nissen GROUP
LIGHT UP YOUR LIFE

February 4, 2008

Financial Results for the Fiscal Year Ended December 20, 2007
(December 21, 2006 to December 20, 2007)

Company name: **Nissen Holdings Co., Ltd.** Stock exchange listing: TSE and OSE, First Section
Stock code: 8248 URL: http://info.nissen.co.jp/en
Representative: Toshio Katayama, President & Representative Director
Contact: Nobuyuki Ichiba,
Director, Managing Executive Officer, Corporate Control Telephone: +81-75-682-2010
Scheduled date of annual shareholders' meeting: March 18, 2008
Starting date of dividend payment: March 19, 2008
Scheduled date of filing Annual Security Report: March 19, 2008

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results (December 21, 2006 - December 20, 2007)

(1) Consolidated results of operations

(Percentages for net sales, operating income, ordinary income, and net income represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended December 2007	152,997	(1.2)	4,508	(2.7)	(2,022)	-	(3,144)	-
Year ended December 2006	154,871	(6.9)	4,632	(36.8)	5,228	(37.9)	777	(86.5)

	Net income per share (basic)	Net income per share (diluted)	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended December 2007	(53.03)	-	(9.1)	(2.7)	2.9
Year ended December 2006	14.87	14.83	2.3	6.5	3.0

Reference: Equity in earnings of affiliates (million yen) Dec. 2007: (2,365) Dec. 2006: 264

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 20, 2007	72,371	35,186	48.6	578.23
As of Dec. 20, 2006	77,038	33,847	43.9	653.70

Reference: Shareholders' equity (million yen) Dec. 2007: 35,169 Dec. 2006: 33,800

(3) Consolidated cash flow position

	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 December 2007	(4,792)	(5,165)	4,373	6,924
Year ended December 2006	14	11,819	(5,765)	12,592

2. Dividends

	Dividend per share			Total dividends (Annual)	Payout ratio (Consolidated)	Dividend on equity (Consolidated)
Record date	Interim	Year-end	Annual			
	Yen	Yen	Yen	Million yen	%	%
Year ended Dec. 2006	13.00	10.00	23.00	1,201	154.7	3.5
Year ended Dec. 2007	10.00	13.00	23.00	1,398	-	3.7
Year ending Dec. 2008 (forecast)	11.50	11.50	23.00	-	66.6	-

3. Consolidated Forecasts for the Fiscal Year Ending December 20, 2008 (December 21, 2007 - December 20, 2008)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	80,700	2.9	2,400	27.7	1,680	-	1,170	-	19.24
Full year	160,000	4.6	4,600	2.0	3,100	-	2,100	-	34.53

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly added: 1 (Nissen Co., Ltd.)

Note: Please refer to "2. The Nissen Group of Companies" on page 8 for further information.

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

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

Note: Please refer to "4. Consolidated Financial Statements, Changes in significant accounting policies in the preparation of consolidated financial statements" on page 23 for further information.

(3) Number of shares outstanding (common shares)

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

Dec. 2007: 63,416,332 shares Dec. 2006: 54,306,332 shares

2) Number of treasury stock at end of period

Dec. 2007: 2,593,385 shares Dec. 2006: 2,599,312 shares

Note: Please refer to "4. Consolidated Financial Statements, Per-share information" on page 28 for the number of shares used in calculating consolidated net income per share.

(Reference) Summary Non-consolidated Financial Results

1. Non-consolidated Financial Results (December 21, 2006 - December 20, 2007)

(1) Non-consolidated results of operations *(Percentages represent year-on-year changes)*

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended December 2007	79,564	(47.4)	2,301	(47.6)	1,674	(61.5)	(75)	-
Year ended December 2006	151,368	(7.1)	4,391	(33.0)	4,353	(35.4)	346	(91.4)

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Year ended December 2007	(1.27)	-
Year ended December 2006	6.63	6.61

Note: FY2007 non-consolidated results differed significantly from FY2006 results because Nissen Holdings was split and shift to a pure holding company structure on June 21, 2007.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 20, 2007	43,240	36,603	84.7	601.80
As of Dec. 20, 2006	73,267	31,423	42.9	607.71

Reference: Shareholders' equity (million yen) Dec. 2007: 36,603 Dec. 2006: 31,423

* Cautionary statement with respect to forward-looking statements

The above forecasts are based on judgments made in accordance with information currently available. Forecasts therefore embody risks and uncertainties. Actual figures may differ from these forecasts for a number of factors, including but not limited to Nissen Holdings and all Nissen Group's operation environment. Please refer to "1. Results of Operations, (1) Analysis of Results of Operations, 2) FY2008 forecasts" on page 4 for further information concerning these forecasts.

1. Results of Operations

(1) Analysis of Results of Operations

1) Summary of the fiscal year

The Japanese economy remained on a steady recovery path in FY2007 thanks to an increase in capital spending on the back of rising corporate profits, and improvements in the labor market. However, the outlook became uncertain due to surging crude oil and raw materials prices, turmoil in domestic and overseas financial markets triggered by the US subprime mortgage crisis, and concerns over economic deterioration. The business environment in the retail industry, in which the Nissen Group operates, remained severe as personal consumption failed to fully recover, and competition within the sector heated up.

In this economic environment, the Nissen Group moved forward with implementing various policies, based on its core strategy of promoting group management centered on database marketing, to achieve the goals of its medium-term business plan "Nissen Vision 2009" (consolidated net income of 5,200 million yen), and make Nissen a corporate group that offers suggestions for each individual customer's ideal lifestyle. As a part of these efforts, the Nissen Group worked to revitalize its brand image to attract new customers and improve the loyalty of existing customers under a new branding strategy implemented from April 2007. Also, it moved to a pure holding company structure from June 2007 as a first step to achieving effective group management.

Regarding specific businesses, benefits have begun to emerge in the direct marketing business centered on catalogs and Internet shopping, thanks to the implementation of various action plans in the fiscal year, but the direct sales business, and the finance business operated by an affiliate, were both negatively and severely impacted by dramatic changes in consumer trends, and the revisions to related laws. The Nissen Group restructured the direct sales business by consolidating the branch network through the closure of unprofitable sales branches, and by optimizing the size of the workforce. Also, it focused on implementing a low-cost management plan to reduce company-wide costs.

As a result, net sales for the current fiscal year decreased by 1,873 million yen or 1.2% year-over-year to 152,997 million yen, operating income decreased by 123 million yen or 2.7% to 4,508 million yen, and ordinary income decreased by 7,251 million yen to minus 2,022 million yen. Net loss totaled 3,144 million yen, minus 3,922 million yen year-over-year.

Direct marketing business

Overall growth in the direct marketing industry continued to expand, as growth in Internet (including mobile) based sales, as well as television shopping sales.

In the direct marketing business, the number of target customers set in the catalog sales significantly declined at the start of the fiscal year due to a drop in active customers resulted from the last year's pricing policy; however, the Nissen Group revised its pricing strategy and enhanced its lineup of reasonably priced products starting from the spring catalog, and actively worked to expand Internet-based sales. Due to these strategies, the total number of active customers recovered to year-ago levels from May, and consolidated sales exceeded last year's level. In terms of costs, although the cost rate and the fulfillment cost ratio increased slightly over year-ago levels due to pricing strategy revisions, operating income increased due to reductions in fixed marketing costs (catalog costs) through the promotion of low-cost management.

GE Nissen Credit Co., Ltd., an equity-method affiliate of Nissen Holdings, in charge of the finance business in the direct marketing business segment, booked a large net loss for the current fiscal year due to an increase in allowance for doubtful receivables resulting from an increase in uncollectible operating loans, additional reserves for overcharged interest repayment, and dissolution of deferred tax assets. Consequently the Nissen Group booked equity in losses of affiliates in GE Nissen Credit as a non-operating expense item in the current fiscal year. Also, the Nissen Group took long-term forward foreign exchange contracts to hedge foreign exchange rate volatility for purchasing imports in the direct marketing business, and mark-to-market losses were booked as a non-operating expense item.

As a result, segment sales for the current fiscal year increased by 3,418 million yen, or 2.7% year-over-year to 130,482 million yen, operating income increased by 1,463 million yen or 21.2% to 8,353 million yen, but ordinary income declined by 5,650 million yen or 72.1% to 2,182 million yen.

Direct sales business

In the direct sales business, results were weaker than initially forecast due to continued contraction of the *kimono* market, the mainstay product line of this business segment, and voluntary sales restraint from stronger internal compliance policies. However, the Nissen Group consolidated its sales branches by closing over half, optimized the workforce, and reformed its earnings structure through fixed cost cutting, to improve the situation.

Due to the above factors, segment sales for the current fiscal year decreased by 5,291 million yen or 19.0% year-over-year to 22,515 million yen, operating income decreased by 1,618 million yen to minus 1,012 million yen, and ordinary income declined by 1,598 million yen to minus 1,296 million yen.

2) FY2008 forecasts

The Nissen Group intends to continue strengthening the Group's overall growth strategy, based on a core strategy of promoting group management centered on database marketing, by dynamically reforming the business structure and earnings structure, and actively developing new businesses through M&A and other methods. Also, the Nissen Group endeavors to expand sales, and recover the support of customers, through implementation of the following measures in each business segment.

