Stock code: 8165

March 8, 2016

NOTICE OF THE
71st ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholder

You are cordially invited to attend the 71st 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., Tuesday, March 29, 2016, following the "Procedure for Exercising Voting Rights" on next page.

Sincerely yours,

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

MEETING AGENDA

1. Date and Time: 10:00 a.m., Wednesday, March 30, 2016
(Reception will open at 9:00 a.m.)

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 71st fiscal year (January 1 to December 31, 2015); and Audit Reports of the Accounting Auditors and the Audit & Supervisory Board regarding Consolidated Financial Statements for the 71st fiscal year
2. Non-consolidated Financial Statements for the 71st fiscal year (January 1 to December 31, 2015)

Items to be proposed:

Proposal 1 Appropriation of surplus
Proposal 2 Election of eight (8) Directors
Proposal 3 Election of one (1) substitute Audit & Supervisory Board Member
Proposal 4 Approval of amount and details of Performance-based Stock Remuneration Program for Directors

If attending the meeting in person, please present the enclosed voting form at the reception desk. For the purpose of saving resources, please be sure to bring this notice with you.
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., Tuesday, March 29, 2016, 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., Tuesday, March 29, 2016. 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, 2015)

1. Summary of operations

(1) The Senshukai Group operating progress and results

Overview

During the fiscal year ended December 31, 2015, the Japanese economy as a whole continued to recover at a moderate pace as the government enacted economic measures and the Bank of Japan pursued monetary measures. However, the business environment is expected to remain uncertain due to concerns about the economic downturn in China and other economies overseas, among other factors. In the retail industry, the business environment remained severe as the consumption tax increase and the yen's depreciation led to rising prices for day-to-day essentials in particular, causing consumers to be cautious in their attitudes toward purchasing. This was compounded by consumers' preference for saving and a greater tendency toward selective consumption due in part to frequently unseasonal weather and a mild winter.

In the fiscal year under review, consolidated net sales were 134,321 million yen (a year-on-year decrease of 5.8%), as mail-order business sales fell short of the previous fiscal year. The shortfall reflected a persistent preference for saving and cautious purchasing behavior among customers as the consumption tax increase and the yen's depreciation caused consumer prices to rise.

With regard to profit/loss, operating loss was 3,437 million yen (compared to operating income of 3,088 million yen in the previous fiscal year). This reflected deterioration in the gross profit margin as sluggish sales led to an increased percentage of products being sold at sale prices and as efforts were made to optimize inventory levels in the mail-order business. Ordinary loss was 2,540 million yen (compared to ordinary income of 3,549 million yen in the previous fiscal year) and net loss was 5,307 million yen (compared to net income of 1,798 million yen in the previous fiscal year), reflecting impairment loss and other factors.

Business results by segment

[Mail-order Business]

The mail-order business, centered on the catalogue and the Internet businesses, posted consolidated net sales of 113,976 million yen (a year-on-year decrease of 9.0%). This was in part because continued cooling of consumer sentiment following the consumption tax increase led to extremely sluggish sales of the mid-priced products that comprise the Company's largest market segment. Another factor contributing to lower sales was that sales promotional measures targeting loyal customers were unsuccessful.

With regard to profit/loss, operating loss was 4,597 million yen (compared to operating income of 1,921 million yen in the previous fiscal year). This reflected deterioration in the gross profit margin resulting from an increase in the percentage of products sold at sale prices due to reduced sales and an increase in inventory clearance of products through optimization of inventory levels.

[Bridal Business]

In the fiscal year under review, consolidated net sales in the bridal business, centered on the house wedding business, were 15,281 million yen (a year-on-year increase of 19.9%) due largely to the launch of new wedding places and the fact that PLANETWORK CO., LTD became a subsidiary of the Company. However, operating income was 682 million yen (a year-on-year decrease of 18.2%) due to expenses for the new wedding places incurred in advance and a decrease in sales per couple.

[Corporate Business]

In the fiscal year under review, consolidated net sales in the corporate business that provides products and services to corporations were 4,214 million yen (a year-on-year increase of 6.8%). Operating income was 367 million yen (a year-on-year increase of 20.9%).

[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 848 million yen (a year-on-year increase of 58.5%), partly because two new nursery schools were opened in the childcare business. Operating income was 97 million yen (a year-on-year increase of 272.4%).

Net sales by business segment (Millions of yen)

Name of the segment and product	70th fiscal year (Jan. 1 to Dec. 31, 2014)		71st fiscal year (Jan. 1 to Dec. 31, 2015)		Change from the previous fiscal year	Year-on-Year (%)
	Amount	% of total	Amount	% of total		
Mail-order Business:						
Apparel	56,468	39.6	50,867	37.9	-5,600	-9.9
Interior goods	31,262	21.9	28,469	21.2	-2,792	-8.9
Household sundries	16,725	11.7	15,108	11.3	-1,616	-9.7
Clothing sundries	13,739	9.7	12,214	9.1	-1,525	-11.1
Foodstuffs	5,638	4.0	5,816	4.3	177	3.1
Others	1,461	1.0	1,499	1.1	38	2.6
Subtotal	125,296	87.9	113,976	84.9	-11,319	-9.0
Bridal Business	12,750	8.9	15,281	11.4	2,531	19.9
Corporate Business	3,944	2.8	4,214	3.1	269	6.8
Other Businesses	534	0.4	848	0.6	313	58.5
Total	142,526	100.0	134,321	100.0	-8,205	-5.8

(2) Capital expenditures

In the fiscal year under review, the Senshukai Group invested a total of 5,365 million yen in capital expenditures, and 935 million yen to develop computer systems, etc.

(3) Fund procurement

The Company procured 7,529 million yen through the third-party allotment of new shares to J. FRONT RETAILING Co., Ltd. and disposal of treasury shares in May 2015.

The Company has concluded commitment line contracts with its correspondent financial institutions for a total amount of 10,200 million yen, however the balance of borrowings outstanding at the end of the fiscal year under review was zero.

(4) Issues to be handled

The Senshukai Group set itself a Medium- to Long-term Management Plan, "Innovate for Smiles 2018," covering the fiscal years from 2014 to 2018. In line with this plan, the entire group has been working together to establish a unique and firm position in the mail-order market and to develop new businesses that are in line with the corporate vision, "Woman Smile Company."

However, the Group partially revised its strategy and modified its business targets, although it retained the same basic policies. These adjustments were prompted partly by the fact that it had failed to achieve its sales and profit targets due to a harsh external business environment marked by a protracted slump in consumption and fiercer competition in the EC market, among other challenges. The adjustments were also prompted by changes in the Group's structure and internal operating conditions as a result of capital and business alliances with J. FRONT RETAILING Co., Ltd. and Watabe Wedding Corporation, as well as the acquisition of 100% of PLANETWORK CO., LTD's shares.

Specifically, the Group's new business targets for the fiscal year ending December 31, 2018, have been set at consolidated net sales of 165,000 million yen, operating income of 5,000 million yen, and return on equity (ROE) of 7%. (The pre-adjustment targets were 187,000 million yen in consolidated net sales, 10,000 million yen in operating income, and ROE of 10%.)

Looking ahead, the Senshukai Group will redouble its efforts to operate as a single entity and strive to improve its corporate value through growth and establishment of a solid revenue base.

Progress of "Medium- to Long-term Management Plan"

1) Mail-order Business

We are continually focusing on developing private brands (PB) tailored to each target customer segment, carrying out our envisaged merchandising for all sales channels (EC, catalogues, stores, etc.) for each PB, developing SPA (Specialty store retailer of Private label Apparel)-type merchandise, for which we undertake the entire process from planning to manufacture and retail, and improving our sales channels, aiming to establish an omni-channel structure.

In September 2015 we released our new core brand BELLE MAISON DAYS. As a brand assembled from original products individually selected and created with care, BELLE MAISON DAYS is enabling us to differentiate our business through originally developed products that have added value.

We are also working on developing and selling a PB in collaboration with J. FRONT RETAILING Co., Ltd.; following test sales during 2015, we are planning to open concessions for the PB in department stores during 2016. We will continue to focus on bolstering our lineup of PB products and expanding sales channels.

