sale securities Same as on the left.
Available-for-sale securities whose fair value is not readily determinable are stated at cost based on the moving-average method.	Same as on the left.
2) Derivatives Derivatives are stated at market value.	2) Derivatives Same as on the left.
3) Inventories Inventories are stated at the lower of cost, determined by the monthly average method, or market.	3) Inventories Inventories are stated at cost determined by the monthly average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).

Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
(2) Method for depreciating and amortizing important assets 1) Property, plant 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. The range of useful lives is as follows: Buildings and structures: 38-50 years Machinery, equipment and vehicles: 12 years	(2) Method for depreciating and amortizing important assets 1) Property, plant and equipment (excluding lease assets) Same as on the left.
(Supplemental information) Following the revision of the Corporate Tax Law, property, plant and equipment purchased on or before March 31, 2007 is depreciated equally over five years, and booked as a depreciation expense, the difference between the memorandum value, and 5% of the acquisition value, beginning in the fiscal year following the fiscal year in which the asset's value reaches 5% of the acquisition value based on depreciation methods prior to corporate tax law revisions. As an effect of this change, operating income decreased 53 million yen, and ordinary loss and loss before income taxes and minority interests increased by 53 million yen each. The impact on segment businesses can be found in applicable portions of this report.	(Supplemental information) Effective from the current fiscal year, the Company and its domestic consolidated subsidiaries have reviewed the useful lives of machinery and equipment, etc. as a result of revision to the Corporate Tax Law and consequently have revised the useful lives as stipulated in the revised law. This change has no significant effect on the amount of income.
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.	2) Intangible assets (excluding lease assets) Same as on the left.
3) Lease assets ———	3) Lease assets The straight-line method with no residual value is applied with the lease period used as the useful life of the asset. For finance lease transactions where there is no transfer of ownership beginning on or before December 31, 2008, depreciation is calculated using an accounting method that is based on the method used for ordinary lease transactions.
(3) Accounting for deferred assets ———	(3) Accounting for deferred assets Bond issuance cost Charged to income as accrued.
(4) Accounting for allowances 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.	(4) Accounting for allowances 1) Allowance for doubtful accounts Same as on the left.
2) Provision for directors' 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. There are no future estimated bonus obligations in this fiscal year.	2) Provision for directors' bonuses Same as on the left.

Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
3) Provision 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.	3) Provision for sales promotion expenses Same as on the left.
4) Provision for 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.	4) Provision for retirement benefits Same as on the left.
5) Provision for directors' retirement benefits 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.	5) Provision for directors' retirement benefits (Supplemental information) 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. However, annual general meeting held on March 27, 2009 resolved to pay current directors and corporate auditors, upon retirement, a lump sum for their term of service up through the day of abolishment of the system. As a result, the Company has drawn down the entire balance of provision for directors' retirement benefits, and included in the unpaid amount in the "Accounts payable-other" under current liabilities.
(5) 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 as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statements of income 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, and foreign exchange gains and losses from translation are included in the foreign currency translation adjustments under net assets.	(5) Conversion of credit and liabilities in foreign currencies to Japanese currency Same as on the left.
(6) Accounting for promotion expenses The Company conducts a mail-order business, and among 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.	(6) Accounting for promotion expenses Same as on the left.
(7) 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.	(7) Accounting for leases ―――――

Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
(8) Accounting for hedging 1) Hedge accounting methods The deferred hedge accounting method is adopted.	(8) Accounting for hedging 1) Hedge accounting methods Same as on the left.
2) Hedging instruments/ hedged items Hedging instruments: Forward exchange contracts, currency options, currency swaps and interest swaps Hedged items: Accounts payable for imports, denominated in foreign currencies and interest on borrowings	2) Hedging instruments/ hedged items Hedging instruments: Forward exchange contracts, currency options, and interest swaps Hedged items: Accounts payable for imports, denominated in foreign currencies and interest on borrowings
3) Hedging policy Risks from fluctuation in foreign currency exchange, cash flows and interest rate are hedged in accordance with internal policies.	3) Hedging policy Same as on the left.
4) Evaluation of hedging effectiveness High correlation and effectiveness between the hedging instruments and the hedged items are regularly verified. However, with respect to forward exchange 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.	4) Evaluation of hedging effectiveness Same as on the left.
(9) Accounting for consumption taxes Financial statements are prepared exclusive of national and regional consumption taxes.	(9) Accounting for consumption taxes Same as on the left.
5. Valuation of consolidated subsidiaries' assets and liabilities The assets and liabilities of consolidated subsidiaries are evaluated using the fair value method.	5. Valuation of consolidated subsidiaries' assets and liabilities Same as on the left.
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.	6. Amortization of goodwill and negative goodwill Same as on the left.
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.	7. Scope of cash and cash equivalents Same as on the left.

