(Translation)

Stock code: 8165

March 8, 2010

NOTICE OF THE 65th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholder

You are cordially invited to attend the 65th Ordinary General Meeting of Shareholders of Senshukai Co., Ltd. ("the Company"), which will be held as described hereunder.

If you are unable to attend the meeting, you may exercise your voting rights in writing or via electromagnetic methods such as the Internet. Please review the attached Reference Material for Ordinary General Meeting of Shareholders and exercise your voting rights following the "Procedure for Exercising Voting Rights" on page 3.

Sincerely yours,

Yasuhiro Yukimachi
President and Representative Director
Senshukai Co., Ltd.
1-8-9 Doshin, Kita-ku, Osaka

MEETING AGENDA

1. Date and Time: 10:00 a.m., Tuesday, March 30, 2010

2. Venue: Hall on the second floor of Senshukai Head Office,
1-8-9 Doshin, Kita-ku, Osaka

3. Agenda:

Items to be reported:

1. Business Report, Consolidated Financial Statements for the 65th fiscal year (January 1 to December 31, 2009); and Audit Reports of the Accounting Auditors and the Board of Auditors regarding Consolidated Financial Statements for the 65th fiscal year
2. Non-consolidated Financial Statements for the 65th fiscal year (January 1 to December 31, 2009)

Items to be proposed:

Proposal 1	Decrease of legal capital surplus and appropriation of surplus
Proposal 2	Election of nine (9) Directors
Proposal 3	Election of one (1) Auditor
Proposal 4	Election of one (1) substitute Auditor

If attending the meeting in person, please present your voting form at the reception desk.

We will post any corrections to the Reference Material for Ordinary General Meeting of Shareholders, business report, consolidated financial statements, or non-consolidated financial statements on our website (http://www.senshukai.co.jp/soukai).

[This is an English translation prepared for the convenience of non-resident shareholders.
Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.]

Procedure for Exercising Voting Rights

1. Voting by mail

Please indicate your approval or disapproval of the proposals on the enclosed voting form and return it to us. All forms must be received by no later than 5:30 p.m., Monday, March 29, 2010, the day before the Ordinary General Meeting of Shareholders.

2. Voting by electromagnetic methods such as the Internet

(1) Please access the dedicated voting website at http://www.webdk.net, input the voting right exercise code and provisional password written in the enclosed voting form, and register your approval or disapproval of the proposals by following the on-screen instructions.

(2) Online votes will be accepted until 5:30 p.m., Monday, March 29, 2010, the day before the Ordinary General Meeting of Shareholders. However, shareholders are kindly requested to register their online votes as early as possible to facilitate the counting of online votes.

(3) If shareholders duplicate the vote, such as by exercising the voting rights both by mail and via the Internet, we will consider only the Internet vote to be valid.

(4) If you vote more than once over the Internet, or vote both over the Internet and using cellular phone, we will consider the latest vote to be valid.

(5) Any fees, such as connection fees to Internet providers or any telecommunication fees to the telecommunication companies incurred by shareholders in using the dedicated voting website, are to be borne by the shareholders.

(6) The following system requirements are necessary to access the dedicated voting website:

(i) Internet access; and

(ii) Shareholders choosing to exercise their voting rights using a PC should note that the website only supports the following browser software: Microsoft® Internet Explorer 6.0 or above. The website supports any hardware platform running the browser software specified above.

(Microsoft® is a registered trademark in the United States and other countries of Microsoft Corporation.)

For more information about the foregoing items 1 and 2, please contact the Stock Transfer Agency Department of The Sumitomo Trust & Banking Co., Ltd.

Tel: 0120-186-417 (toll-free and available 24 hours, only in Japan)

<For other inquiries, including requests for forms>

Tel: 0120-176-417 (toll-free and available from 9:00 a.m. to 5:00 p.m. on weekdays, only in Japan)

3. To institutional investors

You can exercise your voting rights through electronic voting platforms (TSE platforms) as a means of exercising voting rights by electromagnetic means at the General Meeting of Shareholders.

[Appendix to notice of the 65th Ordinary General Meeting of Shareholders of Senshukai Co., Ltd.]

Business Report

(January 1 to December 31, 2009)

1. Summary of operations

(1) The Senshukai Group operating progress and results

Overview

During the fiscal year ended December 31, 2009, economic conditions in Japan partially showed signs of recovery on the strength of the effects of economic measures and progress of inventory adjustment. However, the deterioration of employment conditions and the decline in household income continued, and the government announced in November 2009 that the economy was in a state of deflation, and the overall economic circumstances have remained severe. Moreover, in the retail industry, business in the apparel sector remains weak with some exceptions due partially to the influence of unseasonal weather such as a mild winter. In addition, consumer spending is sluggish due to consumers' preference for saving and their growing awareness of the need to protect their lifestyles. Overall sales in the mail-order industry were on a growth trend due to growing Internet-order sales, but sales of total mail-order companies, mainly consisting of companies in the catalogue sales business, continued to decrease. In this increasingly competitive environment, we expect that price-cutting competition will further intensify and consumers will become more selective about products and services. Thus, uncertainty over the future is expected to remain.

Under these circumstances, the Senshukai Group promoted the priority strategies defined in the Medium-Term Management Plan, which covers the period through the fiscal year ending December 31, 2010, as its second year.

However, the Senshukai Group's consolidated net sales fell significantly to 147,292 million yen, a decrease of 6.9% year-on-year.

On the profit front, we in the Senshukai Group tried to arouse demand through measures including flexibly offering special discounts to respond to an increase in inventories caused by lower sales, but we were unable to offset the decrease in sales. As a result, valuation loss increased and cost-to-sales ratio rose, causing gross profit to decline. In the meantime, we strived to substantially cut selling, general and administrative expenses, including catalogue expenses, as measures for boosting profit to cover a decline in gross profit. However, operating loss amounted to 2,405 million yen (against operating income of 2,413 million yen in the previous fiscal year). Ordinary loss was 1,410 million yen (against an ordinary loss of 4,553 million yen in the previous fiscal year) due to foreign exchange gains etc. Net loss of 3,811 million yen (against a net loss of 6,833 million yen in the previous fiscal year) was posted, as we booked a loss on valuation of investment securities, a loss on sales of investment securities and an impairment loss.

We regret to notify you that we will suspend our year-end dividend for the fiscal year under review as we posted a net loss for the second consecutive year. We deeply apologize to our shareholders and appreciate their understanding on this matter.

Business results by segment

[Mail-order Business]

The mail-order business, which consists of catalogue and buyer's club businesses, posted net sales of 130,967 million yen (down 9.4% year-on-year). Cost-to-sale ratio rose due to a decrease in sales and an increase in valuation loss accompanying the change in valuation method of inventories. As a result, an operating loss amounted to 2,285 million yen (against operating income of 2,866 million yen in the previous fiscal year).

(1) Catalogue Business

In the catalogue business, we currently deliver various lifestyle proposals and products that are unique to Senshukai through 18 kinds of catalogues.

Since the start of the catalogue business in 1976, we have delivered merchandise in various categories ranging from clothing sundries, interior goods and household miscellaneous goods to maternity goods and children's clothing, centering on fashion clothes, in accordance with the needs of our members, and our products have been favorably accepted.

Internet-based sales currently account for more than 50% of net sales, and we are further trying to shift the method of ordering from by the catalogue to by Internet. Order intake via the Internet in the fiscal year under review exceeded that in the previous fiscal year. However, overall monthly sales continued to decrease compared with the previous corresponding period excluding January due to the cooling of consumer sentiment originating from the global economic downturn. As a result, the catalogue business posted consolidated net sales of 119,610 million yen (down 9.3% year-on-year).

(2) Buyer's Club Business

In the buyer's club business, each month we deliver merchandise to group and individual members, mainly women working in offices, under an original sales system which is different from those of other mail-order sales companies.

In the fiscal year under review, sales of new merchandises were sluggish and membership retention rate fell short of the target. As a result, both sales and membership of the buyer's club business decreased from a year earlier.

The buyer's club business posted consolidated net sales of 11,357 million yen (down 10.6% year-on-year).

[Other Businesses]

Other businesses that consist of the service business (with travel services and credit-card as the core fields), storefront business, pet business, B-to-B operations that provide products and services to corporations, and Dears Brain Inc., an owner and operator of residence-like wedding places posted consolidated net sales of 16,325 million yen (up 19.2% year-on-year) and an operating loss of 190 million yen (against an operating loss of 439 million yen in the previous fiscal year).

Net sales by business segment (Millions of yen)

Name of the segment and product	64th fiscal year (Jan. 1 to Dec. 31, 2008)		65th fiscal year (Jan. 1 to Dec. 31, 2009)		Change from the previous fiscal year	Year-on-Year (%)
	Amount	% of total	Amount	% of total		
Mail-order Business:						
Apparel	61,373	38.8	57,424	39.0	-3,948	-6.4
Interior goods	34,613	21.9	29,307	19.9	-5,305	-15.3
Household sundries	23,502	14.8	21,490	14.6	-2,011	-8.6
Clothing sundries	16,867	10.6	15,042	10.2	-1,824	-10.8
Foodstuffs	6,150	3.9	5,727	3.9	-423	-6.9
Others	2,079	1.3	1,974	1.3	-104	-5.0
Subtotal	144,585	91.3	130,967	88.9	-13,618	-9.4
Other Businesses:	13,699	8.7	16,325	11.1	2,625	19.2
Total	158,285	100.0	147,292	100.0	-10,993	-6.9

(2) Capital expenditures

In the fiscal year under review, the Senshukai Group invested a total of 1,652 million yen in capital expenditures, and 971 million yen to develop computer systems, etc.

(3) Fund procurement

In the fiscal year under review, the Senshukai Group procured funds through bonds and borrowings as well as funds on hand.

The Company issued unsecured bonds of 5,000 million yen in February 2009.

The Company has also concluded commitment line contracts totaling 15,500 million yen with its correspondent financial institutions, and the balance of borrowings outstanding at the end of the fiscal year under review is 3,000 million yen.

(4) Issues to be handled

The Senshukai Group has established the Medium-Term Management Plan covering the three fiscal years to the year ending December 31, 2010 (the 66^{th} fiscal year).

1) "Basic Policies of the Medium-Term Management Plan"

i) Promoting channel mix

We will aim to obtain synergistic effect, aimed at essential merger of channels, not mere expansion of the number of channels, and speedup, by further pushing forward with "promotion of multi channels," which was put up under the previous Medium-Term Management Plan.

ii) Developing multi-brand strategy

We will shift to a "multi-brand strategy," under which plural brands that match customer base and merchandise category to be handled are operated, so that the value of the "Bell Maison" brand itself will not be damaged when we strive to acquire customers in some age groups, who have been difficult to be obtained with the Bell Maison brand alone, and to diversify operations (expansion of groups of merchandise and services).

iii) Expanding customer base

We will endeavor to increase the number of customers in their 50s or older by developing merchandise and media for the senior market. We will also aim to expand customers in their 20s. To that end, we will maintain customers in their 20s as a whole by strengthening to get concentrating resources on customers aged 25 to 29, while aiming to get customers aged 20 to 24 in the long term by utilizing such new media as the Internet, mobile communications and magazines based on business alliances with other companies and M&A.

iv) Enhancing SCM (supply-chain management)

Recognizing the improvement of cash flows that have aggravated due to increased inventories as the most important challenge, we will facilitate inventory efficiency through restructuring of the management system and further reinforce SCM.

2) Status of initiatives in the fiscal year under review

i) Promoting channel mix

Starting from the previous fiscal year, each business divisions has the channel control function, manages sales by channel and formulates Internet and store policies to promote channel mix. Overall Internet-based sales amounted to 67,100 million yen in the fiscal year under review (of which, net online sales stood at 41,000 million yen).