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 ease. The Minokamo Distribution Center, designed to make our logistics services better and more efficient, restarted operations at the end of 2015.

2) Bridal Business

In order to establish ourselves as the market leader in the bridal industry, we made PLANETWORK CO., LTD a subsidiary of the Company in March 2015, and then in July 2015 the Company and its subsidiary Dears Brain Inc. entered into a capital and business alliance with Watabe Wedding Corporation. We will leverage the three companies' synergies to improve operational efficiency as we establish new wedding halls combining urban and suburban features and refurbish existing halls in order to expand sales and profits.

3) Corporate Business

In step with the expansion of the mail-order market, we will continue to strengthen our logistics contracting operations serving corporate customers who seek to enter the B to C business. We will now also focus on initiatives targeting provision of contracted services to the J. FRONT RETAILING Group based on the capital and business alliance with J. FRONT RETAILING Co., Ltd.

4) New Businesses

We are working to expand the childcare business started in fiscal 2014. In April 2015 we opened two new nursery schools in Ota-ku, Tokyo, and in April 2016 we plan to open two more nursery schools in Bunkyo-ku, Tokyo, and in Funabashi-shi, Chiba. We will continue to emphasize quality of childcare provision as we strive to develop and expand our operations.

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	68th fiscal year (ended Dec. 2012)	69th fiscal year (ended Dec. 2013)	70th fiscal year (ended Dec. 2014)	71st fiscal year (ended Dec. 2015)
Net sales	145,750	141,552	142,526	134,321
Ordinary income (loss)	2,765	4,631	3,549	-2,540
Net income (loss)	2,029	4,046	1,798	-5,307
Net income (loss) per share (Yen)	46.86	93.43	41.52	-108.03
Total assets	92,887	98,800	100,785	105,352
Net assets	44,932	50,359	53,160	53,705
Net assets per share (Yen)	1,037.48	1,162.81	1,227.52	1,028.17

(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 (%)	Major business
Dears Brain Inc.	600	100.0	Bridal business
Belle Neige Direct Co., Ltd.	470	66.6	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 14 consolidated subsidiaries, including the six major subsidiaries described above.
2. PLANETWORK CO., LTD is included in the scope of consolidation effective from the fiscal year under review due to the Company's acquisition of shares of this company in March 2015.
3. Shufunotomo-Direct Co., Ltd. conducted a third-party allotment of new shares as of March 31, 2015. Consequently, its capital increased and the percentage of voting rights of the Company decreased from 100% to 66.6%. In addition, Shufunotomo-Direct Co., Ltd. has changed its company name to Belle Neige Direct Co., Ltd. effective July 1, 2015.
4. As of December 31, 2015, the Company had no specified wholly owned subsidiaries.

3) Major associates

Company name	Capital (Millions of yen)	Percentage of voting rights (%)	Major business
Watabe Wedding Corporation	4,176	34.0	Bridal business

Notes:

1. The Company has a total of three associates, including the one major associate described above.
2. Watabe Wedding Corporation has been included in the scope of application of the equity method from the fiscal year under review due to the Company's acquisition of shares of this company in September 2015.
3. The percentage of voting rights is the ratio of shareholding including indirect ownership.

4) Status of other important business combinations

J. FRONT RETAILING Co., Ltd. holds 22.6% of the Company's voting rights, making the Company an equity-method associate of J. FRONT RETAILING Co., Ltd.

(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
Belle Neige 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
	Minokamo Distribution Center	Minokamo-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

Note: The Minokamo Distribution Center was established on December 1, 2015.

(9) Employees of the Senshukai Group

1) Consolidated basis

Segment	Number of employees	Change from the previous fiscal year
Mail-order Business	1,264	5
Bridal Business	496	156
Corporate Business	41	1
Other Businesses	52	14
Other staff (consolidated basis)	134	10
Total	1,987	186

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
867	-32	41.8	13.7

Notes:

1. The number of employees includes regular and contract staff, but does not include (49) 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	7,750
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	823
Sumitomo Mitsui Trust Bank, Limited	677
Mizuho Bank, Ltd.	665

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: 52,230,393

(3) Number of shareholders: 28,692

(4) Major shareholders (Top 10 shareholders)

Name	No. of shares held (Thousands)	Shareholding ratio (%)
J. FRONT RETAILING Co., Ltd.	11,815	22.63
Brestsheave Co., Ltd.	3,650	6.99
Toppan Printing Co., Ltd.	1,838	3.52
Sumitomo Mitsui Banking Corporation	1,665	3.19
Dai Nippon Printing Co., Ltd.	1,511	2.90
Mizuho Bank, Ltd.	1,219	2.34
Senshukai Group Employee Stock Ownership Plan	1,097	2.10
Nippon Life Insurance Company	790	1.51
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	752	1.44
Sumitomo Mitsui Trust Bank, Limited	705	1.35

Notes:

1. Amounts less than one thousand shares have been omitted.
2. The shareholding ratio is calculated by subtracting treasury shares (23,256 shares).

(5) Other important items regarding shares

In conjunction with the capital and business alliance with J. FRONT RETAILING Co., Ltd., the Company issued new shares and disposed of treasury shares via a third-party allotment with a payment date of May 7, 2015.

1) Number of shares issued (common shares): 4,600,000

2) Number of shares disposed (common shares): 4,300,000

The total number of shares issued increased by 4,600,000 as a result of the new share issue described above.

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

Outline of the "Japanese yen Convertible Notes due 2019 (notes with subscription rights to shares)" issued based on a resolution at the meeting of the Board of Directors held on April 3, 2014.

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 in for 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 stock and legal capital surplus to be increased when issuing shares upon exercising the subscription rights to shares	The amount of capital stock 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 stock, 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 stock to be increased from the maximum amount of increase in capital stock, etc.
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, 2015)

Title	Name	Responsibilities at the Company and important concurrent occupations or positions at other organizations
President and Representative Director	Michio Tanabe	
Executive Vice-president and Director	Shohachi Sawamoto	
Senior Managing Director and Executive Officer	Mamoru Asada	In charge of Business Development Division, In charge of Planning Division, Representative of Tokyo Headquarters, Division Director of Project Division
Managing Director and Executive Officer	Hiroyuki Hoshino	In charge of Administration Division, General Manager of Corporate Development Division, Division Director of Sales Planning Division
Managing Director and Executive Officer	Koichi Sugiura	In charge of Belle Maison Division, In charge of Monthly Business Division, Division Director of SPA Brand Business Division, Division Director of Monthly Business Division
Director and Executive Officer	Kazuhisa Masutani	Division Director of Lifestyle Business Division
Director and Executive Officer	Kenji Kajiwara	Division Director of Fashion 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	Masanori Maeda	
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.

Notes:

1. Directors Tomoko Oishi and Toshikatsu Sano are External Directors.
2. Director Tomoko Oishi’s name as it appears in her family registry is Tomoko Kato.
3. Audit & Supervisory Board Members Hideyuki Koizumi and Hiroshi Morimoto are External Audit & Supervisory Board Members.
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.