Direct marketing business

In the direct marketing business, the Nissen Group aims to focus on three core policies this fiscal year: 1) further increasing active customer numbers; 2) expanding Internet-based sales; and 3) thoroughly implementing low-cost management. Specific measures to achieve these policies include enhancing the lineup of competitively priced products in the collective catalog, operating Internet websites that focus on specialized product categories, developing unique products for each Internet website, and reducing fixed marketing costs (catalog costs).

Also, the Nissen Group will actively develop new high-profit businesses for the future, including Internet-based sales, mobile-based sales, and the sale of beauty products, and expand its BtoB Internet advertising business.

GE Nissen Credit Co., Ltd., the finance business unit in the direct marketing business segment, booked additional reserves for losses from repayment of overcharged interest, and also made a one-off booking of reserves for overcharged interest repayments for all recoverable loans with interest rates above the legal limit, as it reduced the maximum interest rate charged to new customers to the new legal limit starting from January 2008. This was a large first step toward establishing a viable business model following the abolishment of so-called gray zone interest rates, and while it is difficult to project with accuracy future requests for repayment of overcharged interests, the Nissen Group believes it has adequately dealt with risks in this problem.

Direct sales business

As mentioned earlier, the environment remains difficult for the direct sales business, while the Nissen Group will continue fixed-cost reduction efforts to ensure a profitable framework, it will also pursue business quality improvement with respect to such as products, services and events and in realizing operational improvements as suggested by customers.

The Nissen Group will enhance employee education concerning compliance, review the business's sales posture and structure from the viewpoint of customers so they can feel secure purchasing Nissen products, in order to achieve profitability and improve earnings. The Group also looks to reform the business structure over the medium- to long-term. It will not only engage in heretofore "push-based" exhibition sales leveraging customer lists from the direct marketing business, but will pursue "pull-based" sales at brick-and-mortar brand outlets, and increase communications and sales channels through the issue of jewelry catalog and a *kimono* catalog.

Consolidated forecast *(Millions of yen)*

	Amount	YoY change, %
Net sales	160,000	4.6
Operating income	4,600	2.0
Ordinary income	3,100	-
Net income	2,100	-

Nissen Holdings has omitted non-consolidated forecasts because of the shift to a pure holding company structure from June 21, 2007.

Based on an assumption of average U.S. dollar exchange rate of 108 yen for FY2008 forecasts, a 1-yen change in the U.S. dollar-yen exchange rate has an estimated impact of 10 million yen on cost of sales.

The Nissen Group has introduced fair value accounting for long-term forward foreign exchange contracts, and assumes valuation gains/losses of 0 yen at the end of the fiscal year. However, results could differ significantly, depending on balance of long-term forward foreign exchange contracts and U.S. dollar-yen spot exchange rate at the end of FY2008 as well as differences in U.S.-Japan interest rates.

3) Progress in achieving medium-term business plan targets

The Nissen Group has formulated a medium-term business plan "Nissen Vision 2009" which targets consolidated sales of 182,400 million yen, consolidated ordinary income of 8,700 million yen, consolidated net income of 5,200 million yen, and ROE of 10.8%, by FY2009. The business environment for the direct sales and finance businesses has changed since the plan was formulated, but the Nissen Group has already implemented measures to reform these businesses, and it will work as one to aggressively implement its business growth strategy and reform earnings and business structures to achieve the plan's final targets.

(2) Analysis of Financial Position

1) Assets, liabilities and net assets *(Millions of yen)*

	FY2006	FY2007
Total assets	77,038	72,371
Total liabilities	43,191	37,184
Net assets	33,847	35,186
Equity ratio (%)	43.9	48.6
Net assets per share (yen)	653.70	578.23

Note: Number of shares outstanding on a consolidation basis

FY2007: 60,822,947 shares

FY2006: 51,707,020 shares

The above numbers of outstanding shares exclude treasury stock.

Total assets at the end of the current fiscal year decreased 4,667 million yen from the end of the previous fiscal year to 72,371 million yen. The main factors were decreases in cash and deposits, forward foreign exchange contracts, and investments in securities.

Total liabilities decreased 6,006 million yen to 37,184 million yen. The main factors were decreases in notes and accounts payable – trade and interest-bearing liabilities.

Net assets increased 1,338 million yen to 35,186 million yen. The main factors were a decrease in retained earnings due to a decline in net income and the payment of dividends, and increases in common stock and capital surplus due to the new share issuance.

2) Cash flow position

Cash flow in the current fiscal year was as follows:

(Millions of yen)

	FY2006	FY2007	YoY change
Net cash provided by (used in) operating activities	14	(4,792)	(4,807)
Net cash provided by (used in) investment activities	11,819	(5,165)	(16,984)
Net cash provided by (used in) financing activities	(5,765)	4,373	10,193
Effect of exchange rate changes on cash and cash equivalents	(14)	(28)	(13)
Increase (decrease) in cash and cash equivalents	6,053	(5,612)	(11,666)
Increase (decrease) in cash and cash equivalents due to change in the number of consolidated subsidiaries	112	(55)	(168)
Cash and cash equivalents at end of year	12,592	6,924	(5,668)

Cash and cash equivalents at the end of the current fiscal year decreased 5,668 million yen from the end of the previous fiscal year to 6,924 million yen.

Net cash used in operating activities was 4,792 million yen. The main factors were loss before income taxes and minority interests and a decrease in notes and accounts receivable.

Net cash used in investing activities was 5,165 million yen. The main factors were payments for business acquisition, purchase of fixed assets, and acquisition of investments in securities.

Net cash provided by financing activities was 4,373 million yen. The main factors were 7,105 million yen in proceeds from the issue of new share, with repayment of long-term bank loans, outlays for the redemption of corporate bonds, and dividend payment on the other hand.

3) Cash flow indices

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

	FY2006	FY2007
Shareholders' equity ratio (%)	43.9	48.6
Shareholders' equity ratio based on market prices (%)	44.2	57.1
Debt to annual cash flow (years)	404.5	-
Interest coverage ratio (times)	0.2	-

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

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 Nissen stock 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 stated on the balance sheets that incur interests.
4. Operating cash flow and interest payment: those as represented on the statement of cash flows.
5. Negative figures are denoted by a hyphen mark.

4) Cash flow prospects for the next fiscal year

a. Expects 2,600 million yen in cash from operating activities.

Nissen Holdings plans 3,000 million yen in earnings before income taxes and minority interests, 930 million yen in depreciation, 1,010 million yen of equity in earnings of affiliates and income tax payment of 180 million yen.

b. Expects to use 5,050 million yen in cash for investing activities.

Nissen Holdings plans to invest 2,800 million yen in IT equipment and software, and 1,600 million yen of payment for the construction of an office building.

c. Expects to use 1,850 million yen in cash for financing activities

Nissen Holdings plans to pay 1,490 million yen for dividends, proceeds from long-term bank loans of 5,000 million yen and 1,660 million yen in repayment of long-term bank loans.

5) Changes expected in the financial position after FY2007

No reportable information.

(3) Fundamental policy regarding distribution of earnings and dividends for the current and next fiscal years

The Nissen Group's fundamental policy is to distribute earnings in line with operating results. While the Nissen Group aims to achieve a shareholders' equity ratio of 50% and a dividend payout ratio of 30%, it also works to maintain stable finances to improve its operational base and shareholder value over the medium term. 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. The Nissen Group will also work flexibly and efficiently to improve shareholder value by purchasing outstanding shares for treasury stock, and thereby, strives to keep providing a stable 35% return to shareholders, including dividends.

Based on the aforementioned policy, the Nissen Group plans to pay a full-year dividend of 23 yen per share in FY2007, composed of a 10-yen interim dividend and a 13-yen year-end dividend.

It also plans to pay a full-year dividend of 23 yen per share in FY2008, composed of an 11.50-yen interim dividend and an 11.50-yen year-end dividend.

2. The Nissen Group of Companies

The Nissen Group moved to a pure holding company structure on June 21, 2007, and consists of Nissen Holdings Co., Ltd., 16 subsidiaries, and five affiliates, involved primarily in the direct marketing and direct sales businesses.

