(Translation)

Stock code: 8165

March 5, 2015

NOTICE OF THE 70th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholder

You are cordially invited to attend the 70th 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 the Internet, etc. Please review the attached Reference Material for Ordinary General Meeting of Shareholders and exercise your voting rights by no later than 5:30 p.m., Thursday, March 26, 2015, following the "Procedure for Exercising Voting Rights" on next page.

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., Friday, March 27, 2015

2. Venue: Peacock ROOM (West), 3F, Imperial Hotel, Osaka
1-8-50 Temmabashi, Kita-ku, Osaka

3. Agenda:

Items to be reported:

1. Business Report, Consolidated Financial Statements for the 70th fiscal year (January 1 to December 31, 2014); and Audit Reports of the Accounting Auditors and the Audit & Supervisory Board regarding Consolidated Financial Statements for the 70th fiscal year
2. Non-consolidated Financial Statements for the 70th fiscal year (January 1 to December 31, 2014)

Items to be proposed:

- Proposal 1 Appropriation of surplus
- Proposal 2 Election of nine (9) Directors
- Proposal 3 Election of three (3) Audit & Supervisory Board Members
- Proposal 4 Election of one (1) substitute Audit & Supervisory Board Member
- Proposal 5 Grant of condolence money for the late Chairman and Representative Director Yasuhiro Yukimachi

If attending the meeting in person, please present the enclosed 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 the Company's website (http://www.senshukai.co.jp/soukai).
The Company participates in "electronic voting platforms" for institutional investors operated by ICJ Inc.

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., Thursday, March 26, 2015, the day before the Ordinary General Meeting of Shareholders.

2. Voting website

You can only exercise your voting rights via the Internet by accessing the following dedicated voting website designated by the Company.

Dedicated voting website address: http://www.web54.net

3. Handling of votes

(1) When exercising your voting rights via the Internet, input the "voting right exercise code" and "password" written in the enclosed voting form, and indicate your approval or disapproval by following the on-screen instructions.
(2) The deadline for voting is 5:30 p.m., Thursday, March 26, 2015. An early exercise of your vote would be very much appreciated.
(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. If you vote more than once over the Internet, we will consider the latest vote to be valid.
(4) Any fees to Internet providers and telecommunication companies (connection fees, etc.) incurred by shareholders in using the dedicated voting website, are to be borne by the shareholders.

4. PC-related technical inquiries, etc.

If you have any technical inquiries regarding the operation of a PC, etc. for voting on this website, contact the following:

Stock Transfer Agency Web Support, Sumitomo Mitsui Trust Bank, Limited Tel: 0120-652-031 (toll-free and available from 9:00 a.m. to 9:00 p.m., only in Japan)

[Appendix]

Business Report

(January 1 to December 31, 2014)

1. Summary of operations

(1) The Senshukai Group operating progress and results

Overview

During the fiscal year ended December 31, 2014, the Japanese economy continued to recover at a moderate pace, due partly to the effects of economic and monetary measures by the government and the Bank of Japan. However, the outlook for personal consumption is extremely uncertain as the deterioration in consumer mindset following the consumption tax increase in April 2014 persisted longer than expected, while real disposable income growth is struggling as prices rise due to the yen's depreciation, among other factors. In the retail industry, the business environment remained severe despite a rush in demand ahead of the tax increase, as consumers kept their belts tightened firmly, while increasingly diverse consumer purchasing attitudes and behavior has seen competition emerge to a greater degree beyond business types and formats.

Under such a business environment, the Senshukai Group is making Group-wide efforts to achieve the first fiscal year targets of the Medium-to Long-term Management Plan "Innovate for Smiles 2018," that was developed in 2014.

In the fiscal year under review, consolidated net sales were 142,526 million yen, (a year-on-year increase of 0.7%), as growth in the bridal business was offset by mail-order business sales slightly falling short of the previous fiscal year due to the protracted downturn in demand following the consumption tax increase.

With regard to profit, operating income was 3,088 million yen (a year-on-year decrease of 23.2%) as the cost of sales increased owing to the yen's depreciation and an increase in valuation loss on goods, despite efforts to cut selling, general and administrative expenses. Ordinary income was 3,549 million yen (a year-on-year decrease of 23.4%) and net income was 1,798 million yen (a year-on-year decrease of 55.6%).

Business results by segment

[Mail-order Business]

The mail-order business, which consists of catalogue and *hanpukai* businesses, posted consolidated net sales of 125,296 million yen (a year-on-year decrease of 1.0%). Operating income was 1,921 million yen (a year-on-year decrease of 32.4%) due to a rise in cost-to-sales ratio caused by the yen's depreciation.

(1) Catalogue Business

In the catalogue business, we provide lifestyle proposals in a variety of genres through a diverse range of catalogues as well as the online shop "Belle Maison Net," and develop many original products that reflect the characteristics of Senshukai.

For the fiscal year under review, consolidated net sales were 117,926 million yen (a year-on-year decrease of 0.2%) as the interior goods and household sundries genres saw a protracted decline in reaction to the consumption tax increase.

(2) *Hanpukai* Business

In the *hanpukai* business, each month, we periodically deliver original 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.

During the fiscal year under review, the *hanpukai* business posted consolidated net sales of 7,370million yen (a year-on-year decrease of 11.9%) due to a decline in membership and business partners.

[Bridal Business]

In the fiscal year under review, consolidated net sales in the bridal business, centered on the house wedding business, were 12,750 million yen (a year-on-year increase of 18.8%) due to the launch of new wedding places and an increase in the number of wedding ceremonies. Operating income was 834 million yen (a year-on-year increase of 18.9%).

[Corporate Business]

In the fiscal year under review, consolidated net sales in the corporate business that provides products and services to corporations were 3,944 million yen (a year-on-year increase of 2.8%). Operating income was 304 million yen (a year-on-year decrease of 22.7%).

[Other Businesses]

In the fiscal year under review, consolidated net sales in the other businesses, which consist of the service business (insurance and credit-card services as the core fields) and the childcare business, were 534 million yen (a year-on-year increase of 10.4%). Operating income was 26 million yen (a year-on-year decrease of 68.9%).

Net sales by business segment (Millions of yen)

Name of the segment and product	69th fiscal year (Jan. 1 to Dec. 31, 2013)		70th fiscal year (Jan. 1 to Dec. 31, 2014)		Change from the previous fiscal year	Year-on-Year (%)
	Amount	% of total	Amount	% of total		
Mail-order Business:						
Apparel	57,426	40.6	56,468	39.6	-958	-1.7
Interior goods	32,141	22.7	31,262	21.9	-879	-2.7
Household sundries	18,144	12.8	16,725	11.7	-1,418	-7.8
Clothing sundries	13,929	9.8	13,739	9.7	-189	-1.4
Foodstuffs	3,473	2.5	5,638	4.0	2,164	62.3
Others	1,382	1.0	1,461	1.0	78	5.7
Subtotal	126,498	89.4	125,296	87.9	-1,202	-1.0
Bridal Business	10,731	7.6	12,750	8.9	2,019	18.8
Corporate Business	3,838	2.7	3,944	2.8	106	2.8
Other Businesses	484	0.3	534	0.4	50	10.4
Total	141,552	100.0	142,526	100.0	974	0.7

(2) Capital expenditures

In the fiscal year under review, the Senshukai Group invested a total of 2,161 million yen in capital expenditures, and 884 million yen to develop computer systems, etc.

(3) Fund procurement

In the fiscal year under review, the Senshukai Group procured funds through bonds with subscription rights to shares among other methods in addition to funds on hand.

The Company has concluded commitment line contracts with its correspondent financial institutions for a total amount of 15,300 million yen, however the balance of borrowings outstanding at the end of the fiscal year under review was zero.

(4) Issues to be handled

In order to increase corporate value, the Senshukai Group developed a Medium-to Long-term Management Plan, "Innovate for Smiles 2018," covering five fiscal years from January 2014 to December 2018, which it is now carrying out.

