

Consolidated Financial Results for the Year Ended December 20, 2006 (December 21, 2005 to December 20, 2006)

Company name:	Nissen Co., Ltd.
Stock code:	8248
Stock exchange listing:	Tokyo Stock Exchange, First Section Osaka Securities Exchange, First Section
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Board meeting for approving financial results:	January 30, 2007
Accounting principle:	Japanese GAAP

1. Financial Results (December 21, 2005 - December 20, 2006)

(1) Consolidated 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. 2006	154,871	(6.9)	4,632	(36.8)	5,228	(37.9)
Year ended Dec. 2005	166,423	1.3	7,327	(32.0)	8,414	(12.8)

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	YoY change (%)	Yen	Yen
Year ended Dec. 2006	777	(86.5)	14.87	14.83
Year ended Dec. 2005	5,749	(7.6)	108.12	107.55

	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	%	%	%
Year ended Dec. 2006	2.3	6.5	3.4
Year ended Dec. 2005	17.7	10.3	5.1

Notes: 1. Equity in earnings of non-consolidated subsidiaries

Year ended Dec. 2006: 264 million yen

Year ended Dec. 2005: 1,080 million yen

2. Average number of shares outstanding (consolidated)

Year ended Dec. 2006: 52,290,557 shares

Year ended Dec. 2005: 52,284,398 shares

3. Changes in accounting principles applied: Yes

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

(2) Consolidated Financial Position*(Amounts rounded down to million yen)*

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 20, 2006	77,038	33,847	43.9	653.70
As of Dec. 20, 2005	83,863	34,697	41.4	660.31

Note: Number of shares outstanding (consolidated)

As of Dec. 20, 2006: 51,707,020 shares

As of Dec. 20, 2005: 52,401,363 shares

(3) Consolidated Cash Flow Position*(Amounts rounded down to million yen)*

	Net cash provided by (used in)			Cash and cash equivalents at end of period
	Operating activities	Investing activities	Financing activities	
	Million yen	Million yen	Million yen	Million yen
Year ended Dec. 2006	14	11,819	(5,765)	12,592
Year ended Dec. 2005	381	(1,022)	(709)	6,426

(4) Scope of consolidation and application of equity method

Consolidated subsidiaries: 7

Non-consolidated subsidiaries under equity method application: 0

Affiliates under equity method application: 2

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

Consolidated subsidiaries

Newly added: 2

Excluded: 1

Affiliates accounted for under the equity method

Newly added: 1

Excluded: 0

2. Consolidated Forecasts for the Year Ending December 20, 2007 (December 21, 2006 - December 20, 2007)

	Net sales	Operating income	Ordinary income	Net income
	Million yen	Million yen	Million yen	Million yen
Interim	80,300	2,100	1,600	1,100
Full year	157,700	4,700	4,100	2,700

Reference: Estimated net income per common share for the full year: 45.54 yen

Note: Nissen has estimated net income per common share for the full year assuming a paid-in date of February 20, 2007 for a third-party allocation of shares to be implemented as discussed in the "Subsequent events" section of this report.

Forecasts 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. Forecasts therefore embody risks and uncertainties. Actual results may differ from these forecasts for a number of factors, including but not limited to operating environment.

Please refer to page 7, 8 and 10 for further information concerning these projections.

1. The Nissen Group of Companies

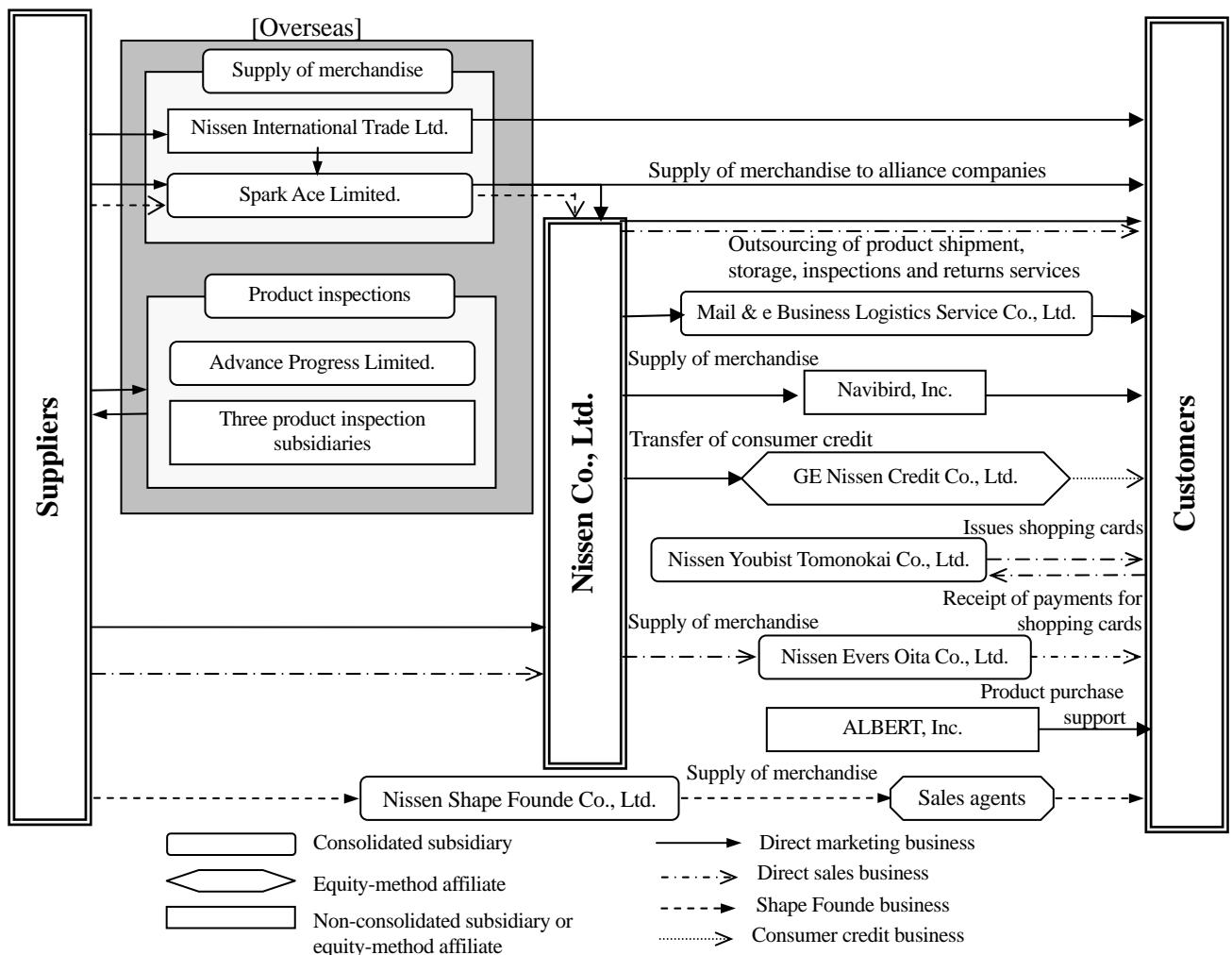
Business segment	Company	Major activity	Positioning
Direct marketing business	Spark Ace Limited.	Export to Nissen of products procured in Hong Kong and neighboring countries	Consolidated subsidiaries
	Advance Progress Limited.	Inspection of products imported by Nissen	Consolidated subsidiaries
	Navibird, Inc. *2	Sales to overseas residents	Consolidated subsidiaries
	ALBERT, Inc. *3	Product recommendation website using consumer behavior analysis technologies	Consolidated subsidiaries
	Mail & e Business Logistics Service Co., Ltd. *4	Shipments, storage and inspections	Equity-method affiliate
	GE Nissen Credit Co., Ltd.	Provision of credit to Nissen customers	Equity-method affiliate
Direct sales business	Nissen Shape Founde Co., Ltd.	Sales of undergarment for controlling body	Consolidated subsidiaries
	Nissen Youbist Tomonokai Co., Ltd.	Prepaid retailing under installment sales law	Consolidated subsidiaries
	Nissen Evers Oita Co., Ltd.	Rental of apparel	Consolidated subsidiaries

Notes:

- For descriptions of the business segments, please refer to “7. Segment information a. Business segment information, Note 2. Major business segments.”
- Navibird, Inc. sells products to overseas residents through the online shop “jshoppers.com”.
- ALBERT, Inc. manages websites designed to alleviate consumer anxiety and ambivalence over choosing new products, including “Osiete! Kaden,” a website that helps consumers choose consumer electronics. It also provides marketing solutions, including “Bull’s eye,” a search engine it developed to recommend products, and helps companies draw customers to their e-commerce websites.
- Nissen Logistics Service Co., Ltd. was renamed Mail & e Business Logistics Service Co., Ltd. effective June 21, 2006.

[Business flow chart]

The following diagram presents major relationships among Nissen group companies.



2. Management Policies

(1) Fundamental management policy

The Nissen Group has continued to provide value-added products and services to improve customer satisfaction and win customers' favor since its founding in 1970, and to establish a unique business model and improve retailing infrastructure by leveraging its customer database to repeatedly establish and verify new hypotheses.

In order to survive over the long term, Nissen will continue to focus its collective energies on being an organization that proposes customers new lifestyles based on its products and services, improves management transparency for shareholders, strengthen mutual trust with suppliers, giving back to local communities as a good corporate citizen, and ensures employees their well-being by providing them with opportunities to reach their full potential and achieve financial security.

(2) Fundamental policy regarding distribution of earnings

Nissen Group's fundamental policy is to distribute earnings in line with operating results. While Nissen aims to achieve a shareholders' equity ratio of 50% and a dividend payout ratio of 30%, Nissen also works to maintain stable finances to improve its operational base and shareholder value. Retained earnings will therefore be used to strengthen established businesses in response to changes in the operating environment, invest in new businesses, and reduce interest-bearing liabilities. Nissen will also work flexibly and efficiently to improve shareholder value by reducing outstanding shares through purchasing of treasury stock. Nissen also aims to provide a stable 35% return to shareholders, including dividends, going forward.

Based on the aforementioned policy, Nissen aims to provide a full-year dividend of 23 yen per share in FY2006, composed of a 13 yen interim dividend and a 10 yen year-end dividend.

(3) Key performance indicators

Nissen has implemented a variety of measures since its founding to reform its profit structure and improve its distribution framework, based on distinct group management centered on its customer database, in order to increase corporate value through the creation of social and economic value. It has also changed its corporate vision to "Aiming to become a corporate group that offers lifestyle suggestions to meet each individual customer's ideal" in preparation for corporate brand restructuring from April 2007. Based on this corporate vision, Nissen believes providing value-added products and services in an efficient and effective manner will raise corporate competitiveness, improve corporate value over the medium to long term, and translate into greater profits for shareholders. Nissen is currently reviewing the numerical performance targets of its medium-term business plan, and will disclose any changes as soon as possible.

(4) Strategies and key issues for the medium to long term

In the retail industry where Nissen operates, companies are restructuring their businesses to concentrate resources in fields in which they are competitive, and industry realignment moves including mergers have become increasingly frequent, as companies strive to survive in a difficult business environment where a major recovery in personal consumption appears unlikely, and competition remains intense in terms of price and product quality.

To accelerate improvements in group corporate value over the medium to long term in this environment, the Nissen Group will move forward with the following priority policies for enhancing corporate value, given the necessity to confirm the direction of current corporate reforms and progress in achieving core policies, and the need to create new policies to adapt to changing circumstances.

1) Establish a framework to promote group management centered on the customer database, and strengthen corporate governance

- Nissen aims to move to a pure holding company system as early as possible to further clarify the division of roles of management and execution to speed up strategic decision making and operation reform processes, and to establish a management structure that can flexibly adapt to future group reorganizations and M&A in important strategic fields.
- While Nissen will aggressively move forward with its growth strategy to maximize corporate value, it will work to maintain an effective corporate governance framework, with two external directors and two external auditors, to ensure management transparency.

2) Improve profitability through reforming the profit structure of established businesses

- In the direct marketing business, a powerful means for expanding the customer database, Nissen will move forward with the “Catalog Sanbun no Kei” strategy (see note), in order to efficiently capture new customers for the catalog and Internet businesses. Nissen also intends to analyze purchase data to suggest new products and services to customers, and thereby improve the quality of its customer database.
- Nissen aims to use its customer database – its greatest asset – to further develop high-profit businesses including the BtoB and insurance businesses, and to boost overall earnings by leveraging the database to develop new businesses that offer products and services unavailable from established businesses.
- Nissen will reform the profit structure of the direct sales business, optimizing the size of the business and the number of employees, to achieve a recovery in short-term earnings. Nissen will also work to reform the business structure, shifting the jewelry business to an SPA (specialty store retailer of private label apparel) business model, the kimono business to a brick-and-mortar business model, to improve earnings and ensure the continuity of the direct sales business.

Note: “Catalog Sanbun no Kei” strategy: expand the tripartite catalog business composed of catalogs for youth, career persons, and married women.

3) Aggressively promote M&A to strengthen the core business

- Nissen will aggressively pursue strategic alliances, including business and capital tie-ups, to improve corporate value by capturing more customers, making leveraged use of the customer database, and strengthening the value chain of established businesses.
- Nissen has signed overdraft and commitment line agreements with banks to ensure efficient procurement of working capital to continuously strengthen established businesses and aggressively develop new businesses. These efforts should improve corporate value stably and constantly, and Nissen will do its all to strengthen earnings and enhance shareholder value over the medium to long term.

4) Advance the globalization strategy

The Nissen Group makes active use of Supply Chain Management to procure products from overseas, and Nissen continues to strengthen communication with cooperating factories to shorten lead time and improve product quality. Also, the Nissen Group continues to shift non-core business operations overseas to achieve low-cost management and improve its competitiveness. Nissen also intends to expand in Taiwan and Korea markets by providing the catalog sales know-how to support business partners there, and by expanding product sales through “jshoppers.com,” an online website for overseas residents managed by Navibird, Inc., a consolidated subsidiary.

5) Reinforce brand value

The Nissen Group believes it is essential to reinforce the Nissen brand in order to raise the overall value of the corporate group and secure a stronger market position. The Nissen Group believes its recognition by the general public is increasing due to the business activities and advertising, but will work to further strengthen and better position the corporate brand going forward. The entire group will work as one to provide products and services reflect the corporate philosophy and intentions.

6) Strengthen leadership for change management

The Nissen Group believes strong human resources are the most essential factor to enhancing corporate growth, and will continue to train next-generation managers with the leadership skills to carry out necessary reforms.

Specific efforts, in no particular order, include: 1) the development of a multi-faceted personnel evaluation system; 2) the scouting of candidates to become next-generation managers; 3) implementation of leadership management programs; 4) aggressive promotions of talented staff; 5) improving opportunities for women; 6) the recruitment of talented managers from outside the company; and 7) the strengthening of corporate organization around reform-minded leaders. These efforts will enable Nissen Group to flexibly respond to the changing business environment and industry-wide realignment.

3. Results of Operations and Financial Condition

(1) Results of operations

1) Overview and analysis of fiscal year (December 21, 2005 – December 20, 2006)

The Japanese economy continued to expand in the current fiscal year under review due to robust private-sector capital investment and improvements in the employment environment owing to an ongoing recovery in corporate profits.

In the retail industry in which Nissen operates, mail-order firms in general saw a gradual recovery in earnings, while Internet mail-order firms in particular remained on a growth track and mobile mail-order firms sharply increased sales. In the brick-and-mortar retail industry, domestic SPA (specialty store retailer of private label apparel) companies accelerated nationwide store openings, and overseas retailers launched a full-scale entry into the Japanese market.

However, the recovery in household spending lacked strength, and together with consumers becoming more selective in choosing products and services, and competition intensifying between retailers over price and product quality, the business environment remained difficult for retailers.

The market for door-to-door sales and exhibition sales declined due to rising consumer complaints of targeting seniors and double sales tactics, and the kimono market cooled due to the bankruptcy of a leading kimono retailer.

In this business environment, the Nissen Group focused on reforming the profit structure and selecting products and services from the perspective of customers to win customer support.

In the direct marketing business, Nissen continued to reform the profit structure by revising product prices in line with the changes in pricing policy initiated with last year's autumn catalog, and further strengthened low-cost management through measures including improvements to the cost ratio. In the direct sales business, Nissen strengthened its lineup of highly value-added products and services, and improved the cost of sales ratio, in order to steadily expand the business based on customer support.