6. Changes in positions and responsibilities of Directors during the fiscal year under review are as follows:

Name	Before change	After change	Date of change
Shohachi Sawamoto	Senior Managing Director	Executive Vice-president and Director	March 27, 2015
Mamoru Asada	Managing Director and Executive Officer, Representative of Tokyo Headquarters, Division Director of Project	Senior Managing and Executive Officer, Representative of Tokyo Headquarters, Division Director of Project	March 27, 2015
	Senior Managing and Executive Officer, Representative of Tokyo Headquarters, Division Director of Project	Senior Managing and Executive Officer, In charge of Business Development Division, In charge of Planning Division, Representative of Tokyo Headquarters, Division Director of Project	August 1, 2015
Hiroyuki Hoshino	Director and Executive Officer, General Manager of Corporate Development Division	Managing Director and Executive Officer, General Manager of Corporate Development Division	March 27, 2015
	Managing Director and Executive Officer, General Manager of Corporate Development Division	Managing Director and Executive Officer, In charge of Administration Division, General Manager of Corporate Development Division, Division Director of Sales Planning Division	August 1, 2015
Koichi Sugiura	Director and Executive Officer, Division Director of Sales Planning Division	Director and Executive Officer, Division Director of Sales Planning Division, Division Director of Monthly Business Division	January 1, 2015
	Director and Executive Officer, Division Director of Sales Planning Division, Division Director of Monthly Business Division	Managing Director and Executive Officer, Division Director of Sales Planning Division, Division Director of Monthly Business Division	March 27, 2015
	Managing Director and Executive Officer, Division Director of Sales Planning Division, Division Director of Monthly Business Division	Managing Director and Executive Officer, In charge of Belle Maison Division, In charge of Monthly Business Division, Division Director of SPA Brand Business Division, Division Director of Monthly Business Division	August 1, 2015
Kenji Kajiwara	Director and Executive Officer, Division Director of Fashion Business Division	Director and Executive Officer, Division Director of Fashion Business Division, Division Director of SPA Brand Business Division	April 24, 2015
	Director and Executive Officer, Division Director of Fashion Business Division, Division Director of SPA Brand Business Division	Director and Executive Officer, Division Director of Fashion Business Division	August 1, 2015

7. Positions and responsibilities of Directors were changed as below effective January 1, 2016.

Name	Before change	After change
Michio Tanabe	President and Representative Director	Director
Shohachi Sawamoto	Executive Vice-president and Director	Director
Mamoru Asada	Senior Managing and Executive Officer, In charge of Business Development Division, In charge of Planning Division, Representative of Tokyo Headquarters, Division Director of Project	Director
Hiroyuki Hoshino	Managing Director and Executive Officer, In charge of Administration Division, General Manager of Corporate Development Division, Division Director of Sales Planning Division	President and Representative Director
Koichi Sugiura	Managing Director and Executive Officer, In charge of Belle Maison Division, In charge of Monthly Business Division, Division Director of SPA Brand Business Division, Division Director of Monthly Business Division	Managing Director and Executive Officer, In charge of Belle Maison Division
Kazuhisa Masutani	Director and Executive Officer, Division Director of Lifestyle Business Division	Director and Executive Officer, Division Director of Monthly Business Division
Kenji Kajiwara	Director and Executive Officer, Division Director of Fashion Business Division	Director and Executive Officer, Representative of Tokyo Headquarters, Division Director of Business Development Division

(2) Retired Audit & Supervisory Board Members 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
Makoto Yamamoto	March 27, 2015	Termination of a term	Standing Audit & Supervisory Board Member

(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]	9 [2]	241 [17]
Audit & Supervisory Board Members [of which External Audit & Supervisory Board Members]	5 [2]	41 [10]
Total [of which External Directors and External Audit & Supervisory Board Members]	14 [4]	283 [27]

Notes:

1. Among the Audit & Supervisory Board Members mentioned above, there includes one Audit & Supervisory Board Member who retired at the conclusion of the 70th Ordinary General Meeting of Shareholders, held on March 27, 2015.

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.

(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 there is no special relationship between the Company and aforementioned organization.

B. Major activities in the fiscal year under review

	Major activities
Director Tomoko Oishi	She attended 17 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 all 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 14 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 18 of the 19 meetings of the Board of Directors and all of the 14 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 Companies 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

49 million yen

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

58 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 Companies Act and those based on the Financial Instruments and Exchange Act is difficult.

(3) Reason that the Audit & Supervisory Board consented to the amount of compensation, etc. for the accounting auditor

The amount of compensation is estimated according to the proposed time and personnel required under the audit plan for the fiscal year under review as explained by the accounting auditor. The correspondence between the auditing work performed and the compensation was clear and detailed, and the basis for calculating the amount of compensation was therefore judged to be reasonable.

(4) Details of non-auditing services

The Company entrusts the accounting auditor to provide investigative services related to the "Royalty Report" and others, which are non-auditing services not included in the services of Article 2, Paragraph 1 of the Certified Public Accountant Act of Japan.

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

The Audit & Supervisory Board shall decide the content of a proposal relating to dismissal or non-reappointment of the accounting auditor for submission to the General Meeting of Shareholders 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 Companies 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) Business suspension order to which the accounting auditor is actually subject

Description of business suspension order announced by the Financial Services Agency on December 22, 2015:

Suspension from accepting new engagements for three months from January 1, 2016, to March 31, 2016

6. The system to assure appropriateness of the business activities and the operational status of the system

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 Companies 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. System for ensuring that the execution of duties by Directors and employees are in accordance with 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. System for the storage and management of information related to execution of duties of the Directors
   1) Information 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. Rules for management of risk of loss and other systems
   1) We shall classify risks concerning the basis of management, 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. System to ensure the efficient execution of duties by Directors
   1) We shall establish "Company Rules" and "Rules for Application for Items for Managerial Decision" 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 ensure the appropriateness of business activities in the corporate group consisting of the Company, parent company and 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) Operating subsidiaries without Boards of Directors shall conduct various types of reporting at regular meetings held monthly. Operating subsidiaries shall share revenue and income reports at monthly meetings, and at least once each year the presidents of these operating subsidiaries shall report directly to the President of the Company.

4) 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.

5) 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) We shall formulate Group medium- to long-term management plans and operate efficiently.
7) Directors of subsidiaries shall be appointed or dismissed by the Personnel Committee, and representative directors of subsidiaries shall be appointed or dismissed by the Board of Directors.
8) Group companies shall prepare and manage regulations commensurate with their risks.
9) The Company's Directors, Audit & Supervisory Board Members, Executive Officers and employees shall serve concurrently as Directors and Audit & Supervisory Board Members of the group companies, as necessary. In addition, in accordance with the "Regulations for Management of Subsidiaries and Associates," they shall coordinate with departments having administrative jurisdiction over the operations of group companies and provide guidance and support to ensure group companies' compliance with laws and regulations and operational appropriateness.

6. Item regarding employees in the event that Audit & Supervisory Board Members request employees to assist them in their duties, item regarding the independence of these employees from the Directors, and item for ensuring the effectiveness of instructions to these employees by the Audit & Supervisory Board Members

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.
3) Audit & Supervisory Board Members shall have the authority to instruct and command employees tasked with assisting them in their duties.

7. System for Directors and employees to report to Audit & Supervisory Board Members, system regarding reporting to Audit & Supervisory Board Members and system to ensure that audits are effectively conducted by 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) If the Corporate Ethics Compliance Committee receives communications from the Company or group companies concerning actual or suspected serious misconduct by an employee, etc., the committee chair shall report to the Audit & Supervisory Board.

8. System for ensuring that people conducting the reporting described in the preceding item shall not be subjected to disadvantageous treatment due to such reporting

Necessary measures shall be taken to ensure people conducting the reporting described in the preceding item shall not be subjected to disadvantageous treatment due to such reporting.

9. Items regarding procedures for the prepayment or reimbursement of expenses arising from the execution of duties by Audit & Supervisory Board Members, and other items regarding policies pertaining to the handling of expenses or obligations arising from the execution of these duties

1) Budgets shall be provided for expenses recognized as necessary from the standpoint of the execution of duties by Audit & Supervisory Board Members, and in the event of requests for prepayment, etc., such request shall be handled promptly except when such request is improper.
2) In the event that extra-budgetary expenses are deemed necessary for the Company, they shall be approved by the Company.

10. System to ensure the 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.

11. System for the 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.

(3) Overview of the operational status of the internal control system

An overview of the operational status of the internal control system prepared by the corporate group comprising the Company and its subsidiaries from May 1, 2015, through December 31, 2015, is provided below.

1. System for ensuring that the execution of duties by Directors and employees are in accordance with laws and regulations and the Articles of Incorporation

The Company has formulated Compliance Policies and posted them on its Intranet so that all employees can check them at any time.

In the event a compliance issue arises with a director or employee, each one is discussed and examined by 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.

No enforcement by the Audit Committee occurred. One item was discussed by the Corporate Ethics Compliance Committee.

With regard to the Company's internal control, the status of operations was confirmed through accounting and operational audits performed in accordance with Internal Audit Regulations at three subsidiaries and one business and one operation of the Company, and guidance on improvement was conducted with respect to deficiencies. In each instance, audit results were compiled into audit reports, and all instances have been reported to the President of the Company.