We opened five new “Kurasu Fuku” shops, which brought the total to 11. We will aim to further deepen channels.

ii) Developing multi-brand strategy

We will aim at increasing the value of the Senshukai Group as a whole by redefining the Belle Maison brand, clearly distinguishing brands we will operate under the Belle Maison brand from those we will develop outside the Belle Maison brand and enhancing the value of each brand.

iii) Expanding customer base

20s: In order to increase the number of customers in their 20s, we renewed the catalogue *Fashion Plus* in March 2009 by reviewing the selection of products, the number of items and the price range to match the tastes and lifestyles of the target customers. Furthermore, we launched a virtual trial-fitting service on the Internet to complement the catalogue, Internet-only sales of products and handling of new brand products. In addition, we issued a bind-in mail-order catalogue in *With* magazine.

50s: The Senshukai Group established K. SENSE, Inc., a company operating the mail-order business and marketing business for seniors, jointly with Kadokawa SS Communications Inc. (hereinafter referred to as “Kadokawa SSC”) in July 2009. We will start by offering a bind-in mail-order catalogue in *Mainichi Ga Hakken*, a monthly magazine published by Kadokawa SSC, in an effort to develop a selection of products and merchandise that match the tastes of women in their 50s.

iv) Enhancing SCM (supply-chain management)

The ratio of the number of orders received to the number of products shipped and the instant supply ratio improved from the previous fiscal year. We reduced inventory value by about 4,000 million yen from a year earlier through such measures as speedily implementing bargain sales after the expiration of the catalogue period, offering a price discount on Internet stores and placing orders meticulously. We will continue to strive to improve cash flows by normalizing inventory levels.

The Senshukai Group also places importance on the creation of highly transparent management system and its effective operation as well as the establishment of an internal control system, being fully aware of the significance of “corporate governance” in business activities as an essential factor to improve its corporate value by establishing balanced relationships with our stakeholders, including shareholders, customers, employees, business partners and local communities.

Accordingly, we will strengthen our corporate governance through improvement and enhancement of our internal control system by clarifying the scope of supervisory roles of

Directors, strengthening our compliance system, and promoting quick and accurate information disclosure.

Looking ahead, the Senshukai Group will endeavor to realize further improvement in the corporate value.

We look forward to your continuous support and encouragement.

(5) Trends in financial position and gain and loss

(Millions of yen)

Items \ Fiscal year	The 62nd (ended Dec. 2006)	The 63rd (ended Dec. 2007)	The 64th (ended Dec. 2008)	The 65th (ended Dec. 2009)
Net sales	148,150	156,792	158,285	147,292
Ordinary income (loss)	5,240	5,626	-4,553	-1,410
Net income (loss)	3,627	2,494	-6,833	-3,811
Net income (loss) per share (yen)	78.81	53.60	-146.29	-84.18
Total assets	95,508	98,422	104,059	91,837
Net assets	55,708	55,955	44,274	37,906
Net assets per share (yen)	1,207.89	1,197.62	947.19	874.89

(6) Status of the important parent company and subsidiaries

1) Relationship with the parent company

No applicable items

2) Major subsidiaries

Company name	Capital (Millions of yen)	Percentage of voting rights of the Company (%)	Major business
Dears Brain Inc.	350	100.0	Residence-like wedding business
Senshu Logisuko Co., Ltd.	95	100.0	Packing and wrapping business
Senshukai Call Center Co., Ltd.	60	100.0	Planning and executing telephone marketing
Senshukai General Service Co., Ltd.	50	100.0	Travel services, information services
Senshukai Service Hanbai Co., Ltd.	50	100.0	Customer service and area marketing business

Senshukai Co., Ltd. owns a total of 14 consolidated subsidiaries, including the five major subsidiaries described above.

(7) Major business

The Senshukai Group operates a mail-order business as its core business, and is also engaged in other related businesses such as the retail business (including retail stores), the service business (including the wedding business and travel service) and the B-to-B operations that provide products and services to corporations as its other businesses.

(8) Principal offices

Senshukai Co., Ltd.	Head Office:	Kita-ku, Osaka
	Tokyo Headquarters:	Shinagawa-ku, Tokyo
Dears Brain Inc.	Head Office:	Chiyoda-ku, Tokyo
Senshu Logisuko Co., Ltd.	Head Office:	Kita-ku, Osaka
	Kanuma branch office:	Kanuma-shi, Tochigi
	Chubu branch office:	Kani-shi, Gifu
	Kyoto branch office:	Kyotanabe-shi, Kyoto
	Koshien branch office:	Nishinomiya-shi, Hyogo
Senshukai Call Center Co., Ltd.	Head Office:	Kita-ku, Osaka
Senshukai General Service Co., Ltd.	Head Office:	Kita-ku, Osaka
Senshukai Service Hanbai Co., Ltd.	Head Office:	Kita-ku, Osaka

(9) Employees of the Senshukai Group

1) Consolidated basis

Segment	Number of employees	Change from the previous fiscal year
Mail-order Business	1,071	47
Other Businesses	351	-19
Other staff (consolidated basis)	114	10
Total	1,536	38

Note: The number of employees includes regular and contract staff.

2) Senshukai Co., Ltd.

Number of employees	Change from the previous fiscal year	Average age	Average service years
801	16	38.1	11.0

Notes:

1. The number of employees includes regular and contract staff, but does not include (84) employees seconded to subsidiaries.
2. The retirement age of employees is 60.

(10) Major creditors

Creditors	Borrowings outstanding (Millions of yen)
Sumitomo Mitsui Banking Corp.	5,673
Mizuho Bank, Ltd.	3,229
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,809
The Sumitomo Trust & Banking Co., Ltd.	1,283

2. Items regarding shares of the Company

(1) Total number of shares authorized to be issued: 180,000,000

(2) Total number of shares issued: 47,630,393

(3) Number of shareholders: 13,196

(4) Major shareholders (Top 10 shareholders)

Name	No. of shares held (thousands)	Shareholding ratio (%)
Brestsheave Co., Ltd.	3,650	8.43
Toppan Printing Co., Ltd.	1,838	4.24
Sawzan, Ltd.	1,792	4.14
Sumitomo Mitsui Banking Corp.	1,665	3.85
Dai Nippon Printing Co., Ltd.	1,509	3.49
Mizuho Bank, Ltd.	1,319	3.05
Nippon Life Insurance Company	988	2.28
Senshukai Group Employee Stock Ownership Plan	922	2.13
Japan Trustee Services Bank, Ltd. (Trust account)	848	1.96
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	813	1.88

Notes:

1. Amounts less than one thousand shares have been omitted.

2. The shareholding ratio is calculated by subtracting treasury stock (4,319,385 shares).

(5) Purchase of treasury stock

Treasury stock acquired during the fiscal year under review based on the resolution of the Board of Directors:

- Common stock: 3,400,000 shares
- Total acquisition cost: 2,142,000,000 yen
- Reason for acquisition:
  To implement a flexible capital policy in response to changes in the management environment and increase the capital efficiency

3. Items regarding subscription rights to shares of the Company

No applicable items

4. Directors and Auditors

(1) Name of Directors and Auditors (As of December 31, 2009)

Title	Name	Responsibilities at the Company and important concurrent occupations or positions at other organizations
President and Representative Director	Yasuhiro Yukimachi	
Senior Managing Director	Kiichi Tagawa	In charge of Business Division (Fashion Business Division, Lifestyle Business Division, Child Care Business Division, Monthly Business Division, Gift & Gourmet Business Division, Atopurame Development Section, Sales Department)
Senior Managing Director	Michio Tanabe	In charge of Corporate Development Division and Administration Division (Management Planning Department, General Affairs Division, Legal Division, Operation Division, Marketing Division, Production Division, International Affairs Division)
Managing Director	Shohachi Sawamoto	In charge of Tokyo Headquarters (Tokyo Business Division, Tokyo Administration and Public Relations Department), Bio Research Department
Director and Managing Executive Officer	Mamoru Asada	Division Director of Monthly Business Division and Project Division, General Manager of Business Planning Department of Monthly Business Division
Director and Managing Executive Officer	Shigemitsu Mineoka	Division Director of Fashion Business Division, General Manager of Brand Fashion Development Department of Fashion Business Division
Director and Executive Officer	Hiroyuki Hoshino	Division Director of Tokyo Business Division, President and Representative Director of Pet First Co., Ltd.
Director	Tomoko Oishi	Professor of Kyoto Gakuen University, Faculty of Business Administration
Director	Toshikatsu Sano	
Standing Auditor	Shoji Tottori	
Standing Auditor	Yoshihiro Inoda	
Auditor	Hideyuki Koizumi	Certified Public Accountant (Representative of Koizumi C.P.A. Office), External Corporate Auditor of Japan Cash Machine Co., Ltd.
Auditor	Hiroshi Morimoto	Attorney (Representative member of Kitahama Partners L.P.C.), External Corporate Auditor of Japan Cash Machine Co., Ltd.

Notes:

1. Directors Tomoko Oishi and Toshikatsu Sano are External Directors.
2. Auditors Hideyuki Koizumi and Hiroshi Morimoto are External Auditors.
3. External Auditor Hideyuki Koizumi is qualified as certified public accountant and has considerable knowledge regarding finance and accounting.

4. Changes in "Responsibilities at the Company and important concurrent occupations or positions at other organizations" of Directors attendant upon the organizational change implemented during the fiscal year under review are as follows:

Date	Title	Name	Before reorganization	After reorganization
June 1, 2009	Director and Managing Executive Officer	Mamoru Asada	Division Director of Monthly Business Division and Project Division, General Manager of Product Development Department of Monthly Business Division	Division Director of Monthly Business Division and Project Division, General Manager of Business Planning Department of Monthly Business Division
July 1, 2009	Director and Executive Officer	Hiroyuki Hoshino	Division Director of Tokyo Business Division	Division Director of Tokyo Business Division, President and Representative Director of Pet First Co., Ltd.

(2) Resigned Director during the fiscal year under review

Name	Date of resignation	Reason for resignation	Positions and responsibilities at the Company as of resignation and important concurrent occupations or positions at other organizations
Kazuhide Fujiyoshi	March 27, 2009	Termination of a term	Director and Managing Executive Officer, Division Director of General Affairs Division

(3) Total of compensation paid to Directors and Auditors

	Number of Directors and Auditors	Amount (Millions of yen)
Directors [of which External Directors]	10 [2]	171 [15]
Auditors [of which External Auditors]	4 [2]	40 [10]
Total [of which External Directors and External Auditors]	14 [4]	212 [25]

Notes:

1. The amount of compensation paid to Directors does not include salaries for employees paid to Directors who concurrently serve as employees.
2. The number of Directors, to whom compensation was paid, and the amount of compensation paid to Directors respectively include one Director who retired from his office at the conclusion of the 64th Ordinary General Meeting of Shareholders, held on March 27, 2009.
3. It was resolved at the 62nd Ordinary General Meeting of Shareholders, held on March 29, 2007, that the maximum amount of remuneration to be paid to Directors in total per year shall not exceed 400 million yen (however, not including salaries for employees).
4. It was resolved at the 62nd Ordinary General Meeting of Shareholders, held on March 29, 2007, that the maximum amount of remuneration to be paid to Auditors in total per year shall not exceed 70 million yen.

(4) Items regarding External Directors and External Auditors

A. Important concurrent occupations or positions at other organizations and relationships between the Company and the relevant organizations

- Auditor Hideyuki Koizumi is the Representative of Koizumi C.P.A. Office, and there is no special relationship between the Company and that organization. Hideyuki Koizumi concurrently serves as External Corporate Auditor of Japan Cash Machine Co., Ltd., and there is no special relationship between the Company and that organization.
- Auditor Hiroshi Morimoto is representative member of Kitahama Partners L.P.C., and the Company has concluded legal advisory contracts with other attorneys of that organization. Hiroshi Morimoto concurrently serves as External Corporate Auditor of Japan Cash Machine Co., Ltd., and there is no special relationship between the Company and that organization.

