

## Consolidated Financial Results for the Year Ended December 2004 (December 21, 2003 to December 20, 2004)

Company name:	Nissan Co., Ltd.
Stock code:	8248
Stock exchange listing:	Tokyo Stock Exchange, First Section Osaka Securities Exchange, First Section
Head office:	Kyoto
URL:	<a href="http://info.nissan.co.jp/">http://info.nissan.co.jp/</a>
President & Representative Director:	Toshio Katayama
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Board meeting for approving financial results:	February 3, 2005
Accounting principle:	Japanese GAAP

### 1. Financial Results (December 21, 2003 – December 20, 2004)

#### (1) Results of Operations

*(Amounts rounded down to million yen)*

	Net sales		Operating income		Ordinary income	
	Million yen	YoY change (%)	Million yen	YoY change (%)	Million yen	YoY change (%)
Year ended Dec. 2004	164,304	4.9	10,780	(14.2)	9,650	(13.1)
Year ended Dec. 2003	156,694	9.8	12,571	20.6	11,101	17.4

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	%	Yen	Yen
Year ended Dec. 2004	6,219	(0.3)	116.29	114.87
Year ended Dec. 2003	6,241	17.7	113.76	112.79

	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	%	%	%
Year ended Dec. 2004	21.2	12.0	5.9
Year ended Dec. 2003	24.6	14.3	7.1

Notes: 1. Equity in earnings (losses) of unconsolidated subsidiaries

Year ended December 2004: 850 millions yen

Year ended December 2003: 67 millions yen

2. Average number of shares outstanding

Year ended December 2004: 52,743,096 shares

Year ended December 2003: 53,113,416 shares

3. Changes in accounting principles applied: None

4. Each "YoY change" represents its relevant change in percentage compared to the same period of the previous year.

## (2) Financial Position

(Amounts rounded down to million yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
As of Dec. 20, 2004	79,483	30,261	38.1	576.24
As of Dec. 20, 2003	81,731	28,476	34.8	534.08

Note: Number of shares outstanding

As of Dec. 20, 2004: 52,366,204 shares

As of Dec. 20, 2003: 52,945,688 shares

## (3) Cash Flows Position

(Amounts rounded down to million yen)

	Net cash provided by (used in)			Cash and cash equivalents at end of year
	Operating activities	Investing activities	Financing activities	
	Million yen	Million yen	Million yen	Million yen
Year ended Dec. 2004	3,438	2,882	(7,793)	8,296
Year ended Dec. 2003	4,292	(2,584)	(965)	9,784

## (4) Scope of consolidation and application of equity method

Consolidated subsidiaries: 10

Unconsolidated subsidiaries under equity method application: 0

Affiliates under equity method application: 1

## (5) Changes in the scope of consolidation and affiliates under the equity method

Consolidated subsidiaries

Newly added: 1

Excluded: 2

Affiliates accounted for under the equity method

Newly added: 0

Excluded: 0

## 2. Prospects for the Year Ending December 2005 (December 21, 2004 to December 20, 2005)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim	87,600	5,600	3,650
Full year	172,000	9,800	6,250

Reference: Estimated net income per common share for the full year: 119.35 yen

*Prospects regarding future performance and plans in these materials are based on judgments made in accordance with information available to management at the time this report was prepared. Prospects therefore embody risks and uncertainties. Actual results may differ significantly from these prospects for a number of factors, including but not limited to the operating environment. Please refer to page 12,13 and 15 of the supplementary materials for further information concerning these projections.*

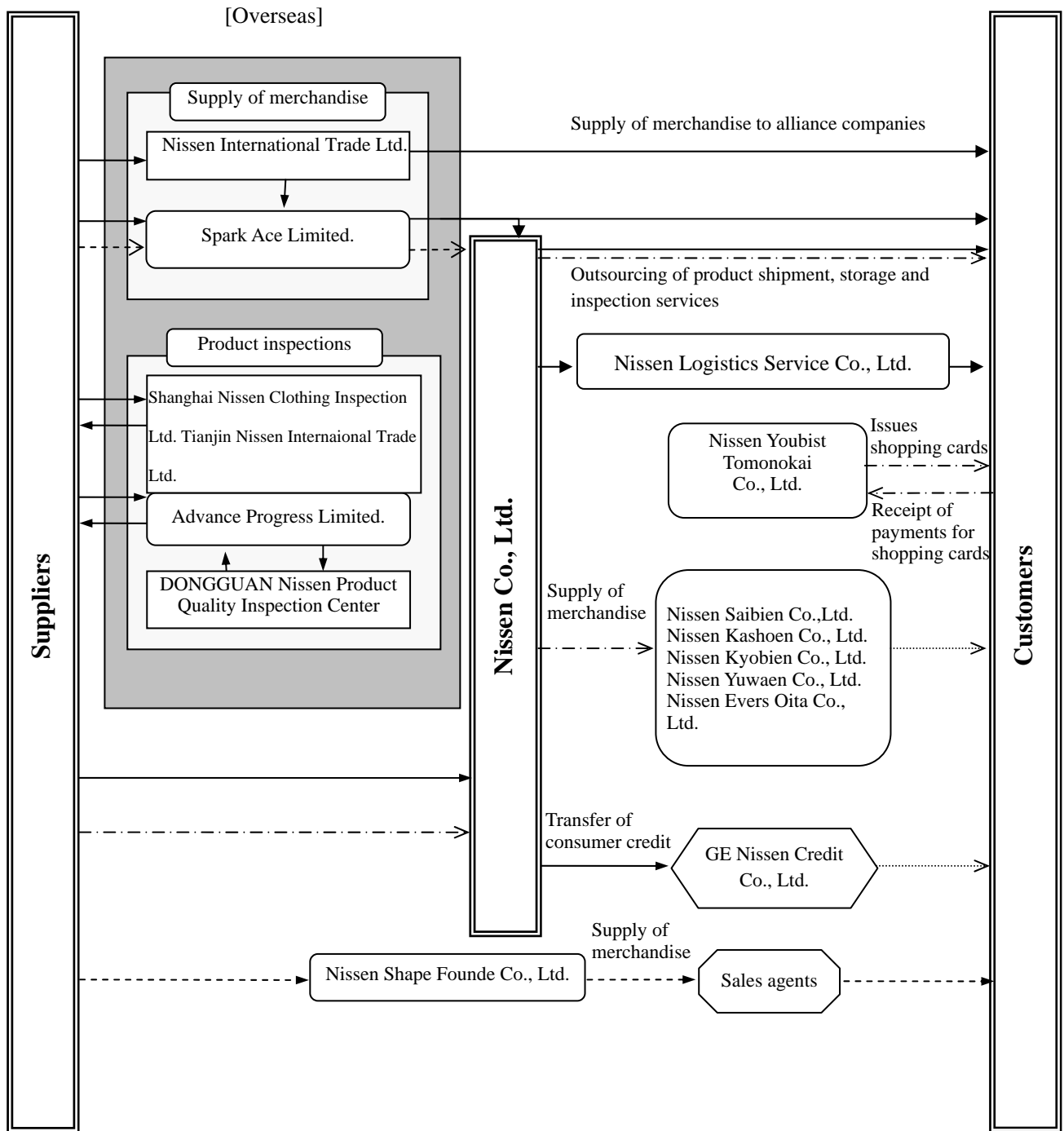
## 1. The Nissen Group of Companies

Name	Location	Capital or Investment (thousand yen)	Major activities	Nissen ownership (%)	Relationship
(Consolidated subsidiaries)					
Nissen Logistics Service Co., Ltd. *2	Minami-ku, Kyoto	980,000	Mail-order sales	100	Merchandise shipments, storage and inspections. Six directors are from Nissen.
Spark Ace Limited.	Hong Kong	48,358 (HK\$2,500 thousand)	Mail-order sales	100	Export to Nissen of products procured in Hong Kong and neighboring countries. Three directors are from Nissen.
Advance Progress Limited.	Hong Kong	23,766 (HK\$1,700 thousand)	Mail-order sales	82.35 (82.35)	Inspection of products imported by Nissen. Three directors from Nissen.
Nissen Saibien Co., Ltd.	Otaru	40,000	Direct sales	100	Sales of products supplied by Nissen. (jewelry, kimonos, etc.) Two directors from Nissen.
Nissen Kashoen Co., Ltd.	Haramachi, Fukushima	30,000	Direct sales	100	Sales of products supplied by Nissen. (jewelry, kimonos, etc.) Two directors from Nissen.
Nissen Kyobien Co. Ltd.	Niigata	30,000	Direct sales	100	Sales of products supplied by Nissen. (jewelry, kimonos, etc.) Two directors from Nissen.
Nissen Yuwaen Co. Ltd.	Saga	60,000	Direct sales	100	Sales of products supplied by Nissen. (jewelry, kimonos, etc.) Two directors from Nissen.
Nissen Evers Oita Co., Ltd.	Oita	10,000	Direct sales	100	Leasing of products and financial support. Two directors from Nissen.
Nissen Shape Founde Co., Ltd.	Nakagyo-ku Kyoto	50,000	Direct sales	100	Sales of undergarment for controlling body. Two directors from Nissen.
Nissen Youbist Tomonokai Co., Ltd.	Minami-ku, Kyoto	20,000	Direct sales	100	Prepaid sales using installment credit.
(Equity-method affiliate)					
GE Nissen Credit Co., Ltd.	Shimogyo-ku Kyoto	4,050,000	Mail-older sales	50	Provision of credit to Nissen customers. One director from Nissen.

Notes:

1. Major activities use the same names as for the respective business segments.
2. Nissen Logistics Service Co., Ltd. is classified as specified subsidiaries.
3. None of the above companies prepares a securities registrations statement or a securities report (*yuka shoken hokokusho*) for the MOF.
4. The ownership figure shown in parentheses includes shares owned indirectly.
5. Nissen Saibien Co., Ltd., Nissen Kashoen Co., Ltd., Nissen Kyobien Co., Ltd., Nissen Yuwaen Co., Ltd. were absorbed by Nissen Co., Ltd. on December 21, 2004.

The following diagram presents major relationships among Nissen group companies.



## 2. Management Policies

### (1) Fundamental Management Policy

Since Nissen's inception in 1970, Nissen has repeatedly made improvements to the retailing infrastructure to perform a pioneering role in the retailing industry. Since the mail-order sales and the direct sales has been regarded as two core businesses, these business activities will be conducted in a unique manner in order to earn favor and satisfaction from our customers.

With the standpoint of its customers, Nissen will be constantly providing products and services earning satisfaction from its customers. Also, several goals have been set for having the trust of shareholders and mutually beneficial ties with its vendors and providing employees a rewarding workplace. In sum, Nissen will focus its collective energy on being an organization that leaves a favorable impression with people of all kinds.

### (2) Fundamental Policy Regarding Distribution of Earnings

The fundamental policy is to distribute earnings in line with the operating results. However, the operational bases should be strengthened to improve its financial stability so that shareholders' equity ratio of 50% and a dividend payout ratio of 30% can be set to provide more shareholder's value.

Retained earnings will be used to reduce interest-bearing liabilities and strengthen established businesses in order to reinforce the financial position as well as to invest in new businesses.

### (3) Key Performance Indicators

To improve the management level of Nissen group, Nissen EVA (Economic Value Added) as a metric, focusing on the cost of capital and cash flows, has been implemented to evaluate its operations for the overall group.

Nissen also has each division report on KPI, an index that correlates closely with Nissen EVA, at monthly meetings.

It is essential to ensure stable profitability (ordinary income margin), growth (ordinary income growth), and safety (operating above the breakeven point) to continuously increase Nissen EVA. Nissen intends to move from a traditional emphasis on low-cost management operations, to a more sophisticated reform of our entire group cost structure. The new medium-term business plan targets sales of 200 billion yen, ordinary income of 16 billion yen, and an ordinary income margin of 8%, for 2008, the last year of the business plan.

( New medium-term business plan targets )

	2005	2006	2007	2008	2006 (Previous Plan)
Consolidated sales (billion yen)	172	178.6	188.5	200	190
(growth)	4.7%	3.8%	5.5%	6.1%	
Consolidated ordinary income (billion yen)	9.8	11	13.1	16	15
(growth)	1.6%	12.2%	19.1%	22.1%	
Consolidated ordinary income margin (%)	5.7	6.2	6.9	8.0	7.9
Breakeven operations (%)	86	84	82	80	-
(safety)					
Shareholders' equity ratio (%)	41	44	47	50	45
Payout ratio (%)	23	25	27	30	-
ROA (%) *1	11	12	14	15	10 *2

\*1 ROA: ordinary income /total assets

\*2 The ROA target for 2006 in our previous business plan was calculated by dividing net income by total assets.

#### (4) Strategies and Key Issues for the Medium to Long Terms

The medium-term management plan has been conducted aiming for the net sales of 200 billion yen and the ordinary income of 16 billion yen that will be completed in December 2008 as a consolidated basis.

To achieve more results according to the medium-term management plans, Nissen group will focus on the following issues based on the fundamental strategies for solid growth of Nissen group while enhancing the quality of its management.

##### 1) Establish a database-centered group strategy

By fully leveraging management resources, particularly our mail-order and e-commerce databases, Nissen intend to establish a unique business model and group strategy so that each business contributes to maximizing Nissen EVA.

##### 2) Improve profitability through reforming the cost structure of each business

A change in the pricing policy for our mail-order sales business in the last consolidated fiscal year temporarily reduced profit margins. Learning from this experience, Nissen plans to pursue lower cost operations in order to continuously improve profitability and achieve our new medium-term business targets. To do this, Nissen aims to build a solid business structure that can withstand rapid changes in the business environment.

Specifically, Nissen will launch an earnings and restructuring project to reform each business's earnings structure, and provide services that continuously leave a favorable impression with people all kinds. To expand sales and improve the customer database in our existing mail-order sales business, Nissen will implement the 'Catalog Sanbun no Kei' strategy\* ( see note below) to reform our core catalog *Collective Catalog*.

In the Youbist business (Direct Sales-Business), Nissen will prioritize strengthening the core business so that it can better withstand market changes. This means reviewing the business model from many angles - the market (customers and competition), merchandises (planning and procurement), and sales method (sales organization, sales promotion, planning of events).

As for other businesses, Nissen will work to expand the number of high earnings businesses by leveraging our infrastructure and our most important business asset - our client database. Nissen believe that these other businesses - the B-to-B, insurance, and finance businesses - will steadily expand as Nissen actively expand our mainstay mail-order and e-commerce businesses.

##### 3) Develop new businesses via venture funds

The purpose of venture funds is to make Nissen a database marketing company by fusing both internal and external business resources to accelerate new business development. The funds will be used to invest in those projects where Nissen can expect accelerated growth from full utilization of Nissen's business assets, including our customer database and telecommunications infrastructure. Nissen aims, by fusing Nissen's business assets with promising business models of other companies, to raise the corporate value of Nissen and the companies in which Nissen invests.

