Financial Report for Fiscal Year 2010 (Ended December 31, 2010)

February 3, 2011

Company name: **Senshukai Co., Ltd.** Stock exchanges: Tokyo and Osaka, First Sections
Stock code: 8165 URL: http://www.senshukai.co.jp
Representative: Mr. Michio Tanabe, President and Representative Director
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Scheduled date of annual general meeting of shareholders: March 30, 2011
Scheduled date of payment of dividend: March 31, 2011
Scheduled date of filing of Annual Security Report: March 31, 2011

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

1. Consolidated Financial Results for Fiscal Year 2010 (January 1, 2010 – December 31, 2010)

(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 Year 2010	136,859	(7.1)	3,422	-	3,167	-	2,037	-
Fiscal Year 2009	147,292	(6.9)	(2,405)	-	(1,410)	-	(3,811)	-

	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 Year 2010	47.04	-	5.3	3.5	2.5
Fiscal Year 2009	(84.18)	-	(9.3)	(1.4)	(1.6)

Reference: Equity in earnings (losses) of affiliates (million yen) Fiscal Year 2010: 48 Fiscal Year 2009: (65)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2010	90,086	39,411	43.7	909.99
Fiscal Year 2009	91,837	37,906	41.3	874.89

Reference: Shareholders' equity (million yen) Fiscal Year 2010: 39,411 Fiscal Year 2009: 37,892

(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 Year 2010	9,585	(1,094)	(6,417)	10,855
Fiscal Year 2009	521	(1,141)	1,035	8,795

2. Dividends

	Dividend per share					Total dividends (total)	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Yearend	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal Year 2009	-	6.00	-	0.00	6.00	280	-	0.7
Fiscal Year 2010	-	6.00	-	8.00	14.00	606	29.8	1.6
Fiscal Year 2011 (forecasts)	-	7.00	-	7.00	14.00		30.3	

3. Consolidated Outlook for Fiscal Year 2011 (January 1, 2011 – December 31, 2011)

(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
2Q 2011 (cumulative)	69,000	(0.9)	1,200	(41.7)	1,600	(20.4)	1,100	(24.2)	25.40
Full Year 2011	137,500	0.5	2,000	(41.6)	2,700	(14.8)	2,000	(1.8)	46.18

4. Other

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

Newly added: -　　　　Excluded: -

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

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

Note: Please refer to “Changes in Significant Accounting Policies for the Preparation of Consolidated Financial Statements” on page 24 for further information.

(3) Number of shares outstanding (common shares)

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

Fiscal Year 2010: 47,630,393 shares　　Fiscal Year 2009: 47,630,393 shares

2) Number of treasury stock at end of period

Fiscal Year 2010: 4,320,645 shares　　Fiscal Year 2009: 4,319,385 shares

Note: Please refer to “Per Share Information” on page 32 for the number of shares used in calculating consolidated net income per share.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for Fiscal Year 2010 (January 1, 2010 – December 31, 2010)

(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 Year 2010	125,966	(8.0)	2,953	-	2,867	-	1,506	-
Fiscal Year 2009	136,941	(9.1)	(2,347)	-	(617)	-	(3,664)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal Year 2010	34.79	-
Fiscal Year 2009	(80.95)	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year 2010	84,552	38,820	45.9	896.34
Fiscal Year 2009	87,757	37,814	43.1	873.08

Reference: Shareholders’ equity (million yen)　Fiscal Year 2010: 38,820　Fiscal Year 2009: 37,814

2. Non-consolidated Outlook for Fiscal Year 2011 (January 1, 2011 – December 31, 2011)

(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
2Q 2011 (cumulative)	61,700	(4.1)	1,000	(44.5)	1,450	(24.7)	1,200	(23.8)	27.71
Full Year 2011	122,500	(2.8)	1,600	(45.8)	2,300	(19.8)	2,000	32.7	46.18

<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 8.

1. Operating Results

(1) Analysis of Operating Results

Overview

In the fiscal year under review, the Japanese economy showed some signs of improvement as the government's economic stimulus measures boosted consumption and growing demand in emerging markets triggered a recovery in exports, but conditions remained harsh overall as the employment environment deteriorated and household incomes remained stagnant. In the retail industry, personal consumption continued to stagnate as consumers increasingly adopted a "thrifty" and "defensive" stance toward spending. In the mail-order industry, online competition intensified due to the entry of new online mail-order firms. The future outlook remains uncertain in our view because the intensely competitive environment has created more price competition, and prompted consumers to become more selective regarding products and services.

In this environment, the Senshukai Group pushed forward with the core strategies of its medium-term management plan which concluded in Fiscal Year 2010, the fiscal year under review.

However, net sales in the current fiscal year significantly declined 7.1% year-over-year to 136,859 million yen from the previous fiscal year.

In terms of profits, despite the decline in sales, operating income improved to 3,422 million yen in the current fiscal year under review, compared with operating loss of 2,405 million yen in the previous fiscal year, due to a decline in the cost ratio on a decline in loss on valuation of inventories, a decline in catalog expenses from the migration of users to online shopping, and a significant reduction in administration expenses from more efficient use of expenses. Ordinary income improved to 3,167 million yen in the current fiscal year, compared with ordinary loss of 1,410 million yen in the previous fiscal year, due to foreign exchange losses among other factors. Net income improved to 2,037 million yen in the current fiscal year, compared with net loss of 3,811 million yen in the previous fiscal year, due to loss on valuation of investment securities, loss on sales of investment securities, and impairment loss.

Segment information

(Mail-order Business)

Consolidated sales in the mail-order business, which comprises the catalog and the *hanpukai* businesses, decreased 9.7% year-over-year to 118,227 million yen in the current fiscal year. Operating income improved to 2,898 million yen, compared with operating loss of 2,285 million yen in the previous fiscal year, due to a rise in the gross profit margin from a decline in valuation losses, and a reduction in SG&A expenses.

1) Catalog business

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

Senshukai reorganized some catalogs including "sumutoco" and "Remie style," and launched some new catalogs including "men's kurasufuku" and "Otona no Fuku," and also made various efforts to boost sales such as by opening new sales channels via the iPad and Wii. Also, net sales over the Internet only* increased. However, overall sales in the catalog business declined year-over-year. As a result, consolidated sales in the catalog business decreased 9.4% year-over-year to 108,321 million yen in the fiscal year under review. (*net sales over the Internet only: Customer makes purchase by putting product into online shopping cart.)

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.

Consolidated sales in the *hanpukai* business declined 12.8% year-over-year to 9,905 million yen due to weak sales of new products and a decline in members.

(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 bridal business operated by Dears Brain Inc. Consolidated sales in the “other businesses” segment increased 14.1% year-over-year to 18,632 million yen due to an increase in contract sales in the corporates business and an increase in weddings in the bridal business. Consequently, operating income improved to 457 million yen, compared with operating loss of 190 million yen in the previous fiscal year.

(2) Analysis of Financial Position

(Balance sheet position)

Assets totaled 90,086 million yen at the end of the current fiscal year, down 1,750 million yen from the end of the previous fiscal year.

Current assets increased 539 million yen to 42,656 million yen. The main factors were decrease of 3,886 million yen in notes and accounts receivable-trade, and increases of 2,242 million yen in cash and deposits, 1,633 million yen in merchandise and finished goods and 1,379 million yen in accounts receivable-other. Noncurrent assets decreased 2,289 million yen to 47,430 million yen, mainly due to an increase of 324 million yen in intangible assets, and decreases of 834 million yen in property, plant and equipment and 1,780 million yen in investments and other assets.

Current liabilities decreased 2 million yen to 41,318 million yen. The main factors were decrease of 2,886 million yen in short-term loans payable, and increases of 997 million yen in notes and accounts payable-trade and 568 million yen in other. Noncurrent liabilities decreased 3,252 million yen to 9,356 million yen, mainly due to decreases in bonds payable of 766 million yen and long-term loans payable of 2,486 million yen.

Net assets increased 1,504 million yen to 39,411 million yen. The main factor was increase in retained earnings of 1,827 million yen. Consequently, the equity ratio was 43.7%.

(Cash flow position)

The balance of cash and cash equivalents at the end of the current fiscal year was 10,855 million yen, an increase of 2,060 million yen from the end of the previous fiscal year.

Operating activities provided net cash of 9,585 million yen (net cash provided of 521 million yen in the previous fiscal year). The main contributing factors were a 4,035 million yen decrease in notes and accounts receivable-trade, depreciation and amortization of 2,404 million yen and income before income taxes and minority interests of 1,874 million yen. Negative factor included a 1,419 million yen increase in inventories.