B. Major activities in the fiscal year under review

	Major activities
Director Tomoko Oishi	She attended 20 of the 22 meetings of the Board of Directors held in the fiscal year under review. She gives advice and proposals for ensuring validity and appropriateness of decision-making of the Board of Directors, offering opinions mainly based on her insight and experience on working women, our main customers, as a professor acquired familiarity with labor issues for women over many years.
Director Toshikatsu Sano	He attended all of the 22 meetings of the Board of Directors held in the fiscal year under review. He has successively served as Director mainly at financial-related companies, and gives advice and proposals for ensuring validity and appropriateness of decision-making of the Board of Directors, offering opinions from the perspective of corporate manager based on his wealth of knowledge, experience, etc.
Auditor Hideyuki Koizumi	He attended all of the 22 meetings of the Board of Directors and all of the nine meetings of the Board of Auditors held in the fiscal year under review. He gives opinions for ensuring validity and appropriateness of decision-making of the Board of Directors at the meetings of the Board of Directors from the professional standpoint as a certified public accountant. Also, he properly offers necessary views about the accounting procedure of the Company at the meetings of the Board of Auditors.
Auditor Hiroshi Morimoto	He attended 20 of the 22 meetings of the Board of Directors and all of the nine meetings of the Board of Auditors held in the fiscal year under review. He gives opinions for ensuring validity and appropriateness of decision-making of the Board of Directors at the meetings of the Board of Directors from the professional standpoint as an attorney. Also, he properly offers necessary views about compliance of the Company at the meetings of the Board of Auditors.

C. Outline of the details of the agreement to limit liability

Pursuant to Article 427, Paragraph 1 of the Corporation Act, the Company and its External Directors and External Auditors conclude agreements to limit their liability for compensation as stipulated in Article 423, Paragraph 1 of the said act. The limit of liabilities for compensation under the relevant agreement is the minimum amount stipulated in laws and regulations.

5. Item regarding accounting auditors

(1) Name of the accounting auditor: Ernst & Young ShinNihon LLC

(2) Compensation for the accounting auditor:

1): Compensation, etc. for the accounting auditors for the fiscal year under review

50 million yen

2): The total fiscal benefit that should be paid by the Company and its subsidiaries

55million yen

Note: Compensation, etc. in 1) is written in total amount, because in agreement with accounting auditors, clear classification of compensation amounts based on the Corporation Act and those based on the Financial Instruments and Exchange Act is difficult.

(3) Details of non-auditing services

Advice on the establishment of an internal control system regarding financial reporting, etc.

(4) Audit of Statements of Account of subsidiaries performed by certified public accounts other than the accounting auditors

Of the consolidated subsidiaries of the Company, Shanghai Senshu Merchant and Commerce Co., Ltd. is subject to audit (only if it is pursuant to the provisions of the Corporation Act and the Financial Instruments and Exchange Act (including foreign laws and regulations equivalent to the aforementioned acts)) by a certified public accountant or auditing firm (including those with qualifications in foreign countries equivalent to the above-mentioned qualifications) other than the accounting auditors of the Company.

(5) Policy on decision for dismissal or non-reappointment of accounting auditor

The Board of Directors shall make dismissal or non-reappointment of the accounting auditor the purpose of a General Meeting of Shareholders after obtaining the consent of the Board of Auditors, or based on the demand of the Board of Auditors, mentioned below, when it recognizes necessity for doing so, including a case in which performance of duties by the accounting auditor is hindered.

When the accounting auditor falls under any of the items stipulated in Article 340, Paragraph 1 of the Corporation Act, the Board of Auditors shall dismiss the accounting auditor based on the consent of all Auditors. In this case, an Auditor selected by the Board of Auditors shall report the dismissal of the accounting auditor and the reason for dismissal at the first General Meeting of Shareholders to be held after the dismissal.

6. The system to assure appropriateness of the business activities

The Company made a resolution on the basic policy for the internal control system, and provision of it, as follows, at the meeting of the Board of Directors based on the provisions of Article 362, Paragraph 4, Item 6 and Paragraph 5 of the Corporation Act and has been executing it.

(1) Basic ideas on the internal control system

The Senshukai Group acknowledges that "corporate governance" is essential in its corporate activities as stated in 1. Summary of operations (4) Issues to be handled and aims to prepare the internal control system for it to strengthen compliance, improve efficiency in business execution and establish a risk control system. The Senshukai Group reviewed part of the details on June 26, 2009, and will review the internal control system according to demand of society or change in the environment, as required, to improve and enrich it.

(2) Specifics of the internal control system

1. A system to assure that execution of duties of the Directors and employees complies with the laws, regulations and the Articles of Incorporation
    1) To ensure compliance, the Senshukai Group has established the "Senshukai Group Compliance Policies." In addition, the Senshukai Group shall provide the "Corporate Ethics Helpline" as an internal reporting system for promptly responding to potential risks such as violations of laws, regulations and internal regulations.
    2) If any compliance issues arise with any directors (Directors, Auditors and Executive Officers) and employees, each one shall be discussed and examined in the Audit Committee in the case of directors and the Corporate Ethics Compliance Committee in the case of employees through the internal liaison or the Corporate Ethics Helpline as an external liaison based on regulations.
    3) For directors and employees, we shall distribute the "Senshukai Personal Conduct Principles" and "Senshukai Corporate Behavior CaseBook" for use as guidelines in daily life at work. In addition, we shall provide compliance education on an as-needed basis through e-learning and Intranet programs.
    4) To ensure internal control in the Company, the Internal Auditing Department under the Legal Division, which supervises compliance, shall conduct internal audits based on regulations to grasp and improve the status of business operations and reports the results to the President.
    5) Responsibilities for intellectual property shall be checked preliminarily by the Legal

& Credit Department. To fulfill product liability requirements, the Quality Management Committee shall review and determine sales of restricted products.

2. The system for storage and management of information related to execution of duties of the Directors
   1) Documents shall be stored and managed fully based on the “Document Handling Rules” and “Data Management Regulations.”
   2) Important confidential items of the Company shall be strictly managed according to the “Confidential Document Handling Rules” separately.
   3) Also, any revision of important rules shall be made with the approval of the Board of Directors.
   4) The information related to execution of duties by the Directors shall be made accessible by the Directors and Auditors at all times on the Intranet.
3. The rules for management of risk of loss and other systems
   1) We shall classify risks concerning the basis of management into ten categories, and clarify the control system by establishing a division or a committee for each risk category, so that responses can be made quickly when problems occur. The status of management of each risk shall be reported to the “Administrative Office of Risk Management Control Committee” on a monthly basis.
      The Administrative Office shall summarize monthly reports and report quarterly, or in emergency situations, a division or a committee for each risk category shall report promptly to the Risk Management Control Committee, which is comprised of members of the Management Council.
   2) To ensure implementation of concrete measures for risk management, we shall prepare a manual for each risk category on an as-needed basis and establish a system to take actions promptly.
   3) For the system against unexpected situations of any Directors, we shall establish rules and a system to execute operations smoothly on their behalf.
4. A system to assure efficient execution of duties of the Directors
   1) We shall establish “Company Rules” and “Rules for Application for Liquidation Items” to realize the efficiency of business activities by clarifying the roles of the Board of Directors, Management Council, Council of Division Directors, Board of Auditors or other parties, duty positions of the employees, duty allotment, official authority, roles and decision authority, etc.
   2) In order to improve the transparency of the Board of Directors and strengthen the supervisory function, an External Director (part-time service) system shall be implemented.

3) We shall introduce "Executive Officer System" and "Business Division System" to speed up and streamline the decision-making process of the management. Executive Officers take office as Division Directors, in principle, and Directors with managerial positions mainly supervise and give guidance to each Division Director, as Directors in charge.
4) A "Management Council" mainly made up of full-time Directors and Auditors and a Council of Division Directors made up of Executive Officers of divisions shall be established separate from the Board of Directors to enable resolutions to be passed on important business activities commissioned by the Board of Directors in the Management Council or the Council of Division Directors depending on the details to ensure quick decision-making.
5) We shall implement a technique that utilizes "BSC (Balance Score Cards)" effectively supporting organization performance monitoring and evaluation indexes, and we shall conduct reviews and gather feedback of results in the Management Council.

5. System to assure appropriateness of business activities in the corporate group consisting of the Company, the parent company and the subsidiaries

1) The Company and the group companies shall formulate and implement "Regulations for Management of Subsidiaries and Affiliated Companies" to enhance the corporate value of the entire group and fulfill social responsibilities. In addition, we shall establish a system of having the parent company approve important items of the subsidiaries for which it holds a stake of 50% or more.
2) By establishing a system of having each lead office supervise the subsidiaries, we shall facilitate close cooperation in directions, instructions and communication between the parent company and the subsidiaries, while each lead office gives guidance, advice and evaluation, in an effort to rationalize the business activities as a group.
3) We shall hold regular meetings between the incorporated auditing firm and the Directors of the parent company to exchange opinions about the entire group's situation.
4) We shall formulate insider trading regulations and regulations related to internal reporting, which will be implemented in common throughout the group, and common compliance education will be provided to directors and employees of the group companies.

6. Item regarding employees in case that Auditors request employees who are to assist their duties and item regarding independency of the relevant employees from the

Directors

1) Dedicated a full-time staff for the Auditor is in place according to the request of the Board of Auditors.
2) Personnel change, personnel evaluation and disciplinary punishment of a full-time staff for the Auditor, opinions of the Board of Auditors are to be fully respected.

7. The system for the Directors and the employees to report to the Auditors, the system regarding report to Auditors and the system to assure that audits are effectively conducted by the Auditors

1) The Standing Auditors shall attend major meetings if necessary, and receive important information including the management status.
2) The Standing Auditors shall attend meetings of the "Risk Management Control Committee," and in cases where any important item in the "Corporate Ethics Helpline" or any fact that could cause substantial damage to the Company is detected through one of the risk management committees or divisions, Standing Auditors are required to immediately report such items or facts to the Auditors.
3) Materials required by Auditors for inspection shall be available for inspection upon request at any time.
4) Results of audits conducted by the Internal Auditing Department shall be reported to Auditors.
5) The Auditors shall regularly hold opinion exchange meetings with President and the auditing firm, respectively.
6) The Auditors shall conduct regular audits by interviewing the Directors, the Executive Officers and important employees.
7) The Board of Auditors shall be able to take professional advice if they so request.

8. System to assure reliability of financial reporting

1) The Senshukai Group shall evaluate and conduct external reporting on reliability of internal control over financial reporting pursuant to the provisions of relevant laws and regulations including the Financial Instruments and Exchange Act.
2) In evaluating the effectiveness of internal control over financial reporting, we shall establish procedures in accordance with standards of evaluation that are deemed fair and appropriate in general, and comply with such procedures.
3) In order to assure the effectiveness of internal control over financial reporting, we shall perform internal audits targeting all the group companies on a regular basis, detect and correct deficiencies and material defects, if there are any, and strive to make improvements continuously.
4) In order to assist in the development and operation of effective internal control, as

well as evaluation and external reporting of internal control over financial reporting, which are required of the President, the Internal Auditing Department shall perform internal audits based on the "Regulations for the Development and Operation of Internal Control over Financial Reporting" and report the results of audit to the President.

9. System for exclusion of antisocial forces
The Company shall establish the "Compliance Policies" and the "Guidelines for Preventing Damage by Antisocial Forces," and it will take a resolute stance against antisocial forces that pose a threat to social order and safety. In addition, it declares to all the directors and employees that it will have nothing to do with such antisocial forces and will thoroughly ensure that.

7. Basic policy on control of the company

I. Basic policy on the person who controls decisions on financial and operational policies of the Company

We do not reject large-scale purchase of shares if it contributes to the increase of our corporate value and common interests of shareholders. In addition, we believe that the decision whether to agree to the proposal of large-scale share purchases that accompanies transfer of control of the Company should ultimately be made based on the consensus of shareholders.

