(Translation)

Stock code: 8165

March 7, 2012

NOTICE OF THE 67th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholder

You are cordially invited to attend the 67th Ordinary General Meeting of Shareholders of Senshukai Co., Ltd. ("the Company"), which will be held as described hereunder.

If you are unable to attend the meeting, you may exercise your voting rights in writing or via electromagnetic methods such as the Internet. Please review the attached Reference Material for Ordinary General Meeting of Shareholders and exercise your voting rights following the "Procedure for Exercising Voting Rights" on page 3.

Sincerely yours,

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

MEETING AGENDA

1. Date and Time: 10:00 a.m., Thursday, March 29, 2012

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 67th fiscal year (January 1 to December 31, 2011); and Audit Reports of the Accounting Auditors and the Board of Auditors regarding Consolidated Financial Statements for the 67th fiscal year
2. Non-consolidated Financial Statements for the 67th fiscal year (January 1 to December 31, 2011)

Items to be proposed:

Proposal 1	Appropriation of surplus
Proposal 2	Election of nine (9) Directors
Proposal 3	Election of one (1) substitute Auditor

If attending the meeting in person, please present the enclosed voting form at the reception desk.

We will post any corrections to the Reference Material for Ordinary General Meeting of Shareholders, business report, consolidated financial statements, or non-consolidated financial statements on the Company's website (http://www.senshukai.co.jp/soukai).

Procedure for Exercising Voting Rights

1. Voting by mail

Please indicate your approval or disapproval of the proposals on the enclosed voting form and return it to us. All forms must be received by no later than 5:30 p.m., Wednesday, March 28, 2012, 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 5:30 p.m., Wednesday, March 28, 2012, 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 using a PC and using a 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 6.0 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.)

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 from 9:00 a.m. to 9:00 p.m., only in Japan)

<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, only in Japan)

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]

Business Report

(January 1 to December 31, 2011)

1. Summary of operations

(1) The Senshukai Group operating progress and results

Overview

During the fiscal year ended December 31, 2011, economic conditions in Japan recovered gradually from the impact of the Great East Japan Earthquake. However, the future of the economy remained uncertain due to factors including financial instability caused by the debt crisis in Europe and the yen's continued appreciation. In the retail industry, there was an increase in demand for reconstruction in the aftermath of the earthquake and a moderate improvement in consumer confidence, but the business environment remained difficult on the whole. In the mail-order industry, while sales are on the increase year after year due in part to the rapid expansion of consumption over the Internet, competition across industries has become increasingly fierce.

Under such a business environment, the Senshukai Group promoted the growth strategies in the fiscal year under review as the first year of the Medium-Term Management Plan, which will end in the fiscal year ending December 31, 2013 (the 69th fiscal year), and made Group-wide efforts to achieve the targets defined in the plan.

As part of such endeavors, we established a corporate vision of "Woman Smile Company" in November 2011, and will conduct business activities based on it in the future.

As a result of these activities, the Senshukai Group's consolidated net sales increased slightly by 0.3% year on year to 137,261 million yen.

On the profit front, operating income decreased by 9.2% year on year to 3,107 million yen. This was due to a rise in the cost-to-sales ratio as a result of increases in sales at bargain prices and loss on valuation of goods caused by an increase in inventories despite our efforts for cutting down on catalogue-related expenses and an across-the-board reduction of general and administrative expenses. Ordinary income increased by 2.1% year on year to 3,233 million yen due to foreign exchange gains and equity in earnings of affiliates. Net income declined by 22.3% year on year to 1,583 million yen due to an increase in loss on valuation of investment securities and loss on adjustment for changes of accounting standard for asset retirement obligations.

Business results by segment

[Mail-order Business]

The mail-order business, which consists of catalogue and buyer's club businesses, posted net sales of 122,946 million yen (a year-on-year increase of 3.2%). On the profit front, we reduced print expenses and production expenses for catalogues by reorganizing and consolidating media. However, the cost-to-sales ratio rose as a result of increases in sales at bargain prices and loss on valuation of goods caused by an increase in inventories. Consequently, operating income declined by 19.5% year on year to 2,226 million yen.

(1) Catalogue Business

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

During the fiscal year under review, sales fell temporarily due to the effects of the Great East Japan Earthquake and bad weather. However, they rebounded steadily, supported by our cross-media promotion efforts including TV commercials. On the Internet market, online sales and net online sales* grew due to our sales promotional measures including a free-shipping campaign, delivering applications for smartphones and opening a video site. Consequently, the catalog business posted consolidated net sales of 112,879 million yen (a year-on-year increase of 4.3%). (*Net online sales refers to sales of merchandise recognized when consumers place items in the shopping cart to order them on the Internet.)

(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.

During the fiscal year under review, the buyer's club business posted consolidated net sales of 10,067 million yen (a year-on-year decrease of 8.3%) due to a decline in membership although sales of new merchandise were robust.

[Bridal Business]

Consolidated net sales in the bridal business, centered on the subsidiary Dears Brain Inc. which operates the house wedding business, increased by 3.2% year on year to 8,407 million yen. This was because the business recovered steadily after the temporary impact of the earthquake with increases in the number of wedding ceremonies and the unit price of wedding banquets compared with those in the previous fiscal year. Operating income grew by 11.6% year on year to 482 million yen.

[Corporate Business]

In the fiscal year under review, consolidated net sales in the corporate business that provides products and services to corporations declined by 45.6% year on year to 4,159 million yen due in part to the termination of a contract with a large-volume customer. In the meantime, operating income surged by 259.5% year on year to 448 million yen.

[Other Businesses]

In the fiscal year under review, consolidated net sales in other businesses that consist of the service business (with travel services and credit-card services as the core fields) and the pet business, centering on sales of pet supplies mainly through pet shops, decreased by 7.4% year on year to 1,748 million yen. As a result, operating loss amounted to 57 million yen (against an operating income of 31 million yen in the previous fiscal year).

Net sales by business segment (Millions of yen)

Name of the segment and product	66th fiscal year (Jan. 1 to Dec. 31, 2010)		67th fiscal year (Jan. 1 to Dec. 31, 2011)		Change from the previous fiscal year	Year-on-Year (%)
	Amount	% of total	Amount	% of total		
Mail-order Business:						
Apparel	51,788	37.8	54,648	39.8	2,860	5.5
Interior goods	27,501	20.1	29,509	21.5	2,007	7.3
Household sundries	19,426	14.2	18,706	13.7	-720	-3.7
Clothing sundries	13,781	10.1	14,010	10.2	229	1.7
Foodstuffs	5,378	3.9	4,547	3.3	-830	-15.4
Others	1,294	1.0	1,523	1.1	229	17.7
Subtotal	119,170	87.1	122,946	89.6	3,775	3.2
Bridal Business	8,149	5.9	8,407	6.1	258	3.2
Corporate Business	7,651	5.6	4,159	3.0	-3,492	-45.6
Other Businesses	1,888	1.4	1,748	1.3	-139	-7.4
Total	136,859	100.0	137,261	100.0	402	0.3

Note: Effective from the fiscal year under review, the Senshukai Group has applied the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008). In accordance with this, we changed the reportable segment from the conventional one that consists of the mail-order business and other businesses to one that consists of the mail-order business, bridal business, corporate business and other businesses. To make comparisons with the results of the previous fiscal year, results by business segment in the previous fiscal year are shown by reclassifying them according to the new business segment.

(2) Capital expenditures

In the fiscal year under review, the Senshukai Group invested a total of 961 million yen in capital expenditures, and 2,085 million yen to develop computer systems, etc.

(3) Fund procurement

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

The Company has also concluded commitment line contracts totaling 15,300 million yen with its correspondent financial institutions, and the balance of borrowings outstanding at the end of the fiscal year under review is 2,500 million yen.

(4) Issues to be handled

The Senshukai Group has formulated a three-year Medium-Term Management Plan that began in the fiscal year ended December 31, 2011 (the 67th fiscal year) and it will end in the fiscal year ending December 31, 2013 (the 69th fiscal year).

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

i) Creating a "new Belle Maison"

- We will view the "Belle Maison" as a single strategic unit and create a new Belle Maison that is needed by customers. In order to achieve this, we will separate the product development function and sales function, take action ahead of our competitors by quickly detecting changes in the market, and enhance the development of original products by ensuring our products are "available only at Belle Maison."

- We will leverage our strengths of operating an Internet site on our own and having capabilities for in-house product development, and strive to expand the Belle Maison Net by transforming our infrastructure of the mail-order business to allow us to remain competitive in the Internet business.

ii) Strengthening Internet business

- We will strengthen collaboration between Belle Maison Net and other Internet businesses to promote strategic sharing of customer assets, expand selection of merchandise, enhance marketability of merchandise, and develop appropriate systems, in order to make the most of synergistic effects of businesses and strengthen the Internet business throughout the entire Group.

- We will cultivate two or more EC sites of specialized shops which are different from Belle Maison Net through our subsidiaries to boost sales profit on a Group level.

iii) Expanding bridal business

- We will continue to make investment in Dears Brain Inc., which owns and operates wedding places, to expand the bridal business. In addition, we will strategically embrace marriages as events that provide important information for our existing businesses, and make it easier to increase cooperation within the Group to expand the entire Group's customer base.

iv) Ensuring high-quality and low-cost business operations

- Getting back to the starting point on a Group level, we will ensure high-quality business operations in which we assign top priority to providing products and services that give satisfaction to customers.
- We will ensure low-cost business operations that will allow us to respond flexibly to market changes on a Group level.

2) Status of initiatives in the fiscal year under review

i) Creating a "new Belle Maison"

- Expanding Belle Maison Net

We redesigned websites in April 2011 and continued to expand our Internet business thereafter by opening "Belle Maison On-Line Video Shopping Site" and optimizing the Internet site and delivering various applications for smartphones. As a result, online sales increased sharply from the previous fiscal year to 72,600 million yen.

- Enhancing marketability of merchandise

Starting from the fiscal year under review, we developed clothing and interior goods as strategic merchandise while incorporating in such development the opinions of customers and aiming to give products a comfortable feel of texture and high functionality. As a result, we had various hit products such as the "Hotcott" cotton blended warm underwear.

