(Translation)

Stock code: 8165

March 10, 2009

NOTICE OF THE 64th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholder

You are cordially invited to attend the 64th Ordinary General Meeting of Shareholders of Senshukai Co., Ltd. (“the Company”), which will be held as described hereunder.

If you are unable to attend the meeting, you may exercise your voting right in writing or via the Internet. Please review the attached reference materials for General meeting of shareholders and exercise your voting right with the “Procedure for Exercising Voting Rights” on page 3.

Sincerely yours,

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

MEETING AGENDA

1. Date and Time: 10:00 a.m., Friday, March 27, 2009

2. Venue: Hall on the second floor of Senshukai Head Office, 1-8-9 Doshin, Kita-ku, Osaka

3. Agenda:

Items to be reported:

1. Business Report, Consolidated Financial Statements for the 64th fiscal year (January 1 to December 31, 2008); and Audit Reports of the Accounting Auditors and the Board of Corporate Auditors regarding Consolidated Financial Statements for the 64th fiscal year.
2. Financial Statements for the 64th fiscal year (January 1 to December 31, 2008).

Items to be proposed:

Proposal 1 Appropriation of retained earnings

Proposal 2 Partial amendments to the Articles of Incorporation

Proposal 3 Election of nine (9) Directors

Proposal 4 Election of one (1) substitute Corporate Auditor

Proposal 5 Grant of retirement benefits to retiring Directors and payment of retirement benefits attendant upon the abolition of the retirement benefit system

If attending the meeting in person, please present your voting form at the reception desk.
We will post any corrections to the reference documents for the General Shareholders Meeting, business reports, consolidated financial statements, or financial statements on our website (http://www.senshukai.co.jp/soukai).

[This is an English translation prepared for the convenience of non-resident shareholders.
Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.]

Procedure for Exercising Voting Rights

1. Voting by Mail

Please indicate your approval or disapproval of the proposal on the enclosed voting form and return it to us. All forms must be received by no later than 17:30, Thursday, March 26, 2009, the day before the Ordinary General Meeting of Shareholders.

2. Voting by electromagnetic methods such as the Internet

(1) Please access the dedicated voting website at http://www.webdk.net, input the voting right exercise code and provisional password written in the enclosed voting form, and register your approval or disapproval of the proposals by following the on-screen instructions.

(2) Online votes will be accepted until 17:30, Thursday, March 26, 2009, the day before the Ordinary General Meeting of Shareholders. However, shareholders are kindly requested to register their online votes as early as possible to facilitate the counting of online votes.

(3) If shareholders duplicate the vote, such as by exercising the voting rights both by mail and via the Internet, we will consider only the Internet vote to be valid.

(4) If you vote more than once over the Internet, or vote both over the internet and using cellular phone, we will consider the latest vote to be valid.

(5) Any fees, such as connection fees to Internet providers or any telecommunication fees to the telecommunication companies incurred by shareholders in using the dedicated voting website, are to be borne by the shareholders.

(6) The following system requirements are necessary to access the dedicated voting website:

(i) Internet access; and

(ii) Shareholders choosing to exercise their voting rights using a PC should note that the website only supports the following browser software: Microsoft® Internet Explorer 5.5 SP2 or above, Netscape 6.2 or above. The website supports any hardware platform running the browser software specified above.

(Microsoft® is a registered trademark in the United States and other countries of Microsoft Corporation. Netscape® is a registered trademark in the United States and other countries of Netscape Communications Corporation.)

For more information about the foregoing items 1 and 2, please contact the Stock Transfer Agency Department of The Sumitomo Trust & Banking Co., Ltd

Tel: 0120-186-417 (toll-free and available 24 hours. Japanese language only.)

<For other inquiries, including requests for forms>

Tel: 0120-176-417 (toll-free and available from 9:00 a.m. to 5:00 p.m. on weekdays)

3. To institutional investors

You can exercise your voting rights through electronic voting platforms (TSE platforms) as a means of exercising voting rights by electromagnetic means at the General Meeting of Shareholders.

[Appendix to notice of the 64th ordinary general meeting of shareholders of Senshukai Co., Ltd.]

Business Report

(January 1 to December 31, 2008)

1. Summary of Operations

(1) Senshukai Group operating progress and results

Overview

During the fiscal year ended December 31, 2008, corporate performances rapidly became worse in Japan due to sharp declines in the stock markets and abrupt foreign exchange fluctuations because of the issue of the U.S. subprime mortgage crisis and an unprecedented global financial crisis originating in the failure of Lehman Brothers Holdings Inc. Also, the employment and personal income environments became harsher, and the economy has been showing signs of deterioration. In the retail industry, consumer spending is sluggish due to consumers' preference for saving and their growing awareness of the need to protect their lifestyles, resulting from substantial fluctuations in prices of various kinds of resources and a worsening of the economy. In the mail-order industry, consumer spending still lacks power although Internet-order sales are growing thanks to purchases of products that can be enjoyed at home. The mail-order industry is also affected by unseasonable weather, in addition to the relative merits and difference between business categories as well as between companies. In this difficult business environment, price-cutting competition will further intensify and consumers will become more selective about products and services. Thus, uncertainty over the future is expected to remain.

Under these circumstances, the Senshukai Group has been promoting the priority strategies defined in newly started the Medium-Term Management Plan covering the three fiscal years from 2008 to 2010.

As a result of these activities, the Senshukai Group's consolidated net sales amounted to 158,285 million yen, an increase of 1.0% year-on-year.

On the profit front, operating income decreased by 54.4% year-on-year to 2,413 million yen because of the slight rise in the cost-to-sales ratio and the increase in the ratio of the selling, general and administrative expenses, including catalogue expenses. Ordinary loss amounted to 4,553 million yen (against ordinary income of 5,626 million yen in the previous fiscal year) due to a loss on revaluation of compound instruments of approximately 1,300 million yen and a foreign exchange loss of approximately 5,900 million yen, attributable to the rapid appreciation of the yen and stock price falls resulting from concerns about the financial instability. Net loss of 6,833 million yen (against a net income of 2,494 million yen in the previous fiscal year) was posted, as we booked a loss on sale or retirement of fixed assets of approximately 700 million yen, a loss on revaluation of investment securities of approximately 500 million yen due to impairment treatment following the sharp declines in stock quotations, and unfortunately, a loss on prior period adjustment of approximately 900 million yen because of the revision of the settlement of accounts of the previous fiscal year attendant upon the review of hedge accounting.

Business results by segment

[Mail-order Business]

The mail-order business, which consists of catalogue and buyer's club businesses, posted net sales of 144,585 million yen (down 0.7% year-on-year), and operating income of 2,866 million yen (down 48.8% year-on-year).

(1) Catalogue Business

In the catalogue business, we currently deliver various lifestyle proposals and products that are unique to Senshukai through 18 kinds of catalogues.

Since the start of the catalogue business in 1976, we have delivered merchandise in various categories ranging from clothing sundries, interior goods and household miscellaneous goods to maternity goods and children's clothing, centering on fashion clothes, in accordance with the needs of our members, and our products have been favorably accepted.

In the fiscal year under review, sales of the catalogue business remained relatively favorable until the third quarter. However, sales continued to post a year-on-year decrease from October due to a rapid plunge in consumer spending as a result of the global financial crisis. As a result, the catalogue business posted consolidated net sales of 131,886 million yen (down 0.1% year-on-year).

(2) Buyer's Club Business

In the buyer's club business, each month we deliver merchandise to group and individual members, mainly women working in offices, under an original sales system which is different from those of other mail-order sales companies.

The products we deliver comprise a variety of items that are largely for collection purposes, primarily sundries and foodstuffs. Most of them feature originality that other products on the market lack.

We started the "workplace group BOX (Chokotabe (snack) BOX)" business in the previous term as a measure to restructure the buyer's club business, expanding workplace liaison counters. The number of such Boxes reached approximately 21,000. However, both sales and membership of the buyer's club business decreased from a year earlier.

The buyer's club business posted consolidated net sales of 12,698 million yen (down 6.9% year-on-year).

*Following an organizational change, some media were mutually transferred between the catalogue business and the buyer's club business in the fiscal year under review. The year-on-year changes in numerical values are based on the standards after the transfer.

[Other Businesses]

Other businesses that consist of the service business (with travel services and credit-card as the core fields), storefront business, pet business, B-to-B operations that provide products and services to corporations, and Dears Brain Inc., an owner and operator of residence-like wedding places, which was turned into a consolidated subsidiary in the latter half of the current fiscal year, posted consolidated net sales of 13,699 million yen (up 23.1% year-on-year). However, an operating loss of 439 million yen was posted (an increase of 146 million yen in loss from the previous fiscal year).

Net sales by business segment (Millions of yen)

Name of the segment and product	63rd fiscal year (Jan. 1 to Dec. 31, 2007)		64th fiscal year (Jan. 1 to Dec. 31, 2008)		Change from the previous fiscal year	Year-on-Year (%)
	Amount	% of total	Amount	% of total		
Mail-order Business:						
Apparel	59,347	37.9	61,373	38.8	2,025	3.4
Interior goods	36,256	23.1	34,613	21.9	-1,643	-4.5
Household sundries	24,364	15.5	23,502	14.8	-861	-3.5
Clothing sundries	17,709	11.3	16,867	10.6	-842	-4.8
Foodstuffs	6,409	4.1	6,150	3.9	-258	-4.0
Others	1,576	1.0	2,079	1.3	502	31.9
Subtotal	145,664	92.9	144,585	91.3	-1,078	-0.7
Other Businesses:	11,128	7.1	13,699	8.7	2,571	23.1
Total	156,792	100.0	158,285	100.0	1,493	1.0

Note: In the mail-order business, we disclosed net sales by item, focusing on the buyer's club business, in the previous consolidated fiscal year. However, we changed to net sales by item, with the focus on the catalogue business, since the catalogue business now accounts for the most part of net sales.

(2) Capital expenditures

In the consolidated fiscal year under review, the Senshukai Group invested a total of 2,597 million yen in capital expenditures including 1,441 million yen for head office building, and 614 million yen to develop computer systems, etc.

(3) Fund procurement

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

(4) Issues to be handled

The Senshukai Group has established the Medium-Term Management Plan covering the three fiscal years to the year ending December 31, 2010 (the 66th term).

1) "Basic Policies of the Medium-Term Management Plan"

i) Promoting channel mix

We will aim to obtain synergistic effect, aimed at essential merger of channels, not mere expansion of the number of channels, and speedup, by further pushing forward with "promotion of multi channels," which was put up under the previous Medium-Term Management Plan.

ii) Developing multi-brand strategy

We will shift to a "multi-brand strategy," under which plural brands that match customer base and merchandise category to be handled are operated, so that the value of the "Bell Maison" brand itself will not be damaged as a result of excessive utilization of the brand when we strive to acquire customers in some age groups, who have been difficult to be obtained with the Bell Maison brand alone, and to diversify operations (expansion of groups of merchandise and services).

iii) Expanding customer base

We will endeavor to increase the number of customers in their 50s or older by developing merchandise and media for the senior market. We will also aim to expand customers in their 20s. To that end, we will maintain customers in their 20s as a whole by strengthening to get concentrating resources on customers aged 25 to 29, while aiming to get customers aged 20 to 24 in the long term by utilizing such new media as the Internet, mobile communications and magazines based on business alliances with other companies and M&A.

iv) Enhancing SCM (supply-chain management)

Recognizing the improvement of cash flows that have aggravated due to increased inventories as the most important challenge, we will facilitate inventories through restructuring of the management system and further reinforce SCM.