However, many large-scale purchases of shares do not contribute to the increase of corporate value and common interests of shareholders. For example, sometimes such purchases target only specific assets and technology, which is clearly detrimental to the corporate value and common interests of shareholders. At other times, such purchase may effectively force shareholders to sell their shares, where it may provide insufficient time and information being given for a Board of Directors and shareholders of the target company to examine the large-scale purchase of shares, or for the Board of Directors of the target company to present alternative proposals, and where the target company needs to negotiate with the purchaser to obtain more favorable terms than the purchaser has offered.

The Company considers a person or a company that intends to make such improper large-scale purchases of shares to be not suitable as a person who controls decisions on financial and operational policies of the Company, and believes that the increase of the corporate value of the Company and by extension, common interests of shareholders need to be ensured by taking necessary and considerable measures against large-scale purchases by such purchasers.

II. Special efforts for realizing the basic policy

In order to increase corporate value, the Company has developed and is implementing new Medium-Term Management Plan, covering three fiscal years from January 2008 to December 2010, following the previous Medium-Term Management Plan. We are confident that we will be able to increase our corporate value and eventually meet the expectations of shareholders by steadily implementing the Medium-Term Management Plan.

III. Efforts for preventing decisions on financial and operational policies of the Company from being controlled by inappropriate persons in light of the basic policy

The Board of Directors of the Company considers that a framework is indispensable in order to prevent large-scale purchases that are against the corporate value of the Company and common interests of shareholders. When a large-scale purchase of shares of the Company is to be made, the framework allows us to request that the purchaser and proponent of purchase (hereafter, referred to collectively as the "purchaser or similar party") provides information prior to such purchase, thereby shareholders decide whether to accede to the purchase or not, or ensure necessary information and time for the Board of Directors of the Company to make alternative proposals or negotiate with the purchaser or similar party on behalf of the shareholders.

The Company introduced a Policy toward Large-scale Purchases of Shares of the Company (hereinafter referred to as the "previous plan") at the 62nd Ordinary General Meeting of Shareholders, held on March 29, 2007, as a countermeasure against takeovers in ordinary times with an effective period up to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended December 31, 2007. In consideration of various developments surrounding countermeasures against corporate acquisition, the Company thereafter continued to examine the appropriate countermeasures against takeovers in ordinary times. Accordingly, the Company decided to continue with the previous plan, after making partial revision, (hereinafter, the revised plan shall be referred to as "the plan") as part of our efforts for ensuring and increasing the corporate value of the Company and common interests of shareholders, to prevent any attempts at abusive acquisitions targeting the Company, with the approval of shareholders at the 63rd Ordinary General Meeting of Shareholders held on March 28, 2008 to continue with the prevailing plan until the conclusion of the Ordinary General Meeting of Shareholders covering the fiscal year ending December 31, 2010.

IV. Judgment of the Company's Board of Directors on the aforementioned efforts and reasons for the judgment

1. About special efforts for realizing the basic policy (efforts specified in II.)

Each effort stated in II. has been worked out as a measure to continuously and persistently increase the corporate value of the Company and common interests of shareholders, and contributes to the realization of the basic policy.

Therefore, these efforts are in line with the basic policy and in accord with common interests of shareholders of the Company, and not aimed at maintaining the status of corporate Directors and Auditors of the Company.

2. About efforts for preventing decisions on financial and operational policies of the Company from being controlled by inappropriate persons in light of the basic policy (efforts specified in III.)

(1) The plan is in line with the basic policy

The plan is a framework for ensuring the corporate value of the Company and by extension, the common interests of shareholders. When a large-scale purchase of shares of the Company is to be made, the plan allows us to request that the purchaser or similar party provides information prior to such purchase, thereby shareholders decide whether to accede to the purchase or not, or ensure necessary information and time for the Board of Directors of the Company to make alternative proposals or negotiate with the purchaser or similar party on behalf of the shareholders. It is in line with the basic policy.

(2) The relevant efforts neither damage common interests of shareholders nor are aimed at maintaining the status of corporate Directors and Auditors of the Company

We believe that efforts for preventing control by inappropriate persons in light of the basic policy neither damage common interests of shareholders nor are aimed at maintaining the status of corporate Directors and Auditors of the Company, since 1) they completely satisfy the "Guidelines on takeover defense for ensuring and/or increasing corporate value and stakeholder profits," released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005; 2) they attach importance to the intention of shareholders in various ways: they will be continued on condition that amendments to the Articles of Incorporation made based on the prescribed procedure are approved by shareholders in the General Meeting of Shareholders in accordance with provisions of the Articles of Incorporation and the so-called sunset clause is established; 3) a Special Committee has been established; and 4) they are not a dead-hand type of countermeasure against takeovers.

Consolidated Balance Sheet
As of December 31, 2009

	Millions of yen
	As of December 31, 2009
ASSETS	
Current Assets	
Cash and deposits	8,613
Notes and accounts receivable-trade	10,248
Short-term investment securities	182
Merchandise and finished goods	10,967
Raw materials and supplies	112
Deferred tax assets	545
Accounts receivable-other	7,568
Other	4,174
Allowance for doubtful accounts	-294
Total Current Assets	42,117
Noncurrent Assets	
Property, Plant and Equipment:	
Buildings and structures	14,219
Machinery, equipment and vehicles	1,120
Tools, furniture and fixtures	1,056
Land	11,078
Construction in progress	577
Total Property, Plant and Equipment	28,052
Intangible Assets:	
Goodwill	2,793
Other	2,756
Total Intangible Assets	5,549
Investments and Other Assets	
Investment securities	9,378
Long-term loans receivable	631
Lease and guarantee deposits	1,673
Deferred tax assets	196
Other	4,449
Allowance for doubtful accounts	-210
Total Investments and Other Assets	16,118
Total Noncurrent Assets	49,720
Total Assets	91,837

	Millions of yen
	As of December 31, 2009
LIABILITIES	
Current Liabilities	
Notes and accounts payable-trade	6,934
Short-term loans payable	5,923
Current portion of bonds	766
Accounts payable-other	6,754
Accounts payable-factoring	13,707
Accrued expenses	1,983
Income taxes payable	271
Accrued consumption taxes	361
Deferred tax liabilities	2
Provision for sales promotion expenses	526
Forward exchange contracts	3,045
Other	1,043
Total Current Liabilities	41,321
Noncurrent Liabilities	
Bonds payable	4,052
Long-term loans payable	7,584
Deferred tax liabilities	1
Deferred tax liabilities for land revaluation	756
Provision for retirement benefits	35
Other	178
Total Noncurrent Liabilities	12,609
Total Liabilities	53,930
NET ASSETS	
Shareholders' Equity	
Capital stock	20,359
Capital surplus	21,038
Retained earnings	9,517
Treasury stock	-2,774
Total Shareholders' Equity	48,140
Valuation and Translation Adjustments	
Valuation difference on available-for-sale securities	-1,013
Deferred gains or losses on hedges	-2,044
Revaluation reserve for land	-7,067
Foreign currency translation adjustment	-122
Total Valuation and Translation Adjustments	-10,247
Minority Interests	14
Total Net Assets	37,906
Total Liabilities and Net Assets	91,837

Consolidated Statement of Income
For fiscal year ended December 31, 2009

	Millions of yen For fiscal year ended December 31, 2009
Net sales	**147,292**
Cost of sales	**78,927**
Gross profit	**68,364**
Selling, general and administrative expenses	**70,770**
Operating loss	**2,405**
Non-operating income	**2,148**
Interest and dividends income	404
Foreign exchange gains	1,403
Gain on valuation of compound financial instruments	21
Co-sponsor fee	42
Other	276
Non-operating expenses	**1,154**
Interest expenses	317
Equity in losses of affiliates	65
Bond issuance cost	127
Commission fee	450
Other	193
Ordinary loss	**1,410**
Extraordinary income	**43**
Gains on sales of noncurrent assets	1
Gains on redemption of debt	42
Extraordinary loss	**1,726**
Loss on sales and retirement of noncurrent assets	95
Loss on valuation of investment securities	573
Loss on sales of investment securities	576
Impairment loss	356
Provision of allowance for doubtful accounts	28
Other	95
Loss before income taxes and minority interests	**3,093**
Income taxes-current	322
Income taxes-deferred	432
Minority interests in loss	36
Net loss	**3,811**

Consolidated Statement of Changes in Shareholders' Equity
For fiscal year ended December 31, 2009

(Millions of yen)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of December 31, 2008	20,359	21,038	14,064	-631	54,830
Changes of items during the fiscal year under review					
Dividends from surplus			-700		-700
Net loss			-3,811		-3,811
Purchase of treasury stock				-2,142	-2,142
Disposal of treasury stock		-0		0	0
Reversal of revaluation reserve for land			-35		-35
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year under review	—	-0	-4,547	-2,142	-6,690
Balance as of December 31, 2009	20,359	21,038	9,517	-2,774	48,140

(Millions of yen)

	Valuation and Translation Adjustments					Minority Interests	Total Net Assets
	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Revaluation Reserve for Land	Foreign Currency Translation Adjustment	Total Valuation and Translation Adjustments		
Balance as of December 31, 2008	-1,312	-2,038	-7,103	-130	-10,584	29	44,274
Changes of items during the fiscal year under review							
Dividends from surplus							-700
Net loss							-3,811
Purchase of treasury stock							-2,142
Disposal of treasury stock							0
Reversal of revaluation reserve for land							-35
Net changes of items other than shareholders' equity	299	-6	35	8	336	-14	322
Total changes of items during the fiscal year under review	299	-6	35	8	336	-14	-6,367
Balance as of December 31, 2009	-1,013	-2,044	-7,067	-122	-10,247	14	37,906

Notes to Consolidated Financial Statements

Basis for the Presentation of Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 14

Names of major consolidated subsidiaries:

Senshukai General Service Co., Ltd., Senshu Logisuko Co., Ltd.,
Senshukai Call Center Co., Ltd., Dears Brain Inc.

Shanghai Senshu Merchant and Commerce Co., Ltd., which was an unconsolidated subsidiary in the previous fiscal year, is included in the scope of consolidation effective from the fiscal year under review because of its increased materiality from an accounting viewpoint.

Senshukai Retailing Service Co., Ltd. was newly established and is included in the list of consolidated subsidiaries.

Future Compass Co., Ltd. was excluded from the scope of consolidation as the company was liquidated and terminated in December 2008.

(2) Number of unconsolidated subsidiaries: 10

Names of major unconsolidated subsidiaries: Senshukai Hong Kong Limited

[Reason for exclusion from the scope of consolidation]

None of the factors of the unconsolidated subsidiaries mentioned above, including total assets, net sales, net income/loss (amount appropriate for relevant shareholdings), and retained earnings (amount appropriate for relevant shareholdings), have any significant effects on the consolidated financial statements.

2. Scope of equity method

(1) Number of unconsolidated subsidiaries under the equity method: 3

Names of major unconsolidated subsidiaries under the equity method:

Senshukai Hong Kong Limited

Shanghai Senshu Merchant and Commerce Co., Ltd. is included in the scope of consolidation and excluded from the scope of equity method effective from the fiscal year under review because of its increased materiality from an accounting viewpoint.

(2) Number of affiliates under the equity method: 3

Names of major affiliates under the equity method:

SENTENs Co., Ltd., Mobakore Co., Ltd., K.SENSE, Inc.

K.SENSE, Inc. was newly established and is included in the scope of equity method effective from the fiscal year under review.

(3) With regard to companies under the equity method whose balance sheet dates are more

than six months apart from the consolidated balance sheet date, we use the financial statements of the relevant companies as of the end of their second quarter immediately before the consolidated balance sheet date.

We make necessary consolidation adjustments regarding material transactions conducted between the consolidated balance sheet date and such dates of the relevant companies.

(4) Names of major unconsolidated subsidiaries and affiliates excluded from the scope of equity method:

Innovation Information Technology (ShangHai) Co,. Ltd.

[Reason for exclusion from the scope of equity method]

None of the factors of the unconsolidated company excluded from the scope of equity method mentioned above, such as net income/loss (amount appropriate for relevant shareholdings), and retained earnings (amount appropriate for relevant shareholdings), have any significant effects on the consolidated financial statements.