- Reviewing strategies for enticing customers

We reviewed our conventional strategies for enticing customers including sales promotion via newspaper clippings and catalogues made available at convenience stores or on online shopping sites, and started to conduct cross-media promotion by using TV commercials from the fiscal year under review. This helped us to acquire new membership.

- Reorganizing catalogues

In January 2012, we reorganized our main fashion catalogue "kurasufuku" and launched four types of "watashino kitaifuku" to suit the different lifestyles of customers. In addition, we published "bellenurse," a catalogue for nurses as a catalogue targeting people working in specific occupational fields. We will successively reorganize our catalogues.

- Enhancing added values of customer services

We terminated "Club Belle Maison," which is a policy for loyal customers, at the end of the fiscal year ended December 31, 2011 and plan to start a new policy called "Star Belle Maison." We will continue to review our customer services.

ii) Strengthening Internet business

Our subsidiary Mobakore Co., Ltd. opened a new online shopping site called "mini colle" and shared site called "Okaimono with."

Our subsidiaries will successively open new online shopping sites.

iii) Expanding bridal business

In the bridal business, we opened a new guesthouse wedding place "THE MEETS MARINA TERRACE" in Chiba-shi, Chiba, in January 2011. As a result, the number of guesthouse wedding places the Group operates increased to 13. Although sales in the bridal business declined temporarily due to the effects of the Great East Japan Earthquake that occurred in March 2011, they recovered thereafter and exceeded the result in the previous fiscal year to reach 8,400 million yen. The Senshukai Group will successively open new wedding places to further expand the business.

iv) Ensuring high-quality and low-cost business operations

We introduced a new business management system in December 2011 as part of a reform of our business management process. We will use the system to expedite budget formulation and analyze management data. We will study how to implement various measures to ensure high-quality and low-cost business operations.

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

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

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

We look forward to your continuous support and encouragement.

(5) Trends in financial position and gain and loss

(Millions of yen)

Items \ Fiscal year	64th fiscal year (ended Dec. 2008)	65th fiscal year (ended Dec. 2009)	66th fiscal year (ended Dec. 2010)	67th fiscal year (ended Dec. 2011)
Net sales	158,285	147,292	136,859	137,261
Ordinary income (loss)	-4,553	-1,410	3,167	3,233
Net income (loss)	-6,833	-3,811	2,037	1,583
Net income (loss) per share (Yen)	-146.29	-84.18	47.04	36.56
Total assets	104,059	91,837	90,086	90,441
Net assets	44,274	37,906	39,411	41,444
Net assets per share (Yen)	947.19	874.89	909.99	956.94

(6) Status of important parent company and subsidiaries

1) Relationship with the parent company

No applicable items

2) Major subsidiaries

Company name	Capital (Millions of yen)	Percentage of voting rights of the Company (%)	Major business
Dears Brain Inc.	350	100.0	Bridal business
Mobakore Co., Ltd.	200	100.0	Mail-order business
Senshu Logisuko Co., Ltd.	95	100.0	Packing and wrapping business
Senshukai Call Center Co., Ltd.	60	100.0	Telephone marketing
Senshukai General Services Co., Ltd.	50	100.0	Travel services, information services
Senshukai Service Hanbai Co., Ltd.	50	100.0	Customer service and area marketing business

The Company owns a total of 11 consolidated subsidiaries, including the six major subsidiaries described above.

(7) Major business

The Senshukai Group operates a mail-order business as its core business, and is also engaged in the bridal business, corporate business for providing products and services for corporations, and other businesses that include the service business with travel services and credit-card services as the core fields and the pet business for selling pet supplies mainly through pet shops.

(8) Principal offices

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

(9) Employees of the Senshukai Group

1) Consolidated basis

Segment	Number of employees	Change from the previous fiscal year
Mail-order Business	1,127	14
Bridal Business	242	31
Corporate Business	33	-12
Other Businesses	74	-2
Other staff (consolidated basis)	102	-9
Total	1,578	22

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

2) The Company

Number of employees	Change from the previous fiscal year	Average age	Average service years
802	17	40.1	13.3

Notes:

1. The number of employees includes regular and contract staff, but does not include (65) employees seconded to subsidiaries.
2. The retirement age of employees is 60.

(10) Major creditors

Creditors	Borrowings outstanding (Millions of yen)
Sumitomo Mitsui Banking Corp.	3,150
Mizuho Bank, Ltd.	2,005
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,293
The Sumitomo Trust & Banking Co., Ltd.	700

2. Items regarding shares of the Company

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

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

(3) Number of shareholders: 16,342

(4) Major shareholders (Top 10 shareholders)

Name	No. of shares held (Thousands)	Shareholding ratio (%)
Brestsheave Co., Ltd.	3,650	8.43
Toppan Printing Co., Ltd.	1,838	4.24
Sawzan, Ltd.	1,792	4.14
Sumitomo Mitsui Banking Corp.	1,665	3.85
Dai Nippon Printing Co., Ltd.	1,509	3.49
Mizuho Bank, Ltd.	1,319	3.05
Japan Trustee Services Bank, Ltd. (Trust account)	1,146	2.65
Senshukai Group Employee Stock Ownership Plan	1,117	2.58
Nippon Life Insurance Company	988	2.28
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	752	1.74

Notes:

1. Amounts less than one thousand shares have been omitted.
2. The shareholding ratio is calculated by subtracting treasury stock (4,321,035 shares).

3. Items regarding subscription rights to shares of the Company

No applicable items

4. Directors and Auditors

(1) Name of Directors and Auditors (As of December 31, 2011)

Title	Name	Responsibilities at the Company and important concurrent occupations or positions at other organizations
Chairman and Representative Director	Yasuhiro Yukimachi	
President and Representative Director	Michio Tanabe	
Senior Managing Director and Executive Officer	Kiichi Tagawa	In charge of Administration Division and Tokyo Headquarters (General Affairs Division, Operation Division, Business Development Division)
Senior Managing Director and Executive Officer	Shohachi Sawamoto	In charge of Belle Maison Business Division (EC Business Division, Catalogue Business Division, Product Development Division, Belle Maison Business Planning Department)
Managing Director and Executive Officer	Mamoru Asada	Division Director of Project Division, in charge of Monthly Business Division, Project Division (Monthly Business Division, Project Division)
Director and Executive Officer	Shigemitsu Mineoka	Division Director of EC Business Division
Director and Executive Officer	Hiroyuki Hoshino	Division Director of Business Development Division, President and Representative Director of Mobakore Co., Ltd.
Director	Tomoko Oishi	Professor of Kyoto Gakuen University, Faculty of Business Administration, Dean of Kyoto Gakuen University, Faculty of Business Administration
Director	Toshikatsu Sano	
Standing Auditor	Yoshihiro Nakabayashi	
Standing Auditor	Makoto Yamamoto	
Auditor	Hideyuki Koizumi	Certified Public Accountant (Representative of Koizumi C.P.A. Office), External Corporate Auditor of Japan Cash Machine Co., Ltd.
Auditor	Hiroshi Morimoto	Attorney (Representative member of Kitahama Partners L.P.C.), External Corporate Auditor of Japan Cash Machine Co., Ltd.

Notes:

1. Directors Tomoko Oishi and Toshikatsu Sano are External Directors.
2. Auditors Hideyuki Koizumi and Hiroshi Morimoto are External Auditors.
3. External Director Tomoko Oishi and External Auditors Hideyuki Koizumi and Hiroshi Morimoto are Independent Director / Auditors who are notified as prescribed by the Financial Instruments Exchange.
4. External Auditor Hideyuki Koizumi is qualified as certified public accountant and has considerable knowledge regarding finance and accounting.

(2) Retired Auditors during the fiscal year under review

Name	Date of retirement	Reason for retirement	Positions at the Company and important concurrent occupations or positions at other organizations at the time of retirement
Shoji Tottori	March 30, 2011	termination of a term	Standing Auditor
Yoshihiro Inoda	March 30, 2011	termination of a term	Standing Auditor

(3) Total amount of remuneration to Directors and Auditors

	Number of Directors and Auditors	Amount (Millions of yen)
Directors [of which External Directors]	9 [2]	269 [16]
Auditors [of which External Auditors]	6 [2]	42 [10]
Total [of which External Directors and External Auditors]	15 [4]	312 [27]

Notes:

1. The above numbers and amounts include two Auditors who retired from their offices at the conclusion of the 66th Ordinary General Meeting of Shareholders, held on March 30, 2011.
2. The amount of remuneration paid to Directors does not include salaries for employees paid to Directors who concurrently serve as employees.
3. It was resolved at the 62nd Ordinary General Meeting of Shareholders, held on March 29, 2007, that the maximum amount of remuneration to be paid to Directors in total per year shall not exceed 400 million yen (however, not including salaries for employees).
4. It was resolved at the 62nd Ordinary General Meeting of Shareholders, held on March 29, 2007, that the maximum amount of remuneration to be paid to Auditors in total per year shall not exceed 70 million yen.
5. The above amounts include provision for directors' bonuses of 29 million yen for the fiscal year under review.

(4) Items regarding External Directors and External Auditors

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

- Director Tomoko Oishi is Professor and Dean of Kyoto Gakuen University, and there is no special relationship between the Company and that organization.
- Auditor Hideyuki Koizumi is Representative of Koizumi C.P.A. Office, and there is no special relationship between the Company and that organization. Hideyuki Koizumi concurrently serves as External Corporate Auditor of Japan Cash Machine Co., Ltd., and there is no special relationship between the Company and that organization.
- Auditor Hiroshi Morimoto is representative member of Kitahama Partners L.P.C., and the Company has concluded legal advisory contracts individually with other attorneys who belong to that organization. Hiroshi Morimoto concurrently serves as External Corporate Auditor of Japan Cash Machine Co., Ltd., and there is no special relationship between the Company and that organization.