2) Status of initiatives in the consolidate fiscal year under review

i) Promoting channel mix

Starting from the fiscal year under review, each business divisions has the channel control function, manages sales by channel and formulates Internet and store policies to promote channel mix. Overall Internet-based sales amounted to 66,300 million yen in the current term (of which, net online sales stood at 37,300 million yen). We opened five new “Kurasu Fuku” shops, which brought the total to six. We will aim to further deepen channels.

ii) Developing multi-brand strategy

We definitely position the Bell Maison brand as a brand including not only catalogue but also Web-order sales, and foster brands other than Bell Maison to enhance the value of both groups of brands, aiming to eventually raise the value of the Senshukai Group as a whole.

iii) Expanding customer base

Customers in their 20s: We changed the Web site of the Company to specialize by product category in August to develop customers in their 20s. We also opened a new Web site for those in their 20s, dubbed “bellissi.” We plan to renew the Fashion Plus catalogue in fiscal 2009. Through these efforts, we will provide a selection of products featuring reliable quality and price value.

Customers in their 50s: With regard to customers in their 50s, we aim to acquire new members and maintain existing members by making the most of the sales leaflets of the Kurasu Fuku catalogue and expanding the sizes and tastes of StyleNote and Rashisa.

iv) Enhancing SCM (supply-chain management)

The ratio of the number of orders received to the number of products shipped and the instant supply ratio worsened from the previous fiscal year. However, inventories of catalogue merchandise decreased about 2,600 million yen year-on-year through such measures as controlling any excessive arrival of goods by installment delivery and speedily implementing bargain sales after the expiration of catalogue period. We will continue to strive to improve cash flows by normalizing inventory levels.

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

Accordingly, we will enhance our corporate governance by clarifying the scope of supervisory roles of Directors, strengthening our compliance system, and promoting quick and accurate information disclosure.

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

We look forward to your continuous support and encouragement.

(5) Trends in financial position and gain and loss

(Millions of yen)

Items \ Fiscal year	The 61st (ended Dec. 2005)	The 62nd (ended Dec. 2006)	The 63rd (ended Dec. 2007)	The 64rh (ended Dec. 2008)
Net sales	145,453	148,150	156,792	158,285
Ordinary income (or loss)	3,962	5,240	5,626	-4,553
Net income (or loss)	1,267	3,627	2,494	-6,833
Net income per share (or loss) (yen)	27.44	78.81	53.60	-146.29
Total assets	92,788	95,508	98,422	104,059
Net assets	52,519	55,708	55,955	44,274
Net assets per share (yen)	1,143.12	1,207.89	1,197.62	947.19

Note : "Accounting Standards for Indication of Net Assets of Balance Sheet" (Corporate Accounting Standard No. 5, December 9, 2005) and "Guidelines for application of corporate accounting standards, etc.) (Corporate Accounting Standards Application Guideline No. 8, December 9, 2005) have been applied since the 62nd fiscal year.

As "Net Asset" in the above table, the total amount of Shareholders' Equity is presented for the 61st term, while the total amount of Net Assets is stated for the 62nd term and thereafter.

(6) Status of the important parent company and subsidiaries

i) Relationship with the parent company

No applicable items

ii) Major subsidiaries

Company name	Capital (Millions of yen)	Percentage of voting rights of the Company (%)	Major business
Senshukai General Service Co., Ltd.	496	100	Travel services, information services
Dears Brain Inc.	350	98.2	Residence-like wedding business
Senshu Unyu Co., Ltd.	99	100	Truck transportation business
Senshu Logisuko Co., Ltd.	95	100	Packing and wrapping business
Senshukai Call Center Co., Ltd.	60	100	Planning and executing telephone marketing
Senshukai Service Hanbai Co., Ltd.	50	100	Customer service and area marketing business

Senshukai Co., Ltd. owns a total of thirteen consolidated subsidiaries, including the six major subsidiaries described above.

Dears Brain Inc., which had been an affiliate under the equity-method, became a consolidated subsidiary following the additional acquisition of shares in May 2008.

For fiscal under review, the Company posted consolidated net sales of 158,285 million yen and net loss of 6,833 million yen.

(7) Major business

The Senshukai Group operates a mail-order business as its core business, and is also engaged in other related businesses such as the retail business (including retail stores), the service business (including the wedding business and travel service) and related businesses, including B-to-B operations that provide products and services to corporations.

(8) Principal offices

Senshukai Co., Ltd.	Head Office:	Kita-ku, Osaka
	Tokyo Head Office:	Shinagawa-ku, Tokyo
Senshukai General Service Co., Ltd.	Head Office:	Kita-ku, Osaka
	Tokyo branch:	Shinagawa-ku, Tokyo
Dears Brain Inc.	Head Office:	Chiyoda-ku, Tokyo
Senshu Unyu Co., Ltd.	Head Office:	Ibaraki-shi, Osaka
Senshu Logisuko Co., Ltd.	Head Office:	Kita-ku, Osaka
	Kanuma branch office:	Kanuma-shi, Tochigi
	Chubu branch office:	Kani-shi, Gifu
	Kyoto branch office:	Kyotanabe-shi, Kyoto
	Koshien branch office:	Nishinomiya-shi, Hyogo
Senshukai Call Center Co., Ltd.	Head Office:	Kita-ku, Osaka
Senshukai Service Hanbai Co., Ltd.	Head Office:	Kita-ku, Osaka

(9) Employees of Senshukai Group

1) Consolidated basis

Segment	Number of employees	Change from the previous fiscal year
Mail-order Business	1,024	35
Other businesses	370	155
Other staff (consolidated basis)	104	3
Total	1,498	193

Notes:

1. The number of employees includes regular and contract staff.
2. The number of employees in other businesses increased by 155 from the figure at the end of the previous consolidated fiscal year, mainly due to the inclusion of Dears Brain Inc., which had been an affiliate, in the scope of consolidation following the additional acquisition of shares in May 2008.

2) Senshukai Co., Ltd.

Number of employees	Change from the previous fiscal year	Average age	Average service years
785 (149)	18 (32)	37.9	11.0

Notes:

1. The number of employees includes regular and contract staff, but does not include (87) employees seconded to subsidiaries.
2. The figure in parenthesis in the column of the number of employees is the annual average number of temporary employees (converted assuming the employees work 7.5 hours per day).
3. The retirement age of employees is 60.

(10) Major creditors

Creditors	Borrowings outstanding (Millions of yen)
Sumitomo Mitsui Banking Corp.	5,494
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,553
Mizuho Bank, Ltd.	3,120
The Sumitomo Trust & Banking Co., Ltd.	1,300
Resona Bank, Limited.	550

2. Items regarding shares of the Company

(1) Total number of shares authorized to be issued: 180,000,000

(2) Total number of shares outstanding: 47,630,393

(3) Number of shareholders: 10,387

(4) Major shareholders

There are no shareholders that hold at least one tenth of the total number of shares outstanding (except for treasury stock). The status of the major shareholders is as follows:

Name	Shareholders' investment in the Company	
	No. of shares held (thousands)	Investment ratio (%)
Brestsheave Co., Ltd.	3,650	7.81
Nikko Principal Investments Japan Ltd.	3,400	7.28
Toppan Printing Co., Ltd.	1,838	3.94
Sawzan, Ltd.	1,792	3.84
Sumitomo Mitsui Banking Corp.	1,665	3.57
Dai Nippon Printing Co., Ltd.	1,509	3.23
Japan Trustee Services Bank, Ltd. (Trust account 4G)	1,480	3.17
Mizuho Bank, Ltd.	1,319	2.83
Nippon Life Insurance Company	988	2.12
Senshukai Group Employee Stock Ownership Plan	825	1.77

Notes:

1. Amounts less than one thousand shares have been omitted.
2. The investment ratio is calculated by subtracting treasury stock (917,908 shares).

3. Items regarding stock acquisition rights of the Company

No applicable items

4 Directors and Corporate Auditors

(1) Name of Directors and Corporate Auditors (As of December 31, 2008)

Title	Name	Position and principal duty in the Company, or major occupation
President and Representative Director	Yasuhiro Yukimachi	
Senior Managing Director	Kiichi Tagawa	In charge of Business Division (Fashion Business Division, Lifestyle Business Division, Childcare Business Division, Monthly Business Division, Gift & Gourmet Business Division, International Department, Belle Maison Lifestyle Laboratory, Atopurame Development Section)
Senior Managing Director	Michio Tanabe	In charge of Corporate Development Division and Administration Division (Corporate Planning Department, General Affairs Division, Operation Division, Marketing Division, Production Division, Sales Department, Creative Research & Development Section)
Managing Director	Shohachi Sawamoto	In charge of Tokyo Head Office (Tokyo Business Division, Tokyo General Affairs and Public Relations Department)
Director and Managing Executive Officer	Kazuhide Fujiyoshi	General Manager of General Affairs Division
Director and Managing Executive Officer	Mamoru Asada	General Manager of Lifestyle Business Division
Director	Tomoko Oishi	Professor of Kyoto Gakuen University, Faculty of Business Administration
Director	Toshikatsu Sano	
Standing Corporate Auditor	Shoji Tottori	
Standing Corporate Auditor	Yoshihiro Inoda	
Corporate Auditor	Hideyuki Koizumi	Certified Public Accountant (Representative of Koizumi C.P.A. Office)
Corporate Auditor	Hiroshi Morimoto	Lawyer (Representative member of Kitahama Law Office L.P.C.)

Notes:

1. Director Tomoko Oishi and Toshikatsu Sano are external Directors.
2. Corporate Auditors Hideyuki Koizumi and Hiroshi Morimoto are external Corporate Auditors.
3. External Corporate Auditor Hideyuki Koizumi is qualified as certified public accountant and has considerable knowledge regarding finance and accounting.
4. Managing Directors Kiichi Tagawa and Michio Tanabe became Senior Managing Directors and Directors and Executive Officers Kazuhide Fujiyoshi and Mamoru Asada became Directors and Managing Executive Officers as of March 28, 2008.
5. Changes in "Position and principal duty in the Company, or major occupation" of Directors attendant upon the organizational change as of June 1, 2008 are as follows:

Title	Name	Before reorganization	After reorganization
Director and Managing Executive Officer	Kazuhide Fujiyoshi	General Manager of General Affairs Division and Corporate Development Division	General Manager of General Affairs Division

(2) Resigned Director during the business year under review

Name	Date of resignation	Reason for resignation	Title as of resignation
Koichi Horii	March 28, 2008	termination of a term	Senior Managing Director
Kiyoshi Kubota	March 28, 2008	termination of a term	Director

(3) Total of compensation paid to Directors and Corporate Auditors

	Number of Directors and Corporate Auditors	Amount (Millions of yen)
Directors [of which external Directors)	10 [2]	200 [13]
Corporate Auditors [of which external Corporate Auditors]	4 [2]	40 [10]
Total [of which external Directors and external Corporate Auditors]	14 [4]	241 [23]

Notes:

1. The amount of compensation paid to Directors does not include salaries for employees paid to Directors who concurrently serve as employees.
2. The number of Directors, to whom compensation was paid, and the amount of compensation paid to Directors respectively include two Directors who retired from their office at the end of the 63rd Ordinary General Meeting of Shareholders, held on March 28, 2008, and the amount of compensation paid to them.
3. It was resolved at the 62nd Ordinary General Meeting of Shareholders, held on March 29, 2007, that the maximum amount of remuneration to be paid to Directors in total per year shall not exceed 400 million yen (however, not including salaries for employees).
4. It was resolved at the 62nd Ordinary General Meeting of Shareholders, held on March 29, 2007, that the maximum amount of remuneration to be paid to Corporate Auditors in total per year shall not exceed 70 million yen.
5. Other than the aforementioned, retirement benefits of 76 million yen were paid to two retiring Directors, based on a resolution made at the 63rd Ordinary General Meeting of Shareholders, held on March 28, 2008. Also, if "Grant of retirement benefits to retiring Directors and payment of retirement benefits attendant upon the abolition of the retirement benefit system," which is planned to be submitted to the 64th Ordinary General Meeting of Shareholders, to be held on March 27, 2009, is approved, a total of 301 million yen will be paid to one Director, who will retire from his office at the end of this general meeting, and five Directors subject to the payment of retirement benefits attendant upon the abolition of the retirement benefit system.