##### 4) Advance the globalization strategy

Nissen group began making active use of Supply Chain Management from FY2001 to shorten lead time and improve product quality. In the previous consolidated fiscal year, Nissen group made our first steps toward globalization by forming business tie-ups with leading Korean and Taiwanese retailers. Nissen also plans to aggressively transfer non-core business operations overseas as part of our strategy to better achieves low-cost management.

##### 5) Reinforce brand value

It is an essential to improve Nissen brand value in order to raise the overall value of its corporate group. Nissen believes a corporate brand represents the overall image that customers have of a company, including its products, services, business style, and past image. Our corporate brand will be subjectively decided by consumers if the Nissen makes no

effort to inform consumers about who Nissen is and what Nissen is about. Nissen believes that improving the Nissen brand is an important challenge for Nissen group going forward, and will work to restructure all group brands - corporate, catalog, and product - to promote their recognition among consumers. Nissen will also continue to promote “favorable impression” to all stakeholders by remaining socially responsible in terms of our intentions, philosophy, activity, and processes. Nissen group will work as one going forward to ensure Nissen’s new brand image takes hold in the market.

6) Strengthen leadership for Change Management

The search, selection, and training of next-generation managers is important to us as Nissen recognizes that human resources form the basis of future corporate growth. Specifically, Nissen will carry out leadership management programs at each management level, accelerate the promotion of promising managers, and actively recruit outside talent to ensure Nissen has the human resources to carry out reforms necessary for Nissen’s sustained growth.

(5) Measures regarding to the Corporate Governance

1) Fundamental policy regarding to corporate governance and the management structure for decision-making, execution, and supervision of the business are addressed below:

a. Fundamental policy

The emphasis of corporate governance is a subject to heighten the soundness and transparency of management as well as increasing corporate value.

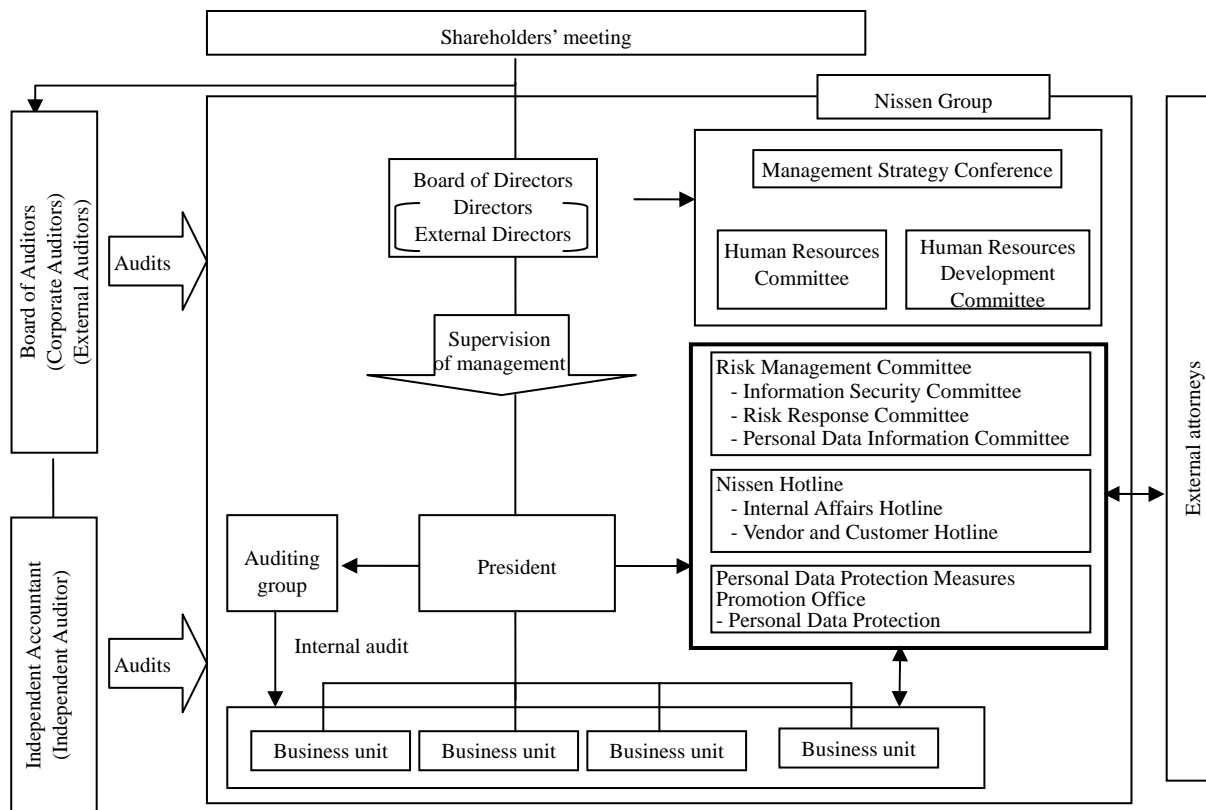
And Nissen will carry out business in line with our management vision, and will actively work to ensure a sophisticated level of corporate governance that gets high priority and is treated importantly within Nissen.

b. Status of fundamental policy

- a) The corporate auditor system has been adopted and controlled.
- b) There are 11 directors, one of whom is an external director. The external director provides valuable opinions from an objective and fair standpoint and these allow the external director to make board meetings more effective.
- c) There are three corporate auditors, two of whom are external auditors. In addition, the internal auditing group performs its own internal audits.
- d) Although not established as prescribed by the law, there are committees (Human Resources, Management Strategy and Human Resources Development) made up of small numbers of directors that include the external directors. These committees strengthen the supervision over the business operations of each unit and formulate proposal to important strategies for the overall group.
- e) The executive officer system has been adopted to strengthen the delegation of authority and to speed up decision-making.
- f) To facilitate the supervision of management by vendors, customers and employees, an internal reporting system (Nissen Hotline) have been implemented within Nissen and at the law firm.
- g) Nissen has established Personal Data Protection Measures Promotion Office within our corporate center, and is thorough in ensuring the management of customer information throughout group companies.
- h) Nissen established a NSR (Nissen Social Responsibility) policy in November 2004, and held meetings to ensure its understanding by all group employees, in order to broadly carry out our corporate social responsibilities (CSR), including with regard to the environment and product safety.

Note: ‘Catalog Sanbun no Kei’ strategy\* is to divide pages according to three main age clusters, in order to meet each of customer’s needs and wants in an effective manners.

c. Framework for business execution, supervision and internal controls



2) Personal, financial, business and other relationships between Nissen and external directors and external auditors  
No applicable relationships.

3) Actions taken during past year to improve corporate governance

To further strengthen the control of customer Databases and personal data transactions, the Personal Data Protection Measures Promotion Office has been set within the corporate center.

### 3. Results of Operation and Financial Condition

#### (1) Results of Operations

##### 1) Overview and analysis of the fiscal year

The Japanese economy trended firmly in the current consolidated fiscal period: the employment market and income levels continued to face difficulties caused by drawn-out deflation, but consumer spending gradually improved due to strong corporate earnings and recovering consumer sentiment.

The retail industry, of which Nissen is a part, faced weak sales and an overall poor environment: autumn goods sales were weak due to drawn-out economic stagnation and unusually high temperatures, customers became increasingly selective regarding pricing and service, and retailers were forced to introduce tax-inclusive labeling.

Under this condition, Nissen responded back through further improving operations based on the theme of providing “favorable impressions” with accordance to the ongoing five-year management plan.

In the mail-order sales business, Nissen implemented several plans to enhance profitability and expand sales. Also, Nissen discounted merchandises by 5% (the consumption taxes level) starting with our autumn catalog, in order to improve customer satisfaction and as part of our 35th anniversary campaign (Nissen celebrates 35th anniversary in the next consolidated fiscal year). The customer response was huge, and sales increased as a result. However, lower prices encouraged a disproportionately large number of orders for high-cost products, and the greater number of orders increased shipment and delivery-related costs.

In the direct sales business, the current fiscal year is positioned as a time to reconstruct solid management concerning shifts in the external environment. To enhance its profitability, the market (customers), merchandise (planning and procurement), sales methods (the sales organization, sales promotions, planning of events) and other activities has been revised from every angle.

Consolidated and non-consolidated sales increased year-on-year, but operating income, ordinary income, and net income declined on deteriorating profitability in the mail-order sales business.

#### Consolidated financial results

*(millions of yen)*

Item	Amount	YoY change (%)
Net sales	164,304	4.9
Operating income	10,780	(14.2)
Ordinary income	9,650	(13.1)
Net income	6,219	(0.3)

#### Non-consolidated financial results

*(millions of yen)*

Item	Amount	YoY change (%)
Net sales	151,254	10.5
Operating income	10,482	(9.8)
Ordinary income	8,626	(15.2)
Net income	5,277	(9.2)

## 2) Results by Business Segment

(Results by Each Business Segment)

Sales and operating income for each business segment were as follows.

(millions of yen)

	Net sales			Operating income		
	FY03	FY04	YoY change (%)	FY03	FY04	YoY change (%)
Mail-order sales	125,752	133,119	5.9	11,802	10,250	(13.2)
Direct sales	30,977	31,192	0.7	2,595	2,777	7.0
Eliminations and corporate	(35)	(6)	-	(1,826)	(2,247)	-
Total	156,694	164,304	4.9	12,571	10,780	(14.2)

(Mail-order sales business)

Sales in the mail-order industry were hit particularly hard by weak consumption due to intensifying competition in the overall retail industry. In this difficult environment, Nissen developed a customer relationship management (CRM) strategy to improve customer satisfaction. Also, to improve our cost competitiveness, Nissen lowered prices starting from our autumn catalog by 5% (the consumption taxes level), which reenergized our customer base.

However, the launch of CRM activities increased sales promotion costs. Also, lower prices encouraged a disproportionately large number of orders for high-cost products, and the greater number of orders increased shipment and delivery-related costs. The impact of this was particularly strong in the fourth quarter, and it lowered the full-term profit margin.

Sales increased 5.9% year-on-year, up 7,367 million yen to 133,119 million yen, but operating income declined 13.2% year-on-year, down 1,552 million yen to 10,250 million yen.

See below for mainstay strategies of each business, and performance indicators:

a. Expand full-line (collective) catalogs by increasing the number of active customers

- Number of pages (year-on-year increase of 5.4%)
- Catalog sales (year-on-year increase of 1.2%)

b. Expand the Tesera catalog that targets mature customers

- Number of pages (year-on-year increase of 145.8%)
- Catalog sales (year-on-year increase of 97.1%)

c. Start and expand new businesses at the B-to-B Headquarters

- Expand the media business (year-on-year decrease of 3.7%)
- Expand the telemarketing business (year-on-year increase of 175.0%)
- Practice the research business

d. Expand Internet sales

- Net sales (year-on-year increase of 33.6%)
- Increase Internet-based members (year-on-year increase of 42.7%)

e. Develop low-cost management (LCM)

Nissen implemented the following strategies, but the impact of new strategies starting from the autumn catalog caused results to fall short of our targets. Most of these strategies were designed to change the structure of each business, raise profitability, and improve low-cost management.

- Reform distribution to improve productivity and cut fixed costs
- Streamline the catalog production process to reduce the fixed cost ratio to sales
- Modify order practices for regular merchandises to cut the cost of sales

### Mail-order sales business operating highlights

Item	FY 2003	FY2004	YoY change
Gross profit margin	54.0%	54.0%	(0.1)%
Active customers	4,758 thousands	5,055 thousands	296 thousands
New active customers (including newly located customers)*1	1,578 thousands	1,624 thousands	46 thousands
Lead time for apparel production *2	55 days	- days	- days
Lead time for production of apparel in shortage *3	47 days	47 days	0 day
Lead time for large interior goods production	53 days	51 days	(2) days
Lead time for small interior goods production	47 days	49 days	2 days
Service ratio*4	87.5%	85.4%	(2.1)%
Ratio of sales to orders received *5	72.9%	72.1%	(0.8)%
Shipment costs*6	10,039 million yen	11,349 million yen	1,311 million yen
(Shipment costs-to-sales)	8.0%	8.5%	0.5%
Catalog system expenses *7	19,237million yen	21,040 million yen	1,803 million yen
(Catalog system expenses-to-sales)	15.3%	15.8%	0.5%
Internet sales	22,458million yen	29,997 million yen	7,538 million yen
Internet sales contribution	18.7%	23.6%	4.9%

\*1 Newly located customers

Customers who had made no purchases during the past three years.

\*2 Merchandise production lead-time

Time from placement of order to vendor until merchandise is ready for shipment to customers

\*3 Lead time for production of apparel in shortage

The time it takes from when Nissen issues an order to suppliers for apparel in shortage, to when the product is delivered to Nissen.

\*4 Service ratio

Percentage of customer orders where there is inventory that can be shipped the same day

\*5 Ratio of sales to orders received

The ratio of sales booked to the total amount of orders received

\*6 Shipment costs

Cost of transporting merchandise

\*7 Catalog system expenses

Total expenses for the production of catalogs and their delivery to customers

(Direct sales business)

As the operation of direct sales business has been affected by dramatic changes of the external environment on daily basis, the current fiscal year is positioned as a time to reconstruct its business models concerning some shifts in the market and lessons learned from the past fiscal years. To enhance its profitability, the market (customers), merchandise (planning and procurement), sales methods (the sales organization, sales promotions, planning of events) and other activities has been revised from every angle and the primary measures being taken to raise profitability are as follows.

a. Revise the earnings structure by conducting low-cost management

Decline in selling, general and administrative expenses (down 3.9 year-on-year).

- Reductions in headquarter expenses from the integration of Youbist and Youbien business.
- Reduction of fixed costs through consolidation of stores.

b. Review training programs and the personnel evaluation system

Improvement in monthly sales productivity (year-on-year increase of 7.1%)

Due to the above factors, net sales increased 214 million yen, or 0.7%, to 31,192 million yen and operating income increased 181 million yen, or 7.0%, to 2,777 million yen.

( Mainstay indices for the direct sales business )

Items	FY 2003	FY 2004	YoY change
Total stores	169	169	-
Average monthly sales per existing store	14,244 thousand yen	13,959 thousand yen	(285) thousand yen
Average monthly sales per new store	9,831 thousand yen	10,161 thousand yen	330 thousand yen
Event efficiency *1	12.8 %	14.0 %	1.2 %
New customer ratio *2	30.2 %	30.2 %	0.0 %

\*1 Event efficiency: Ratio of total event costs to sales

\*2 New customer ratio: Ratio of new buying customers to total buying customers

### 3) Fiscal 2005 prospect for sales and earnings

The prospect for the economy is uncertain going forward, but Nissen will continue to carry out various measures, in line with our basic management policy, as fiscal 2005 is the first fiscal year of our new medium-term business plan, which ends in 2008.