Despite these efforts, new customer growth declined in the direct marketing business due to pricing policy changes, and customer visits to exhibitions in the direct sales business declined as media reports of improper sales activities by some competitors damaged public trust in door-to-door and exhibition sales.

The Japanese Institute of Certified Public Accountants announced "Auditing Treatment Regarding the Booking of Reserves for Losses on the Return of Excess Interest Payments to Borrowers of Consumer Finance Companies" on October 13, 2006, and GE Nissen Credit, an equity-method affiliate involved in the consumer credit business, booked extraordinary losses related to the booking of reserves for losses on the return of excess interest payments to borrowers and renounced loan principal. In the direct sales business, Nissen booked extraordinary losses on reserves for special retirement bonuses and re-employment assistance costs related to fixed-cost reduction policies including unprofitable branch closures and workforce size optimization. Also, Nissen booked extraordinary losses on reserves for estimated product returns due to compliance strengthening.

As a result, net sales for the current fiscal year decreased 6.9% year-over-year to 154,871 million yen (-11,552 million yen), ordinary income decreased 37.9% to 5,228 million yen (-3,185 million yen), and net income decreased 86.5% to 777 million yen (-4,971 million yen).

2) Results by business segment

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

Direct marketing business

Overall growth in the direct marketing sales industry was flat, as Internet (including mobile) and television shopping sales continued to increase, though the growth in the catalog sales was slowed.

In the direct marketing business, Nissen continued to reform the profit structure by revising product prices in line with the changes in its pricing policy initiated with 2005 autumn catalog, and strengthened low-cost management through measures such as cost ratio's improvements. However, profitability deteriorated in the direct marketing business as total number of active customers fell below last year's level due to significant pricing policy changes which caused a decline in new customers and fewer active existing customers, sales declined, the catalog expense ratio deteriorated.

On the other hand, the profit structure in the direct marketing business improved somewhat over the previous fiscal year as the cost of sales ratio improved due to benefits from forward foreign exchange contracts and enhanced product procurement capabilities, and the fulfillment expenses ratio improved due to greater average amount per order.

As a result, segment sales in the current fiscal year decreased 5.5% year-over-year to 127,064 million yen (-7,396 million yen), operating income decreased 2.6% to 6,890 million yen (-181 million yen), and ordinary income declined 6.3% to 7,832 million yen (-529 million yen).

Direct sales business

In the direct sales business, Nissen strengthened the lineup of highly value-added products and services, and improved the cost of sales ratio, in order to secure a steadily expansion of the business based on backing of customers. Though, profitability in the direct sales business declined as sales fell below last year's level and event efficiency deteriorated because new customers and customer visits to exhibitions declined as media reports of improper sales activities by some competitors damaged public trust in door-to-door and exhibition sales.

Due to the above factors, segment sales for the current fiscal year decreased 13.0% year-over-year to 27,806 million yen (-4,157 million yen), operating income decreased 77.3% to 605 million yen (-2,061 million yen), and ordinary income declined 88.0% to 302 million yen (-2,205 million yen).

Note: Please see "4. Consolidated Financial Statements, Notes, 7. Segment information, a) Business segment information" for information related to the performance of each business segment in the current and previous fiscal year.

3) FY2007 forecasts for sales and earnings

The forecast for the business environment to remain difficult going forward, but Nissen will continue to carry out various measures, in line with the basic management policy of the new medium-term business plan. Nissen will also make the following efforts in each business to improve customer support and broaden customer base.

Direct marketing business

Nissen expects another challenging year for the direct marketing business, despite improvements in the profit structure from revisions to the pricing policy, as a decline in sales from fewer active customers will be anticipated.

In such an environment, Nissen will introduce a business unit structure that delegates authority and clarifies responsibility to promote dynamic strategic proposals and speedy decision making, and ensures that customers always expect something new.

Nissen will also continue to strengthen low-cost management, and to increase benefits from the "Catalog Sanbun no Kei" strategy to boost backing and activity of customers, improve customer segmentation technology, enhance distinct product lineups for each catalog, develop Internet sites for different product categories, and develop distinctive products for each Internet website.

Direct sales business

In the direct sales business, which faces a business environment of lowered public trust in door-to-door and exhibition sales, Nissen will enhance employee education concerning compliance, and adequately explain sales posture to customers so that they feel secure purchasing Nissen's products, in order to improve earnings over the near term. Nissen will continue to implement fixed-cost reduction policies including unprofitable branch closures and workforce size optimization to ensure a profitable framework in a shrinking overall market.

Nissen will also work to reform the business structure over the medium to long term by developing new product sales methods and store formats, and by developing a Japanese kimono catalog to enhance communication and sales channels.

Forecast for operating results for the fiscal year are as identified below.

Consolidated forecast (Millions of yen)

	Amount	YoY change, %
Net sales	157,700	1.8
Operating income	4,700	1.5
Ordinary income	4,100	(21.6)
Net income	2,700	247.2

Non-consolidated forecast (Millions of yen)

	Amount	YoY change, %
Net sales	153,800	1.6
Operating income	4,900	11.6
Ordinary income	3,600	(17.3)
Net income	2,100	505.5

4) Group management reform overview

Nissen believes it is necessary to move forward with dynamic and radical reforms of the profit and business structure to continue increasing group corporate value given the likelihood of continued difficulties in the business environment going forward. Nissen will implement the following group reform action plan to improve corporate value.

a. Implement profit structure reforms in the direct sales business

- Consolidate sales branches in the direct sales business
- Optimize the size of the workforce in the direct sales business
- Implement other measures to reduce fixed costs

b. Promote a growth strategy for the future

- Establish a group management structure
 - Establish a pure holding company (to be implemented in June 2007 following approval at the 37th Annual Shareholders Meeting)
 - Renew corporate and business brands (to be implemented starting April 2007)
 - Readjust the group portfolio for the medium term through selection and focus on strategic core businesses
- Focus management resources on the direct marketing business
 - Continue with the “Catalog Sanbun no Kei” strategy (implement business tie-ups to strengthen planning, and improve specialization through the establishment of business units)
 - Focus thoroughly on strengthening Internet sales (develop websites for different product categories, and implement strategic alliances)
 - Make use of Mail & e Business Logistics Service Co., Ltd., a strategic joint venture with Toyota Industries Corporation, to reduce distribution costs, reduce inventory, improve lead time, and generally reduce distribution investment costs to prioritize funds allocation to the core business
- Promote M&A to strengthen the core business
 - Strengthen the business development organization (internalize M&A promotion organization, acquire business development human resources)
 - Diversify sales channels through acquisition of strategic sales channels and strategic brand businesses
 - Promote SPA and higher earnings through acquisition of strategic functional companies in the value chain
- c. Strengthen governance in group management
 - Strengthen governance framework
 - Maintain current governance framework that includes two external directors and two external auditors
 - Continuously improve shareholder value
 - Implement proactive policies to return profits to shareholders (stable achievement of shareholders’ equity ratio of 50% and shareholder returns of 35%)

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

Foreign exchange rates:

FY2007 forecasts are based on an average U.S. dollar exchange rate of 118.50 yen, and an estimated impact of 48 million yen on cost of sales from a 1 yen change in the U.S. dollar-yen exchange rate.

Nissen has introduced fair value accounting for long-term forward foreign exchange contracts, and assumes valuation gains/losses of 0 yen assuming an average U.S. exchange rate of 116 yen (spot rate) at the end of the fiscal year.

However, evaluation profits from long-term forward foreign exchange contracts could fluctuate significantly depending on the balance of these long-term forward foreign exchange contracts at the end of FY2007, the U.S. dollar-yen spot exchange rate at the end of the year, and differences in U.S.-Japan interest rates.

(2) Financial position

1) Assets, liabilities and shareholders' equity

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

(Millions of yen)

	FY2005	FY2006
Total assets	83,863	77,038
Total liabilities	49,143	43,191
Net assets	34,697	33,847
Equity ratio (%)	41.4	43.9
Net assets per share (yen)	660.31	653.70

Note: Number of shares outstanding (consolidated)

FY2006: 51,707,020 shares

FY2005: 52,401,363 shares

Total assets at the end of the current fiscal year decreased 6,824 million yen over the end of the previous fiscal year to 77,038 million yen. The main factors were an increase in cash, inventories and investment securities, but a decline in fixed assets.

Total liabilities decreased 5,952 million yen to 43,191 million yen. The main factors were an increase in allowance for returned goods unsold and deferred tax liabilities, but a decline in interest-bearing liabilities.

Net assets decreased 849 million yen to 33,847 million yen. The main factors were an increase in retained earning of 777 million yen due to the booking of net income, but a decline of 1,339 million yen for dividends paid, and an increase in treasury stock of 483 million yen.

2) Cash flow position

Cash flow in the current fiscal year was as follows:

(Millions of yen)

	FY2005	FY2006	YoY change
Net cash provided by operating activities	381	14	(367)
Net cash provided by (used in) investment activities	(1,022)	11,819	12,842
Net cash used in financing activities	(709)	(5,765)	(5,056)
Effect of exchange rate changes on cash and cash equivalents	8	(14)	(23)
Increase (decrease) in cash and cash equivalents	(1,341)	6,053	7,394
Increase (decrease) in cash and cash equivalents due to change in the number of consolidated subsidiaries	(527)	112	640
Cash and cash equivalents at the end of year	6,426	12,592	6,165

Cash and cash equivalents at the end of the current fiscal year increased 6,165 million yen over the end of the previous fiscal year to 12,592 million yen.

Net cash provided by operating activities was 14 million yen (-367 million yen year-over-year). The main factors were a decline in notes and accounts receivable and payable, but a decrease in income tax payment, and an increase in inventories.

Net cash provided by investing activities was 11,819 million yen (+12,842 million yen). The main factors were 12,604 million yen of income from the collection of loans receivable, 1,944 million yen of proceeds from the sale of subsidiary stock, 1,913 million yen in payment for acquisition of fixed assets, and 875 million yen in payment for acquisition of investment securities.

Net cash used in financing activities was 5,765 million yen (-5,056 million yen). The main factors were 5,385 million yen in repayment of long-term loans, 2,000 million yen in income from long-term loans from banks, 1,339 million yen in dividend payments, 834 million yen in outlays for share buybacks, and 500 million yen in outlays for the redemption of corporate bonds.

3) Cash flow indices

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

	FY2005	FY2006
Shareholders' equity ratio (%)	41.4	43.9
Shareholders' equity ratio based on market prices (%)	121.2	44.2
Debt to annual cash flow (years)	25.3	404.5
Interest coverage ratio (times)	3.6	0.2

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 first section of Tokyo Stock Exchange 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 formulas are representing on the statement of cash flows.

4) Cash flow prospects for the next fiscal year

a. Nissen expects 2,800 million yen in cash from operating activities.

Nissen plans 3,800 million yen in earnings before income taxes, 960 million yen in depreciation, and 560 million yen of equity in earnings of affiliates and income taxes payment of 1,400 million yen.

b. Nissen expects to use 8,700 million yen in cash for investing activities.

Nissen plans to invest 1,200 million yen in IT equipment and software, and invest 7,100 million yen to promote M&A in the direct marketing and direct sales businesses for medium to long-term growth and to restructure established businesses (restructure the direct sales business model, improve efficiency of business support functions, develop the financial services business, etc.).

c. Nissen expects to use 4,300 million yen in cash for financing activities

Nissen plans to procure 7,100 million yen in funds procured from a third-party allotment, 1,125 million yen for dividends, and 1,630 million yen in repayment of interest-bearing liabilities.

5) Changes expected in the financial position after FY2006

As discussed in the "Subsequent events" section of this report, Nissen plans to issue new shares for a third-party allotment of shares with a paid-in date of February 20, 2007.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

Item	*	FY2005 (As of Dec. 20, 2005)		FY2006 (As of Dec. 20, 2006)		YoY change	
		Amount	%	Amount	%	Amount	
Assets							
I Current assets							
1. Cash and deposits		6,436		12,602		6,165	
2. Notes and accounts receivable-trade		10,338		10,462		123	
3. Securities		-		35		35	
4. Inventories		11,967		13,629		1,662	
5. Accounts receivable-other		12,916		13,106		189	
6. Prepaid expenses		5,978		5,511		(466)	
7. Deferred tax assets		1,062		1,685		623	
8. Forward foreign exchange contracts		4,159		4,705		546	
9. Others		870		170		(700)	
Allowance for doubtful receivables		(190)		(169)		21	
Total current assets		53,540	63.8	61,740	80.1	8,199	
II Fixed assets							
1. Property, plant and equipment							
(1) Buildings and structures		15,889		3,694			
Accumulated depreciation		3,186	12,703	2,237	1,456	(11,247)	
(2) Machinery equipment and vehicles		460		103			
Accumulated depreciation		222	238	26	77	(160)	
(3) Tools, furniture, and fixtures		2,998		2,950			
Accumulated depreciation		1,480	1,517	1,947	1,003	(514)	
(4) Land			4,919		1,807	(3,111)	
(5) Construction in progress			1,221		45	(1,175)	
Total property, plant and equipment			20,599	24.6	4,390	5.7	(16,209)
2. Intangible assets			609	0.7	531	0.7	(77)
3. Investments and other assets							
(1) Investments in securities	*1		7,380		8,653	1,273	
(2) Deferred tax assets			89		-	(89)	
(3) Others			2,313		2,220	(92)	
Allowance for doubtful receivables			(670)		(498)	171	
Total investments and other assets			9,113	10.9	10,375	13.5	1,262
Total fixed assets			30,322	36.2	15,298	19.9	(15,024)
Total assets			83,863	100.0	77,038	100.0	(6,824)

(Millions of yen)

Item	*	FY2005 (As of Dec. 20, 2005)		FY2006 (As of Dec. 20, 2006)		YoY change
		Amount	%	Amount	%	Amount
Liabilities						
I Current liabilities						
1. Notes and accounts payable-trade		22,975		22,724		(250)
2. Short-term bank loans		5,379		1,130		(4,249)
3. Corporate bonds due within one year		500		500		0
4. Income tax payable		1,611		990		(621)
5. Accounts payable-other		8,824		7,670		(1,153)
6. Allowance for returned goods unsold		-		556		556
7. Allowance for returned goods damaged		-		121		121
8. Allowance for interest repayment compensation		-		282		282
9. Others		5,851		4,335		(1,515)
Total current liabilities		45,142	53.8	38,312	49.7	(6,829)
II Long-term liabilities						
1. Corporate bonds		500		-		(500)
2. Long-term loans from banks		3,300		4,175		875
3. Deferred tax liabilities		-		498		498
4. Accrued retirement benefits for employees		154		159		4
5. Others		46		45		(0)
Total long-term liabilities		4,001	4.8	4,878	6.4	877
Total liabilities		49,143	58.6	43,191	56.1	(5,952)
Minority interests						
Minority interests		22	0.0	-	-	-
Shareholders' equity						
I Common stock						
II Capital surplus	*3	7,665	9.1	-	-	-
III Retained earning		7,687	9.2	-	-	-
IV Net unrealized holding gain (loss) on securities		21,561	25.7	-	-	-
V Translation adjustments		586	0.7	-	-	-
VI Treasury stocks, at cost	*4	3	0.0	-	-	-
Total shareholders' equity		(2,807)	(3.3)	-	-	-
Total liabilities, minority interests and shareholders' equity		34,697	41.4	-	-	-
Net assets						
I Shareholders' equity						
1. Common stock		-	-	7,665	9.9	-
2. Capital surplus		-	-	7,687	10.0	-
3. Retained earnings		-	-	20,784	27.0	-
4. Treasury stock		-	-	(3,290)	(4.3)	-
Total shareholders' equity		-	-	32,846	42.6	-
II Valuation and translation adjustments						
1. Net unrealized holding gain (loss) on securities		-	-	448	0.6	-
2. Deferred hedge gain (loss)		-	-	507	0.6	-
3. Translation adjustments		-	-	(1)	(0.0)	-
Total valuation and translation adjustments		-	-	954	1.2	-
III Minority interests						
Total net assets		-	-	47	0.1	-
Total liabilities and net assets		-	-	33,847	43.9	-
		-	-	77,038	100.0	-

(2) Consolidated Statement of Income

(Millions of yen)