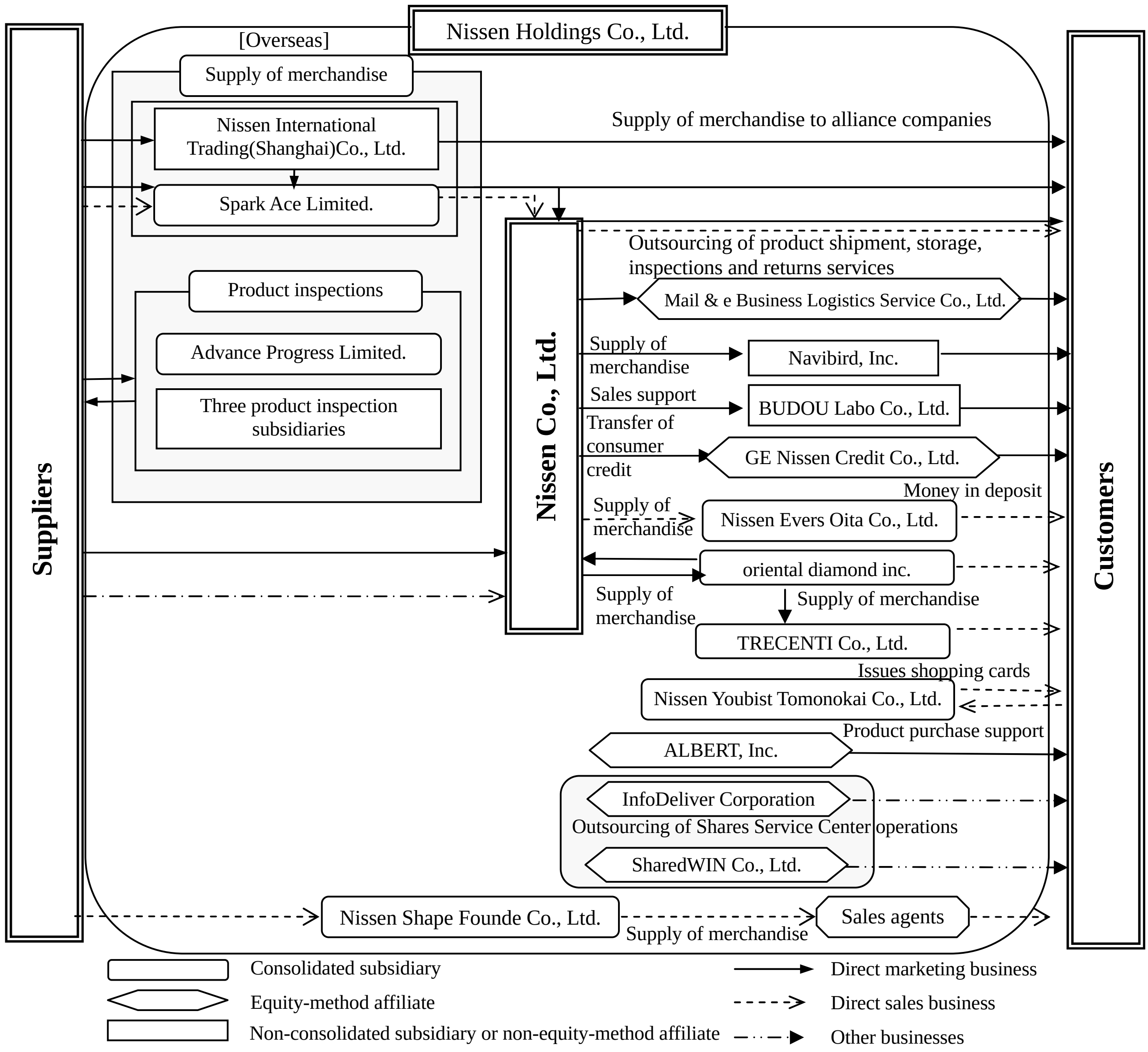
The direct marketing business consists of the sale of mainly apparel and everyday goods through catalogs and online shops; insurance sales; and consumer finance. The main companies engaged in this business are Nissen Co., Ltd., Spark Ace Limited., Advance Progress Limited., Navibird, Inc., BUDOU Labo Co., Ltd., Mail & e Business Logistics Service Co., Ltd., GE Nissen Credit Co., Ltd., and ALBERT, Inc.

The direct sales business consists of the sale of jewelry and *kimono* at shops and exhibitions; the sale of controlling undergarments through sales agencies; and apparel rental. The main companies engaged in this business are oriental diamond inc., TRECENTI Co., Ltd., Nissen Evers Oita Co., Ltd., Nissen Shape Founde Co., Ltd., and Nissen Youbist Tomonokai Co., Ltd.

Also, InfoDeliver Corporation and SharedWIN Co., Ltd. are involved in business process outsourcing (BPO) of general affairs, accounting, human resources, and other back office services, which are operated in China.

These classifications correspond with those stated in “4. Consolidated Financial Statements; (Segment information).”

The following diagram presents major relationships among the Nissen group companies.



3. Management Policies

Nissen Holdings omits this section since there have been no significant changes subsequent to Interim Financial Results for the Fiscal Year Ended December 20, 2007 (dated July 27, 2007).

Interim Financial Results for the Fiscal Year Ended December 20, 2007 can be accessed at the following URLs.

The Nissen Group website
http://info.nissen.co.jp/en/financial/earnings/interim.htm

Tokyo Stock Exchange website (company search)
http://www.tse.or.jp/listing/compsearch/index.html

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

Item	FY2006 (As of Dec. 20, 2006) Amount		%	FY2007 (As of Dec. 20, 2007) Amount		%	YoY change Amount
Assets							
I Current assets							
1. Cash and deposits		12,602			6,939		(5,663)
2. Notes and accounts receivable -trade		10,462			10,955		493
3. Securities		35			61		25
4. Inventories		13,629			15,821		2,192
5. Accounts receivable-others		13,106			13,602		495
6. Prepaid expenses		5,511			5,315		(196)
7. Deferred tax assets		1,685			2,270		585
8. Forward foreign exchange contracts		4,705			1,137		(3,568)
9. Others		170			568		397
Allowance for doubtful receivables		(169)			(279)		(109)
Total current assets		61,740	80.1		56,391	77.9	(5,348)
II Fixed assets							
1. Property, plant and equipment							
(1) Buildings and structures	3,694			3,290			
Accumulated depreciation	2,237	1,456		2,035	1,254		(202)
(2) Machinery, equipment and vehicles	103			108			
Accumulated depreciation	26	77		49	58		(19)
(3) Tools, furniture and fixtures	2,950			3,183			
Accumulated depreciation	1,947	1,003		2,330	853		(149)
(4) Land		1,807			1,768		(38)
(5) Construction in progress		45			1,344		1,298
Total property, plant and equipment		4,390	5.7		5,279	7.3	888
2. Intangible assets							
(1) Goodwill		-			178		178
(2) Others		531			732		200
Total intangible assets		531	0.7		910	1.3	378
3. Investments and other assets							
(1) Investments in securities		8,653			6,788		(1,865)
(2) Deferred tax assets		-			1,173		1,173
(3) Others		2,220			2,347		127
Allowance for doubtful receivables		(498)			(519)		(21)
Total investments and other assets		10,375	13.5		9,789	13.5	(586)
Total fixed assets		15,298	19.9		15,979	22.1	681
Total assets		77,038	100.0		72,371	100.0	(4,667)

(Millions of yen)

Item	FY2006 (As of Dec. 20, 2006)		FY2007 (As of Dec. 20, 2007)		YoY change
	Amount	%	Amount	%	Amount
Liabilities					
I Current liabilities					
1. Notes and accounts payable-trade	22,724		20,402		(2,322)
2. Short-term bank loans	1,130		1,661		531
3. Corporate bonds due within one year	500		-		(500)
4. Income tax payable	990		-		(990)
5. Accounts payable-other	7,670		8,507		837
6. Allowance for returned goods unsold	556		585		29
7. Allowance for returned goods damaged	121		84		(37)
8. Reserve for overcharged interest repayment	282		213		(69)
9. Others	4,335		3,088		(1,247)
Total current liabilities	38,312	49.7	34,543	47.7	(3,769)
II Long-term liabilities					
1. Long-term bank loans	4,175		2,512		(1,662)
2. Deferred tax liabilities	498		-		(498)
3. Accrued retirement benefits for employees	159		81		(77)
4. Others	45		47		1
Total long-term liabilities	4,878	6.4	2,641	3.7	(2,236)
Total liabilities	43,191	56.1	37,184	51.4	(6,006)
Net assets					
I Shareholders' equity					
1. Common stock	7,665	9.9	11,218	15.5	3,552
2. Capital surplus	7,687	10.0	11,240	15.5	3,552
3. Retained earnings	20,784	27.0	16,510	22.8	(4,274)
4. Treasury stock	(3,290)	(4.3)	(3,282)	(4.5)	8
Total shareholders' equity	32,846	42.6	35,686	49.3	2,840
II Valuation and translation adjustments					
1. Net unrealized holding gain (loss) on securities	448	0.6	226	0.3	(221)
2. Deferred hedge gain (loss)	507	0.6	(748)	(1.0)	(1,255)
3. Translation adjustments	(1)	(0.0)	4	0.0	5
Total valuation and translation adjustments	954	1.2	(517)	(0.7)	(1,471)
III Minority interests	47	0.1	16	0.0	(30)
Total net assets	33,847	43.9	35,186	48.6	1,338
Total liabilities and net assets	77,038	100.0	72,371	100.0	(4,667)

(2) Consolidated Statement of Income

(Millions of yen)