#### Consolidated prospects

(millions of yen)

Item	Amount	YoY change (%)
Net sales	172,000	4.7
Operating income	10,800	0.2
Ordinary income	9,800	1.6
Net income	6,250	0.5

#### Non-consolidated prospects

(millions of yen)

Item	Amount	YoY change (%)
Net sales	168,000	11.1
Operating income	10,500	0.2
Ordinary income	8,700	0.8
Net income	5,200	(1.5)

### 4) Fiscal Year 2005 prospect by each business segment

#### (Mail-order sales business)

Nissen expects the environment to remain difficult for the mail-order sales business, but Nissen will begin reforming our earnings structure as the profit margin began deteriorating from the second half of the previous consolidated fiscal year. This is a priority for Nissen. Specifically, Nissen will analyze those factors causing earnings deterioration and launch a decentralized project to improve these factors.

Nissen also intends to improve customer's favor by further developing our corporate brand, and clarifying the different product sections in our catalogs. Improving management quality is also a priority, and Nissen intends to implement the following measures to expand growth in line with our basic policy of well-balanced management:

#### a. Improve customer's favor

- Clarify merchandise categories within catalogs
- Improve the level of service ("worry-free product return service": lengthen the period in which consumers can return products)
- Promote orders through our 35<sup>th</sup> anniversary campaign

b. Reform earnings structure

- Increase the number of catalogs printed by increasing the number of active customers
  - Expand collective catalogs by increasing the number of active customers
  - Expand the Tesera Catalog which targets middle-aged customers
- Improve the cost ratio
  - Review pricing strategy
  - Lower the cost ratio by moving product inspection operations overseas
- Improve the fulfillment cost ratio
  - Consolidated shipments ( lower shipment frequency and reduce shipment costs by optimizing orders by type )
  - Reduce order reception costs by promoting Internet-based sales

(Youbist : Direct-sales business)

Nissen intends to continue restructuring our Youbist business model in FY2005, and will focus on profitability rather than a significant expansion of store openings. Nissen will also emphasize the following strategies to improve customer's favor:

a. Strengthen merchandises line-up

- Strengthen merchandise development with an emphasis on price competitiveness

b. Solidify our cost structure

- Establish a low-cost management structure to improve profitability

c. Begin new endeavors

- Expand business opportunities using Japanese accessories' catalogs
- Develop new store-based industry formats and accumulate know-how

d. Restructure organization and systems

- Restructure Nissen group into a system of decentralized companies
- Establish a new personnel and evaluation system

Nissen plans to open nine new stores in areas that Nissen are confident will enable the stores to quickly achieve profitability.

5) Economic indicator that may have a significant impact on operations

Foreign exchange rates

Fiscal 2005 prospects are based on an average U.S. dollar exchange rate of 108 yen.

During the fiscal year, a change of 1 yen in the U.S. dollar-yen exchange rate will have an estimated impact of 70 million yen on ordinary income.

## (2) Financial position

### 1) Assets, liabilities and shareholders' equity

A summary of assets, liabilities and shareholders' equity at the end of the fiscal year is shown below.

(millions of yen)

	FY 2003	FY 2004	Change
Total assets	81,731	79,483	(2,248)
Total liabilities	53,231	49,198	(4,032)
Shareholders' equity	28,476	30,261	1,785
Shareholders equity ratio	34.8%	38.1%	3.2%
Net assets per share	534.08 yen	576.24 yen	42.16 yen

Note: Shares outstanding (consolidated): 52,366,204 shares

Total assets at the end of the current consolidated fiscal period declined 2,248 million yen year-on-year, to 79,483 million yen, due to gain on sales of fixed assets and investment securities, and an increase of accounts receivable-others on an increase in sales.

Total liabilities declined 4,032 million yen, to 49,198 million yen, due to a decline in interest-bearing liabilities. \*(1)

#### \*(1) Breakdown of interest-bearing liabilities

(millions of yen)

	FY 2003	FY 2004	Change
Short-term bank loans	2,500	-	(2,500)
Portion of long-term debt due within a year	2,106	2,046	(60)
Corporate bonds due within one year	300	-	(300)
Corporate bonds	1,000	1,000	-
Long-term loans	7,726	5,679	(2,046)
Total	13,633	8,726	(4,906)

Shareholders' equity increased 1,785 million yen, to 30,261 million yen, as retained earnings increased 4,218 million yen due to the booking of net income, and treasury stock increased 1,422 million yen.

### 2) Cash flow position

Cash flow in the current consolidated fiscal period was as follows:

(millions of yen)

	FY 2003	FY 2004	Change
Net cash provided by operating activities	4,292	3,438	(854)
Net cash provided by (used in) investment activities	(2,584)	2,882	5,467
Net cash used in financing activities	(965)	(7,793)	(6,827)
Effect of exchange rate changes on cash and cash equivalents	(35)	(15)	19
Net increase in cash and cash equivalents	706	(1,488)	(2,194)
Decrease in cash and cash equivalents at beginning of period due to changes in fiscal year end of consolidated subsidiaries	(15)	-	15
Cash and cash equivalents at the end of period	9,784	8,296	(1,488)

Cash and cash equivalents at the end of the current consolidated fiscal period declined 1,488 million yen year-on-year to 8,296 million yen.

Cash flow used in operating activities declined 854 million yen year-on-year to 3,438 million yen. Accounts payable increased, but operating income, excluding depreciation and other costs that do not affect cash flow, declined.

Cash flow provided by investing activities increased 5,467 million yen year-on-year to 2,882 million yen. Proceed from sale of investment securities was 6,193 million yen, and purchases of fixed assets was 2,566 million yen.

Cash flow used in financing activities decreased 6,827 million yen year-on-year to 7,793 million yen. Repayment of interest-bearing liabilities totaled 4,908 million yen, purchase of treasury stock totaled 1,728 million yen, and dividends paid totaled 1,322 million yen.

### 3) Cash flow indices

The following table illustrates the historical movements of certain cash flow indices.

	FY2003	FY2004
Shareholders' equity ratio (%)	34.8	38.1
Shareholders' equity ratio based on market prices (%)	99.8	89.3
Debt to annual cash flow (years)	3.2	2.5
Interest coverage ratio	22.1	24.0

Notes:

1. All indices are calculated as follows on the consolidated basis:

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market prices: Market capitalization / Total assets

Debt to annual cash flow: Interest-bearing liabilities / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

2. Market capitalization: Closing price of stock on the balance sheet date x Number of shares outstanding (net of treasury stock) on the balance sheet date.

3. Interest-bearing liabilities: Liabilities carried on the balance sheets that incur interest.

4. Operating cash flow and interest payment in the above stated formula is represented on the statement of cash flow, respectively.

Interest in the calculation of the interest-coverage ratio: Based on interest paid reported on the statement of cash flow.

### 4) Prospect for cash flow in fiscal 2005

a) Net cash provided by operating activities is estimated at 3,630 million yen.

The principal sources of cash flows will be an estimated 9,500 million yen in income before income taxes and 1,730 million yen in depreciation. The principal use of cash in operating activities will be an estimated 4,590 million yen in income taxes.

b) Net cash to be used in investing activities is estimated at 5,980 million yen.

This includes 3,510 million yen for upgrading logistic infrastructures for the mail-order sales business, 650 million yen for investment in IT systems and equipment.

c) Net cash to be provided by financing activities is estimated at 2,640 million yen.

Major factors include 6,000 million yen in funds procured from new borrowings, 2,050 million yen in repayment of interest-bearing liabilities, and 1,310 million yen in dividends paid.

### 5) Changes expected in the financial position after fiscal 2005

Our consolidated subsidiary Nissen Logistics Service Co. Ltd. will procure 7,000 million yen in FY2005 - FY2007 to restructure its distribution infrastructure to prepare for future business expansion.

#### 4. Consolidated Financial Statements

##### (1) Consolidated Balance Sheets

(millions of yen)

Item	FY 2003 (As of Dec. 20, 2003)		FY 2004 (As of Dec. 20, 2004)		Differences
	Amount	%	Amount	%	Amount
	<b>Assets</b>				
<b>I Current assets</b>					
1. Cash and deposits	9,794		8,306		(1,488)
2. Notes and accounts receivable-trade	12,303		11,875		(427)
3. Inventories	11,326		11,665		338
4. Accounts receivable-other	10,314		12,231		1,916
5. Prepaid expenses	3,972		5,263		1,291
6. Deferred tax assets	531		607		76
7. Others	1,134		1,441		307
Allowance for doubtful receivables	(275)		(268)		6
<b>Total current assets</b>	<b>49,103</b>	<b>60.1</b>	<b>51,124</b>	<b>64.3</b>	<b>2,020</b>
<b>II Fixed assets</b>					
<b>1. Property, plant and equipment</b>					
(1) Buildings and structures	25,670		15,776		
Accumulated depreciation	10,710	14,959	2,608	13,167	(1,792)
(2) Machinery equipment and vehicles	2,694		348		
Accumulated depreciation	2,340	353	97	250	(103)
(3) Tools, furniture, and fixtures	1,855		2,184		
Accumulated depreciation	686	1,168	895	1,289	120
(4) Land		6,602		4,781	(1,820)
(5) Construction in progress		2		224	222
<b>Total property, plant and equipment</b>		<b>23,086</b>		<b>19,714</b>	<b>(3,372)</b>
<b>2. Intangible assets</b>					
(1) Software	364		-		
(2) Others	4		-		
<b>Total intangible assets</b>		<b>368</b>		<b>-</b>	<b>(368)</b>
<b>3. Investments and other assets</b>					
(1) Investment securities	7,435		6,183		(1,252)
(2) Long-term loans receivable	2		-		(2)
(3) Deferred tax assets	-		279		279
(4) Others	2,470		2,483		13
Allowance for doubtful receivables	(736)		(784)		(47)
<b>Total investments and other assets</b>		<b>9,172</b>		<b>8,161</b>	<b>(1,010)</b>
<b>Total fixed assets</b>		<b>32,627</b>		<b>28,359</b>	<b>(4,268)</b>
<b>Total assets</b>		<b>81,731</b>		<b>79,483</b>	<b>(2,248)</b>

(millions of yen)

Item	FY 2003 (As of Dec. 20, 2003)		FY 2004 (As of Dec. 20, 2004)		Differences
	Amount	%	Amount	%	Amount
<b>Liabilities</b>					
<b>I Current liabilities</b>					
1. Notes and accounts payable-trade	*4	24,383	24,808		424
2. Short-term bank loans	*3	4,606	2,046		(2,560)
3. Corporate bonds due within one year		300	-		(300)
4. Income taxes payable		2,117	2,154		37
5. Accounts payable-other		8,741	7,706		(1,035)
6. Others		3,538	5,586		2,047
Total current liabilities		43,688	42,303	53.2	(1,385)
<b>II Long-term liabilities</b>					
1. Corporate bonds	*3	1,000	1,000		-
2. Long-term loans	*3	7,726	5,679		(2,046)
3. Accrued retirement benefits for employees		172	184		12
4. Deferred tax liabilities		633	-		(633)
5. Others		10	30		20
Total long-term liabilities		9,542	6,895	8.7	(2,647)
Total liabilities		53,231	49,198	61.9	(4,032)
<b>Minority interests</b>					
Minority interests		23	22	0.0	(0)
<b>Shareholders' equity</b>					
<b>I Common stock</b>					
I Common stock	*5	7,665	7,665	9.6	-
<b>II Capital surplus</b>					
II Capital surplus		7,347	7,687	9.7	339
<b>III Retained earning</b>					
III Retained earning		13,443	17,661	22.2	4,218
<b>IV Net unrealized holding gain (loss) on securities</b>					
IV Net unrealized holding gain (loss) on securities		1,530	195	0.3	(1,334)
<b>V Translation adjustments</b>					
V Translation adjustments		(8)	(24)	(0.0)	(15)
<b>VI Treasury stock, at cost</b>					
VI Treasury stock, at cost	*6	(1,501)	(2,923)	(3.7)	(1,422)
Total shareholders' equity		28,476	30,261	38.1	1,785
Total liabilities, minority interests and shareholders' equity		81,731	79,483	100.0	(2,248)

## (2) Consolidated Statement of Income

(millions of yen)

Item	FY 2003 (Dec. 21, 2002 – Dec. 20, 2003)			FY 2004 (Dec. 21, 2003 – Dec. 20, 2004)			Differences
	Amount		%	Amount		%	Amount
I Net sales		156,694	100.0		164,304	100.0	7,610
II Cost of sales		68,768	43.9		72,114	43.9	3,345
Gross profit		87,925	56.1		92,190	56.1	4,265
III Selling, general and administrative expenses							
1. Advertisement	20,363			21,954			
2. Shipment expenses	10,166			11,503			
3. Sales promotion expenses	7,100			8,517			
4. Provision of allowance for doubtful receivables	523			549			
5. Salaries and allowances	13,977			14,781			
6. Bonuses	3,846			3,418			
7. Rents	4,063			4,156			
8. Depreciation	1,438			1,232			
9. Commissions	5,621						
10. Others	8,253	75,354	48.1	8,469	81,410	49.5	6,056
Operating income		12,571	8.0		10,780	6.6	(1,790)
IV Non-operating income							
1. Interest income	1			2			
2. Dividend income	35			28			
3. Commission income	335			270			
4. Equity in earnings of an affiliate	67			850			
5. Other non-operating income	226	667	0.4	402	1,553	0.9	885
V Non-operating expenses							
1. Interest expense	189			144			
2. Exchange loss, net	503			578			
3. Loss on write-off of merchandise	1,331			1,827			
4. Other non-operating expenses	114	2,137	1.3	132	2,683	1.6	545
Ordinary income		11,101	7.1		9,650	5.9	(1,450)
VI Extraordinary income							
1. Gain on sales of fixed assets *1	13			-			
2. Gain on sales of investment securities	-			5,596			
3. Gain on reduction of accrued retirement benefits for directors and statutory auditors	289			-			
4. Other extraordinary income	4	307	0.2	10	5,607	3.4	5,299
VII Extraordinary loss							
1. Loss on sales or disposal of fixed assets *2	537			4,611			
2. Loss on write-down of investments in securities	11			-			
3. Loss on bad debt related to guarantee of anticipated loss	245			-			
4. Loss on liquidation of accrued retirement benefits for directors and statutory auditors	289			-			
5. Other extraordinary losses	41	1,124	0.7	445	5,056	3.1	3,931
Income before income taxes and minority interests		10,283	6.6		10,200	6.2	(82)
Current income taxes	3,708			4,057			
Deferred tax assets	333	4,041	2.6	(76)	3,981	2.4	(60)
Minority interest in income (loss) of consolidated subsidiaries		0	0.0		(0)	0.0	(0)
Net income		6,241	4.0		6,219	3.8	(21)

## (3) Consolidated Statement of Retained Earnings

*(millions of yen)*

Item	FY 2003 (Dec. 21, 2002 – Dec. 20, 2003)		FY 2004 (Dec. 21, 2003 – Dec. 20, 2004)	
	Amount		Amount	
Capital surplus				
I. Balance at beginning of year		7,347		7,347
II. Increase in capital surplus				
1. Increase in capital surplus resulting from merger		-		339
III. Balance at end of period		7,347		7,687
Retained earnings				
I. Balance at beginning of year		8,230		13,443
II. Increase in retained earnings				
1. Net income		6,241		6,219
III. Decrease in retained earnings				
1. Dividends	797		1,322	
2. Bonuses to directors and statutory auditors	189		199	
3. Loss on disposal of treasury stock	-		140	
4. Decrease in retained earnings resulting from merger	-		339	
5. Decrease in retained earnings due to change in fiscal year end of consolidated subsidiaries	40	1,028	-	2,001
IV. Balance at end of year		13,443		17,661

