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Securities Code: 8248
February 24, 2010

To Those Shareholders with Voting Rights

Toshio Katayama
President and Representative Director
Nissen Holdings Co., Ltd.
18, Hainoborinakamachi, Kisshoin,
Minami-ku, Kyoto

NOTICE OF THE 40th ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 40th Ordinary General Meeting of Shareholders of the Company. The meeting will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights by paper ballot or electromagnetic means (over the Internet). Please review the Reference Documents for the General Meeting of Shareholders, and either return the Voting Rights Exercise Form with your selections by mail or vote via the website (<http://www.evote.jp/>) by no later than 5:30 p.m., Wednesday, March 17, 2010.

* Be sure to confirm the items stipulated in "Information on Exercising Voting Rights" on pages 48 to 49 when exercising your voting rights electronically (over the Internet).

1. **Date and Time** 10:00 a.m., Thursday, March 18, 2010
2. **Place** Hotel Granvia Kyoto, 3F, Genji Ballroom
901 Higashi-Shiokoji-cho, Shiokoji Sagaru, Karasuma-Dori, Shimogyo-ku, Kyoto
(In the JR Kyoto Station building)
3. **Agenda of the Meeting:**
Matters to be reported:
 - (1) Business Report, Consolidated Financial Statements for the 40th Fiscal Term (from December 21, 2008 to December 20, 2009) and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements
 - (2) Non-Consolidated Financial Statements for the 40th Fiscal Term (from December 21, 2008 to December 20, 2009)

Proposals to be resolved:

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Partial Amendments to the Articles of Incorporation
- Proposal No. 3:** Election of Eight Directors
- Proposal No. 4:** Election of Two Substitute Corporate Auditors

4. Other Notice Regarding the Exercise of Voting Rights by Proxy

- (1) If you plan to exercise your voting rights by proxy, the proxy can only be another shareholder with voting rights of the Company. In this case, please hand in your letter of proxy together with your Voting Rights Exercise Form at the front desk when you arrive at the venue.
- (2) If you plan to diversely exercise your voting rights, please send the Company a written notice of this plan and your reasons for it by no later than three days prior to the date of the General Meeting of Shareholders.

- Notes: 1. If you plan to attend the meeting, please hand in your Voting Rights Exercise Form at the front desk when you arrive at the venue.
2. Subsequent amendments to the Reference Documents for the General Meeting of Shareholders and the Attached Documents (if any) will be listed on the Company's website (<http://www.nissen.info/ir/governance.htm>).

Attached Documents

BUSINESS REPORT (from December 21, 2008 to December 20, 2009)

1. Current Status of the Company Group

(1) Business Status for the Current Year

1) Business performance and results

The Japanese economy continued to recede during the first half of the current fiscal year, still weighed down by the sharp global economic slowdown triggered by the financial crisis in the U.S. in 2008. In the second half of the year and later, expectations for the future stoked by the government's economic policies and the administration change brought about signs of partial recovery. Overall, however, a number of factors such as employment instability and decreased household income led to a further slackening of personal consumption. As a result, economic uncertainty still prevails.

In the retail industry in which the Nissen Group operates, deflationary pressures are mounting against a backdrop of weakened demand, while consumers are still averse to spending, opting instead to economize and cautiously stand on the sidelines. Accordingly, competition in the market is becoming increasingly severe.

Within this business environment, the Nissen Group has endeavored to promote measures to rationalize management and recover the consolidated profitability for the group as a whole in order to overcome the ups and downs of the economy and enhance its corporate values over the medium-to-long term. Meanwhile, the Nissen Group has also endeavored to implement strategic management action plans towards future growth.

Sales via the Internet grew steadily, while total net sales fell year-on-year as a consequence of management's decision to adjust for the recent slump in consumption by reducing the numbers of catalogs for distribution and the numbers of sales pages.