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

Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
―――――	(1) Application of "Accounting Standards for Measurement of Inventories" In prior years, inventories for regular sales purposes were stated at the lower of cost, determined by the monthly average method, or market. With the adoption of "Accounting Standards for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No. 9) from the current fiscal year, inventories are stated at cost determined by the monthly average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins). As an effect of this change, operating loss, ordinary loss and loss before income taxes and minority interests increased by 1,195 million yen each. The effect of these changes on segment operations is shown in the Segment Information section.
―――――	(2) Application of "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" Effective from the current fiscal year, the Company has adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issue Task Force (Practical Issues Task Force (PITF)) No. 18). This change has no effect on the amount of income (loss).
―――――	(3) Application of "Accounting Standards for Lease Transactions" In prior years, the Company accounted for finance leases where there is no transfer of ownership as ordinary operating leases for accounting purposes. However, the Company has adopted "Accounting Standards for Lease Transactions" (ASBJ Statement No. 13) and "Guidance on Accounting Standards for Lease Transactions" (ASBJ Guidance No. 16), using an accounting method for leases that is based on the method used for ordinary purchases and sales. This change has no effect on the amount of income (loss).

Reclassifications

Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
Consolidated balance sheets: 1. "Goodwill," presented as a component of "Intangible assets" in the previous fiscal year, is shown as a separate line item since its amount exceeded 1/100 of total assets in the current fiscal year. "Goodwill" included in "Intangible assets" in the previous fiscal year was 227 million yen.	Consolidated balance sheets: 1. ―――――
2. ―――――	2. With the adoption of "Cabinet Office Ordinance Partially Revising Regulation of Financial Statements" (Cabinet Office Ordinance No. 50, August 7, 2008), "Inventories" is divided into "Merchandise and finished goods," and "Raw materials and supplies" in the current fiscal year. The amount of "Merchandise and finished goods," and "Raw materials and supplies" included in "Inventories" in the previous fiscal year was 16,400 million yen and 97 million yen.
Consolidated statements of income: 1. "Loss on investments in partnership" under non-operating expenses stated as a separate item in the previous fiscal year, is included in "Miscellaneous loss" under non-operating expenses in the current fiscal year since the amount is insignificant. "Loss on investments in partnership" in the current fiscal year totaled 20 million yen.	Consolidated statements of income: 1. ―――――
2. "Expenses related to fixed asset investment" under non-operating expenses stated as a separate item in the previous fiscal year, is included in "Miscellaneous loss" under non-operating expenses in the current fiscal year since the amount is insignificant. "Expenses related to fixed asset investment" in the current fiscal year totaled 12 million yen.	2. ―――――
Consolidated statements of cash flows: 1. "Increase (decrease) in provision for retirement benefits" under net cash provided by (used in) operating activities stated as a separate item in the previous fiscal year, is included in "Other, net" under net cash provided by (used in) operating activities in the current fiscal year since the amount is insignificant. "Increase (decrease) in provision for retirement benefits" in the current fiscal year totaled minus 7 million yen.	Consolidated statements of cash flows: 1. ―――――
2. "Foreign exchange losses (gains)," which was included in "Other, net" under net cash provided by (used in) operating activities in the previous fiscal year, is shown as a separate line item in the current fiscal year, to clarify its contents. "Foreign exchange losses (gains)" included in "Other, net" under net cash provided by (used in) operating activities in the previous fiscal year was 831 million yen.	2. ―――――

Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheets

(Million yen)

Fiscal Year 2008 (As of Dec. 31, 2008)		Fiscal Year 2009 (As of Dec. 31, 2009)	
*1. Shares of non-consolidated subsidiaries and affiliates		*1. Shares of non-consolidated subsidiaries and affiliates	
Investment securities	727	Investment securities	677
*2. Assets pledged as collateral		*2. Assets pledged as collateral	
(1) Collateral-backed assets		(1) Collateral-backed assets	
Cash and deposits (Time deposits)	15	Cash and deposits (Time deposits)	15
Buildings and structures	1,003	Buildings and structures	748
Total	1,018	Total	763
(2) Collateral-backed liabilities		(2) Collateral-backed liabilities	
Short-term loans payable	287	Short-term loans payable	253
Current portion of bonds	66	Current portion of bonds	66
Bonds payable	168	Bonds payable	102
Long-term loans payable	730	Long-term loans payable	477
Total	1,251	Total	898
3. Contingent liabilities		3. Contingent liabilities	
Guarantees of bank loans		Guarantees of bank loans	
Employees’ housing loans	30	Employees’ housing loans	21
*4. Land revaluation		*4. 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 “Revaluation reserve for land,” after deducting the deferred tax liabilities relating to land revaluation.		Same as on the left.	
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.		Method of revaluation by Clause 3, Article 3 of the law Same as on the left.	
Date of revaluation	Mar. 31, 2000	Date of revaluation	Mar. 31, 2000
Difference between market value of relevant land on December 31, 2008 and its book value after revaluation	(2,606)	Difference between market value of relevant land on December 31, 2009 and its book value after revaluation	(2,500)
―		*5. The Company has commitment line agreements with financial institutions in order to raise funds efficiently. The balance of unused credit lines under these agreements as of the end of the current fiscal year was as follows.	
		Total commitment line	15,500
		Credit used	3,000
		Credit available	12,500