## (4) Consolidated Statement of Cash Flows

(millions of yen)

Item	FY 2003 (Dec. 21, 2002 – Dec. 20, 2003)	FY 2004 (Dec. 21, 2003 – Dec. 20, 2004)	Differences
	Amount	Amount	Amount
<b>I Operating activities</b>			
1. Income before income taxes and minority interests	10,283	10,200	(82)
2. Depreciation and amortization	1,441	1,233	(208)
3. Increase in allowance for doubtful receivables	2	41	38
4. Increase in accrued retirement benefits for employees	10	12	2
5. Gain on sales of investment securities	-	(5,596)	(5,596)
6. Decrease in accrued retirement benefits for directors and statutory auditors	(266)	-	266
7. Decrease in reserve for guarantee of anticipated loss on bad debt	(660)	-	660
8. Loss on write-down of investments in securities	11	-	(11)
9. Gain on sales or disposal of fixed assets	524	4,611	4,087
10. Equity in earnings (losses) of an affiliate	(67)	(850)	(782)
11. Interest and dividend income	(37)	(30)	6
12. Interest expense	189	144	(44)
13. Increase in notes and accounts receivable	(1,139)	(368)	770
14. Increase (decrease) in inventories	(2,313)	(338)	1,974
15. Increase in notes and accounts payable	894	699	(194)
16. Others, net	104	(2,190)	(2,294)
Subtotal	8,976	7,568	(1,408)
17. Interests and dividends received	46	27	(19)
18. Interests paid	(194)	(143)	51
19. Income taxes paid	(4,536)	(4,014)	522
Net cash provided by operating activities	4,292	3,438	(854)
<b>II Investing activities</b>			
1. Purchases of fixed assets	(1,480)	(2,566)	(1,086)
2. Proceeds from sales of fixed assets	35	44	9
3. Purchases of investments in securities	(1,025)	(702)	323
4. Proceed from sales of investments in securities	112	6,193	6,081
5. Acquisition of shares and bonds issued by affiliates	(232)	(45)	187
6. Payment for loans receivable	(3)	(50)	(47)
7. Collections of loans receivable	11	12	0
8. Purchase of subsidiary stock associated with changes in the scope of consolidation	-	(2)	(2)
9. Others, net	-	0	0
Net cash provided by (used in) investing activities	(2,584)	2,882	5,467
<b>III Financing activities</b>			
1. Decrease in short-term bank loans, net	(1,500)	(2,501)	(1,001)
2. Proceeds from long-term loans from banks	7,090	-	(7,090)
3. Repayment of long-term loans from banks	(5,769)	(2,106)	3,663
4. Proceeds from issuance of corporate bonds	500	-	(500)
5. Repayment of corporate bonds	-	(300)	(300)
6. Purchases of treasury stock	(487)	(1,728)	(1,241)
7. Proceeds from sales of treasury stock	-	165	165
8. Payment of dividends to minority shareholders	(1)	-	1
9. Dividends paid	(797)	(1,322)	(525)
Net cash used in financing activities	(965)	(7,793)	(6,827)
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	(35)	(15)	19
<b>V. Net increase in cash and cash equivalents</b>	706	(1,488)	(2,194)
<b>VI. Cash and cash equivalents at beginning of year</b>	9,094	9,784	690
<b>VII. Decrease in cash and cash equivalents at beginning of period due to changes in fiscal year end of consolidated subsidiaries</b>	(15)	-	15
<b>VIII. Cash and cash equivalents at end of period</b>	9,784	8,296	(1,488)

\*1

Basis of preparation of consolidated financial statements

FY 2003 (Dec. 21, 2002 – Dec. 20, 2003)	FY 2004 (Dec. 21, 2003 – Dec. 20, 2004)
<p>1. Basis of Consolidation</p> <p>(1) Consolidated subsidiaries: 11</p> <p>Major consolidated subsidiaries</p> <p>Spark Ace Limited.</p> <p>Advance Progress Limited.</p> <p>Kyoto Nissen Co., Ltd.</p> <p>Nissen Saibien Co., Ltd.</p> <p>Nissen Shikoen Co., Ltd.</p> <p>Nissen Kashoen Co., Ltd.</p> <p>Nissen Kyobien Co., Ltd.</p> <p>Nissen Yuwaen Co., Ltd.</p> <p>Nissen Evers Oita Co., Ltd.</p> <p>Nissen Youbist Tomonokai Co., Ltd.</p> <p>Nissen Shape Founde Co., Ltd.</p> <p>(2) Major non-consolidated subsidiaries</p> <p>DONGGUAN Nissen Product Quality Inspection Center (Reason for excluding from the consolidation)</p> <p>The consolidated financial statements do not include the accounts of three non-consolidated subsidiaries since the entities are small-scale businesses whose combined assets, sales revenues, net income/loss (equity in earnings/loss) or retained earnings (equity in earnings) have no significant effect on the overall results of consolidated financial statements.</p> <p>2. Application of the equity method of accounting</p> <p>(1) Affiliates accounted for under the equity method of accounting: 1</p> <p>Company name:</p> <p>GE Nissen Credit Co., Ltd.</p> <p>(2) Major non-consolidated subsidiaries and affiliates not accounted for under the equity method of accounting:</p> <p>DONGGUAN Nissen Product Quality Inspection Center (Reason for exclusion from the application of the equity method of accounting)</p> <p>The afore mentioned entity is not accounted for under the equity method because of the fact that it has a very minor effect on consolidated net income/loss and consolidated retained earnings and are relatively insignificant in the context of consolidated financial statements.</p>	<p>1. Basis of Consolidation</p> <p>(1) Consolidated subsidiaries: 10</p> <p>Major consolidated subsidiaries</p> <p>Nissen Logistics Service Co., Ltd.</p> <p>Spark Ace Limited.</p> <p>Advance Progress Limited.</p> <p>Nissen Saibien Co., Ltd.</p> <p>Nissen Kashoen Co., Ltd.</p> <p>Nissen Kyobien Co., Ltd.</p> <p>Nissen Yuwaen Co., Ltd.</p> <p>Nissen Evers Oita Co., Ltd.</p> <p>Nissen Youbist Tomonokai Co., Ltd.</p> <p>Nissen Shape Founde Co., Ltd.</p> <p>Effective the current accounting period, consolidated subsidiaries Kyoto Nissen Co., Ltd., and Nissen Shikoen Co., Ltd., previous consolidated fiscal year was liquidated following merger with Nissen.</p> <p>Effective the current consolidated fiscal year, Nissen Logistic Service Co., Ltd. is included in the consolidation due to its establishment.</p> <p>(2) Major non-consolidated subsidiaries</p> <p>DONGGUAN Nissen Product Quality Inspection Center (Reason for excluding from the consolidation)</p> <p>The consolidated financial statements do not include the accounts of five non-consolidated subsidiaries since the entities are small-scale businesses whose combined assets, sales revenues, net income/loss (equity in earnings/loss) or retained earnings (equity in earnings) have no significant effect on the overall results of consolidated financial statements.</p> <p>2. Application of the equity method of accounting</p> <p>(1) Affiliates accounted for under the equity method of accounting: 1</p> <p>Company name:</p> <p>GE Nissen Credit Co., Ltd.</p> <p>(2) Major non-consolidated subsidiaries and affiliates not accounted for under the equity method of accounting:</p> <p>DONGGUAN Nissen Product Quality Inspection Center (Reason for exclusion from the application of the equity method of accounting)</p> <p>The afore mentioned entity is not accounted for under the equity method because of the fact that it has a very minor effect on consolidated net income/loss and consolidated retained earnings and are relatively insignificant in the context of consolidated financial statements.</p>

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<p>3. FY 2003 of consolidated subsidiaries Balance sheet dates of consolidated subsidiaries are as follows:</p> <table border="0"> <thead> <tr> <th style="text-align: left;">Subsidiaries</th> <th style="text-align: left;">Balance sheet date</th> </tr> </thead> <tbody> <tr> <td>Spark Ace Limited.</td> <td>Oct. 31</td> </tr> <tr> <td>Advance Progress Limited.</td> <td>Oct. 31</td> </tr> <tr> <td>Kyoto Nissen Co., Ltd.</td> <td>Dec. 20</td> </tr> <tr> <td>Nissen Saibien Co., Ltd.</td> <td>Dec. 20</td> </tr> <tr> <td>Nissen Shikoen Co., Ltd.</td> <td>Dec. 20</td> </tr> <tr> <td>Nissen Kashoen Co., Ltd.</td> <td>Dec. 20</td> </tr> <tr> <td>Nissen Kyobien Co., Ltd.</td> <td>Dec. 20</td> </tr> <tr> <td>Nissen Yuwaen Co., Ltd.</td> <td>Dec. 20</td> </tr> <tr> <td>Nissen Evers Oita Co., Ltd.</td> <td>Dec. 20</td> </tr> <tr> <td>Nissen Youbist Tomonokai Co., Ltd.</td> <td>Dec. 20</td> </tr> <tr> <td>Nissen Shape Founde Co., Ltd.</td> <td>Dec. 20</td> </tr> </tbody> </table> <p>Appropriate adjustment was made for significant transactions during the year from their respective balance sheet dates to the balance sheet date of consolidated financial statements. Effective the current consolidated fiscal year, the following subsidiaries changed their balance sheet dates to December 20.</p> <ul style="list-style-type: none"> <li>Kyoto Nissen Co., Ltd.</li> <li>Nissen Saibien Co., Ltd.</li> <li>Nissen Shikoen Co., Ltd.</li> <li>Nissen Kashoen Co., Ltd.</li> <li>Nissen Kyobien Co., Ltd.</li> <li>Nissen Youwaen Co., Ltd.</li> <li>Nissen Evers Oita Co., Ltd.</li> <li>Nissen Youbist Tomonokai Co., Ltd.</li> </ul> <p>4. Accounting principles (1) Valuation criteria and methods for principal assets 1) Securities Held-to-maturity debt securities Amortized cost method (straight-line method) Other securities Securities with market quotations Securities with market quotations are carried at fair value on the balance sheet date. (Unrealized holding gain or loss is included directly in shareholders' equity. Cost of securities sold is determined primarily by the moving-average method.) Securities without market quotations Securities without market quotations are stated at cost, cost being determined by the moving-average method.</p>	Subsidiaries	Balance sheet date	Spark Ace Limited.	Oct. 31	Advance Progress Limited.	Oct. 31	Kyoto Nissen Co., Ltd.	Dec. 20	Nissen Saibien Co., Ltd.	Dec. 20	Nissen Shikoen Co., Ltd.	Dec. 20	Nissen Kashoen Co., Ltd.	Dec. 20	Nissen Kyobien Co., Ltd.	Dec. 20	Nissen Yuwaen Co., Ltd.	Dec. 20	Nissen Evers Oita Co., Ltd.	Dec. 20	Nissen Youbist Tomonokai Co., Ltd.	Dec. 20	Nissen Shape Founde Co., Ltd.	Dec. 20	<p>3. FY 2004 of consolidated subsidiaries Balance sheet dates of consolidated subsidiaries are as follows:</p> <table border="0"> <thead> <tr> <th style="text-align: left;">Subsidiaries</th> <th style="text-align: left;">Balance sheet date</th> </tr> </thead> <tbody> <tr> <td>Nissen Logistics Service Co., Ltd.</td> <td>Dec. 20</td> </tr> <tr> <td>Spark Ace Limited.</td> <td>Oct. 31</td> </tr> <tr> <td>Advance Progress Limited.</td> <td>Oct. 31</td> </tr> <tr> <td>Nissen Saibien Co., Ltd.</td> <td>Dec. 20</td> </tr> <tr> <td>Nissen Kashoen Co., Ltd.</td> <td>Dec. 20</td> </tr> <tr> <td>Nissen Kyobien Co., Ltd.</td> <td>Dec. 20</td> </tr> <tr> <td>Nissen Yuwaen Co., Ltd.</td> <td>Dec. 20</td> </tr> <tr> <td>Nissen Evers Oita Co., Ltd.</td> <td>Dec. 20</td> </tr> <tr> <td>Nissen Youbist Tomonokai Co., Ltd.</td> <td>Dec. 20</td> </tr> <tr> <td>Nissen Shape Founde Co., Ltd.</td> <td>Dec. 20</td> </tr> </tbody> </table> <p>Appropriate adjustment was made for significant transactions during the year from their respective balance sheet dates to the balance sheet date of consolidated financial statements.</p> <p>4. Accounting principles (1) Valuation criteria and methods for principal assets 1) Securities Held-to-maturity debt securities Same as on the left. Other securities Securities with market quotations Same as on the left.  Securities without market quotations Same as on the left.</p>	Subsidiaries	Balance sheet date	Nissen Logistics Service Co., Ltd.	Dec. 20	Spark Ace Limited.	Oct. 31	Advance Progress Limited.	Oct. 31	Nissen Saibien Co., Ltd.	Dec. 20	Nissen Kashoen Co., Ltd.	Dec. 20	Nissen Kyobien Co., Ltd.	Dec. 20	Nissen Yuwaen Co., Ltd.	Dec. 20	Nissen Evers Oita Co., Ltd.	Dec. 20	Nissen Youbist Tomonokai Co., Ltd.	Dec. 20	Nissen Shape Founde Co., Ltd.	Dec. 20
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FY 2003 (Dec. 21, 2002 – Dec. 20, 2003)	FY 2004 (Dec. 21, 2003 – Dec. 20, 2004)
<p>2) Inventories Merchandise: Inventories are stated at cost, cost being determined by the first-in first-out method.</p> <p>(2) Depreciation and amortization method for principal depreciable assets</p> <p>1) Property, plant and equipment Buildings (excluding fixtures): Depreciation on buildings is computed by the straight-line method. Others: Depreciation is computed by the declining-balance method. Useful life of principal assets is as follows Buildings and structures: 2-49 years Machinery equipment and vehicles: 2-13 years Tools, furniture and fixtures: 2-20 years</p> <p>2) Intangible assets Amortization is computed by the straight-line method. The development costs of software intended for internal use are amortized over an expected useful life of 5 years by the straight-line method.</p> <p>3) Long-term pre-paid expenses Amortization is computed by the straight-line method.</p> <p>(3) Accounting for significant deferred assets</p> <p>1) Bond issue expenses are charged to income as accrued.</p> <p>(4) Recognition of significant allowances</p> <p>1) Allowance for doubtful receivables To prepare for credit losses on accounts receivable, allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio, and bad receivables based on a case-by-case determination of collectibility.</p> <p>2) Accrued retirement benefits for employees To provide for accrued employees' retirement benefits (female sales force called "Nissen Ladies"), Nissen provides an allowance in the amount deemed to have accrued at the end of consolidated fiscal year based on future estimated retirement benefit obligations.</p> <p>(5) Transaction of principal foreign currency-denominated assets and liabilities Foreign currency-denominated monetary assets and liabilities are exchanged into yen at the spot exchange rate in effect on the consolidated balance sheet date. Transaction gain or loss is accounted as profit or loss. The balance sheet accounts of overseas consolidated subsidiaries are also at the spot exchange rate in effect on the balance sheet dates. The revenue and expense accounts of foreign consolidated subsidiaries are into yen at the average exchange rate for the year. Adjustments are stated as a component of minority interests and shareholders' equity.</p> <p>(6) Accounting for leases Finance leases other than those which are deemed to transfer the ownership of the leased assets to the lessees are accounted for by the method similar to that applicable to ordinary operating leases.</p>	<p>2) Inventories Merchandise: Same as on the left.</p> <p>(2) Depreciation and amortization method for principal depreciable assets</p> <p>1) Property, plant and equipment Same as on the left.</p> <p>2) Intangible assets Same as on the left.</p> <p>3) Long-term pre-paid expenses Same as on the left.</p> <p>(3) Recognition of significant allowances</p> <p>1) Allowance for doubtful receivables Same as on the left.</p> <p>2) Accrued retirement benefits for employees Same as on the left.</p> <p>(4) Transaction of principal foreign currency-denominated assets and liabilities Same as on the left.</p> <p>(5) Accounting for leases Same as on the left.</p>