B. Major activities in the fiscal year under review

	Major activities
Director Tomoko Oishi	She attended 15 of the 17 meetings of the Board of Directors held in the fiscal year under review. She gives advice and proposals for ensuring validity and appropriateness of decision-making of the Board of Directors, offering opinions mainly based on her insight and experience on working women, our main customers, as a professor acquired familiarity with labor issues for women over many years.
Director Toshikatsu Sano	He attended all of the 17 meetings of the Board of Directors held in the fiscal year under review. He has successively served as Director mainly at financial-related companies, and gives advice and proposals for ensuring validity and appropriateness of decision-making of the Board of Directors, offering opinions from the perspective of corporate manager based on his wealth of knowledge, experience, etc.
Auditor Hideyuki Koizumi	He attended all of the 17 meetings of the Board of Directors and all of the 13 meetings of the Board of Auditors held in the fiscal year under review. He gives opinions for ensuring validity and appropriateness of decision-making of the Board of Directors at the meetings of the Board of Directors from the professional standpoint as a certified public accountant. Also, he properly offers necessary views about the accounting procedure of the Company at the meetings of the Board of Auditors.
Auditor Hiroshi Morimoto	He attended all of the 17 meetings of the Board of Directors and all of the 13 meetings of the Board of Auditors held in the fiscal year under review. He gives opinions for ensuring validity and appropriateness of decision-making of the Board of Directors at the meetings of the Board of Directors from the professional standpoint as an attorney. Also, he properly offers necessary views about compliance of the Company at the meetings of the Board of Auditors.

C. Outline of the agreement to limit liability

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

5. Item regarding accounting auditors

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

(2) Compensation for the accounting auditor:

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

48 million yen

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

52 million yen

Note: Compensation, etc. in 1) is written in total amount, because in agreement with accounting auditors, clear classification of compensation amounts based on the Corporation Act and those based on the Financial Instruments and Exchange Act is difficult.

(3) Details of non-auditing services

The Company entrusts the accounting auditor to provide investigative services related to the "Royalty Report" and advisory services on responding to the International Financial Reporting Standards (IFRS), which are non-auditing services not included in the services of Article 2, Paragraph 1 of the Certified Public Accountant Act of Japan.

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

The Board of Directors shall make dismissal or non-reappointment of the accounting auditor the purpose of a General Meeting of Shareholders after obtaining the consent of the Board of Auditors, or based on the demand of the Board of 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 stipulated in Article 340, Paragraph 1 of the Corporation Act, the Board of Auditors shall dismiss the accounting auditor based on the consent of all Auditors. In this case, an Auditor selected by the Board of Auditors shall report the dismissal of the accounting auditor and the reason for dismissal at the first General Meeting of Shareholders to be held after the dismissal.

6. The system to assure appropriateness of the business activities

The Company made a resolution on the basic policy for the internal control system, and provision of it, as follows, at the meeting of the Board of Directors based on the provisions of Article 362, Paragraph 4, Item 6 and Paragraph 5 of the Corporation Act and has been executing it.

(1) Basic ideas on the internal control system

The Senshukai Group acknowledges that “corporate governance” is essential in its corporate activities as stated in 1. Summary of operations (4) Issues to be handled and aims to prepare the internal control system for it to strengthen compliance, improve efficiency in business execution and establish a risk control system. The Senshukai Group will review the internal control system according to demand of society or change in the environment, as required, to improve and enrich it.

(2) Specifics of the internal control system

1. A system to assure that execution of duties of the Directors and employees complies with the laws, regulations and the Articles of Incorporation
   1) To ensure compliance, the Senshukai Group has established the “Senshukai Group Compliance Policies.” In addition, the Senshukai Group shall provide the “Corporate Ethics Helpline” as an internal reporting system for promptly responding to potential risks such as violations of laws, regulations and internal regulations.
   2) If any compliance issues arise with any directors (Directors, Auditors and Executive Officers) and employees, each one shall be discussed and examined in the Audit Committee in the case of directors and the Corporate Ethics Compliance Committee in the case of employees through the internal liaison or the Corporate Ethics Helpline as an external liaison based on regulations.
   3) For directors and employees, we shall distribute the “Senshukai Personal Conduct Principles” and “Senshukai Corporate Behavior CaseBook” for use as guidelines in daily life at work. In addition, we shall provide compliance education on an as-needed basis through e-learning and Intranet programs.
   4) To ensure internal control in the Company, the Internal Auditing Department, which is under the direct control of the President, shall conduct internal audits based on regulations to grasp and improve the status of business operations and report the results to the President.
   5) Responsibilities for intellectual property shall be checked preliminarily by the Legal & Credit Department. To fulfill product liability requirements, the Quality Management Committee shall review and determine sales of restricted products.
2. The system for storage and management of information related to execution of duties of the Directors
   1) Documents shall be stored and managed fully based on the “Document Handling Rules” and “Data Management Regulations.”
   2) Important confidential items of the Company shall be strictly managed according to

the “Confidential Document Handling Rules” separately.

3) Also, any revision of important rules shall be made with the approval of the Board of Directors.

4) The information related to execution of duties by the Directors shall be made accessible by the Directors and Auditors at all times on the Intranet.

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

1) We shall classify risks concerning the basis of management into ten categories, and clarify the control system by establishing a division or a committee for each risk category, so that responses can be made quickly when problems occur. The status of management of each risk shall be reported to the “Administrative Office of Risk Management Control Committee” on a monthly basis.

The Administrative Office shall summarize monthly reports and report monthly, or in emergency situations, a division or a committee for each risk category shall report promptly to the Risk Management Control Committee, which is comprised of members of the Management Council.

2) To ensure implementation of concrete measures for risk management, we shall prepare a manual for each risk category on an as-needed basis and establish a system to take actions promptly.

3) For the system against unexpected situations of any Directors, we shall establish rules and a system to execute operations smoothly on their behalf.

4. A system to assure efficient execution of duties of the Directors

1) We shall establish “Company Rules” and “Rules for Application for Liquidation Items” to realize the efficiency of business activities by clarifying the roles of the Board of Directors, Management Council, Board of Auditors or other parties, duty positions of the employees, duty allotment, official authority, roles and decision authority, etc.

2) In order to improve the transparency of the Board of Directors and strengthen the supervisory function, an External Director (part-time service) system shall be implemented.

3) We shall introduce the “Executive Officer System” and “Business Division System” and clarify the decision-making process of the management and authorities and responsibilities of business execution to speed up the management process.

4) A “Management Council” mainly made up of full-time Directors and Auditors shall be established separate from the Board of Directors to enable resolutions to be passed on important business activities commissioned by the Board of Directors to ensure quick decision-making.

5) We shall implement a technique that utilizes “BSC (Balance Score Cards)” effectively supporting organization performance monitoring and evaluation indexes, and we shall conduct reviews and gather feedback of results in the Management Council.

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

1) The Company and the group companies shall formulate and implement “Regulations for Management of Subsidiaries and Affiliated Companies” to enhance the corporate value of the entire group and fulfill social responsibilities. In addition, we shall establish a system of having the parent company approve important items of the subsidiaries for which it holds a stake of over 50%.

2) By establishing a system of having each lead office supervise the subsidiaries, we shall facilitate close cooperation in directions, instructions and communication between the parent company and the subsidiaries, while each lead office gives guidance, advice and evaluation, in an effort to rationalize the business activities as a group.

3) We shall hold regular meetings between the incorporated auditing firm and the Directors of the parent company to exchange opinions about the entire group’s situation.

4) We shall formulate insider trading regulations and regulations related to internal reporting, which will be implemented in common throughout the group, and common compliance education will be provided to directors and employees of the group companies.

6. Item regarding employees in case that Auditors request employees who are to assist their duties and item regarding independency of the relevant employees from the Directors

1) Dedicated a full-time staff for the Auditor is in place according to the request of the Board of Auditors.

2) Appointment, personnel change, personnel evaluation and disciplinary punishment of a full-time staff for the Auditor, opinions of the Board of Auditors are to be fully respected.

7. The system for the Directors and the employees to report to the Auditors, the system regarding report to Auditors and the system to assure that audits are effectively conducted by the Auditors

1) The Standing Auditors shall attend major meetings if necessary, and receive important information including the management status.

2) The Standing Auditors shall attend meetings of the “Risk Management Control Committee,” and in cases where any important item in the “Corporate Ethics Helpline” or any fact that could cause substantial damage to the Company is detected from one of the risk management committees or divisions, Standing Auditors are required to immediately report such items or facts to the Board of Auditors.
3) Materials required by Auditors for inspection shall be available for inspection upon request at any time.
4) Results of audits conducted by the Internal Auditing Department shall be reported.
5) The Auditors shall regularly hold opinion exchange meetings with President and the auditing firm, respectively.
6) The Auditors shall conduct an auditor’s audit regularly and interview the Executive Officers and important employees.
7) The Board of Auditors shall be also able to take professional advice if they so request.

8. System to assure reliability of financial reporting

1) The Senshukai Group shall evaluate and conduct external reporting on reliability of internal control over financial reporting pursuant to the provisions of relevant laws and regulations including the Financial Instruments and Exchange Act.
2) In evaluating the effectiveness of internal control over financial reporting, we shall establish procedures in accordance with standards of evaluation that are deemed fair and appropriate in general, and comply with such procedures.
3) In order to assure the effectiveness of internal control over financial reporting, we shall perform internal audits targeting all the group companies on a regular basis, detect and correct deficiencies and material defects, if there are any, and strive to make improvements continuously.
4) In order to assist in the development and operation of effective internal control, as well as evaluation and external reporting of internal control over financial reporting, which are required of the President, the Internal Auditing Department shall perform internal audits based on the “Regulations for the Development and Operation of Internal Control over Financial Reporting” and report the results of audit to the President.

9. System for exclusion of antisocial forces

The Company shall establish the “Compliance Policies” and the “Guidelines for Preventing Damage by Antisocial Forces,” and it will take a resolute stance against antisocial forces that pose a threat to social order and safety. In addition, it declares to all the directors and employees that it will have nothing to do with such antisocial forces and will thoroughly ensure that.

7. Basic policy on control of the company

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

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

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

The Company considers a person or a company that intends to make such improper large-scale purchases of shares to be inappropriate as a person who controls decisions on financial and operational policies of the Company, and believes that the increase of the corporate value of the Company and by extension, common interests of shareholders need to be ensured by taking necessary and considerable measures against large-scale purchases by such purchasers.