Investing activities used net cash of 1,094 million yen (net cash used of 1,141 million yen in the previous fiscal year). The main cash inflows were a 700 million yen proceeds from redemption of investment securities and a 410 million yen proceeds from sales of investment securities. The main cash outflows were 1,428 million yen for the purchase of intangible assets, and 1,244 million yen for the purchase of property, plant and equipment.

Financing activities used net cash of 6,417 million yen (net cash provided of 1,035 million yen in the previous fiscal year). The main cash inflow was a 600 million yen proceeds from long-term loans payable, while cash outflows include a 3,000 million yen decrease in short-term loans payable, a repayment of long-term loans payable of 2,973 million yen and redemption of bonds of 766 million yen.

Cash flow indices

	Fiscal Year 2008 (As of Dec. 31, 2008)	Fiscal Year 2009 (As of Dec. 31, 2009)	Fiscal Year 2010 (As of Dec. 31, 2010)
Equity ratio (%)	42.5	41.3	43.7
Equity ratio based on fair value (%)	31.7	22.3	23.9
Average debt repayment period (years)	3.7	35.1	1.3
Interest coverage ratio (times)	23.6	1.9	33.7

Notes: 1. Cash flow indices are calculated, using consolidated financial figures, as follows:
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 (used in) operating activities and interest expenses paid, respectively, on the consolidated statements of cash flows.

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

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, the Group's policy regarding the distribution of earnings to shareholders is to strive continuously for a payout ratio of 30% on a consolidated basis. The Group will use internal reserves to invest in the development of new businesses for the medium to long term, to promote the rationalization of existing businesses, to improve the soundness of its financials, and to generally further strengthen its competitiveness and operations. Based on the aforementioned policies and in light of the recent trend in earnings, the Group intends to raise its planned yearend dividend payment by 2 yen per share, from 6 yen per share to 8 yen per share. This translates into a total annual dividend of 14 yen per share, comprised of a yearend dividend of 8 yen per share and an interim dividend of 6 yen per share.

Regarding dividends in Fiscal Year 2011, we plan to pay a total annual dividend of 14 yen per share comprised of an interim dividend of 7 yen per share and a yearend dividend of 7 yen per share.

(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 significantly and adversely affect 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 forward exchange contracts and other hedging devices to reduce the risk associated with exchange rate fluctuations, large fluctuations could significantly and 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 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. To minimize these risks, Senshukai has established a backup system, bolstered the earthquake resistance of its facilities, and moved to diversify its distribution centers. We have also established a Crisis Management Committee and formulated rules applicable to emergencies. Nevertheless, damage to Senshukai facilities and disruptions to order processing or shipment operations 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 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, significantly 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, primarily those of its business partners, which means it is subject to risks associated with share price fluctuation. Trends in share prices could significantly and adversely affect the Group’s operating results and financial position.

10) Risks related to product safety

The Group complies with all applicable laws and regulations regarding the products it supplies, and has established even stricter guidelines and regulations which the entire Group follows to improve the quality of its products. Nevertheless, the possibility exists that in the future safety or labeling problems could emerge regarding products the Group sells or in its advertising language. The emergence of such problems could cause the Group to book large costs and the decline in its image could lower its sales. This could adversely affect the Group’s operating results and financial position.

11) Forward-looking statements

All forward-looking statements in the “Business Risks” section are based on the judgement of the Senshukai Group as of the presentation date (February 3, 2011) of this financial report for Fiscal Year 2010.

(5) Outlook for Fiscal Year 2011

Senshukai sees increasing uncertainty going forward as the economic recovery appears to be pausing. We have begun to see some positive signs regarding personal consumption due to improvements in income conditions, but we believe it will take more time for a full recovery. Overall, we believe the business environment remains unpredictable.

For the new fiscal year, Senshukai forecasts net sales of 137,500 million yen, roughly on a par with previous year's level, due to the harsh outlook for consumption. Senshukai expects an increase in the cost ratio due to surging raw materials costs, an increase in labor costs in China, and a rise in valuation losses in the wake of efforts to boost inventories to enhance the product supply ratio. In fiscal year 2011, the first year of our new medium-term management plan, we will work to capture new members through the implementation of new promotional campaigns, and to build a structure for the further strengthening and expansion of the Internet business, to solidify our business foundation. As a result, we forecast operating income of 2,000 million yen, ordinary income of 2,700 million yen, and net income of 2,000 million yen.

Consolidated (Million yen)

	Net sales	Operating income	Ordinary income	Net income
Fiscal Year 2011 (forecast)	137,500	2,000	2,700	2,000
Fiscal Year 2010 (results)	136,859	3,422	3,167	2,037
Change (%)	0.5	(41.6)	(14.8)	(1.8)

Non-consolidated (Million yen)

	Net sales	Operating income	Ordinary income	Net income
Fiscal Year 2011 (forecast)	122,500	1,600	2,300	2,000
Fiscal Year 2010 (results)	125,966	2,953	2,867	1,506
Change (%)	(2.8)	(45.8)	(19.8)	32.7

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

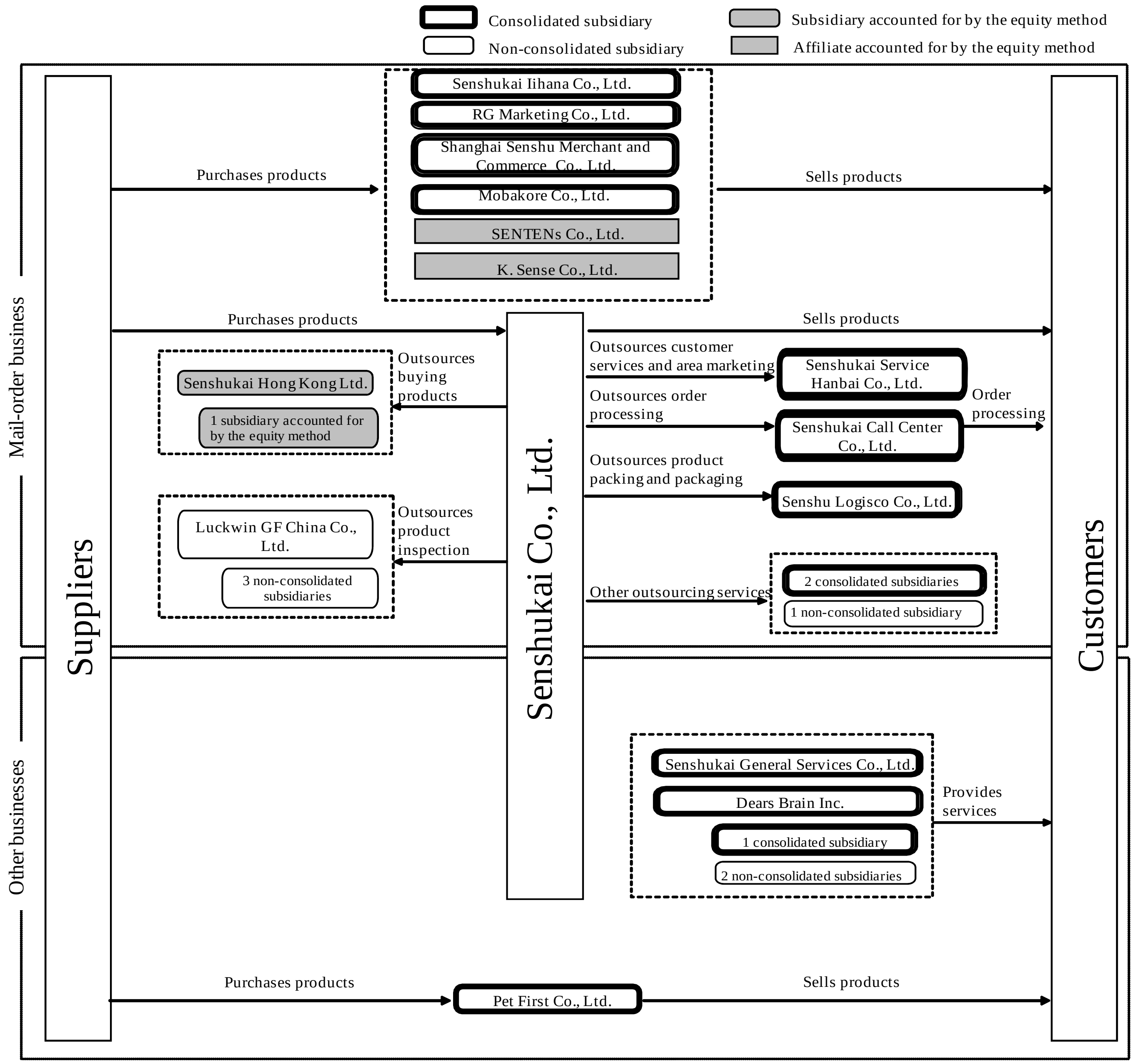
2. Group Organization

The Senshukai Group comprises the parent company, 22 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., Shanghai Senshu Merchant and Commerce Co., Ltd., Senshukai Hong Kong Ltd., Luckwin GF China Co., Ltd., SENTENs Co., Ltd., Mobakore Co., Ltd., K. Sense Co., Ltd., and 7 other companies
	Order processing	Senshukai Call Center Co., Ltd.
	Transportation and warehousing	Senshu Logisco Co., Ltd.
Other businesses	Product sales	Senshukai Co., Ltd., Pet First Co., Ltd.
	Services	Senshukai Co., Ltd., Senshukai General Services Co., Ltd., Dears Brain Inc., and 3 other companies

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 Year 2011 through Fiscal Year 2013) aims to maximize group strengths, and targets strong growth in existing core businesses and new businesses. Specifically, we target consolidated net sales of 160,000 million yen, and operating income of 6,400 million yen, by Fiscal Year 2013.