FY 2003 (Dec. 21, 2002 – Dec. 20, 2003)	FY 2004 (Dec. 21, 2003 – Dec. 20, 2004)
<p>(7) Significant accounting policies for hedges</p> <p>1) Hedge accounting method With respect to forward foreign exchange contracts, a hedge is accounted for by the short-cut method since the hedging relationship meets certain criteria.</p> <p>2) Hedging instrument and the risk hedged Hedging method: Forward foreign exchange contracts Risk hedged: Foreign currency-denominated monetary liabilities</p> <p>3) Hedging policy Nissen enters into forward foreign exchange contracts, under a risk-control policy established by Nissen, to reduce exposure to risks from fluctuations in foreign currency exchange.</p> <p>4) Assessing the effectiveness of a hedge Effectiveness is assessed by rate analysis of the sum total of cash flow fluctuation involving hedged transactions and the sum total of cash flow fluctuation involving the hedge method.</p> <p>Nissen considers that its hedges are effective since there was a high correlation between hedging instruments and the risk hedged at the end of the current consolidated period.</p> <p>(8) Other significant accounting policies in the preparation of consolidated financial statements Accounting for consumption taxes All amounts stated are exclusive of consumption and local taxes.</p> <p>5. Valuation of assets and liabilities of consolidated subsidiaries Assets and liabilities of the consolidated subsidiaries are valued at market.</p> <p>6. Amortization of goodwill Goodwill is amortized lump sum in the year in which it is recognized.</p> <p>7. Appropriation of retained earnings The consolidated financial statements include cash dividends declared by consolidated subsidiaries during the current fiscal year.</p> <p>8. Scope of cash and cash equivalents in statements of cash flows For the purpose of consolidated statements of cash flows, cash and cash equivalents consist of vault cash, deposits that can be withdrawn on demand, and short-term investments with original maturities of three months or less, that are readily convertible to known amounts of cash and present insignificant risk of change in value.</p>	<p>(6) Significant accounting policies for hedges</p> <p>1) Hedge accounting method Same as on the left.</p> <p>2) Hedging instrument and the risk hedged Same as on the left.</p> <p>3) Hedging policy Same as on the left.</p> <p>4) Assessing the effectiveness of a hedge Same as on the left.</p> <p>(7) Other significant accounting policies in the preparation of consolidated financial statements Accounting for consumption taxes All amounts stated are exclusive of consumption and local taxes.</p> <p>5. Valuation of assets and liabilities of consolidated subsidiaries Same as on the left.</p> <p>6. Amortization of goodwill Same as on the left.</p> <p>7. Appropriation of retained earnings Same as on the left.</p> <p>8. Scope of cash and cash equivalents in statements of cash flows Same as on the left.</p>

Reclassification

FY 2003 December 21, 2002 – December 20, 2003	FY 2004 December 21, 2003 – December 20, 2004
<p style="text-align: center;">-</p> <p>Consolidated statements of income</p> <ol style="list-style-type: none"> <li>1. Effective the current consolidated fiscal year, “Welfare expenses,” presented as a separate line item in prior periods, is reclassified and included as a component of “Others” under selling, general and administrative expenses, given that the amount has decreased the materiality of impact in the context of consolidated financial statements. “Welfare expenses” were 2,370 million yen in the current consolidated fiscal year.</li> <li>2. Effective the current consolidated fiscal year, “Telecommunications expenses,” presented as a separate line item in prior periods, is reclassified and included as a component of “Others” under selling, general and administrative expenses, given that the amount has decreased the materiality of impact in the context of consolidated financial statements. “Telecommunications expenses” in the current consolidated fiscal year were 1,325 million yen.</li> <li>3. Effective the current consolidated fiscal year, “IT system expenses,” presented as a separate line item in prior periods, is reclassified and included in “Others” under selling, general and administrative expenses, given that it has decreased the materiality of impact in the context of consolidated financial statements. “IT system expenses” was 999 million yen in the current consolidated fiscal year.</li> </ol>	<p>Consolidated balance sheets</p> <ol style="list-style-type: none"> <li>1. Effective the current consolidated fiscal year, software, presented as a separate account title in prior periods, is reclassified and included in others under intangible assets, given that the amount is insignificant in the context of the consolidated financial statements. In the current consolidated fiscal year, software, totaled 477 million yen.</li> <li>2. Effective the current consolidated fiscal year, long-term loans receivable, presented as a separate account title in prior periods, is reclassified and included in others under investments and other assets, given that the amount is insignificant in the context of the consolidated financial statements. In the current consolidated fiscal year, long-term loans receivable totaled 20 million yen.</li> </ol> <p style="text-align: center;">-</p>

Supplementary information

FY 2003 December 21, 2002 – December 20, 2003	FY 2004 December 21, 2003 – December 20, 2004
<p>(Changes in tax rates for deferred tax accounting) Following the Partial Revision of the Local Finance Act (Law No. 9 of 2003) that became effective on March 31, 2003, Nissen adopted the new accounting standards for deferred tax accounting (Practical Guidelines on Tax Effect Accounting for Pro Forma Standard Taxation System; JICPA, March 25, 2003). The statutory tax rate employed for calculating deferred tax assets and liabilities (only for items to be amortized after December 21, 2004) for the current consolidated fiscal year conforms to the revised regulations. The effect of this change was to increase deferred tax assets (net of deferred tax liabilities) as of the end of the current consolidated fiscal year by 21 million yen and increase unrealized holding gain on other securities by 36 million yen. In addition, deferred income taxes as of the end of current consolidated the fiscal year increased by 14 million yen.</p> <p>(Accrued retirement benefits for directors and statutory auditors) To provide for retirement benefits for directors and statutory auditors, Nissen and its domestic consolidated subsidiaries provided an allowance for the aggregate amount payable at the end of the fiscal year, pursuant to Nissen's internal rules on retirement benefits for directors and statutory auditors. However, the system of retirement benefits for directors and statutory auditors was terminated on December 20, 2002. Following the termination of the directors' and statutory auditors' retirement benefit system, Nissen withdrew the reserve for retirement benefits for directors and statutory auditors (289 million yen) and accounted it as extraordinary income. An equivalent amount was accounted as extraordinary loss on liquidation of accrued retirement benefits for directors and statutory auditors.</p>	<p>-</p> <p>-</p>

## Notes

## Notes to consolidated balance sheets

(millions of yen)

FY 2003 As of December 20, 2003		FY 2004 As of December 20, 2004	
*1	The following items are applicable to non-consolidated subsidiaries and affiliates Investments in securities (Equity securities) 2,158 Other (Investments in capital and corporate bonds) 9	*1	The following items are applicable to non-consolidated subsidiaries and affiliates Investments in securities (Equity securities) 3,048 Other (Investments in capital and corporate bonds) 9
*2	Loan guarantees Guarantees for loans taken out by employees from financial institutions 54	*2	Loan guarantees Guarantees for loans taken out by employees from financial institutions 48
*3	Assets pledged as collateral and corresponding liabilities Assets pledged as collateral Buildings 13,026 Land 3,800 Total 16,827 Liabilities corresponding to assets pledged as collateral Short-term bank loans 1,271 Long-term loans from banks 6,699 Corporate bonds (Unsecured corporate bonds with bank guarantees) 800 Total 8,771	*3	-
*4	Accounting treatment of notes receivable/payable on the balance sheet date: Notes receivable/payable maturing on the balance sheet date are treated as if they were settled at the clearing date of notes. Consequently, as the balance sheet date was a bank holiday, the following notes payable maturing on the balance sheet date were included in the ending balance of notes payable. Notes payable 170	*4	-
*5	Class and number of shares outstanding Common stock 54,306,332 shares	*5	Class and number of shares outstanding Common stock 54,306,332 shares
*6	Class and number of treasury stock outstanding Common stock 1,360,644 shares	*6	Class and number of treasury stock outstanding Common stock 1,940,128 shares

## Notes to consolidated statements of income

(millions of yen)

FY 2003 December 21, 2002 – December 20, 2003		FY 2004 December 21, 2003 – December 20, 2004	
*1	Principal components of gain on sales of fixed assets	*1	-
	Land 13		
	Tools, furniture and fixtures 0		
	Total 13		
*2	Principal components of loss on disposal of fixed assets	*2	Principal components of loss on disposal of fixed assets
	Loss on disposal of fixed assets		Loss on disposal of fixed assets
	Software 489		Buildings and structures 40
	Buildings and structures 46		Software 25
	Tools, furniture and fixtures 1		Tools, furniture and fixtures 4
	Total 537		Total 71
	-		Loss on sales of fixed assets
			Buildings and structures 2,654
			Land 1,820
			Machinery and vehicles 40
			Software 20
			Tools, furniture and fixtures 4
			Others 0
			Total 4,540

## Notes to consolidated statements of cash flows

(millions of yen)

FY 2003 December 21, 2002 – December 20, 2003		FY 2004 December 21, 2003 – December 20, 2004	
*1	Reconciliation of balance sheet items to cash and cash equivalents in the consolidated statements of cash flows:	*1	Reconciliation of balance sheet items to cash and cash equivalents in the consolidated statements of cash flows:
	Cash and deposits 9,794		Cash and deposits 8,306
	Term deposits with original maturities longer than three months (10)		Term deposits with original maturities longer than three months (10)
	Cash and cash equivalents 9,784		Cash and cash equivalents 8,296

## (1) Lease Transactions

(millions of yen)

FY 2003 December 21, 2002 – December 20, 2003				FY 2004 December 21, 2003 – December 20, 2004			
Finance lease transactions other than those in which the title to the leased property is transferred to the lessee.				Finance lease transactions other than those in which the title to the leased property is transferred to the lessee.			
1. Acquisition cost, accumulated depreciation and year-end balance equivalents of the leased property.				1. Acquisition cost, accumulated depreciation and year-end balance equivalents of the leased property.			
	Acquisition cost	Accumulated depreciation	Year-end balance		Acquisition cost	Accumulated depreciation	Year-end balance
Machinery and equipment	9,794	8,186	1,608	Machinery and equipment	9,794	9,275	519
Tools, furniture and fixtures	2,069	1,011	1,058	Tools, furniture and fixtures	1,754	950	804
Software	356	187	168	Software	453	269	184
Total	12,221	9,386	2,835	Total	12,003	10,494	1,509
2. Outstanding lease commitments as of the end of the period:				2. Outstanding lease commitments as of the end of the period:			
			1,784	Within one year			1,187
			1,522	Over one year			584
	Total		3,306	Total			1,771
3. Lease payments, depreciation and interest equivalents				3. Lease payments, depreciation and interest equivalents			
			1,930	Lease payments			1,909
			1,610	Depreciation			1,602
			182	Interest expense			109
4. Calculation of accumulated depreciation equivalents and interest equivalents				4. Calculation of accumulated depreciation equivalents and interest equivalents			
Calculation of depreciation equivalents				Calculation of depreciation equivalents			
Depreciation is based on the straight-line method, assuming the lease period to be the useful life and a residual value of zero.				Same as on the left.			
Calculation of interest equivalents				Calculation of interest equivalents			
Interest equivalent is the difference between the total lease payments and the acquisition cost of the leased property and is allocated to each period based on the interest method.				Same as on the left.			

(2) Securities

FY 2003 (December 21, 2002 – December 20, 2003)

1. Held-to-maturity bonds and debentures with market quotations

(millions of yen)

	Security	Carrying value	Market value	Unrealized gain/(loss)
Securities whose carrying value exceeds their acquisition cost	Japanese government bonds, municipal bonds etc.	201	201	0
Securities whose acquisition cost exceeds their carrying value	Japanese government bonds, municipal bonds etc.	65	64	(0)
Total		266	266	(0)

2. Marketable securities classified as other securities

(millions of yen)

	FY 2003 As of December 20, 2003		
	Acquisition cost	Carrying value	Unrealized gain/(loss)
Securities whose carrying value exceeds their acquisition cost			
(1) Equity securities	751	3,323	2,571
(2) Other securities	40	52	12
Subtotal	791	3,376	2,584
Securities whose acquisition cost exceeds their carrying value			
(1) Equity securities	0	0	-
(2) Other securities	131	122	(8)
Subtotal	131	123	(8)
Total	923	3,499	2,575

3. Sales of securities classified as other securities during the period

No information is provided since the total sales amount is insignificant.

