

(Translation)

Stock code: 8165

March 8, 2011

NOTICE OF THE 66th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholder

You are cordially invited to attend the 66th 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,

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

MEETING AGENDA

- 1. Date and Time:** 10:00 a.m., Wednesday, March 30, 2011
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 66th fiscal year (January 1 to December 31, 2010); and Audit Reports of the Accounting Auditors and the Board of Auditors regarding Consolidated Financial Statements for the 66th fiscal year
 2. Non-consolidated Financial Statements for the 66th fiscal year (January 1 to December 31, 2010)

Items to be proposed:

- | | |
|------------|---|
| Proposal 1 | Appropriation of surplus |
| Proposal 2 | Election of nine (9) Directors |
| Proposal 3 | Election of three (3) Auditors |
| Proposal 4 | Election of one (1) substitute Auditor |
| Proposal 5 | Proposal to continue with countermeasures against large-scale purchases of shares of the Company (countermeasures against takeovers) and its partial amendments |

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., Tuesday, March 29, 2011, 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., Tuesday, March 29, 2011, 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 from 9:00 a.m. to 9:00 p.m., 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 66th Ordinary General Meeting of Shareholders of Senshukai Co., Ltd.]

Business Report **(January 1 to December 31, 2010)**

1. Summary of operations

(1) The Senshukai Group operating progress and results

Overview

During the fiscal year ended December 31, 2010, economic conditions in Japan partially showed signs of rebounding. This was on the strength of the effects of the increase in consumer expenditure, driven by the government's economic measures and recovery in exports, against the backdrop of greater demand in emerging markets. However, a difficult situation continued with respect to employment conditions and household income levels. In the retail industry, consumer spending remained sluggish due to consumers' price consciousness and their growing awareness of the need to protect their lifestyles. In the mail-order industry, competition in the Internet market is intensifying increasingly due to the entry of new mail-order companies and the like. We expect that price-cutting competition will further intensify and consumers will become more selective about products and services, and uncertainty over the future is thus projected to remain.

Under these circumstances, the Senshukai Group promoted the priority strategies defined in the Medium-Term Management Plan, which ended in the fiscal year ended December 31, 2010.

However, the Senshukai Group's consolidated net sales fell significantly to 136,859 million yen, a decrease of 7.1% year-on-year.

On the profit front, although net sales decreased, we returned to profitability on an operating level, recording an operating income of 3,422 million yen (against an operating loss of 2,405 million yen in the previous fiscal year). This was primarily owing to a decrease in the cost-to-sales ratio due to a decline in loss on valuation of inventories and a drop in catalogue expenses from a shift in the method of ordering from via catalogues to via the Internet, and a substantial fall in administrative expenses achieved by increasing cost efficiency. Ordinary income amounted to 3,167 million yen (against an ordinary loss of 1,410 million yen in the previous fiscal year) due to foreign exchange loss. Net income of 2,037 million yen (against a net loss of 3,811 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.

Business results by segment

[Mail-order Business]

The mail-order business, which consists of catalogue and buyer's club businesses, posted net sales of 118,227 million yen (down 9.7% year-on-year). Operating income was 2,898 million yen (against an operating loss of 2,285 million yen in the previous fiscal year) due to a rise in gross profit margin caused by a decline in valuation loss and a decrease in the overall selling, general and administrative expenses.

(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.

During the fiscal year under review, we took various measures to boost sales. For example, we reorganized *sumutoco* and *Remie style* catalogues, launched new catalogues including *men's kurasufuku* and *otonanofuku kurasufuku*, and expanded into new sales channels such as iPad and Wii. On the Internet market, net online sales (*) increased. However, net sales in the catalogue business continued to decrease on a year-on-year basis. As a result, the catalogue business posted consolidated net sales of 108,321 million yen (down 9.4% year-on-year). (*Net online sales refers to sales of merchandise recognized when consumers place items in the shopping cart to order them on the Internet.)

(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, the buyer's club business posted consolidated net sales of 9,905 million yen (down 12.8% year-on-year) due to sluggish sales of new merchandise and a decrease in membership.

[Other Businesses]

Other businesses that consist of the service business (with travel services and credit-card services 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 wedding places, posted consolidated net sales of 18,632 million yen (up 14.1% year-on-year). This was on the strength of an increase in business consignment sales in B-to-B operations and a rise in the number of wedding ceremonies in the bridal business. As a result, an operating income was 457 million yen (against an operating loss of 190 million yen in the previous fiscal year).

Net sales by business segment

(Millions of yen)

Name of the segment and product	65 th fiscal year (Jan. 1 to Dec. 31, 2009)		66 th fiscal year (Jan. 1 to Dec. 31, 2010)		Change from the previous fiscal year	Year-on-Year (%)
	Amount	% of total	Amount	% of total		
Mail-order Business:						
Apparel	57,424	39.0	50,926	37.2	-6,497	-11.3
Interior goods	29,307	19.9	27,501	20.1	-1,806	-6.2
Household sundries	21,490	14.6	19,426	14.2	-2,064	-9.6
Clothing sundries	15,042	10.2	13,699	10.0	-1,343	-8.9
Foodstuffs	5,727	3.9	5,378	3.9	-348	-6.1
Others	1,974	1.3	1,294	1.0	-680	-34.4
Subtotal	130,967	88.9	118,227	86.4	-12,740	-9.7
Other Businesses:	16,325	11.1	18,632	13.6	2,307	14.1
Total	147,292	100.0	136,859	100.0	-10,433	-7.1

(2) Capital expenditures

In the fiscal year under review, the Senshukai Group invested a total of 1,326 million yen in capital expenditures, and 1,546 million yen to develop computer systems, etc.

(3) Fund procurement

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

The Company has also concluded commitment line contracts totaling 15,300 million yen with its correspondent financial institutions.

(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, 2013 (the 69th fiscal year).

1) “Basic Policies of the Medium-Term Management Plan”

i) Creating a “new Belle Maison”

- We will view the “Belle Maison” as a single strategic unit and create a new Belle Maison that is needed by customers. In order to achieve this, we will separate the product development function and sales function, take action ahead of our competitors by quickly detecting changes in the market, and enhance the development of original products by ensuring our products are “available only at Belle Maison.”

- We will leverage our strengths of operating an Internet site on our own and having capabilities for in-house product development, and strive to expand the Belle Maison Net by transforming our infrastructure of the mail-order business to allow us to remain competitive in the Internet business.

ii) Strengthening Internet business

- We will strengthen collaboration between Belle Maison Net and other Internet businesses to promote strategic sharing of customer assets, expand selection of merchandise, enhance marketability of merchandise, and develop appropriate systems, in order to make the most of synergistic effects of businesses and strengthen the Internet business throughout the entire Group.

- We will cultivate two or more EC sites of specialized shops which are different from Belle Maison Net through our subsidiaries to boost sales profit on a Group level.

iii) Expanding bridal business

- We will continue to make investment in Dears Brain Inc., which owns and operates wedding places, to expand the bridal business. In addition, we will strategically embrace marriages as events that provide important information for our existing businesses, and make it easier to increase cooperation within the Group to expand the entire Group’s customer base.

iv) Ensuring high-quality and low-cost business operations

- Getting back to the starting point on a Group level, we will ensure high-quality business operations in which we assign top priority to providing products and services that give satisfaction to customers.

- We will ensure low-cost business operations that will allow us to respond flexibly to market changes on a Group level.

2) Looking back on the previous Medium-Term Management Plan which covered the fiscal years from January 2008 to December 2010

i) Promoting channel mix

Consolidated net sales of the catalogue business decreased substantially, but overall online sales increased to 65,300 million yen (against 62,300 million yen in the fiscal year 2007). Net online sales posted a substantial increase to 43,600 million yen, with market share rising to 66.8% (against 31,000 million yen with market share of 49.8% in the fiscal year 2007).

Meanwhile, we refrained from opening new shops aggressively in response to the rapid worsening of the market environment and shifted to a policy of shop operation that focuses on profitability, which brought the total number of shops we operate to 25.

ii) Developing multi-brand strategy

We cultivated “BENEBIS” and “minilabo” as sub-brands of Belle Maison, and strove to enhance brand recognition by opening shops for a limited time. In the catalogue business, we launched *men’s kurasufuku* and *otonanofuku kurasufuku* catalogues and renewed media for sundries. On Belle Maison Net, we opened the “Éditer” and “bellissi” Internet shopping sites targeting customers in their 20s.

And as Group-wide efforts, we developed a multi-brand strategy by expanding operations of Senshukai Iihana Co., Ltd., which operates flower and gift shops, and Dears Brain Inc., which owns and operates guesthouse wedding places.

iii) Expanding customer base

20s: In order to develop customers in their 20s, we renewed the *Fashion Plus* catalogue, reviewed price ranges, expanded merchandise that is available only on the Website, and reinforced affiliate and listing advertisements, etc.

50s: We launched the *otonanofuku kurasufuku* catalogue in 2010 targeting members in their 50s. As a result, the membership increased.

iv) Enhancing SCM (supply-chain management)

With the aim of improving cash flows, we placed inventory reduction as the top priority of SCM and implemented measures such as controlling any excessive order placement and arrival of goods, reinforcing and speedily implementing bargain sales, and expanding channels for selling clearance goods.

As a result, we substantially improved our inventory management, reducing the ending inventory for the fiscal year 2010 to 12,000 million yen (against 18,000 million yen for the fiscal year 2007) and increasing the inventory turnover ratio to 5.1 times (against 3.9 times for the fiscal year 2007). These efforts helped to improve cash flows.

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)

Fiscal year	The 63 rd (ended Dec. 2007)	The 64 th (ended Dec. 2008)	The 65 th (ended Dec. 2009)	The 66 th (ended Dec. 2010)
Net sales	156,792	158,285	147,292	136,859
Ordinary income (loss)	5,626	-4,553	-1,410	3,167
Net income (loss)	2,494	-6,833	-3,811	2,037
Net income (loss) per share (yen)	53.60	-146.29	-84.18	47.04
Total assets	98,422	104,059	91,837	90,086
Net assets	55,955	44,274	37,906	39,411
Net assets per share (yen)	1,197.62	947.19	874.89	909.99

(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	Wedding Business
Mobakore Co., Ltd.	200	100.0	Mail-order 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 Services 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 13 consolidated subsidiaries, including the six major subsidiaries described above.

Mobakore Co., Ltd., which was an affiliate under the equity method, has become a consolidated subsidiary following the additional acquisition of its shares by Senshukai in November 2010.

(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 bridal 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
	Head Office:	Chiyoda-ku, Tokyo
Dears Brain Inc.	Head Office:	Chiyoda-ku, Tokyo
Mobakore Co., Ltd.	Head Office:	Shinagawa-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 Services 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	1,073	2
Other Businesses	372	21
Other staff (consolidated basis)	111	-3
Total	1,556	20

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
785	-16	39.0	11.9

Notes:

1. The number of employees includes regular and contract staff, but does not include (75) 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.	3,172
Mizuho Bank, Ltd.	1,748
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,555
The Sumitomo Trust & Banking Co., Ltd.	716

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: | 14,957 |
| (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
Senshukai Group Employee Stock Ownership Plan	1,032	2.38
Nippon Life Insurance Company	988	2.28
Japan Trustee Services Bank, Ltd. (Trust account)	987	2.28
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 (4,320,645 shares).

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, 2010)

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)
Senior Managing Director	Michio Tanabe	In charge of Corporate Development Division and Administration Division (Management Planning Department, General Affairs Division, Belle Maison Net Promotion Section, 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)
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, Head of Belle Maison Lifestyle Research Department of the Project Division
Director and Managing Executive Officer	Shigemitsu Mineoka	Division Director of Fashion Business Division, Division Director of Marketing Division, General Manager of Business Promotion Department of Fashion Business Division, General Manager of Style 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., President and Representative Director of Mobakore 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., Vice President of the Osaka Bar Association

Notes:

1. Directors Tomoko Oishi and Toshikatsu Sano are External Directors.
2. Auditors Hideyuki Koizumi and Hiroshi Morimoto are External Auditors.
3. External Director Tomoko Oishi and External Auditors Hideyuki Koizumi and Hiroshi Morimoto are Independent Director / Auditors who are registered as prescribed by the Financial Instruments Exchanges.
4. External Auditor Hideyuki Koizumi is qualified as certified public accountant and has considerable knowledge regarding finance and accounting.