Fiscal Year 2008 (As of Dec. 31, 2008)	Fiscal Year 2009 (As of Dec. 31, 2009)
―――――	6. Financial covenants The aforementioned commitment line agreements include financial covenants, and if any of the following are violated, the Company could lose the benefit of term of all applicable debts. (1) The amount calculated after deducting subscription rights to shares, minority interests and deferred gains or losses on hedges from total net assets in the consolidated and non-consolidated balance sheets at the end of each fiscal year must be 75% or greater than the amount calculated after deducting subscription rights to shares, minority interests and deferred gains or losses on hedges from net assets in the balance sheet at the end of Fiscal Year 2008 (ended on December 31, 2008) or the end of the immediately preceding fiscal year. (2) Total liabilities in the consolidated and non-consolidated balance sheets at the end of each fiscal year must be less than 150% of the amount calculated after deducting subscription rights to shares, minority interests and deferred gains or losses on hedges from total net assets in the balance sheet at the end of each fiscal year. (3) Operating loss in the consolidated and non-consolidated statements of income at the end of each fiscal year may not be recorded for two straight fiscal years. (4) The amount calculated after deducting cash and deposits from total interest-bearing debts in the consolidated and non-consolidated balance sheets at the end of each fiscal year must not exceed five times the amount calculated after combining net income and depreciation in the consolidated and non-consolidated statements of income for two straight fiscal years.

Notes to Consolidated Statements of Income

(Million yen)

Fiscal Year 2008
(Jan. 1, 2008 – Dec. 31, 2008)

*1. Among cost of sales, valuation losses using the lower of cost or market method were 62 million yen.

―――――

*2. R&D expenses included in general and administrative expenses

	555

*3. Gain on sales of noncurrent assets

Machinery, equipment and vehicles	5
Land and buildings, other	239
Total	245

*4. Losses on sales and retirement of noncurrent assets

Losses on retirement of buildings and structures	59
Losses on retirement of machinery, equipment and vehicles	185
Losses on sales of machinery, equipment and vehicles	0
Losses on retirement of furniture and fixtures, others	29
Losses on retirement of intangible assets, others	483
Total	759

*5. Impairment loss

For the current fiscal year, the Senshukai Group posted impairment loss on the following asset groups.

(Million yen)

Location	Primary use	Type	Impairment loss
Pet First Co., Ltd. (Kawasaki City of Kanagawa, other)	Pet business assets	Buildings, structures, software, and others	153

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 strucures, furniture and fixtures, and software were 55 million yen, 15 million yen and 82 million yen, respectively.

The recoverable amount was measured at its net selling price.

Fiscal Year 2009
(Jan. 1, 2009 – Dec. 31, 2009)

*1. ―――――

The ending inventory is the amount written down to reflect the effect of lower profit margins. The following loss on valuation of inventories is included in cost of sales.

	1,241

*2. R&D expenses included in general and administrative expenses

	532

*3. Gain on sales of noncurrent assets

Machinery, equipment and vehicles	1
Total	1

*4. Losses on sales and retirement of noncurrent assets

Losses on retirement of buildings and structures	58
Losses on retirement of machinery, equipment and vehicles	5
Losses on sales of machinery, equipment and vehicles	0
Losses on retirement of furniture and fixtures, others	32
Total	95

*5. Impairment loss

For the current fiscal year, the Senshukai Group posted impairment loss on the following asset groups.

(Million yen)

Location	Primary use	Type	Impairment loss
Yamagata City of Yamagata, other	Idle assets	Buildings, structures, land, and others	198
Yao City of Osaka, other	Business assets	Buildings, structures, and others	128
Other	Other	Goodwill	29

In principle, business assets are based on categories of management accounting. Idle assets are accounted independently.

Of the above asset groups, the Company marked down the book value of business assets and goodwill to the recoverable amount reflecting weak prospects for improved short-term performance due to worsening operating profitability, and it marked down the book value of idle assets to the recoverable amount because of a decline in the assets' market value. These markdowns were booked as an impairment loss.

The impairment loss on buildings and strucures, land, goodwill, software and other were 166 million yen, 89 million yen, 29 million yen, 37 million yen, and 34 million yen, respectively.

The recoverable amount was measured at its net selling price. The net selling price was rationally estimated based on roadside land prices and other benchmarks.

Notes to Consolidated Statements of Changes in Net assets

Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of Dec. 31, 2007 (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, 2008 (Thousand shares)
Outstanding shares				
Common stock	47,630	-	-	47,630
Total	47,630	-	-	47,630
Treasury stock				
Common stock (Note)	916	2	0	917
Total	916	2	0	917

Note: Common shares of treasury stock increased by 2 thousand shares due to the purchase of odd-lot shares. Common shares of treasury stock decreased by 0 thousand shares due to the transfer of odd-lot shares in response to purchase requests.

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. 28, 2008	Common stock	653	14	Dec. 31, 2007	Mar. 31, 2008
Board of Directors meeting on Jul. 31, 2008	Common stock	373	8	Jun. 30, 2008	Sep. 1, 2008

(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. 27, 2009	Common stock	420	Retained earnings	9	Dec. 31, 2008	Mar. 30, 2009

Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of Dec. 31, 2008 (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, 2009 (Thousand shares)
Outstanding shares				
Common stock	47,630	-	-	47,630
Total	47,630	-	-	47,630
Treasury stock				
Common stock (Note)	917	3,401	0	4,319
Total	917	3,401	0	4,319

Note: Common shares of treasury stock increased by 3,401 thousand shares due to the purchase of treasury stock (3,400 thousand shares), pursuant to Article 165 applicable in accordance with Article 165, Clause 3 of the Company Act, and the purchase of odd-lot shares (1 thousand shares). Common shares of treasury stock decreased by 0 thousand shares due to the transfer of odd-lot shares in response to purchase requests.