II. Special efforts for realizing the basic policy

In order to increase corporate value, the Company has developed and is implementing new Medium-Term Management Plan, covering three fiscal years from January 2011 to December 2013, following the previous Medium-Term Management Plan. We are confident that we will be able to increase our corporate value and by extension, 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 by extension, common interests of shareholders. When a large-scale purchase of shares of the Company is to be made, the framework allows us to request that the purchaser and proponent of purchase (hereafter, referred to collectively as the "purchaser or similar party") provides information prior to such purchase, thereby shareholders decide whether to accede to the purchase or not, or ensure necessary information and time for the Board of Directors of the Company to make alternative proposals or negotiate with the purchaser or similar party on behalf of the shareholders.

The Company introduced a "Policy toward Large-scale Purchases of Shares of the Company" (hereinafter referred to as the "previous plan") at the 63rd Ordinary General Meeting of Shareholders, held on March 28, 2008, as a countermeasure against takeovers in ordinary times with an effective period up to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended December 31, 2010. In consideration of various developments surrounding countermeasures against takeovers, the Company thereafter continued to examine the appropriate countermeasures against takeovers in ordinary times. Accordingly, the Company decided to continue with the previous plan, after making partial revision, (hereinafter, the revised plan shall be referred to as "the plan") as part of our efforts for ensuring and increasing the corporate value of the Company and common interests of shareholders, to prevent any attempts at abusive acquisitions targeting the Company, with the approval of shareholders at the 66th Ordinary General Meeting of Shareholders held on March 30, 2011 to continue with the prevailing plan until the conclusion of the Ordinary General Meeting of Shareholders covering the fiscal year ending December 31, 2013.

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

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

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

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

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

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

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

(2) The relevant efforts neither damage common interests of shareholders nor are aimed at maintaining the status of Directors and 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 Directors and Auditors of the Company, since 1) they comply thoroughly with the "Guidelines on takeover defense for ensuring and/or increasing corporate value and stakeholder profits," released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005 and also satisfy the "Takeover Defense Measures in Light of Recent Environmental Changes," released by the Corporate Value Study Group of the Ministry of Economy, Trade and Industry on June 30, 2008; 2) they attach importance to the intention of shareholders in various ways: they will be continued on condition that amendments to the Articles of Incorporation made based on the prescribed procedure are approved by shareholders in the General Meeting of Shareholders in accordance with provisions of the Articles of Incorporation and the so-called sunset clause is established; 3) a Special Committee has been established; and 4) they are not a dead-hand type of countermeasure against takeovers.

Consolidated Balance Sheet
As of December 31, 2011

	Millions of yen
	As of December 31, 2011
ASSETS	
Current Assets	
Cash and deposits	7,500
Notes and accounts receivable-trade	6,589
Short-term investment securities	31
Merchandise and finished goods	17,022
Raw materials and supplies	118
Deferred tax assets	1,051
Accounts receivable-other	8,802
Other	3,644
Allowance for doubtful accounts	-278
Total Current Assets	44,482
Noncurrent Assets	
Property, Plant and Equipment:	
Buildings and structures	13,513
Machinery, equipment and vehicles	869
Tools, furniture and fixtures	719
Land	10,880
Construction in progress	326
Other	140
Total Property, Plant and Equipment	26,449
Intangible Assets:	
Goodwill	2,429
Other	4,506
Total Intangible Assets	6,935
Investments and Other Assets	
Investment securities	5,996
Long-term loans receivable	943
Lease and guarantee deposits	1,690
Deferred tax assets	60
Other	4,226
Allowance for doubtful accounts	-343
Total Investments and Other Assets	12,574
Total Noncurrent Assets	45,959
Total Assets	90,441

	Millions of yen
	As of December 31, 2011
LIABILITIES	
Current Liabilities	
Notes and accounts payable-trade	9,282
Short-term loans payable	3,843
Current portion of bonds	736
Accounts payable-other	6,852
Accounts payable-factoring	13,710
Accrued expenses	2,464
Income taxes payable	146
Accrued consumption taxes	124
Provision for directors' bonuses	31
Provision for sales promotion expenses	613
Forward exchange contracts	1,941
Other	1,497
Total Current Liabilities	41,244
Noncurrent Liabilities	
Bonds payable	2,550
Long-term loans payable	3,971
Deferred tax liabilities for land revaluation	631
Provision for retirement benefits	31
Asset retirement obligations	364
Other	203
Total Noncurrent Liabilities	7,753
Total Liabilities	48,997
NET ASSETS	
Shareholders' Equity	
Capital stock	20,359
Capital surplus	21,038
Retained earnings	12,288
Treasury stock	-2,775
Total Shareholders' Equity	50,910
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	-1,008
Deferred gains or losses on hedges	-1,237
Revaluation reserve for land	-7,041
Foreign currency translation adjustment	-177
Total accumulated other comprehensive income	-9,465
Total Net Assets	41,444
Total Liabilities and Net Assets	90,441

Consolidated Statement of Income
For fiscal year ended December 31, 2011

	Millions of yen For fiscal year ended December 31, 2011
Net sales	**137,261**
Cost of sales	**71,311**
Gross profit	**65,950**
Selling, general and administrative expenses	**62,842**
Operating income	**3,107**
Non-operating income	**801**
Interest and dividends income	148
Foreign exchange gains	191
Co-sponsor fee	28
Equity in earnings of affiliates	110
Gain on adjustment of account payable	142
Other	179
Non-operating expenses	**675**
Interest expenses	228
Loss on valuation of compound financial instruments	208
Relief aid expenses	108
Other	129
Ordinary income	**3,233**
Extraordinary income	**210**
Gain on sales of noncurrent assets	1
Gain on sales of investment securities	139
Gain on forgiveness of debts	70
Extraordinary loss	**1,455**
Loss on sales and retirement of noncurrent assets	166
Loss on valuation of investment securities	514
Impairment loss	203
Provision of allowance for doubtful accounts	183
Loss on adjustment for changes of accounting standard for asset retirement obligations	111
Loss on disaster	108
Other	167
Income before income taxes and minority interests	**1,988**
Income taxes-current	148
Income taxes-deferred	256
Income before minority interests	**1,583**
Net income	**1,583**

Consolidated Statement of Changes in Shareholders' Equity
For fiscal year ended December 31, 2011

(Millions of yen)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance as of December 31, 2010	20,359	21,038	11,344	-2,775	49,966
Changes of items during the fiscal year under review					
Dividends from surplus			-649		-649
Net income			1,583		1,583
Purchase of treasury stock				-0	-0
Disposal of treasury stock		-0		0	0
Reversal of revaluation reserve for land			9		9
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year under review	—	-0	943	-0	943
Balance as of December 31, 2011	20,359	21,038	12,288	-2,775	50,910

(Millions of yen)

	Accumulated Other Comprehensive Income					Total Net Assets
	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Revaluation Reserve for Land	Foreign Currency Translation Adjustment	Total Accumulated Other Comprehensive Income	
Balance as of December 31, 2010	-928	-2,342	-7,117	-167	-10,555	39,411
Changes of items during the fiscal year under review						
Dividends from surplus						-649
Net income						1,583
Purchase of treasury stock						-0
Disposal of treasury stock						0
Reversal of revaluation reserve for land						9
Net changes of items other than shareholders' equity	-80	1,104	75	-9	1,089	1,089
Total changes of items during the fiscal year under review	-80	1,104	75	-9	1,089	2,033
Balance as of December 31, 2011	-1,008	-1,237	-7,041	-177	-9,465	41,444

Notes to Consolidated Financial Statements

Basis for Preparing Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 11

Names of major consolidated subsidiaries:

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

AIMER Co., Ltd. and RG Marketing Co., Ltd. have been excluded from the scope of consolidation following the completion of their liquidation in June 2011 and December 2011, respectively.

(2) Number of unconsolidated subsidiaries: 4

Names of major unconsolidated subsidiaries: Senshukai Hong Kong Limited

[Reason for exclusion from the scope of consolidation]

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

2. Scope of equity method

(1) Number of unconsolidated subsidiaries under the equity method: 2

Names of major unconsolidated subsidiaries under the equity method:

Senshukai Hong Kong Limited

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

Names of affiliates under the equity method:

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

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

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

(4) Names of major unconsolidated subsidiaries and affiliates excluded from the scope of equity method:

Senshukai Marketing Support Co., Ltd.

[Reason for exclusion from the scope of equity method]

None of the factors of the unconsolidated company excluded from the scope of equity method mentioned above, including net income/loss (amount appropriate for relevant shareholdings) and retained earnings (amount appropriate for relevant shareholdings), have any significant effects on the consolidated financial statements.

3. Fiscal year-ends of consolidated subsidiaries

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

4. Accounting policies

(1) Valuation criteria and methods of significant assets

1) Securities

Securities classified as other securities with available fair market prices are stated at market price based on the market prices at the end of the fiscal year (Net unrealized gains and losses are included in net assets; cost of securities sold is determined by the moving-average method). Securities classified as such without available fair market prices are stated at moving-average cost.

2) Derivatives

Stated at fair value.

3) Inventories

Mainly stated at cost based on the monthly gross average method (with carrying value in the consolidated balance sheet written down in accordance with the declining of profitability of assets).

(2) Depreciation method of significant depreciable assets

1) Property, plant and equipment (excluding lease assets):

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

The main useful lives are as follows:

Buildings and structures: 38–50 years

Machinery, equipment and vehicles: 12 years

2) Intangible assets (excluding lease assets):

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

3) Lease assets:

Depreciation of lease assets is computed using the straight-line method with zero residual value assuming the lease periods as useful lives. Finance leases that do not transfer ownership to the lessee and that commenced on or before December 31, 2008 are accounted for using a method that is applicable to ordinary rental leases.

(3) Basis for provision of significant reserves

1) Allowance for doubtful accounts

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

2) Provision for directors' bonuses

Expected amount to be paid is recorded to cover expenditure of bonuses to directors and auditors of the Company and its consolidated subsidiaries.