5. Changes in “Responsibilities at the Company and important concurrent occupations or positions at other organizations” of Directors attendant during the fiscal year under review are as follows:

Date	Title	Name	Before reorganization	After reorganization
April 1, 2010	Director and Managing Executive Officer	Shigemitsu Mineoka	Division Director of Fashion Business Division, General Manager of Business Promotion Department of Fashion Business Division, General Manager of Style Fashion Development Department of Fashion Business Division	Division Director of Fashion Business Division, Division Director of Marketing Division, General Manager of Business Promotion Department of Fashion Business Division, General Manager of Style Fashion Development Department of Fashion Business Division
December 1, 2010	Director and Executive Officer	Hiroyuki Hoshino	Division Director of Tokyo Business Division, President and Representative Director of Pet First Co., Ltd.	Division Director of Tokyo Business Division, President and Representative Director of Pet First Co., Ltd., President and Representative Director of Mobakore Co., Ltd.

6. Positions and responsibilities at the Company and important occupations or positions at other companies of the Directors were changed as below effective January 1, 2011.

Title	Name	Responsibilities at the Company and important occupations or positions at other companies
Chairman and Representative Director	Yasuhiro Yukimachi	
President and Representative Director	Michio Tanabe	
Senior Managing Director and Executive Officer	Kiichi Tagawa	In charge of Administration Division and Tokyo Headquarters (General Affairs Division, Operation Division, Business Development Division)
Senior Managing Director and Executive Officer	Shohachi Sawamoto	In charge of Belle Maison Business Division (EC Business Division, Catalogue Business Division, Product Development Division, Belle Maison Business Planning Department)
Managing Director and Executive Officer	Mamoru Asada	Division Director of Project Division, in charge of Monthly Business Division, Project Division (Monthly Business Division, Project Division)
Director and Executive Officer	Shigemitsu Mineoka	Division Director of the EC Business Division
Director and Executive Officer	Hiroyuki Hoshino	Division Director of Business Development Division, President and Representative Director of Mobakore Co., Ltd.

(2) Resigned Director and Auditor during the fiscal year under review

No applicable items

(3) Total of compensation paid to Directors and Auditors

	Number of Directors and Auditors	Amount (Millions of yen)
Directors [of which External Directors]	9 [2]	175 [13]
Auditors [of which External Auditors]	4 [2]	38 [9]
Total [of which External Directors and External Auditors]	13 [4]	214 [23]

Notes:

1. The amount of compensation paid to Directors does not include salaries for employees paid to Directors who concurrently serve as employees.
2. 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).
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 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**

- Director Tomoko Oishi is a Professor of Kyoto Gakuen University, and there is no special relationship between the Company and that organization.
- 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 individually with other attorneys who belong to that organization. Hiroshi Morimoto concurrently serves as External Corporate Auditor of Japan Cash Machine Co., Ltd. and Vice President of the Osaka Bar Association. There are no special relationships between the Company and those organizations.

B. Major activities in the fiscal year under review

	Major activities
Director Tomoko Oishi	She attended 18 of the 21 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 21 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 20 of the 21 meetings of the Board of Directors and all of the eleven 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 21 meetings of the Board of Directors and all of the eleven 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 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

48 million yen

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

51 million 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

The Company entrusts the accounting auditor to provide investigative services related to the “Royalty Report,” which is a non-auditing service, i.e., a service not included in the services of Article 2, Paragraph 1 of the Certified Public Accountant Act of Japan.

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

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 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, which is under the direct control of the President, shall conduct internal audits based on regulations to grasp and improve the status of business operations and report 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, 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 the “Executive Officer System” and “Business Division System” and clarify the decision-making process of the management and authorities and responsibilities of business execution to speed up the management process.
- 4) A “Management Council” mainly made up of full-time Directors and Auditors 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 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 over 50%.
 - 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) Appointment, 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 from one of the risk management committees or divisions, Standing Auditors are required to immediately report such items or facts to the Board of 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.
 - 5) The Auditors shall regularly hold opinion exchange meetings with President and the auditing firm, respectively.
 - 6) The Auditors shall conduct an auditor’s audit regularly and interview the Executive Officers and important employees.
 - 7) The Board of Auditors shall be also 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 takeovers, 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 ended 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, 2010

	Millions of yen
	As of December 31, 2010
ASSETS	
Current Assets	
Cash and deposits	10,855
Notes and accounts receivable-trade	6,362
Short-term investment securities	8
Merchandise and finished goods	12,600
Raw materials and supplies	123
Deferred tax assets	1,182
Accounts receivable-other	8,948
Other	2,816
Allowance for doubtful accounts	-241
Total Current Assets	42,656
Noncurrent Assets	
Property, Plant and Equipment:	
Buildings and structures	14,402
Machinery, equipment and vehicles	878
Tools, furniture and fixtures	859
Land	10,945
Construction in progress	0
Other	131
Total Property, Plant and Equipment	27,218
Intangible Assets:	
Goodwill	2,580
Other	3,294
Total Intangible Assets	5,874
Investments and Other Assets	
Investment securities	7,761
Long-term loans receivable	587
Lease and guarantee deposits	1,722
Deferred tax assets	182
Other	4,272
Allowance for doubtful accounts	-187
Total Investments and Other Assets	14,338
Total Noncurrent Assets	47,430
Total Assets	90,086

Millions of yen
As of December 31, 2010

LIABILITIES

Current Liabilities

Notes and accounts payable-trade	7,932
Short-term loans payable	3,036
Current portion of bonds	766
Accounts payable-other	7,208
Accounts payable-factoring	13,548
Accrued expenses	2,325
Income taxes payable	468
Accrued consumption taxes	178
Deferred tax liabilities	0
Provision for sales promotion expenses	656
Forward exchange contracts	3,585
Other	1,612
Total Current Liabilities	41,318

Noncurrent Liabilities

Bonds payable	3,286
Long-term loans payable	5,097
Deferred tax liabilities for land revaluation	723
Provision for retirement benefits	27
Other	222
Total Noncurrent Liabilities	9,356

Total Liabilities

50,675

NET ASSETS

Shareholders' Equity

Capital stock	20,359
Capital surplus	21,038
Retained earnings	11,344
Treasury stock	-2,775
Total Shareholders' Equity	49,966

Valuation and Translation Adjustments

Valuation difference on available-for-sale securities	-928
Deferred gains or losses on hedges	-2,342
Revaluation reserve for land	-7,117
Foreign currency translation adjustment	-167
Total Valuation and Translation Adjustments	-10,555

Total Net Assets

39,411

Total Liabilities and Net Assets

90,086

Consolidated Statement of Income
For fiscal year ended December 31, 2010

	Millions of yen
	For fiscal year ended December 31, 2010
Net sales	136,859
Cost of sales	69,447
Gross profit	67,412
Selling, general and administrative expenses	63,989
Operating income	3,422
Non-operating income	619
Interest and dividends income	174
Co-sponsor fee	109
Equity in earnings of affiliates	48
Other	286
Non-operating expenses	873
Interest expenses	279
Loss on valuation of compound financial instruments	164
Foreign exchange losses	256
Other	173
Ordinary income	3,167
Extraordinary income	65
Gain on sales of noncurrent assets	13
Gain on sales of investment securities	4
Reversal of allowance for doubtful accounts	28
Other	19
Extraordinary loss	1,358
Loss on sales and retirement of noncurrent assets	217
Loss on valuation of investment securities	253
Loss on sales of investment securities	110
Impairment loss	385
Provision of allowance for doubtful accounts	24
Loss on liquidation of business	317
Other	49
Loss before income taxes and minority interests	1,874
Income taxes-current	494
Income taxes-deferred	-668
Minority interests in income	12
Net income	2,037

Consolidated Statement of Changes in Shareholders' Equity
For fiscal year ended December 31, 2010

(Millions of yen)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of December 31, 2009	20,359	21,038	9,517	-2,774	48,140
Changes of items during the fiscal year under review					
Dividends from surplus			-259		-259
Net income			2,037		2,037
Purchase of treasury stock				-0	-0
Disposal of treasury stock		-0		0	0
Reversal of revaluation reserve for land			49		49
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year under review	—	-0	1,827	-0	1,826
Balance as of December 31, 2010	20,359	21,038	11,344	-2,775	49,966

(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, 2009	-1,013	-2,044	-7,067	-122	-10,247	14	37,906
Changes of items during the fiscal year under review							
Dividends from surplus							-259
Net income							2,037
Purchase of treasury stock							-0
Disposal of treasury stock							0
Reversal of revaluation reserve for land							49
Net changes of items other than shareholders' equity	84	-297	-49	-45	-307	-14	-322
Total changes of items during the fiscal year under review	84	-297	-49	-45	-307	-14	1,504
Balance as of December 31, 2010	-928	-2,342	-7,117	-167	-10,555	—	39,411

Notes to Consolidated Financial Statements

Basis for Preparing Consolidated Financial Statements

1. Scope of consolidation

- (1) Number of consolidated subsidiaries: 13

Names of major consolidated subsidiaries:

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

Senshu Transport Co., Ltd. has been excluded from the scope of consolidation as the Company sold all its shares.

Mobakore Co., Ltd., which was an affiliate under the equity method of the Company, has become its consolidated subsidiary following the acquisition of additional shares by the Company in November 2010. However, its profit and loss were accounted for by the equity method, since the deemed acquisition date was the end of the consolidated fiscal year under review.

B·B·S Co., Ltd. has been excluded from the scope of consolidation following the completion of its liquidation in December 2010.

- (2) Number of unconsolidated subsidiaries: 9

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: 2

Names of major unconsolidated subsidiaries under the equity method:

Senshukai Hong Kong Limited.

Senshukai Thailand Co., Ltd. has been excluded from the scope of equity method following the completion of its liquidation in November 2010.

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

Names of major affiliates under the equity method:

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

Mobakore Co., Ltd. had been included in the scope of equity method, but its status changed from an affiliate under the equity method to a consolidated subsidiary following

the additional acquisition of its shares by the Company in November 2010. However, its profit and loss were accounted for by the equity method, since the deemed acquisition date was the end of the consolidated 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 balance sheet 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-ends of consolidated subsidiaries

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

4. Accounting policies

- (1) Valuation criteria and methods 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 (Net 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 fair value.

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 of assets).

(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

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) 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) Basis for recognizing important revenue and expenses
Basis for recognition of revenues relating to finance leases
Revenues relating to finance leases are accounted for by allocating the total of the amount equivalent to interest over the lease period without recognizing sales.
- (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) Amortization and amortization period of goodwill
Goodwill is equally amortized within a period decided based on individual estimate of the period during which respective effects will be expected.
- (9) 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.

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

Application of Accounting Standard for Business Combinations, etc.

Effective from the fiscal year under review, the Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on December 26, 2008), "Partial Amendments to Accounting Standard for Research and Development Cost" (ASBJ Statement No. 23, issued on December 26, 2008), "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, issued on December 26, 2008), "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.

16, issued on December 26, 2008), and the “Guidance on Accounting Standard for Business Combinations and Business Divestitures” (ASBJ Guidance No. 10, issued on December 26, 2008).

Additional Information

The Company filed an application for a consolidated taxation system during the consolidated fiscal year under review, which was approved in December 2010. Beginning with the consolidated fiscal year under review, therefore, the Company performs accounting on the premise of applying a consolidated taxation system in accordance with the “Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1) (ASBJ Practical Issues Task Force No. 5)” and “Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2) (ASBJ Practical Issues Task Force No. 7).”