Basic Policies of the "Medium- to Long-term Management Plan"

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

1) Mail-order Business

i) Customer strategy

We will expand our customer base by approaching the "career generation," which is made up of working women who are actively involved in business activities, and "active women in their 50s," who are expected to become important customers, in addition to the "pregnancy-delivery-child-raising generation" in their 30s to 40s, our present major customers.

ii) Merchandise strategy

To differentiate from mall-type large EC operators, we will strengthen the development of our own "original merchandise brands." Furthermore, we will enhance profitability by strengthening and expanding "SPA (Specialty store retailer of Private label Apparel)-type merchandise," for which a company independently controls the process from planning to manufacture and retail.

iii) Sales channel strategy

We will shift from the conventional channel mix strategy, in which customers buy products based on catalogues, to the omni-channel strategy, in which customers examine our own original merchandise brands and buy products. Under the new strategy, we will build a structure designed to enable customers to buy our products through all channels, including mobiles, PCs and outlets, and make them fans of our products.

iv) Fulfillment strategy

We will enhance convenience for our customers and improve the efficiency of operational costs by aggressively making investments related to IT systems and logistics. Furthermore, we will strengthen "services for individual customers," by taking into account their needs and the characteristics of the merchandise.

2) Bridal Business

We will expand sales of the bridal business by continuously investing in wedding halls through Dears Brain Inc., a subsidiary that operates the bridal business centering on house wedding, and launching new urban and suburban wedding halls and renovating existing halls. At the same time, we will review our promotion activities and improve merchandise costs, aiming to enhance profitability.

3) Corporate Business

We will expand the corporate business, centering on mail order-related “contract operations,” which have increased with the expansion of the EC market. Furthermore, we will improve profitability of this business by raising the specialization of sales and advertising operations.

4) New Businesses

We will proactively conduct new businesses, mainly those which are expected to generate synergy from the combination with the mail-order business, the Company’s core business. In particular, we will focus on the “childcare-related business” that is closely related to the child-raising generation, our major customers.

Progress of “Medium- to Long-term Management Plan”

1) Mail-order Business

We will expand our development of private brands (PB) tailored to each target customer segment. We will carry out our envisaged merchandise planning (MD) for all sales channels (EC, catalogues, stores, etc.) for each PB, and reform our business structure to the SPA model, where we undertake the entire process from planning to manufacture and retail.

At the same time, we will improve our sales channels, aiming to establish an omni-channel structure that enables customers to purchase products any time they wish, from any location. In 2015, we will renew our core fashion media as “BELLE MAISON fashion 2015 SPRING,” creating a product-oriented catalogue assembled from original products that have been individually selected with care, as we continue to differentiate our business through originally developed products that have added value.

We will also conduct manufacturing with a focus on targeting customers in their 30s and 50s, working both to publish catalogues for each group and to establish links to EC in the first half of fiscal 2015.

In addition to these strategies, we are strengthening our fulfillment functions, with the aim of operating a mail-order business that customers can use with a feeling of safety.

As part of our initiative to reorganize logistics operations in the Chubu region, we started on improvements at the Minokamo Distribution Center. We will continue making preparations for the restart of operations in 2015.

2) Bridal Business

We will continue to establish new wedding halls combining urban and suburban features, and to renew existing halls, in order to expand sales. We opened new wedding halls in Kamakura-shi, Kanagawa, in March 2014 and in Higashiyama-ku, Kyoto-shi, in May 2014. Going into 2015 we will continue opening new wedding halls in Chuo-ku, Niigata-shi, in March and in Nara-shi, Nara in July.

3) Corporate Business

In step with the expansion of the mail-order EC market, we will continue to strengthen our logistics contracting operations serving corporate customers who seek to enter the B to C business.

4) New Businesses

In the fiscal year under review, we started the childcare business. We opened nursery schools in Sakura-shi, Chiba, in September 2014, and in Ota-ku, Tokyo, in October 2014. We plan to open another two nursery schools in Ota-ku, Tokyo, in April 2015, and we will also develop a child raising business.

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

Accordingly, we will strengthen our corporate governance through improvement and enhancement of our internal control system by clarifying the scope of supervisory roles of Directors, strengthening our compliance system, and promoting quick and accurate information disclosure.

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

We look forward to your continuous support and encouragement.

(5) Trends in financial position and gain and loss

(Millions of yen)

Items \ Fiscal year	67th fiscal year (ended Dec. 2011)	68th fiscal year (ended Dec. 2012)	69th fiscal year (ended Dec. 2013)	70th fiscal year (ended Dec. 2014)
Net sales	137,261	145,750	141,552	142,526
Ordinary income	3,233	2,765	4,631	3,549
Net income	1,583	2,029	4,046	1,798
Net income per share (Yen)	36.56	46.86	93.43	41.52
Total assets	90,441	92,887	98,800	100,785
Net assets	41,444	44,932	50,359	53,160
Net assets per share (Yen)	956.94	1,037.48	1,162.81	1,227.52

(6) Status of 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.	600	100.0	Bridal business
Shufunotomo-Direct Co., Ltd.	430	100.0	Mail-order business
Mobakore Co., Ltd.	200	100.0	Mail-order business
Belle Maison Logisco Co., Ltd.	100	100.0	Logistics system business
Senshu Logisco Co., Ltd.	100	100.0	Logistics system business
Senshukai Call Center Co., Ltd.	60	100.0	Telephone marketing business

Notes:

1. The Company owns a total of 13 consolidated subsidiaries, including the six major subsidiaries described above.
2. Shufunotomo-Direct Co., Ltd. and Senshukai Child Care Co., Ltd. are included in the scope of consolidation effective from the fiscal year under review because of their increased materiality.

(7) Major business

The Senshukai Group operates a mail-order business as its core business, and is also engaged in the bridal business, corporate business for providing products and services for corporations, and other businesses that include the service business with insurance and credit-card services as the core fields, as well as childcare business such as the operation of nursery schools.

(8) Principal offices

Senshukai Co., Ltd.	Head Office:	Kita-ku, Osaka
	Tokyo Headquarters:	Shinagawa-ku, Tokyo
Dears Brain Inc.	Head Office:	Minato-ku, Tokyo
Shufunotomo-Direct Co., Ltd.	Head Office:	Chiyoda-ku, Tokyo
Mobakore Co., Ltd.	Head Office:	Shinagawa-ku, Tokyo
Belle Maison Logisco Co., Ltd.	Head Office:	Kani-shi, Gifu
Senshu Logisco Co., Ltd.	Head Office:	Nishinomiya-shi, Hyogo
	Kanuma Branch Office:	Kanuma-shi, Tochigi
Senshukai Call Center 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	1,259	109
Bridal Business	340	51
Corporate Business	40	-1
Other Businesses	38	10
Other staff (consolidated basis)	124	-3
Total	1,801	166

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

2) The Company

Number of employees	Change from the previous fiscal year	Average age	Average service years
899	35	41.4	13.2

Notes:

1. The number of employees includes regular and contract staff, but does not include (55) employees seconded to subsidiaries, etc.
2. The retirement age of employees is 60.

(10) Major creditors

Creditors	Borrowings outstanding (Millions of yen)
Sumitomo Mitsui Banking Corporation	2,024
Mizuho Bank, Ltd.	1,330
Sumitomo Mitsui Trust Bank, Limited	1,018
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	984

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: 24,612

(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 Corporation	1,665	3.85
Dai Nippon Printing Co., Ltd.	1,511	3.49
Mizuho Bank, Ltd.	1,219	2.82
Senshukai Group Employee Stock Ownership Plan	1,155	2.67
Nippon Life Insurance Company	846	1.95
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	752	1.74
Sumitomo Mitsui Trust Bank, Limited	705	1.63

Notes:

1. Amounts less than one thousand shares have been omitted.
2. The shareholding ratio is calculated by subtracting treasury shares (4,322,649 shares).

3. Items regarding subscription rights to shares of the Company

(1) Subscription rights to shares delivered as consideration for performance of duties held by Directors and Audit & Supervisory Board Members of the Company as of the end of the fiscal year under review

No applicable items

(2) Subscription rights to shares delivered as consideration for performance of duties by employees, etc. during the fiscal year under review

No applicable items

(3) Other important matters regarding subscription rights to shares

The Company issued “Japanese yen Convertible Notes due 2019 (notes with subscription rights to shares)” with a paid-in date of April 23, 2014, based on a resolution at the meeting of the Board of Directors held on April 3, 2014.

