Financial Report for Fiscal Year 2011 (Ended December 31, 2011)

[Japanese GAAP]

February 9, 2012

Company name: **Senshukai Co., Ltd.** Stock exchanges: Tokyo and Osaka, First Sections
Stock code: 8165 URL: http://www.senshukai.co.jp
Representative: Mr. Michio Tanabe, President and Representative Director
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Scheduled date of annual general meeting of shareholders: March 29, 2012
Scheduled date of payment of dividend: March 30, 2012
Scheduled date of filing of Annual Security Report: March 30, 2012
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes

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

1. Consolidated Financial Results for Fiscal Year 2011 (January 1, 2011 – December 31, 2011)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal Year 2011	137,261	0.3	3,107	(9.2)	3,233	2.1	1,583	(22.3)
Fiscal Year 2010	136,859	(7.1)	3,422	-	3,167	-	2,037	-

Note: Comprehensive income (million yen) Fiscal Year 2011: 2,683 (up 49.8%) Fiscal Year 2010: 1,791 (- %)

	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 2011	36.56	-	3.9	3.6	2.3
Fiscal Year 2010	47.04	-	5.3	3.5	2.5

Reference: Equity in earnings (losses) of affiliates (million yen) Fiscal Year 2011: 110 Fiscal Year 2010: 48

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal Year 2011	90,441	41,444	45.8	956.94
Fiscal Year 2010	90,086	39,411	43.7	909.99

Reference: Shareholders' equity (million yen) Fiscal Year 2011: 41,444 Fiscal Year 2010: 39,411

(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
	Million yen	Million yen	Million yen	Million yen
Fiscal Year 2011	448	(2,077)	(1,727)	7,500
Fiscal Year 2010	9,585	(1,094)	(6,417)	10,855

2. Dividends

	Dividend per share					Total dividends (total)	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal Year 2010	-	6.00	-	8.00	14.00	606	29.8	1.6
Fiscal Year 2011	-	7.00	-	7.00	14.00	606	38.3	1.5
Fiscal Year 2012 (forecasts)	-	10.00	-	10.00	20.00		28.9	

3. Consolidated Outlook for Fiscal Year 2012 (January 1, 2012 – December 31, 2012)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q 2012 (cumulative)	73,900	6.3	1,700	(29.1)	1,800	(31.6)	1,500	(30.8)	34.63
Full Year 2012	148,000	7.8	4,000	28.7	4,000	23.7	3,000	89.5	69.27

4. Other

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

Newly added: - Excluded: -

(2) Changes in accounting principles, procedures, presentation methods, etc.

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

(3) Number of shares outstanding (common shares)

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

Fiscal Year 2011: 47,630,393 shares Fiscal Year 2010: 47,630,393 shares

2) Number of shares of treasury stock at end of period

Fiscal Year 2011: 4,321,035 shares Fiscal Year 2010: 4,320,645 shares

3) Average number of shares outstanding during the period

Fiscal Year 2011: 43,309,511 shares Fiscal Year 2010: 43,310,249 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for Fiscal Year 2011 (January 1, 2011 – December 31, 2011)

(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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal Year 2011	124,083	(1.5)	3,219	9.0	3,513	22.5	1,932	28.3
Fiscal Year 2010	125,966	(8.0)	2,953	-	2,867	-	1,506	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal Year 2011	44.62	-
Fiscal Year 2010	34.79	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal Year 2011	85,724	41,211	48.1	951.56
Fiscal Year 2010	84,552	38,820	45.9	896.34

Reference: Shareholders' equity (million yen) Fiscal Year 2011: 41,211 Fiscal Year 2010: 38,820

2. Non-consolidated Outlook for Fiscal Year 2012 (January 1, 2012 – December 31, 2012)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q 2012 (cumulative)	65,700	3.7	1,500	(40.6)	1,700	(40.9)	1,600	(38.7)	36.94
Full Year 2012	131,000	5.6	3,300	2.5	3,300	(6.1)	2,750	42.3	63.50

* Disclosure regarding the implementation of audit procedures

This financial report is not subject to the audit procedures based on the Financial Instruments and Exchange Act. Thus, at the time of its disclosure, the financial statement audit procedures based on the Financial Instruments and Exchange Act have not been completed.

* 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 6.

Contents of Attachments

1. Operating Results

(1) Analysis of Operating Results

Overview

In the fiscal year under review, the Japanese economy began to gradually recover from the impact of the Great East Japan Earthquake, but remained on an uncertain path due to financial uncertainty triggered by the European debt crisis and protracted appreciation of the yen. In the retail industry, reconstruction demand emerged after the earthquake and consumer sentiment gradually improved, but conditions remained harsh overall. In the mail-order industry, sales continued to rise supported by the rapid expansion of Internet shopping, but inter-industry competition intensified.

In this environment, the Senshukai Group pulled together to advance its growth strategy and achieve the first fiscal year targets of its medium-term management plan which concludes in Fiscal Year 2013. As a part of this strategy, in November 2011 it launched its corporate vision “Woman Smile Company” for various business activities.

Net sales in the current fiscal year slightly rose 0.3% year-over-year to 137,261 million yen.

As for profits, the Group worked to cut catalog-related expenses and general and administrative expenses in general, but the cost-of-sales ratio rose due to increases in bargain sales and valuation losses. As a result, operating income declined 9.2% year-over-year to 3,107 million yen. Ordinary income rose 2.1% to 3,233 million yen due to foreign exchange gains and equity in earnings of affiliates. Net income declined 22.3% to 1,583 million yen due to an increase in loss on valuation of investment securities and the application of accounting standards for asset retirement obligations.

Overview by segment

(Mail-order Business)

Consolidated sales in the mail-order business, comprising the catalog and the *hanpukai* businesses, increased 3.2% year-over-year to 122,946 million yen in the current fiscal year. In terms of profits, printing and production costs for catalogs were cut by reorganizing and consolidating media. However, the cost-of-sales ratio rose due to an increase in bargain sales and an increase in valuation losses on greater inventory. As a result, operating income declined 19.5% year-over-year to 2,226 million yen.

1) Catalog business

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

Sales temporarily declined due to the impact of the earthquake and unfavorable weather, but steadily recovered in part due to television commercials and other cross-media promotions. Internet sales and Internet-only sales* increased due to free-shipping and other promotional campaigns, the distribution of applications to smartphones, and the opening of a video website. As a result, overall sales in the catalog business increased 4.3% year-over-year to 112,879 million yen. (*Internet-only sales: Customer makes purchase by putting product into online shopping cart.)

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.

Consolidated sales in the *hanpukai* business decreased 8.3% year-over-year to 10,067 million yen, despite strong sales of new products, due to a decline in members.

(Bridal Business)

Consolidated sales in the bridal business, centered on the subsidiary Dears Brain Inc. which operates the house wedding business, declined temporarily due to the impact of the earthquake, but subsequently recovered steadily supported by a year-over-year rise in the number of weddings and average sales per wedding. As a result, sales in the bridal business increased 3.2% year-over-year to 8,407 million yen, and operating income increased 11.6% to 482 million yen.

(Corporates Business)

Consolidated sales in the corporates business, which provides products and services to corporations, decreased 45.6% year-over-year to 4,159 million yen due to the end of a contract with a major outsourcing client, but operating income surged 259.5% year-over-year to 448 million yen.

(Other businesses)

Consolidated sales in other businesses, which consist of the services business (primarily travel and credit card services) and the pet business (pet goods sales through retail stores), decreased 7.4% year-over-year to 1,748 million yen. Consequently, operating loss totaled 57 million yen, compared with operating income of 31 million yen in the previous fiscal year.

Note: As stated in “4. Consolidated Financial Statements, (10) Notes to Consolidated Financial Statements, Segment Information,” we have changed business segment classifications. Accordingly, the year-over-year changes for net sales, operating income/loss are based on the recalculated figures for the previous fiscal year.