Notes to Consolidated Balance Sheet

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

	34,301 million yen
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3. Breakdown of assets pledged as collateral

(1) Pledged assets	
Cash and deposits (time deposits)	15 million yen
<u>Buildings and structures</u>	<u>1,073 million yen</u>
Total	1,088 million yen
(2) Liabilities corresponding to the aforementioned assets	
Short-term loans payable	313 million yen
Current portion of bonds	66 million yen
Bonds payable	36 million yen
<u>Long-term loans payable</u>	<u>413 million yen</u>
Total	829 million yen
4. Guarantee obligation:

Guarantee for bank borrowings	
Utilizers of employee housing loan	16 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 fair value of land at the end of fiscal year under review and its book value after revaluation: -2,916 million yen

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

The balance of unexecuted 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:	15,300 million yen
<u>Balance of borrowings outstanding:</u>	<u>– million yen</u>
Balance:	15,300 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) Dividends paid

Resolution	Class of stock	Total amount of dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Meeting of the Board of Directors held on July 29, 2010	Common stock	259	6	June 30, 2010	September 1, 2010

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

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 30, 2011	Common stock	346	8	December 31, 2010	March 31, 2011

Notes on Financial Instruments

1. Notes on the status of financial instruments

(1) Notes on the status of financial instruments

The Senshukai Group invests in safer financial assets centering on short-term deposits in management of its funds, and the Group finances short-term working capital mainly through borrowing from banks.

The Group also procures the necessary funds based on facility planning through borrowing from banks or issuing bonds. We conduct derivative transactions to avoid the risks described below and will not engage in speculative transactions.

(2) The details and risks of financial instruments and the risk control system

Notes and accounts receivable—trade and accounts receivable—other are exposed to credit risk associated with nonperformance by customers. To manage this risk, the Company conducts due date control and balance management for each customer in accordance with the internal criteria for examination, and has established and now operates a system for credit management. The Company also carries out similar credit management for consolidated subsidiaries.

Investment securities held by the Company are mainly shares of companies that have business relationships with us and are exposed to fluctuations in market prices. However, we grasp the share prices and financial status of the issuers on a regular basis and intermittently review the status of shareholding in view of the relationship with our business partners.

Notes and accounts payable—trade are operating debt with payment due within one year. Part of these notes and accounts payable—trade are associated with import of merchandise and the like, and are denominated in foreign currency, which exposes them to the risk of foreign exchange fluctuations. Therefore, we use derivative transactions (forward exchange contracts) as hedging instruments.

Bonds payable and long-term loans payable are for financing funds necessary for working capital and capital expenditures, and their redemption dates are a maximum of 5 years and 2 months after the balance sheet date for bonds payable and 5 years and 1 month after the balance sheet date for long-term loans payable.

We conduct forward exchange contracts as derivative transactions with the aim of hedging against exchange rate fluctuations of foreign-currency-denominated operating debt in principle.

2. Matters on fair values, etc. of financial instruments

Consolidated balance sheet amounts, fair values as of December 31, 2010 (consolidated balance sheet date), and their differences are as follows.

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	10,855	10,855	—
(2) Notes and accounts receivable—trade	6,362	6,362	—
(3) Accounts receivable—other	8,948	8,948	—
(4) Investment securities	6,120	6,120	—
Total assets	32,286	32,286	—
(5) Notes and accounts payable—trade	7,932	7,932	—
(6) Accounts payable—other	7,208	7,208	—
(7) Accounts payable—factoring	13,548	13,548	—
(8) Bonds payable (*1)	4,052	4,104	52
(9) Long-term loans payable (*2)	8,134	8,202	68
Total Liability	40,875	40,996	120
(10) Derivative transactions			
Hedge accounting not adopted	(1,237)	(1,237)	—
Hedge accounting adopted	(2,349)	(2,349)	—
Derivative transactions (*3)	(3,587)	(3,587)	—

*1. Bonds payable include current portion of bonds payable (whose consolidated balance sheet amount is 766 million yen).

*2. Current portion of long-term loans payable, which is included in short-term loans payable in the consolidated balance sheet (whose consolidated balance sheet amount is 3,036 million yen), is included in long-term loans payable.

*3. The derivatives positions shown are net amounts. If the total net position of an item results in obligations, the amounts are shown in parentheses.

(Note 1) The measurement methods of fair values of financial instruments and notes on securities and derivative transactions

(1) Cash and deposits, (2) Notes and accounts receivable—trade, and (3) Accounts receivable—other

The book values are used as the fair values since these are settled in a short period of time and their fair values are almost equal to their book values.

(4) Investment securities

To measure fair values of investment securities, prices at the exchange are used for stocks or the like and prices at the exchange as well as prices presented by the counterparty financial

institutions or the like are used for debt securities.

(5) Notes and accounts payable–trade, (6) Accounts payable–other, and (7) Accounts payable–factoring

The book values are used as the fair values since these are settled in a short period of time and their fair values are almost equal to their book values.

(8) Bonds payable

The fair values of fixed-rate bonds are measured using the present values of the total of principal and interest, discounted by the rate based on the remaining years and the credit risk of the bonds payable. The fair values of floating-rate bonds are calculated using their book values as they reflect the market interest rate in a short period of time and their fair values are deemed to be almost equivalent to their book values.

(9) Long-term loans payable

The fair values of long-term fixed-rate loans are measured using the present values of the total of principal and interest, discounted by the rate assumed to be applied if new borrowings were taken out under the same conditions. The fair values of long-term floating-rate loans are measured using their book values as they reflect the market interest rate in a short period of time and their fair values are deemed to be almost equivalent to their book values.

(10) Derivative transactions

The fair values of derivatives are measured using the prices presented by the counterparty financial institutions.

(Note 2) Stocks of non-consolidated subsidiaries and affiliates (whose consolidated balance sheet amount is 539 million yen), unlisted stocks (whose consolidated balance sheet amount is 1,067 million yen), and investments in investment partnership (whose consolidated balance sheet amount is 42 million yen) are excluded from “(4) Investment securities” described above because they do not have market prices and it is deemed extremely difficult to determine the fair values.

Per Share Information

1. Net assets per share:	909.99 yen
2. Net income per share:	47.04 yen

Significant Subsequent Events

No applicable items

Non-consolidated Balance Sheet
As of December 31, 2010

	Millions of yen
	As of December 31, 2010
ASSETS	
Current Assets	
Cash and deposits	7,687
Notes receivable-trade	130
Accounts receivable-trade	5,919
Short-term investment securities	8
Merchandise and finished goods	12,186
Raw materials and supplies	101
Prepaid expenses	1,612
Deferred tax assets	1,059
Short-term loans receivable	457
Accounts receivable-other	8,996
Other	1,003
Allowance for doubtful accounts	-237
Total Current Assets	38,925
Noncurrent Assets	
Property, Plant and Equipment:	
Buildings	10,015
Structures	314
Machinery and equipment	869
Vehicles	1
Tools, furniture and fixtures	622
Land	10,893
Construction in progress	0
Total Property, Plant and Equipment	22,717
Intangible Assets:	
Leasehold right	0
Software	1,624
Other	1,543
Total Intangible Assets	3,168
Investments and Other Assets	
Investment securities	7,210
Stocks of subsidiaries and affiliates	6,901
Long-term loans receivable	1,681
Deferred tax assets	16
Lease and guarantee deposits	843
Long-term prepaid expenses	75
Other	4,044
Allowance for doubtful accounts	-465
Allowance for investment loss	-568
Total Investments and Other Assets	19,740
Total Noncurrent Assets	45,627
Total Assets	84,552

	Millions of yen
	As of December 31, 2010
LIABILITIES	
Current Liabilities	
Notes payable-trade	1,245
Accounts payable-trade	5,802
Current portion of long-term loans payable	2,660
Current portion of bonds	700
Accounts payable-other	6,269
Accounts payable-factoring	13,548
Accrued expenses	1,358
Income taxes payable	97
Accrued consumption taxes	113
Deposits received	989
Provision for sales promotion expenses	641
Forward exchange contracts	3,585
Other	382
Total Current Liabilities	37,394
Noncurrent Liabilities	
Bonds payable	3,250
Long-term loans payable	4,365
Deferred tax liabilities for land revaluation	723
Total Noncurrent Liabilities	8,338
Total Liabilities	45,732
NET ASSETS	
Shareholders' Equity	
Capital stock	20,359
Capital surplus	
Legal capital surplus	12,864
Other capital surplus	8,174
Total capital surplus	21,038
Retained earnings	
Legal retained earnings	1,118
Other retained earnings	
Reserve for advanced depreciation of noncurrent assets	63
Reserve for overseas investment loss	40
Retained earnings brought forward	9,368
Total other retained earnings	9,472
Total retained earnings	10,591
Treasury stock	-2,775
Total Shareholders' Equity	49,213
Valuation and Translation Adjustments	
Valuation difference on available-for-sale securities	-928
Deferred gains or losses on hedges	-2,347
Revaluation reserve for land	-7,117
Total Valuation and Translation Adjustments	-10,393
Total Net Assets	38,820
Total Liabilities and Net Assets	84,552

Non-consolidated Statement of Income
For fiscal year ended December 31, 2010

	Millions of yen
	For fiscal year ended December 31, 2010
Net sales	125,966
Cost of sales	66,491
Gross profit	59,475
Selling, general and administrative expenses	56,521
Operating income	2,953
Non-operating income	678
Interest and dividends income	450
Other	228
Non-operating expenses	764
Interest expenses	255
Foreign exchange loss	220
Loss on valuation of compound financial instruments	147
Other	140
Ordinary income	2,867
Extraordinary income	52
Gain on sales of noncurrent assets	13
Gain on sales of investment securities	4
Gain on liquidation of subsidiaries	35
Extraordinary loss	1,809
Loss on sales and retirement of noncurrent assets	213
Loss on valuation of investment securities	253
Loss on sales of investment securities	77
Provision of allowance for doubtful accounts	188
Provision of allowance for investment loss	323
Loss on valuation of stocks of subsidiaries and affiliates	165
Impairment loss	337
Loss on liquidation of business	150
Other	100
Income before income taxes	1,110
Income taxes-current	23
Income taxes-deferred	-419
Net income	1,506

Non-consolidated Statement of Changes in Shareholders' Equity
For fiscal year ended December 31, 2010

(Millions of yen)

	Shareholders' Equity											
	Capital Stock	Capital Surplus			Retained Earnings						Treasury Stock	Total Shareholders' Equity
		Legal Capital Surplus	Other Capital Surplus	Total Capital Surplus	Legal Retained Earnings	Other Retained Earnings			Total Retained Earnings			
						Reserve for Advanced Depreciation of Noncurrent Assets	Reserve for Overseas Investment Loss	General Reserve		Retained Earnings Brought Forward		
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
Changes of items during the fiscal year under review												
Transfer from reserve fund to surplus fund		-7,000	7,000	—								—
Reversal of reserve for advanced depreciation of noncurrent assets						-3			3	—		—
Provision of reserve for overseas investment loss							3		-3	—		—
Reversal of reserve for overseas investment loss							-2		2	—		—
Reversal of general reserve								-13,600	13,600	—		—
Dividends from surplus									-259	-259		-259
Net income									1,506	1,506		1,506
Purchase of treasury stock											-0	-0
Disposal of treasury stock			-0	-0							0	0
Reversal of revaluation reserve for land									49	49		49
Net changes of items other than shareholders' equity												
Total changes of items during the fiscal year under review	—	-7,000	6,999	-0	—	-3	0	-13,600	14,899	1,296	-0	1,296
Balance as of December 31, 2010	20,359	12,864	8,174	21,038	1,118	63	40	—	9,368	10,591	-2,775	49,213

(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, 2009	-987	-2,047	-7,067	-10,103	37,814
Changes of items during the fiscal year under review					
Transfer to other capital surplus from legal capital surplus					—
Reversal of reserve for advanced depreciation of noncurrent asset					—
Provision of reserve for overseas investment loss					—
Reversal of reserve for overseas investment loss					—
Reversal of general reserve					—
Dividends from surplus					-259
Net income					1,506
Purchase of treasury stock					-0
Disposal of treasury stock					0
Reversal of revaluation reserve for land					49
Net changes of items other than shareholders' equity	59	-299	-49	-290	-290
Total changes of items during the fiscal year under review	59	-299	-49	-290	1,006
Balance as of December 31, 2010	-928	-2,347	-7,117	-10,393	38,820

Notes to Non-consolidated Financial Statements

Principal accounting policies

1. Valuation criteria and methods 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 (Net 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 fair value.

(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 of assets).

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

(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. 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. Recognition of revenues and expenses

Basis for recognition of revenues relating to finance leases

Revenues relating to finance leases are accounting for by allocating the total of the amount equivalent to interest over the lease period without recognizing sales.