3) Provision for sales promotion expenses

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

4) Provision for 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 year, based on the estimated amount of retirement benefit liabilities and pension assets.

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

(4) Basis for recognizing important revenues and expenses

Basis for recognition of revenues relating to finance leases

Revenues relating to finance leases are accounted for by allocating the total of the amount equivalent to interest over the lease period without recognizing sales.

(5) Criteria for converting significant assets or liabilities denominated in foreign currencies into Japanese currency

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

(6) Promotion expenses

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

(7) Hedge accounting method

The Company adopts deferral hedge accounting.

(8) Amortization and amortization period of goodwill

Goodwill is equally amortized within a period decided based on individual estimate of the period during which respective effects will be expected.

(9) Consumption taxes

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

(10) Application of the consolidated tax payment system

Effective from the fiscal year under review, the Company has applied the consolidated tax payment system.

Changes in Significant Matters That Form the Basis for Preparing Consolidated Financial Statements

(Application of “Accounting Standard for Equity Method of Accounting for Investments” and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”)

Effective from the fiscal year under review, the Company has applied the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, issued on March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ PITF No. 24, issued on March 10, 2008).

This change will have no impact on profit and loss.

(Application of “Accounting Standard for Asset Retirement Obligations”)

Effective from the fiscal year under review, the Company has applied the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, issued on March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, issued on March 31, 2008).

As a result of this change, operating income decreased by 23 million yen, ordinary income decreased by 28 million yen and income before income taxes and minority interests decreased by 147 million yen.

Changes in Method of Presentation

(Matters related to consolidated statement of income)

1. Effective from the fiscal year under review, the item "Income before minority interests" is presented in accordance with the "Ministerial Ordinance for Partial Revision of the Ordinance for Enforcement of the Companies Act, the Corporate Accounting Rules, etc." (Ordinance of the Ministry of Justice No. 7 of 2009, issued on March 27, 2009), which is based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on December 26, 2008).
2. "Gain on adjustment of account payable," which was included in "Other" under non-operating income until the previous fiscal year, is separately presented from the fiscal year under review due to its increased materiality.

   The amount of "Gain on adjustment of account payable," included in "Other" under non-operating income in the previous fiscal year, is 62 million yen.
3. "Loss on sales of investment securities," which was separately presented until the previous fiscal year, is included in "Other" under extraordinary loss due to lack of materiality.

   The amount of "Loss on sales of investment securities," included in "Other" under extraordinary loss in the fiscal year under review, is 0 million yen.

Additional Information

Effective from the fiscal year under review, the Company has applied the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, issued on June 30, 2010). However, for the previous fiscal year, amount of "Valuation and translation adjustments" and "Total valuation and translation adjustments" were presented instead of "Accumulated other comprehensive income" and "Total accumulated other comprehensive income."

Notes to Consolidated Balance Sheet

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

    32,335 million yen

3. Breakdown of assets pledged as collateral

    (1) Pledged assets

Cash and deposits (time deposits)	15 million yen
Buildings and structures	981 million yen
Total	997 million yen

    (2) Liabilities corresponding to the aforementioned assets

Short-term loans payable	213 million yen
Current portion of bonds	36 million yen
Long-term loans payable	200 million yen
Total	449 million yen

4. Guarantee obligation:

    Guarantee for bank borrowings

    Utilizers of employee housing loan 13 million yen

5. The land for business use owned by the Company was revaluated under the "Act on Revaluation of Land" (Act No. 34 of March 31, 1998), and the "Act for Partial Revision of the Act on Revaluation of Land" (amended on March 31, 1999), and unrealized losses resulting from the revaluation were posted as "Revaluation reserve for land" in net assets, after deducting the related deferred tax liabilities.

    The method of revaluation stipulated in Article 3, Paragraph 3 of the Act on Revaluation of Land:

    The Director-General of the National Tax Administration Agency decided and announced a calculation method to determine the land value that will be the basis of tax value calculations for the land value tax, under Article 2, Item 4 of the "Order for Enforcement of the Act on Revaluation of Land" (Cabinet Order No. 119 of March 31, 1998), and Article 16 of the "Land Value Tax Act" (Act No. 69 of 1991). The Company executed calculation and reasonable adjustments using the above-mentioned method.

    Date of revaluation: March 31, 2000

    The difference between the fair value of land at the end of fiscal year under review and its book value after revaluation: -2,734 million yen

6. The Company has concluded commitment line contracts with its correspondent financial institutions to finance working capital efficiently.

The balance of unexecuted borrowings based on the commitment line contracts at the end of the fiscal year under review is as follows:

Total amount of commitment line contracts:	15,300 million yen
Balance of borrowings outstanding:	2,500 million yen
Balance:	12,800 million yen

7. Financial covenants

Financial covenants are attached to the above-mentioned commitment line contracts, and the Company may forfeit the benefit of term for all the borrowings provided based on these contracts if the Company should infringe any of the following clauses.

(1) The Company shall maintain the amount calculated by deducting the total of subscription rights to shares, minority interests and deferred gains or losses on hedges from the total of net assets in the balance sheet (both on a consolidated and non-consolidated basis) at the end of each fiscal year at 75% or above of the larger of the amount calculated by deducting the total of subscription rights to shares, minority interests and deferred gains or losses on hedges from the total of net assets in the balance sheet at the end of fiscal year ended December 31, 2008 or the said amount at the end of the immediately preceding fiscal year.

(2) The Company shall maintain the ratio of total amount of liabilities in the balance sheet (both on a consolidated and non-consolidated basis) at the end of each fiscal year to the amount calculated by deducting the total of subscription rights to shares, minority interests and deferred gains or losses on hedges from the total of net assets in the relevant balance sheet, at 150% or below.

(3) The Company shall not post operating loss in the statement of income (both on a consolidated and non-consolidated basis) for each fiscal year for two consecutive periods.

(4) The Company shall hold the amount calculated by deducting cash and deposits from the total of interest-bearing debt in the balance sheet (both on a consolidated and non-consolidated basis) at the end of each fiscal year so that the amount will not exceed the amount equivalent to five times as much as the total amount of net income or loss and depreciation expenses in the statement of income (both on a consolidated and non-consolidated basis) for two consecutive periods.

Notes to Consolidated Statement of Changes in Shareholders' Equity

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

47,630,393 shares

3. Matters on dividends from surplus

(1) Dividends paid

Resolution	Class of stock	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on March 30, 2011	Common stock	346	8	December 31, 2010	March 31, 2011
Meeting of the Board of Directors held on July 28, 2011	Common stock	303	7	June 30, 2011	September 1, 2011

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

Proposal for Resolution	Class of stock	Financial funds of dividends	Total amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on March 29, 2012	Common stock	Retained earnings	303	7	December 31, 2011	March 30, 2012

Notes on Financial Instruments

1. Policy on financial instruments

(1) Notes on the status of financial instruments

The Senshukai Group invests in safer financial assets centering on short-term deposits in management of its funds, and the Group finances short-term working capital mainly through borrowing from banks.

The Group also procures the necessary funds based on facility planning through borrowing from banks or issuing bonds. We conduct derivative transactions to avoid the risks described below and will not engage in speculative transactions.

(2) The details and risks of financial instruments and the risk control system

Notes and accounts receivable–trade and accounts receivable–other, which are operating receivables, are exposed to credit risk associated with nonperformance by customers. To manage this risk, the Company conducts due date control and balance management for each customer in accordance with the internal criteria for examination, and has established and now operates a system for credit management. The Company also carries out similar credit management for consolidated subsidiaries.

Short-term investment securities and investment securities are mainly securities of companies that have business relationships with the Company and are exposed to the risk of market price fluctuations and credit risk of issuers. However, the Company regularly keeps track of the share prices and financial conditions of the issuers, and intermittently reviews the shareholdings in consideration of its relationships with the business partners.

Notes and accounts payable–trade are operating debt with payment due within one year. Part of these notes and accounts payable–trade are associated with import of merchandise and the like, and are denominated in foreign currency, which exposes them to the risk of foreign exchange fluctuations. Therefore, we use derivative transactions (forward exchange contracts) as hedging instruments.

Bonds payable and long-term loans payable are for financing funds necessary for working capital and capital expenditures, and their redemption dates are a maximum of four years and two months after the balance sheet date for bonds payable and five years after the balance sheet date for long-term loans payable.

We conduct forward exchange contracts as derivative transactions with the aim of hedging against exchange rate fluctuations of foreign-currency-denominated operating debt in principle.

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

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

Consolidated balance sheet amounts, fair values as of December 31, 2011, and their differences are as follows. The amounts shown in the following table do not include financial instruments whose fair values are extremely difficult to determine (see Note 2).

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	7,500	7,500	–
(2) Notes and accounts receivable–trade	6,589	6,589	–
(3) Accounts receivable–other	8,802	8,802	–
(4) Short-term investment securities and investment securities	5,050	5,050	–
Total assets	27,942	27,942	–
(5) Notes and accounts payable–trade	9,282	9,282	–
(6) Short-term loans payable	2,500	2,500	–
(7) Accounts payable–other	6,852	6,852	–
(8) Accounts payable–factoring	13,710	13,710	–
(9) Bonds payable (*1)	3,286	3,331	45
(10) Long-term loans payable (*2)	5,315	5,362	47
Total liabilities	40,946	41,039	92
(11) Derivative transactions			
Hedge accounting not adopted	(696)	(696)	–
Hedge accounting adopted	(1,244)	(1,244)	–
Derivative transactions (*3)	(1,941)	(1,941)	–

*1. Bonds payable includes current portion of bonds (whose consolidated balance sheet amount is 736 million yen).

*2. Current portion of long-term loans payable, which is included in short-term loans payable in the consolidated balance sheet (whose consolidated balance sheet amount is 1,343 million yen), is included in long-term loans payable.

*3. The derivatives positions shown are net amounts. If the total net position of an item results in obligations, the amounts are shown in parentheses.

(Note 1) The measurement methods of fair values of financial instruments and notes on securities and derivative transactions

(1) Cash and deposits, (2) Notes and accounts receivable–trade, and (3) Accounts receivable–other

The book values are used as the fair values since these are settled in a short period of time and their fair values are almost equal to their book values.