(4) Items regarding external Directors and external Corporate Auditors

A. Positions concurrently held in other companies, including position as executive director

- Corporate Auditor Hideyuki Koizumi concurrently serves as external corporate auditor of Japan Cash Machine Co., Ltd.
- Corporate Auditor Hiroshi Morimoto concurrently serves as external corporate auditor of Japan Cash Machine Co., Ltd.

B. Major activities in the business year under review

	Major activities
Director Tomoko Oishi	She attended 27 of the 30 meetings of the Board of Directors held in the business year under review. She gives advice and proposals for ensuring validity and appropriateness of decision-making of the Board of Directors, offering opinions mainly based on her insight and experience on working women, our main customers, as a professor acquired familiarity with labor issues for women over many years.
Director Toshikatsu Sano	He attended 22 of the 23 meetings of the Board of Directors held in the business year under review after taking office. He has successively served as director mainly at financial-related companies, and gives advice and proposals for ensuring validity and appropriateness of decision-making of the Board of Directors, offering opinions from the perspective of corporate manager based on his wealth of knowledge, experience, etc.
Corporate Auditor Hideyuki Koizumi	He attended 28 of the 30 meetings of the Board of Directors and all of the nine meetings of the Board of Corporate Auditors held in the business year under review. He gives opinions for ensuring validity and appropriateness of decision-making of the Board of Directors at the meetings of the Board of Directors from the professional standpoint as a certified public accountant. Also, he properly offers necessary views about the accounting procedure of the Company at the meetings of the Board of Corporate Auditors.
Corporate Auditor Hiroshi Morimoto	He attended 26 of the 30 meetings of the Board of Directors and all of the nine meetings of the Board of Corporate Auditors held in the business year under review. He gives opinions for ensuring validity and appropriateness of decision-making of the Board of Directors at the meetings of the Board of Directors from the professional standpoint as a lawyer. Also, he properly offers necessary views about compliance of the Company at the meetings of the Board of Corporate Auditors.

C. Outline of the details of the agreement to limit liability

Pursuant to Article 427, Paragraph 1 of the Corporation Law, the Company and its external Directors and external Corporate Auditors conclude an agreement to limit their liability for compensation as stipulated in Article 423, Paragraph 1 of the said law. The limit of liability for compensation under the relevant agreement is the minimum amount provided for in Article 423, Paragraph 1 of the Corporation Law.

5. Item regarding independent accounting auditors

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

(2) Compensation for the independent accounting auditor:

(i): Compensation, etc. for the independent accounting auditors for the current fiscal year.
30 million yen

(ii): The total fiscal benefit that should be paid by the company and its subsidiaries
40 million yen

Notes:

1. Compensation, etc. in (i) is written in total amount, because in agreement with independent accounting auditors clear classification of compensation amounts based on the Corporation Law and those based on the Financial Instruments and Exchange Law is difficult.
2. Ernst & Young ShinNihon became Ernst & Young ShinNihon LLC, as it shifted to a limited liability auditing firm as of July 1, 2008.

(3) Details of non-auditing services

Advice on the establishment of an internal control system regarding financial reporting, etc.

(4) Policy on decision to discharge or not to reappoint accounting auditor

The Board of Directors shall make discharging or not reappointing the accounting auditor the purpose of a General Meeting of Shareholders after obtaining the consent of the Board of Corporate Auditors, or based on the demand of the Board of Corporate Auditors, mentioned below, when it recognizes necessity for doing so, including a case in which performance of duties by the accounting auditor is hindered.

When the accounting auditor falls under any of the items in Article 340, Paragraph 1 of the Corporation Law, the Board of Corporate Auditors shall discharge the accounting auditor based on the consent of all Corporate Auditors. In this case, a Corporate Auditor selected by the Board of Corporate Auditors shall report the discharge of the accounting auditor and the reason for discharge at the first General Meeting of Shareholders to be held after the discharge.

6. The system to assure appropriateness of the business activities

The Company made a resolution on the basic strategy for the internal control system, and provision of it, as follows, at the meeting of the Board of Directors based on the provisions of Article 362, Paragraph 4, No. 6 and Paragraph 5 of the Corporation Law and has been executing it.

(1) Basic ideas on the internal control system

The Company Group acknowledges that "corporate governance" is essential in its corporate activities as stated in 1. Summary of Operations (4) Issues to be addressed and aims to prepare the internal control system for it, strengthen compliance, improve efficiency in business execution and establish a risk control system. The Company Group reviewed part of the details of (2) 1) and 4) mainly, and will review the internal control system according to demand of society or change in the environment, as required, to improve and enrich it.

(2) Specifics of the internal control system

1) A system to assure that execution of duties of the directors and employees complies with the laws and the Articles of Incorporation

We have provided guidelines for routine actions and internal compliance training for the directors and employees as required. Also, responsibilities for intellectual property and products, which are important themes in the Company, are checked by the specialized department. Moreover, the "Senshukai Group Compliance Policies" have been established, and the corporate ethics helpline has been opened, and if any compliance issues arise in any directors and employees, each one will be discussed and examined in the Audit Committee and the Corporate Ethics Compliance Committee.

The Audit Department has been established within the Legal Division, which supervises compliance. The Audit Department operates and evaluates internal control over financial reporting, and conduct internal audit in order to assess the status of business operations to improve them, and they are reported to the president.

2) The system for storage and management of information related to execution of duties of the directors

Documents are stored and managed fully based on the document handling rules, etc. and important confidential items are strictly managed according to the confidential document handling rules. Also this information is accessible by the directors and corporate auditors at all times on the Intranet (internal network). Also, any revision of important rules is to be made with the approval of the Board of Directors.

3) The rules for management of risk of loss and other systems

We have classified risks concerning the basis of management into ten categories, and clarified the control system by establishing a division or a committee for each risk category, so that responses can be made quickly when trouble occurs. Any risk is to be reported to the "Risk Management Control Committee," comprising the members of the Board of Directors. Also, we have prepared a manual for each risk category and established a system to take concrete measures. For the system against unexpected situations of any directors, we have established rules and a system to execute operations smoothly on their behalf.

4) A system to assure efficient execution of duties of the directors

In order to improve transparency of the Board of Directors and to strengthen the supervisory function, an external director (part-time service) system has been implemented. In addition, an executive officer system and business division system has been introduced in order to speed up and streamline the decision-making process of the management. Also, a "Management Council" mainly made up of full-time directors and a "Council of Division General Managers" made up of general managers of divisions has been established separate from the Board of Directors to enable quick decision-making. Executive officers take office as general mangers of business divisions, in principle, and Directors with managerial positions supervise and give guidance to each general manager of division, as Directors in charge.

Company rules and rules for liquidation items have been set up to improve efficiency of business activities by clarifying the roles of the Board of Directors, Management Council, Council of Division General Managers, Board of Corporate Auditors or other parties duty positions of the employees, duty allotment, official authority, roles, decision authority. Also, we have implemented a technique that utilizes BSC (Balance Score Cards) effectively supporting determination of organization performance monitoring and evaluation indexes, and constructed a system to conduct reviews and to gather feedback of results by the Management Council.

5) A system to assure appropriateness of business activities in the corporate group consisting of the Company and the subsidiaries

The Company and the group companies have established affiliated company management regulations. Lead offices for each affiliated companies are set in the Company, and check the important items of the subsidiaries. We also aim to rationalize the business activities as the group at large giving guidance, advice and evaluation in close cooperation in directions, instructions and communication between the parent company and the subsidiaries. We also hold regular meetings between the incorporated auditing firm and the directors of the Company to exchange opinions about the entire group's situation. On the other hand, we have established rules common to the group companies for compliance and conduct the same training for all the employees of the group companies.

6) Item regarding employees in case that corporate auditors request employees who are to assist their duties and item regarding independency of the relevant employees from the directors

Dedicated a full-time staff for the corporate auditor is in place according to the request of the Board of Corporate Auditors. Also, personnel change, personnel evaluation and disciplinary punishment, opinions of the Board of Corporate Auditors are to be fully respected.

7) The system for the directors and the employees to report to the corporate auditors, the system regarding report to corporate auditors and the system to assure that audits are effectively conducted by the corporate auditors

The full-time corporate auditors are to attend major meetings if necessary, and receive important information including the management status, and any important items in each risk management committee and the corporate ethics helpline. Any facts that could cause substantial damage to the Company, if detected, are to be immediately reported to the Board of Corporate Auditors. Also, in regular audits conducted by the corporate auditors, the Directors, the business execution officers and important employees are interviewed. On the other hand, materials required by corporate auditors for inspection are available for inspection upon request at any time. In addition, results of audits conducted by the Internal Audit Department are to be reported to the corporate auditors. Also, the corporate auditors regularly hold opinion exchange meetings with the Chief Executive Officer and the independent accounting auditor, respectively.

The corporate auditors are able to take professional advice if they so request.

7. Basic policy on control of the company

I. Basic policy on the person who controls decisions on financial and operational policies of the Company

We do not reject large-scale purchase of shares if it contributes to the increase of our corporate value and common interests of shareholders. In addition, we believe that the decision whether to agree to the proposal of large-scale share purchases that accompanies transfer of control of the Company should ultimately be made based on the consensus of shareholders.

However, many large-scale purchases of shares do not contribute to the increase of corporate value and common interests of shareholders. For example, sometimes such purchases target only specific assets and technology, which is clearly detrimental to the corporate value and common interests of shareholders. At other times, such purchase may effectively force shareholders to sell their shares, where it may provide insufficient time and information being given for a Board of Directors' Meeting and shareholders of the target company to examine the large-scale purchase of shares, or for the Board of Directors' Meeting of the target company to present alternative proposals, and where the target company needs to negotiate with the purchaser to obtain more favorable terms than the purchaser has offered.