Item	*	FY2005 (Dec. 21, 2004 – Dec. 20, 2005)		FY2006 (Dec. 21, 2005 – Dec. 20, 2006)		YoY change		
		Amount	%	Amount	%	Amount		
I Net sales			166,423	100.0		154,871	100.0	(11,552)
II Cost of sales			73,755	44.3		66,756	43.1	(6,999)
Gross profit			92,667	55.7		88,114	56.9	(4,553)
Provision of allowance for sales returns			-	-		556	0.4	-
Reversal of allowance for sales returns			-	-		(311)	(0.2)	-
Gross profit -net			92,667	55.7		87,869	56.7	(4,798)
III Selling, general and administrative expenses								
1. Advertising expenses		24,133			25,225			
2. Shipping expenses		12,002			5,901			
3. Sales promotion expenses		9,237			9,068			
4. Provision of allowance for doubtful receivables		398			255			
5. Salaries and allowances		14,972			14,167			
6. Bonuses		3,297			2,433			
7. Rental expenses		3,685			2,341			
8. Depreciation		1,720			1,278			
9. Commissions		7,327			15,102			
10. Others		8,564	85,340	51.3	7,461	83,236	53.7	(2,104)
Operating income			7,327	4.4		4,632	3.0	(2,694)
IV Non-operating income								
1. Interest income		3			42			
2. Dividend income		91			74			
3. Commission income		237			219			
4. Gain on valuation of forward foreign exchange contracts		2,364			1,487			
5. Equity in earnings of affiliates		1,080			753			
6. Miscellaneous income		609	4,387	2.6	538	3,115	2.0	(1,272)
V Non-operating expenses								
1. Interest expense		111			71			
2. Loss on write-off of merchandise		2,926			2,089			
3. Foreign exchange loss		-			11			
4. Provision of allowance for returned goods damaged		-			69			
5. Provision of allowance for interest repayment compensation		-			62			
6. Miscellaneous expenses		263	3,301	1.9	214	2,519	1.6	(781)
Ordinary income			8,414	5.1		5,228	3.4	(3,185)

Item	*	FY2005 (Dec. 21, 2004 – Dec. 20, 2005)		FY2006 (Dec. 21, 2005 – Dec. 20, 2006)		YoY change
		Amount	%	Amount	%	Amount
VI Extraordinary income						
1. Gain on sales of fixed assets	*1	8		0		
2. Gain on sales of investments in securities		-		1,032		
3. Gain on liquidation of subsidiaries		243		-		
4. Gain on redemption of preferred equity securities		82		-		
5. Compensation income for business interruption		60		-		
6. Others		-	395	15	1,048	0.7
VII Extraordinary loss						
1. Loss on sales or disposal of fixed assets	*2	430		51		
2. Loss on write-down of investments in securities		-		312		
3. Loss on business restructuring	*3	-		1,601		
4. Prior-year provision of allowance for returned goods unsold		-		311		
5. Prior-year provision of allowance for returned goods damaged		-		52		
6. Provision of allowance for interest repayment compensation		-		220		
7. Loss on equity in earnings of affiliates	*4	-		488		
8. Others		154	584	18	3,057	2.0
Earnings before income taxes and minority interest			8,225		3,220	2.1
Current income taxes		3,046		2,490		
Prior-year current income taxes		-		320		
Deferred income taxes		(568)	2,477	(324)	2,487	1.6
Minority interest in loss of consolidated subsidiaries			1		44	0.0
Net income			5,749		777	0.5

(3) Consolidated Statement of Retained Earnings and Changes in Shareholders' Equity

Consolidated statement of retained earnings

(Millions of yen)

Item	FY2005 (Dec. 21, 2004 – Dec. 20, 2005)		FY2006 (Dec. 21, 2005 – Dec. 20, 2006)	
	Amount		Amount	
Capital surplus				
I Balance at beginning of year		7,687		-
II Balance at end of year		7,687		-
Retained earnings				
I Balance at beginning of year		17,661		-
II Increase in retained earnings				
1. Net income	5,749	5,749	-	-
III Decrease in retained earnings				
1. Dividends	1,306		-	
2. Bonuses to directors and statutory auditors	86		-	
3. Loss on disposal of treasury stock	178		-	
4. Decrease in retained earnings due to decrease in consolidated subsidiaries	278	1,849	-	-
IV Balance at end of year		21,561		-

Consolidated statement of changes in shareholders' equity

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of Dec. 20, 2005	7,665	7,687	21,561	(2,807)	34,107
Changes in the fiscal year					
Dividend of surplus	-	-	(1,339)	-	(1,339)
Directors' bonuses	-	-	(96)	-	(96)
Net income	-	-	777	-	777
Purchases of treasury stocks	-	-	-	(834)	(834)
Disposal of treasury stocks	-	-	(100)	350	250
Decrease in retained earnings due to an increase in the number of consolidated subsidiaries	-	-	(18)	-	(18)
Changes (net) in items other than shareholders' equity	-	-	-	-	-
Total changes in the fiscal year	-	-	(776)	(483)	(1,260)
Balance as of Dec. 20, 2006	7,665	7,687	20,784	(3,290)	32,846

(Millions of yen)

	Valuation and translation adjustments				Minority interests	Total net assets
	Net unrealized holding gain (loss) on other securities	Deferred hedge gain (loss)	Translation adjustments	Total valuation and translation adjustments		
Balance as of Dec. 20, 2005	586	-	3	589	22	34,720
Changes in the fiscal year						
Dividend of surplus	-	-	-	-	-	(1,339)
Directors' bonuses	-	-	-	-	-	(96)
Net income	-	-	-	-	-	777
Purchases of treasury stocks	-	-	-	-	-	(834)
Disposal of treasury stocks	-	-	-	-	-	250
Decrease in retained earnings due to an increase in the number of consolidated subsidiaries	-	-	-	-	-	(18)
Changes (net) in items other than shareholders' equity	(138)	507	(4)	364	24	388
Total changes in the fiscal year	(138)	507	(4)	364	24	(872)
Balance as of Dec. 20, 2006	448	507	(1)	954	47	33,847

(4) Consolidated Statement of Cash Flows

(Millions of yen)

		FY2005 (Dec. 21, 2004 – Dec. 20, 2005)	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)	YoY change
Item	*	Amount	Amount	Amount
I Operating activities				
1. Earnings before income taxes and minority interest		8,225	3,220	(5,004)
2. Depreciation and amortization		1,721	1,278	(442)
3. Decrease in allowance for doubtful receivables		(153)	(192)	(39)
4. Increase (decrease) in accrued retirement benefits for employees		(30)	4	34
5. Increase in allowance for returned goods unsold		-	556	556
6. Increase in allowance for returned goods damaged		-	121	121
7. Increase in allowance for interest repayment compensation		-	282	282
8. Interest and dividend income		(95)	(115)	(19)
9. Interest expense		111	71	(39)
10. Loss (gain) on sales or disposal of fixed assets		421	50	(370)
11. Gain on valuation of forward foreign exchange contracts		(2,364)	(1,487)	877
12. Equity in earnings of affiliates		(1,080)	(753)	326
13. Loss on equity in earnings of affiliates		-	488	488
14. Loss on write-down of investments in securities		30	365	334
15. Loss on business restructuring		-	1,601	1,601
16. Gain on sales of investments in securities		-	(1,032)	(1,032)
17. Gain on liquidation of subsidiaries		(243)	-	243
18. Decrease in notes and accounts receivable		876	1,205	328
19. Increase in inventories		(300)	(1,660)	(1,359)
20. Decrease in notes and accounts payable		(2,023)	(208)	1,815
21. Others, net		(1,043)	(500)	543
Subtotal		4,050	3,298	(751)
22. Interests and dividends received		94	117	22
23. Interests paid		(106)	(55)	50
24. Income taxes paid		(3,657)	(3,346)	311
Net cash provided by operating activities		381	14	(367)
II Investing activities				
1. Purchases of fixed assets		(2,007)	(1,913)	93
2. Proceeds from sales of fixed assets		33	2	(31)
3. Purchases of investments in securities		(305)	(875)	(569)
4. Proceeds from sales of investments in securities		1,017	276	(741)
5. Acquisition of shares and bonds issued by affiliates		(116)	(100)	16
6. Payment for loans receivable		(47)	(17)	30
7. Proceeds from collections of loans receivable		3	12,604	12,600
8. Purchases of subsidiary stock		-	(100)	(100)
9. Proceeds from sales of subsidiary stock associated with changes in the scope of consolidation	*1	-	1,944	1,944
10. Others, net		398	(0)	(399)
Net cash provided by (used in) investing activities		(1,022)	11,819	12,842

		FY2005 (Dec. 21, 2004 – Dec. 20, 2005)	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)	YoY change
Item	*	Amount	Amount	Amount
III Financing activities				
1. Decrease in short-term bank loans, net		(300)	-	300
2. Proceeds from long-term loans from banks		3,000	2,000	(1,000)
3. Repayment of long-term loans from banks		(2,046)	(5,385)	(3,338)
4. Proceeds from redemption of corporate bonds		-	(500)	(500)
5. Proceeds from minority interests		-	42	42
6. Purchases of treasury stock		(442)	(834)	(391)
7. Proceeds from sales of treasury stock		380	250	(130)
8. Dividends paid		(1,301)	(1,339)	(38)
Net cash used in financing activities		(709)	(5,765)	(5,056)
IV Effect of exchange rate changes on cash and cash equivalents		8	(14)	(23)
V Increase (decrease) in cash and cash equivalents		(1,341)	6,053	7,394
VI Cash and cash equivalents at beginning of year		8,296	6,426	(1,869)
VII Increase in cash and cash equivalents resulting from inclusion of consolidated subsidiaries		-	112	112
VIII Decrease in cash and cash equivalents due to decrease in consolidated subsidiaries		(527)	-	527
IX Cash and cash equivalents at end of year	*2	6,426	12,592	6,165

Basis of preparation of consolidated financial statements

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)
<p>1. Basis of Consolidation (1) Consolidated subsidiaries: 6 Consolidated subsidiaries Nissen Logistic Service Co., Ltd. Spark Ace Limited. Advance Progress Limited. Nissen Shape Founde Co., Ltd. Nissen Youbist Tomonokai Co., Ltd. Nissen Evers Oita Co., Ltd.</p> <p>Effective from the current fiscal year, Nissen Saibien Co., Ltd., Nissen Kashoen Co., Ltd., Nissen Kyobien Co., Ltd. and Nissen Yuwaen Co., Ltd. were absorbed by Nissen Co., Ltd. on December 21, 2004 and were excluded from the scope of consolidation. Effective from the current fiscal year, Nissen dissolved these four subsidiaries.</p> <p>(2) Major non-consolidated subsidiaries DONGGUAN Nissen Product Quality Inspection Center (Reason for excluding from the consolidation) The consolidated financial statements do not include the accounts of seven non-consolidated subsidiaries since the entities are small-scale businesses whose combined total assets, net sales, 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 (1) Affiliates accounted for under the equity method of accounting: 1 The company name: GE Nissen Credit Co., Ltd.</p> <p>(2) Major non-consolidated subsidiaries and affiliates not accounted for under the equity method of accounting DONGGUAN Nissen Product Quality Inspection Center (Reason for exclusion from application of the equity method of accounting) 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 (1) Consolidated subsidiaries: 7 Consolidated subsidiaries Spark Ace Limited. Advance Progress Limited. Navibird, Inc. ALBERT, Inc. Nissen Shape Founde Co., Ltd. Nissen Youbist Tomonokai Co., Ltd. Nissen Evers Oita Co., Ltd.</p> <p>Only the interim income statement of Mail & e Business Logistics Service Co., Ltd. (former Nissen Logistic Service Co., Ltd.) is included in consolidated figures as the company moved from a consolidated subsidiary in the previous fiscal year to an equity method affiliate this fiscal year following the sale of its stock. Effective from the current fiscal year, Navibird, Inc. and ALBERT, Inc. have been included in the consolidation because of their increased materiality of impact on consolidated financial statements.</p> <p>(2) Major non-consolidated subsidiaries Shanghai Nissen Clothing Inspection Ltd. (Reason for excluding from the consolidation) The consolidated financial statements do not include the accounts of seven non-consolidated subsidiaries since the entities are small-scale businesses whose combined total assets, net sales, 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 (1) Affiliates accounted for under the equity method of accounting: 2 The company name: GE Nissen Credit Co., Ltd. Mail & e Business Logistics Service Co., Ltd. Nissen Logistic Service Co., Ltd. changed its name to Mail & e Business Logistics Service Co., Ltd. effective on June 21, 2006.</p> <p>(2) Major non-consolidated subsidiaries and affiliates not accounted for under the equity method of accounting Shanghai Nissen Clothing Inspection Ltd. (Reason for exclusion from application of the equity method of accounting) Same as on the left.</p>

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)																																		
<p>3. Fiscal years of consolidated subsidiaries</p> <p>Balance sheet dates of consolidated subsidiaries are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right;">Year-end</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">Subsidiaries</td> <td style="text-align: right;">Balance sheet dates</td> </tr> <tr> <td>Nissen Logistic Service Co., Ltd.</td> <td style="text-align: right;">Dec. 20</td> </tr> <tr> <td>Spark Ace Limited.</td> <td style="text-align: right;">Oct. 31</td> </tr> <tr> <td>Advance Progress Limited.</td> <td style="text-align: right;">Oct. 31</td> </tr> <tr> <td>Nissen Shape Founde Co., Ltd.</td> <td style="text-align: right;">Dec. 20</td> </tr> <tr> <td>Nissen Youbist Tomonokai Co., Ltd.</td> <td style="text-align: right;">Dec. 20</td> </tr> <tr> <td>Nissen Evers Oita Co., Ltd.</td> <td style="text-align: right;">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>		Year-end	Subsidiaries	Balance sheet dates	Nissen Logistic Service Co., Ltd.	Dec. 20	Spark Ace Limited.	Oct. 31	Advance Progress Limited.	Oct. 31	Nissen Shape Founde Co., Ltd.	Dec. 20	Nissen Youbist Tomonokai Co., Ltd.	Dec. 20	Nissen Evers Oita Co., Ltd.	Dec. 20	<p>3. Fiscal years of consolidated subsidiaries</p> <p>Balance sheet dates of consolidated subsidiaries are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right;">Year-end</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">Subsidiaries</td> <td style="text-align: right;">Balance sheet dates</td> </tr> <tr> <td>Spark Ace Limited.</td> <td style="text-align: right;">Oct. 31</td> </tr> <tr> <td>Advance Progress Limited.</td> <td style="text-align: right;">Oct. 31</td> </tr> <tr> <td>Navibird, Inc.</td> <td style="text-align: right;">Sep. 20</td> </tr> <tr> <td>ALBERT, Inc.</td> <td style="text-align: right;">Dec. 31</td> </tr> <tr> <td>Nissen Shape Founde Co., Ltd.</td> <td style="text-align: right;">Dec. 20</td> </tr> <tr> <td>Nissen Youbist Tomonokai Co., Ltd.</td> <td style="text-align: right;">Dec. 20</td> </tr> <tr> <td>Nissen Evers Oita Co., Ltd.</td> <td style="text-align: right;">Dec. 20</td> </tr> </tbody> </table> <p>The Company has assumed a provisional closing of September 20 for Navibird, Inc. and September 30 for ALBERT, Inc. in preparing consolidated financial statements. The Company has used actual closings for subsidiaries Spark Ace Limited and Advance Progress Limited because their closing periods are within three months of the closing period of the Company. 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>		Year-end	Subsidiaries	Balance sheet dates	Spark Ace Limited.	Oct. 31	Advance Progress Limited.	Oct. 31	Navibird, Inc.	Sep. 20	ALBERT, Inc.	Dec. 31	Nissen Shape Founde Co., Ltd.	Dec. 20	Nissen Youbist Tomonokai Co., Ltd.	Dec. 20	Nissen Evers Oita Co., Ltd.	Dec. 20
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<p>4. Accounting principles</p> <p>(1) Valuation criteria and methods for principal assets</p> <p>1) Securities</p> <p style="padding-left: 20px;">Held-to-maturity debt securities</p> <p style="padding-left: 40px;">Amortized cost method (straight-line method.)</p> <p style="padding-left: 20px;">Other securities</p> <p>Securities with market quotations</p> <p style="padding-left: 20px;">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 primarily by the moving-average method.)</p> <p>Securities without market quotations</p> <p style="padding-left: 20px;">Securities without market quotations are stated at cost, cost being determined by the moving-average method.</p> <p>2) Derivatives</p> <p style="padding-left: 20px;">Market value method.</p> <p>3) Inventories</p> <p style="padding-left: 20px;">Merchandise:</p> <p style="padding-left: 40px;">Inventories are stated at cost, cost being determined by the first-in first-out method.</p> <p style="padding-left: 20px;">(2) Depreciation and amortization method for principal depreciable assets</p> <p>1) Property, plant and equipment</p> <p style="padding-left: 20px;">Buildings (excluding fixtures):</p> <p style="padding-left: 40px;">Depreciation on buildings is computed by the straight-line method.</p> <p style="padding-left: 20px;">Others:</p> <p style="padding-left: 40px;">Depreciation is computed by the declining-balance method.</p> <p style="padding-left: 40px;">Useful life of principal assets is as follows</p> <p style="padding-left: 40px;">Buildings and structures: 2-49 years</p> <p style="padding-left: 40px;">Machinery equipment and vehicles: 2-13 years</p> <p style="padding-left: 40px;">Tools, furniture and fixtures: 2-20 years</p>	<p>4. Accounting principles</p> <p>(1) Valuation criteria and methods for principal assets</p> <p>1) Securities</p> <p style="padding-left: 20px;">Held-to-maturity debt securities</p> <p style="padding-left: 40px;">Same as on the left.</p> <p style="padding-left: 20px;">Other securities</p> <p>Securities with market quotations</p> <p style="padding-left: 20px;">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 net assets. Cost of securities sold is determined primarily by the moving-average method.)</p> <p>Securities without market quotations</p> <p style="padding-left: 20px;">Same as on the left.</p> <p>2) Derivatives</p> <p style="padding-left: 20px;">Same as on the left.</p> <p>3) Inventories</p> <p style="padding-left: 20px;">Merchandise:</p> <p style="padding-left: 40px;">Same as on the left.</p> <p style="padding-left: 20px;">(2) Depreciation and amortization method for principal depreciable assets</p> <p>1) Property, plant and equipment</p> <p style="padding-left: 20px;">Buildings (excluding fixtures):</p> <p style="padding-left: 40px;">Same as on the left.</p> <p style="padding-left: 20px;">Others:</p> <p style="padding-left: 40px;">Same as on the left.</p> <p style="padding-left: 40px;">Same as on the left.</p> <p style="padding-left: 40px;">Buildings and structures: 2-49 years</p> <p style="padding-left: 40px;">Machinery equipment and vehicles: 5-9 years</p> <p style="padding-left: 40px;">Tools, furniture and fixtures: 2-20 years</p>																																		