The following is an outline of the convertible notes.

Number of the subscription rights to shares	1,400
Class and number of shares subject to the subscription rights to shares	・The class of shares subject to the subscription rights to shares shall be the Company's common shares. ・The number of shares to be issued upon exercising the subscription rights to shares shall be a number obtained by dividing the total amount of the bonds associated with the subscription rights to shares by the conversion price.
Amount to be paid upon exercising the subscription rights to shares	There shall be no requirement for payment in exchange for the subscription rights to shares.
Details and value of property to be contributed upon exercising the subscription rights to shares	・Upon exercising the subscription rights to shares, the bonds associated with the subscription rights to shares shall be contributed, and the value of the said bonds shall be the same as the amount to be paid in. ・The conversion price shall be 1,048 yen initially; provided, however, that there may be cases where the conversion price is adjusted or reduced in accordance with the terms of the convertible bonds with subscription rights to shares.
Exercise period of the subscription rights to shares	The exercise period of the subscription rights to shares shall be from May 7, 2014, until the end of banking hours on April 9, 2019 (at the local time of the location where the request for exercise is received).
Capital and the legal capital surplus to be increased when issuing shares upon exercising the subscription rights to shares	The amount of capital to be increased when issuing shares upon exercising the subscription rights to shares shall be one-half of the maximum amount of increase in capital, etc. calculated pursuant to the provisions of Article 17 of the Corporate Accounting Rules. If this calculation results in the occurrence of any fraction less than one yen, the said fraction shall be rounded up to the nearest one yen. The amount of legal capital surplus to be increased shall be the amount obtained by subtracting the capital to be increased from the amount of capital, etc. to be increased.
Terms and conditions applicable for the exercise of the subscription rights to shares	Partial exercise of each subscription right to shares shall not be possible.

4. Directors and Audit & Supervisory Board Members

(1) Name of Directors and Audit & Supervisory Board Members (As of December 31, 2014)

Title	Name	Responsibilities at the Company and important concurrent occupations or positions at other organizations
President and Representative Director	Michio Tanabe	
Senior Managing Director	Shohachi Sawamoto	
Managing Director and Executive Officer	Mamoru Asada	Representative of Tokyo Headquarters, Division Director of Project Division
Director and Executive Officer	Hiroyuki Hoshino	General Manager of Corporate Development Division
Director and Executive Officer	Koichi Sugiura	Division Director of Sales Planning Division
Director and Executive Officer	Kazuhisa Masutani	Division Director of Lifestyle Business Division
Director	Tomoko Oishi	Professor of Kyoto Gakuen University, Faculty of Business Administration
Director	Toshikatsu Sano	
Standing Audit & Supervisory Board Member	Yoshihiro Nakabayashi	
Standing Audit & Supervisory Board Member	Makoto Yamamoto	
Audit & Supervisory Board Member	Hideyuki Koizumi	Certified Public Accountant (Representative of Koizumi C.P.A. Office), External Audit & Supervisory Board Member of Japan Cash Machine Co., Ltd.
Audit & Supervisory Board Member	Hiroshi Morimoto	Attorney (Representative member of Kitahama Partners L.P.C.), CEO of Kitahama Partners L.P.C. Group, External Audit & Supervisory Board Member of Japan Cash Machine Co., Ltd., External Director of Yamahisa Co., Ltd.

Notes:

1. Directors Tomoko Oishi and Toshikatsu Sano are External Directors.
2. Audit & Supervisory Board Members Hideyuki Koizumi and Hiroshi Morimoto are External Audit & Supervisory Board Members.
3. Audit & Supervisory Board Member Hiroshi Morimoto took office as External Director of Yamahisa Co., Ltd. on December 19, 2014.
4. External Director Tomoko Oishi and External Audit & Supervisory Board Members Hideyuki Koizumi and Hiroshi Morimoto are Independent Director / Auditors who are notified as prescribed by the Financial Instruments Exchange.
5. External Audit & Supervisory Board Member Hideyuki Koizumi is qualified as certified public accountant and has considerable knowledge regarding finance and accounting.

(2) Retired Directors during the fiscal year under review

Name	Date of retirement	Reason for retirement	Positions and responsibilities at the Company and important concurrent occupations or positions at other organizations at the time of retirement
Kiichi Tagawa	March 28, 2014	Termination of a term	Senior Managing Director
Shigemitsu Mineoka	March 28, 2014	Termination of a term	Director, President and Representative Director of Senshukai Call Center Co., Ltd.
Yasuhiro Yukimachi	November 16, 2014	Deceased	Chairman and Representative Director

(3) Total amount of remuneration to Directors and Audit & Supervisory Board Members

	Number of Directors and Audit & Supervisory Board Members	Amount (Millions of yen)
Directors [of which External Directors]	11 [2]	263 [17]
Audit & Supervisory Board Members [of which External Audit & Supervisory Board Members]	4 [2]	40 [10]
Total [of which External Directors and External Audit & Supervisory Board Members]	15 [4]	304 [27]

Notes:

1. Among the Directors mentioned above, there includes two Directors who retired at the conclusion of the 69th Ordinary General Meeting of Shareholders, held on March 28, 2014, and one Director who retired on November 16, 2014.
2. Directors' remuneration and other amounts do not include salaries for employees paid to Directors who concurrently serve as 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 Directors in total per year shall not exceed 400 million yen (however, not including salaries for employees).
4. It was resolved at the 62nd Ordinary General Meeting of Shareholders, held on March 29, 2007, that the maximum amount of remuneration to be paid to Audit & Supervisory Board Members in total per year shall not exceed 70 million yen.
5. Other than the above, condolence money of 30 million yen for one retiring Director is expected to be resolved at the 70th Ordinary General Meeting of Shareholders.

(4) Items regarding External Directors and External Audit & Supervisory Board Members

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

- Director Tomoko Oishi is Professor of Kyoto Gakuen University, Faculty of Business Administration, and there is no special relationship between the Company and that organization.

- Audit & Supervisory Board Member Hideyuki Koizumi is 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 Audit & Supervisory Board Member of Japan Cash Machine Co., Ltd., and there is no special relationship between the Company and that organization.
- Audit & Supervisory Board Member Hiroshi Morimoto is representative member of Kitahama Partners L.P.C. and CEO of Kitahama Partners L.P.C. Group, and the Company has concluded legal advisory contracts individually with other attorneys who belong to that organization. However, the combined amount of the aforesaid advisory fee amount of the aforesaid advisory contracts and other remuneration amounts comes to less than 1% of total revenues of that organization. In addition, Hiroshi Morimoto concurrently serves as External Audit & Supervisory Board Member of Japan Cash Machine Co., Ltd. and External Director of Yamahisa Co., Ltd., and there is no special relationship between the Company and either aforementioned organization.

B. Major activities in the fiscal year under review

	Major activities
Director Tomoko Oishi	She attended 15 of the 19 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 17 of the 19 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.
Audit & Supervisory Board Member Hideyuki Koizumi	He attended all of the 19 meetings of the Board of Directors and all of the 15 meetings of the Audit & Supervisory Board 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 Audit & Supervisory Board.
Audit & Supervisory Board Member Hiroshi Morimoto	He attended all of the 19 meetings of the Board of Directors and all of the 15 meetings of the Audit & Supervisory Board 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 Audit & Supervisory Board.

C. Outline of the agreement to limit liability

Pursuant to Article 427, Paragraph 1 of the Corporation Act, the Company concludes an agreement with each External Director and External Audit & Supervisory Board Member to limit their liability for compensation as stipulated in Article 423, Paragraph 1 of the said act. The limit of liabilities for compensation under the relevant agreement is the minimum amount stipulated in laws and regulations.

5. Item regarding accounting auditors

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

(2) Compensation for the accounting auditor:

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

50 million yen

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

60 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 not included in the services of Article 2, Paragraph 1 of the Certified Public Accountant Act of Japan.