The Company considers a person or a company that intends to make such improper large-scale purchases of shares to be not suitable as a person who controls decisions on financial and operational policies of the Company, and believes that the increase of the corporate value of the Company and by extension, common interests of shareholders need to be ensured by taking necessary and considerable measures against large-scale purchases by such purchasers.

II. Special efforts for realizing the basic policy

In order to increase corporate value, the Company has developed and is implementing new Medium-Term Management Plan, covering three fiscal years from January 2008 to December 2010, following the previous Medium-Term Management Plan. We are confident that we will be able to increase our corporate value and eventually meet the expectations of shareholders by steadily implementing the Medium-Term Management Plan.

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

The Board of Directors of the Company considers that a framework is indispensable in order to prevent large-scale purchases that are against the corporate value of the Company and common interests of shareholders. When a large-scale purchase of shares of the Company is to be made, the framework allows us to request that the purchaser and proponent of purchase (hereafter, referred to collectively as the purchaser or similar party) provides information prior to such purchase, thereby shareholders decide whether to accede to the purchase or not, or ensure necessary information and time for the Board of Directors of the Company to make alternative proposals or negotiate with the purchaser or similar party on behalf of the shareholders.

The Company introduced a Policy toward Large-scale Purchases of Shares of the Company (hereinafter referred to as the "previous plan") at the 62nd Ordinary General Meeting of Shareholders, held on March 29, 2007, as a countermeasure against takeovers in ordinary times with an effective period up to the end of the General Meeting of Shareholders for the fiscal year ending December 2007. In consideration of various developments surrounding countermeasures against corporate acquisition, the Company thereafter continued to examine the appropriate countermeasures against takeovers in ordinary times. Accordingly, Company decided to continue with the previous plan, after making partial revision, (hereinafter, the revised plan shall be referred to as "the plan") as part of our efforts for ensuring and increasing the corporate value of the Company and common interests of shareholders, to prevent any attempts at abusive acquisitions targeting the Company, with the approval of shareholders at the 63rd Ordinary General Meeting of Shareholders held on March 28, 2008.

IV. Judgment of the Company's Board of Directors on the aforementioned efforts and reasons for the judgment

1. About special efforts for realizing the basic policy (efforts specified in II.)

Each effort stated in II. has been worked out as a measure to continuously and persistently increase the corporate value of the Company and common interests of shareholders, and contributes to the realization of the basic policy.

Therefore, these efforts are in line with the basic policy and in accord with common interests of shareholders of the Company, and not aimed at maintaining the status of corporate directors of the Company.

2. About efforts for preventing decisions on financial and operational policies of the Company from being controlled by inappropriate persons in light of the basic policy (efforts specified in III.)

(1) The plan is in line with the basic policy

The plan is a framework for ensuring the corporate value of the Company and by extension, the common interests of shareholders. When a large-scale purchase of shares of the Company is to be made, the plan allows us to request that the purchaser or similar party provides information prior to such purchase, thereby shareholders decide whether to accede to the purchase or not, or ensure necessary information and time for the Board of Directors of the Company to make alternative proposals or negotiate with the purchaser or similar party on behalf of the shareholders. It is in line with the basic policy.

(2) The relevant efforts neither damage common interests of shareholders nor are aimed at maintaining the status of corporate directors and corporate auditors of the Company

We believe that efforts for preventing control by inappropriate persons in light of the basic policy neither damage common interests of shareholders nor are aimed at maintaining the status of corporate directors of the Company, since 1) they completely satisfy the "Guidelines on takeover defense for ensuring and/or increasing corporate value and stakeholder profits," released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005; 2) they attach importance to the intention of shareholders in various ways: they will be continued on condition that amendments to the Articles of Incorporation made based on the prescribed procedure are approved by shareholders in the General Meeting of Shareholders in accordance with provisions of the Articles of Incorporation and the so-called sunset clause is established; 3) a Special Committee has been established; and 4) they are not a dead-hand type of countermeasure against takeovers.

Consolidated Balance Sheet
As of December 31, 2008

	Millions of yen
	As of December 31, 2008
ASSETS	
Current Assets	
Cash and deposits	7,670
Notes and accounts receivable	10,888
Marketable securities	524
Inventories	16,497
Deferred tax assets	1,009
Accounts receivable	8,028
Other current assets	5,695
Allowance for doubtful accounts	-316
Total Current Assets	49,998
Fixed Assets	
Property, Plant and Equipment:	
Buildings and structures	15,059
Machinery and delivery equipment	1,133
Instruments and fixtures	1,162
Land	11,168
Construction in progress	13
Total Property, Plant and Equipment	28,536
Intangible Fixed Assets:	
Goodwill	2,963
Other intangible fixed assets	2,502
Total Intangible Fixed Assets	5,465
Investments and Other Assets:	
Investment securities	11,368
Long-term loans	826
Guarantees and deposits	1,626
Deferred tax assets	1,546
Other investments	4,894
Allowance for doubtful accounts	-203
Total Investments and Other Assets	20,058
Total Fixed Assets	54,060
Total Assets	104,059

	Millions of yen
	As of December 31, 2008
LIABILITIES	
Current Liabilities:	
Notes and accounts payable	8,527
Short-term borrowing	9,957
Current portion of bonds	66
Accrued liabilities	6,508
Factoring accrued liabilities	15,789
Accrued expenses	1,854
Accrued corporate tax and others	194
Accrued consumption tax and others	289
Reserve for sales promotion	346
Foreign exchange contract	9,788
Other current liabilities	831
Total Current Liabilities	54,153
Long-term Liabilities:	
Corporate bonds	168
Long-term borrowing	4,112
Deferred tax liabilities relating to revaluation	764
Employees' retirement benefits	45
Retirement benefits for directors and corporate auditors	335
Other long-term liabilities	206
Total Long-term Liabilities	5,631
Total Liabilities	59,784
NET ASSETS	
Shareholders' Equity	
Capital	20,359
Capital surplus	21,038
Retained earnings	14,064
Treasury stock	-631
Total Shareholders' Equity	54,830
Valuation and Translation Adjustments	
Net unrealized gain on other securities	-1,312
Profit or loss on deferred hedge	-2,038
Revaluation reserve for land, net of tax	-7,103
Foreign currency translation adjustments	-130
Total Valuation and Translation Adjustments	-10,584
Minority Interests	29
Total Net Assets	44,274
Total Liabilities and Net Assets	104,059

Consolidated Statement of Income
For fiscal year ended December 31, 2008

	Millions of yen For the year ended December 31, 2008
Net sales	**158,285**
Cost of sales	**81,912**
Gross profit	**76,373**
Selling, general and administrative expenses	**73,960**
Operating income	**2,413**
Non-operating income	**924**
Interest and dividends received	442
Co-sponsor fee	103
Other income	377
Non-operating expenses	**7,890**
Interest payable	162
Loss on revaluation of compound instruments	1,331
Equity in losses of affiliates	247
Foreign exchange loss	5,904
Other expenses	245
Ordinary loss	**4,553**
Extraordinary income	**245**
Gains on sale of fixed assets	245
Extraordinary losses	**2,531**
Loss on sale or retirement of fixed assets	759
Loss on revaluation of investment securities	594
Loss on sale of investment securities	28
Impairment loss	153
Special retirement expenses	48
Loss on revaluation of golf club membership	2
Provision of allowance for doubtful accounts	1
Loss from the prior-term adjustments	943
Loss before income taxes and minority interests	**6,838**
Corporate, inhabitant and business taxes	444
Adjustment of corporate and other taxes	-455
Minority interests in income	5
Net loss	**6,833**

Consolidated Statement of Changes in Shareholders' Equity
For fiscal year ended December 31, 2008

(Millions of yen)

	Shareholders' Equity				
	Capital	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of December 31, 2007	20,359	21,038	22,253	-630	63,020
Changes during the fiscal year under review					
Dividends from surplus			-1,027		-1,027
Net loss			-6,833		-6,833
Acquisition of treasury stock				-1	-1
Amortization of treasury stock		0		0	0
Reversal of revaluation reserve for land, net of tax			-256		-256
Variation of the scope of consolidation and the scope of equity method			-70		-70
Net change of items other than shareholders' equity during the fiscal year under review					
Total change during the fiscal year under review	—	0	-8,188	-1	-8,190
Balance as of December 31, 2008	20,359	21,038	14,064	-631	54,830

(Millions of yen)

	Valuation and Translation Adjustments					Minority Interests	Total Net Assets
	Net Unrealized Gain on Other Securities	Deferred Hedge Profit/Loss	Revaluation Reserve for Land, Net of Tax	Foreign Currency Translation Adjustment	Total Valuation and Translation Adjustments		
Balance as of December 31, 2007	486	-185	-7,359	-16	-7,074	10	55,955
Changes during the fiscal year under review							
Dividends from surplus							-1,027
Net loss							-6,833
Acquisition of treasury stock							-1
Amortization of treasury stock							0
Reversal of revaluation reserve for land, net of tax							-256
Variation of the scope of consolidation and the scope of equity method							-70
Net change of items other than shareholders' equity during the fiscal year under review	-1,798	-1,853	256	-114	-3,509	18	-3,491
Total change during the fiscal year under review	-1,798	-1,853	256	-114	-3,509	18	-11,681
Balance as of December 31, 2008	-1,312	-2,038	-7,103	-130	-10,584	29	44,274

Notes for Consolidated Financial Statements

Basis for the Presentation of Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 13

Names of major consolidated subsidiaries:

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

Dears Brain Inc., which had been an affiliate under the equity-method, became a consolidated subsidiary following the additional acquisition of shares in the company in May 2008. However, its profit and loss are reflected by the equity method until the interim period of the consolidated fiscal year under review, since the deemed acquisition date is the end of the interim period of the consolidated fiscal year under review.

Future Compass Co., Ltd. was liquidated and terminated in December 2008.

(2) Number of unconsolidated subsidiaries: 11

Names of major unconsolidated subsidiaries: Senshukai Hong Kong Limited

[Reason for exclusion from the scope of consolidation]

None of the factors of the unconsolidated subsidiaries mentioned above, including total assets, net sales, net income/loss (amount appropriate for relevant shareholdings), and retained earnings (amount appropriate for relevant shareholdings), have any significant effects on the consolidated results.

2. Scope of equity-method subsidiaries

(1) Number of unconsolidated subsidiaries under the equity-method: 4

Name of major unconsolidated subsidiaries under the equity-method:

Senshukai Hong Kong Limited

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

Name of affiliate under the equity-method:

SENTENs Co., Ltd., Mobakore Co., Ltd.

Dears Brain Inc., which had been included in the scope of the equity-method until the interim period of the consolidated fiscal year under review following the acquisition of shares in November 2007, became a consolidated subsidiary attendant upon the additional acquisition of shares in May 2008. Since the deemed acquisition date is the end of the interim period of the consolidated fiscal year under review, the equity-method is applied to the interim period of the consolidated fiscal year under review, and the profit and loss of the company are included in equity in losses of affiliates.

Mobakore Co., Ltd. has been included in the scope of equity-method since the consolidated fiscal year under review because of its increased importance from an accounting viewpoint.

(3) With regard to companies under the equity-method whose balance sheet dates are more than six months apart from the consolidated balance sheet date, we use the financial statements of the relevant companies as of their latest interim balance sheet dates before the consolidated balance sheet date.