4. Securities without market quotations

Other securities

(millions of yen)

Security	Carrying value
(1) Unlisted stock (excluding OTC stock)	1,511
(2) Corporate bonds	1
Total	1,512

5. The redemption schedule for held-to-maturity bonds and debentures

(millions of yen)

Security	Due in one year or less	Due after one year through five years
Bonds and debentures	170	96

FY 2004 (December 21, 2003 – December 20, 2004)

1. Held-to-maturity bonds and debentures with market quotations

(millions of yen)

	Security	Carrying value	Market value	Unrealized gain/(loss)
Securities whose carrying value exceeds their acquisition cost	Japanese government bonds, municipal bonds etc.	320	321	1
Securities whose acquisition cost exceeds their carrying value	Japanese government bonds, municipal bonds etc.	35	35	(0)
Total		355	356	0

2. Marketable securities classified as other securities

(millions of yen)

	FY 2004 As of December 20, 2004		
	Acquisition cost	Carrying value	Unrealized gain/(loss)
Securities whose carrying value exceeds their acquisition cost			
(1) Equity securities	386	699	312
(2) Other securities	119	140	21
Subtotal	506	840	333
Securities whose acquisition cost exceeds their carrying value			
(1) Equity securities	20	18	(2)
(2) Other securities	61	58	(2)
Subtotal	82	76	(5)
Total	588	917	328

3. Sales of securities classified as other securities during the period

Sales amount	Aggregate gain	Aggregate loss
5,962	5,596	-

4. Securities without market quotations

Other securities

(millions of yen)

Security	Carrying value
(1) Unlisted stock (excluding OTC stock)	1,862
(2) Corporate bonds	1
Total	1,863

5. The redemption schedule for held-to-maturity bonds and debentures

(millions of yen)

Security	Due in one year or less	Due after one year through five years
Bonds and debentures	-	355

### (3) Derivatives

FY 2003 (December 21, 2002 – December 20, 2003)

#### 1. Financial derivative information

FY 2003 December 21, 2002 – December 20, 2003
<p>Nissen utilizes forward foreign exchange contracts to reduce the risk of fluctuation in foreign currency exchange rates in its import transactions. In addition, Nissen utilizes interest-rate swap contracts and currency options for the same purpose.</p> <p>The Accounting Service Group manages derivative positions. In addition to strict compliance with internal company rules, Nissen has established risk control procedures, which require prior approval of the board of directors and after-the-fact reporting to the board of directors in the case of executing transactions exceeding the position limits authorized for the Manager of the Accounting Service Group under internal company rules. Moreover, the Audit Group regularly conducts internal audits.</p> <p>Nissen considers that there is no significant credit risk arising from counter party default in its forward foreign exchange, interest-rate swap and currency options transactions. Nissen's counter parties are major domestic banks with high credit ratings. Nissen's derivative transactions are also exposed to certain market risks arising from foreign exchange rate and interest rate fluctuations.</p>

#### 2. Contract values etc.

No information is presented since Nissen and its consolidated subsidiaries do not engage in derivative transactions (excluding hedge accounting method).

FY 2004 (December 21, 2003 – December 20, 2004)

#### 1. Financial derivative information

FY 2004 December 21, 2003 – December 20, 2004
<p>Nissen utilizes forward foreign exchange contracts to reduce the risk of fluctuation in foreign currency exchange rates in its import transactions. In addition, Nissen utilizes interest-rate swap contracts and currency options for the same purpose.</p> <p>The Accounting Group manages derivative positions. In addition to strict compliance with internal company rules, Nissen has established risk control procedures, which require prior approval of the board of directors and after-the-fact reporting to the board of directors in the case of executing transactions exceeding the position limits authorized for the Manager of the Accounting Group under internal company rules. Moreover, the Audit Group regularly conducts internal audits.</p> <p>Nissen considers that there is no significant credit risk arising from counter party default in its forward foreign exchange, interest-rate swap and currency options transactions. Nissen's counter parties are major domestic banks with high credit ratings. Nissen's derivative transactions are also exposed to certain market risks arising from foreign exchange rate and interest rate fluctuations.</p>

#### 2. Contract values etc.

No information is presented since Nissen and its consolidated subsidiaries do not engage in derivative transactions (excluding hedge accounting method).

#### (4) Retirement benefits

FY 2003 (December 21, 2002 – December 20, 2003)

##### 1. Retirement benefit plans

Nissen and consolidated subsidiaries' employees (except "Nissen Lady" employees) have their own defined-contribution pension plans.

Nissen and its domestic consolidated subsidiaries have defined-benefit plans; that is, lump-sum payment plans for their "Nissen Lady" employees (sales women).

Nissen and its domestic consolidated subsidiaries use the simple method for assessing benefit obligations.

##### 2. Retirement benefit obligations

(millions of yen)

	FY 2003 As of December 20, 2003
(1) Retirement benefit obligation	172
(2) Accrued retirement benefits for employees	172

##### 3. Components of retirement benefit expenses

(millions of yen)

	FY 2003 Dec. 21, 2002 - Dec. 20, 2003
(1) Funding cost (defined-contribution pension plan)	142
(2) Service costs	27
(3) Total retirement benefit expenses	169

Note: Retirement benefit expenses related to "Nissen Lady" employees (sales women) are included in above "(2) Service Costs"

FY 2004 (December 21, 2003 – December 20, 2004)

##### 1. Retirement benefit plans

Nissen and consolidated subsidiaries' employees (except "Nissen Lady" employees) have their own defined-contribution pension plans.

Nissen and its domestic consolidated subsidiaries have defined-benefit plans; that is, lump-sum payment plans for their "Nissen Lady" employees (sales women).

Nissen and its domestic consolidated subsidiaries use the simple method for assessing benefit obligations.

##### 2. Retirement benefit obligations

(millions of yen)

	FY 2004 As of December 20, 2004
(1) Retirement benefit obligation	184
(2) Accrued retirement benefits for employees	184

##### 3. Components of retirement benefit expenses

(millions of yen)

	FY 2004 Dec. 21, 2003 - Dec. 20, 2004
(1) Funding cost (defined-contribution pension plan)	162
(2) Service costs	25
(3) Total retirement benefit expenses	187

Note: Retirement benefit expenses related to "Nissen Lady" employees (sales women) are included in above "(2) Service Costs"

## (5) Deferred tax accounting

(millions of yen)

FY 2003 As of December 20, 2003	FY 2004 As of December 20, 2004
1. Significant components of deferred tax assets and liabilities (Deferred tax assets)	1. Significant components of deferred tax assets and liabilities (Deferred tax assets)
Software amortization expense in excess of maximum allowed for inclusion in expenses	Depreciation expense in excess of tax allowance maximum
Loss carried forward	Accrued enterprise tax
Accrued enterprise tax	Loss carried forward
Accrued retirement benefits for directors and statutory auditors	Loss on write-off of inventories
Loss on write-down of investment securities	Accrued retirement benefits for directors and statutory auditors
Loss on write-off of inventories	Pre-paid catalog shipping fees
Amortization of telephone rights	Loss on write-down of investment securities
Accrued retirement benefits for employees	Amortization of telephone rights
Other	Accrued retirement benefits for employees
Deferred tax assets (subtotal)	Other
Valuation reserve	Deferred tax assets (subtotal)
Total deferred tax assets	Valuation reserve
(Deferred tax liabilities)	Total deferred tax assets
Net unrealized holding loss on securities	(Deferred tax liabilities)
Deferred tax liabilities- net	Net unrealized holding loss on securities
	Total deferred tax liabilities
	Deferred tax assets- net
2. Significant sources of difference between statutory and effective tax rates	2. Information on the difference between the statutory and effective tax rates is not presented for fiscal year since the difference between the statutory tax rate and the effective tax rate was less than 5/100.
Statutory tax rate	
(Adjustments)	
Corporation tax deduction	
Per capita residential tax	
Entertainment expenses and other items not to be included in expenses indefinitely	
Other	
Corporation tax rate in effect after application of deferred tax accounting	

(6) Segment information

a) Business segment information

FY 2003 (December 21, 2002 – December 20, 2003)

(millions of yen)

	Mail-order sales	Direct sales	Total	Eliminations and corporate	Consolidated
1. Sales and operating income					
Net sales					
(1) Sales to third parties	125,717	30,977	156,694	-	156,694
(2) Inter-group sales and transfers	35	-	35	(35)	-
Total	125,752	30,977	156,729	(35)	156,694
Operating expenses	113,949	28,382	142,331	1,791	144,123
Operating income	11,802	2,595	14,398	(1,826)	12,571
2. Assets, depreciation, and capital expenditures					
Total assets	52,352	9,832	62,185	19,545	81,731
Depreciation and amortization	1,266	153	1,419	18	1,438
Capital expenditures	1,388	93	1,481	17	1,499

Notes:

1. The business segments of Nissen and its consolidated subsidiaries are based on operating segments.
2. Principal business segments
  - (1) Mail-order sales business: The mail-order sales business principally includes mail-order sales, mail-order sales on consignment and insurance agency businesses.
  - (2) Direct sales business: The direct sales business primarily relates to “Nissen Lady” sales, which are conducted directly with customers rather than through retail outlets.
3. Operating expenses included in eliminations and corporate consist primarily of expenses related to the administration division at Nissen and its consolidated subsidiaries. Operating expenses included in eliminations and corporate totaled 1,791 million yen.
4. Corporate assets included in eliminations and corporate consist primarily of Nissen’s surplus funds, including financial assets (cash, securities), long-term investment fund (investment securities) and assets of the administration division of Nissen. Corporate assets included in eliminations and corporate totaled 19,545 million yen.
5. Depreciation and capital investment include long-term prepaid expenses and their amortization expenses.

FY 2004 (December 21, 2003 – December 20, 2004)

(millions of yen)

	Mail-order sales	Direct sales	Total	Eliminations and corporate	Consolidated
1. Sales and operating income					
Net sales					
(1) Sales to third parties	133,112	31,192	164,304	-	164,304
(2) Inter-group sales and transfers	6	-	6	(6)	-
Total	133,119	31,192	164,311	(6)	164,304
Operating expenses	122,868	28,414	151,283	2,240	153,524
Operating income	10,250	2,777	13,027	(2,247)	10,780
2. Assets, depreciation, and capital expenditures					
Total assets	57,506	10,033	67,540	11,942	79,483
Depreciation and amortization	1,084	129	1,213	18	1,232
Capital expenditures	2,300	318	2,618	9	2,628

Notes:

1. The business segments of Nissen and its consolidated subsidiaries are based on operating segments.
2. Principal business segments
  - (1) Mail-order sales business: The mail-order sales business principally includes mail-order sales, mail-order sales on consignment and insurance agency businesses.

- (2) Direct sales business: The direct sales business primarily relates to “Nissen Lady” sales, which are conducted directly with customers rather than through retail outlets.
3. Operating expenses included in eliminations and corporate consist primarily of expenses related to the administration division at Nissen and its consolidated subsidiaries. Operating expenses included in eliminations and corporate totaled 2,240 million yen.
4. Corporate assets included in eliminations and corporate consist primarily of Nissen’s surplus funds, including financial assets (cash, securities), long-term investment fund (investment securities) and assets of the administration division of Nissen. Corporate assets included in eliminations and corporate totaled 11,942 million yen.
5. Depreciation and capital investment include long-term prepaid expenses and their amortization expenses.

b) Geographical segment information

FY 2003 (December 21, 2002 – December 20, 2003)

No information on geographic segments has been presented because Nissen and its consolidated subsidiaries have conducted 90% of their sales in Japan and over 90% of Nissen’s consolidated total assets were located in Japan.

FY 2004 (December 21, 2003 – December 20, 2004)

No information on geographic segments has been presented because Nissen and its consolidated subsidiaries have conducted 90% of their sales in Japan and over 90% of Nissen’s consolidated total assets were located in Japan.

c) Overseas sales

FY 2003 (December 21, 2002 – December 20, 2003)

No information on overseas sales is presented since overseas sales accounted for less than 10% of total consolidated sales.

FY 2004 (December 21, 2003 – December 20, 2004)

No information on overseas sales is presented since overseas sales accounted for less than 10% of total consolidated sales.

(7) Related-party transactions

FY 2003 (December 21, 2002 – December 20, 2003)

No reportable information.

FY 2004 (December 21, 2003 – December 20, 2004)

No reportable information.

Per-share information

(yen)

FY 2003 Dec. 21, 2002 – Dec. 20, 2003		FY 2004 Dec. 21, 2003 – Dec. 20, 2004	
Shareholders’ equity per share	534.08	Shareholders’ equity per share	576.24
Net income per share (basic)	113.76	Net income per share (basic)	116.29
Net income per share (diluted)	112.79	Net income per share (diluted)	114.87

The following is a reconciliation of basic net income per share to diluted net income per share

FY2003 Dec. 21, 2002 – Dec. 20, 2003		FY2004 Dec. 21, 2003 – Dec. 20, 2004	
Basic net income per share		Basic net income per share	
Net income (millions of yen)	6,241	Net income (millions of yen)	6,219
Net income not available to common shareholders Directors' bonuses (millions of yen)	199	Net income not available to common shareholders Directors' bonuses (millions of yen)	86
Net income available to common shareholders (millions of yen)	6,042	Net income available to common shareholders (millions of yen)	6,133
Weighted average number of shares outstanding (shares)	53,113,416	Weighted average number of shares outstanding (shares)	52,743,096
Diluted net income per share		Diluted net income per share	
Effect of dilutive securities	-	Effect of dilutive securities	-
[Interest on convertible bonds]	[-]	[Interest on convertible bonds]	[-]
[Other commissions etc.]	[-]	[Other commissions etc.]	[-]
Increase in the number of common stock (shares)	460,816	Increase in the number of common stock (shares)	649,422
[Stock subscription rights] (shares)	[191,771]	[Stock subscription rights] (shares)	[148,342]
[Stock acquisition rights] (shares)	[269,045]	[Stock acquisition rights] (shares)	[501,080]
[Convertible bonds] (shares)	[-]	[Convertible bonds] (shares)	[-]
Summary of potential stock not included in the calculation of "net income per share (diluted)" since there was no dilutive effect in the current fiscal year.	-	Summary of potential stock not included in the calculation of "net income per share (diluted)" since there was no dilutive effect in the current fiscal year.	-

(Subsequent event)

No reportable information.

## 5. Sales and Purchases

### (1) Sales

Sales by business segments for the current fiscal year are as follows:

Segment	Net sales	Year-on-year change (%)
Mail-order sales	133,112	105.9
Direct sales	31,192	100.7
Total	164,304	104.9

Note: The above amounts do not include consumption taxes.

### (2) Purchases

Purchases by business segments for the current fiscal year are as follows:

Segment	Procurement	Year-on-year change (%)
Mail-order sales	63,151	103.7
Direct sales	11,106	96.4
Total	74,258	102.6

Notes:

1. The above amounts are calculated on the basis of procurement prices.
2. The amounts do not include consumption taxes.

*\* This is a translation of Japanese Kessan Tanshin (including attachments), a summary of financial statements prepared in accordance with accounting principles generally accepted in Japan. This translation is prepared and provided for the purpose of the reader's convenience. All readers are recommended to refer to the original version in Japanese of the report for complete information.*

## Non-consolidated consolidated Financial Results for the Year Ended December 2004 (December 21, 2003 to December 20, 2004)

Company name:	Nissan Co., Ltd.
Stock code:	8248
Stock exchange listing:	Tokyo Stock Exchange, First Section Osaka Securities Exchange, First Section
Head office:	Kyoto
URL:	<a href="http://info.nissan.co.jp/">http://info.nissan.co.jp/</a>
President & Representative Director:	Toshio Katayama
Contact:	Kyozo Tominaga, Executive Director, Corporate Strategic Planning Team, Corporate Center
Telephone:	+81-75-682-2010
Board meeting for approving financial results:	February 3, 2005
Annual shareholders' meeting:	March 16, 2005
Interim dividend payment system:	Yes
Number of shares constituting one trading unit:	Yes (One trading unit: 100 shares)

### 2. Financial Results (December 21, 2003 – December 20, 2004)

#### (1) Results of Operations

(Amounts rounded down to million yen)

	Net sales		Operating income		Ordinary income	
	Million yen	YoY change (%)	Million yen	YoY change (%)	Million yen	YoY change (%)
Year ended Dec. 2004	151,254	10.5	10,482	(9.8)	8,626	(15.2)
Year ended Dec. 2003	136,926	6.3	11,620	19.0	10,174	17.7

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	%	Yen	Yen
Year ended Dec. 2004	5,277	(9.2)	98.71	97.51
Year ended Dec. 2003	5,810	22.2	105.87	104.96

	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	%	%	%
Year ended Dec. 2004	18.1	10.9	5.7
Year ended Dec. 2003	22.7	13.2	7.4

Notes: 1. Average number of shares outstanding

Year ended December 2004: 52,743,096 shares

Year ended December 2003: 53,113,416 shares

2. Changes in accounting principles applied: None

3. Each "YoY change" represents its relevant change in percentage compared to the same period of the previous year.

**(2) Dividends**

	Dividend per share		
	Total	Interim	Year-end
	Yen	Yen	Yen
Year ended Dec. 2004	25.00	12.50	12.50
Year ended Dec. 2003	20.00	7.50	12.50

	Total annual dividends paid	Dividend payout ratio	Dividend rate on Shareholders' equity
	Million yen	%	%
Year ended Dec. 2004	1,322	25.3	4.4
Year ended Dec. 2003	1,059	18.9	3.7

Note: The 12.50 yen year-end dividend per share includes a 7.50 yen regular dividends and a 5.0 yen commemorative dividends (to commemorate the listing of Nissen's shares on the Tokyo stock exchange).