(2) Analysis of Financial Position

(Balance sheet position)

Assets totaled 90,441 million yen at the end of the current fiscal year, up 354 million yen from the end of the previous fiscal year.

Current assets increased 1,826 million yen to 44,482 million yen. The main factors were a decrease of 3,355 million yen in cash and deposits, and an increase of 4,422 million yen in merchandise and finished goods. Noncurrent assets decreased 1,471 million yen to 45,959 million yen, mainly due to an increase of 1,061 million yen in intangible assets, and decreases of 768 million yen in property, plant and equipment and 1,764 million yen in investments and other assets.

Current liabilities decreased 74 million yen to 41,244 million yen. The main factors were an increase of 1,350 million yen in notes and accounts payable-trade, and a decrease of 1,644 million yen in forward exchange contracts. Noncurrent liabilities decreased 1,603 million yen to 7,753 million yen. The main factors were decreases of 736 million yen in bonds payable and 1,125 million yen in long-term loans payable.

Net assets increased 2,033 million yen to 41,444 million yen. The main factors were increases of 1,104 million yen in deferred gains or losses on hedges and 943 million yen in retained earnings. Consequently, the equity ratio was 45.8%.

(Cash flow position)

The balance of cash and cash equivalents at the end of the current fiscal year was 7,500 million yen, a decrease of 3,355 million yen from the end of the previous fiscal year.

Operating activities provided net cash of 448 million yen (net cash provided of 9,585 million yen in the previous fiscal year). The main cash inflows were depreciation and amortization of 2,343 million yen, income before income taxes and minority interests of 1,988 million yen and an increase in notes and accounts payable-trade of 1,350 million yen. The main cash outflow was an increase in inventories of 4,418 million yen.

Investing activities used net cash of 2,077 million yen (net cash used of 1,094 million yen in the previous fiscal year). The main cash inflow was 999 million yen in proceeds from sales of investment securities. The main cash outflows were 1,915 million yen for the purchase of intangible assets and 924 million yen for the purchase of property, plant and equipment.

Financing activities used net cash of 1,727 million yen (net cash used of 6,417 million yen in the previous fiscal year). The main cash inflows were an increase in short-term loans payable of 2,500 million yen, 300 million yen in proceeds from long-term loans payable, while main cash outflows include repayment of long-term loans payable of 3,048 million yen, redemption of bonds of 766 million yen, and cash dividends paid of 648 million yen.

Cash flow indices

	Fiscal Year 2009 (As of Dec. 31, 2009)	Fiscal Year 2010 (As of Dec. 31, 2010)	Fiscal Year 2011 (As of Dec. 31, 2011)
Equity ratio (%)	41.3	43.7	45.8
Equity ratio based on fair value (%)	22.3	23.9	24.8
Average debt repayment period (years)	35.1	1.3	24.8
Interest coverage ratio (times)	1.9	33.7	1.9

Notes: 1. Cash flow indices are calculated, using consolidated financial figures, as follows:
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 interest expenses paid, respectively, on the consolidated statements of cash flows.

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

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. The Group will use internal reserves to invest in the development of new businesses for the medium to long term, to promote the rationalization of existing businesses, to improve the soundness of its financials, and to generally further strengthen its competitiveness and operations. Based on the aforementioned policies, the Group plans to pay a year-end dividend of 7 yen per share in line with initial plan. Together with an interim dividend of 7 yen per share, total annual dividend of 14 yen per share is to be paid.

Regarding dividends in Fiscal Year 2012, we plan to pay a total annual dividend of 20 yen per share comprised of an interim dividend of 10 yen per share and a year-end dividend of 10 yen per share.

(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. 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. Senshukai 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 sales in the Senshukai Group's mainstay mail-order business, and could 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) Risks related to product safety

The Senshukai Group complies with all applicable laws and regulations regarding the products it supplies, and has established even stricter guidelines and regulations which the entire Group follows to improve the quality of its products. Nevertheless, the possibility exists that in the future safety or labeling problems could emerge regarding products the Group sells or in its advertising language. The emergence of such problems could cause the Group to book large costs and the decline in its image could lower its sales. This could significantly and adversely affect the Group's operating results and financial position.

11) 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 (February 9, 2012) of this financial report for Fiscal Year 2011.

(5) Outlook for Fiscal Year 2012

Senshukai foresees a harsh outlook for the Japanese economy going forward due to protracted appreciation of the yen and the global economy's slowdown due to the fiscal crisis in Europe. Also, despite restoration demand in the wake of the earthquake, the outlook for personal consumption remains uncertain due to talk of hiking the consumption tax rate and cooling consumer sentiment.

Senshukai will further advance its growth strategy in the second year of its medium-term management plan. This includes reorganizing its catalog lineup, capturing new members through the continuation of cross-media promotions, developing new applications to meet the needs of the growing base of smartphone users, strengthening the Internet business by increasing sales at the e-commerce website of Mobakore Co., Ltd. and other subsidiaries, and expanding the bridal business by opening new facilities at Dears Brain Inc.

Based on this outlook, our earnings forecasts for the new fiscal year are as follows.

Consolidated (Million yen)

	Net sales	Operating income	Ordinary income	Net income
Fiscal Year 2012 (forecast)	148,000	4,000	4,000	3,000
Fiscal Year 2011 (results)	137,261	3,107	3,233	1,583
Change (%)	7.8	28.7	23.7	89.5

Non-consolidated (Million yen)

	Net sales	Operating income	Ordinary income	Net income
Fiscal Year 2012 (forecast)	131,000	3,300	3,300	2,750
Fiscal Year 2011 (results)	124,083	3,219	3,513	1,932
Change (%)	5.6	2.5	(6.1)	42.3