3. Fiscal year-end of consolidated subsidiaries

The balance sheet dates of all the consolidated subsidiaries are the same as the consolidated balance sheet date.

4. Significant accounting policies

(1) Valuation criteria and method of significant assets

1) Securities

Securities classified as other securities with available fair market prices are stated at market price based on the market prices at the end of the fiscal year (Both unrealized gains and losses are included in net assets; cost of securities sold is determined by the moving-average method). Securities classified as such without available fair market prices are stated at moving-average cost.

2) Derivatives

Stated at market price.

3) Inventories

Mainly stated at cost based on the monthly gross average method (with carrying value in the consolidated balance sheet written down in accordance with the declining of profitability).

(2) Depreciation method of significant depreciable assets

1) Property, plant and equipment (excluding lease assets):

Depreciation of property, plant and equipment is computed using the declining-balance method, except for buildings (excluding fixtures) acquired on or after April 1, 1998, which are depreciated using the straight-line method.

The main useful lives are as follows:

Buildings and structures: 38-50 years

Machinery, equipment and vehicles: 12 years

(Additional information)

The Senshukai Group reviewed the useful lives of machinery and equipment for the Company and its domestic consolidated subsidiaries effective from the fiscal year under review accompanying the revision of the Corporation Tax Act and revised the useful lives to those based on the revised Corporation Tax Act.

This change in the useful lives has only a minor impact on profit and loss.

2) Intangible assets (excluding lease assets):

Amortization of intangible assets is computed using the straight-line method. Software for internal use is amortized based on a useful life of five years decided by internal regulations.

3) Lease assets:

Depreciation of lease assets is computed using the straight-line method with zero residual value assuming the lease periods as useful lives. Finance leases that do not transfer ownership to the lessee and that commenced on or before December 31, 2008 are accounted for using a method that is applicable to rental leases.

(3) Accounting processing of deferred assets:

Bond issuance cost

Bond issuance cost is entirely accounted for as expenses at the time of expenditure.

(4) Basis for provision of significant reserves

1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided to cover possible losses from bad debts. The amount for normal debtors is determined by the credit loss ratio based on past experience, and that for special debtors, such as debtors at risk of bankruptcy, is determined based on the expected probability of those accounts being collectable on an individual basis.

2) Provision for sales promotion expenses

To cover the projected sales promotion expenses due to our mileage point system, the Company posts a provision for sales promotion expenses, which is calculated by multiplying the amount payable, which is based on the number of issued and unclaimed points, by the past claim ratio.

3) Provision for retirement benefits

To cover projected employees' retirement benefits in part of our consolidated subsidiaries, the Company posts the deemed obligations at the end of fiscal year, based on the estimated amount of retirement benefit liabilities and pension assets.

The amount of retirement benefit liabilities is calculated using the simplified method.

4) Provision for directors' retirement benefits

(Additional information)

At the meeting of the Board of Directors held on January 29, 2009, the Company resolved to abolish Directors' and Auditors' retirement benefit system. In addition, our shareholders approved a resolution at the Ordinary General Meeting of Shareholders held on March 27, 2009 to make payments to current Directors and Auditors of the retirement benefits that have been accrued in their respective terms of office up to the date of abolishment of the Directors' and Auditors' retirement benefit system (December 31, 2008). Our consolidated subsidiaries have also abolished the Directors' and Auditors' retirement benefit system. In accordance with this, the Senshukai Group has reversed the balance of provision for directors' retirement benefits and posted the unpaid balance to accounts payable-other under current liabilities.

(5) Criteria for converting significant assets or liabilities denominated in foreign currencies into Japanese currency

Assets or liabilities denominated in foreign currencies are converted into Japanese yen using the spot exchange rate on the date of consolidated balance sheet, and any differences generated by this conversion are included in gains or losses.

(6) Promotion expenses

As for the Company's promotion expenses in the mail-order business, catalogue-related costs corresponding to the expected sales in the next fiscal year are posted as prepaid expenses and included in "Other" under current assets.

(7) Hedge accounting method

The Company adopts deferral hedge accounting.

(8) Consumption taxes

Consumption and local consumption taxes are excluded from revenues and expenses.

5. Valuation of assets and liabilities of consolidated subsidiaries

The assets and liabilities of consolidated subsidiaries are fully evaluated using the fair market value at the time when the Company acquired control of the respective subsidiaries.

6. Amortization of goodwill and negative goodwill

Each goodwill or negative goodwill is equally amortized within a period decided based on estimate of the period during which respective effects will be revealed.

Changes in Significant Matters That Form the Basis for Preparing Consolidated Financial Statements

(1) Application of "Accounting Standard for Measurement of Inventories"

Inventories held for ordinary sales purposes had been mainly stated using the monthly gross average method and lower of cost or market method. Effective from the fiscal year under review, the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9) has been applied and inventories are mainly stated at cost based on the monthly gross average method (with carrying value in the consolidated balance sheet written down in accordance with the declining of profitability).

As a result of this change, operating loss, ordinary loss and loss before income taxes and minority interests each increased by 1,195 million yen.

(2) Application of "Practical Solution on Unification of Accounting Policies Applied for Foreign Subsidiaries for Consolidated Financial Statements"

Effective from the fiscal year under review, the Senshukai Group has applied the "Practical Solution on Unification of Accounting Policies Applied for Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No. 18).

This change will have no impact on profit and loss.

(3) Application of "Accounting Standard for Lease Transactions" etc.

Finance leases that do not transfer ownership to the lessee were previously accounted for by a method similar to that applicable to ordinary rental leases. However, the Senshukai Group has applied the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16) and those assets are accounted for by a method that is applicable to ordinary sales transactions.

This change will have no impact on profit and loss.

Changes in Method of Presentation

Items posted as "inventories" in the previous fiscal year have been separately posted as "merchandise and finished goods" and "raw materials and supplies" effective from the fiscal year under review.

The amount of "merchandise and finished goods" and "raw materials and supplies" included in "inventories" in the previous fiscal year was 16,400 million yen and 97 million yen, respectively.

Notes to Consolidated Balance Sheet

1. Amounts less than one million yen have been omitted.
2. Accumulated depreciation on property, plant and equipment

   33,465 million yen
3. Breakdown of assets pledged as collateral

   (1) Pledged assets

Cash and deposits (time deposits)	15 million yen
Buildings and structures	748 million yen
Total	763 million yen

   (2) Liabilities corresponding to the aforementioned assets

Short-term loans payable	253 million yen
Current portion of bonds	66 million yen
Bonds payable	102 million yen
Long-term loans payable	477 million yen
Total	898 million yen

4. Guarantee obligation:

   Guarantee for bank borrowings

   Utilizers of employee housing loan 21 million yen
5. The land for business use owned by the Company was revaluated under the "Act on Revaluation of Land" (Act No. 34 of March 31, 1998), and the "Act for Partial Revision of the Act on Revaluation of Land" (amended on March 31, 1999), and unrealized losses resulting from the revaluation were posted as "Revaluation reserve for land" in net assets, after deducting the related deferred tax liabilities.

   The method of revaluation stipulated in Article 3, Paragraph 3 of the Act on Revaluation of Land:

   The Director-General of the National Tax Administration Agency decided and announced a calculation method to determine the land value that will be the basis of tax value calculations for the land value tax, under Article 2, Item 4 of the "Order for Enforcement of the Act on Revaluation of Land" (Cabinet Order No. 119 of March 31, 1998), and Article 16 of the "Land Value Tax Act" (Act No. 69 of 1991). The Company executed calculation and reasonable adjustments using the abovementioned method.

Date of revaluation:	March 31, 2000
The difference between the market value of land at the end of fiscal year under review and its book value after revaluation:	-2,500 million yen

6. The Company has concluded commitment line contracts with its correspondent financial institutions to finance working capital efficiently.

The balance of borrowings based on the commitment line contracts at the end of the fiscal year under review is as follows:

Total amount of commitment line contracts:	15,500 million yen
Balance of borrowings outstanding:	3,000 million yen
Balance:	12,500 million yen

7. Financial covenants

Financial covenants are attached to the above-mentioned commitment line contracts, and the Company may forfeit the benefit of term for all the borrowings provided based on these contracts if the Company should infringe any of the following clauses.

(1) The Company shall maintain the amount calculated by deducting the total of subscription rights to shares, minority interests and deferred gains or losses on hedges from the total of net assets in the balance sheet (both on a consolidated and non-consolidated basis) at the end of each fiscal year at 75% or above of the larger of the amount calculated by deducting the total of subscription rights to shares, minority interests and deferred gains or losses on hedges from the total of net assets on the balance sheet at the end of fiscal year ended December 31, 2008 or the said amount at the end of the previous fiscal year.

(2) The Company shall maintain the ratio of total amount of liabilities in the balance sheet (both on a consolidated and non-consolidated basis) at the end of each fiscal year to the amount calculated by deducting the total of subscription rights to shares, minority interests and deferred gains or losses on hedges from the total of net assets in the relevant balance sheet, at 150% or below.

(3) The Company shall not post operating loss in the statement of income (both on a consolidated and non-consolidated basis) for each fiscal year for two consecutive periods.

(4) The Company shall hold the amount calculated by deducting cash and deposits from the total of interest-bearing debt in the balance sheet (both on a consolidated and non-consolidated basis) at the end of each fiscal year so that the amount will not exceed the amount equivalent to five times as much as the total amount of net income or loss and depreciation expenses in the statement of income (both on a consolidated and non-consolidated basis) for two consecutive periods.

Notes to Consolidated Statement of Changes in Shareholders' Equity

1. Amounts less than one million yen have been omitted.
2. Total number of shares issued as of the end of the fiscal year under review

47,630,393 shares

3. Matters on dividends of surplus

(1) Dividend to be paid, etc.

Resolution	Class of stock	Total amount of dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on March 27, 2009	Common stock	420	9	December 31, 2008	March 30, 2009
Meeting of the Board of Directors held on July 30, 2009	Common stock	280	6	June 30, 2009	September 1, 2009

(2) Of dividends whose record date belongs to the fiscal year under review, dividends that take effect in the next fiscal year

No applicable items

Per Share Information

1. Net assets per share: 874.89 yen
2. Net loss per share: 84.18 yen

Significant Subsequent Events

No applicable items

Non-consolidated Balance Sheet
As of December 31, 2009

	Millions of yen
	As of December 31, 2009
ASSETS	
Current Assets	
Cash and deposits	6,035
Notes receivable-trade	113
Accounts receivable-trade	10,008
Merchandise and finished goods	10,750
Raw materials and supplies	66
Prepaid expenses	2,628
Deferred tax assets	673
Short-term loans receivable	1,272
Accounts receivable-other	7,496
Other	1,445
Allowance for doubtful accounts	-491
Total Current Assets	40,000
Noncurrent Assets	
Property, Plant and Equipment:	
Buildings	10,849
Structures	352
Machinery and equipment	1,082
Vehicles	3
Tools, furniture and fixtures	750
Land	11,006
Total Property, Plant and Equipment	24,045
Intangible Assets:	
Goodwill	89
Leasehold right	139
Software	1,991
Other	462
Total Intangible Assets	2,682
Investments and Other Assets	
Investment securities	8,262
Stocks of subsidiaries and affiliates	6,194
Long-term loans receivable	2,777
Deferred tax assets	28
Lease and guarantee deposits	935
Long-term prepaid expenses	89
Other	4,141
Allowance for doubtful accounts	-1,153
Allowance for investment loss	-245
Total Investments and Other Assets	21,029
Total Noncurrent Assets	47,757
Total Assets	87,757

