Financial Report for Fiscal 2008 (Ended December 31, 2008)

January 29, 2009

Company name:	**Senshukai Co., Ltd.**	Stock Exchanges: Tokyo and Osaka, First Sections	
Stock Code:	8165	URL: http://www.senshukai.co.jp	

Representative: Mr. Yasuhiro Yukimachi, President and Representative Director

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Scheduled date of annual general meeting of shareholders: March 27, 2009

Scheduled date of payment of dividend: March 30, 2009

Scheduled date of filing of Annual Security Report: March 30, 2009

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

1. Consolidated Financial Results for Fiscal 2008 (January 1, 2008 – December 31, 2008)

(1) Consolidated operating results (Percentages represent changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2008	158,285	1.0	2,413	(54.4)	(4,553)	-	(6,271)	-
Fiscal 2007	156,792	5.8	5,291	15.0	4,683	(10.6)	1,932	(46.7)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal 2008	(134.26)	-	(12.5)	(4.5)	1.5
Fiscal 2007	41.53	41.41	3.5	4.8	3.4

Reference: Investment profit (loss) on equity method (million yen)
Fiscal 2008: (247) Fiscal 2007: (164)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Dec. 31, 2008	104,059	44,274	42.5	947.19
As of Dec. 31, 2007	98,422	55,955	56.8	1,197.62

Reference: Shareholders' equity (million yen)
As of Dec. 31, 2008: 44,245 As of Dec. 31, 2007: 55,945

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2008	3,849	(7,388)	8,199	8,186
Fiscal 2007	1,444	(6,047)	2,305	3,526

2. Dividends

	Dividend per share					Total dividends (annual)	Payout ratio (consolidated)	Dividend on equity (consolidated)
(Record date)	1Q-end	2Q-end	3Q-end	Yearend	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2007	-	13.00	-	14.00	27.00	1,260	65.0	2.2
Fiscal 2008	-	8.00	-	9.00	17.00	794	-	1.6
Fiscal 2009 (forecasts)	-	8.00	-	9.00	17.00		28.9	

3. Consolidated Outlook for Fiscal 2009 (January 1, 2009 – December 31, 2009)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	82,000	3.5	1,300	(7.0)	1,400	346.7	970	-	20.77
Full year	162,500	2.7	3,200	32.6	3,400	-	2,750	-	58.87

4. Other

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

(2) Changes in accounting principles, procedures and presentation methods for preparation of consolidated financial statements

1) Changes caused by revision of accounting standards: None

2) Other changes: None

(3) Number of shares outstanding (common shares)

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

As of Dec. 31, 2008: 47,630,393 shares As of Dec. 31, 2007: 47,630,393 shares

2) Number of treasury stock at end of period

As of Dec. 31, 2008: 917,908 shares As of Dec. 31, 2007: 916,195 shares

Note: Please refer to "Per Share Information" on page 35 for the number of shares used in calculating consolidated net income per share.

(Reference) Summary of Non-consolidated Financial Report

1. Non-consolidated Financial Results for Fiscal 2008 (January 1, 2008 – December 31, 2008)

(1) Non-consolidated operating results (Percentages represent changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2008	150,729	(1.1)	2,353	(49.0)	(3,853)	-	(6,155)	-
Fiscal 2007	152,367	3.7	4,611	24.2	4,421	0.0	2,335	(25.7)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal 2008	(131.77)	-
Fiscal 2007	50.19	50.05

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Dec. 31, 2008	99,613	44,096	44.3	943.99
As of Dec. 31, 2007	95,939	55,418	57.8	1,186.32

Reference: Shareholders' equity (million yen)

As of Dec. 31, 2008: 44,096 As of Dec. 31, 2007: 55,418

2. Non-consolidated Outlook for Fiscal 2009 (January 1, 2009 – December 31, 2009)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	75,600	(1.5)	1,000	(9.4)	1,600	115.9	1,370	917.1	29.33
Full year	150,000	(0.5)	3,000	27.5	3,600	-	3,150	-	67.43

<u>*Cautionary statement with respect to forward-looking statements</u>

The above projections are based on information available at the time of release of this report. Actual results could differ significantly from these projections due to a variety of factors. For further details regarding the projections, please refer to page 7.

1. Operating Results

(1) Analysis of Operating Results

Overview

The Japanese economy deteriorated in the current fiscal year under review. Corporate earnings fell sharply as an unprecedented global financial crisis, triggered by the US subprime mortgage debacle and the bankruptcy of Lehman Brothers, caused large declines in equity markets and extreme volatility in foreign exchange markets. The environment for employment and incomes also deteriorated, sending the economy into recession. The retail industry suffered from weak personal spending as consumers became more thrifty and adopted a more defensive stance toward spending in light of volatile price movements for natural resources and economic deterioration. The mail-order industry saw some benefit from “cloistered consumption” as consumers showed a greater interest in online shopping, but other factors weighed on sales including weak personal spending, growing disparities among sub-sectors and individual companies, and poor weather. The intensely competitive environment created more price competition, and prompted consumers to become more selective regarding products and services. The future outlook is likely to remain murky.

Against this backdrop, the Senshukai Group focused on priority strategies in the first year of its medium-term management plan which ends in Fiscal 2010.

Consolidated net sales increased 1.0% year-over-year to 158,285 million yen in the fiscal year under review.

In terms of profits, operating income declined 54.4% year-over-year to 2,413 million yen due to a slight rise in the cost ratio, and an increase in SG&A-to-sales on higher catalog and other expenses. Ordinary income declined from a profit of 4,683 million yen last fiscal year, to a loss of 4,553 million yen this fiscal year, as financial uncertainty triggered a dramatic appreciation of the yen and declines in equity prices, causing foreign exchange losses of approximately 5,900 million yen and losses on write-down of compound financial instruments of approximately 1,300 million yen. Net income also declined from a profit of 1,932 million yen last fiscal year, to a loss of 6,271 million yen this fiscal year, due to approximately 700 million yen of losses on sales and disposal of fixed assets, and approximately 500 million yen of losses on write-down of investment securities whose market value fell sharply with little prospect for recovery.

Segment information

[Mail-order Business]

Consolidated sales in the mail-order business, which comprises the catalog and the *hanpukai* businesses, decreased 0.7% year-over-year to 144,585 million yen, and operating income decreased 48.8% to 2,866 million yen in the fiscal year under review.

1) Catalog business

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

Since 1976, the Group has won the support of members by providing them with a wide range of products centered on fashion apparel, but also accessories, interior goods, daily sundries, maternity goods, and kid’s apparel, tailored to meet their needs.

Sales were steady in the catalog business up through the third quarter, but declined year-over-year from October as the growing financial crisis weighed on consumer sentiment.

As a result, consolidated sales in the catalog business decreased 0.1% year-over-year to 131,886 million yen.

2) *Hanpukai* business

The *hanpukai* business employs an original, unique sales model differing from other mail-order companies whereby goods are delivered monthly to all group and individual members, mainly working women.

Focusing on everyday sundries and foods, the business offers a wide lineup of products that are highly collectible, original, and not available in retail stores.

We created the office vending box (*Choko Tabe* BOX) business in the previous fiscal year to expand contact points with various occupational fields and restructure the *hanpukai* business, and the number of such boxes reached approximately 21,000. However, sales and members declined year-over-year.

Consolidated sales in the *hanpukai* business declined 6.9% year-over-year to 12,698 million yen.

* The Group transferred some media between the *hanpukai* and catalog businesses in line with organizational changes implemented beginning this fiscal year. Year-over-year comparisons are based on figures after the transfer.

[Other Businesses]

The "other businesses" segment consists of the services business which primarily offers travel and credit card services, the storefront business, the pet business, the corporates business which provides products and services to corporations, and the guesthouse-style wedding business operated by Dears Brain Inc. which we turned into a consolidated subsidiary in the second half of the fiscal year. Consolidated sales in this segment increased 23.1% year-over-year to 13,699 million yen, but operating losses expanded 146 million yen to 439 million yen.

(2) Analysis of Financial Position

Balance sheet position

Assets totaled 104,059 million yen at the end of the fiscal year under review, up 5,637 million yen from the end of the previous fiscal year.

Current assets increased 1,774 million yen to 49,998 million yen. The main contributing factors were decreases in inventories of 2,820 million yen and accounts receivable-other of 1,319 million yen, while cash and deposits, deferred tax assets and marketable securities increased 4,226 million yen, 922 million yen and 438 million yen, respectively. Fixed assets increased 3,863 million yen to 54,060 million yen, mainly due to a decrease in investments and other assets of 1,764 million yen, while there were increases in property and equipment of 3,508 million yen and intangible assets of 2,119 million yen.

Current liabilities increased 12,978 million yen to 54,153 million yen. The main contributing factors were decreases in notes and accounts payable-trade of 2,495 million yen and accrued income taxes of 1,693 million yen, while there were increases in forward exchange contracts of 9,788 million yen and short-term bank loans of 6,957 million yen. Long-term liabilities increased 4,340 million yen to 5,631 million yen, mainly due to a 4,112 million yen increase in long-term debt.

Net assets decreased 11,681 million yen to 44,274 million yen. The main contributing factors were decreases in retained earnings of 7,626 million yen, deferred hedge gains (losses) of 2,415 million yen, and net unrealized gains on available-for-sale securities of 1,798 million yen. Consequently, the equity ratio was 42.5%.

Cash flow position

The balance of cash and cash equivalents at the end of the fiscal year under review was 8,186 million yen, an increase of 4,660 million yen from the end of the previous fiscal year.

Operating activities provided net cash of 3,849 million yen (net cash provided of 1,444 million yen in the previous fiscal year). The main contributing factors were a 2,844 million yen decrease in inventories, depreciation expenses of 2,140 million yen, foreign exchange losses of 5,797 million yen and losses on write-down of compound financial instruments of 1,331 million yen. These factors were partly offset by loss before income taxes and minority interests of 5,895 million yen and a decrease in notes and accounts payable-trade of 3,183 million yen.

Investing activities used net cash of 7,388 million yen (net cash used of 6,047 million yen in the previous fiscal year). The main cash outflows were 2,617 million yen for purchases of property and equipment, 2,473 million yen for purchases of investment securities, and 2,297 million yen for purchases of subsidiary stock associated with changes in the scope of consolidation.

Financing activities provided net cash of 8,199 million yen (net cash provided of 2,305 million yen in the previous fiscal year). The main cash inflows were net increase in short-term bank loans of 4,566 million yen, and proceeds from long-term debt of 5,052 million yen.

Cash flow indices

	Fiscal 2006 (As of Dec. 31, 2006)	Fiscal 2007 (As of Dec. 31, 2007)	Fiscal 2008 (As of Dec. 31, 2008)
Equity ratio (%)	58.3	56.8	42.5
Equity ratio based on fair value (%)	58.5	56.0	31.7
Average debt repayment period (years)	0.3	2.1	3.7
Interest coverage ratio (times)	30.3	20.6	23.6

Notes: 1. Cash flow indices are calculated as follows using consolidated financial figures:
The equity ratio is shareholders' equity divided by total assets.
The equity ratio based on fair value is market capitalization divided by total assets.
The average debt repayment period is interest-bearing debt divided by the quantity of operating cash flows.
The interest coverage ratio is operating cash flows divided by interest payments.
2. Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares issued and outstanding at the end of the period, excluding treasury stock.
3. Interest-bearing debt represents all liabilities shown on the consolidated balance sheets that incur interest.
4. Operating cash flows and interest payments represent net cash provided by operating activities and interests paid, respectively, on the consolidated statements of cash flows.