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

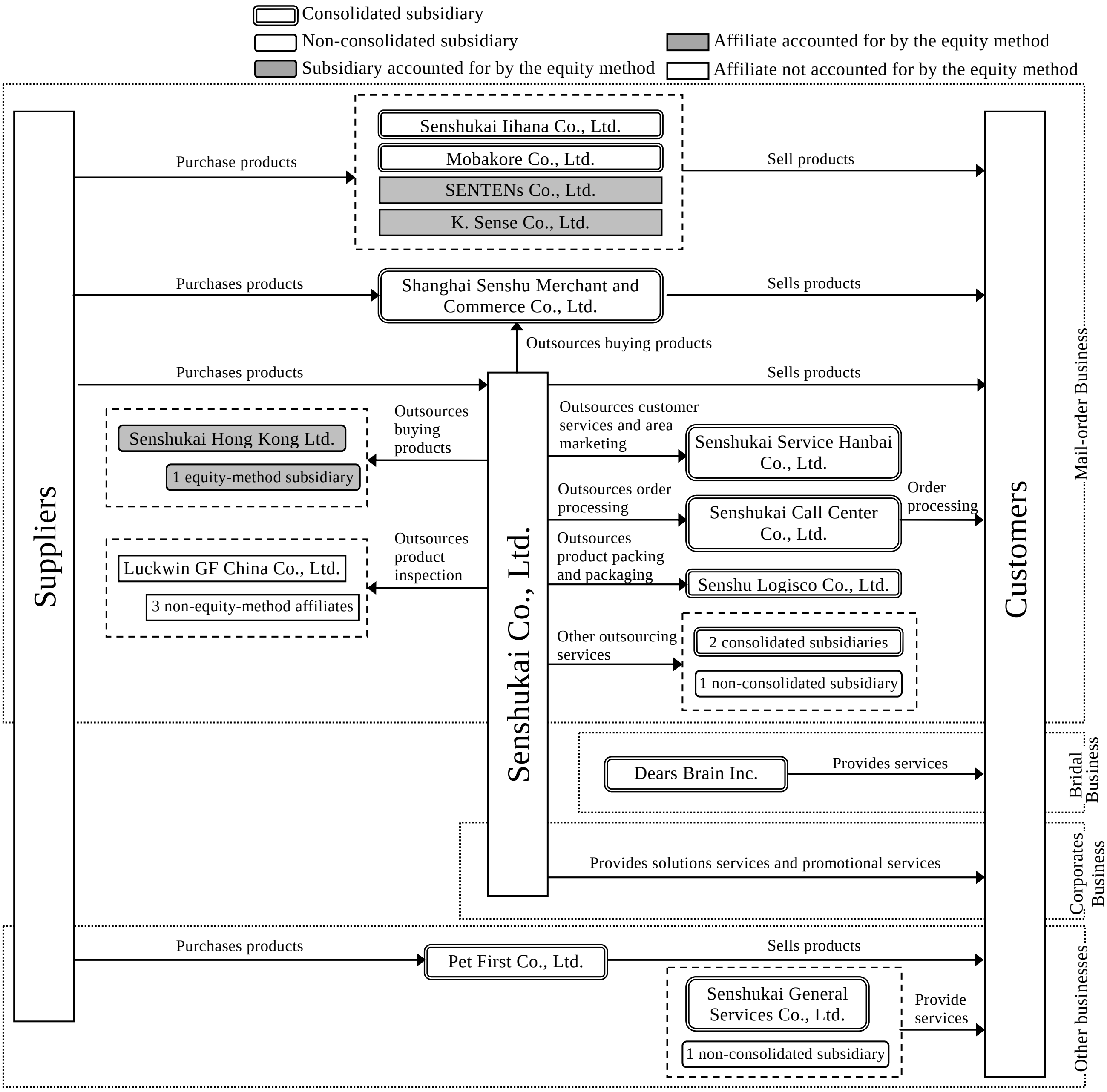
2. Group Organization

The Senshukai Group comprises the parent company, 15 subsidiaries, and 6 affiliates. Mail-order sales is the mainstay business, and we also involved in the Bridal Business, Corporates Business and other businesses.

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., Shanghai Senshu Merchant and Commerce Co., Ltd., Senshukai Hong Kong Ltd., Luckwin GF 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.
Bridal Business		Dears Brain Inc.
Corporates Business		Senshukai Co., Ltd.
Other businesses	Pet business	Pet First Co., Ltd.
	Services	Senshukai General Services Co., Ltd., and 1 other company

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 2011 through Fiscal Year 2013) aims to maximize group strengths, and targets strong growth in existing core businesses and new businesses. Specifically, we target consolidated net sales of 160,000 million yen, and operating income of 6,400 million yen, by Fiscal Year 2013.

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

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

We have formulated a three-year medium-term management plan that ends in Fiscal Year 2013.

Basic Policies of the Medium-term Management Plan

i. Create "New *Belle Maison*"

- We position *Belle Maison* as one strategic unit, and will separate its product development and marketing functions in order to quickly grasp and respond to market changes ahead of the competition, and to strengthen the development of original products that can "only be bought here" to create a *Belle Maison* that our customers view as necessary.
- To maintain the competitiveness of our Internet business, we will work to expand *Belle Maison Net* by transforming its mail-order infrastructure through the leveraging of strengths such as proprietary Internet website management and proprietary product development.

ii. Strengthen the Internet business

- We will enhance cooperation between *Belle Maison Net* and other Internet businesses to expand the product lineup and strategic sharing of customer assets, strengthen merchandising, further develop the organizational system, and maximize business synergies to strengthen the Internet business across the Group.
- At our subsidiaries, we will cultivate multiple specialty e-commerce websites that differ from *Belle Maison Net* to expand gross profits across the Group.

iii. Expand the bridal business

- We will continue to invest in the expansion of the bridal business, conducted by Dears Brain Inc., and strategically positioning "weddings" as an important source of information for our existing businesses, enhance cooperation within the Group to expand the customer base across the Group.

iv. Conduct high-quality, low-cost business operations

- We will conduct high-quality business operations in which the entire Group gets back to basics and prioritizes the supply of products and services to satisfy customers.
- We will implement across the Group low-cost business operations capable of flexibly responding to market changes.

(4) Other Important Business Matters

Not applicable.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	Fiscal Year 2010 (As of Dec. 31, 2010)	Fiscal Year 2011 (As of Dec. 31, 2011)
Assets		
Current assets		
Cash and deposits	*2 10,855	*2 7,500
Notes and accounts receivable-trade	6,362	6,589
Short-term investment securities	8	31
Merchandise and finished goods	12,600	17,022
Raw materials and supplies	123	118
Deferred tax assets	1,182	1,051
Accounts receivable-other	8,948	8,802
Other	2,816	3,644
Allowance for doubtful accounts	(241)	(278)
Total current assets	42,656	44,482
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	*2 35,730	*2 35,649
Accumulated depreciation	(21,327)	(22,136)
Buildings and structures, net	14,402	13,513
Machinery, equipment and vehicles	11,651	8,750
Accumulated depreciation	(10,772)	(7,880)
Machinery, equipment and vehicles, net	878	869
Tools, furniture and fixtures	3,041	2,963
Accumulated depreciation	(2,181)	(2,244)
Tools, furniture and fixtures, net	859	719
Land	*4 10,945	*4 10,880
Construction in progress	0	326
Other	150	215
Accumulated depreciation	(19)	(74)
Other, net	131	140
Total property, plant and equipment	27,218	26,449
Intangible assets		
Goodwill	2,580	2,429
Other	3,294	4,506
Total intangible assets	5,874	6,935
Investments and other assets		
Investment securities	*1 7,761	*1 5,996
Long-term loans receivable	587	943
Lease and guarantee deposits	1,722	1,690
Deferred tax assets	182	60
Other	4,272	4,226
Allowance for doubtful accounts	(187)	(343)
Total investments and other assets	14,338	12,574
Total noncurrent assets	47,430	45,959
Total assets	90,086	90,441

(Million yen)

	Fiscal Year 2010 (As of Dec. 31, 2010)	Fiscal Year 2011 (As of Dec. 31, 2011)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,932	9,282
Short-term loans payable	*2 3,036	*2,*5 3,843
Current portion of bonds	*2 766	*2 736
Accounts payable-other	7,208	6,852
Accounts payable-factoring	13,548	13,710
Accrued expenses	2,325	2,464
Income taxes payable	468	146
Accrued consumption taxes	178	124
Deferred tax liabilities	0	-
Provision for directors’ bonuses	-	31
Provision for sales promotion expenses	656	613
Forward exchange contracts	3,585	1,941
Other	1,612	1,497
Total current liabilities	41,318	41,244
Noncurrent liabilities		
Bonds payable	*2 3,286	2,550
Long-term loans payable	*2 5,097	*2 3,971
Deferred tax liabilities for land revaluation	*4 723	*4 631
Provision for retirement benefits	27	31
Asset retirement obligations	-	364
Other	222	203
Total noncurrent liabilities	9,356	7,753
Total liabilities	50,675	48,997
Net assets		
Shareholders’ equity		
Capital stock	20,359	20,359
Capital surplus	21,038	21,038
Retained earnings	11,344	12,288
Treasury stock	(2,775)	(2,775)
Total shareholders’ equity	49,966	50,910
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(928)	(1,008)
Deferred gains or losses on hedges	(2,342)	(1,237)
Revaluation reserve for land	*4 (7,117)	*4 (7,041)
Foreign currency translation adjustment	(167)	(177)
Total accumulated other comprehensive income	(10,555)	(9,465)
Total net assets	39,411	41,444
Total liabilities and net assets	90,086	90,441

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

(Million yen)