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 Year 2013.

Basic Policies of the Medium-term Management Plan

i. Create "New *Belle Maison*"

- We position *Belle Maison* as one strategic unit, and will separate its product development and marketing functions in order to quickly grasp and respond to market changes ahead of the competition, and to strengthen the development of original products that can "only be bought here" to create a *Belle Maison* that our customers view as necessary.

- To maintain the competitiveness of our Internet business, we will work to expand *Belle Maison Net* by transforming its mail-order infrastructure through the leveraging of strengths such as proprietary Internet website management and proprietary product development.

ii. Strengthen the Internet business

- We will enhance cooperation between *Belle Maison Net* and other Internet businesses to expand the product lineup and strategic sharing of customer assets, strengthen merchandising, further develop the organizational system, and maximize business synergies to strengthen the Internet business across the Group.

- At our subsidiaries, we will cultivate multiple specialty e-commerce websites that differ from *Belle Maison Net* to expand gross profits across the Group.

iii. Expand the bridal business

- We will continue to invest in the expansion of the bridal business, conducted by Dears Brain Inc., and strategically positioning "weddings" as an important source of information for our existing businesses, enhance cooperation within the Group to expand the customer base across the Group.

iv. Conduct high-quality, low-cost business operations

- We will conduct high-quality business operations in which the entire Group gets back to basics and prioritizes the supply of products and services to satisfy customers.

- We will implement across the Group low-cost business operations capable of flexibly responding to market changes.

(4) Other Important Business Matters

Not applicable.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Million yen)

	Fiscal Year 2009 (As of Dec. 31, 2009)	Fiscal Year 2010 (As of Dec. 31, 2010)
Assets		
Current assets		
Cash and deposits	*2 8,613	*2 10,855
Notes and accounts receivable-trade	10,248	6,362
Short-term investment securities	182	8
Merchandise and finished goods	10,967	12,600
Raw materials and supplies	112	123
Deferred tax assets	545	1,182
Accounts receivable-other	7,568	8,948
Other	4,174	2,816
Allowance for doubtful accounts	(294)	(241)
Total current assets	42,117	42,656
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	*2 34,570	*2 35,730
Accumulated depreciation	(20,351)	(21,327)
Buildings and structures, net	14,219	14,402
Machinery, equipment and vehicles	12,154	11,651
Accumulated depreciation	(11,034)	(10,772)
Machinery, equipment and vehicles, net	1,120	878
Tools, furniture and fixtures	3,136	3,041
Accumulated depreciation	(2,080)	(2,181)
Tools, furniture and fixtures, net	1,056	859
Land	*4 11,078	*4 10,945
Construction in progress	577	0
Other	-	150
Accumulated depreciation	-	(19)
Other, net	-	131
Total property, plant and equipment	28,052	27,218
Intangible assets		
Goodwill	2,793	2,580
Other	2,756	3,294
Total intangible assets	5,549	5,874
Investments and other assets		
Investment securities	*1 9,378	*1 7,761
Long-term loans receivable	631	587
Lease and guarantee deposits	1,673	1,722
Deferred tax assets	196	182
Other	4,449	4,272
Allowance for doubtful accounts	(210)	(187)
Total investments and other assets	16,118	14,338
Total noncurrent assets	49,720	47,430
Total assets	91,837	90,086

(Million yen)

	Fiscal Year 2009 (As of Dec. 31, 2009)	Fiscal Year 2010 (As of Dec. 31, 2010)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,934	7,932
Short-term loans payable	*2, *5 5,923	*2 3,036
Current portion of bonds	*2 766	*2 766
Accounts payable-other	6,754	7,208
Accounts payable-factoring	13,707	13,548
Accrued expenses	1,983	2,325
Income taxes payable	271	468
Accrued consumption taxes	361	178
Deferred tax liabilities	2	0
Provision for sales promotion expenses	526	656
Forward exchange contracts	3,045	3,585
Other	1,043	1,612
Total current liabilities	41,321	41,318
Noncurrent liabilities		
Bonds payable	*2 4,052	*2 3,286
Long-term loans payable	*2 7,584	*2 5,097
Deferred tax liabilities	1	-
Deferred tax liabilities for land revaluation	756	723
Provision for retirement benefits	35	27
Other	178	222
Total noncurrent liabilities	12,609	9,356
Total liabilities	53,930	50,675
Net assets		
Shareholders' equity		
Capital stock	20,359	20,359
Capital surplus	21,038	21,038
Retained earnings	9,517	11,344
Treasury stock	(2,774)	(2,775)
Total shareholders' equity	48,140	49,966
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1,013)	(928)
Deferred gains or losses on hedges	(2,044)	(2,342)
Revaluation reserve for land	(7,067)	(7,117)
Foreign currency translation adjustment	(122)	(167)
Total valuation and translation adjustments	(10,247)	(10,555)
Minority interests	14	-
Total net assets	37,906	39,411
Total liabilities and net assets	91,837	90,086

(2) Consolidated Statements of Income

(Million yen)

	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
Net sales	147,292	136,859
Cost of sales	*1 78,927	*1 69,447
Gross profit	68,364	67,412
Selling, general and administrative expenses		
Freightage and packing expenses	8,849	8,581
Promotion expenses	23,507	19,905
Provision for allowance for sales promotion expenses	525	656
Provision of allowance for doubtful accounts	273	233
Bad debts expenses	39	45
Directors' compensations	565	475
Salaries and allowances	11,631	11,129
Bonuses	1,429	1,344
Provision for retirement benefits	19	13
Depreciation	2,501	2,404
Other	21,427	19,200
Total selling, general and administrative expenses	*2 70,770	*2 63,989
Operating income (loss)	(2,405)	3,422
Non-operating income		
Interest income	90	68
Dividends income	314	105
Foreign exchange gains	1,403	-
Gain on valuation of compound financial instruments	21	-
Co-sponsor fee	42	109
Equity in earnings of affiliates	-	48
Miscellaneous income	276	286
Total non-operating income	2,148	619
Non-operating expenses		
Interest expenses	317	279
Loss on valuation of compound financial instruments	-	164
Equity in losses of affiliates	65	-
Foreign exchange losses	-	256
Commission fee	450	-
Bond issuance cost	127	-
Miscellaneous loss	193	173
Total non-operating expenses	1,154	873
Ordinary income (loss)	(1,410)	3,167

(Million yen)

	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
Extraordinary income		
Gain on sales of noncurrent assets	*3 1	*3 13
Gain on redemption of debt	42	-
Gain on sales of investment securities	-	4
Reversal of allowance for doubtful accounts	-	28
Gain on negative goodwill	-	6
Gain on step acquisitions	-	12
Total extraordinary income	43	65
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	*4 95	*4 217
Loss on valuation of investment securities	573	253
Loss on sales of investment securities	576	110
Impairment loss	*5 356	*5 385
Provision of allowance for doubtful accounts	28	24
Loss on liquidation of business	-	317
Other	95	49
Total extraordinary losses	1,726	1,358
Income (loss) before income taxes and minority interests	(3,093)	1,874
Income taxes-current	322	494
Income taxes-deferred	432	(668)
Total income taxes	754	(174)
Minority interests in income (loss)	(36)	12
Net income (loss)	(3,811)	2,037

(3) Consolidated Statements of Changes in Net Assets

(Million yen)

	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	20,359	20,359
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	20,359	20,359
Capital surplus		
Balance at the end of previous period	21,038	21,038
Changes of items during the period		
Disposal of treasury stock	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of current period	21,038	21,038
Retained earnings		
Balance at the end of previous period	14,064	9,517
Changes of items during the period		
Dividends from surplus	(700)	(259)
Net income (loss)	(3,811)	2,037
Reversal of revaluation reserve for land	(35)	49
Total changes of items during the period	(4,547)	1,827
Balance at the end of current period	9,517	11,344
Treasury stock		
Balance at the end of previous period	(631)	(2,774)
Changes of items during the period		
Purchase of treasury stock	(2,142)	(0)
Disposal of treasury stock	0	0
Total changes of items during the period	(2,142)	(0)
Balance at the end of current period	(2,774)	(2,775)
Total shareholders' equity		
Balance at the end of previous period	54,830	48,140
Changes of items during the period		
Dividends from surplus	(700)	(259)
Net income (loss)	(3,811)	2,037
Purchase of treasury stock	(2,142)	(0)
Disposal of treasury stock	0	0
Reversal of revaluation reserve for land	(35)	49
Total changes of items during the period	(6,690)	1,826
Balance at the end of current period	48,140	49,966