(4) 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 Audit & Supervisory Board, or based on the demand of the Audit & Supervisory Board, 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 Audit & Supervisory Board shall dismiss the accounting auditor based on the consent of all Audit & Supervisory Board Members. In this case, an Audit & Supervisory Board Member selected by the Audit & Supervisory Board 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 initiatives for the “corporate governance” are 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 system, 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 and 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 and regulations and internal regulations.
   2) If any compliance issues arise with any directors (Directors, Audit & Supervisory Board Members 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 Audit & Supervisory Board Members 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 monthly, 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 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, Audit & Supervisory Board 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 Audit & Supervisory Board Members 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. 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 Associates" 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 Audit & Supervisory Board Members request employees who are to assist their duties and item regarding independency of the relevant employees from the Directors
   1) A dedicated member of staff to assist the Audit & Supervisory Board Members is put in place in response to a request from the Audit & Supervisory Board.
   2) Opinions of the Audit & Supervisory Board regarding appointment, personnel change, personnel evaluation and disciplinary punishment of the dedicated member of staff are to be fully respected.

7. The system for the Directors and the employees to report to the Audit & Supervisory Board Members, the system regarding report to Audit & Supervisory Board Members and the system to assure that audits are effectively conducted by the Audit & Supervisory Board Members
   1) The Standing Audit & Supervisory Board Members shall attend major meetings if necessary, and receive important information including the management status.
   2) The Standing Audit & Supervisory Board Members 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 Audit & Supervisory Board Members are required to immediately report such items or facts to the Audit & Supervisory Board.
   3) Materials required by Audit & Supervisory Board Members 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 Audit & Supervisory Board Members shall regularly hold opinion exchange meetings with President and the auditing firm, respectively.
   6) The Audit & Supervisory Board Members shall conduct an audit & supervisory board member's audit regularly and interview the Executive Officers and important employees.
   7) The Audit & Supervisory Board 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, 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 purchases of shares 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 purchases may effectively force shareholders to sell their shares; may provide insufficient time and information to be given for the 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 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

In order to increase corporate value, the Company developed a new Medium-to Long-term Management Plan, "Innovate for Smiles 2018," covering five fiscal years from January 2014 to December 2018, which it is now carrying out.

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 by extension, 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 66th Ordinary General Meeting of Shareholders, held on March 30, 2011, 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, 2013. 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 69th Ordinary General Meeting of Shareholders held on March 28, 2014 to continue with the prevailing plan until the conclusion of the Ordinary General Meeting of Shareholders covering the fiscal year ending December 31, 2016.

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. above)

Each effort stated in II. above 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 Directors and Audit & Supervisory Board Members 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. above)

(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, 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 Directors and Audit & Supervisory Board Members 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 Directors and Audit & Supervisory Board Members of the Company, since 1) they comply thoroughly with 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 also satisfy the "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; 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, 2014

	Millions of yen
	As of December 31, 2014
ASSETS	
Current Assets	
Cash and deposits	7,910
Notes and accounts receivable - trade	6,622
Merchandise and finished goods	21,591
Raw materials and supplies	139
Deferred tax assets	57
Accounts receivable - other	9,511
Forward exchange contracts	4,317
Other	3,715
Allowance for doubtful accounts	-311
Total Current Assets	53,554
Non-current Assets	
Property, Plant and Equipment:	
Buildings and structures	13,963
Machinery, equipment and vehicles	514
Tools, furniture and fixtures	809
Land	12,311
Leased assets	1,055
Construction in progress	422
Total Property, Plant and Equipment	29,075
Intangible Assets:	
Goodwill	2,225
Other	3,154
Total Intangible Assets	5,380
Investments and Other Assets	
Investment securities	6,155
Long-term loans receivable	1,083
Lease and guarantee deposits	1,644
Deferred tax assets	162
Other	3,994
Allowance for doubtful accounts	-265
Total Investments and Other Assets	12,774
Total Non-current Assets	47,231
Total Assets	100,785

	Millions of yen
	As of December 31, 2014
LIABILITIES	
Current Liabilities	
Electronically recorded obligations - operating	12,124
Accounts payable - trade	5,397
Short-term loans payable	2,747
Current portion of bonds	700
Lease obligations	129
Accounts payable - other	6,100
Accrued expenses	2,130
Income taxes payable	915
Accrued consumption taxes	776
Provision for sales promotion expenses	219
Other	2,230
Total Current Liabilities	33,470
Non-current Liabilities	
Bonds payable	450
Bonds with subscription rights to shares	7,000
Long-term loans payable	3,510
Lease obligations	1,239
Deferred tax liabilities for land revaluation	629
Net defined benefit liability	84
Asset retirement obligations	455
Other	784
Total Non-current Liabilities	14,153
Total Liabilities	47,624
NET ASSETS	
Shareholders' Equity	
Capital stock	20,359
Capital surplus	21,038
Retained earnings	17,086
Treasury shares	-2,776
Total Shareholders' Equity	55,707
Accumulated Other Comprehensive Income	
Valuation difference on available-for-sale securities	1,261
Deferred gains or losses on hedges	2,780
Revaluation reserve for land	-6,724
Foreign currency translation adjustment	135
Total Accumulated Other Comprehensive Income	-2,546
Total Net Assets	53,160
Total Liabilities and Net Assets	100,785

Consolidated Statement of Income
For fiscal year ended December 31, 2014

	Millions of yen For fiscal year ended December 31, 2014
Net sales	**142,526**
Cost of sales	**75,038**
Gross profit	**67,488**
Selling, general and administrative expenses	**64,399**
Operating income	**3,088**
Non-operating income	**778**
Interest and dividend income	190
Share of profit of entities accounted for using equity method	44
Gain on adjustment of account payable	214
Other	329
Non-operating expenses	**317**
Interest expenses	190
Other	127
Ordinary income	**3,549**
Extraordinary income	**89**
Gain on sales of non-current assets	4
Gain on sales of investment securities	84
Extraordinary losses	**646**
Loss on sales and retirement of non-current assets	77
Impairment loss	222
Loss on sales of investment securities	311
Other	36
Income before income taxes and minority interests	**2,992**
Income taxes - current	1,107
Income taxes - deferred	85
Income before minority interests	**1,798**
Minority interests in income	**0**
Net income	**1,798**

Consolidated Statement of Changes in Shareholders' Equity
For fiscal year ended December 31, 2014

(Millions of yen)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Shares	Total Shareholders' Equity
Balance as of January 1, 2014	20,359	21,038	16,353	-2,776	54,975
Changes of items during the fiscal year under review					
Dividends of surplus			-1,039		-1,039
Net income			1,798		1,798
Purchase of treasury shares				-0	-0
Reversal of revaluation reserve for land			3		3
Variation of the scope of consolidation			-28		-28
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year under review	—	—	733	-0	732
Balance as of December 31, 2014	20,359	21,038	17,086	-2,776	55,707

(Millions of yen)

	Accumulated Other Comprehensive Income					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 Accumulated Other Comprehensive Income	
Balance as of January 1, 2014	774	1,278	-6,720	52	-4,615	50,359
Changes of items during the fiscal year under review						
Dividends of surplus						-1,039
Net income						1,798
Purchase of treasury shares						-0
Reversal of revaluation reserve for land						3
Variation of the scope of consolidation						-28
Net changes of items other than shareholders' equity	486	1,501	-3	83	2,068	2,068
Total changes of items during the fiscal year under review	486	1,501	-3	83	2,068	2,801
Balance as of December 31, 2014	1,261	2,780	-6,724	135	-2,546	53,160

<u>Notes to Consolidated Financial Statements</u>

Basis for Preparing Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 13

Names of major consolidated subsidiaries:

Dears Brain Inc., Shufunotomo-Direct Co., Ltd., Mobakore Co., Ltd., Belle Maison Logisco Co., Ltd., Senshu Logisco Co., Ltd., Senshukai Call Center Co., Ltd.

Shufunotomo-Direct Co., Ltd. and Senshukai Child Care Co., Ltd. are included in the scope of consolidation effective from the fiscal year under review because of their increased materiality.

(2) Number of unconsolidated subsidiaries: 2

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: 1

Names of unconsolidated subsidiaries under the equity method:

Senshukai Hong Kong Limited

(2) Number of associates under the equity method: 2

Names of associates under the equity method:

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

(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 associates excluded from the scope of equity method:

Senshukai Marketing Support 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, including 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 leased 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 leased 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) Leased assets:

Depreciation of leased 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 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.

(4) Basis for recognizing of net defined benefit liability

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.

(5) Basis for recognizing important revenues 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.