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)
<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) 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) _____</p> <p>3) _____</p>	<p>2) Intangible assets 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) Allowance for returned goods unsold To prepare for losses from returned goods unsold, the Company booked an allowance for returned goods unsold at the end of the fiscal year based on the historical returned goods rate.</p> <p>3) Allowance for returned goods damaged To prepare for losses from returned goods damaged/discarded, the Company booked an allowance for returned goods damaged at the end of the fiscal year based on the historical returned goods damaged rate.</p> <p>4) Allowance for interest repayment compensation To prepare for interest repayment compensation, the Company booked an allowance for interest repayment compensation at the end of the fiscal year. This relates to the Company's contractual obligation to provide compensation for interest repayments on loans transferred along with the sale of its credit services division to GE Nissen Credit Co., Ltd. on July 14, 2000.</p> <p>(Additional information) The Company booked an allowance for interest repayment compensation beginning in the current fiscal year due to greater importance following Supreme Court rulings on January 13 and January 19, 2006 regarding application of Article 43 (deemed payment regulations) of the Law Related to Restriction of the Moneylending Businesses. The Japanese Institute of Certified Public Accountants (JICPA) announced "Auditing Treatment Regarding the Booking of Allowances at Consumer Finance Companies for Losses on Interest Repayments to Borrowers" (Committee Report No.37) on October 13, 2006 which outlined calculation methods for booking interest repayment compensation allowances and reasonable estimate periods; as a result, the Company changed its estimate methods for booking these allowances from the end of the current fiscal year, and booked extraordinary losses of 220 million yen on allowances calculated based on the JICPA report at the start of the period.</p>

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)
<p>5) Accrued retirement benefits for employees To provide for accrued employees' retirement benefits (female sales force called "Nissen Lady"), 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>(4) 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 translated 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>(5) 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>(6) 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 contracts, under a risk-control policy established by the Company, 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. 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>(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 Assets and liabilities of the consolidated subsidiaries are valued at market.</p>	<p>5) Accrued retirement benefits for employees Same as on the left.</p> <p>(4) 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 translated 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 net assets.</p> <p>(5) Accounting for leases Same as on the left.</p> <p>(6) 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>(7) Other significant accounting policies in the preparation of consolidated financial statements Accounting for consumption taxes: Same as on the left.</p> <p>5. Valuation of assets and liabilities of consolidated subsidiaries Same as on the left.</p>

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)
<p>6. Amortization of goodwill Goodwill is amortized lump sum in the year in which it is recognized.</p> <p>7. _____</p> <p>8. Appropriation of retained earnings The consolidated financial statements include cash dividends declared by consolidated subsidiaries during the current fiscal year.</p> <p>9. Scope of cash and cash equivalents in statements of cash flows For the purpose of consolidated statements of cash flows, cash and cash equivalents (hereafter funds) 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. _____</p> <p>7. Amortization of goodwill Goodwill amortization is estimated for each period in which it is expected to emerge, and then equally amortized over the designated amortization period. Relatively small goodwill amounts are amortized lump sum in the year in which they are recognized, and included in the “Others” category of SG&A expenses.</p> <p>8. _____</p> <p>9. Scope of cash and cash equivalents in statements of cash flows Same as on the left.</p>

Changes in basis of the preparation of consolidated financial statements

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)
	<p>(Accounting for impairment of fixed assets) Effective from the current fiscal year, the Company has adopted “Statement of Opinion, Accounting for Impairment of Fixed Assets,” (Business Accounting Council; August 9, 2002) and “Guidance for Accounting Standards for Impairment of Fixed Assets,” (ASBJ Guidance No.6: Accounting Standards Board of Japan, October 31, 2003). As a result, “Impairment loss” totaled 35 million yen in the current fiscal year and included in “Loss on business restructuring” and “Others” under extraordinary loss. In the current fiscal year, “Loss on business restructuring” totaled 17 million yen and “Others” under extraordinary loss totaled 18 million yen. The amounts of impairment losses are directly deducted from the corresponding carrying amounts of assets, in accordance with the Revised Standards for the Preparation of Consolidated Financial Statements.</p> <p>(Accounting standard concerning presentation of net assets on balance sheets) Effective from the current fiscal year, the Company has adopted “Accounting Standard for Presentation of Net Assets on Balance Sheet” (ASBJ Statement No. 5: Accounting Standards Board of Japan, December 9, 2005) and “Accounting Standard Implementation Guidance for Presentation of Net Assets on Balance Sheet” (ASBJ Guidance No.8: Accounting Standards Board of Japan, December 9, 2005). The amount equivalent to the conventional total shareholders’ equity is 33,293 million yen. Due to this revision, net assets in the consolidated balance sheet for the current fiscal year are presented based on the Revised Standards for the Preparation of Consolidated Financial Statements.</p> <p>(Accounting standard for directors’ bonuses) Effective from the current fiscal year, the Company has adopted “Accounting Standard for Directors’ Bonuses” (ASBJ Statement No. 4: Accounting Standards Board of Japan, November 29, 2005). The effect of this change was to decrease operating, ordinary income, and earnings before income taxes by 8 million yen respectively, compared with the previous accounting method.</p> <p>(Allowance for returned goods unsold/ damaged) The Company previously accounted for losses from returned goods by deducting the actual amount from sales in the fiscal term when the goods were returned. However, given the greater impact of returned goods following the introduction of a new sales strategy to improve customer service through expanding the acceptance of returned goods, the Company has changed its accounting policy to ensure more accurate profit calculations for each fiscal term. Starting from the current fiscal year, the Company booked an allowance for losses from returned goods based on the historical returned goods rate as allowance for returned goods unsold, and an allowance for losses from returned goods damaged/discarded as allowance for returned goods damaged. The effect of this change was to decrease gross and operating income by 245 million yen, ordinary income 314 million yen, and net earnings before income taxes 678 million yen, compared with the previous accounting method.</p>

Reclassification

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)
<p>(Consolidated balance sheets)</p> <p>Effective from the current fiscal year, “Forward foreign exchange contracts”, included in “Others” under “Current liabilities” in prior periods, given that the amount has increased the materiality of impact in the context of consolidated financial statements.</p> <p>In the current fiscal year, “Forward foreign exchange contracts” totaled 1,263 million yen.</p>	—————

Supplementary information

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)
<p>(External standard taxation in the corporate income taxation)</p> <p>With the implementation of the “Revision of the Local Tax Law” (Legislation No. 9, 2003) on March 31, 2003 and the introduction from the fiscal year starting on and after April 1, 2004 of enterprise taxes which are based on the size of the enterprise, the Company has adopted “Implementation Guidance on Presentation of the Size-based Portion of Enterprise Taxes in Statements of Income” (Accounting Standard Implementation Guidance No.12, February 13, 2004) effective from the current fiscal year. Accordingly, the amount of enterprise taxes that have a tax basis on the “amount of added value” and the “amount of capital” are presented as a component of selling, general and administrative expenses.</p> <p>The effect of this change was to increase selling, general and administrative expenses by 151 million yen and decrease operating income, ordinary income and earnings before income taxes by the same amount.</p>	—————
<p>(Valuation gains/losses on forward foreign exchange contracts)</p> <p>The Company previously treated long-term forward foreign exchange contracts designed to hedge foreign exchange risk for future procurement transactions as deferred hedging. However, an increase in long-term forward foreign exchange contracts and their importance has prompted us to begin fair value valuations where appropriate starting in the current fiscal year in line with “Auditing Considerations for Comprehensive Long-Term Forward Foreign Exchange Contract Hedge Accounting” (Research Center Deliberation No. 19, Japanese Institute of Certified Public Accountants). As a result, ordinary income and earnings before income taxes increased 2,364 million yen respectively in the current fiscal year.</p>	—————

Notes

Notes to consolidated balance sheets

(Millions of yen)

FY2005 (As of Dec. 20, 2005)		FY2006 (As of Dec. 20, 2006)	
*1	The following items are applicable to non-consolidated subsidiaries and affiliates	*1	The following items are applicable to non-consolidated subsidiaries and affiliates
	Investments in securities (Equity securities) 4,217		Investments in securities (Equity securities) 5,428
	Others (Investments in capital and corporate bonds) 1		Investments in securities (Investments in capital) 107
			Others (Corporate bonds) 1
2	Loan guarantees	2	Loan guarantees
	Guarantees for loans taken out by employees from financial institutions 71		Guarantees for loans taken out by employees from financial institutions 77
*3	Class and number of shares outstanding		_____
	Common stock 54,306,332 shares		
*4	Class and number of treasury stock		_____
	Common stock 1,904,969 shares		
5	Current account overdraft and commitment line agreements	5	Current account overdraft and commitment line agreements
	To efficiently raise working capital, the Company has entered into overdraft and commitment line agreements with 12 banks. The balance of unused credit lines under these agreements as of the end of the fiscal year was as follows:		To efficiently raise working capital, the Company has entered into overdraft and commitment line agreements with 12 banks. The balance of unused credit lines under these agreements as of the end of the fiscal year was as follows:
	Current account of overdraft and commitment line 15,000		Current account of overdraft and commitment line 15,000
	Credit used 3,000		Credit used 5,000
	<hr/> Credit available 12,000		<hr/> Credit available 10,000
	Of which		Of which
	Current account of commitment line 10,000		Current account of commitment line 10,000
	Credit used -		Credit used -
	<hr/> Credit available 10,000		<hr/> Credit available 10,000
	Current account of term-loan 5,000		Current account of term-loan 5,000
	Credit used 3,000		Credit used 5,000
	<hr/> Credit available 2,000		<hr/> Credit available -

Notes to consolidated statement of income
(Millions of yen)

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)		FY2006 (Dec. 21, 2005 – Dec. 20, 2006)	
*1	Gain on sales of fixed assets	*1	Gain on sales of fixed assets
	Buildings and structures		Tools, furniture and fixtures
	8		0
	Total		Machinery equipment and vehicles
	8		0
			Total
			0
*2	Loss on sales or disposal of fixed assets	*2	Loss on sales or disposal of fixed assets
	Intangible assets		Buildings and structures
	189		47
	Buildings and structures		Tools, furniture and fixtures
	169		2
	Tools, furniture and fixtures		Machinery equipment and vehicles
	46		1
	Machinery equipment and vehicles		Total
	1		51
	Total		
	407		
	Loss on sales of fixed assets		
	Buildings and structures		
	16		
	Land		
	5		
	Total		
	22		
*3		*3	Breakdown of business restructuring losses (Direct sales business)
			Store consolidation costs
			74
			[Unprofitable store impairment loss
			17]
			Special retirement bonuses and re-employment assistance for voluntary retirees
			374
			Customer-related compliance strengthening costs
			752
			Total
			1,201
			(Direct marketing business)
			Research costs related to losses on the previous capital equipment improvement plan
			400
*4		*4	Loss on equity in earnings of affiliate Amount equivalent to provision of allowance for interest repayment compensation booked as an extraordinary loss at GE Nissen Credit Co., Ltd., an equity method affiliate.

Notes to consolidated statement of changes in shareholders' equity

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)

1. Type and number of outstanding shares and treasury stocks

	Number of shares as of Dec. 20, 2005 (Shares)	Increase during the fiscal year (Shares)	Decrease during the fiscal year (Shares)	Number of shares as of Dec. 20, 2006 (Shares)
Outstanding shares				
Common shares	54,306,332	-	-	54,306,332
Total	54,306,332	-	-	54,306,332
Treasury stock				
Common shares (see notes)	1,904,969	932,143	237,800	2,599,312
Total	1,904,969	932,143	237,800	2,599,312

Notes:

- The increase in 932,143 common shares of treasury stock resulted from the purchase of treasury stock from market (930,700 shares) and odd-lot shares (1,443 shares).
- The decline of 237,800 common shares of treasury stock resulted from the exercise of stock options.

2. Dividends

(1) Dividends payment

Resolution	Type of share	Total amount of dividend	Dividend per share	Record date	Effective date
Annual shareholders' meeting on March 15, 2006	Common shares	655 million yen	12.50 yen	Dec. 20, 2005	Mar. 16, 2006
Board meeting on July 26, 2006	Common shares	684 million yen	13.00 yen	Jun. 20, 2006	Sep. 11, 2006

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

Resolution	Type of share	Total amount of dividend	Source of funds	Dividend per share	Record date	Effective date
Annual shareholders' meeting on March 14, 2007	Common shares	517 million yen	Retained earnings	10.00 yen	Dec. 20, 2006	Mar. 15, 2007

Notes to consolidated statements of cash flows
(Millions of yen)

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)		FY2006 (Dec. 21, 2005 – Dec. 20, 2006)	
	—————	*1	Assets and liabilities of the subsidiary excluded from the consolidation due to sale of equity interest Assets and liabilities at the time of sale, value of stock sold and deduction from income related to the sale of stock of Mail & e Business Logistics Service Co., Ltd. (former Nissen Logistics Service Co., Ltd.) excluded from consolidation due to divesture of stock holding. Current assets 2,072 Fixed assets 16,377 Current liabilities (4,093) Fixed liabilities (12,400) Investment account after sales (968) <u>Gain on sales of investments in securities 1,031</u> Mail & e Business Logistics Service Co., Ltd. Sales value 2,019 <u>Cash and equivalents (75)</u> Gain (net) on sales of Mail & e Business Logistics Service's stock 1,944
*2	Reconciliation of balance sheet items to cash and cash equivalents in the consolidated statements of cash flows: Cash and deposits 6,436 Term deposits with original maturities longer than three months (10) <u>Cash and cash equivalents 6,426</u>	*2	Reconciliation of balance sheet items to cash and cash equivalents in the consolidated statements of cash flows: Cash and deposits 12,602 Term deposits with original maturities longer than three months (10) <u>Cash and cash equivalents 12,592</u>

1) Lease transactions

Accounting for lease transactions are not presented since the Company discloses its information on EDINET.