2. System for the storage and management of information related to execution of duties of the Directors

With regard to the storage and management of information related to the execution of duties of the Directors, the Company appropriately stores and manages such information in accordance with the Document Handling Rules and the Data Management Regulations.

Important confidential items of the Company are strictly managed and operated separately according to the Confidential Document Handling Rules. Also, management information, medium- to long-term management plans and various regulations are made accessible on the Intranet so that they can be perused at any time by Directors and Audit & Supervisory Board Members.

3. Rules for management of risk of loss and other systems

At the Company, at the beginning of each month the person in charge of each risk submits a report on the status of risk management to the Administrative Office of Risk Management Control Committee. The Administrative Office of Risk Management Control Committee compiles these reports and reports once each month to the Management Council.

Regarding concrete measures for risk management, departments in charge of each risk prepare and store manuals on an as-needed basis.

4. System to ensure the efficient execution of duties by Directors

In April 2006, the Company introduced an External Director (part-time service) system, allowing meeting materials and meeting minutes to be perused at any time. In addition, the Company introduced an Executive Officer System in April 2001 and a Business Division System in January 2010. The introduction of the Business Division System clarified authority and responsibility for business execution. Furthermore, the Company has established a Management Council, which in principle meets each Friday. This council met a total of 33 times.

In accordance with the Rules for Application for Items for Managerial Decision, the resolution on the execution of important operations delegated by the Board of Directors, which had been clarified, was carried out.

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

The Regulations for Management of Subsidiaries and Associates were revised as regulations common to the Group. These regulations have established a management system that clarifies items for prior approval and prior approval personnel by the parent company with respect to subsidiaries in which it holds a stake of over 50%. In addition, monthly reporting meetings are held at the direction of each lead office, providing advice, guidance and evaluation and ensuring operational appropriateness through the management of actual versus forecast results and status reporting.

Senshukai Child Care Co., Ltd., and Senshukai Iihana Co., Ltd., which do not have Boards of Directors, held monthly steering meetings to disclose management information and resolve important items. At monthly meetings, operating subsidiaries shared management information, became aware of management issues and discussed the resolution of issues. In May and November, the Business Development Division held general meetings and the operations of these companies were reported to the President of the Company.

Regarding the Group Medium- to Long-term Management Plan, the state of progress was confirmed at the Council of Division Directors, which meets monthly, and at the quarterly Management Reporting Meeting.

6. Item regarding employees in the event that Audit & Supervisory Board Members request employees to assist them in their duties, item regarding the independence of these employees from the Directors, and item for ensuring the effectiveness of instructions to these employees by the Audit & Supervisory Board Members

The Company assigns one dedicated member of staff to assist the Audit & Supervisory Board Members. Audit & Supervisory Board Members conduct personnel evaluations of the staff member, and opinions of the Audit & Supervisory Board regarding appointment, personnel change and disciplinary punishment of the dedicated member of staff are to be fully respected. In addition, Audit & Supervisory Board Members are to have the authority to instruct and command over the dedicated member of staff.

7. System for Directors and employees to report to Audit & Supervisory Board Members, system regarding reporting to Audit & Supervisory Board Members and system to ensure that audits are effectively conducted by Audit & Supervisory Board Members

Standing Audit & Supervisory Board Members attended all the 11 Board of Directors meetings and 33 Management Council meetings to receive reports on management status and other important information. In addition, these members receive monthly reports from the Risk Management Control Committee and receive reports every half year on the status of internal reporting. These members also receive reports promptly in the event of internal reporting related to Directors and Executive Officers.

Furthermore, each month the Standing Audit & Supervisory Board Members browse important agreements, applications and approval documents, and have the authority to peruse other documents they deem necessary. In addition, Standing Audit & Supervisory Board Members always attend the Internal Auditing Department's Audit Reporting Meetings and receive reports of internal audit results.

Audit & Supervisory Board Members take part in informal discussions with the President of the Company twice each year and in opinion exchange meetings with the auditing firm five times each year. Furthermore, Standing Audit & Supervisory Board Members conduct interviews with Executive Officers, the presidents of subsidiaries and others 18 times and conduct regular audits of Audit & Supervisory Board Members.

8. System for ensuring that people conducting the reporting described in the preceding item shall not be subjected to disadvantageous treatment due to such reporting

As stipulated in the Regulations of the Audit & Supervisory Board, Audit & Supervisory Board Member audit standards and performance standards for audits related to the internal control system, necessary measures are taken to ensure against disadvantageous treatment due to reporting by people making reports described in the preceding item.

9. Items regarding procedures for the prepayment or reimbursement of expenses arising from the execution of duties by Audit & Supervisory Board Members, and other items regarding policies pertaining to the handling of expenses or obligations arising from the execution of these duties

Initial and revised budgets provide for expenses for the execution of duties by Audit & Supervisory Board Members. In the event that extra-budgetary expenses are deemed necessary for the Company, they shall be approved by the Company.

10. System to ensure the reliability of financial reporting

To evaluate the effectiveness of internal control over financial reporting, the Company formulated a “Basic Plan” for fiscal 2015 in accordance with standards of evaluation. Following verification by the Company's auditing firm, the plan was approved by the Company and went into effect in March 2015. After going into effect, companywide evaluations were conducted in accordance with this plan at the Company and eight subsidiaries and associates. Business process evaluations were conducted targeting one business and seven operation cycles of the Company. In addition, regular audits were conducted in accordance with the audit plan that had been formulated, and three subsidiaries and the Company's one business and one operation were audited. Guidance on improvement was conducted with respect to any deficiencies discovered during the audits.

11. System for the exclusion of antisocial forces

The Company has established the “Compliance Policies” and the “Guidelines for Preventing Damage by Antisocial Forces,” which are posted on the Company’s website to ensure directors and employees are thoroughly aware of them.

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 has been carrying out. However, as stated in 1. Summary of operations (4) Issues to be handled, the Company partially revised its strategy, although it retained the same basic policies. The Company will continue to implement the plan.

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

The Board of Directors of the Company considers that a framework is indispensable in order to prevent large-scale purchases that are against the corporate value of the Company and 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, 2015

	Millions of yen
	As of December 31, 2015
ASSETS	
Current Assets	
Cash and deposits	14,303
Notes and accounts receivable - trade	4,046
Merchandise and finished goods	18,025
Raw materials and supplies	146
Deferred tax assets	230
Accounts receivable - other	9,781
Forward exchange contracts	1,961
Other	3,675
Allowance for doubtful accounts	-222
Total Current Assets	51,947
Non-current Assets	
Property, Plant and Equipment:	
Buildings and structures	16,052
Machinery, equipment and vehicles	981
Tools, furniture and fixtures	957
Land	12,091
Leased assets	481
Construction in progress	1,406
Total Property, Plant and Equipment	31,970
Intangible Assets:	
Goodwill	2,243
Other	2,853
Total Intangible Assets	5,097
Investments and Other Assets	
Investment securities	9,877
Long-term loans receivable	1,026
Lease and guarantee deposits	1,901
Deferred tax assets	131
Other	3,666
Allowance for doubtful accounts	-265
Total Investments and Other Assets	16,337
Total Non-current Assets	53,404
Total Assets	105,352

	Millions of yen
	As of December 31, 2015
LIABILITIES	
Current Liabilities	
Electronically recorded obligations - operating	11,084
Accounts payable - trade	5,346
Short-term loans payable	2,111
Current portion of bonds	450
Lease obligations	117
Accounts payable - other	7,353
Accrued expenses	2,477
Income taxes payable	121
Accrued consumption taxes	325
Provision for sales promotion expenses	402
Other	1,618
Total Current Liabilities	31,410
Non-current Liabilities	
Bonds with subscription rights to shares	7,000
Long-term loans payable	9,181
Lease obligations	1,122
Deferred tax liabilities	1,527
Deferred tax liabilities for land revaluation	535
Net defined benefit liability	93
Asset retirement obligations	586
Other	189
Total Non-current Liabilities	20,236
Total Liabilities	51,647
NET ASSETS	
Shareholders' Equity	
Capital stock	22,304
Capital surplus	23,860
Retained earnings	11,009
Treasury shares	-15
Total Shareholders' Equity	57,159
Accumulated Other Comprehensive Income	
Valuation difference on available-for-sale securities	1,756
Deferred gains or losses on hedges	1,282
Revaluation reserve for land	-6,629
Foreign currency translation adjustment	110
Remeasurements of defined benefit plans	-1
Minority interests	27
Total Accumulated Other Comprehensive Income	-3,481
Total Net Assets	53,705
Total Liabilities and Net Assets	105,352