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

The Group's basic policy is to strengthen the business foundation while maintaining stable dividends, taking into consideration the payout ratio, and ensuring a fair distribution of earnings to shareholders.

Specifically, we aim for a payout ratio of 30% on a consolidated basis going forward.

We will use retained earnings to invest in the development of new businesses, raise the efficiency of existing businesses, improve the soundness of our financial condition, and strengthen our competitiveness and corporate structure.

Although we posted a net loss for fiscal 2008, we plan a total annual dividend of 17 yen per share comprised of a yearend dividend of 9 yen per share, and an interim dividend of 8 yen per share, in line with our aforementioned policy.

We plan a total annual dividend of 17 yen per share for fiscal 2009, comprised of a yearend dividend of 9 yen per share, and an interim dividend of 8 yen per share, in line with our aforementioned policy.

(4) Business Risks

1) Economic situation in manufacturing countries

The majority of products sold by the Senshukai Group are imported from China and other Asian countries. Consequently, political and economic conditions in these countries, as well as the occurrence of natural disasters, could impact the Group's operating results and financial position.

2) Exchange rate fluctuation

Some products handled in the mail-order business, the Senshukai Group's mainstay business, are imported and denominated in foreign currencies. Although Senshukai employs foreign exchange forward contracts and other hedging devices to reduce the risk associated with exchange rate fluctuations, large fluctuations could adversely affect the Group's operating results and financial position.

3) Risks associated with personal information leaks

Senshukai and some subsidiaries handle personal information subject to Japan's Personal Information Protection Law. The Senshukai Group adheres to all relevant laws, has assigned a Customer Information Management Officer to prevent information leaks and strengthened internal control systems. Furthermore, Senshukai and some subsidiaries obtained the Privacy Mark certification.

However, in the unlikely event that personal information handled by the Senshukai Group leaks, this could damage public trust and the corporate image, thereby significantly and adversely affect the Group's operating results and financial position.

4) Risks associated with natural disasters

Natural disasters or other unexpected events that disrupt the order processing or shipment operations of the Senshukai Group's mainstay mail-order business could significantly affect the Group's operating results and financial position. To minimize these risks, Senshukai has established backup processing and shipment systems, and a preparatory framework for earthquake disasters. We have also established a Crisis Management Committee and formulated rules applicable to emergencies. Nevertheless, severe damage to Senshukai facilities and disruptions to order processing or shipments resulting from a major disaster could significantly and adversely affect the Group's operating results and financial position.

5) System risk

The Senshukai Group's computer system could be negatively impacted by a variety of factors including earthquakes, typhoons, floods, hardware or software trouble, terrorism, and cyber-terror. Trouble that requires an inordinate amount of time to restore the system could significantly and adversely affect the Group's operating results and financial position since almost all operations at Senshukai are processed by computer.

6) Legal and regulatory risk

The Senshukai Group's mainstay business, the mail-order business, is governed by laws including the Law Against Unjustifiable Premiums and Misleading Representations ("Premiums and Representations Law"), the Special Products Trading Law, the Pharmaceutical Law, and the Product Liability Law. The Company is thorough in educating employees, and establishing an administrative and compliance structure, to ensure strict compliance with all laws and regulations. If the unlikely event those compliance-related problems were to emerge, however, this could impair the corporate image, thereby significantly and adversely affect the Group's business and operating results.

7) Risks related to unfavorable weather

Cool summers, warm winters, long rainy seasons, and other unusual and unfavorable weather could impact demand and sales in the Senshukai Group's mainstay mail-order business, and adversely affect the Group's operating results.

8) Risks associated with volatility in raw materials prices

The Senshukai Group's mainstay business, the mail-order business, uses paper for catalog printing, and a greater than expected increase in the price of paper, pulp, and other raw materials, as well as price hikes by transportation companies that deliver the Group's products to reflect surging crude oil prices, could significantly and adversely affect the Group's operating results.

9) Risks associated with share price fluctuation

The Senshukai Group holds marketable shares and other securities, and is therefore subject to the risks associated with share price fluctuation. Trends in share prices could adversely affect the Group's operating results and financial position.

10) Forward-looking statements

All forward-looking statements in the "Business Risks" section are based on the judgment of the Senshukai Group as of the presentation date (January 29, 2009) of this financial report for Fiscal 2008.

(5) Outlook for Fiscal 2009

The Japanese economy will likely remain weak going forward as yen appreciation and the stock market slump weigh on corporate earnings, and as employment uncertainty drives down personal consumption. The business environment for our group also requires close monitoring.

For the new fiscal year, we forecast non-consolidated net sales will remain flat, but consolidated net sales will increase about 2.7% year-over-year to 162,500 million yen due to a full-year contribution from the newly consolidated subsidiary Dears Brain Inc. We forecast operating income of 3,200 million yen due to a lower cost-of-sales ratio and other factors, ordinary income of 3,400 million yen, and net income of 2,750 million yen due to a lower corporate tax burden. Our policy going forward is to secure stable profits.

Our earnings forecasts for the new fiscal year are as follows.

Consolidated (Million yen)

	Net sales	Operating income	Ordinary income	Net income
Fiscal 2009 (forecast)	162,500	3,200	3,400	2,750
Fiscal 2008 (results)	158,285	2,413	(4,553)	(6,271)
Change (%)	2.7	32.6	-	-

Non-consolidated (Million yen)

	Net sales	Operating income	Ordinary income	Net income
Fiscal 2009 (forecast)	150,000	3,000	3,600	3,150
Fiscal 2008 (results)	150,729	2,353	(3,853)	(6,155)
Change (%)	(0.5)	27.5	-	-

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

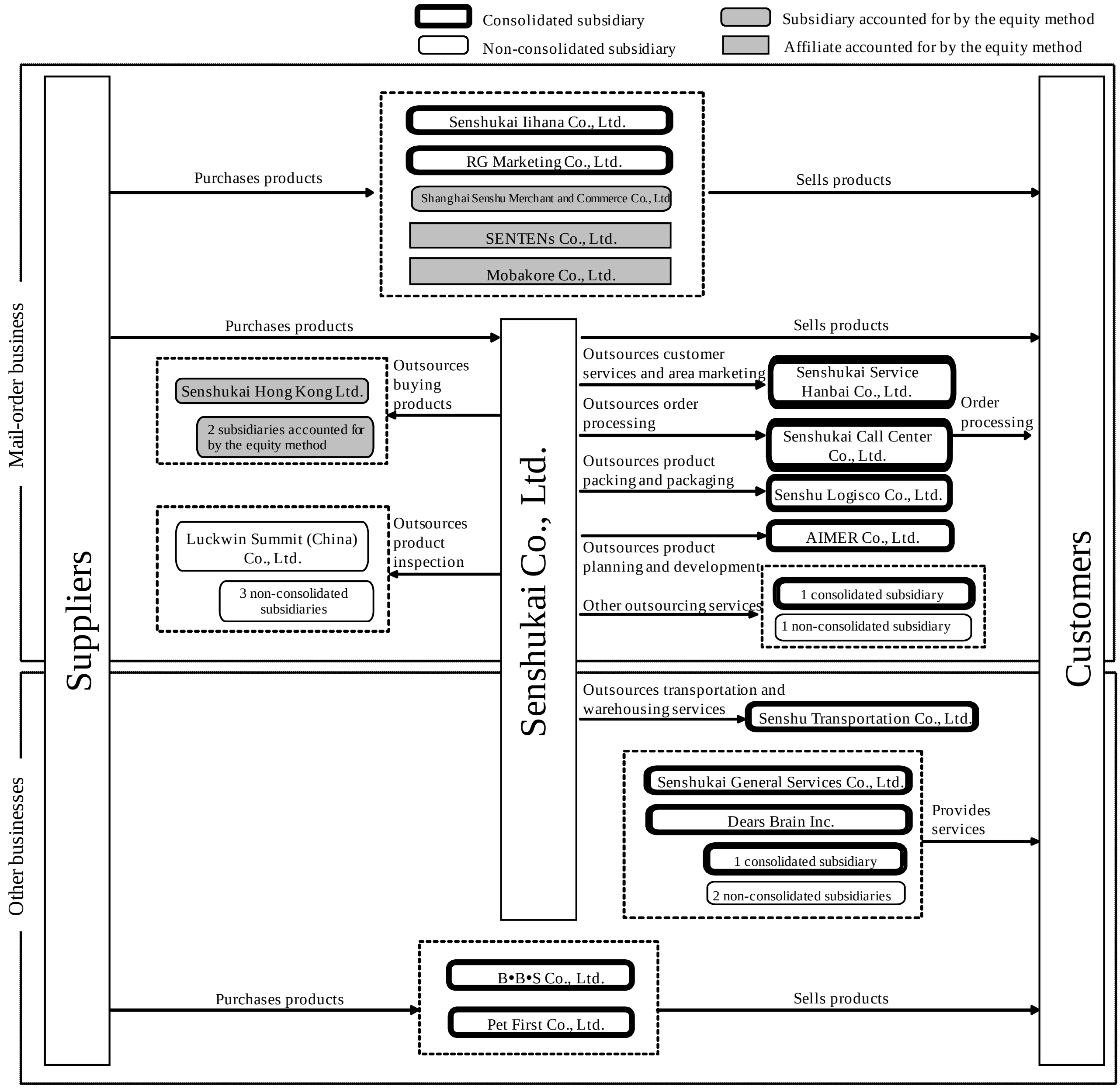
2. Group Organization

The Senshukai Group comprises the parent company, 24 subsidiaries, and 2 affiliates. Mail-order sales is the mainstay business, and other businesses include product sales, services, and transportation.

The following describes the position of each major business activity in the Group's operations and business segments.

Segment	Major business activity	Company
Mail-order business	Mail order	Senshukai Co., Ltd., Senshukai Service Hanbai Co., Ltd., Senshukai Iihana Co., Ltd., RG Marketing Co., Ltd., SENTENs Co., Ltd., Shanghai Senshu Merchant and Commerce Co., Ltd., Mobakore Co., Ltd., Senshukai Hong Kong Ltd., Luckwin Summit (China) Co., Ltd., and 7 other companies
	Order processing	Senshukai Call Center Co., Ltd.
	Transportation and warehousing	Senshu Logisco Co., Ltd.
	Product planning and development	AIMER Co., Ltd.
Other businesses	Product sales	Senshukai Co., Ltd., B·B·S Co., Ltd., Pet First Co., Ltd.
	Services	Senshukai Co., Ltd., Senshukai General Services Co., Ltd., Dears Brain Inc., and 3 other companies
	Transportation	Senshu Transportation Co., Ltd.

Schematic of businesses



3. Management Policies

(1) Basic Management Policy

The Senshukai Group's corporate philosophy is to "contribute to society by providing customers with outstanding products and services."

Senshukai works together with its shareholders, customers, business partners, employees, and all other stakeholders to enhance corporate value and mutual prosperity.

(2) Key Performance Indicators

Our medium-term management plan (runs from Fiscal 2008 through Fiscal 2010) aims to maximize group strengths, and targets strong growth in existing core businesses and new businesses. Specifically, it targets consolidated net sales of 180,000 million yen, operating income of 8,000 million yen (a record), and operating cash flow of 7,000 million yen, by Fiscal 2010.

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

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

We have formulated a three-year medium-term management plan that ends in Fiscal 2010.