	Millions of yen
	As of December 31, 2009
LIABILITIES	
Current Liabilities	
Notes payable-trade	1,354
Accounts payable-trade	4,980
Short-term loans payable	3,000
Current portion of long-term loans payable	2,670
Current portion of bonds	700
Accounts payable-other	5,964
Accounts payable-factoring	13,707
Accrued expenses	1,145
Income taxes payable	81
Accrued consumption taxes	223
Deposits received	529
Provision for sales promotion expenses	518
Forward exchange contracts	3,045
Other	290
Total Current Liabilities	38,211
Noncurrent Liabilities	
Bonds payable	3,950
Long-term loans payable	7,025
Deferred tax liabilities for land revaluation	756
Total Noncurrent Liabilities	11,731
Total Liabilities	49,943
NET ASSETS	
Shareholders' Equity	
Capital stock	20,359
Capital surplus	21,038
Legal capital surplus	19,864
Other capital surplus	1,174
Retained earnings	9,294
Legal retained earnings	1,118
Other retained earnings	8,176
Reserve for advanced depreciation of noncurrent assets	66
Reserve for overseas investment loss	40
General reserve	13,600
Retained earnings brought forward	-5,530
Treasury stock	-2,774
Total Shareholders' Equity	47,917
Valuation and Translation Adjustments	
Valuation difference on available-for-sale securities	-987
Deferred gains or losses on hedges	-2,047
Revaluation reserve for land	-7,067
Total Valuation and Translation Adjustments	-10,103
Total Net Assets	37,814
Total Liabilities and Net Assets	87,757

Non-consolidated Statement of Income

For fiscal year ended December 31, 2009

	Millions of yen For fiscal year ended December 31, 2009
Net sales	**136,941**
Cost of sales	**75,258**
Gross profit	**61,682**
Selling, general and administrative expenses	**64,030**
Operating loss	**2,347**
Non-operating income	**2,767**
Interest and dividends income	1,112
Foreign exchange gains	1,407
Gain on valuation of compound financial instruments	32
Other	215
Non-operating expenses	**1,037**
Interest expenses	287
Bond issuance cost	127
Commission fee	450
Other	172
Ordinary loss	**617**
Extraordinary income	**0**
Gains on sales of noncurrent assets	0
Extraordinary loss	**2,868**
Loss on sales and retirement of noncurrent assets	72
Loss on valuation of investment securities	573
Loss on sales of investment securities	517
Provision of allowance for doubtful accounts	631
Loss on valuation of stocks of subsidiaries and affiliates	580
Provision of allowance for investment loss	245
Impairment loss	247
Loss before income taxes	**3,485**
Income taxes-current	24
Income taxes-deferred	155
Net loss	**3,664**

Non-consolidated Statement of Changes in Shareholders' Equity
For fiscal year ended December 31, 2009

(Millions of yen)

	Shareholders' Equity											
	Capital Stock	Capital Surplus			Retained Earnings						Treasury Stock	Total Shareholders' Equity
					Legal Retained Earnings	Other Retained Earnings				Total Retained Earnings		
		Legal Capital Surplus	Other Capital Surplus	Total Capital Surplus		Reserve for Advanced Depreciation of Noncurrent Assets	Reserve for Overseas Investment Loss	General Reserve	Retained Earnings Brought Forward			
Balance as of December 31, 2008	20,359	19,864	1,174	21,038	1,118	69	36	13,600	-1,129	13,695	-631	54,461
Changes of items during the fiscal year under review												
Reversal of reserve for advanced depreciation of noncurrent assets						-3			3	—		—
Provision of reserve for overseas investment loss							7		-7	—		—
Reversal of reserve for overseas investment loss							-3		3	—		—
Dividends from surplus									-700	-700		-700
Net loss									-3,664	-3,664		-3,664
Purchase of treasury stock											-2,142	-2,142
Disposal of treasury stock			-0	-0							0	0
Reversal of revaluation reserve for land									-35	-35		-35
Net changes of items other than shareholders' equity												
Total changes of items during the fiscal year under review	—	—	-0	-0	—	-3	3	—	-4,400	-4,400	-2,142	-6,543
Balance as of December 31, 2009	20,359	19,864	1,174	21,038	1,118	66	40	13,600	-5,530	9,294	-2,774	47,917

(Millions of yen)

	Valuation and Translation Adjustments				Total Net Assets
	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Revaluation Reserve for Land	Total Valuation and Translation Adjustments	
Balance as of December 31, 2008	-1,223	-2,038	-7,103	-10,364	44,096
Changes of items during the fiscal year under review					
Reversal of reserve for advanced depreciation of noncurrent asset					—
Provision of reserve for overseas investment loss					—
Reversal of reserve for overseas investment loss					—
Dividends from surplus					-700
Net loss					-3,664
Purchase of treasury stock					-2,142
Disposal of treasury stock					0
Reversal of revaluation reserve for land					-35
Net changes of items other than shareholders' equity	235	-9	35	261	261
Total changes of items during the fiscal year under review	235	-9	35	261	-6,282
Balance as of December 31, 2009	-987	-2,047	-7,067	-10,103	37,814

<u>**Notes to Non-consolidated Financial Statements**</u>

Principal accounting policies

1. Valuation criteria and method of assets

(1) Securities

Stocks of subsidiaries and affiliates are stated at moving-average cost. Securities classified as other securities with available fair market prices are stated at market price based on the market prices at the end of the fiscal year (Both unrealized gains and losses are included in net assets; cost of securities sold is determined by the moving-average method). Securities classified as such without available fair market prices are stated at moving-average cost.

(2) Derivatives

Stated at market price.

(3) Inventories

Mainly stated at cost based on the monthly gross average method (with carrying value in the non-consolidated balance sheet written down in accordance with the declining of profitability).

2. Depreciation method of fixed assets

(1) Property, plant and equipment (excluding lease assets)

Depreciation of property, plant and equipment is computed using the declining-balance method, except for buildings (excluding fixtures) acquired on or after April 1, 1998, which are depreciated using the straight-line method.

The main useful lives are as follows:

Buildings:	38-50 years
Machinery and equipment:	12 years

(Additional information)

The Company reviewed the useful lives of machinery and equipment effective from the fiscal year under review accompanying the revision of the Corporation Tax Act and revised the useful lives based on the revised Corporation Tax Act.

This change in the useful lives has only a minor impact on profit and loss.

(2) Intangible assets (excluding lease assets)

Amortization of intangible assets is computed using the straight-line method. Software for internal use is amortized based on a useful life of five years decided by internal regulations.

(3) Lease assets:

Depreciation of lease assets is computed using the straight-line method with zero residual value assuming the lease periods as useful lives. Finance leases that do not transfer ownership to the lessee and that commenced on or before December 31, 2008 are accounted for using a method that is applicable to ordinary rental leases.

3. Accounting processing of deferred assets

Bond issuance cost

Bond issuance cost is entirely accounted for as expenses at the time of expenditure.

4. Basis for provision of reserves

(1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided to cover possible losses from bad debts. The amount for normal debtors is determined by the credit loss ratio based on past experience, and that for special debtors, such as debtors at risk of bankruptcy, is determined based on the expected probability of those accounts being collectable on an individual basis.

(2) Allowance for investment loss

The allowance for investment loss is provided to cover losses on investments in subsidiaries and affiliates. The amount required is determined in consideration of financial conditions and collectability of the relevant subsidiaries and affiliates.

(3) Provision for sales promotion expenses

To cover the projected sales promotion expenses due to our mileage point system, the Company posts a provision for sales promotion expenses, which is calculated by multiplying the amount payable, which is based on the number of issued and unclaimed points, by the past claim ratio.

(4) Provision for directors' retirement benefits

(Additional information)

At the meeting of the Board of Directors held on January 29, 2009, the Company resolved to abolish Directors' and Auditors' retirement benefit system. In addition, our shareholders approved a resolution at the Ordinary General Meeting of Shareholders held on March 27, 2009 to make payments to current Directors and Auditors of the retirement benefits that have been accrued in their respective terms of office up to the date of abolishment of the Directors' and Auditors' retirement benefit system (December 31, 2008). In accordance with this, the Company has reversed the balance of provision for directors' retirement benefits and posted the unpaid balance to accounts payable-other under current liabilities.

5. Criteria for converting assets or liabilities denominated in foreign currencies into Japanese currency

Assets or liabilities denominated in foreign currencies are converted into Japanese yen using the spot exchange rate on the date of non-consolidated balance sheet, and any differences generated by this conversion are included in gains or losses.

6. Promotion expenses

As for the Company's promotion expenses in the mail-order business, catalogue-related costs corresponding to the expected sales in the next fiscal year are included in prepaid expenses.

7. Hedge accounting method

The Company adopts deferral hedge accounting.

8. Consumption taxes

Consumption and local consumption taxes are excluded from revenues and expenses.

Changes in Accounting Policies

1. Application of "Accounting Standard for Measurement of Inventories"

   Inventories held for ordinary sales purposes had been mainly stated using the monthly gross average method and lower of cost or market method. Effective from the fiscal year under review, the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9) has been applied and inventories are mainly stated at cost based on the monthly gross average method (with carrying value in the non-consolidated balance sheet written down in accordance with the declining of profitability).

   As a result of this change, operating loss, ordinary loss and loss before income taxes each increased by 1,195 million yen.

2. Application of "Accounting Standard for Lease Transactions" etc.

   Finance leases that do not transfer ownership to the lessee were previously accounted for by a method similar to that applicable to ordinary rental leases. However, the Company has applied the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16) and those assets are accounted for by a method that is applicable to ordinary sales transactions.

   This change will have no impact on profit and loss.

Changes in Method of Presentation

Items posted as "products" and "inventories" in the previous fiscal year have been separately posted as "merchandise and finished goods" and "raw materials and supplies" effective from the fiscal year under review.

The amount of "merchandise and finished goods" and "raw materials and supplies" in the previous fiscal year was 16,154 million yen and 64 million yen, respectively.

Notes to Non-consolidated Balance Sheet

1. Amounts less than one million yen have been omitted.
2. Accumulated depreciation on property, plant and equipment
31,951 million yen
3. Guarantee obligation:
Guarantee for bank borrowings
Utilizers of employee housing loan 21 million yen
4. Short-term cash credit for subsidiaries and affiliates 1,521 million yen
Long-term cash credit for subsidiaries and affiliates 2,417 million yen
Short-term cash debt for subsidiaries and affiliates 119 million yen
5. The land for business use owned by the Company was revaluated under the "Act on Revaluation of Land" (Act No. 34 of March 31, 1998), and the "Act for Partial Revision of the Act on Revaluation of Land" (amended on March 31, 1999), and unrealized losses resulting from the revaluation were posted as "Revaluation reserve for land" in net assets, after deducting the related deferred tax liabilities.

The method of revaluation stipulated in Article 3, Paragraph 3 of the Act on Revaluation of Land:

The Director-General of the National Tax Administration Agency decided and announced a calculation method to determine the land value that will be the basis of tax value calculations for the land value tax, under Article 2, Item 4 of the "Order for Enforcement of the Act on Revaluation of Land" (Cabinet Order No. 119 of March 31, 1998), and Article 16 of the "Land Value Tax Act" (Act No. 69 of 1991). The Company executed calculation and reasonable adjustments using the abovementioned method.

Date of revaluation: March 31, 2000

The difference between the market value of land at the end of fiscal year under review and its book value after revaluation: -2,500 million yen.

6. The Company has concluded commitment line contracts with its correspondent financial institutions to finance working capital efficiently.

The balance of borrowings based on the commitment line contracts at the end of the fiscal year under review is as follows:

Total amount of commitment line contracts:	15,500 million yen
Balance of borrowings outstanding:	3,000 million yen
Balance:	12,500 million yen

7. Financial covenants

Financial covenants are attached to the above-mentioned commitment line contracts, and the Company may forfeit the benefit of term for all the borrowings provided based on these contracts if the Company should infringe any of the following clauses.

(1) The Company shall maintain the amount calculated by deducting the total of subscription rights to shares, minority interests and deferred gains or losses on hedges from the total of net assets in the balance sheet (both on a consolidated and non-consolidated basis) at the end of each fiscal year at 75% or above of the larger of the amount calculated by deducting the total of subscription rights to shares, minority interests and deferred gains or losses on hedges from the total of net assets on the balance sheet at the end of fiscal year ended December 31, 2008 or the said amount at the end of the previous fiscal year.