(6) 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 consolidated balance sheet date, and any differences generated by this conversion are included in gains or losses.

(7) Promotion expenses

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

(8) Hedge accounting method

The Company adopts deferral hedge accounting.

(9) 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.

(10) Consumption taxes

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

(11) Application of the consolidated tax payment system

The consolidated tax payment system is applied.

Notes to Changes in Method of Presentation

(Consolidated balance sheet)

1. "Notes and accounts payable - trade," which was separately presented in the previous fiscal year, is presented as "Accounts payable - trade" from the fiscal year under review because there is no balance of "Notes payable - trade" in the fiscal year under review.
2. "Lease obligations," which was included in "Other" under "Current liabilities" in the previous fiscal year, is separately presented from the fiscal year under review following a review of presented items carried out to increase transparency.
3. "Accounts payable - factoring" (569 million yen in the fiscal year under review) under "Current Liabilities," which was separately presented in the previous fiscal year, is included in "Other" from the fiscal year under review because it became insignificant in terms of amount.
4. "Provision for retirement benefits," which was presented in the previous fiscal year, is presented as "Net defined benefit liability" from the fiscal year under review due to the application of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012).

(Consolidated statement of income)

"Foreign exchange gains" (22 million yen in the fiscal year under review) under "Non-operating income," which was separately presented in the previous fiscal year, is included in "Other" from the fiscal year under review because it became insignificant in terms of amount.

Notes to Consolidated Balance Sheet

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

   33,356 million yen
3. Breakdown of assets pledged as collateral
   (1) Pledged assets
   Buildings and structures 173 million yen
   (2) Liabilities corresponding to the aforementioned assets
   Short-term loans payable 10 million yen
4. 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 above-mentioned 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: -2,545 million yen

5. 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
Balance of borrowings outstanding:	— million yen
Balance:	15,300 million yen

6. 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 in the balance sheet at the end of fiscal year ended December 31, 2011 or the said amount at the end of the immediately preceding 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
Ordinary General Meeting of Shareholders held on March 28, 2014	Common stock	519	12	December 31, 2013	March 31, 2014
Meeting of the Board of Directors held on July 31, 2014	Common stock	519	12	June 30, 2014	September 1, 2014

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

Proposal for Resolution	Class of stock	Financial funds of dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on March 27, 2015	Common stock	Retained earnings	519	12	December 31, 2014	March 30, 2015

Notes on Financial Instruments

1. Policy on 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 by issuing bonds or bonds with subscription rights to shares. 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, which are operating receivables, 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 are mainly securities of companies that have business relationships with the Company and are exposed to the risk of market price fluctuations and credit risk of issuers. However, the Company regularly keeps track of the share prices and financial conditions of the issuers, and intermittently reviews the shareholdings in consideration of its relationships with the business partners.

Electronically recorded obligations - operating, accounts payable - trade, and accounts payable - other are operating debt with payment due within one year. Some of these 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 loans payable are for financing funds necessary for working capital and capital expenditures, and bonds with subscription rights to shares are for financing funds necessary for capital expenditures.

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.

Operating debt, loans payable, bonds payable, and bonds with subscription rights to shares are exposed to liquidity risk, but the Senshukai Group is controlling liquidity risk by taking actions such as creating cash management plans.

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

Consolidated balance sheet amounts, fair values as of December 31, 2014, and their differences are as follows. The amounts shown in the following table do not include financial instruments whose fair values are extremely difficult to determine (see Note 2).

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	7,910	7,910	–
(2) Notes and accounts receivable - trade	6,622	6,622	–
(3) Accounts receivable - other	9,511	9,511	–
(4) Investment securities	5,246	5,246	–
Total assets	29,291	29,291	–
(5) Electronically recorded obligations - operating	12,124	12,124	–
(6) Accounts payable - trade	5,397	5,397	–
(7) Short-term loans payable	120	120	–
(8) Accounts payable - other	6,100	6,100	–
(9) Bonds payable (*1)	1,150	1,161	11
(10) Bonds with subscription rights to shares	7,000	7,061	61
(11) Long-term loans payable (*2)	6,137	6,155	18
Total liabilities	38,029	38,120	91
(12) Derivative transactions			
Hedge accounting adopted	4,317	4,317	–
Derivative transactions (*3)	4,317	4,317	–

*1. Bonds payable includes current portion of bonds (whose consolidated balance sheet amount is 700 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 2,627 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 presented by the counterparty financial institutions or the like are used for debt securities.

(5) Electronically recorded obligations - operating, (6) Accounts payable - trade,

(7) Short-term loans payable, and (8) Accounts payable - 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.

(9) 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 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) Bonds with subscription rights to shares

The fair values of bonds with subscription rights to shares are the prices presented by the counterparty financial institutions.

(11) 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.

(12) Derivative transactions

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

(Note 2) Stocks of unconsolidated subsidiaries and associates (whose consolidated balance sheet amount is 666 million yen), unlisted stocks (whose consolidated balance sheet amount is 216 million yen), and investments in investment partnership (whose consolidated balance sheet amount is 25 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:	1,227.52 yen
2. Net income per share:	41.52 yen
3. Diluted net income per share	37.52 yen

Significant Subsequent Events

No applicable items

Other notes

Adjustment of amounts of deferred tax assets and deferred tax liabilities due to the change in the rate of income taxes

On March 31, 2014, the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 10 of 2014), the “Act for Partial Revision of the Local Tax Act, etc.” (Act No. 4 of 2014) and the “Local Corporation Tax Act” (Act No. 11 of 2014) were promulgated, and the corporation tax rate, etc. was changed for fiscal years starting on or after April 1, 2014. Due to this change, the effective statutory tax rate used in the calculation of deferred tax assets and deferred tax liabilities for temporary differences which are expected to be reversed in fiscal years starting on or after January 1, 2015, will be changed from the previously applied rate of 38.0% to 35.6%. Due to this change in the tax rate, deferred tax assets (less the amount of deferred tax liabilities) decreased by 8 million yen, deferred gains or losses on hedges increased by 59 million yen and income taxes – deferred increased by 68 million yen.

Non-consolidated Balance Sheet
As of December 31, 2014

	Millions of yen
	As of December 31, 2014
ASSETS	
Current Assets	
Cash and deposits	4,239
Notes receivable - trade	141
Accounts receivable - trade	5,782
Merchandise and finished goods	21,099
Raw materials and supplies	105
Prepaid expenses	2,215
Accounts receivable - other	9,961
Other	6,415
Allowance for doubtful accounts	-294
Total Current Assets	49,667
Non-current Assets	
Property, Plant and Equipment:	
Buildings	8,208
Structures	205
Machinery and equipment	495
Vehicles	1
Tools, furniture and fixtures	628
Land	11,007
Construction in progress	240
Total Property, Plant and Equipment	20,787
Intangible Assets:	
Software	2,825
Other	159
Total Intangible Assets	2,985
Investments and Other Assets	
Investment securities	5,488
Shares of subsidiaries and associates	7,423
Long-term loans receivable	2,449
Other	4,535
Allowance for doubtful accounts	-302
Allowance for investment loss	-218
Total Investments and Other Assets	19,377
Total Non-current Assets	43,150
Total Assets	92,817

	Millions of yen
	As of December 31, 2014
LIABILITIES	
Current Liabilities	
Electronically recorded obligations - operating	12,124
Accounts payable - trade	4,256
Current portion of bonds	700
Current portion of long-term loans payable	2,248
Lease obligations	9
Accounts payable - other	5,920
Accrued expenses	1,133
Income taxes payable	769
Deposits received	848
Provision for sales promotion expenses	211
Deferred tax liabilities	218
Other	926
Total Current Liabilities	29,366
Non-current Liabilities	
Bonds payable	450
Bonds with subscription rights to shares	7,000
Long-term loans payable	2,894
Lease obligations	91
Deferred tax liabilities	1,035
Deferred tax liabilities for land revaluation	629
Other	66
Total Non-current Liabilities	12,166
Total Liabilities	41,532
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 non-current assets	57
Reserve for special depreciation	14
Retained earnings brought forward	14,155
Total other retained earnings	14,227
Total retained earnings	15,345
Treasury shares	-2,776
Total Shareholders' Equity	53,967
Valuation and Translation Adjustments	
Valuation difference on available-for-sale securities	1,261
Deferred gains or losses on hedges	2,780
Revaluation reserve for land	-6,724
Total Valuation and Translation Adjustments	-2,682
Total Net Assets	51,284
Total Liabilities and Net Assets	92,817