1) Basic policies of the Medium-term Management Plan

i. Promotion of Channel Mix

We intend to further deepen "multi-channel promotion" targeted in the previous medium-term management plan, by not merely expanding channel numbers, but fusing channels in fundamental ways and speeding up operations to achieve synergies.

ii. Development of Multiple Brands

To diversify the business through expansion of product and service offerings, and capture certain age groups that are difficult to capture with a single brand (*Belle Maison*), we will move forward with a multi-brand strategy appropriate for different customer segments and product genres, and avoid the inappropriate use of *Belle Maison* which could damage its value.

iii. Expansion of Customer Base

We will expand customers in the over-50 segment by developing new goods for the seniors market, as well as new media to reach them. We will also aim to expand customers in their 20s, but we do not intend to rush expansion of the early 20s market, but steadily win this customer segment over through alliances with other companies and M&A, and through the utilization of new media including the Internet, mobile phones, and magazines. We will strengthen expansion of the late 20s market, and maintain our overall base of 20s customers.

iv. SCM (supply chain management) Promotion

Improving cash flow, which deteriorated due to expanding inventories, is a top priority. We will restructure the management framework to improve the efficiency of inventories and further strengthen SCM.

2) Fiscal 2008 strategies in the Medium-term Management Plan

i. Promotion of Channel Mix

Each division will have channel control functions starting this fiscal year, and will be responsible for promoting channel mix including administration of channel sales and implementation of policies for Internet and brick-and-mortar stores. Internet sales totaled 66,300 million yen throughout the Group (of this, pure Internet sales totaled 37,300 million yen), and we opened five new brick-and-mortar *Kurasu Fuku* stores, bringing the total number of these stores to six. We intend to deepen the reach of our sales channels going forward.

ii. Development of Multiple Brands

We are redefining the *Belle Maison* brand, and working to clarify *Belle Maison* brands from other brands to improve their respective values, and by extension, raise the Senshukai group's overall value.

iii. Expansion of Customer Base

20s: We redeveloped our website in August by product genre to capture more customers in the 20s age group. We also opened a new website, *bellissi*, for the 20s age group. We plan to renew our *Fashion Plus* catalog in Fiscal 2009 to offer a stronger lineup of products with reliable quality and attractive prices.

50s: For customers in the 50s age group, we will use sales circulars for the catalog *Kurasu Fuku*, and will expand sizes and tastes for *Style Note* and *Rashisa* to capture new customers and maintain existing ones.

iv. SCM (supply chain management) Promotion

The delivery-to-order ratio and the rapid delivery ratio deteriorated over last year. However, catalog product inventories declined approximately 2,600 million yen year-over-year as we reduced excess procurement by splitting deliveries, and we implemented bargains quickly after catalogs expired. We aim to optimize inventory levels going forward to improve the cost ratio.

(4) Other Important Business Matters

Not applicable.

Consolidated Financial Statements

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

Account \ Period		Fiscal 2007 (As of Dec. 31, 2007)		**Fiscal 2008** (As of Dec. 31, 2008)		Change
		Amount	%	Amount	%	
Assets						
I Current assets						
1. Cash and deposits	*3	3,444		7,670		4,226
2. Notes and accounts receivable-trade		11,211		10,888		(323)
3. Marketable securities		85		524		438
4. Inventories		19,318		16,497		(2,820)
5. Deferred tax assets		86		1,009		922
6. Accounts receivable-other		9,347		8,028		(1,319)
7. Forward exchange contracts		15		-		(15)
8. Other		4,967		5,695		728
Allowance for doubtful accounts		(254)		(316)		(61)
Total current assets		48,224	49.0	49,998	48.0	1,774
II Fixed assets						
1. Property and equipment	*1					
(1) Buildings and structures	*3	10,286		15,059		4,773
(2) Machinery and vehicles		1,575		1,133		(442)
(3) Furniture and fixtures		897		1,162		264
(4) Land	*5	11,305		11,168		(137)
(5) Construction in progress		962		13		(949)
Total property and equipment		25,028	25.4	28,536	27.4	3,508
2. Intangible assets						
(1) Goodwill		-		2,963		2,963
(2) Other		3,346		2,502		(843)
Total intangible assets		3,346	3.4	5,465	5.3	2,119
3. Investments and other assets						
(1) Investment securities	*2	15,573		11,368		(4,205)
(2) Long-term loans receivable		366		826		460
(3) Guarantee deposits		1,442		1,626		184
(4) Deferred tax assets		299		1,546		1,246
(5) Other		4,444		4,894		449
Allowance for doubtful accounts		(302)		(203)		99
Total investments and other assets		21,823	22.2	20,058	19.3	(1,764)
Total fixed assets		50,197	51.0	54,060	52.0	3,863
Total assets		98,422	100.0	104,059	100.0	5,637

(Million yen)

Account \ Period		Fiscal 2007 (As of Dec. 31, 2007) Amount	%	**Fiscal 2008** (As of Dec. 31, 2008) Amount	%	Change
Liabilities						
I Current liabilities						
1. Notes and accounts payable-trade		11,023		8,527		(2,495)
2. Short-term bank loans	*3	3,000		9,957		6,957
3. Current portion of corporate bonds	*3	-		66		66
4. Accounts payable-other		6,423		6,508		85
5. Accounts payable-factoring		15,027		15,789		762
6. Accrued expenses		2,016		1,854		(162)
7. Accrued income taxes		1,887		194		(1,693)
8. Accrued consumption taxes		232		289		57
9. Deferred tax liabilities		64		-		(64)
10. Liabilities for directors and corporate auditors' bonuses		51		-		(51)
11. Allowance for sales promotion expenses		133		346		212
12. Forward exchange contracts		-		9,788		9,788
13. Other		1,315		831		(483)
Total current liabilities		41,175	41.8	54,153	52.1	12,978
II Long-term liabilities						
1. Corporate bonds	*3	-		168		168
2. Long-term debt	*3	-		4,112		4,112
3. Deferred tax liabilities		3		-		(3)
4. Deferred tax liabilities relating to land revaluation	*5	764		764		-
5. Liabilities for employees' retirement benefits		53		45		(7)
6. Liabilities for retirement benefits for directors and corporate auditors		424		335		(88)
7. Other		45		206		160
Total long-term liabilities		1,291	1.3	5,631	5.4	4,340
Total liabilities		42,466	43.1	59,784	57.5	17,318
Net assets						
I Shareholders' equity						
1. Common stock		20,359	20.7	20,359	19.6	-
2. Capital surplus		21,038	21.4	21,038	20.2	0
3. Retained earnings		21,691	22.0	14,064	13.5	(7,626)
4. Treasury stock		(630)	(0.6)	(631)	(0.6)	(1)
Total shareholders' equity		62,458	63.5	54,830	52.7	(7,627)
II Valuation and translation adjustments						
1. Net unrealized gains on available-for-sale securities		486	0.5	(1,312)	(1.3)	(1,798)
2. Deferred hedge gains (losses)		376	0.4	(2,038)	(2.0)	(2,415)
3. Land revaluation difference	*5	(7,359)	(7.5)	(7,103)	(6.8)	256
4. Foreign currency translation adjustments		(16)	(0.0)	(130)	(0.1)	(114)
Total valuation and translation adjustments		(6,512)	(6.6)	(10,584)	(10.2)	(4,072)
III Minority interests		10	0.0	29	0.0	18
Total net assets		55,955	56.9	44,274	42.5	(11,681)
Total liabilities and net assets		98,422	100.0	104,059	100.0	5,637

(2) Consolidated Statements of Income

(Million yen)

Account / Period		Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)		Fiscal 2008 (Jan. 1, 2008 – Dec. 31, 2008)		Change
		Amount	%	Amount	%	
I Net sales		156,792	100.0	158,285	100.0	1,493
II Cost of sales	*1	80,864	51.6	81,912	51.7	1,048
Gross profit		75,928	48.4	76,373	48.3	444
III Selling, general and administrative expenses	*2	70,637	45.0	73,960	46.8	3,322
1. Packing and freight		10,383		10,193		
2. Sales promotion expenses		24,430		25,303		
3. Provision for allowance for sales promotion expenses		133		346		
4. Provision for allowance for doubtful accounts		249		287		
5. Bad debt loss		119		46		
6. Directors' and corporate auditors' remuneration		568		577		
7. Salaries		10,577		11,206		
8. Bonuses		1,621		1,372		
9. Provision for liabilities for directors and corporate auditors' bonuses		51		-		
10. Provision for liabilities for employees' retirement benefits		15		13		
11. Provision for liabilities for retirement benefits for directors and corporate auditors		2		61		
12. Depreciation expenses		1,684		2,127		
13. Other		20,798		22,423		
Operating income		5,291	3.4	2,413	1.5	(2,878)
IV Other income		768	0.5	924	0.6	155
1. Interest income		353		270		
2. Dividend income		103		172		
3. Co-sponsor fee		-		103		
4. Gains on cancellation of insurance contracts		0		-		
5. Other		311		377		
V Other expenses		1,376	0.9	7,890	5.0	6,514
1. Interest expenses		64		162		
2. Losses on write-down of compound financial instruments		212		1,331		
3. Losses on investment partnership management		6		-		
4. Investment loss on equity method		164		247		
5. Expenses related to fixed asset investment		41		-		
6. Foreign exchange losses		807		5,904		
7. Other		78		245		
Ordinary income (loss)		4,683	3.0	(4,553)	(2.9)	(9,236)

(Million yen)

Account \ Period		Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)		**Fiscal 2008** (Jan. 1, 2008 – Dec. 31, 2008)		Change
		Amount	%	Amount	%	
VI Extraordinary gains		335	0.2	245	0.2	(89)
1. Gains on sales of fixed assets	*3	38		245		
2. Gains on sales of investment securities		174		-		
3. Reversal of allowance for doubtful accounts		121		-		
VII Extraordinary losses		1,212	0.8	1,587	1.0	375
1. Losses on sales and disposal of fixed assets	*4	338		759		
2. Losses on write-down of investment securities		94		594		
3. Losses on sales of investment securities		-		28		
4. Losses on cancellation of contracts		265		-		
5. Losses on liquidation of subsidiaries	*6	331		-		
6. Compensation expense		170		-		
7. Losses on cancellation of leases		13		-		
8. Impairment loss	*5	-		153		
9. Special retirement and severance expense		-		48		
10. Losses on write-down of golf club memberships		-		2		
11. Provision for allowance for doubtful accounts		-		1		
Income (loss) before income taxes and minority interests		3,806	2.4	(5,895)	(3.7)	(9,701)
Income taxes		2,069	1.3	444	0.3	(1,624)
Deferred income taxes		(175)	(0.1)	(74)	(0.0)	100
Minority interests (losses)		(20)	(0.0)	5	0.0	26
Net income (loss)		1,932	1.2	(6,271)	(4.0)	(8,204)

(3) Consolidated Statements of Changes in Shareholders' Equity

Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of Dec. 31, 2006	20,359	20,716	20,889	(1,041)	60,923
Changes in the fiscal year					
Dividend of surplus			(1,066)		(1,066)
Net income			1,932		1,932
Purchases of treasury stock				(32)	(32)
Disposal of treasury stock		322		443	765
Transfer of land revaluation difference			58		58
Decrease in retained earnings due to change in the number of consolidated subsidiaries and equity method affiliates			(122)		(122)
Changes (net) in items other than shareholders' equity					
Total changes in the fiscal year	-	322	801	411	1,534
Balance as of Dec. 31, 2007	20,359	21,038	21,691	(630)	62,458

(Million yen)