2) Securities

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)

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

(Millions of yen)

	Security	Carrying value	Market value	Unrealized gain/(loss)
Securities whose market value exceeds their carrying value	Japanese government bonds, municipal bonds etc.	94	94	0
Securities whose market value do not exceed their carrying value	Japanese government bonds, municipal bonds etc.	351	350	(0)
Total		445	445	(0)

2. Other securities with market quotations

(Millions of yen)

	FY 2005 (As of Dec. 20, 2005)		
	Acquisition cost	Carrying value	Unrealized gain/(loss)
Securities whose carrying value exceeds their acquisition cost			
(1) Equity securities	386	1,299	912
(2) Other securities	152	230	78
Subtotal	539	1,529	990
Securities whose carrying value do not exceed their acquisition cost			
(1) Equity securities	39	36	(2)
(2) Other securities	32	31	(0)
Subtotal	71	68	(2)
Total	610	1,598	987

3. Sales of other securities during fiscal year

No reportable information.

4. Securities without market quotations

Other securities

(Millions of yen)

Security	Carrying value
(1) Unlisted stock	1,119
(2) Corporate bonds	1
Total	1,120

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	-	445

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)

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

(Millions of yen)

	Security	Carrying value	Market value	Unrealized gain/(loss)
Securities whose market value exceeds their carrying value	Japanese government bonds, municipal bonds etc.	100	101	0
Securities whose market value do not exceed their carrying value	Japanese government bonds, municipal bonds etc.	445	441	(3)
Total		545	542	(2)

2. Other securities with market quotations

(Millions of yen)

	FY 2006 (As of Dec. 20, 2006)		
	Acquisition cost	Carrying value	Unrealized gain/(loss)
Securities whose carrying value exceeds their acquisition cost			
(1) Equity securities	984	1,703	718
(2) Other securities	129	177	47
Subtotal	1,114	1,880	766
Securities whose carrying value do not exceed their acquisition cost			
(1) Equity securities	31	27	(3)
(2) Other securities	55	46	(8)
Subtotal	86	74	(11)
Total	1,200	1,954	754

3. Sales of other securities during fiscal year

No reportable information.

4. Securities without market quotations

Other securities

(Millions of yen)

Security	Carrying value
(1) Unlisted stock	652
(2) Corporate bonds	1
Total	653

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 (Japanese government bonds)	35	510

3) Derivative transactions

Accounting for derivative transactions are not presented since the Company discloses its information on EDINET.

4) Retirement benefits

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)

1. Retirement benefit plans

Nissen and consolidated subsidiaries' employees (except "Nissen Lady" employees, female sales force) 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. Nissen and its domestic consolidated subsidiaries use the simple method for assessing benefit obligations.

2. Retirement benefit obligations

(Millions of yen)

	FY 2005 (As of Dec. 20, 2005)
(1) Retirement benefit obligation	154
(2) Accrued retirement benefits for employees	154

3. Components of retirement benefit expenses

(Millions of yen)

	FY 2005 (Dec. 21, 2004 - Dec. 20, 2005)
(1) Funding cost (defined-contribution pension plan)	173
(2) Service costs	29
(3) Total retirement benefit expenses	203

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

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)

1. Retirement benefit plans

Nissen and consolidated subsidiaries' employees (except "Nissen Lady" employees, female sales force) 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. Nissen and its domestic consolidated subsidiaries use the simple method for assessing benefit obligations.

2. Retirement benefit obligations

(Millions of yen)

	FY 2006 (As of Dec. 20, 2006)
(1) Retirement benefit obligation	159
(2) Accrued retirement benefits for employees	159

3. Components of retirement benefit expenses

(Millions of yen)

	FY 2006 (Dec. 21, 2005 - Dec. 20, 2006)
(1) Funding cost (defined-contribution pension plan)	180
(2) Service costs	26
(3) Total retirement benefit expenses	206

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

5) Stock options

Accounting for stock options are not presented since the Company discloses its information on EDINET.

6) Deferred tax accounting

(Millions of yen)

FY2005 (As of Dec. 20, 2005)	FY2006 (As of Dec. 20, 2006)
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-off of inventories	Loss on business restructuring
473	650
Amortization of intangible assets in excess of tax allowance maximum	Loss on write-off of inventories
329	555
Accrued enterprise tax	Amortization of intangible assets in excess of tax allowance maximum
140	318
Accrued expenses	Allowance for returned goods unsold
82	226
Accrued retirement benefits for directors and statutory auditors	Loss on write-down of investment securities
82	185
Outstanding advertisement expenses	Disallowed accrued bonuses
73	117
Accrued retirement benefits for employees	Allowance for interest repayment compensation
62	114
Loss on write-down of investment securities	Disallowed accrued social insurance premium
58	108
Amortization of telephone rights	Accrued retirement benefits for directors and statutory auditors
49	82
Others	Accrued enterprise tax
200	75
Total deferred tax assets	Allowance for doubtful receivables
<u>1,553</u>	75
	Others
(Deferred tax liabilities)	<u>360</u>
Net unrealized holding gain (loss) on securities	Deferred tax assets (subtotal)
(400)	2,869
Total deferred tax liabilities	Valuation reserve
<u>(400)</u>	<u>(1,029)</u>
Deferred tax assets- net	Total deferred tax assets
<u>1,152</u>	<u>1,840</u>
	(Deferred tax liabilities)
	Net unrealized holding gain (loss) on securities
	(306)
	Deferred hedge income
	<u>(346)</u>
	Total deferred tax liabilities
	<u>(653)</u>
	Deferred tax assets- net
	<u>1,187</u>
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	Statutory tax rate
40.6 %	40.6 %
(Adjustments)	(Adjustments)
Difference in liquidation of subsidiaries	Recognized prior-year income taxes
(5.4)%	(7.3)%
Equity in earnings (losses) of non-consolidated subsidiaries	Equity in earnings (losses) of non-consolidated subsidiaries
(5.3)%	(3.3)%
Corporation tax deduction	Corporation tax deduction
(1.6)%	(1.2)%
Per capita residential tax	Unrecognized income taxes
1.6%	23.0%
Entertainment expenses and other items not to be included in expenses indefinitely	Additional taxes
0.3%	10.0%
Others	Reversal of prior-year income taxes
<u>(0.1)%</u>	8.5%
Corporation tax rate in effect after application of deferred tax accounting	Per capita residential tax
<u>30.1%</u>	4.0%
	Entertainment expenses and other items not to be included in expenses indefinitely
	2.3%
	Others
	<u>0.6%</u>
	Corporation tax rate in effect after application of deferred tax accounting
	<u>77.2%</u>

7) Segment information

a. Business segment information

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)

(Millions of yen)

	Direct marketing business	Direct sales business	Total	Eliminations and corporate	Consolidated
1. Sales and operating income					
Net sales					
(1) Sales to third parties	134,459	31,964	166,423	-	166,423
(2) Inter-group sales and transfers	2	-	2	[2]	-
Total	134,461	31,964	166,425	[2]	166,423
Operating expenses	127,390	29,297	156,687	2,409	159,096
Operating income	7,071	2,667	9,738	[2,411]	7,327
Non-operating income (loss)	1,290	(159)	1,131	[44]	1,086
Ordinary income	8,362	2,507	10,869	[2,455]	8,414
2. Assets, depreciation, and capital expenditures					
Total assets	63,401	9,678	73,079	10,783	83,863
Depreciation and amortization	1,508	151	1,659	60	1,720
Capital expenditures	2,838	208	3,046	137	3,183

Notes:

1. The business segments of Nissen are based on operating segments.
2. Principal business segments
 - (1) Direct marketing business: The direct marketing business principally includes catalog sales, mail-order sales on consignment and insurance agency businesses
 - (2) Direct sales business: The direct sales business relates to the person-to-person selling mainly in events
3. Operating expenses in eliminations and corporate include 2,409 million yen of those not attributable. To any business segment, consisting primarily of those related to the administration division of Nissen.
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 10,783 million yen.
5. Depreciation and capital expenditure include long-term prepaid expenses and their amortization expenses.
6. The Company has added items "non-operating income (loss)" and "ordinary income" to segment information starting current fiscal year in order to show the impact from application of fair value accounting for forward foreign exchange contracts on non-operating income.

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)

(Millions of yen)

	Direct marketing business	Direct sales business	Total	Eliminations and corporate	Consolidated
1. Sales and operating income					
Net sales					
(1) Sales to third parties	127,064	27,806	154,871	-	154,871
(2) Inter-group sales and transfers	-	-	-	-	-
Total	127,064	27,806	154,871	-	154,871
Operating expenses	120,174	27,201	147,375	2,862	150,238
Operating income	6,890	605	7,495	[2,862]	4,632
Non-operating income (loss)	942	(303)	639	[43]	596
Ordinary income	7,832	302	8,134	[2,906]	5,228
2. Assets, depreciation, and capital expenditures					
Total assets	49,720	8,996	58,716	18,322	77,038
Depreciation and amortization	496	152	648	629	1,278
Capital expenditures	848	139	988	443	1,432

Notes:

1. The business segments of Nissen are based on operating segments.

Nissen revised business segment classification in the current fiscal year, Information Systems' Section, formerly part of the direct marketing business, was allocated to the head office division. Due to this change, operating income and ordinary income in the direct marketing business decreased 13 million yen and 3 million yen respectively, operating income and ordinary income in direct sales business increased 40 million yen respectively, and elimination and corporate declined 37 million yen.

2. Principal business segments

(1) Direct marketing business: The direct marketing sales business principally includes catalog sales, mail-order sales on consignment and insurance agency businesses

(2) Direct sales business: The direct sales business relates to the person-to-person selling mainly in events

3. Operating expenses in eliminations and corporate include 2,862 million yen of those not attributable. To any business segment, consisting primarily of those related to the administration division of Nissen.

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 18,322 million yen.

5. Depreciation and capital expenditure include long-term prepaid expenses and their amortization expenses.

b) Geographical segment information

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)

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

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)

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

c) Overseas sales

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)

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

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)

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

8) Related-party transactions

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)

No reportable information.

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)

No reportable information.

Per-share information

(Yen)

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)		FY2006 (Dec. 21, 2005 – Dec. 20, 2006)	
Net assets per share	660.31	Net assets per share	653.70
Net income per share (basic)	108.12	Net income per share (basic)	14.87
Net income per share (diluted)	107.55	Net income per share (diluted)	14.83

Note: Basis for calculation

1. Net assets per share

(Millions of yen)

	FY2005 (As of Dec. 20, 2005)	FY2006 (As of Dec. 20, 2006)
Total net assets on the consolidated balance sheets	-	33,847
Difference between the amounts of total net assets on the consolidated balance sheets and net assets applicable to common stock used in calculation of net assets per share	-	47
[Minority interests]	[-]	[47]
Net assets applicable to common stock	-	33,800
Number of shares outstanding (common shares)	-	54,306,332 shares
Number of treasury stock (common shares)	-	2,599,312 shares
Number of common shares used in calculation of net assets per share	-	51,707,020 shares

2. Net income per share (basic) and net income per share (diluted)

(Millions of yen)

	FY2005 (Dec. 21, 2004 – Dec. 20, 2005)	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)
Net income per share (basic)		
Net income	5,749	777
Net income not available to common shareholders Directors' bonuses	96	-
Net income available to common stock	5,653	777
Weighted average number of shares outstanding	52,284,398 shares	52,290,557 shares
Net income per share (diluted)		
Adjusted net income	-	-
[Interest on convertible bonds]	[-]	[-]
[Other commissions etc.]	[-]	[-]
Increase in the number of common shares	279,381 shares	142,235 shares
[Stock subscription rights]	[32,839 shares]	[11,267 shares]
[Stock acquisition rights]	[246,542 shares]	[130,968 shares]
[Convertible bonds]	[-]	[-]
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.	Stock Option 3 issues (Stock acquisition rights: 28,290)	Stock Option 4 issues (Stock acquisition rights: 30,180)

Subsequent events

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)
—————

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)
<p>1. Resolution on third-party allotment of shares</p> <p>The Board of Directors resolved on January 17, 2007 to issue new shares by way of a third-party allotment to Advantage Partners, LLP. (HQ: Chiyoda-ku, Tokyo; Representative Partners of the fund: Taisuke Sasanuma and Richard L. Folsom).</p> <p>The Board of Directors resolved the allotted party and allotted number of shares on January 30, 2007.</p> <p>(1) New shares to be issued: 9,110,000 common shares</p> <p>(2) Issue price: 780 yen per share</p> <p>(3) Total issue amount: 7,105,800,000 yen</p> <p>(4) Amount credited to capital: 390 yen per share</p> <p>(5) Subscription period: from February 16, 2007 to February 20, 2007</p> <p>(6) Payment date: February 20, 2007</p> <p>(7) Issue date: Payment date as stated above</p> <p>(8) Allotment grantees and number of shares THN, LLC.: 5,560,000 shares, THN Cayman, Inc.: 3,550,000 shares</p> <p>(9) Matters related to agreement for sustained ownership of the new shares The Company plans to get a commitment from the allotted party that it will immediately report and disclose the appropriate information in case it would transfer all or a portion of the allotted shares within two years of the issue date.</p> <p>(10) The above mentioned clauses will be effective upon the notification in accordance with the Securities Exchange Law.</p> <p>(11) Reason for the capital increase and planned use of the funds The Company plans to use the funds procured from the capital increase to promote M&A for medium and long-term growth of the corporate group (both the direct marketing and direct sales businesses) and to restructure established businesses (restructure the direct sales business model, improve the efficiency of business support functions, further develop the financial services business, etc.).</p> <p>(12) Number of outstanding shares before the capital increase: 54,306,332 shares</p> <p>(13) Increase in outstanding shares from capital increase: 9,110,000 shares</p> <p>(14) Number of outstanding shares following the capital increase: 63,416,332 shares</p> <p>(15) Other items The aforementioned third-party allotment of shares is subject to the decision of the allotment grantees to accept the allocation based on financial, legal, and operational due diligence of the Company conducted by Advantage Partners, LLP. There is the possibility that the third-party allotment of shares will not be implemented depending on the results of the due diligence process and future negotiations.</p>

2. Resolution on measures to prevent a major accumulation of the Company's shares

The Board of Directors resolved on January 17, 2007 to implement measures to prevent a major accumulation of the Company's shares for the purpose of a hostile takeover, in order to preserve and enhance corporate value and shareholders' wealth.

(1) Purpose of implementation

In order to preserve and enhance corporate value and shareholders' wealth, the Company will demand information beforehand concerning any major accumulation of shares by a buyer or someone proposing a buyout (hereafter collectively referred to as 'buyer') and reserves the right of the Board of Directors to acquire sufficient information and time to make a counterproposal, and to negotiate with the buyer for shareholders, before ultimately allowing shareholders to decide whether to accept the buyout or not.

(2) Targeted buyouts for countermeasures

- 1) A buyout where owners accumulates more than 20% of the shares issued by the Company
- 2) A tender offer bid where the buyer and related parties seek to accumulate more than 20% of the shares issued by the Company

(3) Concrete strategies to counter unsolicited bids

The Board of Directors will issue stock acquisition rights gratis, as stated in the Outline of Gratis Issue of Stock Acquisition Rights, as a concrete strategy to counter unsolicited bids.

Below is a description of the stock acquisition rights.

(a) Allotted shareholders

When the Board of Directors resolves to issue stock acquisition rights, it will establish an issue date for the allotment (hereafter referred to as allotment date), and each shareholder indicated in the last shareholder register or according to the entries made in the shareholder register at the allotment date, will receive one stock warrant per share owned (excluding shares owned by the Company).

(b) Type and number of shares allocated to stock acquisition rights

Each stock acquisition rights will entitle the holder to one share (unless stated otherwise) of common stock.

(c) Total number of stock acquisition rights

The maximum number of stock acquisition rights issued is limited to the total number of outstanding shares on the issue date (excluding shares owned by the Company).

(d) Payment required upon execution of stock acquisition rights

One yen must be paid for each share allotted through the exercise of stock acquisition rights.