Consolidated Statement of Income
For fiscal year ended December 31, 2015

	Millions of yen For fiscal year ended December 31, 2015
Net sales	**134,321**
Cost of sales	**73,442**
Gross profit	**60,879**
Selling, general and administrative expenses	**64,316**
Operating loss	**3,437**
Non-operating income	**1,534**
Interest and dividend income	191
Share of profit of entities accounted for using equity method	881
Gain on adjustment of account payable	264
Other	197
Non-operating expenses	**638**
Interest expenses	188
Commission fee	308
Other	140
Ordinary loss	**2,540**
Extraordinary income	**341**
Gain on sales of non-current assets	18
Gain on sales of investment securities	23
Subsidy income	150
Gain on transfer of business	149
Extraordinary losses	**1,634**
Loss on sales and retirement of non-current assets	55
Loss on reduction of non-current assets	148
Impairment loss	993
Special retirement expenses	414
Other	22
Loss before income taxes and minority interests	**3,834**
Income taxes - current	163
Income taxes - deferred	1,343
Loss before minority interests	**5,341**
Minority interests in loss	33
Net loss	**5,307**

Consolidated Statement of Changes in Shareholders' Equity
For fiscal year ended December 31, 2015

(Millions of yen)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Shares	Total Shareholders' Equity
Balance as of January 1, 2015	20,359	21,038	17,086	-2,776	55,707
Changes of items during the fiscal year under review					
Issuance of new shares	1,945	1,945			3,891
Dividends of surplus			-728		-728
Net loss			-5,307		-5,307
Purchase of treasury shares				-0	-0
Disposal of treasury shares		875		2,762	3,637
Reversal of revaluation reserve for land			-40		-40
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year under review	1,945	2,821	-6,077	2,761	1,451
Balance as of December 31, 2015	22,304	23,860	11,009	-15	57,159

(Millions of yen)

	Accumulated Other Comprehensive Income						Minority interests	Total Net Assets
	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Revaluation Reserve for Land	Foreign Currency Translation Adjustment	Re-measurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income		
Balance as of January 1, 2015	1,261	2,780	-6,724	135	–	-2,546	–	53,160
Changes of items during the fiscal year under review								
Issuance of new shares								3,891
Dividends of surplus								-728
Net income								-5,307
Purchase of treasury shares								-0
Disposal of treasury shares								3,637
Reversal of revaluation reserve for land								-40
Net changes of items other than shareholders' equity	495	-1,497	94	-24	-1	-934	27	-907
Total changes of items during the fiscal year under review	495	-1,497	94	-24	-1	-934	27	544
Balance as of December 31, 2015	1,756	1,282	-6,629	110	-1	-3,481	27	53,705

Notes to Consolidated Financial Statements

Basis for Preparing Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 14

Names of major consolidated subsidiaries:

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

PLANETWORK CO., LTD is included in the scope of consolidation effective from the fiscal year under review due to the Company's acquisition of shares of this company in March 2015.

(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: 3

Names of associates under the equity method:

Watabe Wedding Corporation, K.SENSE, Inc., SENTENs Co., Ltd.

Watabe Wedding Corporation is included in the scope of application of the equity method effective from the fiscal year under review due to the Company's acquisition of shares of this company in September 2015.

(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

Buildings and structures on the land leased under the fixed-term commercial land lease agreement are depreciated using the straight-line method based on the remaining life of the agreement with zero residual value.

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 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

(Matters related to consolidated balance sheet)

"Deferred tax liabilities," which was included in "Other" under non-current liabilities until the previous fiscal year, is separately presented from the fiscal year under review because of its increased materiality in terms of amount. The amount of "Deferred tax liabilities" included in "Other" under non-current liabilities in the previous fiscal year was 651 million yen.

(Matters related to consolidated statement of income)

1. "Commission fee," which was included in "Other" under non-operating expenses until the previous fiscal year, is separately presented from the fiscal year under review because of its increased materiality in terms of amount. The amount of "Commission fee" included in "Other" under non-operating expenses in the previous fiscal year was 2 million yen.
2. "Loss on sales of investment securities" (0 million yen in the fiscal year under review) under extraordinary losses, 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

    33,155 million yen

3. 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: -2,414 million yen

4. 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:	10,200 million yen
Balance of borrowings outstanding:	— million yen
Balance:	10,200 million yen

5. 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, 2014 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. Matters on class and total number of shares issued

Class of stock	Number of shares at the beginning of the fiscal year under review (Thousands)	Increase in the number of shares during the fiscal year under review (Thousands)	Decrease in the number of shares during the fiscal year under review (Thousands)	Number of shares at the end of the fiscal year under review (Thousands)
Common stock	47,630	4,600	–	52,230

Note: The increase in the total number of common stock issued by 4,600 thousand shares is due to the issuance of new shares by way of third-party allotment.

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 27, 2015	Common stock	519	12	December 31, 2014	March 30, 2015
Meeting of the Board of Directors held on July 30, 2015	Common stock	208	4	June 30, 2015	September 1, 2015

(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 30, 2016	Common stock	Retained earnings	208	4	December 31, 2015	March 31, 2016

Notes on Financial Instruments

1. Notes on the status of financial instruments

(1) Policy on 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, 2015, 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	14,303	14,303	–
(2) Notes and accounts receivable - trade	4,046	4,046	–
(3) Accounts receivable - other	9,781	9,781	–
(4) Investment securities (*1)	8,675	7,062	-1,613
Total assets	36,807	35,193	-1,613
(5) Electronically recorded obligations - operating	11,084	11,084	–
(6) Accounts payable - trade	5,346	5,346	–
(7) Short-term loans payable	50	50	–
(8) Accounts payable - other	7,353	7,353	–
(9) Bonds payable (*2)	450	453	3
(10) Bonds with subscription rights to shares	7,000	6,965	-35
(11) Long-term loans payable (*3)	11,243	11,247	3
Total liabilities	42,529	42,501	-27
(12) Derivative transactions			
Hedge accounting adopted	1,956	1,956	–
Derivative transactions (*4)	1,956	1,956	–

*1. Investment securities include shares of listed associates under the equity method, and the difference is due to measurement of these shares at fair value.

*2. All the bonds payable are current portion of bonds (whose consolidated balance sheet amount is 450 million yen).

*3. 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 2,061 million yen), is included in long-term loans payable.

*4. 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 785 million yen), unlisted stocks (whose consolidated balance sheet amount is 247 million yen), and investments in investment partnership (whose consolidated balance sheet amount is 168 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:	1,028.17 yen
2. Net loss per share:	108.03 yen

Note: Diluted net income per share for the fiscal year under review is not presented because net loss per share was recorded, despite the existence of potential shares.

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, 2015, the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated, and the corporation tax rate, etc. was lowered for fiscal years starting on or after April 1, 2015. Due to this change, the effective statutory tax rate used in the calculation of deferred tax assets and deferred tax liabilities will be changed to 33.0% for temporary differences which are expected to be reversed in the fiscal year starting on January 1, 2016, and 32.2% for temporary differences which are expected to be reversed in fiscal years starting on or after January 1, 2017, from the previously applied rate of 35.6%.

Due to this change in the tax rate, deferred tax liabilities for land revaluation decreased by 51 million yen, deferred tax liabilities (less the amount of deferred tax assets) decreased by 91 million yen, valuation difference on available-for-sale securities increased by 87 million yen, deferred gains or losses on hedges increased by 54 million yen, revaluation reserve for land increased by 51 million yen and income taxes – deferred increased by 49 million yen.