(Million yen)

	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	(1,312)	(1,013)
Changes of items during the period		
Net changes of items other than shareholders' equity	299	84
Total changes of items during the period	299	84
Balance at the end of current period	(1,013)	(928)
Deferred gains or losses on hedges		
Balance at the end of previous period	(2,038)	(2,044)
Changes of items during the period		
Net changes of items other than shareholders' equity	(6)	(297)
Total changes of items during the period	(6)	(297)
Balance at the end of current period	(2,044)	(2,342)
Revaluation reserve for land		
Balance at the end of previous period	(7,103)	(7,067)
Changes of items during the period		
Net changes of items other than shareholders' equity	35	(49)
Total changes of items during the period	35	(49)
Balance at the end of current period	(7,067)	(7,117)
Foreign currency translation adjustment		
Balance at the end of previous period	(130)	(122)
Changes of items during the period		
Net changes of items other than shareholders' equity	8	(45)
Total changes of items during the period	8	(45)
Balance at the end of current period	(122)	(167)
Total valuation and translation adjustments		
Balance at the end of previous period	(10,584)	(10,247)
Changes of items during the period		
Net changes of items other than shareholders' equity	336	(307)
Total changes of items during the period	336	(307)
Balance at the end of current period	(10,247)	(10,555)
Minority interests		
Balance at the end of previous period	29	14
Changes of items during the period		
Net changes of items other than shareholders' equity	(14)	(14)
Total changes of items during the period	(14)	(14)
Balance at the end of current period	14	-
Total net assets		
Balance at the end of previous period	44,274	37,906
Changes of items during the period		
Dividends from surplus	(700)	(259)
Net income (loss)	(3,811)	2,037
Purchase of treasury stock	(2,142)	(0)
Disposal of treasury stock	0	0
Reversal of revaluation reserve for land	(35)	49
Net changes of items other than shareholders' equity	322	(322)
Total changes of items during the period	(6,367)	1,504
Balance at the end of current period	37,906	39,411

(4) Consolidated Statements of Cash Flows

(Million yen)

	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(3,093)	1,874
Depreciation and amortization	2,503	2,404
Impairment loss	356	385
Gain on negative goodwill	-	(6)
Loss (gain) on step acquisitions	-	(12)
Increase (decrease) in allowance for doubtful accounts	(14)	(76)
Increase (decrease) in allowance for sales promotion expenses	180	129
Interest and dividends income	(404)	(174)
Interest expenses	317	279
Foreign exchange losses (gains)	(1,528)	241
Equity in (earnings) losses of affiliates	65	(48)
Loss (gain) on valuation of compound financial instruments	(21)	164
Bond issuance cost	127	-
Loss (gain) on sales of noncurrent assets	(1)	-
Loss (gain) on sales of investment securities	576	106
Loss (gain) on sales and retirement of noncurrent assets	95	204
Loss (gain) on valuation of investment securities	573	253
Decrease (increase) in notes and accounts receivable-trade	665	4,035
Decrease (increase) in inventories	5,440	(1,419)
Decrease (increase) in other current assets	1,908	(117)
Increase (decrease) in notes and accounts payable-trade	(1,605)	704
Increase (decrease) in accrued consumption taxes	82	(108)
Increase (decrease) in other current liabilities	(1,871)	861
Other, net	(29)	275
Subtotal	4,325	9,956
Interest and dividends income received	433	176
Interest expenses paid	(270)	(284)
Payments for cancelation money on derivative contract	(3,760)	-
Income taxes paid	(206)	(262)
Net cash provided by (used in) operating activities	521	9,585

(Million yen)

	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(1,384)	(1,244)
Proceeds from sales of property, plant and equipment	3	169
Purchase of intangible assets	(987)	(1,428)
Purchase of investment securities	(88)	(121)
Proceeds from sales of investment securities	1,000	410
Proceeds from redemption of investment securities	-	700
Proceeds from withdrawal of time deposits	200	-
Purchase of investments in subsidiaries	(65)	(20)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	-	*2 274
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	-	*3 49
Purchase of stocks of subsidiaries and affiliates	-	(73)
Other, net	181	189
Net cash provided by (used in) investing activities	(1,141)	(1,094)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(5,000)	(3,000)
Proceeds from long-term loans payable	7,184	600
Repayment of long-term loans payable	(2,761)	(2,973)
Proceeds from issuance of bonds	4,872	-
Redemption of bonds	(416)	(766)
Purchase of treasury stock	(2,142)	(0)
Proceeds from sales of treasury stock	0	0
Cash dividends paid	(700)	(261)
Other, net	-	(16)
Net cash provided by (used in) financing activities	1,035	(6,417)
Effect of exchange rate change on cash and cash equivalents	(2)	(14)
Net increase (decrease) in cash and cash equivalents	413	2,060
Cash and cash equivalents at beginning of period	8,186	8,795
Increase in cash and cash equivalents from newly consolidated subsidiary	195	-
Cash and cash equivalents at end of period	*1 8,795	*1 10,855

Going Concern Assumption

Not applicable.

Significant Accounting Policies for the Preparation of Consolidated Financial Statements

Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
1. Scope of consolidation (1) Number of consolidated subsidiaries: 14 Main consolidated subsidiaries: Senshukai General Services Co., Ltd. Senshu Logisco Co., Ltd. Senshukai Call Center Co., Ltd. Dears Brain Inc. Shanghai Senshu Merchant and Commerce Co., Ltd., non-consolidated subsidairy in the previous fiscal year, was included in the scope of consolidation due to its increased importance. Senshukai Retailing Service Co., Ltd. was included in the scope of consolidation due to its establishment. Future Compass Co., Ltd. was liquidated and excluded from consolidation in December 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. Dears Brain Inc. Mobakore Co., Ltd. Senshu Transportation Co., Ltd. was excluded from consolidation due to the sale of stock holdings. Mobakore Co., Ltd., previously accounted for by the equity method, was included in the scope of consolidation due to the acquisition of additional shares in November 2010. The equity method was applied for the current fiscal year, as Senshukai sets the assumed acquisition date to the consolidated balance sheet date. B•B•S Co., Ltd. was liquidated and excluded from consolidation in December 2010.
(2) Number of non-consolidated subsidiaries: 10 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: 9 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: 3 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 consolidation and excluded from the equity-method non-consolidated subsidiary in 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: 2 Same as on the left. Senshukai Thailand Co., Ltd. was liquidated and excluded from consolidation in November 2010.
(2) Number of equity-method affiliates: 3 Equity-method affiliates: SENTENs Co., Ltd. Mobakore Co., Ltd. K. Sense Co., Ltd.	(2) Number of equity-method affiliates: 2 Equity-method affiliates: SENTENs Co., Ltd. K. Sense Co., Ltd.

Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
K. Sense Co., Ltd. was included in the scope of equity-method affiliate due to its establishment.	Mobakore Co., Ltd., previously accounted for by the equity-method affiliate, was included in the scope of consolidation due to the acquisition of additional shares in November 2010. The equity method was applied for the current fiscal year, as Senshukai sets the assumed acquisition date to the consolidated balance sheet date.
(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 second-quarter 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) 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 second-quarter 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.
(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 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: Same as on the left. 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 Same as on the left.
4. Accounting standards (1) Valuation standards and accounting treatment for important asset 1) Short-term 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.	4. Accounting standards (1) Valuation standards and accounting treatment for important asset 1) Short-term investment securities Available-for-sale securities Same as on the left.
Available-for-sale securities whose fair value is not readily determinable are stated at cost based on the moving-average method.	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 cost determined by the monthly average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).	3) Inventories Same as on the left.

Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
(2) Method for depreciating and amortizing important assets 1) Property, plant and equipment (excluding lease assets) 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, equipment and vehicles: 12 years (Supplemental information) Effective from the current fiscal year, the Company and its domestic consolidated subsidiaries have reviewed the useful lives of machinery and equipment, etc. as a result of revision to the Corporate Tax Law and consequently have revised the useful lives as stipulated in the revised law. This change has no significant effect on the amount of income.	(2) Method for depreciating and amortizing important assets 1) Property, plant and equipment (excluding lease assets) Same as on the left. ―――――
2) Intangible assets (excluding lease 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 (excluding lease assets) Same as on the left.
3) Lease assets The straight-line method with no residual value is applied with the lease period used as the useful life of the asset. For finance lease transactions where there is no transfer of ownership beginning on or before December 31, 2008, depreciation is calculated using an accounting method that is based on the method used for ordinary lease transactions.	3) Lease assets Same as on the left.
(3) Accounting for deferred assets Bond issuance cost Charged to income as accrued.	(3) Accounting for deferred assets ―――――
(4) 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.	(4) Accounting for allowances 1) Allowance for doubtful accounts Same as on the left.
2) Provision for directors’ 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. There are no future estimated bonus obligations in this fiscal year.	2) Provision for directors’ bonuses Same as on the left.
3) Provision 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) Provision for sales promotion expenses Same as on the left.

Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
4) Provision for 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) Provision for retirement benefits Same as on the left.
5) Provision for directors' retirement benefits (Supplemental information) 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. However, annual general meeting held on March 27, 2009 resolved to pay current directors and corporate auditors, upon retirement, a lump sum for their term of service up through the day of abolishment of the system (December 31, 2008). As a result, the Company has drawn down the entire balance of provision for directors' retirement benefits, and included in the unpaid amount in the "Accounts payable-other" under current liabilities.	5) Provision for directors' retirement benefits ——————
(5) ——————	(5) Recognition criteria for revenues and expenses The sales of finance and lease transactions are not booked, but the interest amount is allocated to each fiscal term.
(6) Conversion of assets 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 statements of income. 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 consolidated balance sheet date, and foreign exchange gains and losses from translation are included in the foreign currency translation adjustments under net assets.	(6) Conversion of assets and liabilities in foreign currencies to Japanese currency Same as on the left.
(7) Accounting for promotion expenses The Company conducts a mail-order business. Among 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.	(7) Accounting for promotion expenses Same as on the left.
(8) Accounting for hedging 1) Hedge accounting methods The deferred hedge accounting method is adopted.	(8) Accounting for hedging 1) Hedge accounting methods Same as on the left.

Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
2) Hedging instruments/ hedged items Hedging instruments: Forward exchange contracts, currency options, and interest rateswaps Hedged items: Accounts payable for imports, denominated in foreign currencies and interest on borrowings	2) Hedging instruments/ hedged items Hedging instruments: Same as on the left. Hedged items: Same as on the left.
3) Hedging policy Risks from fluctuation in foreign currency exchange, cash flows and interest rate are hedged in accordance with internal policies.	3) Hedging policy Same as on the left.
4) Evaluation of hedging effectiveness High correlation and effectiveness between the hedging instruments and the hedged items are regularly verified. However, with respect to forward exchange 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.
(9) Method and period of goodwill amortization —	(9) Method and period of goodwill amortization Amortization of goodwill is estimated for each period in which it is expected to emerge, and then equally amortized over the designated amortization period.
(10) Scope of cash and cash equivalents —	(10) 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.
(11) Accounting for consumption taxes Financial statements are prepared exclusive of national and regional consumption taxes.	(11) Accounting for consumption taxes Same as on the left.
5. Valuation of consolidated subsidiaries' assets and liabilities The assets and liabilities of consolidated subsidiaries are evaluated using the fair value method.	5. Valuation of consolidated subsidiaries' assets and liabilities —
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.	6. Amortization of goodwill and negative goodwill —
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.	7. Scope of cash and cash equivalents —

Changes in Significant Accounting Policies for the Preparation of Consolidated Financial Statements

Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
1. Application of “Accounting Standards for Measurement of Inventories” In prior years, inventories for regular sales purposes were stated at the lower of cost, determined by the monthly average method, or market. With the adoption of “Accounting Standards for Measurement of Inventories” (Accounting Standards Board of Japan (ASBJ) Statement No. 9, July 5, 2006) from the current fiscal year, inventories are stated at cost determined by the monthly average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins). As an effect of this change, operating loss, ordinary loss and loss before income taxes and minority interests increased by 1,195 million yen each. The effect of these changes on segment operations is shown in the Segment Information section.	1. Application of Accounting Standards for Business Combinations Beginning with the current fiscal year, “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), “Partial Amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23, December 26, 2008), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, December 26, 2008), “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, December 26, 2008), and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008) have been adopted.
2. Application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” Effective from the current fiscal year, the Company has adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issue Task Force (Practical Issues Task Force (PITF)) No. 18). This change has no effect on the amount of income (loss).	―――――
3. Application of “Accounting Standards for Lease Transactions” In prior years, the Company accounted for finance leases where there is no transfer of ownership as ordinary operating leases for accounting purposes. However, the Company has adopted “Accounting Standards for Lease Transactions” (ASBJ Statement No. 13) and “Guidance on Accounting Standards for Lease Transactions” (ASBJ Guidance No. 16), using an accounting method for leases that is based on the method used for ordinary purchases and sales. This change has no effect on the amount of income (loss).	―――――

Reclassifications

Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
Consolidated balance sheets: With the adoption of “Cabinet Office Ordinance Partially Revising Regulation of Financial Statements” (Cabinet Office Ordinance No. 50, August 7, 2008), “Inventories” is divided into “Merchandise and finished goods,” and “Raw materials and supplies” in the current fiscal year. The amount of “Merchandise and finished goods,” and “Raw materials and supplies” included in “Inventories” in the previous fiscal year was 16,400 million yen and 97 million yen.	―――――
―――――	Consolidated statements of cash flows: “Loss (gain) on sales of noncurrent assets” under net cash provided by (used in) operating activities, stated as a separate line item in the previous fiscal year, is included in “Loss (gain) on sales and retirement of noncurrent assets” due to its declining importance. “Loss (gain) on sales of noncurrent assets” included in “Loss (gain) on sales and retirement of noncurrent assets” in the current fiscal year totaled minus 13 million yen.

Supplemental information

Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
―――――	The Company applied for approval in the current fiscal year to pay taxes on a consolidated basis, and approval was granted in December 2010. As a result, accounting procedures from the current fiscal year are based on the application of a consolidated taxation system in accordance with “Practical Solution for Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)” (ASBJ Practical Issue Task Force No.5) and “Practical Solution for Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)” (ASBJ Practical Issue Task Force No.7).

Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheets

(Million yen)

Fiscal Year 2009 (As of Dec. 31, 2009)		Fiscal Year 2010 (As of Dec. 31, 2010)	
*1. Shares of non-consolidated subsidiaries and affiliates		*1. Shares of non-consolidated subsidiaries and affiliates	
Investment securities	677	Investment securities	539
*2. Assets pledged as collateral		*2. Assets pledged as collateral	
(1) Collateral-backed assets		(1) Collateral-backed assets	
Cash and deposits (Time deposits)	15	Cash and deposits (Time deposits)	15
Buildings and structures	748	Buildings and structures	1,073
Total	763	Total	1,088
(2) Collateral-backed liabilities		(2) Collateral-backed liabilities	
Short-term loans payable	253	Short-term loans payable	313
Current portion of bonds	66	Current portion of bonds	66
Bonds payable	102	Bonds payable	36
Long-term loans payable	477	Long-term loans payable	413
Total	898	Total	829
3. Contingent liabilities		3. Contingent liabilities	
Guarantees of bank loans		Guarantees of bank loans	
Employees’ housing loans	21	Employees’ housing loans	16
*4. Land revaluation		*4. 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 “Revaluation reserve for land,” after deducting the deferred tax liabilities relating to land revaluation.		Same as on the left.	
Method of revaluation by Clause 3, Article 3 of the law		Method of revaluation by Clause 3, Article 3 of the law	
The method is, as publicly announced, stipulated by the Director of the National Tax Agency 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) in order to calculate land value as the basis of calculating land taxes. On this calculation, a certain reasonable adjustment is made for the final assessment.		Same as on the left.	
Date of revaluation	Mar. 31, 2000	Date of revaluation	Mar. 31, 2000
Difference between market value of relevant land on December 31, 2009 and its book value after revaluation	(2,500)	Difference between market value of relevant land on December 31, 2010 and its book value after revaluation	(2,916)
*5. The Company has commitment line agreements with financial institutions in order to raise funds efficiently. The balance of unused credit lines under these agreements as of the end of the current fiscal year was as follows.		5. The Company has commitment line agreements with financial institutions in order to raise funds efficiently. The balance of unused credit lines under these agreements as of the end of the current fiscal year was as follows.	
Total commitment line	15,500	Total commitment line	15,300
Credit used	3,000	Credit used	-
Credit available	12,500	Credit available	15,300

Fiscal Year 2009 (As of Dec. 31, 2009)	Fiscal Year 2010 (As of Dec. 31, 2010)
6. Financial covenants The aforementioned commitment line agreements include financial covenants, and if any of the following are violated, the Company could lose the benefit of term of all applicable debts. (1) The amount calculated after deducting subscription rights to shares, minority interests and deferred gains or losses on hedges from total net assets in the consolidated and non-consolidated balance sheets at the end of each fiscal year must be 75% or greater than the amount calculated after deducting subscription rights to shares, minority interests and deferred gains or losses on hedges from net assets in the balance sheet at the end of Fiscal Year 2008 (ended on December 31, 2008) or the end of the immediately preceding fiscal year. (2) Total liabilities in the consolidated and non-consolidated balance sheets at the end of each fiscal year must be less than 150% of the amount calculated after deducting subscription rights to shares, minority interests and deferred gains or losses on hedges from total net assets in the balance sheet at the end of each fiscal year. (3) Operating loss in the consolidated and non-consolidated statements of income at the end of each fiscal year may not be recorded for two straight fiscal years. (4) The amount calculated after deducting cash and deposits from total interest-bearing debts in the consolidated and non-consolidated balance sheets at the end of each fiscal year must not exceed five times the amount calculated after combining net income and depreciation in the consolidated and non-consolidated statements of income for two straight fiscal years.	6. Financial covenants Same as on the left.