	Valuation and translation adjustments					Minority interests	Total net assets
	Net unrealized gains on available-for-sale securities	Deferred hedge gains (losses)	Land revaluation difference	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of Dec. 31, 2006	1,336	734	(7,301)	(31)	(5,261)	46	55,708
Changes in the fiscal year							
Dividend of surplus							(1,066)
Net income							1,932
Purchases of treasury stock							(32)
Disposal of treasury stock							765
Transfer of land revaluation difference							58
Decrease in retained earnings due to change in the number of consolidated subsidiaries and equity method affiliates							(122)
Changes (net) in items other than shareholders' equity	(850)	(357)	(58)	15	(1,250)	(36)	(1,287)
Total changes in the fiscal year	(850)	(357)	(58)	15	(1,250)	(36)	247
Balance as of Dec. 31, 2007	486	376	(7,359)	(16)	(6,512)	10	55,955

Fiscal 2008 (Jan. 1, 2008 – Dec. 31, 2008)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of Dec. 31, 2007	20,359	21,038	21,691	(630)	62,458
Changes in the fiscal year					
Dividend of surplus			(1,027)		(1,027)
Net loss			(6,271)		(6,271)
Purchases of treasury stock				(1)	(1)
Disposal of treasury stock		0		0	0
Transfer of land revaluation difference			(256)		(256)
Decrease in retained earnings due to change in the number of consolidated subsidiaries and equity method affiliates			(70)		(70)
Changes (net) in items other than shareholders' equity					
Total changes in the fiscal year	-	0	(7,626)	(1)	(7,627)
Balance as of Dec. 31, 2008	20,359	21,038	14,064	(631)	54,830

(Million yen)

	Valuation and translation adjustments					Minority interests	Total net assets
	Net unrealized gains on available-for-sale securities	Deferred hedge gains (losses)	Land revaluation difference	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of Dec. 31, 2007	486	376	(7,359)	(16)	(6,512)	10	55,955
Changes in the fiscal year							
Dividend of surplus							(1,027)
Net loss							(6,271)
Purchases of treasury stock							(1)
Disposal of treasury stock							0
Transfer of land revaluation difference							(256)
Decrease in retained earnings due to change in the number of consolidated subsidiaries and equity method affiliates							(70)
Changes (net) in items other than shareholders' equity	(1,798)	(2,415)	256	(114)	(4,072)	18	(4,053)
Total changes in the fiscal year	(1,798)	(2,415)	256	(114)	(4,072)	18	(11,681)
Balance as of Dec. 31, 2008	(1,312)	(2,038)	(7,103)	(130)	(10,584)	29	44,274

(4) Consolidated Statements of Cash Flows

(Million yen)

Account \ Period	Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007) Amount	**Fiscal 2008** (Jan. 1, 2008 – Dec. 31, 2008) Amount	Change
I Cash flows from operating activities			
1. Income (loss) before income taxes and minority interests	3,806	(5,895)	(9,701)
2. Depreciation expenses	1,724	2,140	416
3. Impairment loss	-	153	153
4. Decrease in allowance for doubtful accounts	(266)	(61)	205
5. Increase in liabilities for employees' retirement benefits	8	-	(8)
6. Increase (decrease) in allowance for sales promotion expenses	(142)	212	354
7. Interest and dividend income	(456)	(442)	13
8. Interest expenses	64	162	97
9. Foreign exchange losses (gains)	-	5,797	5,797
10. Investment profit (loss) on equity method	164	247	82
11. Losses on write-down of compound financial instruments	212	1,331	1,118
12. Gains on sales of fixed assets	(38)	(245)	(207)
13. Gains on sales of investment securities	(174)	-	174
14. Losses on sales and disposal of fixed assets	338	759	420
15. Losses on write-down of investment securities	94	594	499
16. Losses on liquidation of subsidiaries	331	-	(331)
17. Decrease in notes and accounts receivable-trade	375	350	(25)
18. Decrease (increase) in inventories	(2,742)	2,844	5,586
19. Decrease (increase) in other current assets	(1,661)	950	2,612
20. Decrease in notes and accounts payable-trade	(964)	(3,183)	(2,219)
21. Increase in accrued consumption taxes	146	249	102
22. Decrease (increase) in other current liabilities	170	(51)	(222)
23. Other	510	87	(423)
Subtotal	1,501	5,998	4,497
24. Interests and dividends received	438	417	(20)
25. Interests paid	(69)	(163)	(93)
26. Income taxes paid	(426)	(2,404)	(1,977)
Net cash provided by operating activities	1,444	3,849	2,405

(Million yen)

Account / Period		Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007) Amount	**Fiscal 2008** (Jan. 1, 2008 – Dec. 31, 2008) Amount	Change
II Cash flows from investing activities				
1. Purchases of property and equipment		(1,904)	(2,617)	(713)
2. Proceeds from sales of property and equipment		147	447	299
3. Purchases of intangible assets		(1,827)	(659)	1,168
4. Proceeds from sales of intangible assets		-	0	0
5. Purchases of investment securities		(3,354)	(2,473)	880
6. Proceeds from sales of investment securities		2,623	825	(1,797)
7. Purchases of subsidiary stock associated with changes in the scope of consolidation	*3	-	(2,297)	(2,297)
8. Increase in time deposits		(1,217)	(997)	220
9. Purchases of business	*2	(236)	-	236
10. Other		(278)	382	660
Net cash used in investing activities		(6,047)	(7,388)	(1,341)
III Cash flows from financing activities				
1. Net increase in short-term bank loans		3,000	4,566	1,566
2. Proceeds from long-term debt		66	5,052	4,985
3. Repayments of long-term debt		(456)	(358)	98
4. Redemption of corporate bonds		-	(33)	(33)
5. Purchases of treasury stock		(32)	(1)	30
6. Proceeds from sales of treasury stock		765	0	(765)
7. Proceeds from minority interests		30	-	(30)
8. Cash dividends paid		(1,065)	(1,026)	39
9. Cash dividends paid to minority interests		(2)	-	2
Net cash provided by financing activities		2,305	8,199	5,894
IV Increase (decrease) in cash and cash equivalents		(2,298)	4,660	6,958
V Cash and cash equivalents at beginning of period		5,549	3,526	(2,023)
VI Increase in cash and cash equivalents due to consolidation of subsidiary		275	-	(275)
VII Cash and cash equivalents at end of period	*1	3,526	8,186	4,660

Conditions and Events that Might Raise Critical Questions about the Validity of the Going-concern Assumption

Not applicable.

Significant Accounting Policies for the Preparation of Consolidated Financial Statements

Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)	**Fiscal 2008** (Jan. 1, 2008 – Dec. 31, 2008)
1. Scope of consolidation (1) Number of consolidated subsidiaries: 13 Main consolidated subsidiaries: Senshukai General Services Co., Ltd. Senshu Logisco Co., Ltd. Senshukai Call Center Co., Ltd. Melody Square Co., Ltd., B-BOP Studio Co., Ltd., Pet First Co., Ltd. and Future Compass Co., Ltd., non-consolidated subsidiaries in the previous fiscal year, were included in the scope of consolidation from the current fiscal year due to their incraesed importance. Melody Square Co., Ltd. acquired B-BOP Studio Co., Ltd. on July 1, 2007, and changed the company name to B·B·S Co., Ltd. HBS Co., Ltd. was liquidated and excluded from consolidation in December 2006. RG Marketing Co., Ltd. was included in the scope of consolidation due to its establishment.	1. Scope of consolidation (1) Number of consolidated subsidiaries: 13 Main consolidated subsidiaries: Senshukai General Services Co., Ltd. Senshu Logisco Co., Ltd. Senshukai Call Center Co., Ltd. Dears Brain Inc. Dears Brain Inc., previously accounted for by the equity-method affiliate, was included in the scope of consolidation due to the acquisition of additional shares in May 2008. The equity method was applied for the current interim period, as Senshukai sets the assumed acquisition date to the interim consolidated balance sheet date. Future Compass Co., Ltd. was liquidated in December 2008.
(2) Number of non-consolidated subsidiaries: 6 Main non-consolidated subsidiaries: Senshukai Hong Kong Ltd. Reason for exclusion from scope of consolidation The consolidated financial statements do not include the accounts of above mentioned non-consolidated subsidiaries since their total assets, net sales, net income/loss (equity in earnings) or retained earnings (equity in earnings) have no significant effect on the overall results of consolidated financial statements.	(2) Number of non-consolidated subsidiaries: 11 Same as on the left. Reason for exclusion from scope of consolidation Same as on the left.
2. Application of equity method (1) Number of non-consolidated subsidiaries accounted for by the equity method: 4 Main non-consolidated subsidiaries accounted for by the equity method: Senshukai Hong Kong Ltd. Shanghai Senshu Merchant and Commerce Co., Ltd. was included in the scope of the equity-method non-consolidated subsidiary from the current fiscal year due to its increased importance.	2. Application of equity method (1) Number of non-consolidated subsidiaries accounted for by the equity method: 4 Same as on the left. ———
(2) Number of equity-method affiliate: 1 Equity-method affiliate SENTENs Co., Ltd. SENTENs Co., Ltd. was included in the scope of equity-method affiliate due to its establishment.	(2) Number of equity-method affiliates: 2 Equity-method affiliates SENTENs Co., Ltd. Mobakore Co., Ltd. Dears Brain Inc. was treated as an equity-method affiliate in the current interim period due to the acquisition of shares in November 2007, but moved from an equity-method affiliate to a consolidated subsidiary following the acquisition of additional shares in May 2008. The equity method was applied for the current interim period, and losses included with investment loss on equity method, as Senshukai sets the assumed acquisition date to the interim consolidated balance sheet date. Mobakore Co., Ltd. was included in the scope of the equity-method affiliate due to its increased importance.

Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)	**Fiscal 2008** (Jan. 1, 2008 – Dec. 31, 2008)
(3) Of the companies accounted for by the equity method, certain companies have balance sheet date more than six months distant from that of the Company. To prepare for consolidated financial statements, most recent interim financial statements from the consolidated balance sheet date of such companies are used. We make consolidated adjustments as necessary for major transactions that occur subsequently in the period before the consolidated balance sheet date.	(3) Same as on the left.
(4) Main non-consolidated subsidiaries and affiliates not accounted for by the equity method: Mobakore Co., Ltd. Reason for not accounted for by the equity method The above-mentioned entity is not accounted for under the equity method since its net income/loss (equity in earnings) or retained earnings (equity in earnings) have no significant effect on the overall results of consolidated financial statements.	(4) Main non-consolidated subsidiaries and affiliates not accounted for by the equity method: Innovation Information Technology (Shanghai) Co., Ltd. Reason for not accounted for by the equity method Same as on the left.
3. Fiscal years for consolidated subsidiaries The fiscal years of all consolidated subsidiaries coincide with Senshukai's fiscal year.	3. Fiscal years for consolidated subsidiaries The fiscal years of all consolidated subsidiaries coincide with Senshukai's fiscal year. Dears Brain Inc. has changed its balance sheet date from June 30 to December 31 in the current fiscal year.
4. Accounting standards (1) Valuation standards and accounting treatment for important asset 1) Investment securities Available-for-sale securities Available-for-sale securities are reported at fair value, determined by the market price as of the fiscal year-end and other factors, with unrealized gains or losses, net of applicable taxes, reported in a separate component of net assets. The cost of available-for sale securities sold is determined based on the moving-average method. Available-for-sale securities whose fair value is not readily determinable are stated at cost based on the moving-average method.	4. Accounting standards (1) Valuation standards and accounting treatment for important asset 1) Investment securities Available-for-sale securities Same as on the left. Same as on the left.
2) Derivatives Derivatives are stated at market value.	2) Derivatives Same as on the left.
3) Inventories Inventories are stated at the lower of cost, determined by the monthly average method, or market.	3) Inventories Same as on the left.
(2) Method for depreciating and amortizing important assets 1) Property and equipment Depreciation is computed by the declining-balance method, but the straight-line method is applied to buildings (excluding attached structures) acquired on or after April 1, 1998. The range of useful lives is as follows: Buildings and structures: 38-50 years Machinery and vehicles: 12 years	(2) Method for depreciating and amortizing important assets 1) Property and equipment Same as on the left.

Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)	**Fiscal 2008** (Jan. 1, 2008 – Dec. 31, 2008)
(Change in accounting policy) Effective from the current fiscal year, property and equipment purchased on or after April 1, 2007 is depreciated in line with methods prescribed in the revised Corporate Tax Law. This change in accounting policy has no significant effect on the amount of income.	(Supplemental information) Following the revision of the Corporate Tax Law, property and equipment purchased on or before March 31, 2007 is depreciated equally over five years, and booked as a depreciation expense, the difference between the memorandum value, and 5% of the acquisition value, beginning in the fiscal year following the fiscal year in which the asset's value reaches 5% of the acquisition value based on depreciation methods prior to corporate tax law revisions. As an effect of this change, operating income, ordinary income and income before income taxes and minority interests declined by 53 million yen respectively. The impact on segment businesses can be found in applicable portions of this report.
2) Intangible assets Intangible assets are amortized using the straight-line method. However, in-house software is amortized by the straight-line method based on an estimated useful life of five years.	2) Intangible assets Same as on the left.
(3) Accounting for allowances 1) Allowance for doubtful accounts The allowance for doubtful accounts provides for possible losses arising from default on accounts receivable. The allowance is made up of two components: the estimated credit loss for doubtful receivables based on an individual assessment of each account, and a general reserve calculated based on historical default rates.	(3) Accounting for allowances 1) Allowance for doubtful accounts Same as on the left.
2) Liabilities for directors and corporate auditors' bonuses Bonuses to directors and corporate auditors of Senshukai and consolidated subsidiaries are provided at the amount which would be required for future estimated bonus obligations.	2) Liabilities for directors and corporate auditors' bonuses Same as on the left.
3) Allowance for sales promotion expenses This allowance is provided to cover future cost outlays related to the mileage point system, which is aimed at sales promotion. The allowance provides for the projected monetary redemption value of mileage points calculated based on the unredeemed value of issued points and historical redemption ratios.	3) Allowance for sales promotion expenses Same as on the left.
4) Liabilities for employees' retirement benefits Allowance for retirement benefits of certain consolidated subsidiaries are provided based on the retirement benefit obligations and pension assets at the balance sheet date. The retirement benefit obligations are calculated based on the compendium method.	4) Liabilities for employees' retirement benefits Same as on the left.
5) Liabilities for retirement benefits for directors and corporate auditors Retirement benefits to directors and corporate auditors of Senshukai and of certain consolidated subsidiaries, and Senshukai's executive officers are provided at the amount which would be required if all of them retired at the balance sheet date pursuant to the internal rules.	5) Liabilities for retirement benefits for directors and corporate auditors Same as on the left.

Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)	**Fiscal 2008** (Jan. 1, 2008 – Dec. 31, 2008)
(4) Conversion of credit and liabilities in foreign currencies to Japanese currency All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts, currency swaps and currency options. The balance sheet accounts and income statement accounts of the overseas equity-method affiliates were translated into Japanese yen at the spot exchange rate as of the balance sheet date, and foreign exchange gains and losses from translation are included in the foreign currency translation adjustments under net assets.	(4) Conversion of credit and liabilities in foreign currencies to Japanese currency Same as on the left.
(5) Accounting for sales promotion expenses The Company conducts a mail-order business, and among sales promotion expenses, catalog-related expenses corresponding to net sales in the next fiscal year are classified as prepaid expenses and included in “Other” under current assets to better match expenses to earnings in each year.	(5) Accounting for sales promotion expenses Same as on the left.
(6) Accounting for leases Finance leases, other than those that transfer ownership of the leased assets to the lessees, are treated in the same way as ordinary operating leases for accounting purposes.	(6) Accounting for leases Same as on the left.
(7) Accounting for hedging 1) Hedge accounting methods The deferred hedge accounting method is adopted.	(7) Accounting for hedging 1) Hedge accounting methods Same as on the left.
2) Hedging instruments/ hedged items Hedging instruments: Foreign exchange forward contracts, currency options and currency swaps Hedged items: Accounts payable for imports, denominated in foreign currencies	2) Hedging instruments/ hedged items Hedging instruments: Foreign exchange forward contracts, currency options, currency swaps and interest swaps Hedged items: Accounts payable for imports, denominated in foreign currencies and interest on borrowings
3) Hedging policy Risks from fluctuation in foreign currency exchange and cash flows are hedged in accordance with internal policies.	3) Hedging policy Risks from fluctuation in foreign currency exchange, cash flows and interest rate are hedged in accordance with internal policies.
4) Evaluation of hedging effectiveness High correlation and effectiveness between the hedging instruments and the hedged items are regularly verified. However, with respect to foreign exchange forward contracts and other instruments used in payment for imports and others, the evaluation is omitted in cases where such hedging operations deems to fully offset cash flow variances that may be caused due to fluctuation in foreign currency exchange.	4) Evaluation of hedging effectiveness Same as on the left.
(8) Accounting for consumption taxes Financial statements are prepared exclusive of national and regional consumption taxes.	(8) Accounting for consumption taxes Same as on the left.

Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)	**Fiscal 2008** (Jan. 1, 2008 – Dec. 31, 2008)
5. Valuation of consolidated subsidiaries' assets and liabilities The assets and liabilities of consolidated subsidiaries are evaluated using the fair value method. 6. Amortization of goodwill and negative goodwill Amortization of goodwill and negative goodwill are estimated for each period in which it is expected to emerge, and then equally amortized over the designated amortization period. 7. Scope of cash and cash equivalents Cash and cash equivalents are cash on hand and short-term investments that are readily convertible into cash, and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and bond funds, all of which mature or become due within three months of the date of acquisition.	5. Valuation of consolidated subsidiaries' assets and liabilities Same as on the left. 6. Amortization of goodwill and negative goodwill Same as on the left. 7. Scope of cash and cash equivalents Same as on the left.

Reclassifications

Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)	**Fiscal 2008** (Jan. 1, 2008 – Dec. 31, 2008)
――――――	Consolidated balance sheets: “Goodwill,” presented as a component of “Intangible assets” in the previous fiscal year, is shown as a separate line item since its amount exceeded 1/100 of total assets in the current fiscal year. “Goodwill” included in “Intangible assets” in the previous fiscal year was 227 million yen.
――――――	Consolidated statements of income: 1. “Losses on investment partnership management” under other expenses stated as separate item in the previous fiscal year, is included in “Other” under other expenses in the current fiscal year since the amount is insignificant. “Losses on investment partnership management” in the current fiscal year totaled 20 million yen. 2. “Expenses related to fixed asset investment” under other expenses stated as separate item in the previous fiscal year, is included in “Other” under other expenses in the current fiscal year since the amount is insignificant. “Expenses related to fixed asset investment” in the current fiscal year totaled 12 million yen.
Consolidated statements of cash flows: “Gains on sales of investment securities,” which was included in “Other” under “Cash flows from operating activities” in the previous fiscal year, is shown as a separate line item in the current fiscal year, to clarify its contents. The amount of “Gains on sales of investment securities” included in “Other” under “Cash flows from operating activities” in the previous fiscal year was minus 54 million yen.	Consolidated statements of cash flows: 1. “Increase (decrease) in liabilities for employees’ retirement benefits” under cash flows from operating activities stated as separate item in the previous fiscal year, is included in “Other” under cash flows from operating activities in the current fiscal year since the amount is insignificant. “Increase (decrease) in liabilities for employees’ retirement benefits” in the current fiscal year totaled minus 7 million yen.
――――――	2. “Foreign exchange gain/loss,” which was included in “Other” under “Cash flows from operating activities” in the previous fiscal year, is shown as a separate line item in the current fiscal year, to clarify its contents. The amount of “Foreign exchange gain/loss” included in “Other” under “Cash flows from operating activities” in the previous fiscal year was 831 million yen.

Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheets

(Million yen)

Fiscal 2007 (As of Dec. 31, 2007)	**Fiscal 2008** (As of Dec. 31, 2008)
*1. Accumulated depreciation on property and equipment 32,247	*1. Accumulated depreciation on property and equipment 32,395
*2. Shares of non-consolidated subsidiaries and affiliates Investment securities 2,207	*2. Shares of non-consolidated subsidiaries and affiliates Investment securities 727
*3. ――――	*3. Assets pledged as collateral (1) Collateral-backed assets Cash and deposits (Time deposits) 15 Buildings and structures 1,003 Total 1,018 (2) Collateral-backed liabilities Short-term bank loans 287 Current portion of corporate bonds 66 Corporate bonds 168 Long-term debt 730 Total 1,251
4. Contingent liabilities Guarantees of bank loans Employees' housing loans 35	4. Contingent liabilities Guarantees of bank loans Employees' housing loans 30
*5. Land revaluation The Company revalued its business-use land in accordance with the "Law Concerning Revaluation of Land" (Law No. 34 enacted on March 31, 1998) and the "Law to Partially Modify the Law Concerning Revaluation of Land" (revised on March 31, 1999). The result was included in net assets as "Land revaluation difference," after deducting the deferred tax liabilities relating to land revaluation. Method of revaluation by Clause 3, Article 3 of the law The method is based on Article 16 of the "Land-Value Tax Law" (Ordinance No. 69 enacted in 1991) as specified by Clause 4, Article 2 of the "Enforcement Regulations of the Law Concerning Revaluations of Land" (Ordinance No. 119 enacted on March 31, 1998), and computation by reasonable adjustment of the value calculated by the Director of the National Tax Agency to calculate land value as the basis of calculating land taxes as specified by the latter Ordinance. Date of revaluation Mar. 31, 2000 Difference between market value of relevant land on December 31, 2007 and its book value after revaluation (2,999)	*5. Land revaluation Same as on the left. Method of revaluation by Clause 3, Article 3 of the law Same as on the left. Date of revaluation Mar. 31, 2000 Difference between market value of relevant land on December 31, 2008 and its book value after revaluation (2,606)

Notes to Consolidated Statements of Income

(Million yen)

<table>
<tr><th>Fiscal 2007
(Jan. 1, 2007 – Dec. 31, 2007)</th><th>Fiscal 2008
(Jan. 1, 2008 – Dec. 31, 2008)</th></tr>
<tr><td>*1. Among cost of sales, valuation losses using the lower of cost or market method were 53 million yen.

*2. R&D expenses included in general and administrative expenses
635

*3. Gains on sales of fixed assets
Machinery and vehicles, other 3
Land 35
Total 38

*4. Losses on sales and disposal of fixed assets
Losses on disposal of buildings and structures 9
Losses on disposal of machinery and vehicles 90
Losses on disposal of furniture and fixtures 13
Losses on disposal of intangible assets 224
Total 338

*5. ――――

*6. Losses on liquidation of subsidiaries
A valuation loss was booked upon dissolution of Shoplat Co., Ltd.</td><td>*1. Among cost of sales, valuation losses using the lower of cost or market method were 62 million yen.