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. 27, 2009	Common stock	420	9	Dec. 31, 2008	Mar. 30, 2009
Board of Directors meeting on Jul. 30, 2009	Common stock	280	6	Jun. 30, 2009	Sep. 1, 2009

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

Not applicable.

Notes to Consolidated Statements of Cash Flows

(Million yen)

Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
*1. Reconciliation between balance sheet accounts and year-end balance of cash and cash equivalents	*1. Reconciliation between balance sheet accounts and year-end balance of cash and cash equivalents

(As of Dec. 31, 2008)

Cash and deposits	7,670
Short-term investment securities	524
Short-term investment securities other than cash equivalents	(7)
Cash and cash equivalents	8,186

(As of Dec. 31, 2009)

Cash and deposits	8,613
Short-term investment securities	182
Cash and cash equivalents	8,795

*2. Breakdown of assets and liabilities of Dears Brain Inc. as of the date the Company made it a consolidated subsidiary upon the acquisition of its shares, and the relationship with the purchase price of Dears Brain stock, and net outlays for the acquisition

Current assets	242
Noncurrent assets	4,002
Current liabilities	(2,709)
Noncurrent liabilities	(781)
Goodwill	2,871
Minority interests	(13)
Acquired surplus after application of the equity method	32
Purchase price of Dears Brain	(1,212)
Purchase price of Dears Brain stock	2,431
Cash and cash equivalents of Dears Brain	(134)
Net outlays for acquisition of Dears Brain	2,297

Fiscal Year 2009: *2. ―――

Segment Information

a. Business segments

Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)

(Million yen)

	Mail-order business	Other businesses	Total	Elimination or corporate	Consolidated
I Net sales and operating income (loss)					
Net sales					
(1) Sales to customers	144,585	13,699	158,285	-	158,285
(2) Inter-segment sales	1,178	1,502	2,681	(2,681)	-
Total	145,764	15,202	160,967	(2,681)	158,285
Operating expenses	142,898	15,642	158,540	(2,667)	155,872
Operating income (loss)	2,866	(439)	2,426	(13)	2,413
II Assets, depreciation, impairment loss and capital expenditures					
Assets	94,264	12,145	106,410	(2,351)	104,059
Depreciation	1,794	346	2,140	-	2,140
Impairment loss	-	153	153	-	153
Capital expenditures	2,544	666	3,211	-	3,211

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: Product sales, services, and transportation

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

4. There are no corporate assets included in the “elimination or corporate.”

5. Supplemental information

Following the revision of the Corporate Tax Law, property, plant and equipment purchased on or before March 31, 2007 is depreciated equally over five years, and booked as a depreciation, the difference between the memorandum value, and 5% of the acquisition value, beginning in the fiscal year following the fiscal year in which the asset’s value reaches 5% of the acquisition value based on depreciation methods prior to corporate tax law revisions.

As an effect of this change, operating income in the mail-order business decreased by 52 million yen in the current fiscal year, and operating loss in other businesses increased 0 million yen.

Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)

(Million yen)

	Mail-order business	Other businesses	Total	Elimination or corporate	Consolidated
I Net sales and operating income (loss)					
Net sales					
(1) Sales to customers	130,967	16,325	147,292	-	147,292
(2) Inter-segment sales	1,502	1,328	2,830	(2,830)	-
Total	132,469	17,653	150,123	(2,830)	147,292
Operating expenses	134,755	17,844	152,599	(2,901)	149,698
Operating income (loss)	(2,285)	(190)	(2,476)	70	(2,405)
II Assets, depreciation, impairment loss and capital expenditures					
Assets	82,478	11,517	93,996	(2,158)	91,837
Depreciation	2,024	479	2,503	-	2,503
Impairment loss	270	85	356	-	356
Capital expenditures	1,735	888	2,624	-	2,624

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: Product sales, services, and transportation

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

4. There are no corporate assets included in the “elimination or corporate.”

5. Change in accounting policy

As stated in “Changes in Significant Accounting Policies for the Preparation of Consolidated Financial Statements,” “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9) has been adopted with effect from the current fiscal year. As an effect of this change, operating loss in the mail-order business increased by 1,195 million yen in the current fiscal year.

There is no effect on other businesses.

b. Geographical segment information

Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)

As there were no overseas consolidated subsidiaries or significant overseas branch offices, geographical segment information has not been presented.

Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)

Geographic segment information has not been presented because the Company and its consolidated subsidiaries have conducted over 90% of their total net sales and assets in Japan.

c. Overseas sales

Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008), Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)

Overseas sales have not been presented because they represented less than 10% of total consolidated sales.