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.

Notes to Non-consolidated Balance Sheet

1. Amounts less than one million yen have been omitted.
2. Accumulated depreciation on property, plant and equipment
32,445 million yen
3. Guarantee obligation:
 - Guarantee for bank borrowings
 - Utilizers of employee housing loan 16 million yen
 - Guarantees on notes and accounts payable–trade
 - Pet First Co., Ltd. 1 million yen
4. Short-term cash credit for subsidiaries and affiliates 860 million yen
 - Long-term cash credit for subsidiaries and affiliates 1,328 million yen
 - Short-term cash debt for subsidiaries and affiliates 33 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 fair value of land at the end of fiscal year under review and its book value after revaluation: -2,916 million yen

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

The balance of unexecuted 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:	15,300 million yen
<u>Balance of borrowings outstanding:</u>	<u>— million yen</u>
Balance:	15,300 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:	145 million yen
Operating expense:	10,028 million yen
Non-operating transaction:	313 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:

4,320,645 common shares

Tax Effect Accounting

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

(Millions of yen)

(1) Current		(2) Noncurrent	
<u>Deferred tax assets</u>		<u>Deferred tax assets</u>	
Loss brought forward	1,652	Loss on valuation of compound financial instruments	609
Deferred gains or losses on hedges	594	Loss on valuation of investment securities	531
Loss on valuation of inventories	272	Valuation difference on available-for-sale securities	432
Provision for sales promotion expenses	259	Loss on valuation of stocks of subsidiaries and affiliates	420
Other	551	Amount exceeding the limit of tax depreciation	365
Sub-total deferred tax assets	3,330	Deferred gains or losses on hedges	353
Valuation allowance	2,262	Allowance for investment loss	229
Total deferred tax assets	1,068	Other	572
		Sub-total deferred tax assets	3,515
<u>Deferred tax liabilities</u>		Valuation allowance	3,331
Accrued consumption taxes	8	Total deferred tax assets	183
Total deferred tax liabilities	8		
Net deferred tax assets	1,059	<u>Deferred tax liabilities</u>	
		Valuation difference on available-for-sale securities	95
		Other	70
		Total deferred tax liabilities	166
		Net deferred tax assets	16

2. Details of deferred tax liabilities for land revaluation

(Millions of yen)

<u>Deferred tax assets</u>	
Deferred tax assets for land revaluation	3,306
Valuation allowance	3,306
<hr/>	
Total deferred tax assets for land revaluation	—
<u>Deferred tax liabilities</u>	
Deferred tax liabilities for land revaluation	723
<hr/>	
Net deferred tax liabilities for land revaluation	723

Fixed Assets Used Through Leases

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

Type	Company name	Ownership percentage of voting rights, etc.	Relationship	Nature of transactions (Note)	Transaction amount (Millions of yen)	Account items	Balance at end of fiscal year (Millions of yen)
Subsidiary	Dears Brain Inc.	Directly 100.0%	Interlocking of Directors, etc.	Loan of funds (Note1)	450	Short-term loans	420
				Collection of loans	757	Long-term loans	891
				Receipt of interests	25	—	—
Subsidiary	Shanghai Senshu Merchant and Commerce Co., Ltd.	Directly 100.0%	Interlocking of Directors, etc.	Underwriting of capital increase (Note 2)	893	—	—

Note: Transaction condition or policy for deciding transaction condition

1. The interest rates of loans are rationally decided by taking into account market interest rates.
2. The underwriting of capital increase conducted by Shanghai Senshu Merchant and Commerce Co., Ltd. was entirely subscribed by the Senshukai Group.

Per Share Information

1. Net assets per share 896.34 yen
2. Net income per share 34.79 yen

Significant Subsequent Events

No applicable items

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

[English Translation of the Audit Report Originally Issued in the Japanese Language]

Audit Report of Independent Auditor

February 16, 2011

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

Ernst & Young ShinNihon LLC

Mario Shimizu (Seal)

Certified Public Accountant, Designated, Limited Liability and
Operating Partner

Kazuki Wadabayashi (Seal)

Certified Public Accountant, Designated, Limited Liability and
Operating Partner

We have examined the consolidated financial statements of Senshukai Co., Ltd. for the fiscal year from January 1, 2010 to December 31, 2010, comprising 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.

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

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

[English Translation of the Audit Report Originally Issued in the Japanese Language]

Audit Report of Independent Auditor

February 16, 2011

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

Ernst & Young ShinNihon LLC

Mario Shimizu (Seal)

Certified Public Accountant, Designated, Limited Liability and
Operating Partner

Kazuki Wadabayashi (Seal)

Certified Public Accountant, Designated, Limited Liability and
Operating Partner

We have examined the non-consolidated financial statements of Senshukai Co., Ltd. for the 66th fiscal year from January 1, 2010 to December 31, 2010, comprising 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.

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

Audit Report of Board of Auditors (Certified Copy)

[English Translation of the Audit Report Originally Issued in the Japanese Language]

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 66th fiscal year from January 1, 2010 to December 31, 2010, 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 Ordinance for Enforcement 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 Ordinance for Enforcement of the Corporation Act, and each effort in accordance with Item 3(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 matters listed in the items of Article 131 of the Corporate 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 18, 2011

Board of Auditors, Senshukai Co., Ltd.

Standing Auditor	Shoji Tottori	(Seal)
Standing Auditor	Yoshihiro Inoda	(Seal)
External Auditor	Hideyuki Koizumi	(Seal)
External Auditor	Hiroshi Morimoto	(Seal)

Reference Material for Ordinary General Meeting of Shareholders

Proposal 1: Appropriation of surplus

The Company's basic policy concerning the appropriation of retained earnings is to provide distribution of profit to shareholders, setting a dividend payout ratio of 30% as a target; provided, however, this is consistent with reinforcing the management base and at the same time maintaining stable dividend and distributing appropriate profit.

Under this policy, the year-end dividend for this fiscal year was set as follows.

(1) Type of dividend property

Cash

(2) Items concerning allocation of dividend property to shareholders and its amount of total thereof

8 yen per share of common stock of the Company; the total amount of 346,477,984 yen

(3) Effective date of dividend payment from surplus:

March 31, 2011

The annual dividend will amount to 14 yen per share, including an interim dividend of 6 yen per share.

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 Jan. 2011 Chairman and Representative Director of the Company (present position)	(1) 495,036 (2) None
2	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 Jan. 2011 President and Representative Director of the Company (present position)	(1) 9,300 (2) None
3	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 Jan. 2011 Senior Managing Director and Executive Officer of the Company (present position) In charge of Administration Division and Tokyo Headquarters (General Affairs Division, Operation Division, Business Development Division) of the Company (present position)	(1) 25,300 (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 Jan. 2011 Senior Managing Director and Executive Officer of the Company (present position) In charge of Belle Maison Business Division (EC Business Division, Catalogue Business Division, Product Development Division, Belle Maison Business Planning Department) of the Company (present position)	(1) 17,530 (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)	<p>Mar. 1982 Joined the Company</p> <p>Mar. 2005 Executive Officer of the Company</p> <p>Mar. 2006 Executive Officer and Director of the Company</p> <p>Mar. 2008 Managing Executive Officer and Director of the Company</p> <p>Jan. 2009 Division Director of Project Division of the Company (present position)</p> <p>Jan. 2011 Managing Director and Executive Officer of the Company (present position) In charge of Monthly Business Division, Project Division (Monthly Business Division, Project Division) of the Company (present position)</p>	<p>(1) 7,500</p> <p>(2) None</p>
6	Shigemitsu Mineoka (October 17, 1951)	<p>Jul. 1977 Joined the Company</p> <p>Mar. 2005 Executive Officer of the Company</p> <p>Mar. 2008 Managing Executive Officer of the Company</p> <p>Mar. 2009 Managing Executive Officer and Director of the Company</p> <p>Jan. 2011 Executive Officer and Director of the Company (present position) Division Director of EC Business Division of the Company (present position)</p>	<p>(1) 7,500</p> <p>(2) None</p>
7	Hiroyuki Hoshino (December 10, 1959)	<p>Sep. 1982 Joined the Company</p> <p>Mar. 2006 Executive Officer of the Company</p> <p>Jan. 2008 Division Director of Tokyo Business Division of the Company</p> <p>Mar. 2009 Executive Officer and Director of the Company (present position)</p> <p>Jul. 2009 President and Representative Director of Pet First Co., Ltd.</p> <p>Dec. 2010 President and Representative Director of Mobakore Co., Ltd. (present position)</p> <p>Jan. 2011 Division Director of Business Development Division of the Company (present position)</p>	<p>(1) 2,000</p> <p>(2) None</p>
8	Tomoko Oishi (November 8, 1954)	<p>Apr. 1977 Joined Yamaha Music Foundation</p> <p>Feb. 1988 Joined Yokohama Women's Association for Communication and Networking</p> <p>Jun. 1997 Joined Japan Association for The Advancement of Working Women</p> <p>Apr. 2001 Professor of Kyoto Gakuen University, Faculty of Business Administration (present position)</p> <p>Mar. 2006 Director of the Company (present position)</p>	<p>(1) 0</p> <p>(2) None</p>

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
9	Toshikatsu Sano (July 12, 1945)	Jun. 1969 Joined Mitsui Bank (presently, Sumitomo Mitsui Banking Corporation) Jun. 1997 Director and General Manager of Fund and Securities Planning Department of Sakura Bank (presently, Sumitomo Mitsui Banking Corporation) Apr. 2000 Managing Executive Officer and General Manager of Nagoya Branch of Sakura Bank (presently, Sumitomo Mitsui Banking Corporation) Apr. 2001 Managing Executive Officer of Mitsui Mutual Life Insurance Company (presently, MITSUI LIFE INSURANCE COMPANY LIMITED) Jul. 2001 Director and Managing Executive Officer of Mitsui Mutual Life Insurance Company (presently, MITSUI LIFE INSURANCE COMPANY LIMITED) 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. Tomoko Oishi and Toshikatsu Sano are currently External Directors of the Company, and their terms of office as External Directors will reach five (5) years and three (3) years, respectively at the conclusion of this meeting.
4. 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 three (3) Auditors

The term of office of Auditors Shoji Tottori, Yoshihiro Inoda, and Hideyuki Koizumi will expire at the conclusion of this meeting. We would like you to elect three (3) Auditors.

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

The candidates for Auditors are as follows:

No.	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
1	Yoshihiro Nakabayashi (May 17, 1948)	<p>Jun. 1985 Joined the Company</p> <p>Jun. 1997 General Manager of Merchandise Department 2 of Belle Maison Business Department 2 of Belle Maison Business Department of the Company</p> <p>Apr. 1998 General Manager of Household Goods Development Department of Belle Maison Business Department of the Company</p> <p>Jun. 2000 General Manager of International Affairs Department of Belle Maison Business Department of the Company</p> <p>May 2002 General Manager of International Affairs Department of Belle Maison Business Department and General Manager of Apparel Development Department of Belle Maison Business Department of the Company</p> <p>Jan. 2003 General Manager of Fashion Apparel Development Department of Fashion Business Department of the Company</p> <p>Feb. 2004 General Manager of Fashion Style Development Department of Fashion Business Department of the Company</p> <p>Jan. 2005 General Manager of Child Care Development Department of the Company</p> <p>Mar. 2005 Executive Officer of the Company (present position)</p> <p>Jan. 2007 General Manager of Child Care Development Department of the Company President and Representative Director of Pet First Co., Ltd.</p> <p>Jan. 2008 Division Director of Child Care Business Division of the Company</p> <p>Jan. 2011 Assistant to President of the Company (present position)</p>	<p>(1) 17,720</p> <p>(2) None</p>
2	Makoto Yamamoto (August 19, 1951)	<p>Apr. 1974 Joined The Sumitomo Trust & Banking Co., Ltd.</p> <p>Apr. 2000 General Manager of Corporate Credit Department II of The Sumitomo Trust & Banking Co., Ltd.</p> <p>Apr. 2003 Head Office Executive of The Sumitomo Trust & Banking Co., Ltd.</p> <p>Jan. 2006 Seconded to the Company</p> <p>Jan. 2007 Joined the Company General Manager of Legal & Credit Department, serving concurrently as General Manager of Internal Auditing Department of the Company</p> <p>Jan. 2009 Executive Officer of the Company (present position) Division Director of Legal Division of the Company</p> <p>Jan. 2011 Assistant to President of the Company (present position)</p>	<p>(1) 5,000</p> <p>(2) None</p>