	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
Net sales	136,859	137,261
Cost of sales	*1 69,447	*1 71,311
Gross profit	67,412	65,950
Selling, general and administrative expenses		
Freightage and packing expenses	8,581	8,386
Promotion expenses	19,905	18,829
Provision for allowance for sales promotion expenses	656	613
Provision of allowance for doubtful accounts	233	276
Bad debts expenses	45	38
Directors' compensations	475	520
Salaries and allowances	11,129	11,142
Bonuses	1,344	1,703
Provision for directors' bonuses	-	31
Provision for retirement benefits	13	10
Depreciation	2,404	2,343
Other	19,200	18,945
Total selling, general and administrative expenses	*2 63,989	*2 62,842
Operating income	3,422	3,107
Non-operating income		
Interest income	68	42
Dividends income	105	106
Foreign exchange gains	-	191
Co-sponsor fee	109	28
Equity in earnings of affiliates	48	110
Gain on adjustment of account payable	-	142
Miscellaneous income	286	179
Total non-operating income	619	801
Non-operating expenses		
Interest expenses	279	228
Loss on valuation of compound financial instruments	164	208
Foreign exchange losses	256	-
Relief aid expenses	-	108
Miscellaneous loss	173	129
Total non-operating expenses	873	675
Ordinary income	3,167	3,233

(Million yen)

	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
Extraordinary income		
Gain on sales of noncurrent assets	*3 13	*3 1
Gain on sales of investment securities	4	139
Reversal of allowance for doubtful accounts	28	-
Gain on negative goodwill	6	-
Gain on step acquisitions	12	-
Gain on forgiveness of debts	-	70
Total extraordinary income	65	210
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	*4 217	*4 166
Loss on valuation of investment securities	253	514
Loss on sales of investment securities	110	0
Impairment loss	*5 385	*5 203
Provision of allowance for doubtful accounts	24	183
Loss on liquidation of business	317	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	111
Loss on disaster	-	108
Special retirement expenses	-	123
Other	49	44
Total extraordinary losses	1,358	1,455
Income before income taxes and minority interests	1,874	1,988
Income taxes-current	494	148
Income taxes-deferred	(668)	256
Total income taxes	(174)	405
Income before minority interests	-	1,583
Minority interests in income	12	-
Net income	2,037	1,583

(Consolidated Statements of Comprehensive Income)

(Million yen)

	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
Income before minority interests	-	1,583
Other comprehensive income		
Valuation difference on available-for-sale securities	-	(80)
Deferred gains or losses on hedges	-	1,104
Revaluation reserve for land	-	85
Foreign currency translation adjustment	-	0
Share of other comprehensive income of associates accounted for using equity method	-	(10)
Total other comprehensive income	-	*2 1,099
Comprehensive income	-	*1 2,683
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	-	2,683
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statements of Changes in Net Assets

(Million yen)

	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
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	9,517	11,344
Changes of items during the period		
Dividends from surplus	(259)	(649)
Net income	2,037	1,583
Reversal of revaluation reserve for land	49	9
Total changes of items during the period	1,827	943
Balance at the end of current period	11,344	12,288
Treasury stock		
Balance at the end of previous period	(2,774)	(2,775)
Changes of items during the period		
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	0
Total changes of items during the period	(0)	(0)
Balance at the end of current period	(2,775)	(2,775)
Total shareholders' equity		
Balance at the end of previous period	48,140	49,966
Changes of items during the period		
Dividends from surplus	(259)	(649)
Net income	2,037	1,583
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	0
Reversal of revaluation reserve for land	49	9
Total changes of items during the period	1,826	943
Balance at the end of current period	49,966	50,910

(Million yen)

	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	(1,013)	(928)
Changes of items during the period		
Net changes of items other than shareholders’ equity	84	(80)
Total changes of items during the period	84	(80)
Balance at the end of current period	(928)	(1,008)
Deferred gains or losses on hedges		
Balance at the end of previous period	(2,044)	(2,342)
Changes of items during the period		
Net changes of items other than shareholders’ equity	(297)	1,104
Total changes of items during the period	(297)	1,104
Balance at the end of current period	(2,342)	(1,237)
Revaluation reserve for land		
Balance at the end of previous period	(7,067)	(7,117)
Changes of items during the period		
Net changes of items other than shareholders’ equity	(49)	75
Total changes of items during the period	(49)	75
Balance at the end of current period	(7,117)	(7,041)
Foreign currency translation adjustment		
Balance at the end of previous period	(122)	(167)
Changes of items during the period		
Net changes of items other than shareholders’ equity	(45)	(9)
Total changes of items during the period	(45)	(9)
Balance at the end of current period	(167)	(177)
Total accumulated other comprehensive income		
Balance at the end of previous period	(10,247)	(10,555)
Changes of items during the period		
Net changes of items other than shareholders’ equity	(307)	1,089
Total changes of items during the period	(307)	1,089
Balance at the end of current period	(10,555)	(9,465)
Minority interests		
Balance at the end of previous period	14	-
Changes of items during the period		
Net changes of items other than shareholders’ equity	(14)	-
Total changes of items during the period	(14)	-
Balance at the end of current period	-	-
Total net assets		
Balance at the end of previous period	37,906	39,411
Changes of items during the period		
Dividends from surplus	(259)	(649)
Net income	2,037	1,583
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	0
Reversal of revaluation reserve for land	49	9
Net changes of items other than shareholders’ equity	(322)	1,089
Total changes of items during the period	1,504	2,033
Balance at the end of current period	39,411	41,444

(4) Consolidated Statements of Cash Flows

(Million yen)

	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,874	1,988
Depreciation and amortization	2,404	2,343
Impairment loss	385	203
Gain on negative goodwill	(6)	-
Loss (gain) on step acquisitions	(12)	-
Increase (decrease) in allowance for doubtful accounts	(76)	193
Increase (decrease) in allowance for sales promotion expenses	129	(42)
Interest and dividends income	(174)	(148)
Interest expenses	279	228
Foreign exchange losses (gains)	241	(540)
Equity in (earnings) losses of affiliates	(48)	(110)
Loss (gain) on valuation of compound financial instruments	164	208
Loss (gain) on sales of investment securities	106	(138)
Loss (gain) on sales and retirement of noncurrent assets	204	165
Loss (gain) on valuation of investment securities	253	514
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	111
Decrease (increase) in notes and accounts receivable-trade	4,035	(227)
Decrease (increase) in inventories	(1,419)	(4,418)
Decrease (increase) in other current assets	(117)	(583)
Increase (decrease) in notes and accounts payable-trade	704	1,350
Increase (decrease) in accrued consumption taxes	(108)	(214)
Increase (decrease) in other current liabilities	861	(214)
Other, net	275	110
Subtotal	9,956	778
Interest and dividends income received	176	277
Interest expenses paid	(284)	(235)
Income taxes paid	(262)	(372)
Net cash provided by (used in) operating activities	9,585	448
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(1,244)	(924)
Proceeds from sales of property, plant and equipment	169	1
Purchase of intangible assets	(1,428)	(1,915)
Purchase of investment securities	(121)	(20)
Proceeds from sales of investment securities	410	999
Proceeds from redemption of investment securities	700	-
Purchase of investments in subsidiaries	(20)	-
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	*2 274	-
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	*3 49	-
Purchase of stocks of subsidiaries and affiliates	(73)	-
Other, net	189	(218)
Net cash provided by (used in) investing activities	(1,094)	(2,077)

(Million yen)

	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(3,000)	2,500
Proceeds from long-term loans payable	600	300
Repayment of long-term loans payable	(2,973)	(3,048)
Redemption of bonds	(766)	(766)
Purchase of treasury stock	(0)	(0)
Proceeds from sales of treasury stock	0	0
Cash dividends paid	(261)	(648)
Other, net	(16)	(63)
Net cash provided by (used in) financing activities	(6,417)	(1,727)
Effect of exchange rate change on cash and cash equivalents	(14)	0
Net increase (decrease) in cash and cash equivalents	2,060	(3,355)
Cash and cash equivalents at beginning of period	8,795	10,855
Cash and cash equivalents at end of period	*1 10,855	*1 7,500

(5) Going Concern Assumption

Not applicable.