Non-consolidated Balance Sheet

As of December 31, 2015

	Millions of yen
	As of December 31, 2015
ASSETS	
Current Assets	
Cash and deposits	9,118
Notes receivable - trade	140
Accounts receivable - trade	3,221
Merchandise and finished goods	17,417
Raw materials and supplies	103
Prepaid expenses	2,073
Deferred tax assets	71
Accounts receivable - other	9,741
Other	4,314
Allowance for doubtful accounts	-207
Total Current Assets	45,994
Non-current Assets	
Property, Plant and Equipment:	
Buildings	9,511
Structures	239
Machinery and equipment	951
Vehicles	0
Tools, furniture and fixtures	772
Land	10,787
Total Property, Plant and Equipment	22,262
Intangible Assets:	
Software	2,420
Other	306
Total Intangible Assets	2,726
Investments and Other Assets	
Investment securities	5,871
Shares of subsidiaries and associates	9,912
Long-term loans receivable	3,124
Other	4,194
Allowance for doubtful accounts	-308
Allowance for investment loss	-218
Total Investments and Other Assets	22,577
Total Non-current Assets	47,566
Total Assets	93,560

	Millions of yen
	As of December 31, 2015
LIABILITIES	
Current Liabilities	
Electronically recorded obligations - operating	11,084
Accounts payable - trade	3,986
Current portion of bonds	450
Current portion of long-term loans payable	1,673
Lease obligations	9
Accounts payable - other	6,237
Accrued expenses	1,523
Income taxes payable	34
Deposits received	908
Provision for sales promotion expenses	392
Other	357
Total Current Liabilities	26,657
Non-current Liabilities	
Bonds with subscription rights to shares	7,000
Long-term loans payable	6,476
Lease obligations	81
Deferred tax liabilities	1,281
Deferred tax liabilities for land revaluation	535
Other	97
Total Non-current Liabilities	15,470
Total Liabilities	42,128
NET ASSETS	
Shareholders' Equity	
Capital stock	22,304
Capital surplus	
Legal capital surplus	14,809
Other capital surplus	9,050
Total capital surplus	23,860
Retained earnings	
Legal retained earnings	1,118
Other retained earnings	
Reserve for advanced depreciation of non-current assets	57
Reserve for special depreciation	1,479
Retained earnings brought forward	6,219
Total other retained earnings	7,756
Total retained earnings	8,874
Treasury shares	-15
Total Shareholders' Equity	55,024
Valuation and Translation Adjustments	
Valuation difference on available-for-sale securities	1,758
Deferred gains or losses on hedges	1,278
Revaluation reserve for land	-6,629
Total Valuation and Translation Adjustments	-3,592
Total Net Assets	51,431
Total Liabilities and Net Assets	93,560

Non-consolidated Statement of Income
For fiscal year ended December 31, 2015

	Millions of yen For fiscal year ended December 31, 2015
Net sales	**110,052**
Cost of sales	**62,162**
Gross profit	**47,890**
Selling, general and administrative expenses	**52,518**
Operating loss	**4,627**
Non-operating income	**809**
Interest and dividend income	404
Gain on adjustment of account payable	264
Other	140
Non-operating expenses	**542**
Interest expenses	113
Commission fee	308
Other	120
Ordinary loss	**4,360**
Extraordinary income	**39**
Gain on sales of non-current assets	15
Gain on sales of investment securities	23
Extraordinary losses	**895**
Loss on sales and retirement of non-current assets	42
Impairment loss	185
Loss on valuation of shares of subsidiaries	244
Special retirement expenses	414
Other	8
Loss before income taxes	**5,217**
Income taxes - current	-149
Income taxes - deferred	634
Net loss	**5,701**

Non-consolidated Statement of Changes in Shareholders' Equity
For fiscal year ended December 31, 2015

(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	Retained Earnings Brought Forward	
Balance as of January 1, 2015	20,359	12,864	8,174	21,038	1,118	57	14	14,155	15,345
Changes of items during the fiscal year under review									
Issuance of new shares	1,945	1,945		1,945					
Provision of reserve for advanced depreciation of non-current assets						2		-2	–
Reversal of reserve for advanced depreciation of non-current assets						-2		2	–
Provision of reserve for special depreciation							1,467	-1,467	–
Reversal of reserve for special depreciation							-2	2	–
Dividends of surplus								-728	-728
Net loss								-5,701	-5,701
Purchase of treasury shares									
Disposal of treasury shares			875	875					
Reversal of revaluation reserve for land								-40	-40
Net changes of items other than shareholders' equity									
Total changes of items during the fiscal year under review	1,945	1,945	875	2,821	–	0	1,465	-7,936	-6,471
Balance as of December 31, 2015	22,304	14,809	9,050	23,860	1,118	57	1,479	6,219	8,874

(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, 2015	-2,776	53,967	1,261	2,780	-6,724	-2,682	51,284
Changes of items during the fiscal year under review							
Issuance of new shares		3,891					3,891
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		–					–
Reversal of reserve for special depreciation		–					–
Dividends of surplus		-728					-728
Net loss		-5,701					-5,701
Purchase of treasury shares	-0	-0					-0
Disposal of treasury shares	2,762	3,637					3,637
Reversal of revaluation reserve for land		-40					-40
Net changes of items other than shareholders' equity			497	-1,501	94	-910	-910
Total changes of items during the fiscal year under review	2,761	1,057	497	-1,501	94	-910	147
Balance as of December 31, 2015	-15	55,024	1,758	1,278	-6,629	-3,592	51,431

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 statement of income)

1. "Commission fee," which was included in "Other" under non-operating expenses until the previous fiscal year, is separately presented from the fiscal year under review because of its increased materiality in terms of amount. The amount of "Commission fee" included in "Other" under non-operating expenses in the previous fiscal year was 2 million yen.
2. "Loss on sales of investment securities" (0 million yen in the fiscal year under review) under extraordinary losses, 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

29,912 million yen

3. Guarantee obligation:

Guarantees on notes and accounts payable - trade and other

Belle Neige Direct Co., Ltd.	199 million yen

4. Short-term cash credit for subsidiaries and associates	1,592 million yen
Long-term cash credit for subsidiaries and associates	2,849 million yen
Short-term cash debt for subsidiaries and associates	126 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: -2,414 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:	10,200 million yen
Balance of borrowings outstanding:	— million yen
Balance:	10,200 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, 2014 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:	522 million yen
Operating expense:	6,986 million yen
Non-operating transaction:	248 million yen

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

1. Amounts less than one million yen have been omitted.

2. Matters on class and number of treasury shares

Class of stock	Number of shares at the beginning of the fiscal year under review (Thousands)	Increase in the number of shares during the fiscal year under review (Thousands)	Decrease in the number of shares during the fiscal year under review (Thousands)	Number of shares at the end of the fiscal year under review (Thousands)
Common stock	4,322	0	4,300	23

Note: The increase in the number of treasury shares of common stock by 0 thousand shares is due to purchase of fractional shares. The decrease by 4,300 thousand shares is due to disposal of treasury shares by way of third-party allotment.

Tax Effect Accounting

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

(Millions of yen)

(1) Current

Deferred tax assets	
Loss on valuation of inventories	336
Adjustment for deposits received	150
Special retirement expenses	139
Provision for sales promotion expenses	129
Other	363
Sub-total deferred tax assets	1,119
Valuation allowance	(9)
Total deferred tax assets	1,110
Deferred tax liabilities	
Deferred gains or losses on hedges	647
Sales promotion expenses deductible for tax purposes	372
Other	18
Total deferred tax liabilities	1,038
Net deferred tax assets	71

(2) Non-current

Deferred tax assets	
Loss brought forward	2,154
Loss on valuation of shares of subsidiaries and associates	543
Amount exceeding the limit of tax depreciation	290
Loss on valuation of investment securities	131
Other	386
Sub-total deferred tax assets	3,506
Valuation allowance	(3,184)
Total deferred tax assets	322
Deferred tax liabilities	
Valuation difference on available-for-sale securities	829
Reserve for special depreciation	706
Other	67
Total deferred tax liabilities	1,603
Net deferred tax liabilities	1,281

2. Details of deferred tax liabilities for land revaluation

(Millions of yen)

Deferred tax assets	
Deferred tax assets for land revaluation	2,493
Valuation allowance	(2,493)
Total deferred tax assets for land revaluation	—
Deferred tax liabilities	
Deferred tax liabilities for land revaluation	535
Net deferred tax liabilities for land revaluation	535

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, 2015, the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated, and the corporation tax rate, etc. was lowered for fiscal years starting on or after April 1, 2015. Due to this change, the effective statutory tax rate used in the calculation of deferred tax assets and deferred tax liabilities will be changed to 33.0% for temporary differences which are expected to be reversed in the fiscal year starting on January 1, 2016, and 32.2% for temporary differences which are expected to be reversed in fiscal years starting on or after January 1, 2017, from the previously applied rate of 35.6%.