We make necessary consolidation adjustments regarding material transactions conducted between the consolidated balance sheet date and the balance sheet dates of the relevant companies.

(4) Name of major unconsolidated subsidiaries excluded from the scope of equity-method:

Innovation Information Technology（ShangHai）Co,.Ltd.

[Reason for exclusion from the scope of equity-method]

None of the factors of the unconsolidated subsidiaries excluded from the equity method, such as net income/loss (amount appropriate for relevant shareholdings), and retained earnings (amount appropriate for relevant shareholdings), have any significant effects on the consolidated results.

3. Fiscal year-end of consolidated subsidiaries

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

The balance sheet date of Dears Brain Inc. was changed from June 30 to December 31 in the consolidated fiscal year under review.

4. Significant accounting policies

(1) Valuation method for assets

(i) Marketable securities

Stated at fair value based on the market prices at the end of fiscal year. (Both unrealized gains and losses are included in net assets; cost of securities sold is determined by the moving-average method.)

(ii) Derivatives

Stated at market price.

(iii) Inventories

Mainly stated at monthly average method and lower of cost or market method.

(2) Depreciation method of primary depreciable assets

(i) Property, plant and equipment: Depreciation of property and equipment is mainly computed using the declining-balance method, except for buildings (excluding fixtures) acquired after April 1, 1998, which are depreciated using the straight-line method.

The depreciation periods are basically as follows:

Buildings and structures: 38-50 years

Machinery and delivery equipment: 12 years

(Additional information)

Following the revision of the Corporation Tax Law, with regard to tangible fixed assets acquired on and before March 31, 2007, the Company and its domestic consolidated subsidiaries equally amortize the difference between the amount equivalent to 5% of the acquisition value and the reminder value over a period of five years and include the amount in depreciation expenses, starting from the following consolidated fiscal year of the consolidated fiscal year when the value of assets reached 5% of the acquisition value as a result of the application of the depreciation method based on the Corporation Tax Law before the revision.

As a result, operating income decreased 53 million yen and ordinary loss and loss before income taxes and minority interests respectively increased 53 million yen compared with the figures under the previous method.

(ii) Intangible fixed assets: Amortization of intangible fixed assets is computed using the straight-line method. Software for internal use is amortized by the straight-line method based on a usable life of five years.

(3) Basis for provision of reserves

(i) Allowance for doubtful accounts

The allowance for doubtful accounts is provided to cover possible losses from bad debts. The amount for normal debtors is determined by the loan-loss ratio, and that for special debtors, such as debtors at risk of bankruptcy, is determined based on the expected probability of those accounts being collectable, considered on an individual basis.

(ii) Reserve for sales promotion

To cover the projected sales-promotion expenses due to our mileage point system, the Company posts a reserve for sales promotion, which is calculated by multiplying the amount payable, which is based on the number of issued and unclaimed points, and the past claim ratio.

(iii) Employees' retirement benefits

To cover projected employees' retirement benefits in part of our consolidated subsidiaries, the Company posts the deemed obligations at the end of fiscal, based on the estimated amount of retirement benefit liabilities and pension assets.

The amount of retirement benefit liabilities is calculated using the simplified method.

(iv) Retirement benefits for Directors and Corporate Auditors

The Company reports 100% of the projected amount of the retirement benefits based on its internal rules, to cover the retirement benefits for Directors of the Company and part of our consolidated subsidiaries and Executive Officers of the Company.

(4) Standard used in converting assets or liabilities denominated in major foreign currencies into Japanese currency

Assets or liabilities denominated in foreign currencies are converted into Japanese yen using the spot exchange rate on the consolidated account date, and any differences generated by this conversion are included as gains or losses.

(5) Sales promotion costs

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

(6) Accounting method of primary leasing business

Finance leases other than those that are deemed to transfer the ownership of the leased assets to the lessee are accounted for by a method similar to that applicable to ordinary operating leases.

(7) Hedge accounting method

The Company adopts deferral hedge accounting.

(8) Consumption taxes

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

5. Valuation of assets and liabilities of consolidated subsidiaries

These are estimated at market value.

6. Amortization of goodwill and negative goodwill

Each goodwill or negative goodwill is equally amortized within a period decided based on estimate of the period during which its effect will be revealed.

Change in Presentation

(Consolidated balance sheet)

"Goodwill," which had been collectively presented under intangible fixed assets until the previous consolidated fiscal year, is presented separately from the consolidated fiscal year under review because of its increased importance from an accounting viewpoint.

The amount of “Goodwill” included in intangible fixed assets at the end of the previous consolidated fiscal year is 227 million yen.

Notes for Consolidated Balance Sheet

1. Amounts less than one million yen have been omitted.
2. Accumulated depreciation on tangible fixed assets 32,395 million yen
3. Details of collateral
    (1) Collateral

Cash and deposits (time deposits)	15 million yen
Buildings and structures	1,003 million yen
Total	1,018 million yen

    (2) Liabilities corresponding to the aforementioned collateral

Short-term borrowing	287 million yen
Current portion of bonds	66 million yen
Corporate bonds	168 million yen
Long-term borrowing	730 million yen
Total	1,251 million yen

4. Guarantee obligation:
    Guarantee for bank borrowings
    Utilizers of employee housing loan 30 million yen
5. The land owned by the Company was revaluated under the "Law Concerning Revaluation of Land" (March 31, 1998, Law No. 34), and the "Law Regarding Partial Revision of Law Concerning Revaluation of Land" (amended on March 31, 1999), and unrealized losses resulting from the revaluation were included in "Unrealized loss on revaluation of land" in the net assets, after offsetting the related deferred tax liabilities.
    The method of revaluation stipulated in Article 3, Paragraph 3 of the Law Concerning Revaluation of Land:
    The Director-General of the National Tax Administration Agency announced a calculation method to determine the land price that will be the basis of tax value calculations for the land holding tax, under Article 2, Item 4 of "Enforcement Rule of the Law Concerning Revaluation of Land" (March 31, 1998, Law No. 119), and Article 16 of the "Landholding Tax Law" (1991, Law No. 69).
    The Company executed calculation and adjustments using the abovementioned method.

    Date of revaluation: March 31, 2000
    The difference between the revaluated book value of the land and the estimated market value at the end of fiscal under review: -2,606 million yen

Notes for Consolidated Statement of Income

1. Amounts less than one million yen have been omitted.
2. Loss on prior period adjustment

We reviewed various contracts related to foreign exchange in consideration of the current situation in which the yen's strength is soaring. As a result, it became clear that derivative contracts that should be treated by the market-price method had been treated by the deferred hedge method. We revised the treatment method, and posted a loss on prior period adjustment of 943 million yen under extraordinary losses.

Notes for Consolidated Statement of Changes in Shareholders' Equity

1. Amounts less than one million yen have been omitted.
2. Total number of shares outstanding as of the end of the consolidated fiscal year under review.

47,630,393 shares

3. Item on dividends of retained earnings

(1) Dividend to be paid, etc.

Resolution	Type of stock	Total amount of dividends (millions of yen)	Dividends per share (yen)	Base date	Effective date
Ordinary General Meeting of Shareholders held on March 28, 2008	Common stock	653	14	December 31, 2007	March 31, 2008
General Meeting of the Board of Directors held on July 31, 2008	Common stock	373	8	June 30, 2008	September 1, 2008

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

Resolution	Type of stock	Total amount of dividends (millions of yen)	Financial funds of dividends	Dividends per share (yen)	Base date	Effective date
Ordinary General Meeting of Shareholders held on March 27, 2009	Common stock	420	Retained earnings	9	December 31, 2008	March 30, 2009

Note to information per share

1. Net assets per share: 947.19 yen
2. Net loss per share: 146.29 yen

Note on important events occurred afterwards

No particular items

Non-consolidated Balance Sheet
As of December 31, 2008

	Millions of yen
	As of December 31, 2008
ASSETS	
Current Assets	
Cash and deposits	4,972
Notes receivable	84
Account receivable	10,441
Marketable securities	7
Products	16,154
Inventories	64
Prepaid expense	3,314
Deferred tax assets	871
Short-term loan	691
Loan receivable	7,966
Other current assets	2,237
Allowance for doubtful accounts	-287
Total Current Assets	46,518
Fixed Assets	
Property, Plant and Equipment:	
Buildings	11,370
Other structures	398
Machinery	1,081
Delivery equipment	6
Instruments and fixtures	926
Land	11,095
Construction in progress	0
Total Property, Plant and Equipment	24,880
Intangible Fixed Assets:	
Goodwill	122
Land lease rights	139
Software	2,012
Other intangible fixed assets	172
Total Intangible Fixed Assets	2,447
Investments and Other Assets:	
Investment securities	10,163
Stock of affiliates	7,011
Long-term loans	2,508
Deferred tax assets	1,367
Guarantees and deposits	893
Long term prepaid expense	116
Other investments	4,465
Allowance for doubtful accounts	-759
Total Investments and Other Assets	25,767
Total Fixed Assets	53,095
Total Assets	99,613

	Millions of yen
	As of December 31, 2008
LIABILITIES	
Current Liabilities:	
Notes	2,114
Accounts payable	5,639
Short-term borrowing	8,000
Current portion of bonds	1,670
Accrued liabilities	5,913
Factoring accrued liabilities	15,789
Accrued expenses	1,051
Accrued corporate tax and others	11
Accrued consumption tax and others	206
Deposit received	454
Reserve for sales promotion	337
Foreign exchange contract	9,788
Other current liabilities	152
Total Current Liabilities	51,129
Long-term Liabilities:	
Long-term borrowing	3,330
Deferred tax liabilities relating to revaluation	764
Retirement benefits for directors and corporate auditors	289
Other long-term Liabilities	4
Total Long-term Liabilities	4,388
Total Liabilities	55,517
NET ASSETS	
Shareholders' equity	
Capital	20,359
Capital surplus	21,038
Capital reserve	19,864
Other capital reserve	1,174
Retained earnings	13,695
Earned surplus	1,118
Other retained earnings	12,576
Reserves for advanced depreciation of fixed assets	69
Reserve for loss in overseas investment	36
General reserves	13,600
Unappropriated retained earnings	-1,129
Treasury stock	-631
Total Shareholders' Equity	54,461
Valuation and translation adjustments	
Net unrealized gain on other securities	-1,223
Profit or loss on deferred hedge	-2,038
Revaluation reserve for land, net of tax	-7,103
Total valuation and translation adjustments	-10,364
Total Net Assets	44,096
Total Liabilities Net Assets	99,613

Non-consolidated Statement of Income

For fiscal year ended December 31, 2008

	Millions of yen For the year ended December 31, 2008
Net sales	**150,729**
Cost of sales	**79,081**
Gross profit	**71,647**
Selling, general and administrative expenses	**69,294**
Operating income	**2,353**
Non-operating income	**1,253**
Interest and dividends received	935
Other income	318
Non-operating expenses	**7,461**
Interest payable	141
Loss on revaluation of compound instruments	1,199
Foreign exchange loss	5,892
Other expenses	226
Ordinary loss	**3,853**
Extraordinary income	**24**
Gains on sale of fixed assets	24
Extraordinary losses	**3,180**
Loss on sale or retirement of fixed assets	736
Loss on revaluation of investment securities	594
Provision of allowance for doubtful accounts	551
Loss on revaluation of stocks of affiliates	309
Loss on liquidations of subsidiaries	43
Loss on revaluation of golf club membership	2
Loss from the prior-term adjustments	943
Loss before income taxes	**7,009**
Corporate, inhabitant and business taxes	104
Adjustment of corporate and other taxes	-396
Net loss	**6,717**