Non-consolidated Statement of Income

For fiscal year ended December 31, 2014

	Millions of yen For fiscal year ended December 31, 2014
Net sales	**121,851**
Cost of sales	**65,498**
Gross profit	**56,352**
Selling, general and administrative expenses	**54,495**
Operating income	**1,856**
Non-operating income	**835**
Interest and dividend income	420
Gain on adjustment of account payable	214
Other	200
Non-operating expenses	**195**
Interest expenses	110
Other	84
Ordinary income	**2,496**
Extraordinary income	**87**
Gain on sales of non-current assets	3
Gain on sales of investment securities	84
Extraordinary loss	**460**
Loss on sales and retirement of non-current assets	60
Impairment loss	51
Loss on sales of investment securities	311
Other	36
Income before income taxes	**2,124**
Income taxes - current	455
Income taxes - deferred	291
Net income	**1,376**

Non-consolidated Statement of Changes in Shareholders' Equity
For fiscal year ended December 31, 2014

(Millions of yen)

	Shareholders' Equity									
	Capital Stock	Capital Surplus			Retained Earnings					
					Legal Retained Earnings	Other Retained Earnings				Total Retained Earnings
		Legal Capital Surplus	Other Capital Surplus	Total Capital Surplus		Reserve for Advanced Deprecia-tion of Non-current Assets	Reserve for Special Depreci-ation	Reserve for Overseas Investment Loss	Retained Earnings Brought Forward	
Balance as of January 1, 2014	20,359	12,864	8,174	21,038	1,118	59	—	33	13,793	15,005
Changes of items during the fiscal year under review										
Provision of reserve for advanced depreciation of non-current assets						0			-0	—
Reversal of reserve for advanced depreciation of non-current assets						-2			2	—
Provision of reserve for special depreciation							14		-14	—
Provision of reserve for overseas investment loss								0	-0	—
Reversal of reserve for overseas investment loss								-33	33	—
Dividends of surplus									-1,039	-1,039
Net income									1,376	1,376
Purchase of treasury shares										
Reversal of revaluation reserve for land									3	3
Net changes of items other than shareholders' equity										
Total changes of items during the fiscal year under review	—	—	—	—	—	-2	14	-33	362	340
Balance as of December 31, 2014	20,359	12,864	8,174	21,038	1,118	57	14	—	14,155	15,345

(Millions of yen)

	Shareholders' Equity		Valuation and Translation Adjustments				Total Net Assets
	Treasury Shares	Total Shareholders' Equity	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 January 1, 2014	-2,776	53,626	774	1,278	-6,720	-4,667	48,959
Changes of items during the fiscal year under review							
Provision of reserve for advanced depreciation of non-current assets		—					—
Reversal of reserve for advanced depreciation of non-current assets		—					—
Provision of reserve for special depreciation		—					—
Provision of reserve for overseas investment loss		—					—
Reversal of reserve for overseas investment loss		—					—
Dividends of surplus		-1,039					-1,039
Net income		1,376					1,376
Purchase of treasury shares	-0	-0					-0
Reversal of revaluation reserve for land		3					3
Net changes of items other than shareholders' equity			486	1,501	-3	1,985	1,985
Total changes of items during the fiscal year under review	-0	340	486	1,501	-3	1,985	2,325
Balance as of December 31, 2014	-2,776	53,967	1,261	2,780	-6,724	-2,682	51,284

Notes to Non-consolidated Financial Statements

Principal accounting policies

1. Valuation criteria and methods of assets

(1) Securities

Stocks of subsidiaries and associates 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 non-current assets

(1) Property, plant and equipment (excluding leased 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 leased 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) Leased assets

Depreciation of leased assets is computed using the straight-line method with zero residual value assuming the lease periods as useful lives.

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 associates. The amount required is determined in consideration of financial conditions and collectability of the relevant subsidiaries and associates.

(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. Basis for recognizing revenues 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 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 non-consolidated balance sheet date, 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 expenses 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.

9. Application of the consolidated tax payment system

The consolidated tax payment system is applied.

Notes to Changes in Method of Presentation

(Matters related to non-consolidated balance sheet)

1. "Short-term loans receivable" (776 million yen in the fiscal year under review) under "Current assets," which was separately presented in the previous fiscal year, is included in "Other" from the fiscal year under review following a review of presented items carried out to increase transparency.
2. "Forward exchange contracts" (4,317 million yen in the fiscal year under review) under "Current assets," which was separately presented in the previous fiscal year, is included in "Other" from the fiscal year under review following a review of presented items carried out to increase transparency.
3. "Long-term prepaid expenses" (75 million yen in the fiscal year under review) under "Investments and other assets," which was separately presented in the previous fiscal year, is included in "Other" from the fiscal year under review following a review of presented items carried out to increase transparency.
4. "Lease obligations," which was included in "Other" under "Current liabilities" in the previous fiscal year, is separately presented from the fiscal year under review following a review of presented items carried out to increase transparency.
5. "Accounts payable - factoring" (569 million yen in the fiscal year under review) under "Current liabilities," which was separately presented in the previous fiscal year, is included in "Other" from the fiscal year under review because it became insignificant in terms of amount.
6. "Asset retirement obligations" (66 million yen in the fiscal year under review) under "Non-current liabilities," which was separately presented in the previous fiscal year, is included in "Other" from the fiscal year under review following a review of presented items carried out to increase transparency.

(Matters related to non-consolidated statement of income)

"Foreign exchange gains" (1 million yen in the fiscal year under review) under "Non-operating income," which was separately presented in the previous fiscal year, is included in "Other" from the fiscal year under review because it became insignificant in terms of amount.

Notes to Non-consolidated Balance Sheet

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

    29,473 million yen

3. Guarantee obligation:

    Guarantees on notes and accounts payable - trade and other

Shufunotomo-Direct Co., Ltd. 131 million yen

4. Short-term cash credit for subsidiaries and associates 1,563 million yen

Long-term cash credit for subsidiaries and associates 2,183 million yen

Short-term cash debt for subsidiaries and associates 95 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 above-mentioned 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: -2,545 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
Balance of borrowings outstanding:	— million yen
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 in the balance sheet at the end of fiscal year ended December 31, 2011 or the said amount at the end of the immediately preceding 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 associates

Sales:	524 million yen
Operating expense:	7,951 million yen
Non-operating transaction:	257 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 as of the end of the fiscal year under review:

4,322,649 common shares

Tax Effect Accounting

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

(Millions of yen)

(1) Current

Deferred tax assets	
Adjustment for deposits received	142
Loss on valuation of inventories	132
Accrued bonuses	128
Other	314
Sub-total deferred tax assets	718
Valuation allowance	(22)
Total deferred tax assets	695
Deferred tax liabilities	
Deferred gains or losses on hedges	885
Other	28
Total deferred tax liabilities	913
Net deferred tax liabilities	218

(2) Non-current

Deferred tax assets	
Loss on valuation of shares of subsidiaries and associates	513
Amount exceeding the limit of tax depreciation	325
Allowance for doubtful accounts	150
Loss on valuation of investment securities	145
Other	272
Sub-total deferred tax assets	1,408
Valuation allowance	(1,048)
Total deferred tax assets	359
Deferred tax liabilities	
Valuation difference on available-for-sale securities	695
Deferred gains or losses on hedges	651
Other	47
Total deferred tax liabilities	1,394
Net deferred tax liabilities	1,035

2. Details of deferred tax liabilities for land revaluation

(Millions of yen)

Deferred tax assets	
Deferred tax assets for land revaluation	2,799
Valuation allowance	(2,799)
Total deferred tax assets for land revaluation	—
Deferred tax liabilities	
Deferred tax liabilities for land revaluation	629
Net deferred tax liabilities for land revaluation	629

3. Adjustment of amounts of deferred tax assets and deferred tax liabilities due to the change in the rate of income taxes

On March 31, 2014, the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 10 of 2014), the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 4 of 2014) and the "Local Corporation Tax Act" (Act No. 11 of 2014) were promulgated, and the corporation tax rate, etc. was changed for fiscal years starting on or after April 1, 2014. Due to this change, the effective statutory tax rate used in the calculation of deferred tax assets and deferred tax liabilities for temporary differences which are expected to be reversed in fiscal years starting on or after January 1, 2015, will be changed from the previously applied rate of 38.0% to 35.6%. Due to this change in the tax rate, deferred tax liabilities (less the amount of deferred tax assets) decreased by 7 million yen, deferred gains or losses on hedges increased by 59 million yen and income taxes – deferred increased by 52 million yen.