Short-term Investment Securities

Fiscal Year 2008

1. Available-for-sale securities with fair value (As of Dec. 31, 2008)

(Million yen)

	Acquisition cost	Carrying value	Diffenrence
Securities with carrying value exceeding acquisition cost			
(1) Stocks	853	1,082	229
(2) Bonds			
Corporate bonds	-	-	-
Other bonds	-	-	-
(3) Others	-	-	-
Subtotal	853	1,082	229
Securities with carrying value not exceeding acquisition cost			
(1) Stocks	3,484	2,759	(725)
(2) Bonds			
Corporate bonds	-	-	-
Other bonds	4,800	2,932	(1,867)
(3) Others	721	460	(261)
Subtotal	9,006	6,152	(2,854)
Total	9,860	7,235	(2,625)

Notes: 1. The acquisition costs are amounts that have been treated for impairment loss. The impairment loss totaled 446 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 1,331 million yen is booked as "Loss on valuation of compound financial instruments" under non-operating expenses.

2. Available-for-sale securities sold during the fiscal year (Jan. 1, 2008 – Dec. 31, 2008) (Million yen)

Proceeds	Total gains on sales	Total losses on sales
825	-	28

3. Carrying value of available-for-sale securities whose fair value is not readily determinable (As of Dec. 31, 2008)

(Million yen)

Category	Carrying value
(1) Available-for-sale securities	
Unlisted stocks	3,308
MMF, others	516
Others	105
(2) Subsidiary and affiliate stock	
Subsidiary and affiliate stock	727

Note: The carrying values are amounts that have been treated for impairment loss. The impairment loss totaled 147 million yen.

4. Projected future redemption of securities with maturities classified as available-for-sale securities (As of Dec. 31, 2008)

(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	-	800	200	3,800
Total	-	800	200	3,800

Fiscal Year 2009

1. Available-for-sale securities with fair value (As of Dec. 31, 2009)

(Million yen)

	Acquisition cost	Carrying value	Diffenrence
Securities with carrying value exceeding acquisition cost			
(1) Stocks	749	1,010	260
(2) Bonds			
Corporate bonds	-	-	-
Other bonds	200	204	4
(3) Others	23	28	4
Subtotal	972	1,242	269
Securities with carrying value not exceeding acquisition cost			
(1) Stocks	3,559	2,851	(707)
(2) Bonds			
Corporate bonds	-	-	-
Other bonds	4,600	2,736	(1,863)
(3) Others	664	464	(199)
Subtotal	8,823	6,053	(2,770)
Total	9,796	7,295	(2,501)

Notes: 1. The acquisition costs are amounts that have been treated for impairment loss. The impairment loss totaled 28 million yen.

2. “Other bonds” in the “Securities with carrying value not exceeding acquisition cost” category includes compound financial instruments, and the unrealized gains of 21 million yen is booked as “Gains on valuation of compound financial instruments” under non-operating expenses.

2. Available-for-sale securities sold during the fiscal year (Jan. 1, 2009 – Dec. 31, 2009) (Million yen)

Proceeds	Total gains on sales	Total losses on sales
1,000	-	576

3. Carrying value of available-for-sale securities whose fair value is not readily determinable (As of Dec. 31, 2009)

(Million yen)

Category	Carrying value
(1) Available-for-sale securities	
Unlisted stocks	1,345
MMF, others	182
Others	59
(2) Subsidiary and affiliate stock	
Subsidiary and affiliate stock	677

Note: The carrying values are amounts that have been treated for impairment loss. The impairment loss totaled 545 million yen.

4. Projected future redemption of securities with maturities classified as available-for-sale securities (As of Dec. 31, 2009)

(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	-	1,000	-	3,800
Total	-	1,000	-	3,800

Derivatives

Fiscal Year 2008

1. Matters concerning financial derivative transactions (Jan. 1, 2008 – Dec. 31, 2008)

The Company uses forward exchange contracts for foreign currency-denominated accounts payable to prepare for foreign exchange fluctuation risks in import transactions. Long-term forward exchange contracts are made within the limits of internally determined import plans, and the Company's policy is for these contracts not to exceed future scheduled settlement amounts. Speculation is not the purpose of derivative transactions.

The Company's forward exchange contracts embody general market risk from fluctuation in foreign exchange markets. However, it sees little risk of contract default as its derivative transactions are with highly creditworthy financial institutions.

The Accounting Dept. is responsible for managing derivative transactions, and it makes and manages contracts based on internal rules and in line with decisions made by the general manager of the Accounting Dept.

2. Information on market values (As of Dec. 31, 2008)

Contract amounts, fair value and unrealized gain (loss) on derivatives

(Million yen)

Type of transaction	Derivatives	Fiscal Year 2008 (As of Dec. 31, 2008)			
		Contract amounts	Contract amounts due after one year	Fair value	Unrealized gain (loss)
OTC transactions	Forward exchange contracts				
	Buy				
	US dollars	7,550	7,550	6,896	(469)
	Currency swap transactions				
	Receive US dollars/Pay yen	6,190	4,096	(5,897)	(5,897)
Total		13,741	11,647	998	(6,367)

Notes: 1. Valuation method

Forward exchange contracts: calculated based on forward exchange rates.

Currency swap transactions: calculated based on quotations posted by principal financial institutions.

2. The contract amounts of currency swap transactions represent contractual values or notional principal values. These amounts do not represent by themselves the market risk and credit risk related to the derivative financial instruments.