(6) Significant Accounting Policies for the Preparation of Consolidated Financial Statements

Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
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. Mobakore Co., Ltd. Senshu Transportation Co., Ltd. was excluded from consolidation due to the sale of stock holdings. Mobakore Co., Ltd., previously accounted for by the equity method, was included in the scope of consolidation due to the acquisition of additional shares in November 2010. The equity method was applied for the current fiscal year, as Senshukai sets the assumed acquisition date to the consolidated balance sheet date. B•B•S Co., Ltd. was liquidated and excluded from consolidation in December 2010.	1. Scope of consolidation (1) Number of consolidated subsidiaries: 11 Main consolidated subsidiaries: Senshukai General Services Co., Ltd. Senshu Logisco Co., Ltd. Senshukai Call Center Co., Ltd. Dears Brain Inc. Mobakore Co., Ltd. AIMER Co., Ltd. and RG Marketing Co., Ltd. were liquidated in June and December 2011 and excluded from consolidation respectively.
(2) Number of non-consolidated subsidiaries: 9 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: 4 Same as on the left. 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: 2 Main non-consolidated subsidiaries accounted for by the equity method: Senshukai Hong Kong Ltd. Senshukai Thailand Co., Ltd. was liquidated and excluded from the equity-method non-consolidated subsidiaries in November 2010.	2. Application of equity method (1) Number of non-consolidated subsidiaries accounted for by the equity method: 2 Same as on the left. ―――――
(2) Number of equity-method affiliates: 2 Equity-method affiliates: SENTENs Co., Ltd. K. Sense Co., Ltd. Mobakore Co., Ltd., previously accounted for by the equity-method affiliate, was included in the scope of consolidation due to the acquisition of additional shares in November 2010. The equity method was applied for the current fiscal year, as Senshukai sets the assumed acquisition date to the consolidated balance sheet date.	(2) Number of equity-method affiliates: 2 Same as on the left. ―――――

Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
(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. 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. Available-for-sale securities whose fair value is not readily determinable are stated at cost based on the moving-average method. 2) Derivatives Derivatives are stated at market value. 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). (2) Method for depreciating and amortizing important assets 1) Property, plant and equipment (excluding lease assets) 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	(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: Senshukai Marketing Support Co., Ltd. Reason for not accounted for by the equity method Same as on the left. 3. Fiscal years for consolidated subsidiaries Same as on the left. 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. Same as on the left. 2) Derivatives Same as on the left. 3) Inventories Same as on the left. (2) Method for depreciating and amortizing important assets 1) Property, plant and equipment (excluding lease assets) Same as on the left.

Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
2) Intangible assets (excluding lease 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 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) Lease assets Same as on the left.
(3) 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.	(3) 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 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.
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.
(4) Recognition criteria for revenues and expenses The sales of finance and lease transactions are not booked, but the interest amount is allocated to each fiscal term.	(4) Recognition criteria for revenues and expenses Same as on the left.

Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
(5) Conversion of assets 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. 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 consolidated 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 assets 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. 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 hedging 1) Hedge accounting methods The deferred hedge accounting method is adopted.	(7) Accounting for hedging 1) Hedge accounting methods Same as on the left.
2) Hedging instruments/ hedged items Hedging instruments: Forward exchange contracts, currency options, and interest rate swaps Hedged items: Accounts payable for imports, denominated in foreign currencies and interest on borrowings	2) Hedging instruments/ hedged items Hedging instruments: Same as on the left. Hedged items: Same as on the left.
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.
(8) Method and period of goodwill amortization Amortization of goodwill is estimated for each period in which it is expected to emerge, and then equally amortized over the designated amortization period.	(8) Method and period of goodwill amortization Same as on the left.

Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
(9) 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.	(9) Scope of cash and cash equivalents Same as on the left.
(10) Accounting for consumption taxes Financial statements are prepared exclusive of national and regional consumption taxes.	―――――
―――――	(10) Other significant accounting policies in the preparation of consolidated financial statements 1) Accounting for consumption taxes Financial statements are prepared exclusive of national and regional consumption taxes.
―――――	2) Application of consolidated taxation system The Company has adopted the consolidated taxation system from the current fiscal year.

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

Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
1. Application of Accounting Standards for Business Combinations Beginning with the current fiscal year, “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), “Partial Amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23, December 26, 2008), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, December 26, 2008), “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, issued on December 26, 2008), and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008) have been adopted.	1. Application of “Accounting Standard for Equity Method of Accounting for Investments” and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounting for Using the Equity Method” Beginning with the current fiscal year, “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, issued on March 10, 2008) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounting for Using the Equity Method” (ASBJ Practical Issue Task Force (PITF) No. 24, March 10, 2008) have been adopted. This change has no effect on the amount of income (loss).
―――――	2. Application of accounting standard for asset retirement obligations Beginning with the current fiscal year, “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008) have been adopted. As an effect of this change, operating income, ordinary income and income before income taxes and minority interests decreased by 23 million yen, 28 million yen, and 147 million yen, respectively.

(8) Reclassifications

Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
. ――――――	Consolidated statements of income: 1. Beginning with the current fiscal year, the Company has adopted “Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Presentation of Financial Statements” (Cabinet Office Ordinance No. 5, March 24, 2009) based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008,) an item “Income before minority interests” is presented.
――――――	2. “Gain on adjustment of account payable,” included in “Miscellaneous income” under non-operating income in the previous fiscal year, is shown as a separate line item in the current fiscal year since the amount exceeded 10/100 of total non-operating income. The amount of “Gain on adjustment of account payable” included in “Miscellaneous income” under non-operating income in the previous fiscal year was 62 million yen.
Consolidated statements of cash flows: “Loss (gain) on sales of noncurrent assets” under net cash provided by (used in) operating activities, stated as a separate line item in the previous fiscal year, is included in “Loss (gain) on sales and retirement of noncurrent assets” due to its declining importance. “Loss (gain) on sales of noncurrent assets” included in “Loss (gain) on sales and retirement of noncurrent assets” in the current fiscal year totaled minus 13 million yen.	――――――

(9) Supplemental Information

Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
The Company applied for approval in the current fiscal year to pay taxes on a consolidated basis, and approval was granted in December 2010. As a result, accounting procedures from the current fiscal year are based on the application of a consolidated taxation system in accordance with “Practical Solution for Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)” (ASBJ Practical Issue Task Force No.5) and “Practical Solution for Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)” (ASBJ PITF No.7).	Beginning with the current fiscal year, “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, June 30, 2010) has been adopted. The “Accumulated other comprehensive income” and “Total accumulated other comprehensive income” items for the previous fiscal year show the amounts for “Valuation and translation adjustments” and “Total valuation and translation adjustments,” respectively.

(10) Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheets

(Million yen)

Fiscal Year 2010 (As of Dec. 31, 2010)		Fiscal Year 2011 (As of Dec. 31, 2011)	
*1. Shares of non-consolidated subsidiaries and affiliates		*1. Shares of non-consolidated subsidiaries and affiliates	
Investment securities	539	Investment securities	485
*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	1,073	Buildings and structures	981
Total	1,088	Total	997
(2) Collateral-backed liabilities		(2) Collateral-backed liabilities	
Short-term loans payable	313	Short-term loans payable	213
Current portion of bonds	66	Current portion of bonds	36
Bonds payable	36	Long-term loans payable	200
Long-term loans payable	413	Total	449
Total	829		
3. Contingent liabilities		3. Contingent liabilities	
Guarantees of bank loans		Guarantees of bank loans	
Employees' housing loans	16	Employees' housing loans	13
*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.		*4. Land revaluation Same as on the left.	
Method of revaluation by Clause 3, Article 3 of the law The method is, as publicly announced, stipulated by the Director of the National Tax Agency 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) in order to calculate land value as the basis of calculating land taxes. On this calculation, a certain reasonable adjustment is made for the final assessment.		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, 2010 and its book value after revaluation	(2,916)	Difference between market value of relevant land on December 31, 2011 and its book value after revaluation	(2,734)

Fiscal Year 2010 (As of Dec. 31, 2010)	Fiscal Year 2011 (As of Dec. 31, 2011)
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 15,300 Credit used - Credit available 15,300 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.	*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 15,300 Credit used 2,500 Credit available 12,800 6. Financial covenants Same as on the left.