Related Party Transactions

Type	Company name	Ownership percentage of voting rights, etc.	Relationship	Nature of transactions	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 (Note)	450	Short-term loans receivable	766
				Collection of loans	661	Long-term loans receivable	1,824
				Receipt of interests	23	–	–

Transaction condition or policy for deciding transaction condition

Note: The interest rates of loans are rationally decided by taking into account market interest rates.

Per Share Information

1. Net assets per share: 1,184.19 yen
2. Net income per share: 31.80 yen
3. Diluted net income per share: 28.74 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 10, 2015

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

Ernst & Young ShinNihon LLC
Yutaka Matsumura (Seal)
Certified Public Accountant, Designated, Limited Liability and Operating Partner
Kazuki Wadabayashi (Seal)
Certified Public Accountant, Designated, Limited Liability and Operating Partner

We have audited the consolidated financial statements of Senshukai Co., Ltd. for the fiscal year from January 1, 2014 to December 31, 2014, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity and notes to consolidated financial statements for the purpose of reporting under the provisions of Article 444, Paragraph 4 of the Corporation Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with corporate accounting standards generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit from an independent position. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on the auditor's judgment, based on the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

Conflicts of Interest

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 10, 2015

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

Ernst & Young ShinNihon LLC
Yutaka Matsumura (Seal)
Certified Public Accountant, Designated, Limited Liability and Operating Partner
Kazuki Wadabayashi (Seal)
Certified Public Accountant, Designated, Limited Liability and Operating Partner

We have audited the non-consolidated financial statements of Senshukai Co., Ltd. for the 70th fiscal year from January 1, 2014 to December 31, 2014, comprising the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in shareholders' equity and notes to 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.

Management's Responsibility for the Non-consolidated Financial Statements and the Accompanying Financial Schedule

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the accompanying financial schedule in accordance with corporate accounting standards generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements and the accompanying financial schedule that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the non-consolidated financial statements and the accompanying financial schedule based on our audit from an independent position. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the accompanying financial schedule are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the accompanying financial schedule. The procedures selected and applied depend on the auditor's judgment, based on the assessment of the risks of material misstatement of the non-consolidated financial statements and the accompanying financial schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the accompanying financial schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the accompanying financial schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

Conflicts of Interest

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 Audit & Supervisory Board (Certified Copy)
[English Translation of the Audit Report Originally Issued in the Japanese Language]

Audit Report

The Audit & Supervisory Board has prepared this Audit Report upon deliberation based on the Audit Report created by each Audit & Supervisory Board Member regarding the performance by the Directors of their duties during the 70th fiscal year from January 1, 2014 to December 31, 2014, and hereby reports as follows:

1. Audit & Supervisory Board Members' and Audit & Supervisory Board's Auditing Methods and Contents

The Audit & Supervisory Board stipulated the auditing policies, share of assignment, etc., received reports from each Audit & Supervisory Board Member 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 Audit & Supervisory Board Members' auditing standards, auditing policies, share of assignment, and other matters stipulated by the Audit & Supervisory Board, each Audit & Supervisory Board Member communicated with the Directors, the Internal Auditing Department and other employees, and strived to maintain an 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; demanded explanations, as the occasion demanded; inspected important documents; and investigated the activities and assets of the head office and of other principal places of business. We verified the resolutions adopted by the Board of Directors regarding the maintenance of a system to assure that execution of duty by the Directors, as stated in the business report, complies with the laws and regulations and the Articles of Incorporation, and the maintenance of a system necessary to assure the appropriateness of other business activities of the corporation stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Corporation Act. We also regularly received reports from Directors and employees on the status of the establishment and operation of the system (internal control system) established in accordance with such resolutions adopted by the Board of Directors, demanded explanations, as the occasion demanded, and expressed our opinions.

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 Audit & Supervisory Board Members, 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 to 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 to 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, the descriptions in the business report and execution of duty by the Directors regarding the relevant internal control system are 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 Ordinance for Enforcement 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 Directors and Audit & Supervisory Board Members 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 12, 2015

Audit & Supervisory Board, Senshukai Co., Ltd.

Standing Audit & Supervisory Board Member	Yoshihiro Nakabayashi	(Seal)
Standing Audit & Supervisory Board Member	Makoto Yamamoto	(Seal)
External Audit & Supervisory Board Member	Hideyuki Koizumi	(Seal)
External Audit & Supervisory Board Member	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 surplus 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 in accordance with earnings.

Under this policy, the year-end dividend for the fiscal year under review 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
12 yen per share of common stock of the Company; the total amount of 519,692,928 yen

(3) Effective date of dividends of surplus:
March 30, 2015

The annual dividend will amount to 24 yen per share, including an interim dividend of 12 yen per share.

Proposal 2: Election of nine (9) Directors

The terms of office of eight (8) Directors will expire at the conclusion of this meeting and Director Yasuhiro Yukimachi passed away on November 16, 2014. Therefore, we would like you to elect a total of nine (9) Directors.

The candidates for 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	Michio Tanabe (July 23, 1946)	Apr. 1967 Joined the Company Jun. 1997 Director of the Company Mar. 2001 Director and Executive Officer 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) 14,400 (2) None
2	Shohachi Sawamoto (February 9, 1948)	Mar. 1972 Joined the Company Jun. 1997 Director of the Company Mar. 2001 Director and Executive Officer of the Company Mar. 2005 Managing Director of the Company Jan. 2011 Senior Managing Director and Executive Officer of the Company In charge of Belle Maison Business Division (EC Business Division, Catalogue Business Division, Product Development Division, Belle Maison Business Planning Department) of the Company Jan. 2013 In charge of Belle Maison Business Division (Sales Planning Division, Product Development Division, Belle Maison Business Planning Department) of the Company Jan. 2014 Senior Managing Director of the Company (present position)	(1) 19,830 (2) None