Statement of Changes in Shareholders' Equity
For fiscal year ended December 31, 2008

(Millions of yen)

	Shareholders' Equity											
	Capital	Capital Surplus			Retained Earnings						Treasury Stock	Total Shareholders' Equity
					Earned Surplus	Other Retained Earnings				Total Retained Earnings		
		Capital Reserve	Other Capital Reserve	Total Capital Surplus		Reserves for Advanced Depreciation of Fixed Assets	Reserve for Loss in Overseas Investment	General Reserve	Unappropriated Retained Earnings			
Balance as of December 31, 2007	20,359	19,864	1,174	21,038	1,118	73	34	13,600	6,871	21,697	-630	62,464
Changes during the fiscal year under review												
Reversal of reserves for advanced depreciation of fixed assets						-3			3	—		—
Transfer of reserve for loss in overseas investment, etc.							8		-8	—		—
Reversal of reserve for loss in overseas investment, etc.							-5		5	—		—
Dividends from surplus									-1,027	-1,027		-1,027
Net loss									-6,717	-6,717		-6,717
Acquisition of treasury stock											-1	-1
Amortization of treasury stock			0	0							0	0
Reversal of revaluation reserve for land, net of tax									-256	-256		-256
Net change of items other than shareholders' equity during the fiscal year under review												
Total change during the fiscal year under review	—	—	0	0	—	-3	2	—	-8,001	-8,001	-1	-8,003
Balance as of December 31, 2008	20,359	19,864	1,174	21,038	1,118	69	36	13,600	-1,129	13,695	-631	54,461

(Millions of yen)

	Valuation and Translation Adjustments				Total Net Assets
	Net Unrealized Gain on Other Securities	Deferred Hedge Profit/Loss	Revaluation Reserve for Land, Net of Tax	Total Valuation and Translation	
Balance as of December 31, 2007	498	-185	-7,359	-7,046	55,418
Changes during the current fiscal year					
Reversal of reserves for advanced depreciation of fixed assets					—
Reversal of reserve for loss in overseas investment, etc					—
Transfer of reserve for loss in overseas investment, etc.					—
Dividends from surplus					-1,027
Net loss					-6,717
Acquisition of treasury stock					-1
Amortization of treasury stock					0
Reversal of revaluation reserve for land, net of tax					-256
Net change of items other than shareholders' equity during the fiscal year under review	-1,722	-1,853	256	-3,318	-3,318
Total change during the fiscal year under review	-1,722	-1,853	256	-3,318	-11,321
Balance as of December 31, 2008	-1,223	-2,038	-7,103	-10,364	44,096

Notes for Non-consolidated Financial Statements

Principal accounting policies

1. Valuation method for assets

(1) Marketable securities

Stocks of subsidiaries and affiliates are determined by the moving-average method. Other marketable securities are stated at fair value based on the market prices at the end of the fiscal year. (Both unrealized gains and losses are included in net assets; cost of securities sold is determined by the moving-average method.) Non-marketable securities are stated at cost based on the moving average method.

(2) Derivatives

Derivatives are stated at market price.

(3) Inventories

Inventories are stated at lower of cost or market method by the monthly average method.

2. Amortization method of fixed assets

(1) Property, Plant and equipment

Depreciation of property, plant and equipment is mainly computed using the declining-balance method, except for buildings (excluding fixtures) acquired after April 1, 1998, which are depreciated using the straight-line method.

The depreciation periods are basically as follows:

Buildings:	38-50 years
Machinery:	12 years

(Additional information)

Following the revision of the Corporation Tax Law, with regard to tangible fixed assets acquired on and before March 31, 2007, the Company equally amortize the difference between the amount equivalent to 5% of the acquisition value and the reminder value over a period of five years and include the amount in depreciation expenses, starting from the following fiscal year of the fiscal year when the value of assets reached 5% of the acquisition value as a result of the application of the depreciation method based on the Corporation Tax Law before the revision.

As a result, operating income decreased 52 million yen and ordinary loss and loss before-tax respectively increased 52 million yen compared with the figures under the previous method.

(2) Intangible fixed assets

Amortization of intangible fixed assets is computed using the straight-line method. Software for internal use is amortized by the straight-line method based on a usable life of five years.

3. Basis for provision of reserves

(1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided to cover possible losses from bad debts. The amount for normal debtors is determined by the loan-loss ratio, and that for special debtors, such as debtors at risk of bankruptcy, is determined based on the expected probability of those accounts being collectable on an individual basis.

(2) Reserve for sales promotion

To cover the projected sales-promotion expenses due to our mileage point system, the Company posts a reserve for sales promotion, which is calculated by multiplying the amount payable, which is based on the number of issued and unclaimed points, and the past claim ratio.

(3) Retirement benefits for Directors and Corporate Auditors

The Company reports 100% of the projected amount of the retirement benefits based on its internal rules, to cover the retirement benefits for Directors and Executive Officers.

4. Standard used in converting assets or liabilities denominated in foreign currencies into Japanese currency

Assets or liabilities denominated in foreign currencies are converted into Japanese yen using the spot exchange rate on the account date, and any differences generated by this conversion are included as gains or losses.

5. Sales promotion costs

As for the Company’s sales promotion costs in the mail-order business, catalogue-related costs corresponding to the expected sales in the next fiscal year are registered as prepaid expenses.

6. Accounting method of leasing business

Finance leases other than those that are deemed to transfer the ownership of the leased assets to the lessee are accounted for by a method similar to that applicable to ordinary operating leases.

7. Hedge accounting method

The Company adopts deferral hedge accounting.

8. Consumption taxes

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

Notes for Non-consolidated Balance Sheets

1. Amounts less than one million yen have been omitted.
2. Accumulated depreciation on tangible fixed assets 31,239 million yen
3. Guarantee obligation:
   Guarantee for bank borrowings
   Utilizers of employee housing loan 30 million yen
4. Short-term cash credit for affiliates 976 million yen
   Long-term cash credit for affiliates 2,138 million yen
   Short-term cash debt for affiliates 152 million yen
5. The land owned by the Company was revaluated under the "Law Concerning Revaluation of Land" (March 31, 1998, Law No. 34), and the "Law Regarding Partial Revision of Law Concerning Revaluation of Land" (amended on March 31, 1999), and unrealized losses resulting from the revaluation were included in "Unrealized loss on revaluation of land," one of the components of net assets, after offsetting the related deferred tax liabilities.
   The method of revaluation stipulated in Article 3, Paragraph 3 of the Law Concerning Revaluation of Land:
   The Director-General of the National Tax Administration Agency announced a calculation method to determine the land price that will be the basis of tax value calculations for the land holding tax, under Article 2, Item 4 of "Enforcement Rule of the Law Concerning Revaluation of Land" (March 31, 1998, Law No. 119), and Article 16 of the "Landholding Tax Law" (1991, Law No. 69).
   The Company executed calculation and adjustments using the abovementioned method.

   Date of revaluation: March 31, 2000
   The difference between the revaluated book value of the land and the estimated market value at the end of fiscal under review: -2,606 million yen

Notes for Non-consolidated Statements of Income

1. Amounts less than one million yen have been omitted.
2. Transaction with affiliates

Sales:	131 million yen
Operating expense:	12,226 million yen
Non-operating transaction:	609 million yen

3. Loss on prior period adjustment

We reviewed various contracts related to foreign exchange in consideration of the current situation in which the yen's strength is soaring. As a result, it became clear that derivative contracts that should be treated by the market-price method had been treated by the deferred hedge method. We revised the treatment method, and posted a loss on prior period adjustment of 943 million yen under extraordinary losses.

Notes for Statement of Changes in Shareholders' Equity

1. Amounts less than one million yen have been omitted.
2. Number of treasury shares at the end of the fiscal year under review:

917,908 common shares

Notes for Tax Effective Accounts

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

(Millions of yen)

(1) Current

Deferred tax assets	
Loss brought forward	1,804
Deferred hedge profit/loss	461
Bonus payable	146
Others	265
Sub-total deferred tax assets	2,677
Valuation allowance	1,804
Total deferred tax assets	873
Deferred tax liabilities	
Accrued consumption tax and others or other liabilities	1
Total deferred tax liabilities	1
Net deferred tax liabilities	871

(2) Fixed

Deferred tax assets	
Deferred hedge profit/loss	923
Loss on revaluation of compound instruments	563
Investment securities	549
Investment securities evaluation loss	398
Others	1,202
Sub-total deferred tax assets	3,637
Valuation allowance	2,101
Total deferred tax assets	1,535
Deferred tax liabilities	
Investment securities	92
Others	75
Total deferred tax liabilities	168
Net deferred tax liabilities	1,367

2. Details of deferred tax liabilities relating to re-evaluation

(Millions of yen)

Deferred tax assets	
Deferred tax assets relating to re-evaluation	3,325
Valuation allowance	3,325
Total deferred tax assets relating to re-evaluation	—
Deferred tax liabilities	
Deferred tax liabilities relating to re-evaluation	764
Net deferred tax liabilities relating to re-evaluation	764

Note for fixed assets leased for use

In addition to fixed assets posted on the Balance Sheet, some of instruments and fixtures, etc. are used under finance lease contracts without transfer of ownership of the leased assets to the lessee.

Notes for related party transactions

Property	Company name	Ownership percentage of voting rights, etc.	Relationship		Name of transactions (Note)	Transaction amount (Millions of yen)	Accounts	Balance at the end of the fiscal year (Millions of yen)
			Interlocking directorate	Relation to business				
Subsidiary	Dears Brain Inc.	Directly 98.2%	Two interlocking directors	Loan of funds	Loan of funds	1,956	Short-term loans	591
					Collection of loans	495	Long-term loans	869
					Receipt of interests	14	-	-

Note: Transaction condition or policy for deciding transaction condition
The interest rates of loans are rationally decided by taking into account market interest rates.

Notes for information per share

1. Net assets per share 943.99 yen
2. Net income per share 143.80 yen

Notes for important events occurred afterwards

No applicable items

Audit Report of Accounting Auditor on Consolidated Balance Sheet and Consolidated Statement of Income (Certified Copy)

Audit Report of Independent Auditor

February 18, 2009

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

Ernst & Young ShinNihon LLC
Yoshitaka Fujiwara
Certified Public Accountant, Designated, Limited Liability and Operating Partner
Hirotoshi Hiroda
Certified Public Accountant, Designated, Limited Liability and Operating Partner

We have examined the consolidated financial statements of Senshukai Co., Ltd. from January 1, 2008 to December 31, 2008, including the consolidated balance sheet, the consolidated statement of income, the consolidated statements of changes in shareholders' equity and notes for consolidated financial statements for the purpose of reporting under the provisions of Article 444, Paragraph 4 of the Corporation Law. Responsibility as to the preparation of such consolidated financial statements lies with the management of the Company, and the responsibility of the audit corporation is to express our opinion on the consolidated financial statements from an independent position.