No.	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
3	Hideyuki Koizumi (January 9, 1953)	Oct. 1977 Joined Tohmatsu Aoki & Co. (presently Deloitte Touche Tohmatsu LLC) Mar. 1981 Registered as a certified public accountant Jun. 1984 Registered as a certified tax accountant Jan. 1987 Established Koizumi C.P.A. Office, Representative of Koizumi C.P.A. Office (present position) Apr. 1987 Joined Century Auditor (presently Ernst & Young ShinNihon LLC) Jun. 1995 Corporate Auditor of Japan Cash Machine Co., Ltd. (present position) Mar. 2003 Auditor of the Company (present position)	(1) 0 (2) None

Notes:

- Hideyuki Koizumi, candidate for Auditor, is a candidate for External Auditor.
- Although Hideyuki Koizumi has not directly taken part in corporate management, we expect that he will make the best use of his advanced knowledge and insight, from his professional point of view as a certified public accountant.
- Hideyuki Koizumi is currently External Auditor of the Company, and his term of office as External Auditor will reach eight (8) years at the conclusion of this meeting.
- The Company has concluded the agreement with Hideyuki Koizumi 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 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 Registered as a certified public accountant Jul. 1986 Registered as a certified tax accountant Jul. 1987 Established Masui Kouichi Office, Representative of the Office (present position) Jan. 1989 Established Mass Management Co., Ltd., President of Mass Management Co., Ltd. (present position)	(1) 0 (2) None

Notes:

- Koichi Masui, candidate for substitute Auditor, is a candidate for substitute External Auditor.
- 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.

Proposal 5: Proposal to continue with countermeasures against large-scale purchases of shares of the Company (countermeasures against takeovers) and its partial amendments

The Company introduced a “Policy toward Large-scale Purchases of Shares of the Company” 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 end of the General Meeting of Shareholders for the fiscal year ended December 31, 2007. In addition, after making partial revision to it, the Company continued with the “Policy toward Large-scale Purchases of Shares of the Company (countermeasures against takeovers)” (hereinafter referred to as the “prevailing plan”) at the 63rd Ordinary General Meeting of Shareholders held on March 28, 2008 as a countermeasure against takeovers in ordinary times with an effective period up to the end of the General Meeting of Shareholders for the fiscal year ended December 31, 2010. In consideration of various developments surrounding countermeasures against takeovers, the Company thereafter continued to examine the appropriate countermeasures against takeovers in ordinary times. As a result, the Company resolved at the Board of Directors’ Meeting held on February 18, 2011 to continue with the prevailing plan, after making partial revision as follows, 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, on condition that it is approved by shareholders at the 66th Ordinary General Meeting of Shareholders, to be held on March 30, 2011 (hereinafter referred to as “the general meeting”) (Hereinafter, the revised plan shall be referred to as “the plan”). Summary of the revision is as follows: 1) a period of providing information in which the purchaser provides answers is set; 2) the maximum period for evaluating the purchase by the purchaser is set and extension of such period is prohibited; and 3) a part stating the possibility of offering consideration with any subscription rights to shares held by the purchaser is deleted from the details of acquisition of the subscription rights to shares.

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; may provide insufficient time and information to be given for a Board of Directors' Meeting and shareholders of the target company to examine the large-scale purchase of shares, or for the Board of Directors' Meeting of the target company to present alternative proposals; and may require the target company 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 inappropriate 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

1. Overview of efforts for maximizing the corporate value

In order to increase corporate value, the Company has developed and is implementing new Medium-Term Management Plan, covering three fiscal years from January 2011 to December 2013, following 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. At the start of fiscal 2005, we developed a new policy on the profit distribution to shareholders, and we intend to return profits proactively in accordance with earnings in the future. We believe that CSR (Corporate Social Responsibility) and compliance (compliance with laws and regulations) will be increasingly necessary for the Company. Given the circumstances, we place implementation of these as a crucial issue of management, and by boosting earnings accordingly, we will strive to increase our corporate value (shareholders value) further.

2. Basic policy of the Medium-Term Management Plan

The Company established the following four policies as a basic policy for the Medium-Term Management Plan:

1) Creating a “new Belle Maison”

- We will view “Belle Maison” as a single strategic unit and create a new Belle Maison that is indispensable to customers. In order to achieve this, we will separate the product development function and sales function, quickly detect changes in the market, take action ahead of our competitors, and enhance development of original products by ensuring our products are “available only at Belle Maison.”
- We will leverage our strengths of operating an Internet site on our own and having capabilities for in-house product development, and strive to expand the Belle Maison Net by transforming our infrastructure of the mail-order business to allow us to remain competitive in the Internet business.

2) Strengthening Internet business

- We will strengthen collaboration between Belle Maison Net and other Internet businesses to maximize the business synergy, and we will also strengthen the Internet business throughout the entire Group by strategically sharing customer assets, expanding selection of merchandise, enhancing marketability of merchandise, and developing a system.
- We will cultivate two or more EC sites of specialized shops which are different from Belle Maison Net through our subsidiaries to boost sales profit on a Group level.

3) Expanding bridal business

- We will continue to make investment in Dears Brain Inc., which owns and operates wedding places. In addition, we will strategically embrace marriages as events that provide important information for our existing businesses, and make it easier to increase cooperation within the Group to expand the entire Group’s customer base.

4) Ensuring high-quality and low-cost business operations

- Getting back to the starting point on a Group level, we will ensure high-quality business operations in which we assign top priority to providing products and services that give satisfaction to customers.
- We will ensure low-cost business operations that allow us to respond flexibly to market changes on a Group level.

3. Profit distribution policy

The Company's basic policy is to reinforce the management base and at the same time maintain stable dividend and distribute appropriate profit to shareholders in consideration of the payout ratio.

As our policy for distributing profit to shareholders, we have set a dividend payout ratio of 30% as a target and strive to provide profit distribution on a continuing basis.

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

1. Purpose of introducing the plan

The plan shall be introduced, with the purpose of ensuring and increasing the corporate value of the Company and by extension, the common interests of shareholders, in line with the basic policy stated in I.

The Board of Directors of the Company judged 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.

Accordingly, the Company's Board of Directors decided to continue with the plan as part of our efforts for preventing decisions on financial and operational policies of the Company from being controlled by inappropriate persons in light of the basic policy, on condition that it is approved by shareholders at the general meeting.

In the meantime, the Board of Directors of the Company has not received any proposal on the large-scale purchase of shares from any particular third party at the time of deciding to continue the plan.

2. Details of the plan

(1) The purchase that is deemed to be the subject of the plan

The plan shall be implemented in compliance with the procedures defined therein if the purchase that applies to either 1) or 2) below is carried out:

- 1) The purchase of the stocks (Note 1), which are issued by the Company, in which the total ratio of shareholding (Note 3) of the shareholders (Note 2) is 20% or more.

- 2) Tender offer for the stocks (Note 4), which are issued by the Company, in which the total of the ratio of shareholding of stocks (Note 6) related to tender offer (Note 5) and the ratio of shareholding of the special interested parties (Note 7) is 20% or more.

Note 1: Stocks as stipulated in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act. The same shall apply unless otherwise provided for hereinafter.

Note 2: Shareholders as stipulated in Article 27-23, Paragraph 3 of the Financial Instruments and Exchange Act. The same shall apply unless otherwise provided for hereinafter.

Note 3: The ratio of shareholding as stipulated in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act. The same shall apply unless otherwise provided for hereinafter.

Note 4: Stocks as specified in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act. The same shall apply hereinafter in 2) above.

Note 5: Tender offer as stipulated in Article 27-2, Paragraph 6 of the Financial Instruments and Exchange Act. The same shall apply unless otherwise provided for hereinafter.

Note 6: The ratio of shareholding as stipulated in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act. The same shall apply unless otherwise provided for hereinafter.

Note 7: Special interested parties as stipulated in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act. Note, however, that those listed in Article 27-2, Paragraph 7, Item 1 of the Financial Instruments and Exchange Act excludes those stipulated in Article 3, Paragraph 1 of the Government Office Ordinance with regard to disclosure of tender offer for stocks by entities other than issuers. The same shall apply unless otherwise provided for hereinafter.

(2) Request for information to the purchaser or similar party

Prior to carrying out the purchase or making proposal thereof (hereinafter, collectively referred to as “the purchase”), the purchaser or similar party must submit a letter of intention to the Board of Directors of the Company expressing its willingness to comply with the procedures specified in the plan in purchasing shares unless otherwise provided by the Board of Directors of the Company. This letter of intention must be in the format specified by the Board of Directors of the Company, describing the name, address, governing law for establishment, name of representative, contact information in Japan, and outline of the purchase.

Subsequently, the Board of Directors of the Company shall deliver the list of information to be provided to form an opinion as the decision of shareholders and the Board of Directors (hereinafter, referred to as “the necessary information”) to the purchaser or similar party within five business days after the receipt of the letter of intent. Specific details of information to be provided differ depending on the attributes of the purchaser or similar party and nature of the purchase. Some examples of items are listed below.

(a) Specific details of the purchase

- 1) Purpose, method, and details of the purchase (including timing of purchase, scheme of related transactions, legality of the purchase method, certainty of performing the purchase).
- 2) Whether there was a communication of intention with the third party in performing

the purchase and any details thereof.

- 3) The details of acquisition consideration (amount and type, etc.), the basis of calculation of consideration (including facts and assumptions as a condition of calculation, calculation method, numerical information used in calculation and the amount of synergy as well as the basis of calculations thereof, etc. that are expected to arise as a result of a series of transactions with regard to the purchase).
- 4) Support for the purchase fund and the name of the provider of funds to the purchaser or similar party (including virtual providers) and the method of raising funds (including the details of related transactions).
- 5) Details of management policy, business plan, financial plan, capital policy, dividend policy, and asset utilization measures of the Senshukai Group after the purchase.
- 6) Policy of treatment of employees of the Company and its Group and interested parties including business partners and customers after the purchase.
- 7) Other information judged reasonably necessary by the Board of Directors of the Company.

(b) Matters related to the purchaser or similar party

Details (including name, capital structure, background, and history) of the purchaser or similar party and its group (including joint owner, special interested parties, and in the case of fund, associate partners and other constituent members), description of business, financial conditions, management status as well as operating performance, background of past corporate acquisitions and the results thereof, existence or nonexistence of violations of law in the past and any details thereof, background of directors, etc.

If the information provided initially is not deemed to be sufficient for forming an opinion that contributes to the judgment of shareholders and if the Special Committee indicates its approval of the necessity of additional information in writing, the Board of Directors of the Company shall request that the purchaser or similar party provides additional information until we have sufficient information. However, the period for the purchaser or similar party to reply to the request for information (hereinafter, referred to as “the period of providing information”) is set to a maximum of 60 days commencing from the sending date of the list of the necessary information. If such necessary information is insufficient and if the period of providing information is expired, we shall terminate correspondence related to providing information with the purchaser and similar party and follow the procedure as specified in (3) below.

The fact that the letter of intention was submitted and the information provided to the Company shall be entirely or partially disclosed, at the right point in time, if it is deemed

to be necessary for the judgment of shareholders.

(3) Examination of the details of the purchase, negotiation with the purchaser or similar party, and presentation of alternative proposals by the Board of Directors of the Company

Based on (2) above, and if the Special Committee approves the information the Board of Directors of the Company requested is sufficient or if the period of providing information expires, the Board of Directors of the Company shall set a period (hereinafter, referred to as “the evaluation period”) and disclose information immediately in accordance with 1) or 2) below, depending on the details of such purchase, as a grace period for the Board of Directors’ Meeting of the company to evaluate and examine such information and form an opinion for negotiation with the purchaser or similar party, or on the purchase of the Company’s shares and develop alternative proposals or schemes.