(e) Exercise period of stock acquisition rights

The exercise period of stock acquisition rights runs for six months starting from the third week after gratis stock acquisition rights are allotted. However, if the final day of the exercise period is a holiday for financial institutions that handle payment transactions, the final day of the exercise period will be extended to the next business day.

(f) Conditions for exercising stock acquisition rights

1) Those that do not fall into any of the following categories may exercise stock acquisition rights: 1) 'specific owners of a large number of shares'; 2) 'collaborators of '1''; 3) 'specific buyers of a large number of shares'; 4) 'those with a special relationship with '3''; 5) 'those that have received on inherited stock acquisition rights from '1' or '4' above without the permission of the Board of Directors; and 6) 'those with a relationship to '1' or '5' above'. Non-residents who must go through special procedures in accordance with domestic and overseas laws cannot, in principle, exercise stock acquisition rights.

(g) Acquisition of stock acquisition rights

Persons that do not fall into categories '1' and '6' above may acquire stock acquisition rights on a date specified by the Board of Directors between the date when gratis stock acquisition rights are issued according to the Board of Directors to the end of the exercise period, through an exchange of one stock warrant for one common stock.

(h) Transfer of stock acquisition rights

The transfer of stock acquisition rights requires approval of the Board of Directors.

5. Sales and Purchases

(1) Sales

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

(Millions of yen)

Segment	Amount	YoY change (%)
Direct marketing business	127,064	94.5
Direct sales business	27,806	87.0
Total	154,871	93.1

Note: The above amounts do not include consumption taxes.

(2) Purchases

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

(Millions of yen)

Segment	Amount	YoY change (%)
Direct marketing business	60,747	91.0
Direct sales business	9,748	85.1
Total	70,496	90.1

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 Financial Results
for the Year Ended December 20, 2006
(December 21, 2005 to December 20, 2006)

Company name:	Nissen Co., Ltd.
Stock code:	8248
Stock exchange listing:	Tokyo Stock Exchange, First Section Osaka Securities Exchange, First Section
Head office:	Kyoto
URL:	http://info.nissen.jp/en
President & Representative Director:	Toshio Katayama
Contact:	Nobuyuki Ichiba, Director, Managing Executive Officer, Corporate Control
Telephone:	+81-75-682-2010
Board meeting for approving financial results:	January 30, 2007
Starting date of dividend payment:	March 15, 2007
Annual Shareholders' Meeting:	March 14, 2007
Adoption of the unit stock system:	Yes (One trading unit: 100 shares)

1. Financial Results (December 21, 2005 - December 20, 2006)

(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. 2006	151,368	(7.1)	4,391	(33.0)	4,353	(35.4)
Year ended Dec. 2005	162,917	7.7	6,559	(37.4)	6,737	(21.9)

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	YoY change (%)	Yen	Yen
Year ended Dec. 2006	346	(91.4)	6.63	6.61
Year ended Dec. 2005	4,014	(23.9)	75.19	74.79

	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	%	%	%
Year ended Dec. 2006	1.1	5.7	2.9
Year ended Dec. 2005	12.9	8.6	4.1

Notes: 1. Average number of shares outstanding

Year ended Dec. 2006: 52,290,557 shares

Year ended Dec. 2005: 52,284,398 shares

2. Changes in accounting principles applied: Yes

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

(2) Financial Position

(Amounts rounded down to million yen)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 20, 2006	73,267	31,423	42.9	607.71
As of Dec. 20, 2005	79,620	32,713	41.1	622.71

Notes: 1. Number of shares outstanding

As of Dec. 20, 2006: 51,707,020 shares

As of Dec. 20, 2005: 52,401,363 shares

2. Number of treasury stock

As of Dec. 20, 2006: 2,599,312 shares

As of Dec. 20, 2005: 1,904,969 shares

2. Forecast for the Year Ending December 20, 2007 (December 21, 2006 - December 20, 2007)

	Net sales	Operating income	Ordinary income	Net income
	Million yen	Million yen	Million yen	Million yen
Interim	78,500	2,200	1,300	700
Full year	153,800	4,900	3,600	2,100

Reference: Estimated net income per common share for the full year: 35.42 yen

Note: Nissen has estimated net income per common share for the full year assuming a paid-in date of February 20, 2007 for a third-party allocation of shares to be implemented as discussed in the "Subsequent events" section of this report.

3. Dividends

Cash dividends

	Dividend per share (Yen)			Total dividends (Million yen)	Payout ratio (%)	Dividend on equity (%)
	Interim	Year-end	Annual			
Year ended Dec. 2005	12.50	12.50	25.00	1,306	33.2	4.0
Year ended Dec. 2006	13.00	10.00	23.00	1,201	346.9	3.7
Year ending Dec. 2007 (forecast)	10.00	13.00	23.00			

* Forecasts 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. Forecasts therefore embody risks and uncertainties. Actual results may differ significantly from these forecasts for a number of factors, including but not limited to operating environment. Please refer to page 7, 8 and 10 for further information concerning these projections.

6. Non-consolidated Financial Statements

(1) Balance Sheets

(Millions of yen)

Item	*	FY2005 (As of Dec. 20, 2005)		FY2006 (As of Dec. 20, 2006)		YoY change
		Amount	%	Amount	%	Amount
Assets						
I Current assets						
1. Cash and deposits		5,713		11,605		5,891
2. Notes receivable-trade	*1	2,409		1,791		(617)
3. Account receivable-trade	*1	7,797		8,542		745
4. Merchandise		11,879		13,456		1,577
5. Accounts receivable-other		5,810		4,570		(1,239)
6. Short-term loans receivable from affiliates	*1	83		72		(10)
7. Prepaid expenses		5,908		5,510		(398)
8. Accounts receivable from affiliates	*1	7,257		8,298		1,040
9. Advance money for affiliates	*1	153		143		(9)
10. Deferred tax assets		1,003		1,674		670
11. Consumption taxes receivable		519		-		(519)
12. Forward foreign exchange contracts		4,159		4,705		546
13. Others		343		151		(192)
Allowance for doubtful receivables		(185)		(165)		20
Total current assets		52,853	66.4	60,358	82.4	7,505
II Fixed assets						
1. Property, plant and equipment						
(1) Buildings		3,559		3,543		
Accumulated depreciation		2,119	1,440	2,141	1,401	(38)
(2) Structures		73		66		
Accumulated depreciation		53	19	54	12	(7)
(3) Machinery and equipment		2		45		
Accumulated depreciation		1	0	4	41	40
(4) Automotive equipment and vehicles		22		58		
Accumulated depreciation		16	5	21	36	30
(5) Tools, furniture, and fixtures		2,598		2,767		
Accumulated depreciation		1,339	1,258	1,805	961	(297)
(6) Land			1,805		1,807	1
(7) Construction in progress			26		44	17
Total property, plant and equipment		4,558	5.7	4,305	5.9	(253)
2. Intangible assets		387	0.5	385	0.5	(1)
3. Investments and other assets						
(1) Investments in securities		2,717		2,607		(110)
(2) Affiliate stock		4,790		3,880		(910)
(3) Investments in affiliates		0		-		(0)
(4) Long-term loans receivable		4		-		(4)
(5) Long-term loans receivable from affiliates	*1	12,705		1		(12,704)
(6) Claims in bankruptcy		663		487		(176)
(7) Long-term prepaid expenses		29		36		7
(8) Lease deposits		1,063		1,137		73
(9) Deferred tax assets		67		-		(67)
(10) Others		441		564		123
Allowance for doubtful receivables		(663)		(497)		166
Total investments and other assets		21,820	27.4	8,217	11.2	(13,602)
Total fixed assets		26,767	33.6	12,909	17.6	(13,857)
Total assets		79,620	100.0	73,267	100.0	(6,352)

(Millions of yen)

Item	*	FY2005 (As of Dec. 20, 2005)		FY2006 (As of Dec. 20, 2006)		YoY change
		Amount	%	Amount	%	Amount
Liabilities						
I Current liabilities						
1. Notes payable-trade	*2	16,933		10,401		(6,531)
2. Accounts payable-trade	*2	4,995		11,915		6,920
3. Short-term bank loans	*2	1,590		700		(890)
4. Corporate bonds due within one year		500		500		-
5. Long-term loans due within one year		5,379		1,130		(4,249)
6. Accounts payable-other	*2	6,444		6,469		24
7. Accrued expenses		2,541		3,224		682
8. Income tax payable		1,556		969		(586)
9. Consumption tax payable		-		43		43
10. Advances received		311		233		(77)
11. Deposits received		467		318		(149)
12. Accounts payable- equipment		133		69		(64)
13. Deferred hedge income		1,794		-		(1,794)
14. Allowance for returned goods unsold		-		556		556
15. Allowance for returned goods damaged		-		121		121
16. Allowance for interest repayment compensation		-		282		282
17. Others		294		65		(229)
Total current liabilities		42,943	53.9	37,001	50.5	(5,941)
II Long-term liabilities						
1. Corporate bonds		500		-		(500)
2. Long-term loans from banks		3,300		4,170		870
3. Deferred tax liabilities		-		507		507
4. Accrued retirement benefits for employees		154		159		4
5. Others		8		6		(2)
Total long-term liabilities		3,963	5.0	4,843	6.6	879
Total liabilities		46,906	58.9	41,844	57.1	(5,062)
Shareholders' equity						
I Common stock	*3	7,665	9.6	-	-	-
II Capital surplus						
1. Additional paid-in capital		7,707		-		-
Total capital surplus		7,707	9.7	-	-	-
III Retained earning						
1. Legal reserves		256		-		-
2. Voluntary reserves						
Other reserves		14,800		-		-
3. Unappropriated retained earnings		4,504		-		-
Total retained earnings		19,561	24.6	-	-	-
IV Net unrealized holding gain (loss) on securities		586	0.7	-	-	-
V Treasury stock, at cost	*4	(2,807)	(3.5)	-	-	-
Total shareholders' equity		32,713	41.1	-	-	-
Total liabilities and shareholders' equity		79,620	100.0	-	-	-

(Millions of yen)

Item	*	FY2005 (As of Dec. 20, 2005)		FY2006 (As of Dec. 20, 2006)		YoY change
		Amount	%	Amount	%	Amount
Net assets						
I Shareholders' equity						
1. Common stock		-	-	7,665	10.5	-
2. Capital surplus						
(1) Additional paid-in capital		-		7,707		
Total capital surplus		-	-	7,707	10.5	-
3. Retained earnings						
(1) Legal reserves		-		256		
(2) Other retained earnings						
Special reserves		-		17,300		
Retained earnings carried forward		-		828		
Total retained earnings		-	-	18,385	25.1	-
4. Treasury stock		-	-	(3,290)	(4.5)	-
Total shareholders' equity		-	-	30,467	41.6	-
II Valuation and translation adjustments						
1. Net unrealized holding gain (loss) on securities		-	-	448	0.6	-
2. Deferred hedge gain (loss)		-	-	507	0.7	-
Total valuation and translation adjustments		-	-	955	1.3	-
Total net assets		-	-	31,423	42.9	-
Total liabilities and net assets		-	-	73,267	100.0	-

(2) Statements of Income

(Millions of yen)

Item	*	FY2005 (Dec. 21, 2004 – Dec. 20, 2005)		FY2006 (Dec. 21, 2005 – Dec. 20, 2006)		YoY change	
		Amount	%	Amount	%	Amount	
I Net sales							
1. Sales		154,239		142,834			
2. Other operating revenue		8,678	162,917	8,534	151,368	100.0	(11,548)
II Cost of sales							
1. Beginning inventories		11,596		11,879			
2. Purchases		76,502		69,813			
Sub-total		88,098		81,693			
3. Transfer to other accounts	*1	2,977		2,079			
4. Ending inventories		11,879	73,241	13,456	66,156	43.7	(7,084)
Gross profit			89,676		85,212	56.3	(4,464)
Provision of allowance for returned goods unsold			-		556	0.4	-
Reversal of allowance for returned goods unsold			-		(311)	(0.2)	-
Gross profit -net			89,676	55.0	84,966	56.1	(4,709)
III Selling, general and administrative expenses							
1. Advertising expenses		24,118		25,185			
2. Shipping expenses		372		362			
3. Sales promotion expenses		7,420		7,256			
4. Provision of allowance for doubtful receivables		420		261			
5. Salaries and allowances		13,102		12,946			
6. Bonuses		2,950		2,218			
7. Welfare expenses		2,177		2,220			
8. Telecommunication expenses		1,266		1,197			
9. Rental expenses		1,705		1,662			
10. Charges for custody and storage		64		110			
11. Depreciation expenses		821		779			
12. Commissions		26,068		23,776			
13. IT system expenses		101		-			
14. Others		2,526	83,116	2,596	80,575	53.2	(2,541)
Operating income			6,559	4.0	4,391	2.9	(2,167)
IV Non-operating income							
1. Interest income	*2	211		144			
2. Dividend income	*2	180		117			
3. Commission income		215		206			
4. Gain on valuation of forward foreign exchange contracts		2,364		1,487			
5. Miscellaneous income	*2	421	3,393	516	2,472	1.6	(921)
V Non-operating expenses							
1. Interest expense		116		76			
2. Loss on write-off of merchandise	*1	2,920		2,079			
3. Foreign exchange loss		-		9			
4. Provision of allowance for returned goods damaged		-		69			
5. Provision of allowance for interest repayment compensation		-		62			
6. Miscellaneous expenses		177	3,215	212	2,510	1.6	(704)
Ordinary income			6,737	4.1	4,353	2.9	(2,384)

(Millions of yen)

Item	*	FY2005 (Dec. 21, 2004 – Dec. 20, 2005)		FY2006 (Dec. 21, 2005 – Dec. 20, 2006)		YoY change		
		Amount	%	Amount	%	Amount		
VI Extraordinary income								
1. Gain on sales of fixed assets	*3	8		0				
2. Gain on sales of investments in securities		-		0				
3. Gain on sales of investment in affiliates		-		1,040				
4. Gain on liquidation of subsidiaries		243		-				
5. Gain on redemption of preferred equity securities		82		-				
6. Compensation income for business interruption		60		-				
7. Others		-	395	0.3	7	1,049	0.7	654
VII Extraordinary loss								
1. Loss on sales of fixed assets	*4	22		-				
2. Loss on disposal of fixed assets	*5	238		48				
3. Product disposal losses		39		-				
4. Loss on write-down of investments in securities		-		312				
5. Loss on write-down of investment in affiliates		-		163				
6. Loss on business restructuring	*6	-		1,601				
7. Prior-year provision of allowance for returned goods unsold		-		311				
8. Prior-year provision of allowance for returned goods damaged		-		52				
9. Provision of allowance for interest repayment compensation		-		220				
10. Others		75	376	0.2	0	2,710	1.8	2,334
Earnings before income taxes			6,757	4.2		2,692	1.8	(4,064)
Current income taxes		2,959			2,373			
Prior-year current income taxes		-			320			
Deferred income taxes		(216)	2,742	1.7	(348)	2,345	1.6	(397)
Net income			4,014	2.5		346	0.2	(3,667)
Retained earnings brought forward			1,320			-		
Losses on disposal of treasury stocks			178			-		
Interim dividends			651			-		
Unappropriated retained earnings			4,504			-		

(3) Statement of Appropriation of Retained Earnings and Changes in Shareholders' Equity

Statement of appropriation of retained earnings

(Millions of yen)

Item	FY2005 (March 15, 2006)	
	Amount	
I Unappropriated retained earnings		4,504
II Appropriation of retained earnings		
1. Dividends	655	
2. Bonuses to directors and statutory auditors	82	
[of which bonuses for statutory auditors]	[6]	
3. Voluntary reserves		
Special reserves	2,500	3,237
III Retained earnings carried forward		1,266

Statement of Changes in Shareholders' Equity

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)

(Millions of yen)