No.	Name (Date of birth)	Brief personal profile, positions and responsibilities at the Company and important concurrent occupations or positions at other organizations	(1) No. of the Company's shares held (2) Any conflict of interests between the candidate and the Company
3	Mamoru Asada (April 1, 1954)	Mar. 1982 Joined the Company Mar. 2005 Executive Officer of the Company Mar. 2006 Director and Executive Officer of the Company Mar. 2008 Director and Managing Executive Officer of the Company Jan. 2009 Division Director of Project Division of the Company (present position) Jan. 2011 Managing Director and Executive Officer of the Company (present position) In charge of Monthly Business and Project Division (Monthly Business Division, Project Division) of the Company Jan. 2014 Representative of Tokyo Headquarters of the Company (present position)	(1) 14,900 (2) None
4	Hiroyuki Hoshino (December 10, 1959)	Sep. 1982 Joined the Company Mar. 2006 Executive Officer of the Company Jan. 2008 Division Director of Tokyo Business Division of the Company Mar. 2009 Director and Executive Officer of the Company (present position) Dec. 2010 President and Representative Director of Mobakore Co., Ltd. Jan. 2011 Division Director of Business Development Division of the Company Jan. 2013 General Manager of Corporate Development Division of the Company (present position)	(1) 5,700 (2) None
5	Koichi Sugiura (November 5, 1958)	Mar. 1981 Joined the Company Jan. 2009 Executive Officer of the Company Division Director of Lifestyle Business Division, General Manager of Fabric Development Department and General Manager of Furniture Development Department of Lifestyle Business Division of the Company Jan. 2011 Division Director of Product Development Division of the Company Jan. 2014 Division Director of Sales Planning Division of the Company (present position) Mar. 2014 Director and Executive Officer of the Company (present position) Jan. 2015 Division Director of Monthly Business Division of the Company (present position)	(1) 3,200 (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
6	Kazuhisa Masutani (August 1, 1957)	Dec. 1983 Joined the Company Jan. 2009 Executive Officer of the Company Deputy Division Director of Lifestyle Business Division and General Manager of Business Planning Department of Lifestyle Business Division of the Company Jan. 2011 Division Director of Catalogue Business Division of the Company Jan. 2012 Division Director of Catalogue Business Division and Division Director of EC Business Division of the Company Jan. 2013 Division Director of Sales Planning Division of the Company Jan. 2014 Division Director of Lifestyle Business Division of the Company (present position) Mar. 2014 Director and Executive Officer of the Company (present position)	(1) 5,200 (2) None
*7	Kenji Kajiwara (June 20, 1961)	Aug. 1988 Joined the Company Jul. 2006 General Manager in charge of Fashion Apparel of Fashion Development Department of the Company Jan. 2008 General Manager of Business Promotion Department of Fashion Business Division and General Manager of Style Fashion Development Department of Fashion Business Division of the Company Jan. 2009 Executive Officer of the Company (present position) Deputy Division Director of Fashion Business Division of the Company Jan. 2010 General Manager of Belle Maison Net Promotion Section of the Company Jan. 2011 Deputy Division Director of EC Business Division and General Manager of EC Business Planning Department of EC Business Division of the Company Aug. 2011 General Manager of EC Sales Planning Department of EC Business Division of the Company Jan. 2013 Deputy Division Director of Sales Planning Division of the Company Jan. 2014 Division Director of Fashion Business Division of the Company (present position)	(1) 1,500 (2) None
8	Tomoko Oishi (November 8, 1954)	Apr. 1977 Joined Yamaha Music Foundation Feb. 1988 Joined Yokohama Women's Association for Communication and Networking Jun. 1997 Joined Japan Association for The Advancement of Working Women Apr. 2001 Professor of Kyoto Gakuen University, Faculty of Business Administration (present position) Mar. 2006 Director of the Company (present position) Apr. 2011 Dean of Kyoto Gakuen University, Faculty of Business Administration	(1) 0 (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
9	Toshikatsu Sano (July 12, 1945)	Jun. 1969	Joined Mitsui Bank (presently, Sumitomo Mitsui Banking Corporation)	(1) 0 (2) None
		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)	

Notes:

1. Candidates with an asterisk (*) prefixing their number are new candidates for Directors.
2. Tomoko Oishi and Toshikatsu Sano are the candidates for External Directors.
3. We request the election of Tomoko Oishi as we believe she 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.
4. The ratio of the amount of transactions in the most recent fiscal year between the Company and SMBC Consulting Co., Ltd., where Toshikatsu Sano belonged, was below 0.1% of the net sales of SMBC Consulting Co., Ltd.
5. Tomoko Oishi and Toshikatsu Sano are currently External Directors of the Company, and their terms of office as External Directors will reach nine (9) years and seven (7) years, respectively at the conclusion of this meeting.
6. The Company has concluded 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 their reelection is approved, we plan to continue the agreements. The limit of liabilities for compensation under the relevant agreement is the minimum amount stipulated in laws and regulations.
7. The Company has notified Tomoko Oishi as an Independent Director as prescribed by the Financial Instruments Exchange. If she is reelected, we plan to maintain her position as Independent Director.

Proposal 3: Election of three (3) Audit & Supervisory Board Members

The term of office of Audit & Supervisory Board Members Yoshihiro Nakabayashi, Makoto Yamamoto, and Hideyuki Koizumi will expire at the conclusion of this meeting. We would like you to elect three (3) Audit & Supervisory Board Members.

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

The candidates for Audit & Supervisory Board Members 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)	Jun. 1985 Joined the Company Mar. 2005 Executive Officer of the Company Jan. 2008 Division Director of Child Care Business Division of the Company Jan. 2011 Assistant to President of the Company Mar. 2011 Standing Audit & Supervisory Board Member of the Company (present position)	(1) 19,120 (2) None
*2	Masanori Maeda (September 13, 1953)	Mar. 1972 Joined the Company Jul. 2004 General Manager of Marketing Department of the Company Jan. 2008 Division Director of Gift & Gourmet Business Division of the Company Mar. 2008 Executive Officer of the Company (present position) Jan. 2009 Division Director of Gift & Gourmet Business Division and General Manager of Gourmet Development Department of Gift & Gourmet Business Division of the Company Jan. 2011 Division Director of Monthly Business Division and General Manager of Monthly Business Planning Department of Monthly Business Division of the Company Jan. 2014 Division Director of Monthly Business Division and General Manager of Sales Control Department of Monthly Business Division of the Company Jan. 2015 Assistant to President of the Company (present position)	(1) 14,500 (2) None
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 Audit & Supervisory Board Member of Japan Cash Machine Co., Ltd. (present position) Mar. 2003 Audit & Supervisory Board Member of the Company (present position)	(1) 0 (2) None

Notes:

1. Candidates with an asterisk (*) prefixing their number are new candidates for Audit & Supervisory Board Members.
2. Hideyuki Koizumi is a candidate for External Audit & Supervisory Board Member.
3. We nominated Hideyuki Koizumi as External Audit & Supervisory Board Member as we expect that he will make the best use of his professional expertise as a certified public accountant for the audit system of the Company and properly perform his duties as External Audit & Supervisory Board Member, although he has not directly taken part in corporate management.
4. Hideyuki Koizumi has in the past belonged to Century Auditor (presently Ernst & Young ShinNihon LLC), the accounting auditor of the Company. There is a transactional relationship between the Company and the said accounting auditor that includes the payment of auditing fees. However, the ratio of auditing fees and the like paid by the Group to the said accounting auditor is below 0.1% of the accounting auditor's total income.
5. Hideyuki Koizumi is currently External Audit & Supervisory Board Member of the Company, and his term of office as Audit & Supervisory Board Member will reach twelve (12) years at the conclusion of this meeting.
6. The Company has concluded the agreement with Hideyuki Koizumi 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. If his reelection is approved, we plan to continue the agreement. The limit of liability for compensation under the relevant agreement is the minimum amount stipulated in laws and regulations.
7. The Company has notified Hideyuki Koizumi as an Independent Auditor as prescribed by the Financial Instruments Exchange. If he is reelected, we plan to maintain his position as Independent Auditor.

Proposal 4: Election of one (1) substitute Audit & Supervisory Board Member

To provide for a case in which the number of Audit & Supervisory Board Members falls short of the number stipulated by laws and regulations, we would like you to elect one (1) substitute Audit & Supervisory Board Member 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 Audit & Supervisory Board.

The candidate for substitute Audit & Supervisory Board Member 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
Kouichi Masui (November 17, 1950)	Mar. 1986 Jul. 1986 Jul. 1987 Jan. 1989	Registered as a certified public accountant Registered as a certified tax accountant Established Masui Kouichi Office, Representative of the Office (present position) Established Mass Management Co., Ltd., President of Mass Management Co., Ltd. (present position)	(1) 0 (2) None

Notes:

1. Kouichi Masui is a candidate for substitute External Audit & Supervisory Board Member.
2. We nominated Kouichi Masui as substitute External Audit & Supervisory Board Member as we expect that he 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 takes office as an Audit & Supervisory Board Member.
3. We may cancel this election by a resolution of the Board of Directors after obtaining the consent of the Audit & Supervisory Board, if the cancellation is before he takes office.
4. If Kouichi Masui is elected, and takes his office as Audit & Supervisory Board Member, we plan to conclude an 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 of liability for compensation under the relevant agreement is the minimum amount stipulated in laws and regulations.

Proposal 5: Grant of condolence money for the late Chairman and Representative Director Yasuhiro Yukimachi

We propose to pay 30 million yen in condolence money to the bereaved family of the late Chairman and Representative Director Yasuhiro Yukimachi, who passed away on November 16, 2014 and was one of the Company's founders, in recognition of the services he performed while in office.

We would like to entrust matters such as the condolence money payment date and method to the Board of Directors.

A brief personal profile of the late Yasuhiro Yukimachi is as follows.

Name	Brief personal profile	
Yasuhiro Yukimachi	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
	Nov. 2014	Passed away