(4) Short-term investment securities and investment securities

To measure fair values of short-term investment securities and investment securities, prices at the exchange are used for stocks or the like and prices at the exchange as well as prices presented by the counterparty financial institutions or the like are used for debt securities.

(5) Notes and accounts payable–trade, (6) Short-term loans payable, (7) Accounts payable–other, and (8) Accounts payable–factoring

The book values are used as the fair values since these are settled in a short period of time and their fair values are almost equal to their book values.

(9) Bonds payable

The fair values of fixed-rate bonds are measured using the present values of the total of principal and interest, discounted by the rate based on the remaining years and the credit risk of the bonds payable. The fair values of floating-rate bonds are measured using their book values as they reflect the market interest rate in a short period of time and their fair values are deemed to be almost equivalent to their book values.

(10) Long-term loans payable

The fair values of long-term fixed-rate loans are measured using the present values of the total of principal and interest, discounted by the rate assumed to be applied if new borrowings were taken out under the same conditions. The fair values of long-term floating-rate loans are measured using their book values as they reflect the market interest rate in a short period of time and their fair values are deemed to be almost equivalent to their book values.

(11) Derivative transactions

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

(Note 2) Stocks of unconsolidated subsidiaries and affiliates (whose consolidated balance sheet amount is 485 million yen), unlisted stocks (whose consolidated balance sheet amount is 469 million yen), and investments in investment partnership (whose consolidated balance sheet amount is 21 million yen) are excluded from “(4) Short-term investment securities and investment securities” described above because they do not have market prices and it is deemed extremely difficult to determine the fair values.

Per Share Information

1. Net assets per share:	956.94 yen
2. Net income per share:	36.56 yen

Significant Subsequent Events

No applicable items

Non-consolidated Balance Sheet
As of December 31, 2011

	Millions of yen
	As of December 31, 2011
ASSETS	
Current Assets	
Cash and deposits	5,316
Notes receivable-trade	235
Accounts receivable-trade	5,899
Short-term investment securities	31
Merchandise and finished goods	16,638
Raw materials and supplies	100
Prepaid expenses	2,324
Deferred tax assets	876
Short-term loans receivable	418
Accounts receivable-other	9,149
Other	1,146
Allowance for doubtful accounts	-272
Total Current Assets	41,865
Noncurrent Assets	
Property, Plant and Equipment:	
Buildings	9,326
Structures	281
Machinery and equipment	851
Vehicles	0
Tools, furniture and fixtures	540
Land	10,827
Total Property, Plant and Equipment	21,829
Intangible Assets:	
Software	1,847
Other	2,477
Total Intangible Assets	4,324
Investments and Other Assets	
Investment securities	5,510
Stocks of subsidiaries and affiliates	6,817
Long-term loans receivable	2,052
Deferred tax assets	28
Lease and guarantee deposits	825
Long-term prepaid expenses	46
Other	4,000
Allowance for doubtful accounts	-1,010
Allowance for investment loss	-568
Total Investments and Other Assets	17,704
Total Noncurrent Assets	43,859
Total Assets	85,724

	Millions of yen
	As of December 31, 2011
LIABILITIES	
Current Liabilities	
Notes payable-trade	1,371
Accounts payable-trade	7,071
Short-term loans payable	2,500
Current portion of long-term loans payable	1,000
Current portion of bonds	700
Accounts payable-other	6,290
Accounts payable-factoring	13,710
Accrued expenses	1,432
Income taxes payable	76
Deposits received	834
Provision for directors' bonuses	29
Provision for sales promotion expenses	602
Forward exchange contracts	1,940
Other	364
Total Current Liabilities	37,923
Noncurrent Liabilities	
Bonds payable	2,550
Long-term loans payable	3,365
Deferred tax liabilities for land revaluation	631
Asset retirement obligations	38
Other	4
Total Noncurrent Liabilities	6,589
Total Liabilities	44,513
NET ASSETS	
Shareholders' Equity	
Capital stock	20,359
Capital surplus	
Legal capital surplus	12,864
Other capital surplus	8,174
Total capital surplus	21,038
Retained earnings	
Legal retained earnings	1,118
Other retained earnings	
Reserve for advanced depreciation of noncurrent assets	65
Reserve for overseas investment loss	41
Retained earnings brought forward	10,659
Total other retained earnings	10,765
Total retained earnings	11,884
Treasury stock	-2,775
Total Shareholders' Equity	50,506
Valuation and Translation Adjustments	
Valuation difference on available-for-sale securities	-1,008
Deferred gains or losses on hedges	-1,244
Revaluation reserve for land	-7,041
Total Valuation and Translation Adjustments	-9,294
Total Net Assets	41,211
Total Liabilities and Net Assets	85,724

Non-consolidated Statement of Income
For fiscal year ended December 31, 2011

	Millions of yen For fiscal year ended December 31, 2011
Net sales	**124,083**
Cost of sales	**66,108**
Gross profit	**57,975**
Selling, general and administrative expenses	**54,755**
Operating income	**3,219**
Non-operating income	**934**
Interest and dividends income	470
Foreign exchange gains	201
Gain on adjustment of account payable	142
Other	119
Non-operating expenses	**641**
Interest expenses	209
Loss on valuation of compound financial instruments	208
Relief aid expenses	106
Other	116
Ordinary income	**3,513**
Extraordinary income	**163**
Gain on sales of noncurrent assets	0
Gain on sales of investment securities	139
Reversal of allowance for doubtful accounts	23
Extraordinary loss	**1,561**
Loss on sales and retirement of noncurrent assets	140
Loss on valuation of investment securities	514
Provision of allowance for doubtful accounts	583
Impairment loss	201
Loss on adjustment for changes of accounting standard for asset retirement obligations	29
Loss on disaster	59
Other	32
Income before income taxes	**2,115**
Income taxes-current	6
Income taxes-deferred	175
Net income	**1,932**

Non-consolidated Statement of Changes in Shareholders' Equity
For fiscal year ended December 31, 2011

(Millions of yen)

	Shareholders' Equity										
	Capital Stock	Capital Surplus			Retained Earnings					Treasury Stock	Total Shareholders' Equity
						Other Retained Earnings					
		Legal Capital Surplus	Other Capital Surplus	Total Capital Surplus	Legal Retained Earnings	Reserve for Advanced Depreciation of Noncurrent Assets	Reserve for Overseas Investment Loss	Retained Earnings Brought Forward	Total Retained Earnings		
Balance as of December 31, 2010	20,359	12,864	8,174	21,038	1,118	63	40	9,368	10,591	-2,775	49,213
Changes of items during the fiscal year under review											
Provision of reserve for advanced depreciation of noncurrent assets						4		-4	—		—
Reversal of reserve for advanced depreciation of noncurrent assets						-2		2	—		—
Provision of reserve for overseas investment loss							2	-2	—		—
Reversal of reserve for overseas investment loss							-1	1	—		—
Dividends from surplus								-649	-649		-649
Net income								1,932	1,932		1,932
Purchase of treasury stock										-0	-0
Disposal of treasury stock			-0	-0						0	0
Reversal of revaluation reserve for land								9	9		9
Net changes of items other than shareholders' equity											
Total changes of items during the fiscal year under review	—	—	-0	-0	—	1	0	1,291	1,292	-0	1,292
Balance as of December 31, 2011	20,359	12,864	8,174	21,038	1,118	65	41	10,659	11,884	-2,775	50,506

(Millions of yen)

	Valuation and Translation Adjustments				Total Net Assets
	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Revaluation Reserve for Land	Total Valuation and Translation Adjustments	
Balance as of December 31, 2010	-928	-2,347	-7,117	-10,393	38,820
Changes of items during the fiscal year under review					
Provision of reserve for advanced depreciation of noncurrent assets					—
Reversal of reserve for advanced depreciation of noncurrent asset					—
Provision of reserve for overseas investment loss					—
Reversal of reserve for overseas investment loss					—
Dividends from surplus					-649
Net income					1,932
Purchase of treasury stock					-0
Disposal of treasury stock					0
Reversal of revaluation reserve for land					9
Net changes of items other than shareholders' equity	-80	1,103	75	1,098	1,098
Total changes of items during the fiscal year under review	-80	1,103	75	1,098	2,391
Balance as of December 31, 2011	-1,008	-1,244	-7,041	-9,294	41,211

Notes to Non-consolidated Financial Statements

Principal accounting policies

1. Valuation criteria and methods of assets

(1) Securities

Stocks of subsidiaries and affiliates are stated at moving-average cost. Securities classified as other securities with available fair market prices are stated at market price based on the market prices at the end of the fiscal year (Net unrealized gains and losses are included in net assets; cost of securities sold is determined by the moving-average method). Securities classified as such without available fair market prices are stated at moving-average cost.

(2) Derivatives

Stated at fair value.

(3) Inventories

Mainly stated at cost based on the monthly gross average method (with carrying value in the non-consolidated balance sheet written down in accordance with the declining of profitability of assets).

2. Depreciation method of noncurrent assets

(1) Property, plant and equipment (excluding lease assets):

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

The main useful lives are as follows:

Buildings:	38–50 years
Machinery and equipment:	12 years

(2) Intangible assets (excluding lease assets):

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

(3) Lease assets:

Depreciation of lease assets is computed using the straight-line method with zero residual value assuming the lease periods as useful lives. Finance leases that do not transfer ownership to the lessee and that commenced on or before December 31, 2008 are accounted for using a method that is applicable to ordinary rental leases.

3. Basis for provision of reserves

(1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided to cover possible losses from bad debts.

The amount for normal debtors is determined by the credit loss ratio based on past experience, and that for special debtors, such as debtors at risk of bankruptcy, is determined based on the expected probability of those accounts being collectable on an individual basis.

(2) Allowance for investment loss

The allowance for investment loss is provided to cover losses on investments in subsidiaries and affiliates. The amount required is determined in consideration of financial conditions and collectability of the relevant subsidiaries and affiliates.

(3) Provision for directors' bonuses

Expected amount to be paid is recorded to cover expenditure of bonuses to directors and auditors.