We conducted our audit in accordance with the auditing standards generally accepted in Japan. The auditing standards require that our audit corporation obtain reasonable assurance that there are no material false representations in the consolidated financial statements. The audit is conducted on a test basis and includes the examination of representations in the consolidated financial statements as a whole, including the examination of the accounting principles adopted by the management and the method of application thereof and the evaluation of the estimate by the management. Our audit corporation has determined that, as a result of the audit, we have obtained a reasonable basis for giving an opinion.

Our opinion is that the above-mentioned consolidated financial statements present fairly the status of assets and earnings during the period relating to the relevant consolidated financial statements of the corporate group consisting of Senshukai Co., Ltd. and its consolidated subsidiaries in every important point in accordance with the corporate accounting standards generally accepted in Japan.

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

Audit Report of Accounting Auditor on Non-consolidated Balance Sheet and Non-consolidated Statement of Income (Certified Copy)

Audit Report of Independent Auditor

February 18, 2009

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

Ernst & Young ShinNihon LLC
Yoshitaka Fujiwara
Certified Public Accountant, Designated, Limited Liability and Operating Partner
Hirotoshi Hiroda
Certified Public Accountant, Designated, Limited Liability and Operating Partner

We have examined the non-consolidated financial statements of Senshukai Co., Ltd. for the 64th business term from January 1, 2008 to December 31, 2008, including the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statements of changes in shareholders' equity and notes for non-consolidated financial statements and the accompanying financial schedule for the purpose of reporting under the provisions of Article 436, Paragraph 2, Item 1 of the Corporation Law. Responsibility as to the preparation of such non-consolidated financial statements and the accompanying financial schedule lies with the management of the Company, and the responsibility of the audit corporation is to express our opinion on the non-consolidated financial statements from an independent position.

We conducted our audit in accordance with the auditing standards generally accepted in Japan. The auditing standards require that our audit corporation obtain reasonable assurance that there are no material false representations in the non-consolidated financial statements and the accompanying financial schedule. The audit is conducted on a test basis and includes the examination of representations in the non-consolidated financial statements and the accompanying financial schedule as a whole, including the examination of the accounting principles adopted by the management and the method of application thereof and the evaluation of the estimate by the management. Our audit corporation has determined that, as a result of the audit, we have obtained a reasonable basis for giving an opinion.

Our opinion is that the above-mentioned non-consolidated financial statements and the accompanying financial schedule present fairly the status of assets and earnings during the period relating to the relevant non-consolidated financial statements and the supplementary financial in every important point in accordance with the corporate accounting standards generally accepted in Japan.

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

Audit Report of Board of Corporate Auditors
(Certified Copy)

Audit Report

The Board of Corporate Auditors has prepared this Audit Report upon deliberation based on the Audit Report created by each Corporate Auditor regarding the performance by the Directors of their duties during the 64th fiscal year from January 1, 2008 to December 31, 2008, and hereby reports as follows:

1. Corporate Auditors, Corporate Auditors' Auditing Methods and Contents

The Board of Corporate Auditors stipulated the auditing policies, share of assignment, etc., received reports from each Corporate Auditor on the auditing status and the auditing results; received reports of execution of duty from Directors, etc. and the accounting auditor and demanded explanations, as the occasion demanded.

In accordance with the corporate auditors' auditing standards, auditing policies, share of assignment, etc. stipulated by the Board of Corporate Auditors, each Corporate Auditor communicated with the Directors, the Audit Department and other employees, etc. strived to maintain the environment for information gathering and auditing, attended meetings of the Board of Directors and other important meetings; received reports of execution of duty from Directors and employees, etc.; demanded explanations, as the occasion demanded, inspected important documents, etc.; investigated the activities and assets of the head office and of other principal places of business. We also monitored and verified the activities of the system to assure that execution of duty by the Directors complies with the laws and the Articles of Incorporation and the system maintained based on the contents and the resolutions of the Board of Directors and the relevant resolutions regarding maintenance of the system stipulated in Paragraphs 1 and 3 of Article 100 of the enforcement rules of the Corporation Law as the one required to assure the appropriateness of other business activities of the corporation (Internal control systems). We examined the contents of the basic policy, specified in Item 1 of Article 127 of the enforcement rules of the Corporation Law, and each effort in accordance with Item 2 of the same article, which are stated in the Business Report, in consideration of the status of deliberations at the meetings of the Board of Directors and other meetings. As for the subsidiaries, we communicated and exchanged information with the Directors and Corporate Auditors, etc. of the subsidiaries and received reports on their business operations as the occasion demanded. Based on the above-mentioned methods, we examined the business reports and accompanying financial schedule for the relevant fiscal year.

In addition, we monitored and verified whether or not the accounting auditor had maintained their independent positions and had conducted appropriate audits and received reports on activities of execution of duty from the accounting auditor and received explanation as the occasion demanded. Also, we received notice that the "system to assure that duty is executed appropriately" (the item posted in each number of Article 159 of the Accounting Rules) has been maintained in accordance with the "Quality Control Standards for Audits" (October 28, 2005, the Business Accounting Council) from the Accounting Auditors and demanded explanation as the occasion demanded. Based on the above methods, we examined the financial statements (Balance Sheet, Statements of Income, Variable Statements including Shareholders' Equity and the individual note table) and accompanying financial schedule as well as the consolidated financial statements (Consolidated Balance Sheet, Consolidated Statements of Income, Consolidated Variable Statements including Shareholders' Equity and the consolidated note table).

2. Results of Audit

(1) Results of Audit on the reports on business operations

1) The business reports and accompanying financial schedule are found to accurately present the status of the Company in conformity with the laws, regulations and Articles of Incorporation.
2) In connection with the performance by the Directors of their duties, no dishonest act or significant fact of a violation of laws, regulations, or the Articles of Incorporation is found to exist.
3) The contents of the resolutions of the Board of Directors regarding the internal control systems are found to be proper. Also, execution of duty by the Directors regarding the relevant internal control systems is found to accurately present the matters to be stated therein and have nothing to be pointed out.

4) Basic policy on the person who controls decisions on financial and operational policies of the Company, which is stated in the Business Report, has nothing to be pointed out. The efforts in accordance with Item 2 of Article 127 of the enforcement rules of the Corporation Law, which are stated in the Business Report, are found to be in line with the relevant basic policy and at the same time to neither damage common interests of shareholders of the Company nor be aimed at maintaining the status of corporate directors of the Company.

(2) Results of Audit on the financial statements and accompanying financial schedule

The methods and results of the audit made by the Accounting Auditor, Ernst & Young ShinNihon LLC, an incorporated auditing firm, are found to be proper.

(3) Results of Audit on the consolidated financial statements

We have found the methods and results of the audit made by the Accounting Auditor, Ernst & Young ShinNihon LLC, an incorporated auditing firm to be proper.

February 20, 2009

Board of Corporate Auditors, Senshukai Co., Ltd.

Shoji Tottori	Standing Corporate Auditor
Yoshihiro Inoda	Standing Corporate Auditor
Hideyuki Koizumi	External Corporate Auditor
Hiroshi Morimoto	External Corporate Auditor

Reference Material for Ordinary General Meeting of Shareholders

Proposals and References:

Proposal 1: Appropriation of retained earnings

In determining the Company's year-end dividend for the fiscal year, we intend to maintain stable dividend and to continue to implement profit distribution in consideration of various circumstances including earnings for this fiscal year and business environment in the future, based on the aim of an annual dividend payout ratio of 30%.

Under this policy, the year-end dividend was set as follows although the 64th fiscal year ended in the red.

(1) Type of dividend

Cash

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

9 yen per share of common stock of the Company; the total amount of 420,412,365 yen

(3) Effective date of dividend payment from surplus:

March 30, 2009

Proposal 2: Partial amendments to the Articles of Incorporation

1. Reasons for change

The Law for Partial Amendment of the Law Concerning Book-Entry Transfer of Corporate Bonds, etc. to Streamline Settlement for Transactions of Shares, etc. (Law No. 88 of 2004; hereinafter referred to as the "Settlement Rationalization Law") was enforced on January 5, 2009, shares of listed companies were simultaneously transferred to the book-entry transfer system for stocks (the so-called share certificate dematerialization).

Following this transfer to the new system, we propose to make necessary changes, including the deletion of provisions concerning stock certificates, beneficial shareholders and the register of beneficial shareholders that have become unnecessary in the Company's Articles of Incorporation. With regard to the register of lost share certificates, we propose to establish necessary provisions in the supplementary provisions, since the register should be prepared and kept until the day one year after the following day of the enforcement of the Settlement Rationalization Law.

With regard to Article 7 (Issuance of Stock Certificates) of the current Articles of Incorporation, it is deemed that a resolution on a change of the Articles of Incorporation to abolish provisions of the Articles of Incorporation in accordance with Article 6, Paragraph 1 of the Supplementary Provisions of the Settlement Rationalization Law, with January 5, 2009, the enforcement date of the law, as the effective date.

2. Details of the proposed amendments

Details of the proposed amendments are following:

(Underlined portions indicate the parts that are to be changed.)

Current Articles	**Revised Articles proposed**
Article7 (Issuance of Stock Certificate) The Company shall issue stock certificates relating to shares.	(Deleted)
Article 8 (Acquisition of Own Shares) (Description of the article is omitted.)	Article 7 (Acquisition of Own Shares) (Unchanged)
Article 9 (Additional Purchase of Shares of Less Than One Unit) Shareholders of the Company (including beneficial shareholders; the same applies hereinafter) may demand that the Company sell and deliver such number of shares, that together with the shares less than one unit (hereinafter referred to as "fractional shares") held by them, constitute one unit of shares based on Share Handling Regulations.	Article 8 (Additional Purchase of Shares of Less Than One Unit) Shareholders of the Company may demand that the Company sell and deliver such number of shares, that together with the shares less than one unit (hereinafter referred to as "fractional shares") held by them, constitute one unit of shares based on Share Handling Regulations.
Article 10 (Number of Shares of One Unit and Non-issuance of Stock Certificates for Fractional Shares) One unit of shares of the Company shall be comprised of one hundred (100) shares.	Article 9 (Number of Shares of One Unit) (Unchanged)
2. Notwithstanding the provision of Article 7, the Company shall not issue share certificates for fractional shares.	2. (Deleted)
Article 11 (Rights on Fractional Shares) Shareholders of the Company may not exercise, with regard to shares less than one unit held by them, any right other than those set out in the following:	Article 10 (Rights on Fractional Shares) (Unchanged)
1. Rights set out in the items of Article 189, Paragraph 2 of the Corporation Law of Japan;	1. (Unchanged)
2. Right to make a claim pursuant to Article 166, Paragraph 1 of the Corporation Law of Japan;	2. (Unchanged)
3. Right to be allotted with offered shares and stock acquisition rights in proportion to the number of shares already held; and	3. (Unchanged) ; and
4. Right to make a claim provided for in Article 9 of these Articles of Incorporation.	4. Right to make a claim provided for in Article 8 of these Articles of Incorporation.
Article 12 (Share Handling Regulations)	Article 11 (Share Handling Regulations)

Current Articles	Revised Articles proposed
(Description of the article is omitted.)	(Unchanged)
Article 13 (Manager of Register of Shareholders) The Company shall have a manager of the register of shareholders. 2. The manager of the register of shareholders and its place of business shall be designated by resolution of the Board of Directors and shall be publicly announced. 3. Preparation and keeping of the register of shareholders (including the register of beneficial shareholders; the same applies hereinafter), the original register of stock acquisition rights and the register of lost share certificates and other operations relating to the foregoing registers shall be entrusted to the manager of the register of shareholders and shall not be handled by the Company. Article 14 to (Description of the articles is omitted.) Article 41 (Newly established article) (Newly established article) (Newly established article)	Article 12 (Manager of Register of Shareholders) (Unchanged) 2. (Unchanged) 3. Preparation and keeping of the register of shareholders and the original register of stock acquisition rights and other operations relating to the foregoing registers shall be entrusted to the manager of the register of shareholders and shall not be handled by the Company. Article 13 to (Unchanged) 40 Supplementary Provisions (Interim Measures) Article 1 Preparation and keeping of the register of lost share certificates and other operations relating to the foregoing register shall be entrusted to the manager of the register of shareholders and shall not be handled by the Company. Article 2 The preceding article and this article shall be valid until January 5, 2010, and the preceding article and this article shall be deleted as of the following day.