Notes to Consolidated Statements of Income

(Million yen)

Fiscal Year 2010
(Jan. 1, 2010 – Dec. 31, 2010)

*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.

676

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

313

*3. Gain on sales of noncurrent assets

Land	11
Buildings and structures, and others	1
Total	13

*4. Loss on sales and retirement of noncurrent assets

Loss on retirement of buildings and structures	103
Loss on retirement of machinery, equipment and vehicles	20
Loss on retirement of tools, furniture and fixtures	12
Loss on sales of tools, furniture and fixtures	2
Loss on retirement of software	6
Loss on retirement of intangible assets in progress and others	71
Total	217

*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
Nada Ward, Kobe City, other	Idle assets	Buildings and structures, land, and others	187
Shinagawa Ward, Tokyo, other	Business assets	Buildings and structures, and others	139
Other	Other	Goodwill	58

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, other intangible assets and other were 97 million yen, 34 million yen, 58 million yen, and 48 million yen, 138 million yen and 7 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.

Fiscal Year 2011
(Jan. 1, 2011 – Dec. 31, 2011)

*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.

796

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

232

*3. Gain on sales of noncurrent assets

Machinery, equipment and vehicles, and others	1

*4. Loss on sales and retirement of noncurrent assets

Loss on retirement of buildings and structures	12
Loss on retirement of machinery, equipment and vehicles	130
Loss on retirement of tools, furniture and fixtures	14
Loss on retirement of software	5
Other	3
Total	166

*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
Kato City, Hyogo, other	Idle assets	Buildings and structures, land, and others	180
Misato City, Saitama, other	Business assets	Buildings and structures, and others	22

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 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, tools, furniture and fixtures, and machinery, equipment and vehicles were 132 million yen, 64 million yen, 3 million yen, and 2 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 Comprehensive Income

Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)

*1. Comprehensive income in the previous fiscal year (Million yen)

Comprehensive income attributable to owners of the parent	1,779
Comprehensive income attributable to minority interests	12
Total	1,791

*2. Other comprehensive income in the previous fiscal year (Million yen)

Valuation difference on available-for-sale securities	84
Deferred gains or losses on hedges	(297)
Foreign currency translation adjustment	(8)
Share of other comprehensive income of associates accounted for using equity method	(37)
Total	(257)

Notes to Consolidated Statements of Changes in Net assets

Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of Dec. 31, 2009 (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, 2010 (Thousand shares)
Outstanding shares				
Common stock	47,630	-	-	47,630
Total	47,630	-	-	47,630
Treasury stock				
Common stock (Note)	4,319	1	0	4,320
Total	4,319	1	0	4,320

Note: Common shares of treasury stock increased by 1 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
Board of Directors meeting on Jul. 29, 2010	Common stock	259	6	Jun. 30, 2010	Sep. 1, 2010

(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. 30, 2011	Common stock	346	Retained earnings	8	Dec. 31, 2010	Mar. 31, 2011

Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of Dec. 31, 2010 (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, 2011 (Thousand shares)
Outstanding shares				
Common stock	47,630	-	-	47,630
Total	47,630	-	-	47,630
Treasury stock				
Common stock (Note)	4,320	0	0	4,321
Total	4,320	0	0	4,321

Note: Common shares of treasury stock increased by 0 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. 30, 2011	Common stock	346	8	Dec. 31, 2010	Mar. 31, 2011
Board of Directors meeting on Jul. 28, 2011	Common stock	303	7	Jun. 30, 2011	Sep. 1, 2011

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

Resolution	Type of share	Total amount of dividend (Million yen)	Resource for distribution	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on Mar. 29, 2012	Common stock	303	Retained earnings	7	Dec. 31, 2011	Mar. 30, 2012

Notes to Consolidated Statements of Cash Flows

(Million yen)

Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
*1. Reconciliation between balance sheet accounts and year-end balance of cash and cash equivalents (As of Dec. 31, 2010) Cash and deposits 10,855 Cash and cash equivalents 10,855	*1. Reconciliation between balance sheet accounts and year-end balance of cash and cash equivalents (As of Dec. 31, 2011) Cash and deposits 7,500 Cash and cash equivalents 7,500
*2. Breakdown of assets and liabilities of Mobakore Co., Ltd. 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 Mobakore stock, and net proceeds from the acquisition. Current assets 975 Noncurrent assets 24 Current liabilities (583) Goodwill 25 Acquired surplus after application of the equity method (20) Initial acquisition cost of Mobakore (196) Cost of Mobakore stock at purchase during period 225 Cash and cash equivalents of Mobakore 499 Net proceeds from acquisition of Mobakore stock 274	―――
*3. Senshu Transportation Co., Ltd. is no longer a consolidated subsidiary due to the sale of its stock. The breakdown of assets and liabilities as of the date of the sale, as well as the sales price of Senshu Transportation's stock and net proceeds from the sales. Current assets 154 Noncurrent assets 33 Current liabilities (69) Sales price of Senshu Transportation stock 119 Cash and cash equivalents of Senshu Transportation 69 Net proceeds from sales of Senshu Transportation stock 49	―――

Segment Information

a. Business segments

Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010) (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	118,227	18,632	136,859	-	136,859
(2) Inter-segment sales	2,062	504	2,566	(2,566)	-
Total	120,289	19,136	139,426	(2,566)	136,859
Operating expenses	117,390	18,679	136,069	(2,632)	133,437
Operating income	2,898	457	3,356	66	3,422
II Assets, depreciation, impairment loss and capital expenditures					
Assets	80,611	11,032	91,643	(1,556)	90,086
Depreciation	1,902	502	2,404	-	2,404
Impairment loss	238	146	385	-	385
Capital expenditures	1,674	1,198	2,873	-	2,873

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, and services

(Note) The transportation business, formerly a major component of “other businesses,” is no longer a major component because Senshu Transportation Co., Ltd., a consolidated subsidiary, was removed from consolidated accounts during the fiscal year under review.

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.”

b. Geographical segment information

Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)

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

c. Overseas sales

Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)

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

d. Segment information

Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)

1. Overview of reportable segment

Segments used for financial reporting are the Company’s constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Senshukai Group primarily operates the mail-order business, bridal business, and corporates business, and the Company and its group companies manage each of these businesses according to these classifications.

Therefore the Group, comprised of these different business segments, has three reportable segments: the mail-order business, bridal business, and corporates business.

The mail-order business is engaged in mail-order sales via a variety of media centered on catalogs and the Internet. The bridal business provides mostly house wedding services. The corporates business uses the Company’s infrastructure to provide solutions services and promotional services targeting mail-order companies and e-commerce businesses.

2. Calculation methods for net sales, profit/loss, assets, liabilities, and other items for each reportable segment

The accounting methods for reportable segments are generally the same as those listed in “Significant Accounting Policies for the Preparation of Consolidated Financial Statements.”

Profits for reportable segments are generally operating income figures.

Inter-segment sales are based on market prices.

3. Information related to net sales and profit/loss, assets, liabilities, and other items for each reportable segment

Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010) (Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Mail-order business	Bridal business	Corporates business	Sub-total				
Net sales								
Sales to customers	119,170	8,149	7,651	134,971	1,888	136,859	-	136,859
Inter-segment sales	2,062	-	81	2,144	365	2,509	(2,509)	-
Total	121,232	8,149	7,733	137,115	2,253	139,369	(2,509)	136,859
Segment profit	2,766	432	124	3,324	31	3,356	66	3,422
Segment assets	80,785	8,511	1,751	91,048	881	91,930	(1,843)	90,086
Other items								
Depreciation	1,941	402	49	2,393	11	2,404	-	2,404
Amortization of goodwill	-	148	30	179	-	179	-	179
Investment in equity-method affiliates	508	-	-	508	-	508	-	508
Increase in property, plant and equipment and intangible assets	1,690	1,120	35	2,846	26	2,873	-	2,873

Notes: 1. Others represent the businesses which are not included in any of the three reportable segments and consist of the services business primarily offering travel and credit card services, and the pet business distributing pet goods through retail stores.