(2) The Company shall maintain the ratio of total amount of Liabilities in the balance sheet (both on a consolidated and non-consolidated basis) at the end of each fiscal year to the amount calculated by deducting the total of subscription rights to shares, minority interests and deferred gains or losses on hedges from the total of net assets in the relevant balance sheet, at 150% or below.

(3) The Company shall not post operating loss in the statement of income (both on a consolidated and non-consolidated basis) for each fiscal year for two consecutive periods.

(4) The Company shall hold the amount calculated by deducting cash and deposits from the total of interest-bearing debt in the balance sheet (both on a consolidated and non-consolidated basis) at the end of each fiscal year so that the amount will not exceed the amount equivalent to five times as much as the total amount of net income or loss and depreciation expenses in the statement of income (both on a consolidated and non-consolidated basis) for two consecutive periods.

Notes to Non-consolidated Statement of Income

1. Amounts less than one million yen have been omitted.
2. Transaction with subsidiaries and affiliates

Sales:	156 million yen
Operating expense:	11,729 million yen
Non-operating transaction:	753 million yen

Notes to Non-consolidated Statement of Changes in Shareholders' Equity

1. Amounts less than one million yen have been omitted.
2. Number of treasury shares at the end of the fiscal year under review:

4,319,385 common shares

Tax Effect Accounting

1. Breakdown of deferred tax assets and deferred tax liabilities by major causes

(Millions of yen)

(1) Current

Deferred tax assets	
Loss brought forward	2,721
Deferred gains or losses on hedges	423
Promotion expenses	209
Other	467
Sub-total deferred tax assets	3,823
Valuation allowance	3,145
Total deferred tax assets	677
Deferred tax liabilities	
Accrued consumption tax and others or other liabilities	3
Total deferred tax liabilities	3
Net deferred tax assets	673

(2) Noncurrent

Deferred tax assets	
Loss on valuation of compound financial instruments	550
Investment securities	448
Amount exceeding the limit of tax depreciation	442
Loss on valuation of investment securities	434
Deferred gains or losses on hedges	404
Loss on valuation of stocks of subsidiaries and affiliates	353
Allowance for doubtful accounts	303
Other	628
Sub-total deferred tax assets	3,565
Valuation allowance	3,379
Total deferred tax assets	186
Deferred tax liabilities	
Investment securities	83
Other	75
Total deferred tax liabilities	158
Net deferred tax assets	28

2. Details of deferred tax liabilities for land revaluation

	(Millions of yen)
Deferred tax assets	
Deferred tax assets for land revaluation	3,306
Valuation allowance	3,306
Total deferred tax assets for land revaluation	—
Deferred tax liabilities	
Deferred tax liabilities for land revaluation	756
Net deferred tax liabilities for land revaluation	756

Fixed Assets Leased for Use

In addition to fixed assets posted in the non-consolidated balance sheet, some furniture and fixtures, etc. are used under finance lease contracts without transfer of ownership of the leased assets to the lessee.

Related Party Transactions

Property	Company name	Ownership percentage of voting rights, etc.	Relationship		Name of transactions (Note)	Transaction amount (Millions of yen)	Accounts	Balance at the end of the fiscal year (Millions of yen)
			Interlocking directorate	Relation to business				
Subsidiary	Dears Brain Inc.	Directly 100.0%	Two interlocking directors	Loan of funds	Loan of funds	950	Short-term loans	499
					Collection of loans	791	Long-term loans	1,119
					Receipt of interests	24	-	-

Note: Transaction condition or policy for deciding transaction condition
The interest rates of loans are rationally decided by taking into account market interest rates.

Per Share Information

1. Net assets per share 873.08 yen
2. Net loss per share 80.95 yen

Significant Subsequent Events

No applicable items

Audit Report of Accounting Auditor on Consolidated Financial Statements (Certified Copy)

Audit Report of Independent Auditor

February 17, 2010

To the Board of Directors of Senshukai Co., Ltd.

Ernst & Young ShinNihon LLC
Mario Shimizu
Certified Public Accountant, Designated, Limited Liability and Operating Partner
Kazuki Wadabayashi
Certified Public Accountant, Designated, Limited Liability and Operating Partner

We have examined the consolidated financial statements of Senshukai Co., Ltd. from January 1, 2009 to December 31, 2009, including the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity and notes for consolidated financial statements for the purpose of reporting under the provisions of Article 444, Paragraph 4 of the Corporation Act. Responsibility as to the preparation of such consolidated financial statements lies with the management of the Company, and the responsibility of the audit corporation is to express our opinion on the consolidated financial statements from an independent position.

We conducted our audit in accordance with the auditing standards generally accepted in Japan. The auditing standards require that our audit corporation obtain reasonable assurance that there are no material false representations in the consolidated financial statements. The audit is conducted on a test basis and includes the examination of representations in the consolidated financial statements as a whole, including the examination of the accounting principles adopted by the management and the method of application thereof and the evaluation of the estimate by the management. Our audit corporation has determined that, as a result of the audit, we have obtained a reasonable basis for giving an opinion.

Our opinion is that the above-mentioned consolidated financial statements present fairly the status of assets and earnings during the period relating to the relevant consolidated financial statements of the corporate group consisting of Senshukai Co., Ltd. and its consolidated subsidiaries in every important point in accordance with the corporate accounting standards generally accepted in Japan.

Additional information

As stated in the "Changes in Significant Matters That Form the Basis for Preparing Consolidated Financial Statements," the Company has applied "Accounting Standard for Measurement of Inventories" effective from the fiscal year under review.

Our audit corporation or operating partner has no financial or other interest in the Company required to be stated by the provision of the Certified Public Accountant Act.

Audit Report of Accounting Auditor on Non-consolidated Financial Statements and Accompanying Financial Schedule (Certified Copy)

Audit Report of Independent Auditor

February 17, 2010

To the Board of Directors of Senshukai Co., Ltd.

Ernst & Young ShinNihon LLC
Mario Shimizu
Certified Public Accountant, Designated, Limited Liability and Operating Partner
Kazuki Wadabayashi
Certified Public Accountant, Designated, Limited Liability and Operating Partner

We have examined the non-consolidated financial statements of Senshukai Co., Ltd. for the 65th fiscal year from January 1, 2009 to December 31, 2009, including the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in shareholders' equity and notes for non-consolidated financial statements and the accompanying financial schedule for the purpose of reporting under the provisions of Article 436, Paragraph 2, Item 1 of the Corporation Act. Responsibility as to the preparation of such non-consolidated financial statements and the accompanying financial schedule lies with the management of the Company, and the responsibility of the audit corporation is to express our opinion on the non-consolidated financial statements and accompanying financial schedule from an independent position.

We conducted our audit in accordance with the auditing standards generally accepted in Japan. The auditing standards require that our audit corporation obtain reasonable assurance that there are no material false representations in the non-consolidated financial statements and the accompanying financial schedule. The audit is conducted on a test basis and includes the examination of representations in the non-consolidated financial statements and the accompanying financial schedule as a whole, including the examination of the accounting principles adopted by the management and the method of application thereof and the evaluation of the estimate by the management. Our audit corporation has determined that, as a result of the audit, we have obtained a reasonable basis for giving an opinion.

Our opinion is that the above-mentioned non-consolidated financial statements and the accompanying financial schedule present fairly the status of assets and earnings during the period relating to the relevant non-consolidated financial statements and the accompanying financial schedule in every important point in accordance with the corporate accounting standards generally accepted in Japan.

Additional information

As stated in "Changes in Accounting Policies," the Company has applied "Accounting Standard for Measurement of Inventories" effective from the fiscal year under review.

Our audit corporation or operating partner has no financial or other interest in the Company required to be stated by the provision of the Certified Public Accountant Act.

Audit Report of Board of Auditors (Certified Copy)

Audit Report

The Board of Auditors has prepared this Audit Report upon deliberation based on the Audit Report created by each Auditor regarding the performance by the Directors of their duties during the 65th fiscal year from January 1, 2009 to December 31, 2009, and hereby reports as follows:

1. Auditors' and Board of Auditors' Auditing Methods and Contents

The Board of Auditors stipulated the auditing policies, share of assignment, etc., received reports from each Auditor on the auditing status and the auditing results; received reports of execution of duty from Directors, etc. and the accounting auditor and demanded explanations, as the occasion demanded.

In accordance with the Auditors' auditing standards, auditing policies, share of assignment, etc. stipulated by the Board of Auditors, each Auditor communicated with the Directors, the Internal Auditing Department and other employees, etc. strived to maintain the environment for information gathering and auditing, attended meetings of the Board of Directors and other important meetings; received reports of execution of duty from Directors and employees, etc.; demanded explanations, as the occasion demanded, inspected important documents, etc.; investigated the activities and assets of the head office and of other principal places of business. We also monitored and verified the activities of the system to assure that execution of duty by the Directors complies with the laws, regulations and the Articles of Incorporation and the system maintained based on the contents and the resolutions of the Board of Directors and the relevant resolutions regarding maintenance of the system stipulated in Paragraphs 1 and 3 of Article 100 of the enforcement rules of the Corporation Act as the one required to assure the appropriateness of other business activities of the corporation (internal control system).

Regarding internal control over financial reporting based on the Financial Instrument and Exchange Act, we received reports from the Directors of the Senshukai Group and Ernst & Young ShinNihon LLC about an evaluation of the relevant internal control and the status of audit, and requested an explanation thereby whenever necessary.

We examined the contents of the basic policy, specified in Item 3(a) of Article 118 of the enforcement rules of the Corporation Act, and each effort in accordance with Item(b) of the same article, which are stated in the Business Report, in consideration of the status of deliberations at the meetings of the Board of Directors and other meetings.

As for the subsidiaries, we communicated and exchanged information with the Directors and Auditors, etc. of the subsidiaries and received reports on their business operations as the occasion demanded. Based on the above-mentioned methods, we examined the business reports and accompanying financial schedule for the relevant fiscal year.

In addition, we monitored and verified whether or not the accounting auditor had maintained their independent positions and had conducted appropriate audits and received reports on activities of execution of duty from the accounting auditor and received explanation as the occasion demanded. Also, we received notice that the "system to assure that duty is executed appropriately" (the item posted in each number of Article 131 of the Accounting Rules) has been maintained in accordance with the "Quality Control Standards for Audits" (October 28, 2005, the Business Accounting Council) from the Accounting Auditors and demanded explanation as the occasion demanded. Based on the above methods, we examined the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in shareholders' equity and notes for non-consolidated financial statements) and accompanying financial schedule as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in shareholders' equity and the notes for consolidated financial statements).

2. Results of Audit

(1) Results of audit on the business report

1) The business report and accompanying financial schedule are found to accurately present the status of the Company in conformity with the laws and regulations and Articles of Incorporation.
2) In connection with the performance by the Directors of their duties, no dishonest act or significant

fact of a violation of laws, regulations, or the Articles of Incorporation is found to exist.

3) The contents of the resolutions of the Board of Directors regarding the internal control systems are found to be proper. Also, execution of duty by the Directors regarding the relevant internal control systems is found to accurately present the matters to be stated therein and have nothing to be pointed out including the internal control system regarding financial reporting.

4) Basic policy on the person who controls decisions on financial and operational policies of the Company, which is stated in the business report, has nothing to be pointed out. The efforts in accordance with Item 3(b) of Article 118 of the enforcement rules of the Corporation Act, which are stated in the business report, are found to be in line with the relevant basic policy and at the same time to neither damage common interests of shareholders of the Company nor be aimed at maintaining the status of corporate Directors and Auditors of the Company.

(2) Results of audit on the non-consolidated financial statements and accompanying financial schedule

The methods and results of the audit made by the Accounting Auditor, Ernst & Young ShinNihon LLC, an incorporated auditing firm, are found to be proper.

(3) Results of audit on the consolidated financial statements

The methods and results of the audit made by the Accounting Auditor, Ernst & Young ShinNihon LLC, an incorporated auditing firm, are found to be proper.