Item	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)			FY2007 (Dec. 21, 2006 – Dec. 20, 2007)			YoY change
	Amount		%	Amount		%	Amount
I Net sales		154,871	100.0		152,997	100.0	(1,873)
II Cost of sales		66,756	43.1		69,597	45.5	2,841
Gross profit		88,114	56.9		83,399	54.5	(4,714)
Provision of allowance for sales returns		556	0.4		585	0.4	29
Reversal of allowance for sales returns		(311)	(0.2)		(556)	(0.4)	(245)
Gross profit -net		87,869	56.7		83,370	54.5	(4,498)
III Selling, general and administrative expenses							
1. Advertising expenses	25,225			23,783			
2. Shipping expenses	5,901			482			
3. Sales promotion expenses	9,068			8,721			
4. Provision of allowance for doubtful receivables	255			450			
5. Salaries and allowances	14,167			12,124			
6. Bonuses	2,433			1,714			
7. Rental expenses	2,341			1,877			
8. Depreciation	1,278			552			
9. Commission expenses	15,102			22,310			
10. Others	7,461	83,236	53.7	6,845	78,861	51.6	(4,374)
Operating income		4,632	3.0		4,508	2.9	(123)
IV Non-operating income							
1. Interest income	42			32			
2. Dividend income	74			55			
3. Commission income	219			209			
4. Gain on valuation of forward foreign exchange contracts	1,487			-			
5. Equity in earnings of affiliates	753			-			
6. Reversal of allowance for returned goods damaged	-			37			
7. Miscellaneous income	538	3,115	2.0	263	598	0.4	(2,516)
V Non-operating expenses							
1. Interest expense	71			55			
2. Amortization of stock issue expenses	-			37			
3. Loss on write-down of merchandise	2,089			2,981			
4. Loss on valuation of forward foreign exchange contracts	-			1,424			
5. Foreign exchange loss	11			20			
6. Equity in losses of affiliates	-			2,365			
7. Provision of allowance for returned goods damaged	69			-			
8. Provision of reserve for overcharged interest repayment	62			30			
9. Miscellaneous losses	214	2,519	1.6	214	7,130	4.6	4,611
Ordinary income (loss)		5,228	3.4		(2,022)	(1.3)	(7,251)

(Millions of yen)

Item	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)			FY2007 (Dec. 21, 2006 – Dec. 20, 2007)			YoY change
	Amount		%	Amount		%	Amount
VI Extraordinary income							
1. Gain on sales of fixed assets	0			0			
2. Gain on sales of investments in securities	1,032			103			
3. Gain on write-off of unclaimed payables	-			205			
4. Gain on changes in equity stake	-			81			
5. Others	15	1,048	0.7	-	390	0.3	(658)
VII Extraordinary loss							
1. Loss on sales or disposal of fixed assets	51			307			
2. Loss on write-down of investments in securities	312			79			
3. Loss on sales of investments in securities	-			9			
4. Loss on business restructuring	1,601			1,205			
5. Prior-year provision of allowance for returned goods unsold	311			-			
6. Prior-year provision of allowance for returned goods damaged	52			-			
7. Provision of reserve for overcharged interest repayment	220			-			
8. Equity in loss of affiliates	488			-			
9. Others	18	3,057	2.0	160	1,762	1.2	(1,294)
Earnings (losses) before income taxes and minority interests		3,220	2.1		(3,395)	(2.2)	(6,615)
Current income taxes	2,490			931			
Prior-year income taxes	320			-			
Deferred income taxes	(324)	2,487	1.6	(1,159)	(228)	(0.1)	(2,715)
Minority interests in loss of consolidated subsidiaries		44	0.0		22	0.0	(21)
Net income (loss)		777	0.5		(3,144)	(2.1)	(3,922)

(3) 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 stock	-	-	-	(834)	(834)
Disposal of treasury stock	-	-	(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 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 stock	-	-	-	-	-	(834)
Disposal of treasury stock	-	-	-	-	-	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

FY2007 (Dec. 21, 2006 – Dec. 20, 2007)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of Dec. 20, 2006	7,665	7,687	20,784	(3,290)	32,846
Changes in the fiscal year					
New share issue	3,552	3,552	-	-	7,105
Dividend of surplus	-	-	(1,125)	-	(1,125)
Net loss	-	-	(3,144)	-	(3,144)
Purchases of treasury stock	-	-	-	(1)	(1)
Disposal of treasury stock	-	-	(4)	9	5
Changes (net) in items other than shareholders' equity	-	-	-	-	-
Total changes in the fiscal year	3,552	3,552	(4,274)	8	2,840
Balance as of Dec. 20, 2007	11,218	11,240	16,510	(3,282)	35,686

(Millions of yen)

	Valuation and translation adjustments				Minority interests	Total net assets
	Net unrealized holding gain (loss) on securities	Deferred hedge gain (loss)	Translation adjustments	Total valuation and translation adjustments		
Balance as of Dec. 20, 2006	448	507	(1)	954	47	33,847
Changes in the fiscal year						
New share issue	-	-	-	-	-	7,105
Dividend of surplus	-	-	-	-	-	(1,125)
Net loss	-	-	-	-	-	(3,144)
Purchases of treasury stock	-	-	-	-	-	(1)
Disposal of treasury stock	-	-	-	-	-	5
Changes (net) in items other than shareholders' equity	(221)	(1,255)	5	(1,471)	(30)	(1,501)
Total changes in the fiscal year	(221)	(1,255)	5	(1,471)	(30)	1,338
Balance as of Dec. 20, 2007	226	(748)	4	(517)	16	35,186

(4) Consolidated Statements of Cash Flows

(Millions of yen)

Item	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)	FY2007 (Dec. 21, 2006 – Dec. 20, 2007)	YoY change
	Amount	Amount	Amount
I Operating activities			
1. Earnings (loss) before income taxes and minority interests	3,220	(3,395)	(6,615)
2. Depreciation and amortization	1,278	552	(726)
3. Amortization of goodwill	-	37	37
4. Increase (decrease) in allowance for doubtful receivables	(192)	130	323
5. Increase (decrease) in accrued retirement benefits for employees	4	(77)	(82)
6. Increase in allowance for returned goods unsold	556	29	(527)
7. Increase (decrease) in allowance for returned goods damaged	121	(37)	(158)
8. Increase (decrease) in reserve for overcharged interest repayment	282	(69)	(351)
9. Interest and dividend income	(115)	(88)	27
10. Interest expense	71	55	(16)
11. Loss (gain) on sales or disposal of fixed assets	50	307	257
12. Loss (gain) on valuation of forward foreign exchange contracts	(1,487)	1,424	2,911
13. Equity in earnings of affiliates	(753)	-	753
14. Equity in losses of affiliates	488	2,365	1,876
15. Gain on write-off of unclaimed payables	-	(205)	(205)
16. Loss on write-down of investments in securities	365	79	(286)
17. Loss on business restructuring	1,601	1,205	(396)
18. Loss (gain) on sales of investments in securities	(1,032)	(93)	939
19. Gain on changes in equity interest	-	(81)	(81)
20. Decrease (increase) in notes and accounts receivable	1,205	(281)	(1,486)
21. Increase in inventories	(1,660)	(170)	1,490
22. Decrease in notes and accounts payable	(208)	(2,365)	(2,156)
23. Others, net	(500)	(2,088)	(1,587)
Subtotal	3,298	(2,764)	(6,063)
24. Interests and dividends received	117	86	(30)
25. Interests paid	(55)	(52)	3
26. Income taxes paid	(3,346)	(2,062)	1,283
Net cash provided by (used in) operating activities	14	(4,792)	(4,807)
II Investing activities			
1. Purchases of fixed assets	(1,913)	(1,629)	284
2. Proceeds from sales of fixed assets	2	32	29
3. Purchases of investments in securities	(875)	(1,301)	(426)
4. Proceeds from sales of investments in securities	276	649	373
5. Acquisition of shares and bonds issued by affiliates	(100)	-	100
6. Payment for loans receivable	(17)	(445)	(427)
7. Proceeds from collections of loans receivable	12,604	19	(12,584)
8. Purchases of subsidiary stock	(100)	(200)	(100)
9. Proceeds from acquisition of newly consolidated subsidiaries	-	188	188
10. Acquisition of business	-	(2,473)	(2,473)
11. Proceeds from sales of subsidiary stock associated with changes in the scope of consolidation	1,944	-	(1,944)
12. Others, net	(0)	(5)	(4)
Net cash provided by (used in) investing activities	11,819	(5,165)	(16,984)

(Millions of yen)

Item	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)	FY2007 (Dec. 21, 2006 – Dec. 20, 2007)	YoY change
	Amount	Amount	Amount
III Financing activities			
1. Proceeds from long-term bank loans	2,000	-	(2,000)
2. Repayment of long-term bank loans	(5,385)	(1,131)	4,253
3. Redemption of corporate bonds	(500)	(500)	-
4. Proceeds from minority interests	42	57	14
5. Purchases of treasury stock	(834)	(1)	832
6. Proceeds from sales of treasury stock	250	5	(244)
7. Proceeds from issuance of new shares	-	7,105	7,105
8. Payment for issuance of new shares	-	(37)	(37)
9. Dividends paid	(1,339)	(1,125)	214
Net cash provided by (used in) financing activities	(5,765)	4,373	10,139
IV Effect of exchange rate changes on cash and cash equivalents	(14)	(28)	(13)
V Increase (decrease) in cash and cash equivalents	6,053	(5,612)	(11,666)
VI Cash and cash equivalents at beginning of period	6,426	12,592	6,165
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	-	(55)	(55)
IX Cash and cash equivalents at end of period	12,592	6,924	(5,668)