*2. R&D expenses included in general and administrative expenses
555

*3. Gains on sales of fixed assets
Machinery and vehicles 5
Land and buildings, other 239
Total 245

*4. Losses on sales and disposal of fixed assets
Losses on disposal of buildings and structures 59
Losses on disposal of machinery and vehicles 185
Losses on sales of machinery and vehicles 0
Losses on disposal of furniture and fixtures, others 29
Losses on disposal of intangible assets, others 483
Total 759

*5. Impairment loss
For the current fiscal year, the Senshukai Group posted impairment loss on the following asset groups.
(Million yen)
<table><tr><th>Location</th><th>Primary use</th><th>Type</th><th>Impairment loss</th></tr><tr><td>Pet First Co., Ltd.</td><td>Pet business assets</td><td>Buildings, structures, software, and others</td><td>153</td></tr></table>
In principle, the grouping of assets is based on categories of management accounting.
The book value of the above asset groups was marked down to the recoverable amount, reflecting a weak prospects for improved short-term performance due to worsening operating profitability. This markdown was posted as an impairment loss.
The impairment loss on buildings and strucures, furniture and fixtures, and software were 55 million yen, 15 million yen and 82 million yen, respectively.
The recoverable amount was measured at its net selling price.

*6. ――――</td></tr>
</table>

Notes to Consolidated Statements of Changes in Shareholders' Equity

Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of Dec. 31, 2006 (Thousand shares)	Increase during the current fiscal year (Thousand shares)	Decrease during the current fiscal year (Thousand shares)	Number of shares as of Dec. 31, 2007 (Thousand shares)
Outstanding shares				
Common stock	47,630	-	-	47,630
Total	47,630	-	-	47,630
Treasury stock				
Common stock (Note)	1,548	19	651	916
Total	1,548	19	651	916

Note: Common shares of treasury stock increased by 19 thousand shares due to the purchase of odd-lot shares. Common shares of treasury stock decreased by 651 thousand shares due to the transfer of odd-lot shares of 0 thousand shares in response to purchase requests, and issuance of 651 thousand shares upon exercise of stock options.

2. Dividends

(1) Dividend payment

Resolution	Type of share	Total amount of dividend (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on Mar. 29, 2007	Common stock	460	10	Dec. 31, 2006	Mar. 30, 2007
Board of Directors meeting on Jul. 26, 2007	Common stock	606	13	Jun. 30, 2007	Aug. 31, 2007

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

Resolution	Type of share	Total amount of dividend (Million yen)	Resource for distribution	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on Mar. 28, 2008	Common stock	653	Retained earnings	14	Dec. 31, 2007	Mar. 31, 2008

Fiscal 2008 (Jan. 1, 2008 – Dec. 31, 2008)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of Dec. 31, 2007 (Thousand shares)	Increase during the current fiscal year (Thousand shares)	Decrease during the current fiscal year (Thousand shares)	Number of shares as of Dec. 31, 2008 (Thousand shares)
Outstanding shares				
Common stock	47,630	-	-	47,630
Total	47,630	-	-	47,630
Treasury stock				
Common stock (Note)	916	2	0	917
Total	916	2	0	917

Note: Common shares of treasury stock increased by 2 thousand shares due to the purchase of odd-lot shares. Common shares of treasury stock decreased by 0 thousand shares due to the transfer of odd-lot shares in response to purchase requests.

2. Dividends

(1) Dividend payment

Resolution	Type of share	Total amount of dividend (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on Mar. 28, 2008	Common stock	653	14	Dec. 31, 2007	Mar. 31, 2008
Board of Directors meeting on Jul. 31, 2008	Common stock	373	8	Jun. 30, 2008	Sep. 1, 2008

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

Resolution	Type of share	Total amount of dividend (Million yen)	Resource for distribution	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders on Mar. 27, 2009	Common stock	420	Retained earnings	9	Dec. 31, 2008	Mar. 30, 2009

Notes to Consolidated Statements of Cash Flows

(Million yen)

Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)	Fiscal 2008 (Jan. 1, 2008 – Dec. 31, 2008)
*1. Reconciliation between balance sheet accounts and year-end balance of cash and cash equivalents	*1. Reconciliation between balance sheet accounts and year-end balance of cash and cash equivalents

(As of Dec. 31, 2007)

Cash and deposits	3,444
Marketable securities	85
Time deposits with deposit terms exceeding 3 months	(3)
Cash and cash equivalents	3,526

(As of Dec. 31, 2008)

Cash and deposits	7,670
Marketable securities	524
Marketable securities other than cash equivalents	(7)
Cash and cash equivalents	8,186

*2. Assets and liabilities increased by business transferred during the fiscal year are as follows (Fiscal 2007)

Current assets	112
Fixed assets	380
Total assets	492
Current liabilities	255
Total liabilities	255

*2. (Fiscal 2008) ―――――

*3. (Fiscal 2007) ―――――

*3. Breakdown of assets and liabilities of Dears Brain Inc. as of the date the Company made it a consolidated subsidiary upon the acquisition of its shares, and the relationship with the purchase price of Dears Brain stock, and net outlays for the acquisition (Fiscal 2008)

Current assets	242
Fixed assets	4,002
Current liabilities	(2,709)
Long-term liabilities	(781)
Goodwill	2,871
Minority interests	(13)
Acquired surplus after application of the equity method	32
Purchase price of Dears Brain	(1,212)
Purchase price of Dears Brain stock	2,431
Cash and cash equivalents of Dears Brain	(134)
Net outlays for acquisition of Dears Brain	2,297

Segment Information

1. Business segments

Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)

(Million yen)

	Mail-order business	Other businesses	Total	Elimination or corporate	Consolidated
I Net sales and operating income					
Net sales					
(1) Sales to customers	145,664	11,128	156,792	-	156,792
(2) Inter-segment sales	1,260	1,086	2,347	(2,347)	-
Total	146,925	12,215	159,140	(2,347)	156,792
Operating expenses	141,321	12,508	153,829	(2,327)	151,501
Operating income (loss)	5,603	(293)	5,310	(19)	5,291
II Assets, depreciation expenses, impairment loss and capital expenditures					
Assets	95,115	4,738	99,853	(1,431)	98,422
Depreciation expenses	1,556	167	1,724	-	1,724
Impairment loss	-	-	-	-	-
Capital expenditures	2,897	608	3,506	-	3,506

Notes: 1. The classification of business segments is based on categories adopted for internal management purposes.

2. Principal activities of each business segment

(1) Mail-order business: Catalog and *hanpukai* businesses

(2) Other businesses: Services, transportation and others

3. There are no unallocated operating expenses included in the “elimination or corporate.”

4. There are no corporate assets included in the “elimination or corporate.”

5. Revisions to segment business classifications

The *Belle Mariee* wedding support business, previously classified in the “mail-order business,” was reclassified to the “other businesses” starting from the current fiscal year under review because it was restructured as a comprehensive bridal producer involved in wedding dress sales, wedding hall bookings, and chapel wedding management.

This revision lowered net sales in the mail-order business by 137 million yen, and increased net sales in other businesses by the same amount; similarly, the revision increased operating income in the mail-order business by 223 million yen, and lowered it in “other businesses” by the same amount.

Fiscal 2008 (Jan. 1, 2008 – Dec. 31, 2008)

(Million yen)

	Mail-order business	Other businesses	Total	Elimination or corporate	Consolidated
I Net sales and operating income					
Net sales					
(1) Sales to customers	144,585	13,699	158,285	-	158,285
(2) Inter-segment sales	1,178	1,502	2,681	(2,681)	-
Total	145,764	15,202	160,967	(2,681)	158,285
Operating expenses	142,898	15,642	158,540	(2,667)	155,872
Operating income (loss)	2,866	(439)	2,426	(13)	2,413
II Assets, depreciation expenses, impairment loss and capital expenditures					
Assets	94,264	12,145	106,410	(2,351)	104,059
Depreciation expenses	1,794	346	2,140	-	2,140
Impairment loss	-	153	153	-	153
Capital expenditures	2,544	666	3,211	-	3,211

Notes: 1. The classification of business segments is based on categories adopted for internal management purposes.

2. Principal activities of each business segment

(1) Mail-order business: Catalog and *hanpukai* businesses

(2) Other businesses: Product sales, services, transportation

3. There are no unallocated operating expenses included in the “elimination or corporate.”

4. There are no corporate assets included in the “elimination or corporate.”

5. Supplemental information

Following the revision of the Corporate Tax Law, property and equipment purchased on or before March 31, 2007 is depreciated equally over five years, and booked as a depreciation expense, the difference between the memorandum value, and 5% of the acquisition value, beginning in the fiscal year following the fiscal year in which the asset’s value reaches 5% of the acquisition value based on depreciation methods prior to corporate tax law revisions.

As an effect of this change, operating income in the mail-order business and other businesses declined by 52 million yen and 0 million yen respectively.

2. Geographical segment information

As there were no overseas consolidated subsidiaries or significant overseas branch offices for the fiscal years ended December 31, 2007 and 2008, geographical segment information has not been presented.

3. Overseas sales

Overseas sales have not been presented because they represented less than 10% of total consolidated sales in the fiscal years ended December 31, 2007 and 2008.

Investment Securities

Fiscal 2007

1. Available-for-sale securities with fair value (As of Dec. 31, 2007)

(Million yen)

	Acquisition cost	Carrying value	Difenrence
Securities with carrying value exceeding acquisition cost			
(1) Stocks	2,597	3,979	1,382
(2) Bonds			
Corporate bonds	-	-	-
Other bonds	200	212	12
(3) Others	199	205	5
Subtotal	2,996	4,396	1,400
Securities with carrying value not exceeding acquisition cost			
(1) Stocks	1,664	1,417	(247)
(2) Bonds			
Corporate bonds	-	-	-
Other bonds	3,800	3,430	(369)
(3) Others	546	534	(11)
Subtotal	6,010	5,382	(628)
Total	9,007	9,778	771

Notes: 1. The acquisition costs are amounts that have been treated for impairment loss. The impairment loss totaled 87 million yen.
2. “Other bonds” in the “securities with carrying value not exceeding acquisition cost” category includes compound financial instruments, and the unrealized loss of 212 million yen is booked as “losses on write-down of compound financial instruments” under other expense.

2. Available-for-sale securities sold during the fiscal year (Jan. 1, 2007 – Dec. 31, 2007) (Million yen)

Proceeds	Total gains on sales	Total losses on sales
2,623	174	-

3. Carrying value of available-for-sale securities whose fair value is not readily determinable (As of Dec. 31, 2007)

(Million yen)

Category	Carrying value
(1) Available-for-sale securities	
Unlisted stocks	3,443
MMF, others	85
Others	143
(2) Subsidiary and affiliate stock	
Subsidiary and affiliate stock	2,207

Note: The carrying values are amounts that have been treated for impairment loss. The impairment loss totaled 7 million yen.

4. Projected future redemption of securities with maturities classified as available-for-sale securities (As of Dec. 31, 2007)

(Million yen)

	1 year or less	More than 1 year to 5 years	More than 5 to 10 years	More than 10 years
Bonds				
Corporate bonds	-	-	-	-
Other bonds	-	200	200	3,600
Total	-	200	200	3,600

Fiscal 2008

1. Available-for-sale securities with fair value (As of Dec. 31, 2008)

(Million yen)

	Acquisition cost	Carrying value	Diffenrence
Securities with carrying value exceeding acquisition cost			
(1) Stocks	853	1,082	229
(2) Bonds			
Corporate bonds	-	-	-
Other bonds	-	-	-
(3) Others	-	-	-
Subtotal	853	1,082	229
Securities with carrying value not exceeding acquisition cost			
(1) Stocks	3,484	2,759	(725)
(2) Bonds			
Corporate bonds	-	-	-
Other bonds	4,800	2,932	(1,867)
(3) Others	721	460	(261)
Subtotal	9,006	6,152	(2,854)
Total	9,860	7,235	(2,625)

Notes: 1. The acquisition costs are amounts that have been treated for impairment loss. The impairment loss totaled 446 million yen.
2. "Other bonds" in the "securities with carrying value not exceeding acquisition cost" category includes compound financial instruments, and the unrealized loss of 1,331 million yen is booked as "losses on write-down of compound financial instruments" under other expense.