Notes to Consolidated Statements of Income

(Million yen)

Fiscal Year 2009
(Jan. 1, 2009 – Dec. 31, 2009)

*1. The ending inventory is the amount written down to reflect the effect of lower profit margins. The following loss on valuation of inventories is included in cost of sales.

1,241

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

532

*3. Gain on sales of noncurrent assets

Machinery, equipment and vehicles	1
Total	1

*4. Loss on sales and retirement of noncurrent assets

Loss on retirement of buildings and structures	58
Loss on retirement of machinery, equipment and vehicles	5
Loss on sales of machinery, equipment and vehicles, and others	0
Loss on retirement of tools, furniture and fixtures, and others	32
Total	95

*5. Impairment loss
For the current fiscal year, the Senshukai Group posted impairment loss on the following asset groups.

(Million yen)

Loc tion	Primary use	Type	Impairment loss
Yamagata City of Yamagata, other	Idle assets	Buildings, structures, land, and others	198
Yao City of Osaka, other	Business assets	Buildings, structures, and others	128
Other	Other	Goodwill	29

In principle, business assets are based on categories of management accounting. Idle assets are accounted independently.
Of the above asset groups, the Company marked down the book value of business assets and goodwill to the recoverable amount reflecting weak prospects for improved short-term performance due to worsening operating profitability, and it marked down the book value of idle assets to the recoverable amount because of a decline in the assets' market value. These markdowns were booked as an impairment loss.
The impairment loss on buildings and strucures, land, goodwill, software and other were 166 million yen, 89 million yen, 29 million yen, 37 million yen, and 34 million yen, respectively.
The recoverable amount was measured at its net selling price. The net selling price was rationally estimated based on roadside land prices and other benchmarks.

Fiscal Year 2010
(Jan. 1, 2010 – Dec. 31, 2010)

*1. The ending inventory is the amount written down to reflect the effect of lower profit margins. The following loss on valuation of inventories is included in cost of sales.

676

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

313

*3. Gain on sales of noncurrent assets

Land	11
Buildings and structures, and others	1
Total	13

*4. Loss on sales and retirement of noncurrent assets

Loss on retirement of buildings and structures	103
Loss on retirement of machinery, equipment and vehicles	20
Loss on retirement of tools, furniture and fixtures	12
Loss on sales of tools, furniture and fixtures	2
Loss on retirement of software	6
Loss on retirement of intangible assets in progress and others	71
Total	217

*5. Impairment loss
For the current fiscal year, the Senshukai Group posted impairment loss on the following asset groups.

(Million yen)

Location	Primary use	Type	Impairment loss
Nada Ward, Kobe City, other	Idle assets	Buildings, structures, land, and others	187
Shinagawa Ward, Tokyo, other	Business assets	Buildings, structures, and others	139
Other	Other	Goodwill	58

In principle, business assets are based on categories of management accounting. Idle assets are accounted independently.
Of the above asset groups, the Company marked down the book value of business assets and goodwill to the recoverable amount reflecting weak prospects for improved short-term performance due to worsening operating profitability, and it marked down the book value of idle assets to the recoverable amount because of a decline in the assets' market value. These markdowns were booked as an impairment loss.
The impairment loss on buildings and strucures, land, goodwill, software, other intangible assets and other were 97 million yen, 34 million yen, 58 million yen, and 48 million yen, 138 million yen and 7 million yen, respectively.
The recoverable amount was measured at its net selling price. The net selling price was rationally estimated based on roadside land prices and other benchmarks.

Notes to Consolidated Statements of Changes in Net assets

Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of Dec. 31, 2008 (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, 2009 (Thousand shares)
Outstanding shares				
Common stock	47,630	-	-	47,630
Total	47,630	-	-	47,630
Treasury stock				
Common stock (Note)	917	3,401	0	4,319
Total	917	3,401	0	4,319

Note: Common shares of treasury stock increased by 3,401 thousand shares due to the purchase of treasury stock (3,400 thousand shares) based on the Board of Directors' resolution, and the purchase of odd-lot shares (1 thousand 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. 27, 2009	Common stock	420	9	Dec. 31, 2008	Mar. 30, 2009
Board of Directors meeting on Jul. 30, 2009	Common stock	280	6	Jun. 30, 2009	Sep. 1, 2009

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

Not applicable.

Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)

1. Type and number of outstanding shares and treasury stock

	Number of shares as of Dec. 31, 2009 (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, 2010 (Thousand shares)
Outstanding shares				
Common stock	47,630	-	-	47,630
Total	47,630	-	-	47,630
Treasury stock				
Common stock (Note)	4,319	1	0	4,320
Total	4,319	1	0	4,320

Note: Common shares of treasury stock increased by 1 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
Board of Directors meeting on Jul. 29, 2010	Common stock	259	6	Jun. 30, 2010	Sep. 1, 2010

(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. 30, 2011	Common stock	346	Retained earnings	8	Dec. 31, 2010	Mar. 31, 2011

Notes to Consolidated Statements of Cash Flows

(Million yen)

Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
*1. Reconciliation between balance sheet accounts and year-end balance of cash and cash equivalents (As of Dec. 31, 2009) Cash and deposits 8,613 Short-term investment securities 182 Cash and cash equivalents 8,795	*1. Reconciliation between balance sheet accounts and year-end balance of cash and cash equivalents (As of Dec. 31, 2010) Cash and deposits 10,855 Cash and cash equivalents 10,855
2. ――――	*2. Breakdown of assets and liabilities of Mobakore Co., Ltd. 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 Mobakore stock, and net proceeds from the acquisition Current assets 975 Noncurrent assets 24 Current liabilities (583) Goodwill 25 Acquired surplus after application of the equity method (20) Initial acquisition cost of Mobakore (196) Cost of Mobakore stock at purchase during period 225 Cash and cash equivalents of Mobakore 499 Net proceeds from acquisition of Mobakore stock 274
3. ――――	*3. Senshu Transportation Co., Ltd. is no longer a consolidated subsidiary due to the sale of its stock. The breakdown of assets and liabilities as of the date of the sale, as well as the sales price of Senshu Transportation's stock and net proceeds from the sales. Current assets 154 Noncurrent assets 33 Current liabilities (69) Sales price of Senshu Transportation stock 119 Cash and cash equivalents of Senshu Transportation 69 Net proceeds from sales of Senshu Transportation stock 49

Segment Information

a. Business segments

Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)

(Million yen)

	Mail-order business	Other businesses	Total	Elimination or corporate	Consolidated
I Net sales and operating income (loss)					
Net sales					
(1) Sales to customers	130,967	16,325	147,292	-	147,292
(2) Inter-segment sales	1,502	1,328	2,830	(2,830)	-
Total	132,469	17,653	150,123	(2,830)	147,292
Operating expenses	134,755	17,844	152,599	(2,901)	149,698
Operating income (loss)	(2,285)	(190)	(2,476)	70	(2,405)
II Assets, depreciation, impairment loss and capital expenditures					
Assets	82,478	11,517	93,996	(2,158)	91,837
Depreciation	2,024	479	2,503	-	2,503
Impairment loss	270	85	356	-	356
Capital expenditures	1,735	888	2,624	-	2,624

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, and 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. Change in accounting policy

As stated in “Changes in Significant Accounting Policies for the Preparation of Consolidated Financial Statements,” “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9) has been adopted with effect from the current fiscal year. As an effect of this change, operating loss in the mail-order business increased by 1,195 million yen in the current fiscal year.

There is no effect on other businesses.

Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)

(Million yen)

	Mail-order business	Other businesses	Total	Elimination or corporate	Consolidated
I Net sales and operating income (loss)					
Net sales					
(1) Sales to customers	118,227	18,632	136,859	-	136,859
(2) Inter-segment sales	2,062	504	2,566	(2,566)	-
Total	120,289	19,136	139,426	(2,566)	136,859
Operating expenses	117,390	18,679	136,069	(2,632)	133,437
Operating income	2,898	457	3,356	66	3,422
II Assets, depreciation, impairment loss and capital expenditures					
Assets	80,611	11,032	91,643	(1,556)	90,086
Depreciation	1,902	502	2,404	-	2,404
Impairment loss	238	146	385	-	385
Capital expenditures	1,674	1,198	2,873	-	2,873

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 and services

Note: The transportation business was previously a mainstay of the Company's other businesses, but it is no longer a mainstay following the removal of Senshu Transportation Co., Ltd. from the Company's consolidated accounts in the current fiscal year.

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."

b. Geographical segment information

Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009), Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)

Geographic segment information has not been presented because the Company and its consolidated subsidiaries have conducted over 90% of their total net sales and assets in Japan.

c. Overseas sales

Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009), Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)

Overseas sales have not been presented because they represented less than 10% of total consolidated sales.

Per Share Information

(Yen)

Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)		Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)	
Net assets per share	874.89	Net assets per share	909.99
Net loss per share	84.18	Net income per share	47.04
Diluted net income per share is not presented since the Company posted net loss, and has no outstanding residual securities.		Diluted net income per share is not presented since the Company has no outstanding residual securities.	

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

(Million yen)

	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
Net income (loss) per share		
Net income (loss)	(3,811)	2,037
Amounts unavailable to common shareholders	-	-
Net income (loss) related to common stock	(3,811)	2,037
Average number of shares outstanding during the period (thousand shares)	45,277	43,310
Diluted net income per share		
Adjustment to net income	-	-
Increase in number of common stock (thousand shares)	-	-
[Including: subscription rights to shares (thousand shares)]	-	-
Number of residual securities with no dilution excluded from calculation of diluted net income per share	―――	―――

Subsequent Events

Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
(Reduction of legal capital surplus and treatment of other capital surplus) Senshukai's Board of Directors resolved at a meeting held on February 19, 2010 to propose at the annual general meeting of shareholders a reduction of the amount of legal capital surplus and the transfer of this to other capital surplus. The proposal was adopted at the annual general meeting of shareholders held on March 30, 2010. 1. Purpose and overview of reducing legal capital surplus For the purpose of ensuring flexibility and mobility of its future capital policy, Senshukai reduced the amount of legal capital surplus and transferred the same amount to other capital surplus in line with Article 448, Clause 1 of the Company Act. (1) Amount of decline in reserves Legal capital surplus: 7,000,000,000 yen of 19,864,139,367 yen (2) Increase in surplus item and amount Other capital surplus: 7,000,000,000 yen 2. Purpose and overview of treatment of surplus For the purpose of covering for the loss in retained earnings brought forward and to ensure flexibility and mobility of the capital policy, Senshukai reduced the entire amount of general reserves and transferred the same amount to retained earnings brought forward in line with Article 452 of the Company Act. (1) Decline in surplus item and amount General reserves: 13,600,000,000 yen (2) Increase in surplus item and amount Retained earnings brought forward: 13,600,000,000 yen 3. Timeline of reduction of legal capital surplus (1) Date of resolution of meeting of the Board of Directors: February 19, 2010 (2) Official start of period for creditors to state their objections: February 26, 2010 (3) Official end of period for creditors to state their objections: March 26, 2010 (4) Date of resolution of annual general meeting of shareholders: March 30, 2010 (5) Effective date: March 31, 2010	――――――

Omission of Disclosure

With respect to lease transactions, related party transactions, deferred tax accounting, financial instruments, investment securities, derivatives, retirement benefits, stock options, business combinations, and rental and other properties are not presented since the disclosure of such information is not significant in the context of the financial results.

5. Non-consolidated Financial Statements

(1) Balance Sheets

(Million yen)

	Fiscal Year 2009 (As of Dec. 31, 2009)	Fiscal Year 2010 (As of Dec. 31, 2010)
Assets		
Current assets		
Cash and deposits	6,035	7,687
Notes receivable-trade	113	130
Accounts receivable-trade	10,008	5,919
Short-term investment securities	-	8
Merchandise and finished goods	10,750	12,186
Raw materials and supplies	66	101
Advance payments-trade	1,357	881
Prepaid expenses	2,628	1,612
Deferred tax assets	673	1,059
Short-term loans receivable to subsidiaries and affiliates	1,236	420
Accounts receivable-other	7,496	8,996
Other	122	159
Allowance for doubtful accounts	(491)	(237)
Total current assets	40,000	38,925
Noncurrent assets		
Property, plant and equipment		
Buildings	28,521	28,300
Accumulated depreciation	(17,671)	(18,284)
Buildings, net	10,849	10,015
Structures	1,974	1,968
Accumulated depreciation	(1,622)	(1,654)
Structures, net	352	314
Machinery and equipment	11,881	11,533
Accumulated depreciation	(10,798)	(10,664)
Machinery and equipment, net	1,082	869
Vehicles	106	76
Accumulated depreciation	(102)	(74)
Vehicles, net	3	1
Tools, furniture and fixtures	2,506	2,390
Accumulated depreciation	(1,756)	(1,768)
Tools, furniture and fixtures, net	750	622
Land	11,006	10,893
Construction in progress	-	0
Total property, plant and equipment	24,045	22,717
Intangible assets		
Goodwill	89	-
Leasehold right	139	0
Software	1,991	1,624
Software in progress	427	1,510
Other	35	33
Total intangible assets	2,682	3,168

(Million yen)

	Fiscal Year 2009 (As of Dec. 31, 2009)	Fiscal Year 2010 (As of Dec. 31, 2010)
Investments and other assets		
Investment securities	8,262	7,210
Stocks of subsidiaries and affiliates	6,194	6,901
Long-term loans receivable	346	355
Long-term loans receivable from employees	13	7
Long-term loans receivable from subsidiaries and affiliates	2,417	1,318
Lease and guarantee deposits	935	843
Long-term prepaid expenses	89	75
Deferred tax assets	28	16
Insurance funds for directors	595	481
Long-term time deposits	3,000	3,000
Other	546	563
Allowance for doubtful accounts	(1,153)	(465)
Allowance for investment loss	(245)	(568)
Total investments and other assets	21,029	19,740
Total noncurrent assets	47,757	45,627
Total assets	87,757	84,552
Liabilities		
Current liabilities		
Notes payable-trade	1,354	1,245
Accounts payable-trade	4,980	5,802
Short-term loans payable	3,000	-
Current portion of bonds	700	700
Current portion of long-term loans payable	2,670	2,660
Accounts payable-other	5,964	6,269
Accounts payable-factoring	13,707	13,548
Accrued expenses	1,145	1,358
Income taxes payable	81	97
Accrued consumption taxes	223	113
Deposits received	529	989
Provision for sales promotion expenses	518	641
Forward exchange contracts	3,045	3,585
Other	290	382
Total current liabilities	38,211	37,394
Noncurrent liabilities		
Bonds payable	3,950	3,250
Long-term loans payable	7,025	4,365
Deferred tax liabilities for land revaluation	756	723
Total noncurrent liabilities	11,731	8,338
Total liabilities	49,943	45,732

(Million yen)

	Fiscal Year 2009 (As of Dec. 31, 2009)	Fiscal Year 2010 (As of Dec. 31, 2010)
Net assets		
Shareholders' equity		
Capital stock	20,359	20,359
Capital surplus		
Legal capital surplus	19,864	12,864
Other capital surplus	1,174	8,174
Total capital surpluses	21,038	21,038
Retained earnings		
Legal retained earnings	1,118	1,118
Other retained earnings		
Reserve for advanced depreciation of noncurrent assets	66	63
Reserve for overseas investment loss	40	40
General reserve	13,600	-
Retained earnings brought forward	(5,530)	9,368
Total retained earnings	9,294	10,591
Treasury stock	(2,774)	(2,775)
Total shareholders' equity	47,917	49,213
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(987)	(928)
Deferred gains or losses on hedges	(2,047)	(2,347)
Revaluation reserve for land	(7,067)	(7,117)
Total valuation and translation adjustments	(10,103)	(10,393)
Total net assets	37,814	38,820
Total liabilities and net assets	87,757	84,552

(2) Statements of Income

(Million yen)