- 1) 60 days for the purchase of all shares of the Company through tender offer with all consideration paid out in cash (in yen)
- 2) 90 days for the purchase in other cases

The Board of Directors of the Company shall evaluate and examine the details of the purchase proposed by the purchaser or similar party during the evaluation period based on the information and materials provided by the purchaser or similar party from the viewpoint of ensuring and increasing the corporate value and common interests of shareholders. In addition, the Board of Directors of the Company shall discuss or negotiate with the relevant purchaser or similar party, as well as presenting the alternative proposal to the shareholders as the need arises, in order to improve the terms of relevant purchase from the viewpoint of ensuring and increasing the corporate value and common interests of the shareholders.

If the Board of Directors of the Company does not decide upon whether or not to implement the plan during the evaluation period, then in accordance with its resolution, it shall be allowed to extend the evaluation period within the reasonable range deemed necessary to examine the details of the purchase by the purchaser or similar party negotiate with the purchaser or similar party, and develop an alternative proposal. (Note, however, that the evaluation period shall be, including extension, the maximum of 120 days, with no additional extension.) In this case, the Board of Directors of the Company shall disclose information on the reason for extending the evaluation period and matters including the extension period and other matters deemed appropriate after the resolution of such extension of the evaluation period.

(4) Recommendation by Special Committee

(a) Special Committee

The Company has separately established a Special Committee to secure objectivity and rationality of decisions by the Board of Directors of the Company with regard to of discussion and negotiation with the purchaser or similar party, and extension of the evaluation period as specified in (3) above, and the appropriateness of the reasons of implementation as specified in (b) below.

In compliance with the procedures specified in the Special Committee, the Special Committee shall evaluate and examine terms of the purchase by the purchaser or similar party and make recommendations to the Board of Directors of the Company. When the Special Committee makes the evaluation and examination, it shall be allowed to obtain the advice of experts (such as financial advisors, lawyers, and certified accountants) who are independent third parties at the expense of the Company, to ensure that its decision shall contribute to the corporate value and the common interests of shareholders.

Decisions of the Special Committee shall be made with all constituent members attending the meeting in principle and by approval of the majority of members, and the Board of Directors of the Company shall place prime importance on its recommendation in making its final decision.

The Special Committee shall be comprised of three or more committee members, who are selected by the Board of Directors of the Company among those satisfying the following conditions in general and who have signed an agreement with the Company that includes provision of duty of care in principle. The name and brief personal profile of members of the Special Committee are listed in Appendix 1.

- 1) Those who have not served as directors (excluding external directors; the same shall apply hereinafter) or auditors (excluding external auditors; the same shall apply hereinafter) of the Company, its subsidiaries or affiliates (hereinafter, referred to together as the Company or related entities) either currently or in the past.
- 2) Those who are not relatives of directors or auditors of the Company or related entities, either currently or in the past.
- 3) Those who do not have a special vested interest in the Company or related entities.
- 4) Those who are top executives of corporations with track records, lawyers, certified accountants, or experts or pursuant to them.

(b) Recommendation for implementation of the plan by the Special Committee

If the reason for the purchase by the purchaser or similar party applies to either of the

following (hereinafter, referred to as “the reasons of implementation”) and the implementation of the plan is deemed appropriate, the Special Committee shall make a recommendation for the implementation of the plan to the Board of Directors of the Company (specific details of countermeasures are as described in 6. below).

- 1) If the purchase does not follow the procedures specified in the plan
- 2) If the purchase may cause clear impairment of corporate value of the Company and common interests of shareholders because of the actions listed from (i) to (iv) below.
 - (i) If the purchaser or similar party boosts the share price with no real intention of participating in the management of the Company and demands that the Company buys back the purchased shares at inflated price (so-called a “greenmailer”).
 - (ii) If the purchaser engages in management to achieve the interest of the purchaser or similar party at the sacrifice of the Company, such as controlling the management of the Company temporarily to obtain important intellectual property rights, operating know-how, corporate confidential information, and assets of the main business partners and customers at low cost.
 - (iii) If the purchaser or similar party diverts the assets of the Company or its group companies as collateral of debt or payment resource.
 - (iv) If the purchaser or similar party controls the management of the Company temporarily and disposes of high-value assets that are not related to the business for the time being such as real estate and marketable securities of the Company or its group companies to force the Company to pay high dividends temporarily using the profit from disposal, or sells the shares at the highest price by waiting for the share price to surge against the backdrop of temporarily high dividends.
- 3) If the purchaser applies for a coercive, two-step large-scale purchase of shares, etc. (in which the purchaser or similar party does not solicit purchase of all shares at the initial purchase attempt but presents unfavorable terms of purchase or does not define the terms thereof clearly at the second purchase attempt), etc. that may virtually force the shareholders of the Company to sell shares.
- 4) If the purchase goes ahead without setting a reasonable period for the Company to present an alternative proposal for the relevant purchase.
- 5) If the purchase goes ahead without sufficiently providing information that is deemed reasonably necessary for the shareholders of the Company to assess the necessary information and other details of the purchase.
- 6) If the terms of the purchase (including price and type of consideration, timing of

purchase, legality of the purchase method, certainty of performing the purchase, treatment policy for employees of the Company, business partners, customers and other interested parties after the purchase) are significantly insufficient or inadequate in light of the underlying value of the Company.

- 7) If the purchase could destroy the relationships with employees, business partners including customers and interested parties, such as creditors who are essential to sustainably increase the corporate value of the Company and significantly impair the corporate value of the Company and common interests of shareholders.

Note, however, that regardless of whether it is prior to or subsequent to the record date for determining the right, the Special Committee shall make independent decision including cancellation or withdrawal of implementation of the plan and recommend it to the Board of Directors of the Company in the following cases: If the purchaser or similar party withdraws the purchase after the aforementioned recommendation and if the purchase ceases to exist, or if there are changes in facts that were assumed in the decision of the above recommendation so that the purchase by the purchaser or similar party shall not be deemed to qualify for reasons of implementation.

However, even when implementation of the plan is deemed to be reasonable, if the Special Committee judges it is proper to obtain a resolution of a General Meeting of Shareholders on the implementation of the plan, it shall recommend the Board of Directors of the Company to call a General Meeting of Shareholders and refer a proposal related to implementation of the plan to the meeting.

(c) Recommendation for non-implementation of the plan by the Special Committee

The Special Committee determines whether the purchaser or similar party provides information and ensures the evaluation period as specified in (2) and (3) above and complies with the procedures specified in the plan. In addition, if the purchase by the purchaser or similar party shall not be deemed to apply to any of the reasons of implementation as a result of evaluation and examination of information and materials provided by the purchaser or similar party as well as discussion and negotiation with the purchaser or similar party by the Board of Directors of the Company, the Special Committee shall recommend no-implementation of the plan at the Board of Directors' Meeting of the Company.

Note, however, that if there are changes in facts that were the assumptions of such decision so that the purchase by the purchaser or similar party shall be deemed to apply either of the reasons of implementation, the Special Committee shall be allowed to

make independent decision anew including implementation of the plan and recommend it at the Board of Directors' Meeting of the Company.

(5) Resolution of the Board of Directors

The Board of Directors of the Company shall place prime importance on the recommendation by the Special Committee in compliance with (4) in the above and make final decision on implementation or non-implementation of the plan or cancellation or withdrawal thereof. If the Board of Directors of the Company makes such decision, it shall disclose information on the outline of such decision, overview of recommendation by the Special Committee and other matters deemed appropriate by the Board of Directors of the Company promptly thereafter.

If the Board of Directors of the Company is recommended by the Special Committee to convene a General Meeting of Shareholders related to implementation of the plan, it shall quickly call a General Meeting of Shareholders so that a meeting will be held in the shortest time practically possible, and refer a proposal related to implementation of the plan to the General Meeting of Shareholders. If a resolution on implementation of the plan is adopted at a General Meeting of Shareholders, the Board of Directors shall go through procedures necessary for implementation of the plan. After such procedures start, the purchaser or similar party may not carry out the purchase until the Board of Directors of the Company makes a decision on implementation or non-implementation of the plan, or until a resolution related to implementation of the plan is adopted at the aforementioned General Meeting of Shareholders if the relevant General Meeting of Shareholders is to be held.

(6) Specific countermeasures

As specific countermeasures of the Board of Directors of the Company against inappropriate purchases, it shall allocate subscription rights to shares granted free of charge (hereinafter, referred to as "the subscription rights to shares"), described in Appendix 2: Summary of allotments of subscription rights to shares granted free of charge.

The main details of the subscription rights to shares are as follows:

(a) Target shareholders of allocation of the subscription rights to shares

The Company shall assign one unit of the subscription rights to shares per share of stocks held (excluding the shares of the Company held by the Company) to the shareholders who are recorded in the final register of shareholders as of the record date (hereinafter, referred to as "the allocation date") specified by the Board of Directors of the Company in making resolution with regard to the issuance of the subscription rights

to shares (hereinafter, referred to as “the resolution on the issuance of the subscription rights to shares”).

- (b) Class and number of shares to be issued upon exercising the subscription rights to shares

Class of share is common stock of the Company, and one share of common stock of the Company shall be issued per unit of the subscription rights to shares unless adjusted otherwise.

- (c) Total number of the subscription rights to shares

Total number of final shares outstanding on the allocation date shall be the maximum number of the total number of subscription rights to shares to be issued. (Note, however, that the number of the shares held by the Company at that moment shall be excluded.)

- (d) The amount to be paid upon exercising the subscription rights to shares

The amount to be paid upon exercising the subscription rights to shares shall be 1 yen per share.

- (e) Exercise period of the subscription rights to shares

The exercise period of the subscription rights to shares shall be the period between three weeks elapsed after the effective date of the allotment of the subscription rights to shares granted free of charge and six months elapsed thereafter. Note, however, that if the final date of exercise period falls on a non-business day for the payment handling agent, the following business day shall be the final date of exercise period.

- (f) Terms and conditions applicable for the exercise of the subscription rights to shares

Only those holders of the subscription rights to shares who shall not fall into any of the following shall be allowed to exercise the subscription rights to shares: a) specific large-volume holders; b) their joint holders; c) specific large-scale purchasers; d) their special interested parties; or e) persons who are transferred or have inherited the subscription rights to shares from those listed in a) through d) above without approval at the Board of Directors of the Company; or f) persons involved with those listed in a) through e) above (hereinafter, those who fall into any of a) through f) shall be referred to collectively as “ineligible parties”). In addition, because of applicable rules or regulations both in Japan and abroad, nonresidents who are required to follow predetermined procedures after exercising the subscription rights to shares shall not exercise them in principle. For definitions of the terms and details used above, please refer to Appendix 2: Summary of allotments of subscription rights to shares granted free of charge.

- (g) Acquisition of subscription rights to shares

1) If the Board of Directors of the Company acknowledges that acquisition of the

subscription rights to shares by the Company is appropriate, the Company may acquire all the subscription rights to shares granted free of charge on the day specified by the Board of Directors of the Company between the day allotment of the subscription rights to shares granted free of charge takes effect and the day the period of exercise of the subscription rights to shares expires.

- 2) The Company may acquire, on the day separately specified by the Board of Directors of the Company, all the subscription rights to shares that are held by persons other than “ineligible parties” and at the same time not exercised by the previous business day of the relevant day, and grant, in exchange, one of the Company’s applicable common shares for one unit of subscription rights to shares. The Company may carry out acquisition of such subscription rights to shares, if a third party other than “ineligible parties” get the subscription rights to shares by transfer from “ineligible parties” after the Company’s enforcement of acquisition.

(h) Transfer of subscription rights to shares

The approval of the Board of Directors of the company is required to transfer the subscription rights to shares.

(7) Expiration date of the plan, and continuation, abolition, and change thereof

The expiration date of the plan shall be at the end of ordinary General Meeting of Shareholders for the fiscal year ending December 31, 2013. Note, however, that if the agenda for abolishing the plan is approved at the General Meeting of Shareholders, even prior to the end of the expiration date, or if the Board of Directors of the Company comprised of directors, who are selected at the General Meeting of Shareholders of the Company, resolve to abolish the plan, the plan shall be abolished at that point. Therefore, the plan may be abolished if that is the intention of the shareholders.

Based on the examination of the Board of Directors of the Company in consideration of amendment and improvement of applicable laws and regulations such as the Financial Instruments and Exchange Act, the Company may review or modify the plan as the need arises from the viewpoint of ensuring and increasing the corporate value and the common interests of shareholders.