Basis of preparation of consolidated financial statements

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)	FY2007 (Dec. 21, 2006 – Dec. 20, 2007)
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. With respect to Mail & e Business Logistics Service Co., Ltd. (former Nissen Logistic Service Co., Ltd.), only the interim income statement is included in the consolidation as the company was changed in status from a consolidated subsidiary in the previous fiscal year to an equity-method affiliate this fiscal year due to the sale of some stake in its stock. Effective 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. (2) Major non-consolidated subsidiaries Shanghai Nissen Garments & Inspection Co., Ltd. (Reason for excluding from the consolidation) The consolidated financial statements do not include the accounts of seven non-consolidated subsidiaries since these entities are small-scale businesses whose 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. 2. Application of the equity method of accounting (1) Affiliates accounted for under the equity method of accounting: 2 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 June 21, 2006.	1. Basis of Consolidation (1) Consolidated subsidiaries: 10 Consolidated subsidiaries Nissen Co., Ltd. Spark Ace Limited. Advance Progress Limited. Navibird, Inc. BUDOU Labo Co., Ltd. oriental diamond inc. TRECENTI Co., Ltd. Nissen Evers Oita Co., Ltd. Nissen Shape Founde Co., Ltd. Nissen Youbist Tomonokai Co., Ltd. With respect to ALBERT, Inc., only the interim income statement of is included in the consolidation as the company was changed in status from a consolidated subsidiary in the previous fiscal year to an equity-method affiliate this fiscal year due to the lowering of the Company's equity stake in the company. Nissen Co., Ltd., oriental diamond Inc., TRECENTI Co., Ltd., and BUDOU Labo Co., Ltd. are included in the consolidation as they became consolidated subsidiaries in the current fiscal year. (2) Major non-consolidated subsidiaries Shanghai Nissen Garments & Inspection Co., Ltd. (Reason for excluding from the consolidation) The consolidated financial statements do not include the accounts of six non-consolidated subsidiaries since these entities are small-scale businesses whose 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. 2. Application of the equity method of accounting (1) Affiliates accounted for under the equity method of accounting: 5 Company name: GE Nissen Credit Co., Ltd. Mail & e Business Logistics Service Co., Ltd. SharedWIN Co., Ltd. ALBERT, Inc. InfoDeliver Corporation. Effective the current fiscal year, InfoDeliver Corporation became an equity-method affiliate due to the acquisition of its shares. SharedWIN Co., Ltd., a new company jointly established with InfoDeliver Corporation, became an equity-method affiliate this fiscal year.

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)	FY2007 (Dec. 21, 2006 – Dec. 20, 2007)
(2) Major non-consolidated subsidiaries and affiliates not accounted for under the equity method of accounting: Shanghai Nissen Garments & Inspection Co., Ltd. (Reason for exclusion from the application of the equity method of accounting) The aforementioned entity is not accounted for under the equity method because it has a negligible effect on consolidated net income/loss and consolidated retained earnings, and is relatively insignificant in the context of consolidated financial statements.	(2) Major non-consolidated subsidiaries and affiliates not accounted for under the equity method of accounting: Shanghai Nissen Garments & Inspection Co., Ltd. Same as on the left.
3. Fiscal years of consolidated subsidiaries Balance sheet dates of consolidated subsidiaries are as follows: 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	3. Fiscal years of consolidated subsidiaries Balance sheet dates of consolidated subsidiaries are as follows: Subsidiaries — Balance sheet dates Nissen Co., Ltd. — Dec. 20 Spark Ace Limited. — Oct. 31 Advance Progress Limited. — Oct. 31 Navibird, Inc. — Sep. 20 BUDOU Labo Co., Ltd. — Dec. 31 oriental diamond Inc. — Sep. 30 TRECENTI Co., Ltd. — Sep. 30 Nissen Evers Oita Co., Ltd. — Dec. 20 Nissen Shape Founde Co., Ltd. — Dec. 20 Nissen Youbist Tomonokai Co., Ltd. — Dec. 20
While the provisional financial statements made as of September 20 for Navibird, Inc. and September 30 for ALBERT, Inc. are provided in the preparation of the consolidated financial statements, the proper financial statements are used for Spark Ace Limited, and Advance Progress Limited because the latter two subsidiaries close their accounting periods within three months before the day when the Company does. In addition, appropriate adjustments were made for material transactions occurred during the period from their respective balance sheet dates to that of consolidated financial statements.	While the provisional financial statement made as of September 30 for BUDOU Labo Co., Ltd. is provided in the preparation of the consolidated financial statements, the proper financial statements are used for Spark Ace Limited, Advance Progress Limited, Navibird, Inc., oriental diamond Inc. and TRECENTI Co., Ltd. because the latter five subsidiaries close their accounting periods within three months before the day when the Company does. In addition, appropriate adjustments were made for material transactions during the period from their respective balance sheet dates to that of consolidated financial statements.
4. Accounting principles (1) Valuation criteria and methods for principal assets 1) Securities Held-to-maturity debt securities Amortized cost method (straight-line method).	4. Accounting principles (1) Valuation criteria and methods for principal assets 1) Securities Held-to-maturity debt securities Same as on the left.
Other securities Securities with market quotations 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.)	Other securities Securities with market quotations Same as on the left.
Securities without market quotations Stated at cost, cost being determined by the moving-average method.	Securities without market quotations Same as on the left.
2) Derivatives By the mark-to-market method.	2) Derivatives Same as on the left.

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)	FY2007 (Dec. 21, 2006 – Dec. 20, 2007)
3) Inventories Merchandise: Inventories are stated at cost determined by the first-in first-out method. (2) Depreciation and amortization method for principal depreciable assets 1) Property, plant and equipment Buildings (excluding fixtures): By the straight-line method. Others: By the declining-balance method. Useful lives of principal assets are as follows Buildings and structures: 2-49 years Machinery, equipment and vehicles: 5-9 years Tools, furniture and fixtures: 2-20 years 2) Intangible assets 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. (3) Recognition of significant allowances 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 for bad receivables based on a case-by-case determination of collectibility. 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 rate of such returns. 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 rate of such returns. 4) Reserve for overcharged interest repayment To prepare for overcharged interest repayment, the Company booked a reserve for overcharged interest repayment of an amount estimated at the end of the fiscal year. It was due to the Company's contractual obligation to provide compensation for interests to be repaid to borrowers on loans that were transferred along with the sale of its credit services division to GE Nissen Credit Co., Ltd. on July 14, 2000.	3) Inventories Merchandise: Same as on the left. (2) Depreciation and amortization method for principal depreciable assets 1) Property, plant and equipment Buildings (excluding fixtures): a. Acquisitions on or before March 31, 2007: By the former straight-line method. b. Acquisitions on or after April 1, 2007: By the straight-line method. Others: a. Acquisitions on or before March 31, 2007: By the former declining-balance method. b. Acquisitions on or after April 1, 2007: By the declining-balance method. Useful lives of principal assets are as follows Buildings and structures: 2-49 years Machinery, equipment and vehicles: 5-7 years Tools, furniture and fixtures: 2-20 years 2) Intangible assets Same as on the left. (3) Recognition of significant allowances 1) Allowance for doubtful receivables Same as on the left. 2) Allowance for returned goods unsold Same as on the left. 3) Allowance for returned goods damaged Same as on the left. 4) Reserve for overcharged interest repayment Same as on the left.

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)	FY2007 (Dec. 21, 2006 – Dec. 20, 2007)
(Additional information) The Company determined to book an reserve for overcharged interest repayment 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 Money-lending 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, October 13, 2006) which outlined calculation methods for booking overcharged interest repayment allowances and reasonable estimate periods; as a result, the Company changed its estimate methods for booking these allowances effective the end of the current fiscal year, and provided extraordinary loss of 220 million yen for allowances as calculated based on the JICPA report as 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”), the Company provides an allowance in the amount deemed to have accrued at the end of current fiscal year based on estimated future retirement benefit obligations.	5) Accrued retirement benefits for employees Same as on the left.
(4) Transaction of principal foreign currency-denominated assets and liabilities Foreign currency-denominated monetary assets and liabilities are translated into yen at the spot exchange rate in effect on the balance sheet date. Translation gain or loss is charged to the income statement. The balance sheet accounts of overseas consolidated subsidiaries are also translated at the spot exchange rate in effect on the balance sheet dates while their income statement accounts at the average exchange rate for the year., and translation gain or loss is stated as a component of foreign currency translation adjustments and minority interests in the net assets.	(4) Transaction of principal foreign currency-denominated assets and liabilities Same as on the left.
(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.	(5) Accounting for leases Same as on the left.
(6) Significant accounting policies for hedges 1) Hedge accounting method The forward foreign exchange contracts are accounted for by the short-cut method where they meet certain criteria for the method.	(6) 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 Hedging method: Same as on the left. Risk hedged: Same as on the left.