Proposal 3: Election of nine (9) Directors

The term of office of eight (8) Directors will expire at the end of this meeting. We would like you to elect a total of nine (9) Directors.

The candidates for the Directors are as follows.

No.	Name (Date of birth)	Brief personal profile and representation in other companies	(1) No. of the Company's shares held (2) Any conflict of interests between the candidate and the Company
1	Yasuhiro Yukimachi (January 30, 1932)	Oct. 1953 Joined Mirakukai Nov. 1955 Founded the Company, Director of the Company Oct. 1976 Managing Director of the Company Jan. 1985 Senior Managing Director of the Company Oct. 1991 Vice President and Director of the Company Apr. 1999 Vice President and Representative Director of the Company Apr. 2000 President and Representative Director of the Company (present position)	(1) 495,036 (2) None
2	Kiichi Tagawa (September 25, 1947)	Mar. 1966 Joined the Company Jun. 1997 Director of the Company Mar. 2001 Executive Officer and Director of the Company Mar. 2005 Managing Director of the Company Mar. 2008 Senior Managing Director of the Company (present position) Jan. 2009 In charge of Fashion Business Division, Lifestyle Business Division, Childcare Business Division, Monthly Business Division, Gift & Gourmet Business Division, Atopurame Development Section, Sales Department (present position)	(1) 21,800 (2) None
3	Michio Tanabe (July 23, 1946)	Apr. 1967 Joined the Company Jun. 1997 Director of the Company Mar. 2001 Executive Officer and Director of the Company Mar. 2005 Managing Director of the Company Mar. 2008 Senior Managing Director of the Company (present position) Jan. 2009 In charge of Corporate Planning Department, General Affairs Division, Legal Division , Operation Division, Marketing Division, Production Division, International Division (present position)	(1) 6,200 (2) None
4	Shohachi Sawamoto (February 9, 1948)	Mar. 1972 Joined the Company Jun. 1997 Director of the Company Mar. 2001 Executive Officer and Director of the Company Mar. 2005 Managing Director of the Company (present position) Jan. 2008 In charge of Tokyo Head Office and Tokyo Business Division, Tokyo General Affairs and Public Relations Department, BIO Research Department (present position)	(1) 16,240 (2) None

5	Mamoru Asada (April 1, 1954)	Mar. 1982 Joined the Company Mar. 2005 Executive Officer of the Company Mar. 2006 Executive Officer and Director of the Company Mar. 2008 Managing Executive Officer and Director of the Company (present position) Jan. 2009 General Manager of Monthly Business Division and Planning Division and Head of Product Development Department of Monthly Business Division (present position)	(1) 3,200 (2) None
6	Tomoko Oishi (November 8, 1954)	Apr. 1977 Joined Yamaha Music Foundation Feb. 1988 Joined Yokohama Women's Association for Communication and Networking Jun. 1997 Joined Japan Association for The Advancement of Working Women Apr. 2001 Professor of Kyoto Gakuen University, Faculty of Business Administration (present position) Mar. 2006 Director of the Company (present position)	(1) 0 (2) None
7	Toshikatsu Sano (July 12, 1945)	Jun. 1969 Joined Mitsui Bank Jun. 1997 Director and General Manager of Fund and Securities Planning Department of Sakura Bank Apr. 2000 Managing Executive Officer and General Manager of Nagoya Branch of Sakura Bank Apr. 2001 Managing Executive Officer of Mitsui Mutual Life Insurance Company Jul. 2001 Director and Managing Executive Officer of Mitsui Mutual Life Insurance Company Jun. 2005 President of SMBC Consulting Co., Ltd. Mar. 2008 Director of the Company (present position)	(1) 0 (2) None
8	Shigemitsu Mineoka (October 17, 1951)	Jul. 1977 Joined the Company Aug. 2001 Head of Theme Development Department Mar. 2005 Executive Officer of the Company Mar. 2008 Managing Executive Officer of the Company (present position) Jan. 2009 General Manager of Fashion Business Division and Head of Brand Fashion Development Department of Fashion Business Division	(1) 2,700 (2) None
9	Hiroyuki Hoshino (December 10, 1959)	Sep. 1982 Joined the Company Jan. 2005 Head of Corporate Strategy Department Mar. 2006 Executive Officer of the Company (present position) Jan. 2009 General Manager of Tokyo Business Division	(1) 1,500 (2) None

Notes:

1. Among the candidates for the Directors, Tomoko Oishi and Toshikatsu Sano are the candidates for the external Directors.
2. We believe that Tomoko Oishi will properly perform her duties as external Director concerning working women who are principle customers of the Company, by making the most of her thorough knowledge about labor issues of women, acquired through her long experience as a university professor, as well as her insight and experience although she has not directly taken part in corporate management. We nominated Toshikatsu Sano, who has successively served as director mainly at financial-related companies, since we want him to reflect his wealth of knowledge, experience, etc. in management.
3. On June 10, 2005, while Toshikatsu Sano served as a director to Mitsui Life Insurance Co., Ltd., Mitsui Life Insurance received a business improvement administrative order, pursuant to Item 1 of Article 132 of insurance business law from the Financial Services Agency (FSA), according to contracts with insurants or insures out of range defined in legal documents in group term insurance, group annuity insurance or group insurance. On December 7, 2007, the Company closed investigation, pursuant to the FSA's order calling for a report regarding

actual situation of payment of insurances and others, and reported the matters to the FSA. On investigation, it was identified that insurances and others were totally 124,047 cases and 5,245 million yen to be adjustment from 2001 fiscal period to 2005 fiscal period. Toshikatsu Sano served as a director of Mitsui Life Insurance from July, 2001 to June, 2005. Insurances and others includes insurances, benefits, lapsed refund and delay interest. On April, 2004, Mitsui Life Insurance changed organization from a mutual company to a company.

4. Tomoko Oishi and Toshikatsu Sano are currently external Directors of the Company, but their terms of office as external Directors will reach three years and one year, respectively at the end of this meeting.
5. The Company has concluded the agreement with Tomoko Oishi and Toshikatsu Sano to limit their liabilities for compensation as stipulated in Article 427, Paragraph 1 of the Corporation Law, based on the provisions of the Articles of Incorporation. If they are elected, we plan to continue the agreement. The limit amount of liability for compensation for damages under the relevant agreement is the minimum liability amount set forth by laws and regulations.

Proposal 4: Election of one (1) substitute Corporate Auditor

To provide for a case in which the number of Corporate Auditors falls short of the number stipulated by the law, we would like you to elect one (1) substitute Corporate Auditor in advance pursuant to Article 329, Paragraph 2 of the Corporation Law.

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

The candidate for substitute Corporate Auditor is as follows:

Name (Date of birth)	Brief personal profile and representation in other companies	(1) No. of the Company's shares held (2) Any conflict of interests between the candidate and the Company
Koichi Masui (November 17, 1950)	Mar. 1986 Registered as a certified public accountant Jul. 1986 Registered as a certified tax accountant Jul. 1987 Established Masui Kouichi Office, Representative of the Office (present position) Jan. 1989 Established Mass Management Co., Ltd., President of Mass Management Co., Ltd. (present position)	(1) 0 (2) None

Notes:

1. Koichi Masui, candidate for substitute Corporate Auditor, is a candidate for substitute external Corporate Auditor.
2. We expect that Koichi Masui will make the best use of his financial and accounting knowledge he has cultivated through his long experience as a certified public accountant and a certified tax accountant for the audit system of the Company if he becomes Corporate Auditor, and we judge that he will properly execute his duties as external Corporate Auditor.
3. We may cancel this election by a resolution of the Board of Directors after obtaining the consent of the Board of Corporate Auditors, if the cancellation is before he takes office.
4. If Koichi Masui is elected as proposed, we plan to conclude an agreement with him to limit his liability for compensation as stipulated in Article 427, Paragraph 1 of the Corporation Law. The limit amount of liability for compensation for damages under the relevant agreement is the minimum liability amount set forth by laws and regulations.

Proposal 5: Grant of retirement benefits to retiring Directors and payment of retirement benefits attendant upon the abolition of the retirement benefit system

We propose to grant retirement benefits to retiring Director Mr. Kazuhide Fujiyoshi, whose term of office will expire at the end of this meeting, in appreciation of his service, within the due amount based upon certain standards stipulated by the Company. We propose that the determination of the actual amount, time, method, and other matters relating to the granting of the said retirement benefits be decided by the Board of Directors.

The Company resolved at the meeting of the Board of Directors, held on January 29, 2009, to abolish the retirement benefit system for retiring Directors and retiring Corporate Auditors as of December 31, 2008.

Accordingly, we propose to pay proper amounts of retirement benefits to the five Directors described below (2) who will be reappointed, which is subject to the approval of Proposal 3 in its original form, based on their respective periods of office by December 31, 2008 and in accordance with the prescribed standards of the Company, and to leave decisions on issues such as the specific amount and payment method entirely to the Board of Directors.

We propose to pay the benefits when each Director retires from his or her office as Director.

(1) Brief personal profiles of the retiring Directors are as follows:

Name	Brief personal profile
Kazuhide Fujiyoshi	Mar. 2005 Director of the Company (present position)

(2) Brief personal profiles of the Directors who are planed to be paid retirement benefits attendant upon the abolition of the retirement benefit system as follows:

Name	Brief personal profile
Yasuhiro Yukimachi	Nov. 1955 Founded the Company, Director of the Company Oct. 1976 Managing Director of the Company Jan. 1985 Senior Managing Director of the Company Oct. 1991 Vice President and Director of the Company Apr. 1999 Vice President and Representative Director of the Company Apr. 2000 President and Representative Director of the Company (present position)
Kiichi Tagawa	Jun. 1997 Director of the Company Mar. 2005 Managing Director of the Company Mar. 2008 Senior Managing Director of the Company (present position)
Michio Tanabe	Jun. 1997 Director of the Company Mar. 2005 Managing Director of the Company Mar. 2008 Senior Managing Director of the Company (present position)
Shohachi Sawamoto	Jun. 1997 Director of the Company Mar. 2005 Managing Director of the Company (present position)
Mamoru Asada	Mar. 2006 Director of the Company (present position)