3. Items for which hedge accounting is applied are excluded.

Fiscal Year 2009

1. Matters concerning financial derivative transactions (Jan. 1, 2009 – Dec. 31, 2009)

The Company uses forward exchange contracts for foreign currency-denominated accounts payable to prepare for foreign exchange fluctuation risks in import transactions. Long-term forward exchange contracts are made within the limits of internally determined import plans, and the Company's policy is for these contracts not to exceed future scheduled settlement amounts. Speculation is not the purpose of derivative transactions.

The Company's forward exchange contracts embody general market risk from fluctuation in foreign exchange markets. However, it sees little risk of contract default as its derivative transactions are with highly creditworthy financial institutions.

The Accounting Dept. is responsible for managing derivative transactions, and it makes and manages contracts based on internal rules and in line with decisions made by the Board of Directors.

2. Information on market values (As of Dec. 31, 2009)

Contract amounts, fair value and unrealized gain (loss) on derivatives

(Million yen)

Type of transaction	Derivatives	Fiscal Year 2009 (As of Dec. 31, 2009)			
		Contract amounts	Contract amounts due after one year	Fair value	Unrealized gain (loss)
OTC transactions	Forward exchange contracts				
	Buy				
	US dollars	3,182	3,182	3,028	(153)
	Currency swap transactions				
	Receive US dollars/Pay yen	1,657	1,657	(846)	(846)
Total		4,839	4,839	2,181	(1,000)

Notes: 1. Valuation method

Forward exchange contracts: calculated based on forward exchange rates.

Currency swap transactions: calculated based on quotations posted by principal financial institutions.

2. The contract amounts of currency swap transactions represent contractual values or notional principal values. These amounts do not represent by themselves the market risk and credit risk related to the derivative financial instruments.

3. Items for which hedge accounting is applied are excluded.

Business Combinations

Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008), Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
Not applicable.

Per Share Information

(Yen)

Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
Net assets per share 947.19 Net loss per share 134.26 Diluted net income per share is not presented since the Company posted net loss, and has no outstanding dilutive securities.	Net assets per share 874.89 Net loss per share 84.18 Diluted net income per share is not presented since the Company posted net loss, and has no outstanding residual securities.

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

(Million yen)

	Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
Net loss per share		
Net loss	(6,271)	(3,811)
Amounts unavailable to common shareholders	-	-
Net loss related to common stock	(6,271)	(3,811)
Average number of shares outstanding during the period (thousand shares)	46,713	45,277
Diluted net income per share		
Adjustment to net income	-	-
Increase in number of common stock (thousand shares)	-	-
[Including: subscription rights to shares (thousand shares)]	-	-
Number of residual securities with no dilution excluded from calculation of diluted net income per share	Stock options approved by resolution of annual general meeting of shareholders on March 30, 2004 (The exercise period ended on March 31, 2008)	――――――

Subsequent Events

Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008), Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
Not applicable.

Omission of Disclosure

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

5. Non-consolidated Financial Statements

(1) Balance Sheets

(Million yen)

	Fiscal Year 2008 (As of Dec. 31, 2008)	Fiscal Year 2009 (As of Dec. 31, 2009)
Assets		
Current assets		
Cash and deposits	4,972	6,035
Notes receivable-trade	84	113
Accounts receivable-trade	10,441	10,008
Short-term investment securities	7	-
Merchandise	16,154	-
Merchandise and finished goods	-	10,750
Supplies	64	-
Raw materials and supplies	-	66
Advance payments-trade	1,988	1,357
Prepaid expenses	3,314	2,628
Deferred tax assets	871	673
Short-term loans receivable to subsidiaries and affiliates	646	1,236
Accounts receivable-other	7,966	7,496
Other	293	122
Allowance for doubtful accounts	(287)	(491)
Total current assets	46,518	40,000
Noncurrent assets		
Property, plant and equipment		
Buildings	28,296	28,521
Accumulated depreciation	(16,925)	(17,671)
Buildings, net	11,370	10,849
Structures	1,988	1,974
Accumulated depreciation	(1,590)	(1,622)
Structures, net	398	352
Machinery and equipment	11,780	11,881
Accumulated depreciation	(10,699)	(10,798)
Machinery and equipment, net	1,081	1,082
Vehicles	110	106
Accumulated depreciation	(104)	(102)
Vehicles, net	6	3
Tools, furniture and fixtures	2,846	2,506
Accumulated depreciation	(1,920)	(1,756)
Tools, furniture and fixtures, net	926	750
Land	11,095	11,006
Construction in progress	0	-
Total property, plant and equipment	24,880	24,045
Intangible assets		
Goodwill	122	89
Leasehold right	139	139
Software	2,012	1,991
Software in progress	134	427
Other	38	35
Total intangible assets	2,447	2,682

(Million yen)