2. Adjustments are as follows.

(1) The 66 million yen adjustment to segment profit comprises elimination for inter-segment transactions.

(2) The 1,843 million yen adjustment to segment assets comprises elimination for inter-segment transactions.

3. Segment profit is adjusted to be consistent with operating income shown on the consolidated statements of income.

Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011) (Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Mail-order business	Bridal business	Corporates business	Sub-total				
Net sales								
Sales to customers	122,946	8,407	4,159	135,513	1,748	137,261	-	137,261
Inter-segment sales	901	-	281	1,183	88	1,272	(1,272)	-
Total	123,848	8,407	4,441	136,696	1,837	138,534	(1,272)	137,261
Segment profit (loss)	2,226	482	448	3,157	(57)	3,100	7	3,107
Segment assets	82,481	8,895	579	91,956	750	92,707	(2,265)	90,441
Other items								
Depreciation	1,814	491	27	2,333	10	2,343	-	2,343
Amortization of goodwill	5	145	-	151	-	151	-	151
Investment in equity-method affiliates	478	-	-	478	-	478	-	478
Increase in property, plant and equipment and intangible assets	2,561	474	-	3,035	11	3,046	-	3,046

Notes: 1. Others represent the businesses which are not included in any of the three reportable segments and consist of the services business primarily offering travel and credit card services, and the pet business distributing pet goods through retail stores.
2. Adjustments are as follows.
(1) The 7 million yen adjustment to segment profit (loss) comprises elimination for inter-segment transactions.
(2) The 2,265 million yen adjustment to segment assets comprises elimination for inter-segment transactions.
3. Segment profit (loss) is adjusted to be consistent with operating income shown on the consolidated statements of income.

e. Related information

Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

This information is omitted because sales to customers in Japan exceed 90% of net sales shown on the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted because property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated balance sheets.

3. Information by major client

Not applicable because there is no single customer which accounts for more than 10% of net sales shown on the consolidated statements of income.

f. Information related to impairment of noncurrent assets for each reportable segment

Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011) (Million yen)

	Mail-order business	Bridal business	Corporates business	Others	Elimination or corporate	Total
Impairment loss	201	-	-	1	-	203

Note: The amount of “Others” includes figures related to the pet business.

g. Information related to goodwill amortization and the unamortized balance for each reportable segment

Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011) (Million yen)

	Mail-order business	Bridal business	Corporates business	Others	Elimination or corporate	Total
Amortization for the period	5	145	-	-	-	151
Balance at end of period	20	2,408	-	-	-	2,429

h. Information related to negative goodwill profits for each reportable segment

Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)

Not applicable.

Supplemental information

Beginning with the current fiscal year, “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008) have been adopted.

Per Share Information

(Yen)

Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
Net assets per share 909.99 Net income per share 47.04 Diluted net income per share is not presented since the Company has no outstanding residual securities.	Net assets per share 956.94 Net income per share 36.56 Same as on the left.

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

(Million yen)

	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
Net income per share		
Net income	2,037	1,583
Amounts unavailable to common shareholders	-	-
Net income related to common stock	2,037	1,583
Average number of shares outstanding during the period (thousand shares)	43,310	43,309

Subsequent Events

Not applicable.

5. Non-consolidated Financial Statements

(1) Balance Sheets

(Million yen)

	Fiscal Year 2010 (As of Dec. 31, 2010)	Fiscal Year 2011 (As of Dec. 31, 2011)
Assets		
Current assets		
Cash and deposits	7,687	5,316
Notes receivable-trade	130	235
Accounts receivable-trade	5,919	5,899
Short-term investment securities	8	31
Merchandise and finished goods	12,186	16,638
Raw materials and supplies	101	100
Advance payments-trade	881	1,059
Prepaid expenses	1,612	2,324
Deferred tax assets	1,059	876
Short-term loans receivable to subsidiaries and affiliates	420	414
Accounts receivable-other	8,996	9,149
Other	159	90
Allowance for doubtful accounts	(237)	(272)
Total current assets	38,925	41,865
Noncurrent assets		
Property, plant and equipment		
Buildings	28,300	27,919
Accumulated depreciation	(18,284)	(18,593)
Buildings, net	10,015	9,326
Structures	1,968	1,938
Accumulated depreciation	(1,654)	(1,656)
Structures, net	314	281
Machinery and equipment	11,533	8,636
Accumulated depreciation	(10,664)	(7,784)
Machinery and equipment, net	869	851
Vehicles	76	76
Accumulated depreciation	(74)	(75)
Vehicles, net	1	0
Tools, furniture and fixtures	2,390	2,331
Accumulated depreciation	(1,768)	(1,791)
Tools, furniture and fixtures, net	622	540
Land	10,893	10,827
Construction in progress	0	-
Total property, plant and equipment	22,717	21,829
Intangible assets		
Leasehold right	0	-
Software	1,624	1,847
Software in progress	1,510	2,433
Other	33	43
Total intangible assets	3,168	4,324

(Million yen)

	Fiscal Year 2010 (As of Dec. 31, 2010)	Fiscal Year 2011 (As of Dec. 31, 2011)
Investments and other assets		
Investment securities	7,210	5,510
Stocks of subsidiaries and affiliates	6,901	6,817
Long-term loans receivable	355	355
Long-term loans receivable from employees	7	9
Long-term loans receivable from subsidiaries and affiliates	1,318	1,687
Lease and guarantee deposits	843	825
Long-term prepaid expenses	75	46
Deferred tax assets	16	28
Insurance funds for directors	481	428
Long-term time deposits	3,000	3,000
Other	563	571
Allowance for doubtful accounts	(465)	(1,010)
Allowance for investment loss	(568)	(568)
Total investments and other assets	19,740	17,704
Total noncurrent assets	45,627	43,859
Total assets	84,552	85,724
Liabilities		
Current liabilities		
Notes payable-trade	1,245	1,371
Accounts payable-trade	5,802	7,071
Short-term loans payable	-	2,500
Current portion of bonds	700	700
Current portion of long-term loans payable	2,660	1,000
Accounts payable-other	6,269	6,290
Accounts payable-factoring	13,548	13,710
Accrued expenses	1,358	1,432
Income taxes payable	97	76
Accrued consumption taxes	113	-
Deposits received	989	834
Provision for directors' bonuses	-	29
Provision for sales promotion expenses	641	602
Forward exchange contracts	3,585	1,940
Other	382	364
Total current liabilities	37,394	37,923
Noncurrent liabilities		
Bonds payable	3,250	2,550
Long-term loans payable	4,365	3,365
Deferred tax liabilities for land revaluation	723	631
Asset retirement obligations	-	38
Other	-	4
Total noncurrent liabilities	8,338	6,589
Total liabilities	45,732	44,513

(Million yen)

	Fiscal Year 2010 (As of Dec. 31, 2010)	Fiscal Year 2011 (As of Dec. 31, 2011)
Net assets		
Shareholders' equity		
Capital stock	20,359	20,359
Capital surplus		
Legal capital surplus	12,864	12,864
Other capital surplus	8,174	8,174
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	63	65
Reserve for overseas investment loss	40	41
Retained earnings brought forward	9,368	10,659
Total retained earnings	10,591	11,884
Treasury stock	(2,775)	(2,775)
Total shareholders' equity	49,213	50,506
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(928)	(1,008)
Deferred gains or losses on hedges	(2,347)	(1,244)
Revaluation reserve for land	(7,117)	(7,041)
Total valuation and translation adjustments	(10,393)	(9,294)
Total net assets	38,820	41,211
Total liabilities and net assets	84,552	85,724

(2) Statements of Income

(Million yen)