2. Available-for-sale securities sold during the fiscal year (Jan. 1, 2008 – Dec. 31, 2008) (Million yen)

Proceeds	Total gains on sales	Total losses on sales
825	-	28

3. Carrying value of available-for-sale securities whose fair value is not readily determinable (As of Dec. 31, 2008)

(Million yen)

Category	Carrying value
(1) Available-for-sale securities	
Unlisted stocks	3,308
MMF, others	516
Others	105
(2) Subsidiary and affiliate stock	
Subsidiary and affiliate stock	727

Note: The carrying values are amounts that have been treated for impairment loss. The impairment loss totaled 147 million yen.

4. Projected future redemption of securities with maturities classified as available-for-sale securities (As of Dec. 31, 2008)

(Million yen)

	1 year or less	More than 1 year to 5 years	More than 5 to 10 years	More than 10 years
Bonds				
Corporate bonds	-	-	-	-
Other bonds	-	800	200	3,800
Total	-	800	200	3,800

Derivatives

Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)

1. Matters concerning financial derivative transactions

The Company uses forward foreign exchange contracts for foreign currency-denominated accounts payable to prepare for foreign exchange fluctuation risks in import transactions. Long-term forward foreign exchange contracts are made within the limits of internally determined import plans, and the Company's policy is for these contracts not to exceed future scheduled settlement amounts. Speculation is not the purpose of derivative transactions.

The Company's forward foreign exchange contracts embody general market risk from fluctuation in foreign exchange markets. However, it sees little risk of contract default as its derivative transactions are with highly creditworthy financial institutions.

The Financial Planning Dept. is responsible for managing derivative transactions, and it makes and manages contracts based on internal rules and in line with decisions made by the general manager of the Financial Planning Dept.

2. Information on market values (As of Dec. 31, 2007)

Contract amounts, fair value and unrealized gain (loss) on derivatives

(Million yen)

Type of transaction	Derivatives	Fiscal 2007 (As of Dec. 31, 2007)			
		Contract amounts	Contract amounts due after one year	Fair value	Unrealized gain (loss)
OTC transactions	Forward foreign exchange contracts				
	Buy				
	US dollars	8,455	8,455	8,384	266
	Currency swap transactions				
	Receive US dollars/Pay yen	6,773	5,634	(883)	(883)
Total		15,229	14,089	7,501	(616)

Notes: 1. Valuation method

Forward foreign exchange contracts: calculated based on forward exchange rates.

Currency swap transactions: calculated based on quotations posted by principal financial institutions.

2. The contract amounts of currency swap transactions represent contractual values or notional principal values. These amounts do not represent by themselves the market risk and credit risk related to the derivative financial instruments.

3. Items for which hedge accounting is applied are excluded.

Fiscal 2008 (Jan. 1, 2008 – Dec. 31, 2008)

1. Matters concerning financial derivative transactions

The Company uses forward foreign exchange contracts for foreign currency-denominated accounts payable to prepare for foreign exchange fluctuation risks in import transactions. Long-term forward foreign exchange contracts are made within the limits of internally determined import plans, and the Company's policy is for these contracts not to exceed future scheduled settlement amounts. Speculation is not the purpose of derivative transactions.

The Company's forward foreign exchange contracts embody general market risk from fluctuation in foreign exchange markets. However, it sees little risk of contract default as its derivative transactions are with highly creditworthy financial institutions.

The Accounting Dept. is responsible for managing derivative transactions, and it makes and manages contracts based on internal rules and in line with decisions made by the general manager of the Accounting Dept.

2. Information on market values (As of Dec. 31, 2008)

Contract amounts, fair value and unrealized gain (loss) on derivatives

(Million yen)

Type of transaction	Derivatives	Fiscal 2008 (As of Dec. 31, 2008)			
		Contract amounts	Contract amounts due after one year	Fair value	Unrealized gain (loss)
OTC transactions	Forward foreign exchange contracts				
	Buy				
	US dollars	7,550	7,550	6,896	(469)
	Currency swap transactions				
	Receive US dollars/Pay yen	6,190	4,096	(5,897)	(5,897)
Total		13,741	11,647	998	(6,367)

Notes: 1. Valuation method

Forward foreign exchange contracts: calculated based on forward exchange rates.

Currency swap transactions: calculated based on quotations posted by principal financial institutions.

2. The contract amounts of currency swap transactions represent contractual values or notional principal values. These amounts do not represent by themselves the market risk and credit risk related to the derivative financial instruments.

3. Items for which hedge accounting is applied are excluded.

Per Share Information

(Yen)

Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)		**Fiscal 2008** (Jan. 1, 2008 – Dec. 31, 2008)	
Net assets per share	1,197.62	Net assets per share	947.19
Net income per share	41.53	Net loss per share	134.26
Diluted net income per share	41.41	Diluted net income per share is not presented since the Company posted net loss, and has no outstanding dilutive securities.	

Note: Basis for calculation of net income (loss) per share and diluted net income per share is as follows.

(Million yen)

	Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)	**Fiscal 2008** (Jan. 1, 2008 – Dec. 31, 2008)
Net income (loss) per share		
Net income (loss)	1,932	(6,271)
Net income unavailable to common shareholders	-	-
Net income (loss) related to common stock	1,932	(6,271)
Average number of shares of common stock outstanding during the period (thousand shares)	46,543	46,713
Diluted net income per share		
Adjustment to net income	-	-
Increase in number of common stock (thousand shares)	129	-
[Including: subscription rights (thousand shares)]	[129]	-
Number of latent shares with no dilution excluded from calculation of diluted net income per share	-	Stock options approved by resolution of annual general meeting of shareholders on March 30, 2004 (The exercise period ended on March 31, 2008)

Transactions with Related Parties

Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007), **Fiscal 2008** (Jan. 1, 2008 – Dec. 31, 2008)
Not applicable.

Business Combinations

Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)
Detailed explanations are omitted due to immateriality.

Fiscal 2008 (Jan. 1, 2008 – Dec. 31, 2008)
Not applicable.

Subsequent Events

Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007), **Fiscal 2008** (Jan. 1, 2008 – Dec. 31, 2008)
Not applicable.

Omission of Disclosure

With respect to lease transactions, deferred tax accounting, retirement benefits, and stock options are not presented since the disclosure of such information is not significant in the context of the financial results.

Production, Orders and Sales

(1) Production

There were no production activities.

(2) Orders

There were no production activities in response to orders received.

(3) Sales

(1) Sales by business segment

(Million yen)

Operating segment \ Period	Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)		**Fiscal 2008** (Jan. 1, 2008 – Dec. 31, 2008)		Change
	Amount	Share (%)	Amount	Share (%)	
Mail-order business	145,664	92.9	144,585	91.3	(1,078)
Other businesses	11,128	7.1	13,699	8.7	2,571
Total	156,792	100.0	158,285	100.0	1,493

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

(2) Sales by type

(Million yen)

Type \ Period	Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007)		**Fiscal 2008** (Jan. 1, 2008 – Dec. 31, 2008)		Change
	Amount	Share (%)	Amount	Share (%)	
Apparel	61,297	39.1	63,260	40.0	1,963
Interior goods	36,346	23.2	34,657	21.9	(1,689)
Daily sundries	24,579	15.7	23,586	14.9	(993)
Fashion accessories	17,763	11.3	16,931	10.7	(831)
Foods	6,424	4.1	6,157	3.9	(267)
Others	10,380	6.6	13,692	8.6	3,312
Total	156,792	100.0	158,285	100.0	1,493

Note: 1. The figures above are stated exclusive of consumption taxes.

2. "Sales by type" were disclosed based on the conventional *hanpukai* business through the previous fiscal year, but from the fiscal year under review, disclosure was changed to center on the catalog business which now accounts for over 80% of total sales.

Non-consolidated Financial Statements

Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Million yen)

Account \ Period	Fiscal 2007 (As of Dec. 31, 2007)		**Fiscal 2008** (As of Dec. 31, 2008)		Change
	Amount	%	Amount	%	
Assets					
I Current assets					
1. Cash and deposits	1,150		4,972		3,821
2. Notes receivable	7		84		77
3. Accounts receivable-trade	10,836		10,441		(395)
4. Marketable securities	-		7		7
5. Merchandise	18,979		16,154		(2,824)
6. Supplies	114		64		(49)
7. Advances	2,032		1,988		(44)
8. Prepaid expenses	2,530		3,314		783
9. Deferred tax assets	-		871		871
10. Short-term loans receivable-affiliates	236		646		409
11. Accounts receivable-other	9,304		7,966		(1,338)
12. Forward exchange contracts	15		-		(15)
13. Other	158		293		135
Allowance for doubtful accounts	(256)		(287)		(30)
Total current assets	45,110	47.0	46,518	46.7	1,408
II Fixed assets					
1. Property and equipment					
(1) Buildings	9,631		11,370		1,739
(2) Structures	403		398		(5)
(3) Machinery and equipment	1,508		1,081		(426)
(4) Vehicles	9		6		(2)
(5) Furniture and fixtures	717		926		208
(6) Land	11,153		11,095		(58)
(7) Construction in progress	962		0		(962)
Total property and equipment	24,386	25.4	24,880	25.0	493
2. Intangible assets					
(1) Goodwill	185		122		(62)
(2) Leasehold rights	139		139		-
(3) Software	2,062		2,012		(49)
(4) Software in progress	648		134		(514)
(5) Other	40		38		(2)
Total intangible assets	3,076	3.2	2,447	2.4	(628)
3. Investments and other assets					
(1) Investment securities	12,534		10,163		(2,370)
(2) Affiliate stock	4,696		7,011		2,315
(3) Long-term loans receivable	344		353		8
(4) Long-term loans receivable-employees	20		16		(3)
(5) Long-term loans receivable-affiliates	880		2,138		1,258
(6) Guarantee deposits	1,136		893		(242)
(7) Long-term prepaid expenses	145		116		(29)
(8) Deferred tax assets	164		1,367		1,202
(9) Reserve for directors insurance	886		643		(242)
(10) Long-term time deposits	2,100		3,100		1,000
(11) Other	982		721		(260)
Allowance for doubtful accounts	(524)		(759)		(235)
Total investments and other assets	23,366	24.4	25,767	25.9	2,400
Total fixed assets	50,829	53.0	53,095	53.3	2,265
Total assets	95,939	100.0	99,613	100.0	3,673

(Million yen)