	Shareholders' equity								
	Common stock	Capital surplus		Legal reserves	Retained earnings			Treasury stock	Total shareholders' equity
		Additional paid-in capital	Total capital surplus		Other retained earnings		Total retained earnings		
					Special reserves	Retained earnings carried forward			
Balance as of Dec. 20, 2005	7,665	7,707	7,707	256	14,800	4,504	19,561	(2,807)	32,126
Changes in the fiscal year									
Dividend of surplus	-	-	-	-	-	(1,339)	(1,339)	-	(1,339)
Directors' bonuses	-	-	-	-	-	(82)	(82)	-	(82)
Net income	-	-	-	-	-	346	346	-	346
Special reserves	-	-	-	-	2,500	(2,500)	-	-	-
Purchases of treasury stocks	-	-	-	-	-	-	-	(834)	(834)
Disposal of treasury stocks	-	-	-	-	-	(100)	(100)	350	250
Changes (net) in items other than shareholders' equity	-	-	-	-	-	-	-	-	-
Total changes in the fiscal year	-	-	-	-	2,500	(3,675)	(1,175)	(483)	(1,659)
Balance as of Dec. 20, 2006	7,665	7,707	7,707	256	17,300	828	18,385	(3,290)	30,467

(Millions of yen)

	Valuation and translation adjustments			Total net assets
	Net unrealized holding gain (loss) on other securities	Deferred hedge gain (loss)	Total valuation and translation adjustments	
Balance as of Dec. 20, 2005	586	-	586	32,713
Changes in the fiscal year				
Dividend of surplus	-	-	-	(1,339)
Directors' bonuses	-	-	-	(82)
Net income	-	-	-	346
Special reserves	-	-	-	-
Purchases of treasury stocks	-	-	-	(834)
Disposal of treasury stocks	-	-	-	250
Changes (net) in items other than shareholders' equity	(138)	507	368	368
Total changes in the fiscal year	(138)	507	368	(1,290)
Balance as of Dec. 20, 2006	448	507	955	31,423

Significant accounting policies

<p style="text-align: center;">FY2005 (Dec. 21, 2004 – Dec. 20, 2005)</p>	<p style="text-align: center;">FY2006 (Dec. 21, 2005 – Dec. 20, 2006)</p>
<p>1. Valuation standard and method for securities</p> <p>Subsidiary and affiliate stock Equity in subsidiaries and affiliated companies is stated at cost, cost being determined by the moving-average method.</p> <p>Other securities</p> <p>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 primarily by the moving-average method.)</p> <p>Securities without market quotations Securities without market quotations are stated at cost, cost being determined by the moving-average method.</p> <p>2. Valuation standard and method for derivatives Market value method.</p> <p>3. Valuation standard and method for inventories</p> <p>Merchandise: Merchandise is stated at cost, cost being determined by the first-in first-out method.</p> <p>4. Depreciation and amortization method for tangible fixed assets</p> <p>(1) Property, plant and equipment</p> <p>Buildings (excluding fixtures): Depreciation on buildings is computed by the straight-line method.</p> <p>Others: Depreciation is computed by the declining-balance method.</p> <p>Useful life of principal assets is as follows Buildings: 2-49 years Attached structures: 2-15 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>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 normal claims based on the historical write-off ratio, and for doubtful claims based on a case-by-case determination of collectibility.</p> <p>(2) _____</p>	<p>1. Valuation standard and method for securities</p> <p>Equity in subsidiaries and affiliated companies Same as on the left.</p> <p>Other securities</p> <p>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 net assets. Cost of securities sold is determined primarily by the moving-average method.)</p> <p>Securities without market quotations Same as on the left.</p> <p>2. Valuation standard and method for derivatives Same as on the left.</p> <p>3. Valuation standard and method for inventories</p> <p>Merchandise: Same as on the left.</p> <p>4. Depreciation and amortization method for tangible fixed assets</p> <p>(1) Property, plant and equipment</p> <p>Buildings (excluding fixtures): Same as on the left.</p> <p>Others: Same as on the left.</p> <p>Useful life of principal assets is as follows Buildings: 2-49 years Attached structures: 2-15 years</p> <p>(2) Intangible assets Same as on the left.</p> <p>5. Recognition of allowances</p> <p>(1) Allowance for doubtful receivables Same as on the left.</p> <p>(2) Allowance for returned goods unsold To prepare for losses from returned goods unsold, the Company booked an allowance for returned goods unsold at the end of the fiscal year based on the historical returned goods rate.</p>

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)
(3) _____	(3) Allowance for returned goods damaged To prepare for losses from returned goods damaged/discarded, the Company booked an allowance for returned goods damaged at the end of the fiscal year based on the historical returned goods damaged rate.
(4) _____	(4) Allowance for interest repayment compensation To prepare for interest repayment compensation, the Company booked an allowance for interest repayment compensation at the end of the fiscal year. This relates to the Company's contractual obligation to provide compensation for interest repayments on loans transferred along with the sale of its credit services division to GE Nissen Credit Co., Ltd. on July 14, 2000. (Additional information) The Company booked an allowance for interest repayment compensation beginning in the current fiscal year due to greater importance following Supreme Court rulings on January 13 and January 19, 2006 regarding application of Article 43 (deemed payment regulations) of the Law Related to Restriction of the Moneylending Businesses. The Japanese Institute of Certified Public Accountants (JICPA) announced "Auditing Treatment Regarding the Booking of Allowances at Consumer Finance Companies for Losses on Interest Repayments to Borrowers" resulting from repayment claims (Committee Report No.37) on October 13, 2006 which outlined calculation methods for booking interest repayment compensation allowances and reasonable estimate periods; as a result, the Company changed its estimate methods for booking these allowances from the end of the current fiscal year, and booked extraordinary losses of 220 million yen for allowances calculated based on the JICPA report at the start of the period.
(5) Accrued retirement benefits for employees To provide for accrued employees' retirement benefits (female sales force called "Nissen Lady"), Nissen provides an allowance in the amount deemed to have accrued at the end of fiscal year based on future estimated retirement benefit obligations.	(5) Accrued retirement benefits for employees Same as on the left.
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.	6. Accounting for leases Same as on the left.
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.	7. Significant accounting policies for hedges (1) Hedge accounting method Same as on the left.
(2) Hedging instrument and the risk hedged Hedging method: Forward foreign exchange contracts Risk hedged: Foreign currency-denominated monetary liabilities.	(2) Hedging instrument and the risk hedged Same as on the left.

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)
<p>(3) Hedging policy Nissen enters into forward foreign exchange contracts, under a risk-control policy established by the Company, to reduce exposure to risks from fluctuations in foreign currency exchange.</p> <p>(4) Assessing the effectiveness of a hedge Effectiveness is assessed by ratio analysis of the sum total of cash flow fluctuation involving hedged transactions and the sum total of cash flow fluctuation involving the hedge method. 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>(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>

Changes in significant accounting policies

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)
<p style="text-align: center;">—————</p>	<p>(Accounting for impairment of fixed assets) Effective from the current fiscal year, the Company has adopted “Statement of Opinion, Accounting for Impairment of Fixed Assets,” (Business Accounting Council; August 9, 2002) and the “Guidance for Accounting Standards for Impairment of Fixed Assets,” (ASBJ Guidance No.6: Accounting Standards Board of Japan, October 31, 2003). As a result, “Impairment loss” totaled 17 million yen in the current fiscal year and was included in “Loss on business restructuring” under “Extraordinary loss”. The amounts of impairment losses are directly deducted from the corresponding carrying amounts of assets, in accordance with the Revised Standard for the Preparation of Financial Statements.</p> <p>(Accounting standard concerning presentation of net assets on balance sheets) Effective from the current fiscal year, the Company has adopted “Accounting Standard for Presentation of Net Assets on Balance Sheet” (ASBJ Statement No. 5: Accounting Standards Board of Japan, December 9, 2005) and “Accounting Standard Implementation Guidance for Presentation of Net Assets on Balance Sheet” (ASBJ Guidance No.8: Accounting Standards Board of Japan, December 9, 2005). The amount equivalent to the conventional total shareholders’ equity is 30,915 million yen. Due to this revision, net assets in the balance sheets for the current fiscal year are presented based on the Revised Standard for the Preparation of Financial Statements.</p> <p>(Accounting standard for directors’ bonuses) Effective from the current fiscal year, the Company has adopted “Accounting Standard for Directors’ Bonuses” (ASBJ Statement No. 4: Accounting Standards Board of Japan, November 29, 2005). The effect of this change is insignificant.</p> <p>(Allowance for returned goods unsold/ damaged) The Company previously accounted for losses from returned goods by deducting the actual amount from sales in the fiscal term when the goods were returned. However, given the greater impact of returned goods following the introduction of a new sales strategy to improve customer service through expanding the acceptance of returned goods, the Company has changed its accounting policy to ensure more accurate profit calculations for each fiscal term. Starting from the current fiscal year, the Company booked an allowance for losses from returned goods based on the historical returned goods rate as allowance for returned goods unsold, and an allowance for losses from returned goods damaged/discarded as allowance for returned goods damaged. The effect of this change was to decrease gross and operating income by 245 million yen, ordinary income by 314 million yen, and net earnings before income taxes by 678 million yen, compared with the previous accounting method.</p>

Reclassification

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)
<p>(Balance sheets)</p> <p>“Software,” presented as a separate account title in prior periods, is reclassified and included in “Others” under “Intangible assets” (1 million yen in the current fiscal year), given that the amount is insignificant in the context of the financial statements. In the current fiscal year, “Software” totaled 386 million yen.</p> <p style="text-align: center;">—————</p>	<p>(Balance sheets)</p> <p>“Investments in affiliates” and “Long-term loans receivable,” presented as a separate account title in prior periods, are reclassified and included in “Others” under “Investments and other assets,” given that the amounts are insignificant in the context of the financial statements. In the current fiscal year, “Investments in affiliates” totaled 0 million yen, and “Long-term loans receivable” totaled 17 million yen.</p> <p>(Statements of income)</p> <p>“IT system expenses,” presented as a separate account title in prior periods, is reclassified and included in “Others” under “Selling, general and administrative expenses,” given that the amount is insignificant in the context of the financial statements. In the current fiscal year, “IT system expenses” totaled 30 million yen.</p>

Supplementary information

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)
<p>(External standard taxation in the corporate income taxation)</p> <p>With the implementation of the “Revision of the Local Tax Law” (Legislation No. 9, 2003) on March 31, 2003 and the introduction from the fiscal year starting on and after April 1, 2004 of enterprise taxes which are based on the size of the enterprise, the Company has adopted “Implementation Guidance on Presentation of the Size-based Portion of Enterprise Taxes in Statements of Income” (Accounting Standard Implementation Guidance No.12, February 13, 2004) effective from the current fiscal year. Accordingly, the amount of enterprise taxes that have a tax basis on the “amount of added value” and the “amount of capital” are presented as a component of selling, general and administrative expenses.</p> <p>The effect of this change was to increase selling, general and administrative expenses by 132 million yen and decrease operating income, ordinary income and net earnings before income taxes by the same amount.</p> <p>(Valuation gains/losses on forward foreign exchange contracts)</p> <p>The Company previously treated long-term forward foreign exchange contracts designed to hedge foreign exchange risk for future procurement transactions as deferred hedging. However, an increase in long-term forward foreign exchange contracts and their importance has prompted us to begin fair value valuations where appropriate starting in the current fiscal year in line with “Auditing Considerations for Comprehensive Long-Term Forward Foreign Exchange Contract Hedge Accounting” (Research Center Deliberation No. 19, Japanese Institute of Certified Public Accountants). As a result, ordinary income and earnings before income taxes increased 2,364 million yen respectively in the current fiscal year.</p>	<p>—————</p>

Notes

Notes to balance sheets

(Millions of yen)

FY2005 (As of Dec. 20, 2005)		FY2006 (As of Dec. 20, 2006)	
*1	Assets for affiliates	*1	Assets for affiliates
	Notes and accounts receivable - trade		Notes and accounts receivable - trade
	4,326		5,557
	Short-term loans receivable		Short-term loans receivable
	83		72
	Long-term loans receivable		Long-term loans receivable
	12,705		1
	Accounts receivable - other		Accounts receivable - other
	7,257		8,298
	Advance payment		Advance payment
	153		143
*2	Liabilities for affiliates	*2	Liabilities for affiliates
	Notes and accounts payable - trade		Notes and accounts payable - trade
	132		42
	Short-term bank loans		Short-term bank loans
	1,590		700
	Accounts payable - other		Accounts payable - other
	1,810		1,733
*3	Number of authorized shares		_____
	Common stock		140,000,000 shares
	Class and number of shares outstanding		
	Common stock		54,306,332 shares
*4	Class and number of treasury stock		_____
	Common stock		1,904,969 shares
5	Loan guarantees	5	Loan guarantees
	Guarantees for loans taken out by employees from financial institutions		Guarantees for loans taken out by employees from financial institutions
	71		77
6	Restriction on dividends	6	_____
	Net assets increased by 1,991 million yen in consequence of market value added to the assets defined by Article 124-3 of the enforcement Ordinance of the Commercial Code of Japan.		
7	Current account overdraft and commitment line agreements	7	Current account overdraft and commitment line agreements
	To efficiently raise working capital, the Company has entered into overdraft and commitment line agreements with its 12 banks. The balance of unused credit lines under these agreements as of the end of the fiscal year was as follows:		To efficiently raise working capital, the Company has entered into overdraft and commitment line agreements with its 12 banks. The balance of unused credit lines under these agreements as of the end of the fiscal year was as follows:
	Current account of overdraft and commitment line		Current account of overdraft and commitment line
	15,000		15,000
	Credit used		Credit used
	3,000		5,000
	Credit available		Credit available
	12,000		10,000
	Of which		Of which
	Current account of commitment line		Current account of commitment line
	10,000		10,000
	Credit used		Credit used
	-		-
	Credit available		Credit available
	10,000		10,000
	Current account of term-loan		Current account of term-loan
	5,000		5,000
	Credit used		Credit used
	3,000		5,000
	Credit available		Credit available
	2,000		-

Notes to statement of income
(Millions of yen)

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)		FY2006 (Dec. 21, 2005 – Dec. 20, 2006)	
*1	Transfer from other accounts	*1	Transfer from other accounts
	Loss on write-off of merchandise 2,920		Loss on write-off of merchandise 2,079
	Others 56		
*2	Income related to affiliates 494	*2	Income related to affiliates 375
*3	Breakdown of gain on sales of fixed assets	*3	Breakdown of gain on sales of fixed assets
	<u>Buildings</u> 8		Automotive equipment and vehicles 0
	Total 8		<u>Tools, furniture, and fixtures</u> 0
			Total 0
*4	Breakdown of loss on sales of fixed assets		
	Buildings 15		
	Land 5		
	<u>Structures</u> 1		
	Total 22		
*5	Breakdown of loss on disposal of fixed assets	*5	Breakdown of loss on disposal of fixed assets
	Software 141		Buildings 40
	Buildings 58		Tools, furniture and fixtures 1
	Tools, furniture and fixtures 37		Structures 5
	<u>Leasehold rights</u> 1		<u>Machinery and equipment</u> 0
	Total 238		Total 48
		*6	Breakdown of business restructuring losses
			(Direct sales business)
			Store consolidation costs 74
			[Unprofitable store impairment loss 17]
			Special retirement bonuses and re-employment assistance for voluntary retirees 374
			Customer-related compliance strengthening costs 752
			<u>Total</u> 1,201
			(Direct marketing business)
			Research costs related to losses on the previous capital equipment improvement plan 400

Notes to statement of changes in shareholders' equity

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)

1. Type and number of outstanding shares and treasury stocks

	Number of shares as of Dec. 20, 2005 (Shares)	Increase during the fiscal year (Shares)	Decrease during the fiscal year (Shares)	Number of shares as of Dec. 20, 2006 (Shares)
Treasury stock				
Common shares (see notes)	1,904,969	932,143	237,800	2,599,312
Total	1,904,969	932,143	237,800	2,599,312

Notes: 1. The increase of 932,143 common shares of treasury stock resulted from the purchase of treasury stock from market (930,700 shares) and of odd-lot shares (1,443 shares).

2. The decline of 237,800 common shares of treasury stock resulted from the exercise of stock options.

1) Lease transactions

Accounting for lease transactions are not presented since the Company discloses its information on EDINET.

2) Securities

FY2005 (As of Dec. 20, 2005)

Subsidiaries and affiliates stocks with market quotations:

No reportable information.

FY2006 (As of Dec. 20, 2006)

Subsidiaries and affiliates stocks with market quotations:

No reportable information.