	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
Net sales	136,941	125,966
Cost of sales		
Total cost of sales	75,258	66,491
Gross profit	61,682	59,475
Selling, general and administrative expenses		
Freightage and packing expenses	7,482	8,133
Promotion expenses	23,635	19,754
Sales commission	2,523	701
Provision for allowance for sales promotion expenses	518	641
Provision of allowance for doubtful accounts	264	230
Bad debts expenses	37	40
Directors’ compensations	212	214
Salaries and allowances	5,567	5,195
Bonuses	921	887
Welfare expenses	1,023	1,038
Rent expenses	1,358	1,172
Research study expenses	572	322
Commission fee	13,578	11,744
Depreciation	2,018	1,887
Other	4,315	4,557
Total selling, general and administrative expenses	64,030	56,521
Operating income (loss)	(2,347)	2,953
Non-operating income		
Interest income	64	59
Interest on securities	61	47
Dividends income	986	343
Foreign exchange gains	1,407	-
Gain on valuation of compound financial instruments	32	-
Miscellaneous income	215	228
Total non-operating income	2,767	678
Non-operating expenses		
Interest expenses	222	188
Interest on bonds	64	67
Foreign exchange losses	-	220
Loss on valuation of compound financial instruments	-	147
Bond issuance cost	127	-
Commission fee	450	-
Miscellaneous loss	172	140
Total non-operating expenses	1,037	764
Ordinary income (loss)	(617)	2,867

(Million yen)

	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
Extraordinary income		
Gain on sales of noncurrent assets	0	13
Gain on sales of investment securities	-	4
Gain on liquidation of subsidiaries	-	35
Total extraordinary income	0	52
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	72	213
Loss on valuation of investment securities	573	253
Loss on sales of investment securities	517	77
Provision of allowance for doubtful accounts	631	188
Provision of allowance for investment loss	245	323
Loss on valuation of stocks of subsidiaries and affiliates	580	165
Impairment loss	247	337
Loss on liquidation of business	-	150
Other	-	100
Total extraordinary losses	2,868	1,809
Income (loss) before income taxes	(3,485)	1,110
Income taxes-current	24	23
Income taxes-deferred	155	(419)
Total income taxes	179	(395)
Net income (loss)	(3,664)	1,506

(3) Statements of Changes in Net assets

(Million yen)

	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	20,359	20,359
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	20,359	20,359
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	19,864	19,864
Changes of items during the period		
Transfer to other capital surplus from legal capital surplus	-	(7,000)
Total changes of items during the period	-	(7,000)
Balance at the end of current period	19,864	12,864
Other capital surplus		
Balance at the end of previous period	1,174	1,174
Changes of items during the period		
Disposal of treasury stock	(0)	(0)
Transfer to other capital surplus from legal capital surplus	-	7,000
Total changes of items during the period	(0)	6,999
Balance at the end of current period	1,174	8,174
Total capital surplus		
Balance at the end of previous period	21,038	21,038
Changes of items during the period		
Disposal of treasury stock	(0)	(0)
Transfer to other capital surplus from legal capital surplus	-	-
Total changes of items during the period	(0)	(0)
Balance at the end of current period	21,038	21,038
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	1,118	1,118
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	1,118	1,118
Other retained earnings		
Reserve for advanced depreciation of noncurrent assets		
Balance at the end of previous period	69	66
Changes of items during the period		
Reversal of reserve for advanced depreciation of noncurrent assets	(3)	(3)
Total changes of items during the period	(3)	(3)
Balance at the end of current period	66	63
Reserve for overseas investment loss		
Balance at the end of previous period	36	40
Changes of items during the period		
Provision of reserve for overseas investment loss	7	3
Reversal of reserve for overseas investment loss	(3)	(2)
Total changes of items during the period	3	0
Balance at the end of current period	40	40

(Million yen)

	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
General reserve		
Balance at the end of previous period	13,600	13,600
Changes of items during the period		
Reversal of general reserve	-	(13,600)
Total changes of items during the period	-	(13,600)
Balance at the end of current period	13,600	-
Retained earnings brought forward		
Balance at the end of previous period	(1,129)	(5,530)
Changes of items during the period		
Reversal of reserve for advanced depreciation of noncurrent assets	3	3
Provision of reserve for overseas investment loss	(7)	(3)
Reversal of reserve for overseas investment loss	3	2
Reversal of general reserve	-	13,600
Dividends from surplus	(700)	(259)
Net income (loss)	(3,664)	1,506
Reversal of revaluation reserve for land	(35)	49
Total changes of items during the period	(4,400)	14,899
Balance at the end of current period	(5,530)	9,368
Total retained earnings		
Balance at the end of previous period	13,695	9,294
Changes of items during the period		
Reversal of reserve for advanced depreciation of noncurrent assets	-	-
Provision of reserve for overseas investment loss	-	-
Reversal of reserve for overseas investment loss	-	-
Reversal of general reserve	-	-
Dividends from surplus	(700)	(259)
Net income (loss)	(3,664)	1,506
Reversal of revaluation reserve for land	(35)	49
Total changes of items during the period	(4,400)	1,296
Balance at the end of current period	9,294	10,591
Treasury stock		
Balance at the end of previous period	(631)	(2,774)
Changes of items during the period		
Purchase of treasury stock	(2,142)	(0)
Disposal of treasury stock	0	0
Total changes of items during the period	(2,142)	(0)
Balance at the end of current period	(2,774)	(2,775)
Total shareholders' equity		
Balance at the end of previous period	54,461	47,917
Changes of items during the period		
Dividends from surplus	(700)	(259)
Net income (loss)	(3,664)	1,506
Purchase of treasury stock	(2,142)	(0)
Disposal of treasury stock	0	0
Reversal of revaluation reserve for land	(35)	49
Total changes of items during the period	(6,543)	1,296
Balance at the end of current period	47,917	49,213

(Million yen)

	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)	Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	(1,223)	(987)
Changes of items during the period		
Net changes of items other than shareholders' equity	235	59
Total changes of items during the period	235	59
Balance at the end of current period	(987)	(928)
Deferred gains or losses on hedges		
Balance at the end of previous period	(2,038)	(2,047)
Changes of items during the period		
Net changes of items other than shareholders' equity	(9)	(299)
Total changes of items during the period	(9)	(299)
Balance at the end of current period	(2,047)	(2,347)
Revaluation reserve for land		
Balance at the end of previous period	(7,103)	(7,067)
Changes of items during the period		
Net changes of items other than shareholders' equity	35	(49)
Total changes of items during the period	35	(49)
Balance at the end of current period	(7,067)	(7,117)
Total valuation and translation adjustments		
Balance at the end of previous period	(10,364)	(10,103)
Changes of items during the period		
Net changes of items other than shareholders' equity	261	(290)
Total changes of items during the period	261	(290)
Balance at the end of current period	(10,103)	(10,393)
Total net assets		
Balance at the end of previous period	44,096	37,814
Changes of items during the period		
Dividends from surplus	(700)	(259)
Net income (loss)	(3,664)	1,506
Purchase of treasury stock	(2,142)	(0)
Disposal of treasury stock	0	0
Reversal of revaluation reserve for land	(35)	49
Net changes of items other than shareholders' equity	261	(290)
Total changes of items during the period	(6,282)	1,006
Balance at the end of current period	37,814	38,820

Going Concern Assumption

Not applicable.

6. Other

(1) Changes in Members of Board of Directors

1) Changes in Representative Director

The change in Representative Director was already disclosed on November 26, 2010.

2) Changes in Other Directors and Executive Officers (as of March 30, 2011)

- Candidate for Auditors

(Full-time) Auditor: Yoshihiro Nakabayashi (current Executive Officer)

(Full-time) Auditor: Makoto Yamamoto (current Executive Officer)

- Retiring Auditors

(Full-time) Auditor: Shoji Tottori

(Full-time) Auditor: Yoshihiro Inoda

- Retiring Executive Officers

Executive Officer: Yoshihiro Nakabayashi

Executive Officer: Makoto Yamamoto

(2) 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

a. Sales by business segment

(Million yen)

By business segment	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)		Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)		Change
	Amount	Share (%)	Amount	Share (%)	
Mail-order business	130,967	88.9	118,227	86.4	(12,740)
Other businesses	16,325	11.1	18,632	13.6	2,307
Total	147,292	100.0	136,859	100.0	(10,433)

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

b. Sales by type

(Million yen)

By type	Fiscal Year 2009 (Jan. 1, 2009 – Dec. 31, 2009)		Fiscal Year 2010 (Jan. 1, 2010 – Dec. 31, 2010)		Change
	Amount	Share (%)	Amount	Share (%)	
Apparel	58,575	39.7	51,797	37.8	(6,778)
Interior goods	29,312	19.9	27,501	20.1	(1,810)
Household goods	21,495	14.6	19,426	14.2	(2,068)
Fashion accessories	15,129	10.3	13,781	10.1	(1,348)
Foods	5,728	3.9	5,378	3.9	(349)
Others	17,051	11.6	18,974	13.9	1,922
Total	147,292	100.0	136,859	100.0	(10,433)

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

** 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.*