If the plan is abolished or changed, the Company shall promptly disclose the fact thereof and, in the case of modification, shall also disclose details of the modification and other matters deemed to be appropriate by the Board of Directors of the Company.

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 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 of the Company

We believe for the following reasons 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 of the Company.

- (a) Ensure that the requirements of guidelines and implementation with regard to the countermeasures against takeovers shall be satisfied completely.

The plan completely satisfies the three basic principles (the principle of ensuring and/or increasing corporate value and stakeholder profits; the principle of prior disclosure and shareholders' intention; and the principle of securing the necessity and the reasonableness) stipulated in 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 and it also satisfies the details of "Takeover Defense Measures in Light of Recent Environmental Changes," released by the Corporate

Value Study Group of the Ministry of Economy, Trade and Industry on June 30, 2008.

- (b) Ensure that the plan places emphasis on the shareholders' intention (Resolution of a General Meeting of Shareholders and the sunset clause)

The plan shall be continued on condition that predetermined amendments to the Articles of Incorporation are made and approval is obtained from shareholders at the general meeting based on provisions of the Articles of Incorporation.

As is described in III. 2. (7) Expiration date of the plan, and continuation, abolition, and change thereof, the plan has the so-called sunset clause, under which the effective period of the plan is set at about three years. Even before the expiration of that period, if the agenda for canceling the aforementioned commissioned resolution is approved at the General Meeting of Shareholders of the Company and if the agenda for abolishing the plan is approved at the Board of Directors of the Company, which is comprised of directors selected at the General Meeting of Shareholders of the Company, the plan shall be abolished at that point. In this sense, introduction and abolition of this plan shall reflect the intention of the shareholders.

- (c) Setting reasonable and objective reasons of implementation of the plan

As is described in III-2. (4) (b) above, the plan was set not to be implemented unless predetermined, reasonable, and detailed objective requirements are satisfied. Therefore, the plan has ensured the mechanism of preventing arbitrary implementation by the Board of Directors of the Company. In addition, such reasons of implementation were set after exhaustive analysis of appropriate and reasonable countermeasures against takeovers in reference to the analysis of judicial precedents in Japan as well as the aforementioned "guidelines."

- (d) Establishing Special Committee

The Company has established the Special Committee separately for the purpose of discussion and negotiation with the purchaser or similar party, and for securing the objectivity and reasonableness of the decision of the Board of Directors with regard to the extension of the evaluation period and the appropriateness of reasons of implementation.

In consideration of the purpose of its establishment, the Special Committee shall be comprised of individuals who satisfy the conditions listed in III-2. (4) (a) above and are independent from the Board of Directors' Meeting of the Company. In addition, it shall be allowed to obtain the advice of experts, such as financial advisors, lawyers, and

certified accountants, who are independent third parties.

In compliance with the procedures specified in the Special Committee Rules, the Special Committee shall evaluate and examine the appropriateness of reasons of implementation and make recommendations at the Board of Directors' Meeting of the Company. The Board of Directors of the Company shall place prime importance on the recommendations made by the Special Committee and make final decision on the implementation or non-implementation of the plan or cancellation or withdrawal thereof.

- (e) Ensuring that the plan is neither a dead-hand nor a slow-hand type of countermeasure against takeovers

The Board of Directors, which is comprised of directors selected at the General Meeting of Shareholders of the Company, is allowed to abolish the plan. Given the nature of the plan, it is possible that those who purchase the stocks of the Company in large volume shall nominate directors at the Board of Directors of the Company and have the Board of Directors comprised of such directors abolish the plan.

Therefore, the plan is not a dead-hand type of countermeasure against takeovers (countermeasures against takeovers in which implementation of the plan shall not be stopped, even if the majority of the Board of Directors are replaced). The plan is not a slow-hand type of countermeasure against takeovers (countermeasures against takeovers which takes a time to block implementation of the plan because the Board of Directors cannot be replaced at once), either, because the term of office of Directors is one year.

V. Influence on shareholders and investors

1. Influence on shareholders and investors exerted at the time of introducing the plan

The subscription rights to shares shall not be issued at the time of introducing the plan. Therefore, there shall be no direct influence on the rights and economic interests of shareholders and investors.

2. Influence on shareholders and investors exerted at the time of issuing the subscription rights to shares

If the Board of Directors of the Company decides to implement the plan and resolves to issue the subscription rights to shares through allotment of subscription rights to shares granted free of charge, one unit of the subscription rights to shares per share of stock shall be allocated to shareholders who are recorded in the final register of shareholders on the

date of allocation specified by the relevant resolution. If shareholders do not pay and do not perform other procedures written in below (3. Procedures required of shareholders following the issuance of the subscription rights to shares (2) Procedures for exercising the subscription rights to shares) by the end of the exercise period, shares of those shareholders shall be diluted by exercise of the subscription rights to shares by other shareholders. And the Company may get the subscription rights to shares from shareholders other than “ineligible parties” and grant them shares of the Company instead by process of written in below (3. Procedures required of shareholders following the issuance of the subscription rights to shares (3) Procedures for acquiring the subscription rights to shares). In the case the Company takes the procedure, the shareholders other than “ineligible parties” get shares of the Company without exercising the subscription rights to shares or paying equivalent to exercising the subscription rights to shares, as a result, dilution of value per share is occurred but dilution of economic value of whole shares held by shareholders is not basically occurred.

In addition, if the plan is decided to abort or recall after the decision of implementation of the plan, dilution of value per share would not be occurred. Therefore shareholders who believe dilution of value per share and sell/buy shares may be considerably damaged by fluctuation of share price.

3. Procedures required of shareholders following the issuance of the subscription rights to shares

(1) If the Board of Directors of the Company decides to implement the plan and resolves to issue the subscription rights to shares through the allotment of the subscription rights to shares granted free of charge, it shall determine the allocation date and announce it publicly.

(2) Procedures for exercising the subscription rights to shares

The Company shall send the subscription rights to shares exercise request form (in the format predetermined by the Company that includes a written pledge to declare that the shareholders themselves are not “ineligible parties”) and other documents required to exercise the subscription rights to shares to shareholders who are recorded in the final register of shareholders on the allocation date. Shareholders shall be required to submit these necessary documents by the end of the exercise period, specified separately by the Board of Directors’ Meeting, and pay 1 yen per unit of the subscription rights to shares to the payment handling agency to have one share of common stock of the Company issued per unit of the subscription rights to shares.

(3) Procedures for acquiring the subscription rights to shares

If the Company decides that the subscription rights to shares shall be obtained in exchange for the shares of the Company, and if the Company goes through the acquisition procedures, the Company shall acquire the subscription rights to shares on the day separately specified by the Board of Directors of the Company.

If the Company acquires the subscription rights to shares from shareholders other than “ineligible parties” and grants the Company’s common shares in exchange for the subscription rights to shares, the shareholders shall receive one common share of the Company in consideration of acquisition of such subscription rights to shares without paying money equivalent to the exercise price. In this case, therefore, the Company shall not send the subscription rights to shares exercise request form, but it may request such shareholders to submit a written pledge in the predetermined format to declare that they are not “ineligible parties.”

[Appendix 1]

Brief Personal Profile of Special Committee Members

Jotaro Yabe: Born in 1939

1963: Joined Secretariat of Japan Fair Trade Commission

1997: Assumed General Secretariat of Japan Fair Trade Commission

1999: Assumed Professor of Graduate School of Law and Politics at Osaka University

2002: Assumed Vice Chairman of Fair Trade Institute

2004: Assumed Professor of Humanities and Social Sciences at Jissen Women's
University

2005: Assumed external corporate auditor of Onward Kashiwara Co., Ltd. (present
position)

Assumed external director of Daiichi Sankyo Company, Limited

2006: Special Committee Member of the Company (present position)

2007: Assumed external corporate auditor of Onward Holdings Co., Ltd. (present
position)

2008: Trustee of Yokohama City University (present position)

Toshio Kobayashi: Born in 1960

1988: Assumed teaching fellow at School of Economics at Osaka University

1991: Earned a doctoral degree in Economics at Osaka University

2003: Assumed Professor at Graduate School of Economics at Osaka University
(present position)

2006: Special Committee Member of the Company (present position)

Hiroshi Morimoto: Born in 1960

1987: Registered as lawyer (Osaka Bar Association)

Joined Kitahama Partners

1992: Promoted to Partner of Kitahama Partners (present position)

1995: Assumed external corporate auditor of Japan Cash Machine Co., Ltd. (present
position)

2006: Special Committee Member of the Company (present position)

Assumed External Auditor of the Company (present position)

2008: Assumed representative employee of Kitahama Partners (present position)

2010: Vice President of the Osaka Bar Association (present position)

[Appendix 2]

Summary of allotments of subscription rights to shares granted free of charge

(a) Details of the subscription rights to shares

(1) Type and number of shares subject to the subscription rights to shares

- 1) The type of shares subject to the subscription rights to shares shall be the Company's common shares.
- 2) The number of the Company's common shares to be granted in exchange of acquiring the subscription rights to shares (the Company's common shares to be issued and the Company's common shares held by the Company to be transferred instead) (The same applies hereinafter.) and the number of the Company's common shares to be newly issued by exercising subscription rights to shares is specified in (b) below. Note that if the number of applicable shares (defined in 3) below) is adjusted according to 3) below, it shall be adjusted by multiplying the number of applicable shares after the relevant adjustment by the total number of the subscription rights to shares.
- 3) The number of the Company's common shares to be issued by acquiring or exercising each of these subscription rights to shares (hereafter referred to as "applicable number of shares") shall be one share. Note that if the Company splits or consolidates shares, the number of the applicable shares shall be adjusted according to the following formula:

$$\text{Number of the applicable shares after adjustment} = \text{Number of the applicable shares before adjustment} \times \text{Ratio of split or consolidation}$$

Such an adjustment shall be made only for shares with respect to the subscription rights to shares that have not been acquired or exercised at the relevant time, and any fractions less than one share that occurs as a result of such adjustment shall be rounded down, and no adjustment by cash shall be made. Also, when processing these fractions, and adjusting the number of the applicable shares based on the reasons for adjustment of the number of applicable shares occurred afterward, the number of the applicable shares after adjustment shall be calculated upon appropriately reflecting such fractions in the number of applicable shares before adjustment.

(2) The value of property financed on the exercise of the subscription rights to shares

- 1) The amount to be paid for the shares on the exercise of the subscription rights to shares shall be obtained by multiplying the exercising price (defined in 2) below) by the number of the applicable shares.
- 2) The amount to be paid per common share of the Company on the exercise of the subscription rights to shares (hereafter referred to as "exercising price") shall be 1 yen.

(3) The bank handling payment for the shares on the exercise of the subscription rights to shares and the place handling payment

To be determined by the Board of Directors with a resolution to issue the subscription rights to shares.

(4) Period of exercise of the subscription rights to shares

The period of exercise of the subscription rights to shares shall be 6 months from 3 weeks elapsed after the effective date of the allotment of the subscription rights to shares granted free of charge stated in (d) below. Note that if the last day of the period of exercise falls on a holiday for the place handling payment, the last day shall be the following business day.

(5) Items regarding the capital to be increased when issuing shares by exercising the subscription rights to shares and the capital reserve

In case of issuing common shares of the Company by exercising the subscription rights to shares, the entire amount of the issuing of the shares at in issue price shall be incorporated into the capital, and the amount not incorporated into the capital shall be 0 yen.

(6) Limitation of transfer of subscription rights to shares

Transfer of the subscription rights to shares must be approved by the Board of Directors of the Company.

(7) Acquisition of the subscription rights to shares

1) If the Company's Board of Directors acknowledges that acquisition of the subscription rights to shares by the Company is appropriate, the Company may acquire all the subscription rights to shares granted free of charge on the day specified by the Company's Board of Directors between the day allotment of the subscription rights to shares granted free of charge takes effect and the day the period of exercise of the subscription rights to shares expires.

2) The Company may acquire, on the day separately specified by the Company's Board of Directors, all the subscription rights to shares that are held by a party other than an "ineligible party" defined in (e) (1) and at the same time not exercised by the previous business day of the relevant day, and grant, in exchange, one unit of the Company's applicable common shares per subscription right to share. The Company may carry out such acquisition of the subscription rights to shares plural times.