	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
Net sales	125,966	124,083
Cost of sales		
Beginning goods	10,750	12,186
Cost of purchased goods	62,185	67,539
Total	72,936	79,725
Ending goods	12,186	16,638
Cost of goods sold	60,749	63,087
Other cost	5,741	3,021
Total cost of sales	66,491	66,108
Gross profit	59,475	57,975
Selling, general and administrative expenses		
Freightage and packing expenses	8,133	8,232
Promotion expenses	19,754	18,344
Sales commission	701	684
Provision for allowance for sales promotion expenses	641	602
Provision of allowance for doubtful accounts	230	259
Bad debts expenses	40	41
Directors' compensations	214	283
Salaries and allowances	5,195	5,062
Bonuses	887	1,210
Provision for directors' bonuses	-	29
Welfare expenses	1,038	1,111
Rent expenses	1,172	1,530
Research study expenses	322	232
Commission fee	11,744	11,179
Depreciation	1,887	1,724
Other	4,557	4,226
Total selling, general and administrative expenses	56,521	54,755
Operating income	2,953	3,219
Non-operating income		
Interest income	59	38
Interest on securities	47	28
Dividends income	343	403
Foreign exchange gains	-	201
Gain on adjustment of account payable	-	142
Miscellaneous income	228	119
Total non-operating income	678	934

(Million yen)

	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
Non-operating expenses		
Interest expenses	188	153
Interest on bonds	67	56
Foreign exchange losses	220	-
Loss on valuation of compound financial instruments	147	208
Relief aid expenses	-	106
Miscellaneous loss	140	116
Total non-operating expenses	764	641
Ordinary income	2,867	3,513
Extraordinary income		
Gain on sales of noncurrent assets	13	0
Gain on sales of investment securities	4	139
Gain on liquidation of subsidiaries	35	-
Reversal of allowance for doubtful accounts	-	23
Total extraordinary income	52	163
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	213	140
Loss on valuation of investment securities	253	514
Loss on sales of investment securities	77	0
Provision of allowance for doubtful accounts	188	583
Provision of allowance for investment loss	323	-
Loss on valuation of stocks of subsidiaries and affiliates	165	-
Impairment loss	337	201
Loss on liquidation of business	150	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	29
Loss on disaster	-	59
Other	100	32
Total extraordinary losses	1,809	1,561
Income before income taxes	1,110	2,115
Income taxes-current	23	6
Income taxes-deferred	(419)	175
Total income taxes	(395)	182
Net income	1,506	1,932

(3) Statements of Changes in Net assets

(Million yen)

	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
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	12,864
Changes of items during the period		
Transfer to other capital surplus from legal capital surplus	(7,000)	-
Total changes of items during the period	(7,000)	-
Balance at the end of current period	12,864	12,864
Other capital surplus		
Balance at the end of previous period	1,174	8,174
Changes of items during the period		
Disposal of treasury stock	(0)	(0)
Transfer to other capital surplus from legal capital surplus	7,000	-
Total changes of items during the period	6,999	(0)
Balance at the end of current period	8,174	8,174
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)
Transfer to other capital surplus from legal capital surplus	-	-
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	66	63
Changes of items during the period		
Provision of reserve for advanced depreciation of noncurrent assets	-	4
Reversal of reserve for advanced depreciation of noncurrent assets	(3)	(2)
Total changes of items during the period	(3)	1
Balance at the end of current period	63	65
Reserve for overseas investment loss		
Balance at the end of previous period	40	40
Changes of items during the period		
Provision of reserve for overseas investment loss	3	2
Reversal of reserve for overseas investment loss	(2)	(1)
Total changes of items during the period	0	0
Balance at the end of current period	40	41

(Million yen)

	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
General reserve		
Balance at the end of previous period	13,600	-
Changes of items during the period		
Reversal of general reserve	(13,600)	-
Total changes of items during the period	(13,600)	-
Balance at the end of current period	-	-
Retained earnings brought forward		
Balance at the end of previous period	(5,530)	9,368
Changes of items during the period		
Provision of reserve for advanced depreciation of noncurrent assets	-	(4)
Reversal of reserve for advanced depreciation of noncurrent assets	3	2
Provision of reserve for overseas investment loss	(3)	(2)
Reversal of reserve for overseas investment loss	2	1
Reversal of general reserve	13,600	-
Dividends from surplus	(259)	(649)
Net income	1,506	1,932
Reversal of revaluation reserve for land	49	9
Total changes of items during the period	14,899	1,291
Balance at the end of current period	9,368	10,659
Total retained earnings		
Balance at the end of previous period	9,294	10,591
Changes of items during the period		
Provision of reserve for advanced depreciation of noncurrent assets	-	-
Reversal of reserve for advanced depreciation of noncurrent assets	-	-
Provision of reserve for overseas investment loss	-	-
Reversal of reserve for overseas investment loss	-	-
Reversal of general reserve	-	-
Dividends from surplus	(259)	(649)
Net income	1,506	1,932
Reversal of revaluation reserve for land	49	9
Total changes of items during the period	1,296	1,292
Balance at the end of current period	10,591	11,884
Treasury stock		
Balance at the end of previous period	(2,774)	(2,775)
Changes of items during the period		
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	0
Total changes of items during the period	(0)	(0)
Balance at the end of current period	(2,775)	(2,775)
Total shareholders’ equity		
Balance at the end of previous period	47,917	49,213
Changes of items during the period		
Dividends from surplus	(259)	(649)
Net income	1,506	1,932
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	0
Reversal of revaluation reserve for land	49	9
Total changes of items during the period	1,296	1,292
Balance at the end of current period	49,213	50,506

(Million yen)

	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	(987)	(928)
Changes of items during the period		
Net changes of items other than shareholders' equity	59	(80)
Total changes of items during the period	59	(80)
Balance at the end of current period	(928)	(1,008)
Deferred gains or losses on hedges		
Balance at the end of previous period	(2,047)	(2,347)
Changes of items during the period		
Net changes of items other than shareholders' equity	(299)	1,103
Total changes of items during the period	(299)	1,103
Balance at the end of current period	(2,347)	(1,244)
Revaluation reserve for land		
Balance at the end of previous period	(7,067)	(7,117)
Changes of items during the period		
Net changes of items other than shareholders' equity	(49)	75
Total changes of items during the period	(49)	75
Balance at the end of current period	(7,117)	(7,041)
Total valuation and translation adjustments		
Balance at the end of previous period	(10,103)	(10,393)
Changes of items during the period		
Net changes of items other than shareholders' equity	(290)	1,098
Total changes of items during the period	(290)	1,098
Balance at the end of current period	(10,393)	(9,294)
Total net assets		
Balance at the end of previous period	37,814	38,820
Changes of items during the period		
Dividends from surplus	(259)	(649)
Net income	1,506	1,932
Purchase of treasury stock	(0)	(0)
Disposal of treasury stock	0	0
Reversal of revaluation reserve for land	49	9
Net changes of items other than shareholders' equity	(290)	1,098
Total changes of items during the period	1,006	2,391
Balance at the end of current period	38,820	41,211

(4) 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 2010 (Jan. 1, 2010 – Dec. 31, 2010)		Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)		Change
	Amount	Share (%)	Amount	Share (%)	
Mail-order business	119,170	87.1	122,946	89.6	3,775
Bridal business	8,149	5.9	8,407	6.1	258
Corporates business	7,651	5.6	4,159	3.0	(3,492)
Other businesses	1,888	1.4	1,748	1.3	(139)
Total	136,859	100.0	137,261	100.0	402

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

b. Sales by type

(Million yen)

By type	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)		Fiscal Year 2011 (Jan. 1, 2011 – Dec. 31, 2011)		Change
	Amount	Share (%)	Amount	Share (%)	
Apparel	51,797	37.8	54,648	39.8	2,851
Interior goods	27,501	20.1	29,509	21.5	2,007
Household goods	19,426	14.2	18,706	13.6	(720)
Fashion accessories	13,781	10.1	14,010	10.2	229
Foods	5,378	3.9	4,547	3.3	(830)
Others	18,974	13.9	15,839	11.6	(3,135)
Total	136,859	100.0	137,261	100.0	402

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.*