Account \ Period	Fiscal 2007 (As of Dec. 31, 2007) Amount	%	Fiscal 2008 (As of Dec. 31, 2008) Amount	%	Change
Liabilities					
I Current liabilities					
1. Notes payable	4,302		2,114		(2,188)
2. Accounts payable-trade	6,407		5,639		(768)
3. Short-term bank loans	3,000		8,000		5,000
4. Current portion of long-term debt	-		1,670		1,670
5. Accounts payable-other	6,210		5,913		(296)
6. Accounts payable-factoring	15,027		15,789		762
7. Accrued expenses	1,254		1,051		(202)
8. Accrued income taxes	1,587		11		(1,576)
9. Accrued consumption taxes	125		206		80
10. Deposit received	615		454		(161)
11. Liabilities for directors and corporate auditors' bonuses	35		-		(35)
12. Allowance for sales promotion expenses	133		337		203
13. Deferred tax liabilities	94		-		(94)
14. Forward exchange contracts	-		9,788		9,788
15. Other	572		152		(420)
Total current liabilities	39,369	41.0	51,129	51.3	11,760
II Long-term liabilities					
1. Long-term debt	-		3,330		3,330
2. Deferred tax liabilities relating to land revaluation	764		764		-
3. Liabilities for retirement benefits for directors and corporate auditors	377		289		(88)
4. Other	10		4		(6)
Total long-term liabilities	1,152	1.2	4,388	4.4	3,235
Total liabilities	40,521	42.2	55,517	55.7	14,995
Net assets					
I Shareholders' equity					
1. Common stock	20,359	21.2	20,359	20.4	-
2. Capital surplus					
(1) Capital reserve	19,864		19,864		-
(2) Other capital surplus	1,174		1,174		0
Total capital surplus	21,038	21.9	21,038	21.1	0
3. Retained earnings					
(1) Profit reserve	1,118		1,118		-
(2) Other retained earnings					
Reserve for reduction of fixed assets	73		69		(3)
Reserve for losses of overseas investment	34		36		2
General reserve	13,600		13,600		-
Retained earnings carried forward	6,309		(1,129)		(7,439)
Total retained earnings	21,134	22.0	13,695	13.8	(7,439)
4. Treasury stock	(630)	(0.6)	(631)	(0.6)	(1)
Total shareholders' equity	61,902	64.5	54,461	54.7	(7,440)
II Valuation and translation adjustments					
1. Net unrealized gains on available-for-sale securities	498	0.5	(1,223)	(1.2)	(1,722)
2. Deferred hedge gains (losses)	376	0.4	(2,038)	(2.1)	(2,415)
3. Land revaluation difference	(7,359)	(7.6)	(7,103)	(7.1)	256
Total valuation and translation adjustments	(6,483)	(6.7)	(10,364)	(10.4)	(3,880)
Total net assets	55,418	57.8	44,096	44.3	(11,321)
Total liabilities and net assets	95,939	100.0	99,613	100.0	3,673

(2) Non-consolidated Statements of Income

(Million yen)

Account \ Period	Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007) Amount	%	**Fiscal 2008** (Jan. 1, 2008 – Dec. 31, 2008) Amount	%	Change
I Net sales	152,367	100.0	150,729	100.0	(1,637)
II Cost of sales	79,903	52.4	79,081	52.5	(821)
Gross profit	72,463	47.6	71,647	47.5	(815)
III Selling, general and administrative expenses	67,851	44.6	69,294	45.9	1,442
1. Packing and freight	9,143		8,817		
2. Sales promotion expenses	24,986		25,704		
3. Sales commissions	2,287		2,596		
4. Provision for allowance for sales promotion expenses	133		337		
5. Provision for allowance for doubtful accounts	253		283		
6. Bad debt loss	117		46		
7. Directors' and corporate auditors' remuneration	294		241		
8. Salaries	5,301		5,502		
9. Bonuses	1,101		928		
10. Provision for liabilities for directors and corporate auditors' bonuses	35		-		
11. Provision for liabilities for retirement benefits for directors and corporate auditors	-		60		
12. Welfare expenses	1,009		1,018		
13. Rents	1,275		1,631		
14. R&D expenses	654		571		
15. Commissions paid	15,049		14,892		
16. Depreciation expenses	1,540		1,790		
17. Other	4,666		4,871		
Operating income	4,611	3.0	2,353	1.6	(2,257)
IV Other income	992	0.7	1,253	0.8	261
1. Interest income	71		101		
2. Marketable securities interests	238		170		
3. Dividend income	430		663		
4. Other	251		318		
V Other expenses	1,182	0.8	7,461	5.0	6,278
1. Interest expenses	64		141		
2. Losses on write-down of compound financial instruments	194		1,199		
3. Losses on investment partnership management	6		-		
4. Expenses related to fixed asset investment	46		-		
5. Foreign exchange losses	807		5,892		
6. Other	62		226		
Ordinary income (loss)	4,421	2.9	(3,853)	(2.6)	(8,275)
VI Extraordinary gains	379	0.2	24	0.1	(354)
1. Gains on sales of fixed assets	37		24		
2. Gains on sales of investment securities	174		-		
3. Reversal of allowance for doubtful accounts	167		-		
VII Extraordinary losses	943	0.6	2,237	1.5	1,293
1. Losses on sales and disposal of fixed assets	334		736		
2. Losses on write-down of investment securities	94		594		
3. Losses on liquidation of subsidiaries	331		43		
4. Compensation expense	170		-		
5. Losses on cancellation of leases	13		-		
6. Provision for allowance for doubtful accounts	-		551		
7. Losses on write-down of affiliate stock	-		309		
8. Losses on write-down of golf club memberships	-		2		
Income (loss) before income taxes	3,857	2.5	(6,066)	(4.0)	(9,923)
Income taxes	1,619	1.1	104	0.1	(1,515)
Deferred income taxes	(98)	(0.1)	(15)	(0.0)	83
Net income (loss)	2,335	1.5	(6,155)	(4.1)	(8,491)

(3) Non-consolidated Statements of Changes in Shareholders' Equity

Fiscal 2007 (Jan. 1, 2007 – Dec. 31, 2007) (Million yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance as of Dec. 31, 2006	20,359	19,864	852	20,716
Changes in the fiscal year				
Reversal of reserve for reduction of fixed assets				
Provision of reserve for losses of overseas investment				
Reversal of reserve for losses of overseas investment				
Dividend of surplus				
Net income				
Purchases of treasury stock				
Disposal of treasury stock			322	322
Transfer of land revaluation difference				
Changes (net) in items other than shareholders' equity				
Total changes in the fiscal year	-	-	322	322
Balance as of Dec. 31, 2007	20,359	19,864	1,174	21,038

	Shareholders' equity							
	Retained earnings						Treasury stock	Total shareholders' equity
	Profit reserve	Other retained earnings				Total retained earnings		
		Reserve for reduction of fixed assets	Reserve for losses of overseas investment	General reserve	Retained earnings carried forward			
Balance as of Dec. 31, 2006	1,118	76	38	13,600	4,973	19,807	(1,041)	59,841
Changes in the fiscal year								
Reversal of reserve for reduction of fixed assets		(3)			3	-		-
Provision of reserve for losses of overseas investment			4		(4)	-		-
Reversal of reserve for losses of overseas investment			(9)		9	-		-
Dividend of surplus					(1,066)	(1,066)		(1,066)
Net income					2,335	2,335		2,335
Purchases of treasury stock							(32)	(32)
Disposal of treasury stock							443	765
Transfer of land revaluation difference					58	58		58
Changes (net) in items other than shareholders' equity								
Total changes in the fiscal year	-	(3)	(4)	-	1,335	1,327	411	2,060
Balance as of Dec. 31, 2007	1,118	73	34	13,600	6,309	21,134	(630)	61,902

	Valuation and translation adjustments				Total net assets
	Net unrealized gains on available-for-sale securities	Deferred hedge gains (losses)	Land revaluation difference	Total valuation and translation adjustments	
Balance as of Dec. 31, 2006	1,364	734	(7,301)	(5,202)	54,638
Changes in the fiscal year					
Reversal of reserve for reduction of fixed assets					-
Provision of reserve for losses of overseas investment					-
Reversal of reserve for losses of overseas investment					-
Dividend of surplus					(1,066)
Net income					2,335
Purchases of treasury stock					(32)
Disposal of treasury stock					765
Transfer of land revaluation difference					58
Changes (net) in items other than shareholders' equity	(865)	(357)	(58)	(1,281)	(1,281)
Total changes in the fiscal year	(865)	(357)	(58)	(1,281)	779
Balance as of Dec. 31, 2007	498	376	(7,359)	(6,483)	55,418

Fiscal 2008 (Jan. 1, 2008 – Dec. 31, 2008) (Million yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance as of Dec. 31, 2007	20,359	19,864	1,174	21,038
Changes in the fiscal year				
Reversal of reserve for reduction of fixed assets				
Provision of reserve for losses of overseas investment				
Reversal of reserve for losses of overseas investment				
Dividend of surplus				
Net loss				
Purchases of treasury stock				
Disposal of treasury stock			0	0
Transfer of land revaluation difference				
Changes (net) in items other than shareholders' equity				
Total changes in the fiscal year	-	-	0	0
Balance as of Dec. 31, 2008	20,359	19,864	1,174	21,038

	Shareholders' equity							
	Retained earnings						Treasury stock	Total shareholders' equity
	Profit reserve	Other retained earnings				Total retained earnings		
		Reserve for reduction of fixed assets	Reserve for losses of overseas investment	General reserve	Retained earnings carried forward			
Balance as of Dec. 31, 2007	1,118	73	34	13,600	6,309	21,134	(630)	61,902
Changes in the fiscal year								
Reversal of reserve for reduction of fixed assets		(3)			3	-		-
Provision of reserve for losses of overseas investment			8		(8)	-		-
Reversal of reserve for losses of overseas investment			(5)		5	-		-
Dividend of surplus					(1,027)	(1,027)		(1,027)
Net loss					(6,155)	(6,155)		(6,155)
Purchases of treasury stock							(1)	(1)
Disposal of treasury stock							0	0
Transfer of land revaluation difference					(256)	(256)		(256)
Changes (net) in items other than shareholders' equity								
Total changes in the fiscal year	-	(3)	2	-	(7,439)	(7,439)	(1)	(7,440)
Balance as of Dec. 31, 2008	1,118	69	36	13,600	(1,129)	13,695	(631)	54,461

	Valuation and translation adjustments				Total net assets
	Net unrealized gains on available-for-sale securities	Deferred hedge gains (losses)	Land revaluation difference	Total valuation and translation adjustments	
Balance as of Dec. 31, 2007	498	376	(7,359)	(6,483)	55,418
Changes in the fiscal year					
Reversal of reserve for reduction of fixed assets					-
Provision of reserve for losses of overseas investment					-
Reversal of reserve for losses of overseas investment					-
Dividend of surplus					(1,027)
Net loss					(6,155)
Purchases of treasury stock					(1)
Disposal of treasury stock					0
Transfer of land revaluation difference					(256)
Changes (net) in items other than shareholders' equity	(1,722)	(2,415)	256	(3,880)	(3,880)
Total changes in the fiscal year	(1,722)	(2,415)	256	(3,880)	(11,321)
Balance as of Dec. 31, 2008	(1,223)	(2,038)	(7,103)	(10,364)	44,096

Conditions and Events that Might Raise Critical Questions about the Validity of the Going-concern Assumption

Not applicable.

Changes in Members of Board of Directors (to be effective March 27, 2009)

1. Directors

(1) Candidate for directors

Director: Mr. Shigemitsu Mineoka
(current Managing Executive Officer, General Manager of Fashion Business Division)

Director: Mr. Hiroyuki Hoshino
(current Executive Officer, General Manager of Tokyo Business Division)

(2) Retiring director

Director: Mr. Kazuhide Fujiyoshi
(current Director, Managing Executive Officer, General Manager of the General Affairs Division)

* Mr. Kazuhide Fujiyoshi will be appointed President of Senshukai Call Center Co., Ltd. effective March 27, 2009.

** This financial report is solely a translation of summary of "kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*