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)	FY2007 (Dec. 21, 2006 – Dec. 20, 2007)
3) Hedging policy The Company 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. 4) Assessing the effectiveness of a hedge Effectiveness is assessed by analyzing ratio of the sum total variance in cash flows from the underlying transactions to the sum total of variances in cash flows from the hedge instruments. The Company considers that its hedges are effective since there was a high correlation deemed between the hedging instruments and the risk hedged at the end of the current fiscal year. (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. 5. Valuation of assets and liabilities of consolidated subsidiaries Assets and liabilities of the consolidated subsidiaries are stated at fair value. 6. Amortization of goodwill Goodwill is individually amortized equally over a designated period for which significance of a transaction is estimated to endure. 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. 7. Scope of cash and cash equivalents in statements of cash flows For the purpose of consolidated statements of cash flows, cash and cash equivalents consist of vault cash, deposits that can be withdrawn on demand, and short-term investments with original maturities of three months or less, that are readily convertible to known amounts of cash and present insignificant risk of change in value.	3) Hedging policy Same as on the left. 4) Assessing the effectiveness of a hedge Same as on the left. (7) Other significant accounting policies in the preparation of consolidated financial statements Accounting for consumption taxes: Same as on the left. 5. Valuation of assets and liabilities of consolidated subsidiaries Same as on the left. 6. Amortization of goodwill Same as on the left. 7. Scope of cash and cash equivalents in statements of cash flows Same as on the left.

Changes in significant accounting policies in the preparation of consolidated financial statements

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)	FY2007 (Dec. 21, 2006 – Dec. 20, 2007)
(Accounting for impairment of fixed assets) Effective 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 divided into 17 million yen and 18 million yen to be included in "loss on business restructuring" and "others," respectively under extraordinary loss 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.	―――――
(Accounting standard concerning presentation of net assets on balance sheet) Effective 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 on the consolidated balance sheet for the current fiscal year are presented based on the revised Standards for the Preparation of Consolidated Financial Statements.	―――――
(Accounting standard for directors' bonuses) Effective 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). This change was to decrease operating income, ordinary income, and earnings before income taxes and minority interests by 8 million yen respectively, compared with the previous accounting method.	―――――
(Allowance for returned goods unsold/damaged) The Company previously accounted for losses from returned goods by deducting their amounts booked to net sales from net 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 provides an allowance for losses from returned goods based on the historical rate of returns as "Allowance for returned goods unsold," and an allowance for losses from returned goods damaged/discarded as "Allowance for returned goods damaged." This change was to decrease gross profit-net and operating income by 245 million yen each, ordinary income 314 million yen, and earnings before income taxes and minority interests 678 million yen, compared with the previous accounting method.	―――――

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)	FY2007 (Dec. 21, 2006 – Dec. 20, 2007)
―――――	(Depreciation and amortization method for property, plant and equipment) Effective the current fiscal year, property, plant and equipment acquired on or after April 1, 2007 will be depreciated according to the depreciation method stipulated in the revised Corporate Tax Law, that is Law to Partially Revise Corporate Tax Law and Related Laws, Law No. 6 dated March 30, 2007 coupled with Cabinet Ordinance to Partially Revise Corporate Tax Law Enforcement Order, Ordinance No. 83 dated March 30, 2007. The effect of these changes on profit/loss is insignificant.
―――――	(Accounting standards for business combination) Effective the current fiscal year, the Company has adopted "Accounting Standard for Business Combination" (Business Accounting Council, October 31, 2003), the "Accounting Standard for Business Divestiture" (ASBJ Statement No. 7: Accounting Standards Board of Japan, December 27, 2005) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10: Accounting Standards Board of Japan).

Omission of Disclosure

Notes to consolidated balance sheets, consolidated statement of income, consolidated statement of changes in shareholders' equity, consolidated statements of cash flows, and those to lease transaction, related-party transactions, deferred tax accounting, securities, derivative transactions, retirement benefits, and stock option were omitted from disclosure herein due to insignificance in the context of the financial results.

Segment information

a. Business segment information

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	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 the Company are based on operating segments.
The Company 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 specific business segment, consisting primarily of those related to the administration division of the Company.
4. Corporate assets included in eliminations and corporate totaled 18,322 million yen, consisting primarily of the Company's surplus funds, including financial assets (cash and securities), long-term investments (investment securities), and assets of the Company's administration division.
5. Depreciation and capital expenditure include long-term prepaid expenses and their amortization expenses.

FY2007 (Dec. 21, 2006 – Dec. 20, 2007) *(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	130,482	22,515	152,997	-	152,997
(2) Inter-group sales and transfers	-	-	-	-	-
Total	130,482	22,515	152,997	-	152,997
Operating expenses	122,129	23,527	145,657	2,831	148,488
Operating income (loss)	8,353	(1,012)	7,340	(2,831)	4,508
Non-operating income	(6,170)	(283)	(6,453)	(78)	(6,531)
Ordinary income (loss)	2,182	(1,296)	886	(2,909)	(2,022)
2. Assets, depreciation, and capital expenditures					
Total assets	45,334	11,011	56,345	16,025	72,371
Depreciation and amortization	84	90	174	377	552
Capital expenditures	46	68	115	2,194	2,310

Notes:

1. The business segments of the Company 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 2,831 million yen of those not attributable to any specific business segment, consisting primarily of those related to the administration division of the Company.
4. Corporate assets included in eliminations and corporate totaled 16,025 million yen, consisting primarily of the Company’s surplus funds, including financial assets (cash and securities), long-term investments (investment securities), and assets of the Company’s administration division.
5. Depreciation and capital expenditure include long-term prepaid expenses and their amortization expenses.

b. Geographical segment information

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

No information on geographic segments is presented because Nissen Holdings and its consolidated subsidiaries have reported over 90% of their net sales from and total assets in the operations within Japan.

FY2007 (Dec. 21, 2006 – Dec. 20, 2007)

No information on geographic segments is presented because Nissen Holdings and its consolidated subsidiaries have reported over 90% of their net sales from and total assets in the operations within Japan.

c. Overseas sales

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

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

FY2007 (Dec. 21, 2006 – Dec. 20, 2007)

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

Business combinations

FY2007 (Dec. 21, 2006 – Dec. 20, 2007)

Application of the purchase method

(1) Summary of business combinations

Name of company acquired	oriental diamond Inc.
Principal business lines of acquired company	Procurement and wholesale sales of loose diamonds; planning, development, manufacture, wholesale sales, and retail sales of jewelry
Reasons for business combinations	Nissen Holdings decided to acquire oriental diamond Inc. to further enhance its corporate value by strengthening the jewelry business through a unified structure of loose diamond procurement and sales, and jewelry manufacturing and sales, and by further developing the jewelry brands of oriental diamond Inc. and TRECENTI Co., Ltd.
Date of combination	April 1, 2007
Method of combination	Business acquisition

(2) Period of business results of the acquired company included in the consolidation

The assumed date of purchase of oriental diamond Inc. is March 31, 2007. Nissen Holdings used the new subsidiary's results as at its fiscal year end in the consolidation because the date falls within three months prior to that of Nissen Holdings. Appropriate adjustment was made for material transactions occurred during the period from oriental diamond's balance sheet date to that of consolidated financial statements.

(3) Cost of acquisition

Cost of business acquisition	2,541 million yen
Expenses directly related to the acquisition	80 million yen
Cost of acquisition	2,621 million yen

The acquisition was a cash transaction.

(4) Goodwill resulting from the acquisition

1) Value of goodwill 197 million yen

2) Source of goodwill

The goodwill represents oriental diamond Inc's future earnings generated from its growth potential.

3) Amortization and amortization period

Goodwill is amortized over five years by the straight-line method.

(5) Summary of assets acquired and liabilities assumed on the combination date

Current assets	1,699 million yen
Fixed assets	726 million yen
Total assets	2,425 million yen
Current liabilities	2 million yen
Long-term liabilities	- million yen
Total liabilities	2 million yen

Per-share information

(Yen)

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)		FY2007 (Dec. 21, 2006 – Dec. 20, 2007)	
Net assets per share	653.70	Net assets per share	578.23
Net income per share (basic)	14.87	Net loss per share (basic)	53.03
Net income per share (diluted)	14.83	Net income per share (diluted) is not presented since the Company has outstanding dilutive securities, though posted a net loss.	

Note: Basis for calculation

1. Net assets per share

(Millions of yen)

	FY2006 (As of Dec. 20, 2006)	FY2007 (As of Dec. 20, 2007)
Total net assets on the consolidated balance sheets	33,847	35,186
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	16
[Minority interests]	[47]	[16]
Net assets applicable to common stock	33,800	35,169
Number of shares outstanding (common shares)	54,306,332 shares	63,416,332 shares
Number of treasury stock (common shares)	2,599,312 shares	2,593,385 shares
Number of common shares used in calculation of net assets per share	51,707,020 shares	60,822,947 shares

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

(Millions of yen)

	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)	FY2007 (Dec. 21, 2006 – Dec. 20, 2007)
Net income (loss) per share (basic)		
Net income (loss)	777	(3,144)
Net income not available to common shareholders	-	-
Net income (loss) available to common stock	777	(3,144)
Weighted average number of shares outstanding	52,290,557 shares	59,300,666 shares
Net income per share (diluted)		
Adjusted net income	-	-
Increase in the number of common shares	142,235 shares	-
[Stock subscription rights]	[11,267 shares]	[-]
[Stock acquisition rights]	[130,968 shares]	[-]
Summary of potential stock not included in the calculation of “net income per share (diluted)” since there was no dilutive effect in the current fiscal year.	Stock Option 4 issues (Stock acquisition rights: 30,180)	Stock Option 5 issues (Stock acquisition rights: 32,364) Consolidated subsidiary: Stock Option 1 issue (Stock acquisition rights: 2,000)