Due to this change in the tax rate, deferred tax liabilities for land revaluation decreased by 51 million yen, deferred tax liabilities (less the amount of deferred tax assets) decreased by 129 million yen, valuation difference on available-for-sale securities increased by 87 million yen, deferred gains or losses on hedges increased by 54 million yen, revaluation reserve for land increased by 51 million yen and income taxes – deferred increased by 12 million yen.

Related Party Transactions

1. Parent company and major corporate shareholders, etc.

Type	Company name	Percentage of voting rights, etc. owning or owned	Relationship	Nature of transactions	Transaction amount (Millions of yen)	Account items	Balance at end of fiscal year (Millions of yen)
Other affiliate	J. FRONT RETAILING Co., Ltd.	Owned Directly 22.6%	Capital and business alliance (Note 2)	Third-party allotment (Note 1)	3,891	–	–
				Disposal of treasury shares (Note 1)	3,637	–	–

Transaction condition or policy for deciding transaction condition

Note 1: This company undertook the third-party allotment and the disposal of treasury shares conducted by the Company with 846 yen per share. The transaction price was determined on the basis of the average of the closing prices of the Company's shares on the Tokyo Stock Exchange during three months before the date of resolution by the Company's Board of Directors on the third-party allotment.

Note 2: The capital and business alliance agreement was entered into on April 17, 2015.

2. Subsidiaries and associates, etc.

Type	Company name	Percentage of voting rights, etc. owning or owned	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)	1,650	Short-term loans receivable	916
				Collection of loans	816	Long-term loans receivable	2,508
				Receipt of interests	27	–	–

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: 985.15 yen

2. Net loss per share: 116.05 yen

Note: Diluted net income per share for the fiscal year under review is not presented because net loss per share was recorded, despite the existence of potential shares.

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 17, 2016

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, 2015 to December 31, 2015, 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 Companies 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 17, 2016

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 71st fiscal year from January 1, 2015 to December 31, 2015, 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 Companies 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 71st fiscal year from January 1, 2015 to December 31, 2015, and hereby reports as follows:

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

(1) 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.

(2) 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 Executive Officers, the Internal Auditing Department and other employees, and strived to maintain an environment for information gathering and auditing. We have executed the audit based on the following methods.

1) Each Audit & Supervisory Board Member attended meetings of the Board of Directors and other important meetings; received reports of execution of duty from Directors, Executive Officers and employees; demanded explanations, as the occasion demanded; inspected important documents and agreements; and investigated the activities and assets of the head office and of other principal places of business. 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.

2) 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 business activities of the corporate group consisting of the Company and its subsidiaries stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act. We also regularly received reports from Directors and employees on the status of the maintenance 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 maintenance and operation of the relevant internal control and the status of audit, and requested an explanation thereby whenever necessary.

3) We examined the contents of the basic policy, specified in Item 3(a) of Article 118 of the Ordinance for Enforcement of the Companies 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.

4) 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 business reports and accompanying financial schedule, 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) for the relevant fiscal year.

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 Companies 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 18, 2016

Audit & Supervisory Board, Senshukai Co., Ltd.

Standing Audit & Supervisory Board Member	Yoshihiro Nakabayashi	(Seal)
Standing Audit & Supervisory Board Member	Masanori Maeda	(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
4 yen per share of common stock of the Company; the total amount of 208,828,548 yen

(3) Effective date of dividends of surplus:
March 31, 2016

The annual dividend will amount to 8 yen per share, including an interim dividend of 4 yen per share.

Proposal 2: Election of eight (8) Directors

The terms of office of nine (9) Directors will expire at the conclusion of this meeting. Therefore, with a reduction of the number of Directors by one (1), we would like you to elect a total of eight (8) 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	No. of the Company's shares held
1	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 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 Mar. 2015 Managing Director and Executive Officer of the Company Aug. 2015 In charge of Administration Division, General Manager of Corporate Development Division, Division Director of Sales Planning Division of the Company Jan. 2016 President and Representative Director of the Company (present position)	6,400
2	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 Mar. 2014 Director and Executive Officer of the Company Jan. 2015 Division Director of Monthly Business Division of the Company Mar. 2015 Managing Director and Executive Officer of the Company (present position) Aug. 2015 In charge of Belle Maison Division, In charge of Monthly Business Division, Division Director of SPA Brand Business Division, Division Director of Monthly Business Division of the Company Jan. 2016 In charge of Belle Maison Division of the Company (present position)	6,300

No.	Name (Date of birth)	Brief personal profile, positions and responsibilities at the Company and important concurrent occupations or positions at other organizations	No. of the Company's shares held
3	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 Mar. 2014 Director and Executive Officer of the Company (present position) Jan. 2016 Division Director of Monthly Business Division of the Company(present position)	5,500
4	Kenji Kajiwara (June 20, 1961)	Aug. 1988 Joined the Company Jan. 2009 Executive Officer of the Company 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 Mar. 2015 Director and Executive Officer of the Company (present position) Apr. 2015 Division Director of Fashion Business Division, Division Director of SPA Brand Business Division of the Company Aug. 2015 Division Director of Fashion Business Division of the Company Jan. 2016 Representative of Tokyo Headquarters, Division Director of Business Development Division of the Company(present position)	1,800

No.	Name (Date of birth)	Brief personal profile, positions and responsibilities at the Company and important concurrent occupations or positions at other organizations	No. of the Company's shares held
*5	Takeshi Naito (November 14, 1962)	Mar. 1986 Joined the Company Jul. 2006 General Manager of Business Planning Department of the Company Jan. 2008 Division Director of Business Division of the Company Mar. 2008 Executive Officer of the Company (present position) Jul. 2009 Division Director of Business Division, General Manager of Business Planning Department of the Company Jan. 2010 Division Director of Business Division, General Manager of Business Planning Department and Logistics Planning Division of the Company Jan. 2011 General Manager of Corporate Development Division, General Manager of Corporate Development and Human Resources Division of the Company Jan. 2013 Division Director of Business Development Division of the Company Nov. 2013 President and Representative Director of Senshukai Child Care Co., Ltd. (present position) Jan. 2016 General Manager of Corporate Development Division of the Company (present position)	7,700
6	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	0
7	Toshikatsu Sano (July 12, 1945)	Jun. 1969 Joined Mitsui Bank (presently, Sumitomo Mitsui Banking Corporation) Jun. 1997 Director and General Manager of Fund and Securities Planning Department of Sakura Bank (presently, Sumitomo Mitsui Banking Corporation) Apr. 2000 Managing Executive Officer and General Manager of Nagoya Branch of Sakura Bank (presently, Sumitomo Mitsui Banking Corporation) Apr. 2001 Managing Executive Officer of Mitsui Mutual Life Insurance Company (presently, MITSUI LIFE INSURANCE COMPANY LIMITED) Jul. 2001 Director and Managing Executive Officer of Mitsui Mutual Life Insurance Company (presently, MITSUI LIFE INSURANCE COMPANY LIMITED) Jun. 2005 President of SMBC Consulting Co., Ltd. Mar. 2008 Director of the Company (present position)	0