	Fiscal Year 2008 (As of Dec. 31, 2008)	Fiscal Year 2009 (As of Dec. 31, 2009)
Investments and other assets		
Investment securities	10,163	8,262
Stocks of subsidiaries and affiliates	7,011	6,194
Long-term loans receivable	353	346
Long-term loans receivable from employees	16	13
Long-term loans receivable from subsidiaries and affiliates	2,138	2,417
Lease and guarantee deposits	893	935
Long-term prepaid expenses	116	89
Deferred tax assets	1,367	28
Insurance funds for directors	643	595
Long-term time deposits	3,100	3,000
Other	721	546
Allowance for doubtful accounts	(759)	(1,153)
Allowance for investment loss	-	(245)
Total investments and other assets	25,767	21,029
Total noncurrent assets	53,095	47,757
Total assets	99,613	87,757
Liabilities		
Current liabilities		
Notes payable-trade	2,114	1,354
Accounts payable-trade	5,639	4,980
Short-term loans payable	8,000	3,000
Current portion of bonds	-	700
Current portion of long-term loans payable	1,670	2,670
Accounts payable-other	5,913	5,964
Accounts payable-factoring	15,789	13,707
Accrued expenses	1,051	1,145
Income taxes payable	11	81
Accrued consumption taxes	206	223
Deposits received	454	529
Provision for sales promotion expenses	337	518
Forward exchange contracts	9,788	3,045
Other	152	290
Total current liabilities	51,129	38,211
Noncurrent liabilities		
Bonds payable	-	3,950
Long-term loans payable	3,330	7,025
Deferred tax liabilities for land revaluation	764	756
Provision for directors' retirement benefits	289	-
Other	4	-
Total noncurrent liabilities	4,388	11,731
Total liabilities	55,517	49,943

(Million yen)

	Fiscal Year 2008 (As of Dec. 31, 2008)	Fiscal Year 2009 (As of Dec. 31, 2009)
Net assets		
Shareholders' equity		
Capital stock	20,359	20,359
Capital surplus		
Legal capital surplus	19,864	19,864
Other capital surplus	1,174	1,174
Total capital surpluses	21,038	21,038
Retained earnings		
Legal retained earnings	1,118	1,118
Other retained earnings		
Reserve for advanced depreciation of noncurrent assets	69	66
Reserve for overseas investment loss	36	40
General reserve	13,600	13,600
Retained earnings brought forward	(1,129)	(5,530)
Total earned surpluses	13,695	9,294
Treasury stock	(631)	(2,774)
Total shareholders' equity	54,461	47,917
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1,223)	(987)
Deferred gains or losses on hedges	(2,038)	(2,047)
Revaluation reserve for land	(7,103)	(7,067)
Total valuation and translation adjustments	(10,364)	(10,103)
Total net assets	44,096	37,814
Total liabilities and net assets	99,613	87,757

(2) Statements of Income

(Million yen)

	Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
Net sales	150,729	136,941
Cost of sales		
Total cost of sales	79,081	75,258
Gross profit	71,647	61,682
Selling, general and administrative expenses		
Freightage and packing expenses	8,817	7,482
Promotion expenses	25,704	23,635
Sales commission	2,596	2,523
Provision for allowance for sales promotion expenses	337	518
Provision of allowance for doubtful accounts	283	264
Bad debts expenses	46	37
Directors’ compensations	241	212
Salaries and allowances	5,502	5,567
Bonuses	928	921
Provision for directors’ retirement benefits	60	-
Welfare expenses	1,018	1,023
Rent expenses	1,631	1,358
Research study expenses	571	572
Commission fee	14,892	13,578
Depreciation	1,790	2,018
Other	4,871	4,315
Total selling, general and administrative expenses	69,294	64,030
Operating income (loss)	2,353	(2,347)
Non-operating income		
Interest income	101	64
Interest on securities	170	61
Dividends income	663	986
Foreign exchange gains	-	1,407
Gain on valuation of compound financial instruments	-	32
Miscellaneous income	318	215
Total non-operating income	1,253	2,767
Non-operating expenses		
Interest expenses	141	222
Interest on bonds	-	64
Foreign exchange losses	5,892	-
Loss on valuation of compound financial instruments	1,199	-
Bond issuance cost	-	127
Commission fee	-	450
Miscellaneous loss	226	172
Total non-operating expenses	7,461	1,037
Ordinary loss	(3,853)	(617)

(Million yen)

	Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
Extraordinary income		
Gain on sales of noncurrent assets	24	0
Total extraordinary income	24	0
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	736	72
Loss on valuation of investment securities	594	573
Loss on sales of investment securities	-	517
Loss on liquidation of subsidiaries	43	-
Provision of allowance for doubtful accounts	551	631
Provision of allowance for investment loss	-	245
Loss on valuation of stocks of subsidiaries and affiliates	309	580
Loss on valuation of golf club membership	2	-
Impairment loss	-	247
Total extraordinary losses	2,237	2,868
Loss before income taxes	(6,066)	(3,485)
Income taxes-current	104	24
Income taxes-deferred	(15)	155
Total income taxes	89	179
Net loss	(6,155)	(3,664)

(3) Statements of Changes in Net assets

(Million yen)

	Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	20,359	20,359
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	20,359	20,359
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	19,864	19,864
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	19,864	19,864
Other capital surplus		
Balance at the end of previous period	1,174	1,174
Changes of items during the period		
Disposal of treasury stock	0	(0)
Total changes of items during the period	0	(0)
Balance at the end of current period	1,174	1,174
Total capital surplus		
Balance at the end of previous period	21,038	21,038
Changes of items during the period		
Disposal of treasury stock	0	(0)
Total changes of items during the period	0	(0)
Balance at the end of current period	21,038	21,038
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	1,118	1,118
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	1,118	1,118
Other retained earnings		
Reserve for advanced depreciation of noncurrent assets		
Balance at the end of previous period	73	69
Changes of items during the period		
Reversal of reserve for advanced depreciation of noncurrent assets	(3)	(3)
Total changes of items during the period	(3)	(3)
Balance at the end of current period	69	66
Reserve for overseas investment loss		
Balance at the end of previous period	34	36
Changes of items during the period		
Provision of reserve for overseas investment loss	8	7
Reversal of reserve for overseas investment loss	(5)	(3)
Total changes of items during the period	2	3
Balance at the end of current period	36	40

(Million yen)

	Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
General reserve		
Balance at the end of previous period	13,600	13,600
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	13,600	13,600
Retained earnings brought forward		
Balance at the end of previous period	6,309	(1,129)
Changes of items during the period		
Reversal of reserve for advanced depreciation of noncurrent assets	3	3
Provision of reserve for overseas investment loss	(8)	(7)
Reversal of reserve for overseas investment loss	5	3
Dividends from surplus	(1,027)	(700)
Net loss	(6,155)	(3,664)
Reversal of revaluation reserve for land	(256)	(35)
Total changes of items during the period	(7,439)	(4,400)
Balance at the end of current period	(1,129)	(5,530)
Total retained earnings		
Balance at the end of previous period	21,134	13,695
Changes of items during the period		
Reversal of reserve for advanced depreciation of noncurrent assets	-	-
Provision of reserve for overseas investment loss	-	-
Reversal of reserve for overseas investment loss	-	-
Dividends from surplus	(1,027)	(700)
Net loss	(6,155)	(3,664)
Reversal of revaluation reserve for land	(256)	(35)
Total changes of items during the period	(7,439)	(4,400)
Balance at the end of current period	13,695	9,294
Treasury stock		
Balance at the end of previous period	(630)	(631)
Changes of items during the period		
Purchase of treasury stock	(1)	(2,142)
Disposal of treasury stock	0	0
Total changes of items during the period	(1)	(2,142)
Balance at the end of current period	(631)	(2,774)
Total shareholders' equity		
Balance at the end of previous period	61,902	54,461
Changes of items during the period		
Dividends from surplus	(1,027)	(700)
Net loss	(6,155)	(3,664)
Purchase of treasury stock	(1)	(2,142)
Disposal of treasury stock	0	0
Reversal of revaluation reserve for land	(256)	(35)
Total changes of items during the period	(7,440)	(6,543)
Balance at the end of current period	54,461	47,917

(Million yen)

	Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	498	(1,223)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,722)	235
Total changes of items during the period	(1,722)	235
Balance at the end of current period	(1,223)	(987)
Deferred gains or losses on hedges		
Balance at the end of previous period	376	(2,038)
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,415)	(9)
Total changes of items during the period	(2,415)	(9)
Balance at the end of current period	(2,038)	(2,047)
Revaluation reserve for land		
Balance at the end of previous period	(7,359)	(7,103)
Changes of items during the period		
Net changes of items other than shareholders' equity	256	35
Total changes of items during the period	256	35
Balance at the end of current period	(7,103)	(7,067)
Total valuation and translation adjustments		
Balance at the end of previous period	(6,483)	(10,364)
Changes of items during the period		
Net changes of items other than shareholders' equity	(3,880)	261
Total changes of items during the period	(3,880)	261
Balance at the end of current period	(10,364)	(10,103)
Total net assets		
Balance at the end of previous period	55,418	44,096
Changes of items during the period		
Dividends from surplus	(1,027)	(700)
Net loss	(6,155)	(3,664)
Purchase of treasury stock	(1)	(2,142)
Disposal of treasury stock	0	0
Reversal of revaluation reserve for land	(256)	(35)
Net changes of items other than shareholders' equity	(3,880)	261
Total changes of items during the period	(11,321)	(6,282)
Balance at the end of current period	44,096	37,814

Going Concern Assumption

Not applicable.

6. Other

(1) Changes in Members of Board of Directors

Not applicable.

(2) 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

a. Sales by business segment

(Million yen)

By business segment	Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)		Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)		Change
	Amount	Share (%)	Amount	Share (%)	
Mail-order business	144,585	91.3	130,967	88.9	(13,618)
Other businesses	13,699	8.7	16,325	11.1	2,625
Total	158,285	100.0	147,292	100.0	(10,993)

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

b. Sales by type

(Million yen)

By type	Fiscal Year 2008 (Jan. 1, 2008 – Dec. 31, 2008)		Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)		Change
	Amount	Share (%)	Amount	Share (%)	
Apparel	63,260	40.0	58,575	39.7	(4,684)
Interior goods	34,657	21.9	29,312	19.9	(5,344)
Daily sundries	23,586	14.9	21,495	14.6	(2,090)
Fashion accessories	16,931	10.7	15,129	10.3	(1,802)
Foods	6,157	3.9	5,728	3.9	(429)
Others	13,692	8.6	17,051	11.6	3,358
Total	158,285	100.0	147,292	100.0	(10,993)

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

** 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.*