(4) Provision for sales promotion expenses

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

4. Basis for recognizing revenues and expenses

Basis for recognition of revenues relating to finance leases

Revenues relating to finance leases are accounted for by allocating the total of the amount equivalent to interest over the lease period without recognizing sales.

5. Criteria for converting assets or liabilities denominated in foreign currencies into Japanese currency

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

6. Promotion expenses

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

7. Hedge accounting method

The Company adopts deferral hedge accounting.

8. Consumption taxes

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

9. Application of the consolidated tax payment system

Effective from the fiscal year under review, the Company has applied the consolidated tax payment system.

Changes in Accounting Policies

(Application of "Accounting Standard for Asset Retirement Obligations")

Effective from the fiscal year under review, the Company has applied the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008).

As a result of this change, operating income decreased by 6 million yen, ordinary income decreased by 10 million yen and income before income taxes decreased by 45 million yen.

Changes in Method of Presentation

(Matters related to non-consolidated balance sheet)

"Leasehold right," which was separately presented until the previous fiscal year, is included in "Other" under intangible assets due to lack of materiality.

The amount of "Leasehold right," included in "Other" under intangible assets in the fiscal year under review, is 0 million yen.

(Matters related to non-consolidated statement of income)

1. "Gain on adjustment of account payable," which was included in "Other" under non-operating income until the previous fiscal year, is separately presented from the fiscal year under review due to its increased materiality.

   The amount of "Gain on adjustment of account payable," included in "Other" under non-operating income in the previous fiscal year, is 62 million yen.

2. "Loss on sales of investment securities," which was separately presented until the previous fiscal year, is included in "Other" under extraordinary loss due to lack of materiality.

   The amount of "Loss on sales of investment securities," included in "Other" under extraordinary loss in the fiscal year under review, is 0 million yen.

Notes to Non-consolidated Balance Sheet

1. Amounts less than one million yen have been omitted.
2. Accumulated depreciation on property, plant and equipment
   29,901 million yen
3. Guarantee obligation:
   Guarantee for bank borrowings
   Utilizers of employee housing loan 13 million yen
   Guarantees on notes and accounts payable–trade
   Pet First Co., Ltd. 25 million yen

4. Short-term cash credit for subsidiaries and affiliates	1,097 million yen
Long-term cash credit for subsidiaries and affiliates	1,687 million yen
Short-term cash debt for subsidiaries and affiliates	260 million yen

5. The land for business use owned by the Company was revaluated under the "Act on Revaluation of Land" (Act No. 34 of March 31, 1998), and the "Act for Partial Revision of the Act on Revaluation of Land" (amended on March 31, 1999), and unrealized losses resulting from the revaluation were posted as "Revaluation reserve for land" in net assets, after deducting the related deferred tax liabilities.

   The method of revaluation stipulated in Article 3, Paragraph 3 of the Act on Revaluation of Land:

   The Director-General of the National Tax Administration Agency decided and announced a calculation method to determine the land value that will be the basis of tax value calculations for the land value tax, under Article 2, Item 4 of the "Order for Enforcement of the Act on Revaluation of Land" (Cabinet Order No. 119 of March 31, 1998), and Article 16 of the "Land Value Tax Act" (Act No. 69 of 1991). The Company executed calculation and reasonable adjustments using the above-mentioned method.

   Date of revaluation: March 31, 2000

   The difference between the fair value of land at the end of fiscal year under review and its book value after revaluation: -2,734 million yen

6. The Company has concluded commitment line contracts with its correspondent financial institutions to finance working capital efficiently.

   The balance of unexecuted borrowings based on the commitment line contracts at the end of the fiscal year under review is as follows:

Total amount of commitment line contracts:	15,300 million yen
Balance of borrowings outstanding:	2,500 million yen
Balance:	12,800 million yen

7. Financial covenants

Financial covenants are attached to the above-mentioned commitment line contracts, and the Company may forfeit the benefit of term for all the borrowings provided based on these contracts if the Company should infringe any of the following clauses.

(1) The Company shall maintain the amount calculated by deducting the total of subscription rights to shares, minority interests and deferred gains or losses on hedges from the total of net assets in the balance sheet (both on a consolidated and non-consolidated basis) at the end of each fiscal year at 75% or above of the larger of the amount calculated by deducting the total of subscription rights to shares, minority interests and deferred gains or losses on hedges from the total of net assets in the balance sheet at the end of fiscal year ended December 31, 2008 or the said amount at the end of the immediately preceding fiscal year.

(2) The Company shall maintain the ratio of total amount of liabilities in the balance sheet (both on a consolidated and non-consolidated basis) at the end of each fiscal year to the amount calculated by deducting the total of subscription rights to shares, minority interests and deferred gains or losses on hedges from the total of net assets in the relevant balance sheet, at 150% or below.

(3) The Company shall not post operating loss in the statement of income (both on a consolidated and non-consolidated basis) for each fiscal year for two consecutive periods.

(4) The Company shall hold the amount calculated by deducting cash and deposits from the total of interest-bearing debt in the balance sheet (both on a consolidated and non-consolidated basis) at the end of each fiscal year so that the amount will not exceed the amount equivalent to five times as much as the total amount of net income or loss and depreciation expenses in the statement of income (both on a consolidated and non-consolidated basis) for two consecutive periods.

Notes to Non-consolidated Statement of Income

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

Sales:	303 million yen
Operating expense:	8,111 million yen
Non-operating transaction:	348 million yen

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

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

4,321,035 common shares

Tax Effect Accounting

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

(Millions of yen)

(1) Current

Deferred tax assets	
Loss brought forward	1,509
Deferred gains or losses on hedges	323
Accrued bonuses	267
Provision for sales promotion expenses	243
Loss on valuation of inventories	234
Other	144
Sub-total deferred tax assets	2,723
Valuation allowance	1,844
Total deferred tax assets	878
Deferred tax liabilities	
Accrued consumption taxes	1
Total deferred tax liabilities	1
Net deferred tax assets	876

(2) Noncurrent

Deferred tax assets	
Valuation difference on available-for-sale securities	414
Loss on valuation of stocks of subsidiaries and affiliates	371
Allowance for doubtful accounts	312
Loss on valuation of compound financial instruments	264
Amount exceeding the limit of tax depreciation	240
Loss on valuation of investment securities	211
Allowance for investment loss	202
Deferred gains or losses on hedges	168
Other	353
Sub-total deferred tax assets	2,539
Valuation allowance	2,355
Total deferred tax assets	184
Deferred tax liabilities	
Valuation difference on available-for-sale securities	85
Other	69
Total deferred tax liabilities	155
Net deferred tax assets	28

2. Details of deferred tax liabilities for land revaluation

(Millions of yen)

Deferred tax assets	
Deferred tax assets for land revaluation	2,913
Valuation allowance	2,913
Total deferred tax assets for land revaluation	—
Deferred tax liabilities	
Deferred tax liabilities for land revaluation	631
Net deferred tax liabilities for land revaluation	631

Noncurrent Assets Used Through Leases

In addition to noncurrent assets posted in the non-consolidated balance sheet, some furniture and fixtures, etc. are used under finance lease contracts without transfer of ownership of the leased assets to the lessee.

Related Party Transactions

Type	Company name	Ownership percentage of voting rights, etc.	Relationship	Nature of transactions (Note)	Transaction amount (Millions of yen)	Account items	Balance at end of fiscal year (Millions of yen)
Subsidiary	Dears Brain Inc.	Directly 100.0%	Interlocking of Directors, etc.	Loan of funds (Note)	850	Short-term loans receivable	414
				Collection of loans	670	Long-term loans receivable	1,076
				Receipt of interests	22	–	–

Note: Transaction condition or policy for deciding transaction condition

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

Per Share Information

1. Net assets per share: 951.56 yen
2. Net income per share: 44.62 yen

Significant Subsequent Events

No applicable items

Audit Report of Accounting Auditor on Consolidated Financial Statements (Certified Copy)

[English Translation of the Audit Report Originally Issued in the Japanese Language]

Audit Report of Independent Auditor

February 15, 2012

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

Ernst & Young ShinNihon LLC

Mario Shimizu (Seal)

Certified Public Accountant, Designated, Limited Liability and Operating Partner

Kazuki Wadabayashi (Seal)

Certified Public Accountant, Designated, Limited Liability and Operating Partner

We have examined the consolidated financial statements of Senshukai Co., Ltd. for the fiscal year from January 1, 2011 to December 31, 2011, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity and notes to consolidated financial statements for the purpose of reporting under the provisions of Article 444, Paragraph 4 of the Corporation Act. 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 provisions of the Certified Public Accountant Act of Japan.

Audit Report of Accounting Auditor on Non-consolidated Financial Statements and Accompanying Financial Schedule (Certified Copy)

[English Translation of the Audit Report Originally Issued in the Japanese Language]

Audit Report of Independent Auditor

February 15, 2012

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

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

We have examined the non-consolidated financial statements of Senshukai Co., Ltd. for the 67th fiscal year from January 1, 2011 to December 31, 2011, comprising the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in shareholders' equity and notes to non-consolidated financial statements and the accompanying financial schedule for the purpose of reporting under the provisions of Article 436, Paragraph 2, Item 1 of the Corporation Act. 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 and accompanying financial schedule 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 accompanying financial schedule 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 provisions of the Certified Public Accountant Act of Japan.

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

Audit Report

The Board of Auditors has prepared this Audit Report upon deliberation based on the Audit Report created by each Auditor regarding the performance by the Directors of their duties during the 67th fiscal year from January 1, 2011 to December 31, 2011, and hereby reports as follows:

1. Auditors' and Board of Auditors' Auditing Methods and Contents

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

Regarding internal control over financial reporting based on the Financial Instrument and Exchange Act, we received reports from the Directors of the Senshukai Group and Ernst & Young ShinNihon LLC about an evaluation of the relevant internal control and the status of audit, and requested an explanation thereby whenever necessary.

We examined the contents of the basic policy, specified in Item 3(a) of Article 118 of the Ordinance for Enforcement of the Corporation Act, and each effort in accordance with Item 3(b) of the same Article, which are stated in the Business Report, in consideration of the status of deliberations at the meetings of the Board of Directors and other meetings.