No.	Name (Date of birth)	Brief personal profile, positions and responsibilities at the Company and important concurrent occupations or positions at other organizations	No. of the Company's shares held
*8	Takahiro Imazu (July 31, 1971)	Apr. 1995 Joined The Daimaru, Inc. Mar. 2013 Manager of Sales Division II, Daimaru Tokyo Store of Daimaru Matsuzakaya Department Stores Co. Ltd. Sep. 2013 Division Manager of Business Promotion, Daimaru Tokyo Store of Daimaru Matsuzakaya Department Stores Co. Ltd. Sep. 2014 Senior General Manager of Management Planning, Management Strategy Unit of J. FRONT RETAILING Co., Ltd. May 2015 Executive Officer, Senior General Manager of Management Planning, Management Strategy Unit of J. FRONT RETAILING Co., Ltd. (present position) Jun. 2015 Director of Forest Co., Ltd. (present position) Mar. 2016 Executive Officer, Senior General Manager of Group Management Strategy Promotion, Management Strategy Unit of J. FRONT RETAILING Co., Ltd. (planned)	0

Notes:

1. Candidates with an asterisk (*) prefixing their number are new candidates for Directors.
2. Tomoko Oishi, Toshikatsu Sano and Takahiro Imazu are the candidates for External Directors.
3. Director Tomoko Oishi's name as it appears in her family registry is Tomoko Kato.
4. 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.
   Takahiro Imazu is a member of the Management Strategy Unit at J. FRONT RETAILING Co., Ltd. We request the election of Takahiro Imazu as we believe he will provide cooperation, advice and proposals necessary to the operation of the Company, by making the most of his thorough knowledge about business operations. He serves as an Executive Officer of J. FRONT RETAILING Co., Ltd., which is a major shareholder of the Company and a capital tie-up partner. Furthermore, Forest Co., Ltd., where he serves as Director, is a subsidiary of J. FRONT RETAILING Co., Ltd., and is engaged primarily in the mail-order sales of furniture and office supplies.
5. There are no conflicts of interests between the candidates and the Company, other than Takahiro Imazu.
6. 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.
7. Tomoko Oishi and Toshikatsu Sano are currently External Directors of the Company, and their terms of office as External Directors will reach ten (10) years and eight (8) years, respectively at the conclusion of this meeting.
8. 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 Companies Act, based on the provisions of the Articles of Incorporation. If their reelection is approved, we plan to continue the agreements. Also, if the election of Takahiro Imazu is approved, we plan to enter into a liability limitation agreement with him. The limit of liabilities for compensation under the relevant agreement is the minimum amount stipulated in laws and regulations.
9. The Company has notified Tomoko Oishi as an Independent Director as prescribed by the Financial Instruments Exchange. On February 4, 2016, the Company's Board of Directors designated Toshikatsu Sano as an Independent Director, and has notified the Financial Instruments Exchange of his status as Independent Director. If they are reelected, we plan to maintain their positions as Independent Directors.

Proposal 3: 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.

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		No. of the Company's shares held
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)	0

Notes:

1. Kouichi Masui is a candidate for substitute External Audit & Supervisory Board Member.
2. There are no conflicts of interests between Kouichi Masui and the Company.
3. 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.
4. 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.
5. 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 Companies 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 4: Approval of amount and details of Performance-based Stock Remuneration Program for Directors

1. Reasons for the proposal and rationale for the proposed remuneration

Remuneration for the Company's Directors is currently composed of base remuneration. This proposal is to seek approval for the implementation of a Performance-based Stock Remuneration Program (hereinafter, the "Program") for Directors (excluding External Directors; the same applies below). Specific details of the Program shall be determined by the Board of Directors within the rules and restrictions prescribed under Section 2 below.

The Program provides a clear alignment of the Company's operating performance and share price with Director remuneration, thereby enabling Directors to not only enjoy the benefits of a rise in the stock price but also share the risk of a stock price decline. By sharing both the upside and downside risk of share price movement with shareholders, the Program is intended to incentivize Directors to increase operating performance and enhance corporate value over the medium to long term.

Specifically, we ask to establish a new remuneration framework for performance-based stock remuneration separate from the remuneration limit approved at the 62nd Ordinary General Meeting of Shareholders, held on March 29, 2007 (namely that the maximum amount of remuneration to be paid to Directors in total per year shall not exceed 400 million yen, not including the employee portion of salaries). Directors of the Company serving during the three-year period from the fiscal year ending December 31, 2016 to the fiscal year ending December 31, 2018 (hereinafter, the "Period") shall be eligible to receive payments under this performance-based stock remuneration.

If Proposal 2, the "Election of eight (8) Directors," is approved as proposed, the number of Directors would be eight (8), including three (3) External Directors. Accordingly, the number of Directors eligible for the Program would be five (5).

2. Amount of remuneration under the Program and other details

(1) Overview of the Program

The Program is a performance-based stock remuneration mechanism whereby the fund provided by the Company would be used to establish a trust (hereinafter, the "Trust") to acquire shares in the Company. In accordance with share delivery regulations formulated by the Company's Board of Directors, shares in the Company would then be delivered via the Trust to individual Directors according to the number of points granted to them based on their rank and level of achievement of their performance target. In principle, Directors would receive delivery of the Company's shares at the time of their retirement as Directors.

(2) Maximum amount of fund provided by the Company

The initial trust period of the Trust would be approximately three years. During this trust period, the Company would provide the fund necessary to purchase shares in the Company for the purpose of the Program. A maximum of 90 million yen would be provided as remuneration for Directors serving during the Period (a total of 150 million yen including the portion for Executive Officers), and the Trust whose beneficiaries are Directors who satisfy certain conditions would be established. The Trust shall, using the fund provided by the Company, acquire shares in the Company either through the stock market or through disposal of the Company's treasury shares.

Note: The funds entrusted by the Company to the Trust would in actuality include, in addition to the fund for acquiring the Company's shares as described above, an expected amount of trust fees, trust manager compensation and other necessary expenses.

At the conclusion of the trust period, the Company's Board of Directors may resolve to continue the Program by extending the trust period every three years. (The Period would thereby be extended accordingly.) In this instance, the Company would provide an additional fund of up to 90 million yen for each extended trust period in order to acquire additional shares required for delivery to Directors under the Program. (However, when providing additional funds, if any of the Company's shares or fund remain within the Trust on the final day of the trust period prior to its extension, that remaining amount would be deducted from the additional maximum amount of 90 million yen.) The granting of points would continue during the extended trust period as described in (3) 1) below, and delivery of the Company's shares would continue as described in (4) below.

However, even if the Program is not continued as described above, at the conclusion of the trust period, the trust period could be extended for points that have already been granted to Directors who have not yet retired until delivery of the Company's shares at the retirement of such Directors.

(3) Calculation method and maximum number of the Company's shares delivered to Directors

1) Method of granting points to Directors and their maximum limit

In accordance with share delivery regulations formulated by the Company's Board of Directors, the Company would grant points to individual Directors at the prescribed timing each year during the trust period, based on their rank as of the fiscal year just ended and level of achievement of performance target for that year.

However, the total number of points granted by the Company to Directors during three years is not to exceed 108,000 points (corresponding to 108,000 shares of the Company).

2) Delivery of the Company's shares commensurate with the number of points granted

Directors would receive delivery of the Company's shares equal to the number of points granted to them as described in 1) above in accordance with the procedures described in (4) below.

The number of the Company's shares to be delivered to individual Directors shall be the number of points granted to those Directors multiplied by 1.0. (However, in the event that the Company's shares undergo a stock split, a stock consolidation or other circumstance that would rationally call for an adjustment in the number of the Company's shares delivered, this multiplier would be rationally adjusted, taking into account such factors as the relevant stock split or consolidation percentage.)

(4) Delivery of the Company's shares to Directors

Company shares delivered to individual Directors as described in (3) above are to be distributed by the Trust in accordance with prescribed procedure for establishing beneficiaries at the time of individual Directors' retirement. However, a portion of the Company's shares shall be delivered in lieu in cash from monies realized through sale within the Trust. In addition, if the Company's shares in the Trust are converted to cash, such as in the event of settlement of the Company's shares within the Trust through a tender offer application, cash would be delivered in lieu of the Company's shares.

[Reference]

For details of the Program, please refer to "Notice on the implementation of a Performance-based Stock Remuneration Program for the Company's Directors and Executive Officers," which was released on February 19, 2016 (in Japanese only).