Subsequent events

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)
1. Resolution on third-party allotment of shares 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). The Board of Directors resolved the allotted party and allotted number of shares on January 30, 2007, and changed the subscription period on February 1, 2007. The paid-in period ended on February 20, 2007, and common stock 11,218 million yen. (1) New shares to be issued: 9,110,000 common shares (2) Issue price: 780 yen per share (3) Total issue amount: 7,105,800,000 yen (4) Amount credited to common stock: 390 yen per share (5) Subscription period: from February 16, 2007 to February 20, 2007 (6) Payment date: February 20, 2007 (7) Issue date: Payment date as stated above (8) Allotment grantees and number of shares: THN, LLC.: 5,560,000 shares, THN Cayman, Inc.: 3,550,000 shares (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. (10) The above mentioned clauses will be effective upon the notification in accordance with the Securities Exchange Law. (11) Reason for the capital increase and planned use of the funds The Company plans to use 3,600 million yen in funds procured from the capital increase to promote M&A for medium and long-term growth of the corporate group (both in the direct marketing and direct sales businesses), and 3,500 million yen to restructure established businesses (restructure the direct sales business model, improve the efficiency of business support functions, further develop the financial services business, etc.). However, this breakdown is based on current projections, and may change, depending on investment amounts for different projects and changes in examined projects. (12) Number of outstanding shares before the capital increase: 54,306,332 shares (13) Increase in outstanding shares from capital increase: 9,110,000 shares (14) Number of outstanding shares following the capital increase: 63,416,332 shares 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 (hereafter referred to as the "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. The Measures had been effective through the closing of the annual shareholders meeting that was held on March 14, 2007, and were approved at the same meeting for the period up through the next annual shareholders meeting for FY2007. (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 a person 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 by a Buyer or Buyers where they collectively seek to accumulate 20% or more of the shares issued by the Company under their ownership as the result 2) A tender offer bid by a Buyer or Buyers where they and their specially related parties collectively seek to accumulate 20% or more of the shares issued by the Company under their ownership as the result

FY2006 (Dec. 21, 2005 – Dec. 20, 2006)
(3) Concrete strategies to counter unsolicited bids The Board of Directors will issue stock acquisition rights gratis (hereafter referred to as the “Stock Acquisition Rights”), 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 cut-off date for the allotment (hereafter referred to as the “Allotment Date”), and each shareholder indicated in the latest shareholder register or those recorded in the latest beneficiary shareholder register available at such Allotment Date, shall receive one Stock Acquisition Right per share owned (excluding shares owned by the Company). (b) Type and number of shares allocated to Stock Acquisition Rights Each Stock Acquisition Right shall entitle the holder to one share (unless otherwise stated for adjustments) of common stock. (c) Total number of Stock Acquisition Rights The maximum number of Stock Acquisition Rights issued shall be limited to the extent that the maximum number of shares to be issued by exercise thereof does not exceed the total number of outstanding shares on the Allotment 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 Stock Acquisition Rights become valid for gratis allotment. However, if the final day of the exercise period falls on a holiday for financial institutions that handle payment transactions, the final day of the exercise period shall be a business day immediately following such day. (f) Conditions for exercising Stock Acquisition Rights 1) Those who do not fall into any of the following categories may exercise Stock Acquisition Rights: i) “specified owners of a large number of shares”; ii) “collaborators thereof,” iii) “specified buyers of a large number of shares,” vi) “specially related parties thereof,” v) “those that have received Stock Acquisition Rights by transfer or succession from those who fall into categories” i) or vi) “above without the approval of the Board of Directors”; and vi) “those associated with persons as provided by i) or v) above”. Non-residents who are subject to special procedures as prescribed in any domestic or overseas applicable laws cannot, in principle, exercise Stock Acquisition Rights. (g) Acquisition of Stock Acquisition Rights The Company may acquire Stock Acquisition Rights in exchange of one share of the Company’s common stock for one Stock Acquisition Right from persons who do not fall into categories i) nor vi) above on a date specified by the Board of Directors which falls between the date on which Stock Acquisition Rights become valid for gratis allotment and the closing date of the exercise period. (h) Transfer of Stock Acquisition Rights The transfer of Stock Acquisition Rights requires approval of the Board of Directors.

FY2007 (Dec. 21, 2006 – Dec. 20, 2007)
―――――

5. Others

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	130,482	102.7
Direct sales business	22,515	81.0
Total	152,997	98.8

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	62,508	102.9
Direct sales business	10,400	106.7
Total	72,908	103.4

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.*

6. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Millions of yen)

Item	FY2006 (As of Dec. 20, 2006)			FY2007 (As of Dec. 20, 2007)			YoY change
	Amount		%	Amount		%	Amount
Assets							
I Current assets							
1. Cash and deposits		11,605			752		(10,852)
2. Notes receivable-trade		1,791			-		(1,791)
3. Accounts receivable-trade		8,542			-		(8,542)
4. Merchandise		13,456			-		(13,456)
5. Accounts receivable-others		4,570			106		(4,464)
6. Short-term loans receivable from affiliates		72			1,992		1,919
7. Prepaid expenses		5,510			-		(5,510)
8. Accounts receivable from affiliates		8,298			579		(7,718)
9. Advance money to affiliates		143			31		(112)
10. Deferred tax assets		1,674			16		(1,658)
11. Forward foreign exchange contracts		4,705			-		(4,705)
12. Others		151			744		593
Allowance for doubtful receivables		(165)			(251)		(86)
Total current assets		60,358	82.4		3,971	9.2	(56,387)
II Fixed assets							
1. Property, plant and equipment							
(1) Buildings	3,543			2,612			
Accumulated depreciation	2,141	1,401		1,631	980		(420)
(2) Structures	66			59			
Accumulated depreciation	54	12		47	12		0
(3) Machinery and equipment	45			-			
Accumulated depreciation	4	41		-	-		(41)
(4) Automotive equipment and vehicles	58			38			
Accumulated depreciation	21	36		19	19		(16)
(5) Tools, furniture, and fixtures	2,767			2,557			
Accumulated depreciation	1,805	961		1,838	719		(242)
(6) Land		1,807			1,768		(38)
(7) Construction in progress		44			1,344		1,299
Total property, plant and equipment		4,305	5.9		4,844	11.2	539
2. Intangible assets		385	0.5		270	0.6	(115)
3. Investments and other assets							
(1) Investments in securities		2,607			2,198		(408)
(2) Affiliate stock		3,880			21,788		17,908
(3) Long-term loans receivable from affiliates		1			7,362		7,361
(4) Claims in bankruptcy		487			2		(484)
(5) Long-term prepaid expenses		36			-		(36)
(6) Lease deposits		1,137			-		(1,137)
(7) Deferred tax assets		-			2,525		2,525
(8) Others		564			359		(204)
Allowance for doubtful receivables		(497)			(83)		413
Total investments and other assets		8,217	11.2		34,154	79.0	25,936
Total fixed assets		12,909	17.6		39,269	90.8	26,360
Total assets		73,267	100.0		43,240	100.0	(30,026)

(Millions of yen)

Item	FY2006 (As of Dec. 20, 2006)			FY2007 (As of Dec. 20, 2007)			YoY change
	Amount		%	Amount		%	Amount
Liabilities							
I Current liabilities							
1. Notes payable-trade		10,401			7		(10,394)
2. Accounts payable-trade		11,915			-		(11,915)
3. Short-term bank loans		700			633		(67)
4. Corporate bonds due within one year		500			-		(500)
5. Long-term loans due within one year		1,130			1,660		530
6. Accounts payable-others		6,469			1,012		(5,456)
7. Accrued expenses		3,224			39		(3,184)
8. Income tax payable		969			-		(969)
9. Consumption tax payable		43			-		(43)
10. Advances received		233			-		(233)
11. Deposits received		318			15		(302)
12. Accounts payable- equipment		69			751		681
13. Allowance for returned goods unsold		556			-		(556)
14. Allowance for returned goods damaged		121			-		(121)
15. Reserve for overcharged interest repayment		282			-		(282)
16. Others		65			8		(57)
Total current liabilities		37,001	50.5		4,127	9.5	(32,873)
II Long-term liabilities							
1. Long-term bank loans		4,170			2,510		(1,660)
2. Deferred tax liabilities		507			-		(507)
3. Accrued retirement benefits for employees		159			-		(159)
4. Others		6			-		(6)
Total long-term liabilities		4,843	6.6		2,510	5.8	(2,333)
Total liabilities		41,844	57.1		6,637	15.3	(35,207)
Net assets							
I Shareholders' equity							
1. Common stock		7,665	10.5		11,218	26.0	3,552
2. Capital surplus							
Additional paid-in capital	7,707			11,260			3,552
Total capital surplus		7,707	10.5		11,260	26.1	3,552
3. Retained earnings							
(1) Legal reserves	256			256			-
(2) Other retained earnings							
Special reserves	17,300			17,300			-
Retained earnings carried forward	828			(376)			(1,205)
Total retained earnings		18,385	25.1		17,180	39.7	(1,205)
4. Treasury stock		(3,290)	(4.5)		(3,282)	(7.6)	8
Total shareholders' equity		30,467	41.6		36,376	84.2	5,908
II Valuation and translation adjustments							
1. Net unrealized holding gain (loss) on securities		448	0.6		226	0.5	(221)
2. Deferred hedge gain (loss)		507	0.7		-	-	(507)
Total valuation and translation adjustments		955	1.3		226	0.5	(728)
Total net assets		31,423	42.9		36,603	84.7	5,180
Total liabilities and net assets		73,267	100.0		43,240	100.0	(30,026)