As for the subsidiaries, we communicated and exchanged information with the Directors and 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 matters listed in the items of Article 131 of the Corporate Accounting Rules) has been maintained in accordance with the "Quality Control Standards for Audits" (October 28, 2005, the Business Accounting Council) from the Accounting Auditors and demanded explanation as the occasion demanded. Based on the above methods, we examined the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in shareholders' equity and notes for non-consolidated financial statements) and accompanying financial schedule as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in shareholders' equity and the notes for consolidated financial statements).

2. Results of Audit

(1) Results of audit on the business report

1) The business report and accompanying financial schedule are found to accurately present the status of the Company in conformity with the laws and regulations and Articles of Incorporation.
2) In connection with the performance by the Directors of their duties, no dishonest act or significant fact of a violation of laws, regulations, or the Articles of Incorporation is found to exist.
3) The contents of the resolutions of the Board of Directors regarding the internal control systems are found to be proper. Also, the descriptions in the business report and execution of duty by the Directors regarding the relevant internal control system are found to accurately present the matters to be stated therein and have nothing to be pointed out including the internal control system regarding financial reporting.
4) Basic policy on the person who controls decisions on financial and operational policies of the Company, which is stated in the business report, has nothing to be pointed out. The efforts in accordance with Item 3(b) of Article 118 of the enforcement rules of the Corporation Act, which are stated in the business report, are found to be in line with the relevant basic policy and at the same time to neither damage common interests of shareholders of the Company nor be aimed at maintaining the status of Directors and Auditors of the Company.

(2) Results of audit on the non-consolidated financial statements and accompanying financial schedule

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

(3) Results of audit on the consolidated financial statements

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

February 16, 2012

Board of Auditors, Senshukai Co., Ltd.

Standing Auditor	Yoshihiro Nakabayashi	(Seal)
Standing Auditor	Makoto Yamamoto	(Seal)
External Auditor	Hideyuki Koizumi	(Seal)
External Auditor	Hiroshi Morimoto	(Seal)

Reference Material for Ordinary General Meeting of Shareholders

Proposal 1: Appropriation of surplus

The Company's basic policy concerning the appropriation of surplus is to provide distribution of profit to shareholders, setting a dividend payout ratio of 30% as a target; provided, however, this is consistent with reinforcing the management base and at the same time maintaining stable dividend and distributing appropriate profit.

Under this policy, the year-end dividend for the fiscal year under review was set as follows.

(1) Type of dividend property
Cash

(2) Items concerning allocation of dividend property to shareholders and its amount of total thereof
7 yen per share of common stock of the Company; the total amount of 303,165,506 yen

(3) Effective date of dividends from surplus:
March 30, 2012

The annual dividend will amount to 14 yen per share, including an interim dividend of 7 yen per share.

Proposal 2: Election of nine (9) Directors

The terms of office of nine (9) Directors will expire at the conclusion of this meeting. We would like you to elect a total of nine (9) Directors.

The candidates for Directors are as follows.

No.	Name (Date of birth)	Brief personal profile, positions and responsibilities at the Company and important concurrent occupations or positions at other organizations	(1) No. of the Company's shares held (2) Any conflict of interests between the candidate and the Company
1	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 Executive Vice-president and Director of the Company Apr. 1999 Executive Vice-president and Representative Director of the Company Apr. 2000 President and Representative Director of the Company Jan. 2011 Chairman and Representative Director of the Company (present position)	(1) 495,036 (2) None
2	Michio Tanabe (July 23, 1946)	Apr. 1967 Joined the Company Jun. 1997 Director of the Company Mar. 2001 Director and Executive Officer of the Company Mar. 2005 Managing Director of the Company Mar. 2008 Senior Managing Director of the Company Jan. 2011 President and Representative Director of the Company (present position)	(1) 10,900 (2) None
3	Kiichi Tagawa (September 25, 1947)	Mar. 1966 Joined the Company Jun. 1997 Director of the Company Mar. 2001 Director and Executive Officer of the Company Mar. 2005 Managing Director of the Company Mar. 2008 Senior Managing Director of the Company Jan. 2011 Senior Managing Director and Executive Officer of the Company (present position) In charge of Administration Division and Tokyo Headquarters (General Affairs Division, Operation Division, Business Development Division) of the Company Jan. 2012 In charge of Administration Division and Tokyo Headquarters (General Affairs Division, Business Development Division, Public Relations Department) of the Company (present position)	(1) 27,200 (2) None
4	Shohachi Sawamoto (February 9, 1948)	Mar. 1972 Joined the Company Jun. 1997 Director of the Company Mar. 2001 Director and Executive Officer of the Company Mar. 2005 Managing Director of the Company Jan. 2011 Senior Managing Director and Executive Officer of the Company (present position) In charge of Belle Maison Business Division (EC Business Division, Catalogue Business Division, Product Development Division, Belle Maison Business Planning Department) of the Company (present position)	(1) 18,230 (2) None

No.	Name (Date of birth)	Brief personal profile, positions and responsibilities at the Company and important concurrent occupations or positions at other organizations	(1) No. of the Company's shares held (2) Any conflict of interests between the candidate and the Company
5	Mamoru Asada (April 1, 1954)	Mar. 1982 Joined the Company Mar. 2005 Executive Officer of the Company Mar. 2006 Director and Executive Officer of the Company Mar. 2008 Director and Managing Executive Officer of the Company Jan. 2009 Division Director of Project Division of the Company (present position) Jan. 2011 Managing Director and Executive Officer of the Company (present position) In charge of Monthly Business Division, Project Division (Monthly Business Division, Project Division) of the Company (present position)	(1) 9,900 (2) None
6	Shigemitsu Mineoka (October 17, 1951)	Jul. 1977 Joined the Company Mar. 2005 Executive Officer of the Company Mar. 2008 Managing Executive Officer of the Company Mar. 2009 Director and Managing Executive Officer of the Company Jan. 2011 Director and Executive Officer of the Company (present position) Division Director of EC Business Division of the Company Jan. 2012 Deputy in charge of Belle Maison Business Division, in charge of Operation Division of the Company (present position)	(1) 10,300 (2) None
7	Hiroyuki Hoshino (December 10, 1959)	Sep. 1982 Joined the Company Mar. 2006 Executive Officer of the Company Jan. 2008 Division Director of Tokyo Business Division of the Company Mar. 2009 Director and Executive Officer of the Company (present position) Jul. 2009 President and Representative Director of Pet First Co., Ltd. Dec. 2010 President and Representative Director of Mobakore Co., Ltd. Jan. 2011 Division Director of Business Development Division of the Company (present position)	(1) 3,200 (2) None
8	Tomoko Oishi (November 8, 1954)	Apr. 1977 Joined Yamaha Music Foundation Feb. 1988 Joined Yokohama Women's Association for Communication and Networking Jun. 1997 Joined Japan Association for The Advancement of Working Women Apr. 2001 Professor of Kyoto Gakuen University, Faculty of Business Administration (present position) Mar. 2006 Director of the Company (present position) Apr. 2011 Dean of Kyoto Gakuen University, Faculty of Business Administration (present position)	(1) 0 (2) None

No.	Name (Date of birth)	Brief personal profile, positions and responsibilities at the Company and important concurrent occupations or positions at other organizations	(1) No. of the Company's shares held (2) Any conflict of interests between the candidate and the Company
9	Toshikatsu Sano (July 12, 1945)	Jun. 1969 Joined Mitsui Bank (presently, Sumitomo Mitsui Banking Corporation) Jun. 1997 Director and General Manager of Fund and Securities Planning Department of Sakura Bank (presently, Sumitomo Mitsui Banking Corporation) Apr. 2000 Managing Executive Officer and General Manager of Nagoya Branch of Sakura Bank (presently, Sumitomo Mitsui Banking Corporation) Apr. 2001 Managing Executive Officer of Mitsui Mutual Life Insurance Company (presently, MITSUI LIFE INSURANCE COMPANY LIMITED) Jul. 2001 Director and Managing Executive Officer of Mitsui Mutual Life Insurance Company (presently, MITSUI LIFE INSURANCE COMPANY LIMITED) Jun. 2005 President of SMBC Consulting Co., Ltd. Mar. 2008 Director of the Company (present position)	(1) 0 (2) None

Notes:

1. Tomoko Oishi and Toshikatsu Sano are the candidates for 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. Tomoko Oishi and Toshikatsu Sano are currently External Directors of the Company, and their terms of office as External Directors will reach six (6) years and four (4) years, respectively at the conclusion of this meeting.
4. The Company has concluded agreements with Tomoko Oishi and Toshikatsu Sano to limit their liabilities for compensation as stipulated in Article 427, Paragraph 1 of the Corporation Act, based on the provisions of the Articles of Incorporation. If they are reelected, we plan to continue the agreements. The limit of liabilities for compensation under the relevant agreement is the minimum amount stipulated in laws and regulations.
5. The Company has notified Tomoko Oishi as an Independent Director as prescribed by the Financial Instruments Exchange. If she is reelected, we plan to maintain her position as Independent Director.

Proposal 3: Election of one (1) substitute Auditor

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

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

The candidate for substitute Auditor is as follows.

Name (Date of birth)	Brief personal profile and important concurrent occupations or positions at other organizations	(1) No. of the Company's shares held (2) Any conflict of interests between the candidate and the Company
Kouichi Masui (November 17, 1950)	Mar. 1986 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. Kouichi Masui is a candidate for substitute External Auditor.
2. We nominated Kouichi Masui as substitute External Auditor as we expect that he will make the best use of his financial and accounting knowledge he has cultivated through his long experience as a certified public accountant and a certified tax accountant for the audit system of the Company if he takes office as an Auditor.
3. We may cancel this election by a resolution of the Board of Directors after obtaining the consent of the Board of Auditors, if the cancellation is before he takes office.
4. If Kouichi Masui is elected as proposed and takes his office, we plan to conclude an agreement with him to limit his liability for compensation as stipulated in Article 427, Paragraph 1 of the Corporation Act, based on the provisions of the Articles of Incorporation. The limit of liability for compensation under the relevant agreement is the minimum amount stipulated in laws and regulations.