**(3) Financial Position**

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
As of Dec. 20, 2004	77,685	29,747	38.3	566.70
As of Dec. 20, 2003	81,034	28,517	35.2	535.08

Notes: 1. Number of shares outstanding

As of December 20, 2004: 52,366,204 shares

As of December 20, 2003: 52,945,688 shares

2. Number of treasury stock

As of December 20, 2004: 1,940,128 shares

As of December 20, 2003: 1,360,644 shares

**2. Prospect for the Year Ending December 2005 (December 21, 2004 to December 20, 2005)**

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim	85,700	5,100	3,100
Full year	168,000	8,700	5,200

	Dividend per share		
	Interim	Year-end	Annual
	Yen	Yen	Yen
Interim	12.50	-	-
Full year	-	12.50	25.00

Reference: Estimated net income per common share for the full year: 99.30 yen.

Prospects regarding future performance and plans in these materials are based on judgments made in accordance with information available to management at the time this report was prepared. Prospects therefore embody risks and uncertainties. Actual results may differ significantly from these prospects for a number of factors, including but not limited to the operating

environment. Please refer to page 12,13 and 15 of the supplementary materials for further information concerning these projections.

## 6. Non-consolidated Financial Statements

### (1) Non-consolidated Balance Sheets

(millions of yen)

Item	FY 2003 (As of Dec. 20, 2003)		FY 2004 (As of Dec. 20, 2004)		Differences	
	Amount	%	Amount	%	Amount	
<b>Assets</b>						
<b>I Current assets</b>						
1. Cash and deposits		8,282		6,622	(1,659)	
2. Notes receivable-trade		2,760		2,510	(249)	
3. Account receivable-trade		9,279		9,185	(93)	
4. Merchandise		11,317		11,596	278	
5. Prepaid expenses		3,936		5,254	1,317	
6. Short-term loans receivable from an affiliate		123		90	(32)	
7. Accounts receivable-other		4,079		5,242	1,163	
8. Accounts receivable from an affiliate		4,776		6,566	1,790	
9. Advance money for an affiliate		2,375		1,360	(1,015)	
10. Deferred tax assets		742		596	(145)	
11. Deferred loss on derivatives		924		1,263	339	
12. Other current assets		60		155	94	
Allowance for doubtful receivables		(307)		(224)	82	
<b>Total current assets</b>		<b>48,349</b>	<b>59.7</b>	<b>50,220</b>	<b>64.6</b>	<b>1,871</b>
<b>II Fixed assets</b>						
<b>1. Property, plant and equipment</b>						
(1) Buildings	*1	24,619		3,627		
Accumulated depreciation		10,043	14,576	2,156	1,470	(13,105)
(2) Structures	*1	909		75		
Accumulated depreciation		614	295	54	21	(274)
(3) Machinery and equipment		2,591		2		
Accumulated depreciation		2,248	343	1	0	(342)
(4) Automotive equipment and vehicles		102		23		
Accumulated depreciation		92	10	18	4	(6)
(5) Tools, furniture, and fixtures		1,749		1,968		
Accumulated depreciation		612	1,136	794	1,173	36
(6) Land	*1		6,602		1,811	(4,790)
(7) Construction in progress			2		-	(2)
<b>Total property, plant and equipment</b>		<b>22,967</b>	<b>28.3</b>	<b>4,482</b>	<b>5.8</b>	<b>(18,484)</b>
<b>2. Intangible assets</b>						
(1) Leasehold rights		1		1		-
(2) Software		364		251		(112)
(3) Other intangible assets		2		2		(0)
<b>Total intangible assets</b>		<b>368</b>	<b>0.5</b>	<b>254</b>	<b>0.3</b>	<b>(113)</b>

(millions of yen)

Item	FY 2003 (As of Dec. 20, 2003)		FY 2004 (As of Dec. 20, 2004)		Differences
	Amount	%	Amount	%	Amount
	3. Investments and other assets				
(1) Investments in securities	5,010		2,779		(2,231)
(2) Affiliate stock	2,957		4,932		1,974
(3) Investments in affiliates	8		8		(0)
(4) Long-term loans receivable	2		6		3
(5) Long-term loans receivable-affiliate	-		13,008		13,008
(6) Claims in bankruptcy	736		784		47
(7) Long-term prepaid expenses	31		34		3
(8) Lease deposits	944		1,058		113
(9) Deferred tax assets	-		525		525
(10) Other assets	395		375		(19)
Allowance for doubtful receivables	(736)		(784)		(47)
Total investments and other assets	9,350	11.5	22,727	29.3	13,377
Total fixed assets	32,685	40.3	27,464	35.4	(5,221)
Total assets	81,034	100.0	77,685	100.0	(3,349)
<b>Liabilities</b>					
<b>I Current liabilities</b>					
1. Trade notes payable	*2, 7	19,541	18,743		(798)
2. Trade accounts payable	*2	4,668	5,374		706
3. Short-term bank loans	*1, 2	3,570	1,730		(1,840)
4. Corporate bonds due within one year		300	-		(300)
5. Current portion of long-term loans	*1	2,106	2,046		(60)
6. Accounts payable-other		8,319	6,098		(2,220)
7. Accrued expenses		901	2,050		1,149
8. Income taxes payable		1,960	2,103		143
9. Consumption taxes payable		163	808		645
10. Advances received		234	217		(16)
11. Deposits received		541	454		(87)
12. Accounts payable, equipment		11	76		65
13. Forward exchange contract		924	1,263		339
14. Other current liabilities		46	198		151
Total current liabilities		43,287	41,166	53.0	(2,121)
<b>II Long-term liabilities</b>					
1. Corporate bonds	*1	1,000	1,000		-
2. Long-term loans	*1	7,726	5,679		(2,046)
3. Deferred tax liabilities		445	-		(445)
4. Accrued retirement benefits for employees		48	81		33
5. Other long-term liabilities		10	9		(0)
Total long-term liabilities		9,229	6,771	8.7	(2,458)
Total liabilities		52,517	47,937	61.7	(4,579)

*(millions of yen)*

Item	FY 2003 (As of Dec. 20, 2003)			FY 2004 (As of Dec. 20, 2004)			Differences
	Amount		%	Amount		%	Amount
	Shareholders' equity						
I Common stock	*3	7,665	9.5	7,665	9.9	-	
II Capital surplus							
1. Additional paid-in capital		7,347		7,707			
Total capital surplus		7,347	9.1	7,707	9.9	359	
III Retained earnings							
1. Legal reserves		256		256		-	
2. Voluntary reserves							
Other reserves		7,300		11,300		4,000	
3. Unappropriated retained earnings		5,918		5,546		(372)	
Total retained earnings		13,475	16.6	17,102	22.0	3,627	
IV Net unrealized holding gain (loss) on securities	*6	1,530	1.9	195	0.3	(1,334)	
V Treasury stock, at cost	*4	(1,501)	(1.9)	(2,923)	(3.8)	(1,422)	
Total shareholders' equity		28,517	35.2	29,747	38.3	1,230	
Total liabilities and shareholders' equity		81,034	100.0	77,685	100.0	(3,349)	

## (2) Non-consolidated Statements of Income

(millions of yen)

Item	FY 2003 (Dec. 21, 2002 - Dec. 20, 2003)			FY 2004 (Dec. 21, 2003 - Dec. 20, 2004)			Differences
	Amount		%	Amount		%	Amount
I Net sales							
1. Sales	127,296			142,296			
2. Other operating revenue	9,629	136,926	100.0	8,957	151,254	100.0	14,327
II Cost of sales							
1. Beginning inventories	9,029			11,317			
2. Purchases	64,586			69,629			
Sub-total	73,615			80,947			
3. Transfer to other accounts	*1 1,329			1,820			
4. Ending inventories	11,317	60,968	44.5	11,596	67,530	44.6	6,561
Gross profit		75,957	55.5		83,723	55.4	7,766
III Selling, general and administrative expenses							
1. Advertisement	20,337			21,940			
2. Transportation charges	10,132			5,895			
3. Sales promotion expenses	4,568			5,869			
4. Provision of allowance for doubtful receivables	596			510			
5. Salaries and allowances	9,616			11,247			
6. Bonuses	2,804			2,682			
7. Welfare expenses	1,588			1,829			
8. Telecommunication expenses	1,115			1,217			
9. Rents	2,576			2,139			
10. Charges for custody and storage	476			344			
11. Depreciation	1,383			734			
12. Commissions	5,516			15,832			
13. IT system expenses	860			396			
14. Other	2,764	64,337	47.0	2,602	73,241	48.4	8,903
Operating income		11,620	8.5		10,482	7.0	(1,137)
IV Non-consolidated operating income							
1. Interest income	*2 6			110			
2. Dividend income	*2 103			93			
3. Commission income	*2 319			254			
4. Commission income from an affiliate	*2 138			82			
5. Other non-consolidated operating income	*2 231	798	0.6	328	869	0.5	70
V. Non-consolidated operating expenses							
1. Interest expense	193			150			
2. Loss on write-off of merchandise	*1 1,329			1,820			
3. Exchange loss, net	502			578			
4. Other non-consolidated operating loss	218	2,244	1.7	174	2,725	1.8	480
Ordinary income		10,174	7.4		8,626	5.7	(1,547)

(millions of yen)

Item	FY 2003 (Dec 21, 2002 - Dec 20, 2003)			FY 2004 (Dec 21, 2003 - Dec 20, 2004)			Differences
	Amount		%	Amount		%	Amount
VI Extraordinary income							
1. Gain on sales of fixed assets	*3	13		0			
2. Gain on sales of investments in securities		2		5,596			
3. Gain on reduction of accrued retirement benefits for directors and statutory auditors		241		-			
4. Other		-	257	8	5,606	3.7	5,348
VII Extraordinary loss							
1. Loss on sales of fixed assets	*4	-		4,540			
2. Loss on disposal of fixed assets	*5	536		69			
3. Loss on sales of investments in securities		0		-			
4. Loss on write-down of investments in securities		244		-			
5. Loss on bad debt related to guarantee of anticipated loss	*6	245		-			
6. Loss on liquidation of accrued retirement benefits for directors and statutory auditors		241		-			
7. Other		32	1,302	154	4,764	3.1	3,462
Net income before income taxes			9,130		9,468	6.3	338
Current income taxes		3,499		3,930			
Deferred income taxes		(178)	3,320	260	4,191	2.8	870
Net income			5,810		5,277	3.5	(532)
Retained earnings brought forward			505		1,069		563
Losses on disposal of treasury stocks			-		140		140
Interim dividends			397		660		263
Unappropriated retained earnings			5,918		5,546		(372)

## (3) Non-consolidated Statement of Appropriation of Retained Earnings

*(millions of yen)*

Item	FY 2003 (March 18, 2004)		FY 2004 (March 16, 2005)	
	Amount		Amount	
I Unappropriated retained earnings		5,918		5,546
II Appropriation of retained earnings				
1. Dividends	661		654	
2. Bonuses to directors and statutory auditors	187		71	
[of which bonuses for statutory auditors]	[11]		[5]	
3. Voluntary reserves				
Other reserves	4,000	4,848	3,500	4,225
III Retained Earnings carried forward		1,069		1,320

Significant Accounting Policies in the Preparation of Non-consolidated Financial Statements

FY 2003 December 21, 2002 – December 20, 2003	FY 2004 December 21, 2003 – December 20, 2004
<p>1. Valuation criteria and methods for securities</p> <p>Subsidiary and affiliate stock Subsidiary and affiliate stock is stated at cost, cost being determined by the moving-average method.</p> <p>Other securities Securities with market quotations: Other securities that have market value are carried at fair value on the balance sheet date. (Unrealized holding gain or loss is included directly in shareholders' equity. Cost of securities sold is determined by the moving-average method.) Securities without market quotations: Securities without market quotations are stated at cost, cost being determined by the moving-average method.</p> <p>2. Valuation criteria and methods for inventories (merchandise) Inventories are stated at cost, cost being determined by the first-in first-out method.</p> <p>3. Depreciation and amortization method for fixed assets</p> <p>(1) Property, plant and equipment Buildings (excluding fixtures): Depreciation on buildings is computed by the straight-line method. Others: Depreciation is computed by the declining-balance method. Useful life of principal assets is as follows: Buildings: 2-49 years Structures: 2-13 years Machinery and equipment: 5-13 years</p> <p>(2) Intangible assets Amortization is computed by the straight-line method. The development costs of software intended for internal use are amortized over an expected useful life of 5 years by the straight-line method.</p> <p>(3) Long-term pre-paid expenses Depreciation of long-term pre-paid expenses is computed by the straight-line method.</p> <p>4. Accounting for deferred tax assets Bond issue expenses Charged to income as accrued.</p> <p>5. Recognition of allowances</p> <p>(1) Allowance for doubtful receivables To prepare for credit losses on accounts receivable, allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio, and bad receivables based on a case-by-case determination of collectibility.</p>	<p>1. Valuation criteria and methods for securities</p> <p>Subsidiary and affiliate stock Same as on the left.</p> <p>Other securities: Securities with market quotations Same as on the left.</p> <p>Securities without market quotations: Same as on the left.</p> <p>2. Valuation criteria and methods for inventories (merchandise) Same as on the left.</p> <p>3. Depreciation and amortization method for fixed assets</p> <p>(1) Property, plant and equipment Buildings (excluding fixtures): Same as on the left.</p> <p>Others: Same as on the left. Useful life of principal assets is as follows: Buildings: 2-49 years Structures: 2-13 years</p> <p>(2) Intangible assets Same as on the left.</p> <p>(3) Long-term pre-paid expenses Same as on the left.</p> <p>4. -</p> <p>5. Recognition of allowances</p> <p>(1) Allowance for doubtful receivables Same as on the left.</p>