(8) Takeover of obligations for subscription rights to shares in case of a merger, company split, stock exchange or stock transfer

To carry out a merger in which the Company ceases to exist, a merger split or new establishment split in which the Company becomes a demerged corporation, or a stock exchange or stock transfer in which the Company becomes a wholly-owned subsidiary, obligation for subscription rights to shares that have not been acquired or exercised or redeemed as of the relevant point of time may be handed over to the following entities: 1) the company that continues to exist after the relevant merger (hereafter referred to as the "company

continuing to exist after an absorption merger”); 2) the company that will be established as a result of the relevant merger (hereafter referred to as the “newly established company as a result of a new establishment merger”) in the event of a merger; 3) the company that takes over whole or part of the rights and obligations owned by the company split as a result of the relevant merger split (hereafter referred to as “company taking over after a merger split”) in the event of a merger split; 4) the company that is established as a result of the relevant new establishment split (hereafter referred to as the “company newly established as a result of new establishment split”) in the event of a new establishment split; or 5) the company that will be the wholly owning parent company as a result of the relevant stock exchange or stock transfer (hereafter referred to as the “wholly owning parent company as a result of a stock exchange” or “wholly owning parent company established as a result of stock the stock transfer.” The above 6 entities are hereafter collectively referred to as “company that continues to exist”) in the event of a stock exchange or stock transfer based on the following decision policies. Note that this applies only if the General Meeting of Shareholders of the Company approves the agenda on the merger agreement, merger split agreement, new establishment split plan, stock exchange agreement or stock transfer plan, which provides statements complying with the following decision policies with respect to takeover of obligations for the subscription rights to shares in each case.

- 1) Type of shares for the purpose of the subscription rights to shares taken over
Common shares of the company that continues to exist.
- 2) Number of shares that are the purpose of the subscription rights to shares taken over
To be rationally adjusted according to the ratio of the merger, company split, stock exchange or stock transfer, and fractions less than one share after adjustment shall be rounded down.
- 3) Amount to be paid to exercise the subscription rights to shares taken over
To be rationally adjusted according to the ratio of the merger, company split, stock exchange or stock transfer, and fractions less than 1 yen after adjustment shall be rounded down.
- 4) Period of exercise of the subscription rights to shares taken over, other conditions for acquisition or exercise of the rights, termination of the resolution for issuance, etc.
To be determined by the Company’s Board of Directors at the time of the merger, company split, stock exchange, or stock transfer following this outline.
- 5) Approval for transfer by the Board of Directors
Transfer of the subscription rights to shares must be approved by the Company’s Board of Directors that continues to exist.

(9) Limitation of issuance of subscription rights to shares securities

No subscription rights to shares securities shall be issued.

(b) Total number of subscription rights to shares

The upper limit shall be obtained by multiplying the final outstanding number of shares issued as of the base date for allotment of the subscription rights to shares to be granted free of charge (defined in (d) below) (excluding the number of the Company's common shares held by the Company as of the same time) by 1.

(c) Shareholders subject to the allotment of the subscription rights to shares to be granted free of charge

Shareholders who are recorded on the final shareholders' list as of the base date for allotment of the subscription rights to shares are granted free of charge (defined in (d) below; including those who are not able to exercise the subscription rights to shares according to (e) specified below and excluding the Company as a holder of treasury shares).

(d) Base date and effective date for allotment of the subscription rights to shares to be granted free of charge

(1) Base date

The base date shall be the date separately specified by the Company's Board of Directors on or after the exercise date of this plan has been resolved by the Company's Board of Directors.

(2) Effective date

The effective date shall be the date separately specified by the Company's Board of Directors on or after the base date.

(e) Conditions to exercise the subscription rights to shares

- (1) Persons may exercise the subscription rights to shares providing they do not fall under any of the following: 1) a specific mass shareholder; 2) his/her co-shareholder; 3) a specific mass buyer; 4) his/her special stakeholder; 5) a person to whom the subscription rights to shares have been transferred or who has taken over the subscription rights to shares from the person stated in 1) through 4) above without obtaining approval from the Company's Board of Directors; or 6) a person related to any person stated in 1) through 5) above (hereinafter, those who fall under any of 1) through 6) shall be referred to collectively as "ineligible parties").

The terms used above are defined as follows:

- 1) A "specified mass shareholder" refers to a person who holds at least 20% (defined in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act) of the share certificates, etc. issued by the Company (defined in Article 27-23, Paragraph 1 of the same act; hereafter the same unless otherwise separately specified) or who are approved by the Company's Board of the Directors to hold not less than 20% of such share certificates, etc.

- 2) The “co-shareholder” refers to a person defined in Article 27-23, Paragraph 5 of the Financial Instruments and Exchange Act (including a person who has been recognized by the Company’s Board of Directors as falling under this category). This also includes persons who have been regarded as co-shareholders under Paragraph 6 of the same article.
 - 3) “Specific mass buyer” refers to a person who has given public notice of purchase, etc. (defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act; hereafter the same) of the share certificates, etc. (defined in Article 27-2, Paragraph 1 of the same act) issued by the Company through tender offer, etc. (defined in Article 27-2, Paragraph 6 of the same act) and whose ratio of shareholding (defined in Article 27-2, Paragraph 8 of the same act; hereafter the same) in possession (including the cases defined in Article 7, Paragraph 1 of Enforcement Ordinance of the same act as equivalent cases) after the purchase, etc. and whose special stakeholders’ ratio of shareholding altogether account for at least 20%.
 - 4) The “special stakeholder” refers to a person defined in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act (including a person who has been recognized by the Company’s Board of Directors as falling under this category). Note that as for persons specified in Item 1 of the same paragraph, persons who are specified in Article 3, Paragraph 2 of the Cabinet Office Ordinance regarding disclosure of tender offer of the share certificates, etc. by those who are not the issuer are excluded.
 - 5) A “person related to” somebody refers to a person who has been recognized by the Company’s Board of Directors to be a person who is essentially controlled by that person, or is under joint control of that person, or a person who acts in cooperation with that person.
- (2) Regardless of (1) above, the persons specified in any of a) through d) below are not classed as specific mass shareholders or specific mass buyers.
- a) The Company, the Company’s subsidiaries, or the Company’s affiliates
 - b) A person who has been recognized by the Company’s Board of Directors to be a person who has become a specific mass shareholder with no intention of controlling the Company and who is no longer a specific mass shareholder by disposing of the Company’s share certificates, etc., held within 10 days after the day he/she became a specific mass shareholder (note that such a period may be extended by the Company’s Board of Directors.)
 - c) A person who has been recognized by the Company’s Board of Directors to be a specific mass shareholder of the Company without his/her own intention because of acquisition of treasury shares by the Company or for other reasons (excluding a person who has newly acquired the Company’s share certificates, etc. with his/her own intention afterward.)

- d) A person who has been recognized by the Company's Board of Directors as someone who causes no harm to the corporate values and joint interests of the shareholders of the Company by acquiring or holding the Company's share certificates, etc. (This may be recognized by the Company's Board of Directors at any time. Also, if the Company's Board of Directors recognizes that no harm is caused to the corporate values and the joint interests of the shareholders of the Company under certain conditions, then it only applies to cases in which the relevant conditions are met.)
- (3) If, with respect to applicable foreign laws, 1) execution of the specified procedures or 2) fulfillment of the specified conditions (including prohibition against exercise for a certain period of time, submission of the specified documents, etc.) or 3) both of the above (hereafter generically referred to as "compliance laws exercise procedures and conditions") are required for a person located in the jurisdiction of the relevant law to exercise the subscription rights to shares, the person located in the relevant jurisdiction may exercise the subscription rights to shares only if all of the relevant compliance law exercise procedures and conditions have been executed or fulfilled. Note that the Company is not obligated to execute or fulfill any of the compliance law exercise procedures and conditions requiring the Company to execute or fulfill them in order for the person located in the relevant jurisdiction to exercise the subscription rights to shares. Also if a person located in the relevant jurisdiction is not permitted to exercise the subscription rights to shares by the relevant law (hereafter referred to as a "compliance law exercise prohibition reason"), the person located in the relevant jurisdiction may not exercise the subscription rights to shares.
- (4) Regardless of (3) above, persons located in the United States of America may exercise the relevant subscription rights to shares only if they express and guarantee that 1) they are accredited investors as defined in the Rule 501(a) of the Securities Act of 1933 of the United States, and 2) they promise to resell the common shares of the Company, which are to be acquired as a result of exercise of the subscription rights to shares held by them, by regular transaction in the Tokyo Stock Exchange if they decide to do so (this must not be based on any prior arrangement and there must be no prior inducement). The Company will execute or fulfill the compliance law exercise procedures and conditions relating to Regulation D of the Securities Act of 1933 of the U.S. and the U.S. state laws, which require the Company to execute or fulfill in order for the person located in the U.S. to exercise the relevant subscription rights to shares. If the Company's Board of Directors recognizes that exercise of the subscription rights to shares may not be approved legally in terms of the U.S. Securities Law even if 1) and 2) above are fulfilled by a person located in the U.S. because of a change in the law in the U.S., etc., persons located in the U.S. may not exercise the subscription rights to shares.

- (5) Even if persons who hold the subscription rights to shares according to the provision of (1) or (4) above are unable to exercise the subscription rights to shares, the Company is not liable for any damage to the persons who hold the relevant subscription rights to shares.

(f) Method to exercise the subscription rights to shares, etc.

- (1) The method to exercise the subscription rights to shares and the place to claim exercise
- The subscription rights to shares shall be exercised by filling in the required items including the number of the subscription rights to shares to be exercised, the number of applicable shares, and the address in the Subscription Rights to Shares Exercise Claim Form, which is specified by the Company, (including clauses that express/guarantee that the relevant person with the subscription rights to shares neither falls under ineligible person nor intends to exercise the rights for an ineligible person, and a compensation clause), signing and sealing it and submitting it with a separately specified document required to exercise the subscription rights to shares as well as other documents required on each occasion by the Corporation Act, Financial Instruments and Exchange Act, and other laws and related laws and regulations (including the rules, etc., set by Japan Securities Dealers Association and the stock exchanges in Japan) attached to the place handling payment if necessary, and paying amount of money equivalent to the total amount of the exercise price of the shares that are the purpose of the subscription rights to shares for the relevant exercise. A person with the subscription rights to shares may individually exercise each of the subscription rights to shares held, and if there are any remaining subscription rights to shares at the time of such individual exercise, the Company shall enter or record the date of the individual exercise of the relevant person with the subscription rights to shares and the number of the remaining subscription rights to shares into the Subscription Rights to Shares Original Register.
- (2) Time when claim of exercise of the subscription rights to shares takes effect
- Claim of exercise of the stock acquisition shall take effect when the subscription rights to shares exercise claim form and the attached document for the exercise arrive at the place handling payment according to the provision of (1) above. Exercise of the subscription rights to shares shall take effect if claim of exercise of such subscription rights to shares has taken effect and amount of money equivalent to the total amount of the exercise price of the shares that are the purpose of the subscription rights to shares for the relevant exercise is paid at the place handling payment.

(g) Notice to subscription rights to shares holders

- (1) Notice to subscription rights to shares holders shall be given in writing to the subscription rights to shares holders' addresses recorded in the Subscription Rights to Shares Original Register, and such notice is regarded to have arrived when it is normally supposed to arrive.

(2) As for approval, if no particular will is expressed to the Company by a stock acquisition holder in writing within 14 days after the day the notice asking for approval is regarded to have arrived, the Company may regard that the stock acquisition holder has approved it.

(h) Notification by the Financial Instruments and Exchange Act

As for each of the above items, if notification is required by the Financial Instruments and Exchange Act, the condition shall be occurrence of effect of that notification.

(i) Modification due to revision of the laws, etc.

If any necessity to modify any clause specified in each of the above sections or meanings of the terms arises due to new establishment or modification and abolishment of the laws, upon considering the aim of the relevant new establishment or modification and abolishment, the clauses specified in each of the above articles or the meaning of the terms shall be changed within the rational range as needed.