(2) Non-consolidated Statement of Income

(Millions of yen)

Item	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)			FY2007 (Dec. 21, 2006 – Dec. 20, 2007)			YoY change
	Amount		%	Amount		%	Amount
I Net sales							
1. Dividend revenue from affiliates	-			41			
2. Outsourcing service fee revenue	-			2,445			
3. Sales	142,834			72,513			
4. Other operating revenue	8,534	151,368	100.0	4,563	79,564	100.0	(71,804)
II Cost of sales							
1. Beginning inventories	11,879			13,456			
2. Purchases	69,813			34,842			
Sub-total	81,693			48,299			
3. Transfer to other accounts	2,079			1,457			
4. Ending inventories	13,456			-			
5. Decrease due to spin-off	-			12,328			
6. Cost of outsourcing service fee revenue	-			1,517			
7. Cost of other operating revenue	-	66,156	43.7	5	36,036	45.3	(30,119)
Gross profit		85,212	56.3		43,527	54.7	(41,684)
Provision of allowance for return goods unsold		556	0.4		545	0.7	(10)
Reversal of allowance for return goods unsold		(311)	(0.2)		(556)	(0.7)	(245)
Gross profit -net		84,966	56.1		43,538	54.7	(41,428)
III Selling, general and administrative expenses							
1. Advertising expenses	25,185			12,307			
2. Shipping expenses	362			162			
3. Sales promotion expenses	7,256			3,866			
4. Provision of allowance for doubtful receivables	261			333			
5. Salaries and allowances	12,946			6,369			
6. Bonuses	2,218			1,201			
7. Welfare expenses	2,220			1,032			
8. Telecommunications expenses	1,197			539			
9. Rents	1,662			855			
10. Charges for custody and storage	110			96			
11. Depreciation	779			359			
12. Commission expenses	23,776			12,727			
13. Others	2,596	80,575	53.2	1,384	41,237	51.8	(39,337)
Operating income		4,391	2.9		2,301	2.9	(2,090)
IV Non-operating income							
1. Interest income	144			87			
2. Dividend income	117			55			
3. Commission income	206			99			
4. Gain on valuation of forward foreign exchange contracts	1,487			1,009			
5. Miscellaneous income	516	2,472	1.6	153	1,404	1.8	(1,067)

(Millions of yen)

Item	FY2006 (Dec. 21, 2005 – Dec. 20, 2006)			FY2007 (Dec. 21, 2006 – Dec. 20, 2007)			YoY change
	Amount		%	Amount		%	Amount
V Non-operating expenses							
1. Interest expense	76			59			
2. Amortization of stock issue expenses	-			37			
3. Loss on write-off of merchandise	2,079			1,457			
4. Foreign exchange loss	9			8			
5. Provision of allowance for doubtful receivables	-			328			
6. Provision of allowance for returned goods damaged	69			5			
7. Provision of reserve for overcharged interest repayment	62			3			
8. Miscellaneous expenses	212	2,510	1.6	130	2,031	2.6	(479)
Ordinary income		4,353	2.9		1,674	2.1	(2,678)
VI Extraordinary income							
1. Gain on sales of fixed assets	0			0			
2. Gain on sales of investments in securities	0			103			
3. Gain on sales of investment in affiliates	1,040			-			
4. Others	7	1,049	0.7	-	103	0.1	(946)
VII Extraordinary loss							
1. Loss on sales of fixed assets	-			7			
2. Loss on disposal of fixed assets	48			137			
3. Loss on sales of investments in securities	-			9			
4. Loss on write-down of investments in securities	312			78			
5. Loss on write-down of investment in affiliates	163			90			
6. Loss on business restructuring	1,601			1,509			
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 reserve for overcharged interest repayment	220			-			
10. Others	0	2,710	1.8	-	1,835	2.3	(875)
Earnings (loss) before income taxes		2,692	1.8		(56)	(0.1)	(2,749)
Current income taxes	2,373			842			
Prior-year current income taxes	320			-			
Deferred income taxes	(348)	2,345	1.6	(824)	18	0.0	(2,326)
Net income (loss)		346	0.2		(75)	(0.1)	(422)

(3) Non-consolidated Statement of Changes in Shareholders' Equity

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

(Millions of yen)

	Shareholders' equity								
		Capital surplus		Retained earnings					
					Other retained earnings				
	Common stock	Additional paid-in capital	Total capital surplus	Legal reserves	Special reserves	Retained earnings carried forward	Total retained earnings	Treasury stock	Total shareholders' equity
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 stock	-	-	-	-	-	-	-	(834)	(834)
Disposal of treasury stock	-	-	-	-	-	(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 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 stock	-	-	-	(834)
Disposal of treasury stock	-	-	-	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

FY2007 (Dec. 21, 2006 – Dec. 20, 2007)

(Millions of yen)

	Shareholders' equity								
	Common stock	Capital surplus		Retained earnings				Treasury stock	Total shareholders' equity
		Additional paid-in capital	Total capital surplus	Legal reserves	Other retained earnings		Total retained earnings		
					Special reserves	Retained earnings carried forward			
Balance as of Dec. 20, 2006	7,665	7,707	7,707	256	17,300	828	18,385	(3,290)	30,467
Changes in the fiscal year									
New share issue	3,552	3,552	3,552	-	-	-	-	-	7,105
Dividend of surplus	-	-	-	-	-	(1,125)	(1,125)	-	(1,125)
Net loss	-	-	-	-	-	(75)	(75)	-	(75)
Purchases of treasury stock	-	-	-	-	-	-	-	(1)	(1)
Disposal of treasury stock	-	-	-	-	-	(4)	(4)	9	5
Changes (net) in items other than shareholders' equity	-	-	-	-	-	-	-	-	-
Total changes in the fiscal year	3,552	3,552	3,552	-	-	(1,205)	(1,205)	8	5,908
Balance as of Dec. 20, 2007	11,218	11,260	11,260	256	17,300	(376)	17,180	(3,282)	36,376

(Millions of yen)

	Valuation and translation adjustments			Total net assets
	Net unrealized holding gain (loss) on securities	Deferred hedge gain (loss)	Total valuation and translation adjustments	
Balance as of Dec. 20, 2006	448	507	955	31,423
Changes in the fiscal year				
New share issue	-	-	-	7,105
Dividend of surplus	-	-	-	(1,125)
Net loss	-	-	-	(75)
Purchases of treasury stock	-	-	-	(1)
Disposal of treasury stock	-	-	-	5
Changes (net) in items other than shareholders' equity	(221)	(507)	(728)	(728)
Total changes in the fiscal year	(221)	(507)	(728)	5,180
Balance as of Dec. 20, 2007	226	-	226	36,603

Business combinations

FY2007 (Dec. 21, 2006 – Dec. 20, 2007)

Transactions under common control, etc.

1. Name, activities, legal format, and post-combination name and business summary including purpose of combination

Name and business line to be divested	The direct sales and direct marketing businesses operated by Nissen Holdings Co., Ltd. (formerly Nissen Co., Ltd.)
Legal format of business combination	Spin-off to newly established company
Name of post-combination name	Nissen Co., Ltd.
Business summary including purpose of combination	Under the medium-term business vision the Nissen Group strives to become a corporate group that offers suggestions for each individual customer's ideal lifestyle. To this end, the Nissen Group decided to move to a pure holding company structure to strengthen the Group's growth strategy, enhance corporate governance, and develop capabilities of managers and to-be managers. The spin-off transferred the direct marketing and direct sales businesses, formerly operated by Nissen Co., Ltd, to the company newly established by way of the spin-off.

2. Summarized accounting treatment at the divesting party

The spin-off was treated by the accounting methods for a transaction under common control based on "Accounting Standard for Business Combination" (Business Accounting Council, October 31, 2003), and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 27, 2005).

7. Others

(1) Changes in Representative Director
No reportable information.

(2) Change in Other Directors
The Company plans to propose the following changes in directors to the annual shareholders meeting to be held on March 18, 2008.

1. Candidates for directors

Position	Name
Director	Toshiya Tsukushi
Director (non-permanent)	Toshio Komada
Director (non-permanent)	Kaori Sasaki

Note: Candidates Mr. Komada and Ms Sasaki are external directors as prescribed in Article 2, item 15 of the Corporation Law.

2. Retiring directors

Position	Name
Director	Shinya Samura
Director	Hiroshi Fujii
Director	Tetsuo Kawashima
Director	Fumikazu Morimoto

3. Candidates for substitute corporate auditor

Position	Name
Substitute corporate auditor	Hidekazu Tamada
Substitute corporate auditor (non-permanent)	Junji Honda

Note: Candidate Mr. Honda is an external auditor as prescribed in Article 2-16 of the Corporation Law.

** 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.*