3) Deferred tax accounting

(Millions of yen)

FY2005 (As of Dec. 20, 2005)	FY2006 (As of Dec. 20, 2006)
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-off of inventories 473	Loss on business restructuring 650
Amortization of intangible assets in excess of tax allowance maximum 307	Loss on write-off of inventories 555
Accrued enterprise tax 132	Amortization of intangible assets in excess of tax allowance maximum 304
Accrued retirement benefits for directors and statutory auditors 79	Allowance for returned goods unsold 226
Outstanding advertisement expenses 73	Loss on write-down of investment securities 185
Accrued retirement benefits for employees 62	Allowance for interest repayment compensation 114
Loss on write-down of investment securities 58	Disallowed accrued bonuses 111
Amortization of telephone rights 49	Disallowed accrued social insurance premium 107
Accrued expenses 73	Accrued retirement benefits for directors and statutory auditors 79
Others 161	Loss on write-off of investment in affiliates 79
Total deferred tax assets 1,471	Allowance for doubtful receivables 74
	Accrued enterprise tax 73
(Deferred tax liabilities)	Others 272
Net unrealized holding gain (loss) on securities (400)	Deferred tax assets (subtotal) 2,834
Total deferred tax liabilities (400)	Valuation reserve (1,015)
Deferred tax assets- net 1,070	Total deferred tax assets 1,819
	(Deferred tax liabilities)
	Net unrealized holding gain (loss) on securities (306)
	Deferred hedge income (346)
	Total deferred tax liabilities (653)
	Deferred tax assets- net 1,166
2. Information on the difference between the statutory and effective tax rates is not presented since the difference between the statutory tax rate and the effective tax rate was less than 5/100.	2. Significant sources of difference between statutory and effective tax rates
	Statutory tax rate 40.6 %
	(Adjustments)
	Recognized prior-year income taxes (8.7)%
	Corporation tax deduction (1.0)%
	Unrecognized income taxes 27.2%
	Additional taxes 11.9%
	Reversal of prior-year income taxes 10.4%
	Per capita residential tax 4.6%
	Entertainment expenses and other items not to be included in expenses indefinitely 2.4%
	Others (0.3)%
	Corporation tax rate in effect after application of deferred tax accounting 87.1%

Per-share information

(Yen)

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)		FY2006 (Dec. 21, 2005 – Dec. 20, 2006)	
Net assets per share	622.71	Net assets per share	607.71
Net income per share (basic)	75.19	Net income per share (basic)	6.63
Net income per share (diluted)	74.79	Net income per share (diluted)	6.61

Note: Basis for calculation

1. Net assets per share

(Millions of yen)

	FY2005 (As of Dec. 20, 2005)	FY2006 (As of Dec. 20, 2006)
Total net assets on the balance sheets	-	31,423
Difference between the amounts of total net assets on the balance sheets and net assets applicable to common stock used in calculation of net assets per share	-	-
Net assets applicable to common stock	-	31,423
Number of shares outstanding (common shares)	-	54,306,332 shares
Number of treasury stock (common shares)	-	2,599,312 shares
Number of common share used in calculation of net assets per share	-	51,707,020 shares

2. Net income per share (basic) and net income per share (diluted)

(Millions of yen)

	FY2005 (Dec. 21, 2004 – Dec. 20, 2005)	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)
Net income per share (basic)		
Net income	4,014	346
Net income not available to common shareholders Directors' bonuses	82	-
Net income available to common stock	3,931	346
Weighted average number of shares outstanding	52,284,398 shares	52,290,557 shares
Net income per share (diluted)		
Adjusted net income	-	-
[Interest on convertible bonds]	[-]	[-]
[Other commissions etc.]	[-]	[-]
Increase in the number of common shares	279,381 shares	142,235 shares
[Stock subscription rights]	[32,839 shares]	[11,267 shares]
[Stock acquisition rights]	[246,542 shares]	[130,968 shares]
[Convertible bonds]	[-]	[-]
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.	Stock Option 3 issues (Stock acquisition rights: 28,290)	Stock Option 4 issues (Stock acquisition rights: 30,180)

Subsequent events

FY2005 (Dec. 21, 2004 – Dec. 20, 2005)
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FY2006 (Dec. 21, 2005 – Dec. 20, 2006)
<p>1. Resolution on third-party allotment of shares</p> <p>The Board of Directors resolved on January 17, 2007 to issue new shares by way of a third-party allotment to Advantage Partners, LLP. (HQ: Chiyoda-ku, Tokyo; Representative Partners of the fund: Taisuke Sasanuma and Richard L. Folsom).</p> <p>The Board of Directors resolved the allotted party and allotted number of shares on January 30, 2007.</p> <p>(1) New shares to be issued: 9,110,000 common shares</p> <p>(2) Issue price: 780 yen per share</p> <p>(3) Total issue amount: 7,105,800,000 yen</p> <p>(4) Amount credited to capital: 390 yen per share</p> <p>(5) Subscription period: from February 16, 2007 to February 20, 2007</p> <p>(6) Payment date: February 20, 2007</p> <p>(7) Issue date: Payment date as stated above</p> <p>(8) Allotment grantees and number of shares THN, LLC.: 5,560,000 shares, THN Cayman, Inc.: 3,550,000 shares</p> <p>(9) Matters related to agreement for sustained ownership of the new shares The Company plans to get a commitment from the allotted party that it will immediately report and disclose the appropriate information in case it would transfer all or a portion of the allotted shares within two years of the issue date.</p> <p>(10) The above mentioned clauses will be effective upon the notification in accordance with the Securities Exchange Law.</p> <p>(11) Reason for the capital increase and planned use of the funds The Company plans to use the funds procured from the capital increase to promote M&A for medium and long-term growth of the corporate group (both the direct marketing and direct sales businesses) and to restructure established businesses (restructure the direct sales business model, improve the efficiency of business support functions, further develop the financial services business, etc.).</p> <p>(12) Number of outstanding shares before the capital increase: 54,306,332 shares</p> <p>(13) Increase in outstanding shares from capital increase: 9,110,000 shares</p> <p>(14) Number of outstanding shares following the capital increase: 63,416,332 shares</p> <p>(15) Other items The aforementioned third-party allotment of shares is subject to the decision of the allotment grantees to accept the allocation based on financial, legal, and operational due diligence of the Company conducted by Advantage Partners, LLP. There is the possibility that the third-party allotment of shares will not be implemented depending on the results of the due diligence process and future negotiations.</p>

2. Resolution on measures to prevent a major accumulation of the Company's shares

The Board of Directors resolved on January 17, 2007 to implement measures to prevent a major accumulation of the Company's shares for the purpose of a hostile takeover, in order to preserve and enhance corporate value and shareholders' wealth.

(1) Purpose of implementation

In order to preserve and enhance corporate value and shareholders' wealth, the Company will demand information beforehand concerning any major accumulation of shares by a buyer or someone proposing a buyout (hereafter collectively referred to as 'buyer') and reserves the right of the Board of Directors to acquire sufficient information and time to make a counterproposal, and to negotiate with the buyer for shareholders, before ultimately allowing shareholders to decide whether to accept the buyout or not.

(2) Targeted buyouts for countermeasures

- 1) A buyout where owners accumulate more than 20% of the shares issued by the Company
- 2) A tender offer bid where the buyer and related parties seek to accumulate more than 20% of the shares issued by the Company

(3) Concrete strategies to counter unsolicited bids

The Board of Directors will issue stock acquisition rights gratis, as stated in the Outline of Gratis Issue of Stock Acquisition Rights, as a concrete strategy to counter unsolicited bids.

Below is a description of the stock acquisition rights.

(a) Allotted shareholders

When the Board of Directors resolves to issue stock acquisition rights, it will establish an issue date for the allotment (hereafter referred to as allotment date), and each shareholder indicated in the last shareholder register or according to the entries made in the shareholder register at the allotment date, will receive one stock warrant per share owned (excluding shares owned by the Company).

(b) Type and number of shares allocated to stock acquisition rights

Each stock acquisition rights will entitle the holder to one share (unless stated otherwise) of common stock.

(c) Total number of stock acquisition rights

The maximum number of stock acquisition rights issued is limited to the total number of outstanding shares on the issue date (excluding shares owned by the Company).

(d) Payment required upon execution of stock acquisition rights

One yen must be paid for each share allotted through the exercise of stock acquisition rights.

(e) Exercise period of stock acquisition rights

The exercise period of stock acquisition rights runs for six months starting from the third week after gratis stock acquisition rights are allotted. However, if the final day of the exercise period is a holiday for financial institutions that handle payment transactions, the final day of the exercise period will be extended to the next business day.

(f) Conditions for exercising stock acquisition rights

1) Those that do not fall into any of the following categories may exercise stock acquisition rights: 1) 'specific owners of a large number of shares'; 2) 'collaborators of '1''; 3) 'specific buyers of a large number of shares'; 4) 'those with a special relationship with '3''; 5) 'those that have received on inherited stock acquisition rights from '1' or '4' above without the permission of the Board of Directors; and 6) 'those with a relationship to '1' or '5' above'. Non-residents who must go through special procedures in accordance with domestic and overseas laws cannot, in principle, exercise stock acquisition rights.

(g) Acquisition of stock acquisition rights

Persons that do not fall into categories '1' and '6' above may acquire stock acquisition rights on a date specified by the Board of Directors between the date when gratis stock acquisition rights are issued according to the Board of Directors to the end of the exercise period, through an exchange of one stock warrant for one common stock.

(h) Transfer of stock acquisition rights

The transfer of stock acquisition rights requires approval of the Board of Directors.

FY2006

(Dec. 21, 2005 – Dec. 20, 2006)

3. Resolutions on a shift to a pure holding company system through corporate divestiture, and a change in the company name
The Board of Directors resolved on January 22, 2007 to place the direct marketing business and direct sales business under the Company's new wholly-owned subsidiary Nissen Co., Ltd. effective June 21, 2007.

(1) Purpose of the shift to a pure holding company system through corporate divestiture

The Group's medium-term business vision is to become a corporate group that offers lifestyle suggestions to meet each individual customer's ideal. To achieve this vision, the Company has decided to shift to a pure holding company system to strengthen the group growth strategy, corporate governance, and management-level human resources.

Following the shift to the new system, the pure holding company will be in charge of generally increasing group value, and specifically formulating a group growth strategy, designing a group portfolio, developing new businesses through M&A, and overseeing group management. Nissen Co., Ltd., the core business company, will focus on business execution and rapidly reforming the profit structure of the existing direct marketing and direct sales businesses.

(2) Overview of corporate divestiture

(a) Schedule of corporate divestiture

Board of Directors resolution on the corporate divestiture: January 22, 2007

Approval of corporate divestiture at the Annual Shareholders Meeting: March 14, 2007 (tentative)

Execution of corporate divestiture: June 21, 2007 (tentative)

(b) Method of corporate divestiture

1) Method of corporate divestiture

The Company will become the divested company, and businesses will be transferred to the newly established company Nissen Co., Ltd. The Company will hold all the shares of the newly established company in this corporate divestiture.

2) Reason for choosing the above method of corporate divestiture

The Company chose to have the existing businesses transferred to the newly established company to promote an efficient and smooth shift to a pure holding company system.

(c) Decline in capital from the corporate divestiture

No reportable information.

(d) Treatment of stock acquisition rights and bonds with stock acquisition rights of the divested company

The Company has issued stock subscription rights and stock acquisition rights to directors and employees, and their treatment will not change after the corporate divestiture.

(e) Rights and obligations succeeded to by the newly established company

The newly established company will succeed, effective the corporate divestiture date, to the Company's balance sheet and other items as of December 20, 2006, plus any change in the assets, liabilities, credits, employment contracts, and other rights and obligations (including contractual position) of businesses up through the day before the corporate divestiture date. However, it will not succeed to the real estate, subsidiary and affiliate stocks, or other shares owned by the Company. Debts will be handled based on the overlapping debt method.

(f) Outlook on fulfillment of debt obligations

The Company does not expect it or the newly established company to have a problem fulfilling debt obligations. The Company will acquire new stock in the newly established company in line with divested net assets, the newly established company will succeed to more assets than liabilities from the Company, and the earnings situation is unlikely to be a problem for the newly established company to fulfill its debt obligations.

FY2006
(Dec. 21, 2005 – Dec. 20, 2006)

(3) Overview of corporate divestiture

Item	Divested company (As of September 20, 2006)	Newly established company (scheduled for June 21, 2007)
(1) Company name	Nissen Co., Ltd. (Note 1)	Nissen Co., Ltd.
(2) Main business	Direct marketing business/Direct sales business	Direct marketing business/Direct sales business
(3) Established	April 10, 1970	June 21, 2007
(4) Head office	18 Hainobori-nakamachi, Kisshoin, Minami-ku, Kyoto, Japan	18 Hainobori-nakamachi, Kisshoin, Minami-ku, Kyoto, Japan
(5) Representative	Toshio Katayama, President and Representative Director	Toshio Katayama, President and Representative Director
(6) Paid-in capital	7,665 million yen	100 million yen
(7) Outstanding shares	54,306,000 shares	2,000 shares
(8) Net assets	32,487 million yen	14,999 million yen (Note 2)
(9) Total assets	72,812 million yen	46,532 million yen (Note 2)
(10) Fiscal year end	December 20	December 20

Note 1: The company name is scheduled to change to Nissen Holdings Co., Ltd. effective June 21, 2007.

Note 2: Net assets and total assets of the newly established company are forecasted based on the non-consolidated figures of the current company as of September 20, 2006.

(4) Overview of divested company

(a) Business content of divested company

Direct marketing business, direct sales business, and all other businesses operated by the Company. The divestiture does not include businesses of subsidiaries, or subsidiary management operations.

(b) Performance of divested company

(Millions of yen)

	Divested divisions (A) (FY2005)	The Company (before divestiture) (B) (FY2005)
Net sales	162,917	162,917
Gross profit	89,676	89,676
Operating income	6,559	6,559
Ordinary income	6,737	6,737

(c) Divested assets and liabilities (as of September 20, 2006)

(Millions of yen)

Item	Assets	Item	Liabilities
	Carrying value		Carrying value
Current assets	44,675	Current liabilities	31,368
Fixed assets	1,857	Long-term liabilities	164
Total	46,532	Total	31,532

Note: Asset and liability figures are based on the balance sheet as of September 20, 2006, and may differ upon divestiture.

FY2006

(Dec. 21, 2005 – Dec. 20, 2006)

(5) Overview of newly established company (plan)

(a) Company name

Nissen Co., Ltd.

(b) Main business

Direct marketing business (Sales of apparel, mainly women's apparel, home interior goods, Japanese accessories and other merchandise and non-life insurance agency business), and Youbist business (Sales at exhibitions and door-to-door sales of jewelry, kimonos, furs, and household products, sewing and repair, apparel rental and other services)

(c) Head office

18 Hainobori-nakamachi, Kisshoin, Minami-ku, Kyoto, Japan

(d) Paid-in capital

0.1 billion yen

(e) Fiscal year end

December 20

(6) Change in company name

The Board of Directors resolved at a meeting to change the company name, effective June 21, 2007, as follows.

The name change is conditioned on approval of a revision to the articles of incorporation at the Annual Shareholders Meeting scheduled for March 14, 2007.

(a) New company name

Nissen Holdings Co., Ltd.

(b) Date of revision

June 21, 2007

(c) Reason for revision

In line with a shift to a pure holding company system.

(7) Listed company following the divestiture

(a) Company name

Nissen Holdings Co., Ltd. (to be changed effective June 21, 2007)

(b) Main business

Pure holding company in charge of group management strategy formulation and promotion, and general management oversight

(c) Head office

18 Hainobori-nakamachi, Kisshoin, Minami-ku, Kyoto, Japan

(d) Representative

Toshio Katayama, President and Representative Director

(e) Paid-in capital

No change in capital from the divestiture.

(f) Fiscal year end

December 20

7. Management Changes

(1) Changes in Representative Director

No reportable information.

(2) Change in Other Directors

Nissen plans to propose the following changes in directors to the Annual General Meeting of Shareholders to be held on March 14, 2007.

1. Candidates for directors

Position	Name
Director (non-permanent)	Takeshi Isokawa
Director (non-permanent)	Akira Iwamoto

Note: Candidates Mr. Isokawa and Mr. Iwamoto are external directors prescribed in Article 2-15 of the Company Act.

2. Retiring directors (effective on February 6, 2007)

Nissen announced following director changes on November 16, 2006.

Position	Name
Director (non-permanent)	Akio Sato
Director (non-permanent)	Hideo Aomatsu

** 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.*