February 19, 2010

Board of Auditors, Senshukai Co., Ltd.

Shoji Tottori	Standing Auditor
Yoshihiro Inoda	Standing Auditor
Hideyuki Koizumi	External Auditor
Hiroshi Morimoto	External Auditor

Reference Material for Ordinary General Meeting of Shareholders

Proposal 1: Decrease of legal capital surplus and appropriation of surplus

1. Items concerning decrease of legal capital surplus

   To ensure flexibility and mobility of capital policies in the future, we propose to decrease legal capital surplus and transfer the equivalent amount to other capital surplus in accordance with the provisions of Article 448, Paragraph 1 of the Corporation Act.

   (1) Amount of reserve that will be decreased

   7,000,000,000 yen of legal capital surplus of 19,864,139,367 yen

   (2) Item of surplus that will be increased and the amount thereof

   Other capital surplus of 7,000,000,000 yen

   (3) Effective date of decreasing legal capital surplus

   March 31, 2010

2. Items concerning appropriation of surplus

   We propose to decrease the entire amount of general reserve and transfer the equivalent amount to retained earnings brought forward in accordance with the provisions of Article 452 of the Corporation Act, with the purpose of covering a loss in retained earnings brought forward and ensuring the flexibility and mobility of capital policies.

   (1) Item of surplus that will be decreased and the amount thereof

   General reserve of 13,600,000,000 yen

   (2) Item of surplus that will be increased and the amount thereof

   Retained earnings brought forward of 13,600,000,000 yen

   We regret to notify you that we will suspend year-end dividend for the fiscal year under review.

Proposal 2: Election of nine (9) Directors

The terms of office of nine (9) Directors will expire at the conclusion of this meeting. We would like you to elect a total of nine (9) Directors.

The candidates for the Directors are as follows.

No.	Name (Date of birth)	Brief personal profile, positions and responsibilities at the Company and important concurrent occupations or positions at other organizations	(1) No. of the Company's shares held (2) Any conflict of interests between the candidate and the Company
1	Yasuhiro Yukimachi (January 30, 1932)	Oct. 1953 Joined Mirakukai Nov. 1955 Founded the Company, Director of the Company Oct. 1976 Managing Director of the Company Jan. 1985 Senior Managing Director of the Company Oct. 1991 Executive Vice-president and Director of the Company Apr. 1999 Executive Vice-president and Representative Director of the Company Apr. 2000 President and Representative Director of the Company (present position)	(1) 495,036 (2) None
2	Kiichi Tagawa (September 25, 1947)	Mar. 1966 Joined the Company Jun. 1997 Director of the Company Mar. 2001 Executive Officer and Director of the Company Mar. 2005 Managing Director of the Company Mar. 2008 Senior Managing Director of the Company (present position) Jan. 2010 In charge of Fashion Business Division, Lifestyle Business Division, Child Care Business Division, Monthly Business Division, Gift & Gourmet Business Division (present position)	(1) 23,400 (2) None
3	Michio Tanabe (July 23, 1946)	Apr. 1967 Joined the Company Jun. 1997 Director of the Company Mar. 2001 Executive Officer and Director of the Company Mar. 2005 Managing Director of the Company Mar. 2008 Senior Managing Director of the Company (present position) Jan. 2010 In charge of Management Planning Department, Belle Maison Net Promotion Section, General Affairs Division, Legal Division, Operation Division, Marketing Division, Production Division, International Affairs Division (present position)	(1) 7,600 (2) None
4	Shohachi Sawamoto (February 9, 1948)	Mar. 1972 Joined the Company Jun. 1997 Director of the Company Mar. 2001 Executive Officer and Director of the Company Mar. 2005 Managing Director of the Company (present position) Jan. 2010 In charge of Tokyo Headquarters and Tokyo Business Division, Tokyo Administration and Public Relations Department (present position)	(1) 16,830 (2) None

No.	Name (Date of birth)	Brief personal profile, positions and responsibilities at the Company and important concurrent occupations or positions at other organizations	(1) No. of the Company's shares held (2) Any conflict of interests between the candidate and the Company
5	Mamoru Asada (April 1, 1954)	Mar. 1982 Joined the Company Mar. 2005 Executive Officer of the Company Mar. 2006 Executive Officer and Director of the Company Mar. 2008 Managing Executive Officer and Director of the Company (present position) Jan. 2009 Division Director of Monthly Business Division and Project Division of the Company (present position) Jun. 2009 General Manager of Business Planning Department of Monthly Business Division of the Company (present position) Jan. 2010 Head of Belle Maison Lifestyle Research Department of Project Division of the Company (present position)	(1) 5,100 (2) None
6	Shigemitsu Mineoka (October 17, 1951)	Jul. 1977 Joined the Company Mar. 2005 Executive Officer of the Company Jan. 2008 Division Director of Fashion Business Division of the Company (present position) Mar. 2008 Managing Executive Officer of the Company Mar. 2009 Managing Executive Officer and Director of the Company (present position) Jan. 2010 General Manager of Business Promotion Department of Fashion Business Division and General Manager of Style Fashion Development Department of Fashion Business Division of the Company (present position)	(1) 4,600 (2) None
7	Hiroyuki Hoshino (December 10, 1959)	Sep. 1982 Joined the Company Mar. 2006 Executive Officer of the Company Jan. 2008 Division Director of Tokyo Business Division of the Company (present position) Mar. 2009 Executive Officer and Director of the Company (present position) Jul. 2009 President and Representative Director of Pet First Co., Ltd. (present position)	(1) 800 (2) None
8	Tomoko Oishi (November 8, 1954)	Apr. 1977 Joined Yamaha Music Foundation Feb. 1988 Joined Yokohama Women's Association for Communication and Networking Jun. 1997 Joined Japan Association for The Advancement of Working Women Apr. 2001 Professor of Kyoto Gakuen University, Faculty of Business Administration (present position) Mar. 2006 Director of the Company (present position)	(1) 0 (2) None
9	Toshikatsu Sano (July 12, 1945)	Jun. 1969 Joined Mitsui Bank Jun. 1997 Director and General Manager of Fund and Securities Planning Department of Sakura Bank Apr. 2000 Managing Executive Officer and General Manager of Nagoya Branch of Sakura Bank Apr. 2001 Managing Executive Officer of Mitsui Mutual Life Insurance Company Jul. 2001 Director and Managing Executive Officer of Mitsui Mutual Life Insurance Company Jun. 2005 President of SMBC Consulting Co., Ltd. Mar. 2008 Director of the Company (present position)	(1) 0 (2) None

Notes:

1. Among the candidates for the Directors, Tomoko Oishi and Toshikatsu Sano are the candidates for the External Directors.

2. We believe that Tomoko Oishi will properly perform her duties as External Director concerning working women who are principle customers of the Company, by making the most of her thorough knowledge about labor issues of women, acquired through her long experience as a university professor, as well as her insight and experience although she has not directly taken part in corporate management. We nominated Toshikatsu Sano, who has successively served as Director mainly at financial-related companies, since we want him to reflect his wealth of knowledge, experience, etc. in management.
3. On June 10, 2005, while Toshikatsu Sano served as Director to Mitsui Life Insurance Co., Ltd., Mitsui Life Insurance received a business improvement administrative order, pursuant to Article 132, Paragraph 1 of Insurance Business Act from the Financial Services Agency (FSA), according to contracts with insurants or insures out of range defined in legal documents in group term insurance, group annuity insurance or group insurance. The Company closed investigation about an order requesting the report, "Actual Situation of Payment of Insurance Claim and Others" pursuant to Article 128 of Insurance Business Act, and reported the matters to the FSA on December 7, 2007. On investigation, it was identified that insurances and others that required additional payments between 2001 fiscal year to 2005 fiscal year were totally 124,047 cases and 5,245 million yen. Toshikatsu Sano served as a Director of Mitsui Life Insurance from July 2001 to June 2005. Insurances and others includes insurances, benefits, lapsed refund and delay interest. On April 2004, Mitsui Life Insurance changed organization from a mutual company to a stock company.
4. Tomoko Oishi and Toshikatsu Sano are currently External Directors of the Company, and their terms of office as External Directors will reach four (4) years and two (2) years, respectively at the conclusion of this meeting.
5. The Company has concluded the agreements with Tomoko Oishi and Toshikatsu Sano to limit their liabilities for compensation as stipulated in Article 427, Paragraph 1 of the Corporation Act, based on the provisions of the Articles of Incorporation. If they are reelected, we plan to continue the agreements. The limit amount of liability for compensation for damages under the relevant agreements is the minimum liability amount set forth by laws and regulations.

Proposal 3: Election of one (1) Auditor

The term of office of Auditor Hiroshi Morimoto will expire at the conclusion of this meeting. We would like you to elect one (1) Auditor.

Prior to our proposal of this item, we have already obtained the consent of the Board of Auditors.

The candidate for Auditor is as follows:

Name (Date of birth)	Brief personal profile, positions at the Company and important concurrent occupations or positions at other organizations	(1) No. of the Company's shares held (2) Any conflict of interests between the candidate and the Company
Hiroshi Morimoto (July 13, 1960)	Apr. 1987 Registered as attorney (Osaka Bar Association), joined Kitahama Law Office Jan. 1992 Partner of Kitahama Law Office Jun. 1995 Corporate Auditor of Japan Cash Machine Co., Ltd. (present position) Mar. 2006 Auditor of the Company (present position) Jan. 2008 Representative member of Kitahama Partners L.P.C. (present position)	(1) 0 (2) None

Notes:
1. Hiroshi Morimoto, candidate for Auditor, is a candidate for External Auditor.
2. Although Hiroshi Morimoto has not directly taken part in corporate management, we expect that he will make the best use of his knowledge and insight as an attorney for compliance management of the Company, which is growing in importance, from the professional point of view of an attorney.

3. Hiroshi Morimoto is currently External Auditor of the Company, and his term of office as External Auditor will reach four (4) years at the conclusion of this meeting.
4. The Company has concluded the agreement with Hiroshi Morimoto to limit his liability for compensation for damages as stipulated in Article 427, Paragraph 1 of the Corporation Act, based on the provisions of the Article of Incorporation. If he is reelected, we plan to continue the agreement. The limit amount of liability for compensation for damages under relevant agreement is the minimum liability amount set fourth by laws and regulations.

Proposal 4: Election of one (1) substitute Auditor

To provide for a case in which the number of Auditors falls short of the number stipulated by laws and regulations, we would like you to elect one (1) substitute Auditor in advance pursuant to Article 329, Paragraph 2 of the Corporation Act.

Prior to our proposal of this item, we have already obtained the consent of the Board of Auditors.

The candidate for substitute Auditor is as follows:

Name (Date of birth)	Brief personal profile, positions at the Company and important concurrent occupations or positions at other organizations		(1) No. of the Company's shares held (2) Any conflict of interests between the candidate and the Company
Koichi Masui (November 17, 1950)	Mar. 1986 Jul. 1986 Jul. 1987 Jan. 1989	Registered as a certified public accountant Registered as a certified tax accountant Established Masui Kouichi Office, Representative of the Office (present position) Established Mass Management Co., Ltd., President of Mass Management Co., Ltd. (present position)	(1) 0 (2) None

Notes:

1. Koichi Masui, candidate for substitute Auditor, is a candidate for substitute External Auditor.
2. We expect that Koichi Masui will make the best use of his financial and accounting knowledge he has cultivated through his long experience as a certified public accountant and a certified tax accountant for the audit system of the Company if he becomes Auditor, and we judge that he will properly execute his duties as External Auditor.
3. We may cancel this election by a resolution of the Board of Directors after obtaining the consent of the Board of Auditors, if the cancellation is before he takes office.
4. If Koichi Masui is elected as proposed and takes his office, we plan to conclude the agreement with him to limit his liability for compensation as stipulated in Article 427, Paragraph 1 of the Corporation Act, based on the provisions of the Articles of Incorporation. The limit amount of liability for compensation for damages under the relevant agreement is the minimum liability amount set forth by laws and regulations.