FY 2003 December 21, 2002 – December 20, 2003	FY 2004 December 21, 2003 – December 20, 2004
<p>(2) Accrued retirement benefits for employees To provide for accrued employees' retirement benefits (female sales force called "Nissen Ladies"), Nissen provides an allowance in the amount deemed to have accrued at the end of non-consolidated fiscal year based on future estimated retirement benefit obligations.</p> <p>6. Accounting for leases Finance leases other than those which are deemed to transfer the ownership of the leased assets to the lessees are accounted for by the method similar to that applicable to ordinary operating leases.</p> <p>7. Significant accounting policies for hedges (1) Hedge accounting method With respect to forward foreign exchange contracts, a hedge is accounted for by the short-cut method since the hedging relationship meets certain criteria.</p> <p>(2) Hedging instrument and the risk hedged Hedging method: Forward foreign exchange contracts Risk hedged: Foreign currency-denominated monetary liabilities</p> <p>(3) Hedging policy Nissen enters into forward foreign exchange futures contracts, under a risk-control environment established by Nissen, to reduce exposure to risks from fluctuations in foreign currency exchange.</p> <p>(4) Assessing the effectiveness of a hedge Effectiveness is assessed by rate analysis of the sum total of price fluctuation involving hedged transactions, or cash flows, and the sum total of price fluctuation involving hedge method, or cash flows. Nissen considers that its hedges are effective since there was a high correlation between hedging instruments and the risk hedged at the end of the current fiscal year.</p> <p>8. Other significant accounting policies in the preparation of Non-consolidated financial statements Accounting for consumption taxes All amounts stated are exclusive of consumption and local taxes.</p>	<p>(2) Accrued retirement benefits for employees Same as on the left.</p> <p>6. Accounting for leases Same as on the left.</p> <p>7. Significant accounting policies for hedges (1) Hedge accounting method Same as on the left.</p> <p>(2) Hedging instrument and the risk hedged Same as on the left.</p> <p>(3) Hedging policy Same as on the left.</p> <p>(4) Assessing the effectiveness of a hedge Same as on the left.</p> <p>8. Other significant accounting policies in the preparation of Non-consolidated financial statements Accounting for consumption taxes Same as on the left.</p>

Reclassification

FY 2003 December 21, 2002 – December 20, 2003	FY 2004 December 21, 2003 – December 20, 2004
<p>Non-consolidated statements of income</p> <p>Effective the current fiscal year, “Commission income from an affiliate,” included as a component of “other non-consolidated operating income” under non-consolidated operating income in prior periods, is reclassified and presented as a separate line item, given that the amount has increased the materiality of impact in the context of Non-consolidated financial statements. “Commission income from an affiliate” was 96 million yen in the previous fiscal year.</p>	<p style="text-align: center;">-</p>

Supplementary information

FY 2003 December 21, 2002 – December 20, 2003	FY 2004 December 21, 2003 – December 20, 2004
<p>(Changes in tax rates for deferred tax accounting) Following the Partial Revision of the Local Finance Act (Law No. 9 of 2003) that became effective on March 31, 2003, Nissen adopted the new accounting standards for deferred tax accounting (Practical Guidelines on Tax Effect Accounting for Pro Forma Standard Taxation System; JICPA, March 25, 2003). The statutory tax rate employed for calculating deferred tax assets and liabilities (only for items to be amortized after December 21, 2004) for the current fiscal year conforms to the revised regulations. The effect of this change was to increase deferred tax assets (net of deferred tax liabilities) as of the end of the current fiscal year by 15 million yen and increase unrealized holding gain on securities by 36 million yen. In addition, deferred income taxes as of the end of the current fiscal year increased by 20 million yen.</p> <p>(Retirement benefits for directors and statutory auditors) To provide for retirement benefits for directors and statutory auditors, Nissen provided an allowance for the aggregate amount payable at the end of the fiscal year, pursuant to Nissen's internal rules on retirement benefits for directors and statutory auditors. However, the system of retirement benefits for directors and statutory auditors was terminated on December 20, 2002. Following the termination of the directors' and statutory auditors' retirement benefit system, Nissen withdrew accrued retirement benefits for directors and statutory auditors (241 million yen) and accounted it as extraordinary income. An equivalent amount was accounted as extraordinary loss on liquidation of accrued retirement benefits for directors and statutory auditors.</p>	<p style="text-align: center;">-</p> <p style="text-align: center;">-</p>

## Notes

## Notes to Non-consolidated balance sheets

(millions of yen)

FY 2003 As of December 20, 2003		FY 2004 As of December 20, 2004	
*1	Assets pledged as collateral and corresponding liabilities	*1	-
	Assets pledged as collateral		
	Buildings 12,777		
	Structures 249		
	Land 3,800		
	Total 16,827		
	Liabilities corresponding to assets pledged as collateral		
	Short-term bank loans 85		
	Current portion of long-term loans 1,186		
	Long-term loans 6,699		
	Corporate bonds (Unsecured corporate bonds with bank guarantees) 800		
	Total 8,771		
*2	Liability for an affiliate	*2	Liability for an affiliate
	Notes and accounts payable-trade 426		Notes and accounts payable-trade 347
	Short-term bank loans 1,070		Short-term bank loans 1,730
			Accounts payable-other 2,038
*3	Number of authorized shares	*3	Number of authorized shares
	Common stock 140,000,000 shares		Common stock 140,000,000 shares
	Class and number of shares outstanding		Class and number of shares outstanding
	Common stock 54,306,332 Shares		Common stock 54,306,332 shares
	Class and number of treasury stock		Class and number of treasury stock
*4	Common stock 1,360,644 shares	*4	Common stock 1,940,128 shares
*5	Loan guarantees	*5	Loan guarantees
	Guarantees for loans taken out by employees from financial institutions 54		Guarantees for loans taken out by employees from financial institutions 48
*6	-	*6	Restriction on dividends
			Net assets increased by 195 million yen, a result of the revaluation of investment securities.
			However, under Article 124-3 of the enforcement Ordinance of the Commercial Code of Japan, unrealized gain is not available for distribution of dividend.
*7	Accounting treatment of notes receivable/payable on the balance sheet date:	*7	-
	Notes receivable/payable maturing due on the balance sheet date are treated as if they were settled at the clearing date of notes. Consequently, as the balance sheet date was a bank holiday, the following notes payable due on the balance sheet date were included in the ending balance of notes payable.		
	Trade notes payable 170		

## Notes to Non-consolidated statements of income

*(millions of yen)*

FY 2003 December 21, 2002 – December 20, 2003		FY 2004 December 21, 2003 – December 20, 2004	
*1	Transfers from other accounts	*1	Transfers from other accounts
	Loss on write-off of merchandise 1,329		Loss on write-off of merchandise 1,820
*2	Income applicable to affiliates 252	*2	Income applicable to affiliates 361
*3	Components of gain on sales of fixed assets	*3	Components of gain on sales of fixed assets
	Land 13		Buildings 0
	Tools, furniture and fixtures 0		Total 0
	Total 13		
*4	-	*4	Components of loss on sales of fixed assets
			Buildings 2,590
			Land 1,820
			Structures 63
			Machinery and equipment 39
			Software 20
			Tools, furniture, and fixtures 4
			Vehicles 0
			Total 4,540
			The above-mentioned is due to transact with affiliate.
*5	Components of loss on disposal of fixed assets	*5	Components of loss on disposal of fixed assets
	Software 489		Buildings 38
	Buildings 46		Software 25
	Tools, furniture and fixtures 1		Tools, furniture and fixtures 4
	Total 536		Structures 1
			Total 69
*6	Reserve for guarantee of anticipated loss relates to a loss under the July 14, 2000, Business Transfer Agreement with Nissen GE Credit Co., Ltd. If the sum of annual loss on bad debts and the provision for bad debts on receivables exceeds a certain amount, as defined in the Business Transfer Agreement, Nissen compensates the excess of any such loss. The guarantee expired on December 20, 2003.	*6	-

## (1) Lease transactions

(millions of yen)

FY 2003 December 21, 2002 – December 20, 2003				FY 2004 December 21, 2003 – December 20, 2004			
Finance lease transactions other than those in which the title to the leased property is transferred to the lessee.				Finance lease transactions other than those in which the title to the leased property is transferred to the lessee.			
1. Acquisition cost, accumulated depreciation and year-end balance equivalents of the leased property.				1. Acquisition cost, accumulated depreciation and year-end balance equivalents of the leased property.			
	Acquisition cost	Accumulated depreciation	Year-end balance		Acquisition cost	Accumulated depreciation	Year-end balance
Machinery and equipment	9,794	8,186	1,608	Machinery and equipment	4	2	1
Tools, furniture and fixtures	2,069	1,011	1,058	Tools, furniture and fixtures	973	660	312
Software	356	187	168	Software	290	226	63
Total	12,221	9,386	2,835	Total	1,267	889	377
2. Outstanding lease commitments as of the end of the fiscal year:				2. Outstanding lease commitments as of the end of the fiscal year:			
			1,784				251
			1,522				141
	Total		3,306		Total		393
3. Lease payments, depreciation and interest equivalents				3. Lease payments, depreciation and interest equivalents			
			1,930				340
			1,610				326
			182				16
4. Calculation of accumulated depreciation equivalents and interest equivalents				4. Calculation of accumulated depreciation equivalents and interest equivalents			
Calculation of depreciation equivalents				Calculation of depreciation equivalents			
Depreciation is based on the straight-line method, assuming the lease period to be the useful life and a residual value of zero.				Same as on the left.			
Calculation of interest equivalents				Calculation of interest equivalents			
Interest equivalent is the difference between the total lease payments and the acquisition cost of the leased property and is allocated to each period based on the interest method.				Same as on the left.			

## (2) Securities

FY 2003 (As of December 20, 2003)

There are no stocks of subsidiaries and affiliate, which have market values quoted.

FY 2004 (As of December 20, 2004)

There are no stocks of subsidiaries and affiliate, which have market values quoted.

## (3) Deferred tax accounting

(millions of yen)

FY 2003 As of December 20, 2003		FY 2004 As of December 20, 2004	
1. Significant components of deferred tax assets and liabilities (Deferred tax assets)		1. Significant components of deferred tax assets and liabilities (Deferred tax assets)	
Loss on write-down of subsidiaries stock	386	Depreciation expense in excess of tax allowance	267
Software amortization expense in excess of maximum allowed for inclusion in expenses	355	Loss on write-down of subsidiaries stock	249
Accrued enterprise tax	191	Accrued enterprise tax	186
Accrued for retirement benefits for directors and statutory auditors	98	Loss on write-off of inventories	139
Loss on write-down of investments in securities	58	Accrued for retirement benefits for directors and statutory auditors	79
Loss on write-off of inventories	51	Pre-paid catalog shipping fees	59
Amortization of telephone rights	49	Loss on write-down of investments in securities	58
Accrued retirement benefits for employee	19	Amortization of telephone rights	49
Other	133	Accrued retirement benefits for employee	33
Total deferred tax assets	1,343	Other	131
(Deferred tax liabilities)		Total deferred tax assets	1,254
Net unrealized holding loss on securities	(1,045)	(Deferred tax liabilities)	
Total deferred tax liabilities	(1,045)	Net unrealized holding loss on securities	133
Deferred tax assets- net	297	Total deferred tax liabilities	133
		Deferred tax assets- net	1,121
2. Significant sources of difference between statutory and effective tax rates		2. Significant sources of difference between statutory and effective tax rates	
Statutory tax rate	42.0 %	Statutory tax rate	40.6 %
(Adjustments)		(Adjustments)	
Prior-year income taxes	(4.4) %	Additional taxes	1.8 %
Tax deduction	(1.9) %	Change of scope of consolidation	1.4 %
Per capita residential tax	0.9 %	Per capita residential tax	0.9 %
Pro forma standard tax	0.2 %	Entertainment expenses and other items not to be included in expenses indefinitely	0.2 %
Entertainment expenses and other items not to be included in expenses indefinitely	0.2 %	Other	(0.7) %
Other	(0.6) %	Corporation tax rate in effect after application of deferred tax accounting	44.3 0%
Corporation tax rate in effect after application of deferred tax accounting	36.4 %		

Per-share information

(yen)

FY 2003 December 21, 2002 – December 20, 2003		FY 2004 December 21, 2003 – December 20, 2004	
Shareholders' equity per share	535.08	Shareholders' equity per share	566.70
Net income per share (basic)	105.87	Net income per share (basic)	98.71
Net income per share (diluted)	104.96	Net income per share (diluted)	97.51

Notes: The following is a reconciliation of basic net income per share to diluted net income per share.

FY 2003 December 21, 2002 – December 20, 2003		FY 2004 December 21, 2003 – December 20, 2004	
Basic net income per share		Basic net income per share	
Net income (millions of yen)	5,810	Net income (millions of yen)	5,277
Net income not available to common shareholders (millions of yen)	187	Net income not available to common shareholders (millions of yen)	71
Net income available to common shareholders (millions of yen)	5,622	Net income available to common shareholders (millions of yen)	5,206
Weighted average number of shares outstanding (shares)	53,113,416	Weighted average number of shares outstanding (shares)	52,743,096
Diluted net income per share		Diluted net income per share	
Effect of dilutive securities	-	Effect of dilutive securities	-
[Interest on convertible bonds]	[-]	[Interest on convertible bonds]	[-]
[Other commissions etc.]	[-]	[Other commissions etc.]	[-]
Increase in the number of common stock (shares)	460,816	Increase in the number of common stock (shares)	649,422
[Stock subscription rights] (shares)	[191,771]	[Stock subscription rights] (shares)	[148,342]
[Stock acquisition rights] (shares)	[269,045]	[Stock acquisition rights] (shares)	[501,080]
[Convertible bonds] (shares)	[-]	[Convertible bonds] (shares)	[-]
Summary of potential stock not included in the calculation of "net income per share (diluted)" since there was no dilutive effect in the current fiscal year.	-	Summary of potential stock not included in the calculation of "net income per share (diluted)" since there was no dilutive effect in the current fiscal year.	-

Subsequent events

No reportable information.

## 7. Management Changes

Nissen plans to propose the following changes in directors to the Annual General Meeting of Shareholders and the subsequent meeting of the Board of Directors to be held on March 16, 2005.

### 1 Candidates for director

Present position	Name
Director	Hideo Aomatsu

Note: Pursuant to Commercial Code Article 188-2-7-2, Hideo Aomatsu is “ External director ”

### 2 Retiring director

Present position	Name
Director	Shinjiro Kamon
Director (to be a non-consolidated permanent auditor)	Haruo Tahara

### 3 Candidates for auditor

Position	Name
Director (non-consolidated permanent auditor)	Haruo Tahara

### 4 Retiring auditor

Position	Name
Non-consolidated permanent auditor	Yuishiro Hayashi

*\* This is a translation of Japanese Kessan Tanshin (including attachments), a summary of financial statements prepared in accordance with accounting principles generally accepted in Japan. This translation is prepared and provided for the purpose of the reader's convenience. All readers are recommended to refer to the original version in Japanese of the report for complete information.*