To strengthen its profit structure, the Company has worked to reduce the costs of selling, general and administrative expenses, including advertisement expenses and sales promotion expenses, throughout the year. Operating income fell below the levels of the previous year, however, as a result of a change in the classification of loss on devaluation of inventories from non-operating expenses to cost of sales, in addition to decreased sales. With respect to the items in non-operating income and expenses, income on equity in earnings of affiliates fell below the levels of the previous year. Ordinary income rose year-on-year, however, because the effects of the abovementioned reduction of selling, general and administrative expenses contributed significantly.

With respect to the items in extraordinary income and loss, loss on sale or disposal of fixed assets was recorded as an extraordinary loss in line with a partial sale of fixed assets conducted to optimize the efficiency of Group assets. Although the Company recorded deferred income taxes as tax expenses due to partial reversal of deferred tax assets, net income recovered significantly from the 9,353 million yen of net loss recorded in the previous year.

As a result, net sales for the current fiscal year decreased 9.0% year-over-year to 141,469 million yen (-14,019 million yen), operating income decreased 42.0% year-over-year to 1,770 million yen (-1,280 million yen), ordinary income increased 20.3% year-over-year to 2,696 million yen (+454 million yen), net income totaled 1,540 million yen (net loss in the same period of the previous year was 9,353 million yen).

2) Results by business segment

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

Direct marketing business segment

In the direct marketing business segment, net sales via the Internet grew steadily compared to the previous year, in line with the Company's proactive measures to enhance Internet and mobile direct marketing, a field in which medium-to-long term market expansion is expected. Meanwhile, to compensate for the poorer sales efficiency resulting from slumps in consumption continued from last year and higher paper costs for catalogs, etc. from the previous year, the Company took steps to streamline catalog expenses by narrowing down the number of catalog issues and by concentrating catalog content to hot-selling pages. As a result, net sales fell below the levels of the previous fiscal year. The Company is beginning to feel the effects of the cross-sectional activities it has been taking in all of the business segments to further strengthen the profit structure by reducing selling, general and administrative expenses. Overall, however, these effects have not been large enough to absorb the effects of decreased sales, and accordingly operating income and ordinary income both fell below the levels of the previous year. The decrease in operating income from the previous year becomes especially significant, mainly due to the change in the classification of loss on devaluation of inventories from non-operating expenses to cost of sales, a change necessitated by newly applied accounting policy for inventory valuation from the current fiscal year.

As a result, segment sales in the current fiscal year decreased 4.5% year-over-year to 132,000 million yen (-6,175 million yen), operating income decreased 54.4% year-over-year to 2,981 million yen (-3,554 million yen), and ordinary income decreased 25.1% year-over-year to 3,596 million yen (-1,205 million yen).

Financial services business segment

In the financial services business segment, net sales and operating income significantly exceeded those of the previous fiscal year. The improved performance could mainly be credited to the launch of full-fledged business at n Insurance Service Co., Ltd., a consolidated subsidiary of the Company engaged in life insurance solicitation business and non-life insurance agency business.

Meanwhile, GE Nissen Credit Co., Ltd., an equity method affiliate of the Company, adopted a stricter credit policy in consideration of recent financial conditions and conducted a full transition to adjust its maximum interest rate on loans to below the interest-rate gray zone. As a result, income on equity in earnings of affiliates decreased from the previous year. Accordingly, the ordinary income of the financial services business fell below the level of the previous year.

As a result, segment sales in the current fiscal year increased 105.1% year-over-year to 1,965 million yen (+1,006 million yen), operating income increased 42.4% year-over-year to 563 million yen (+167 million yen), ordinary income decreased 6.7% year-over-year to 1,460 million yen (-104 million yen).

Direct sales business segment

In the direct sales segment, net sales decreased significantly as the Company had reduced the scope of business in this segment through its withdrawal from the exhibition sales business in the previous year. Meanwhile, operating income and ordinary income both improved significantly, thanks to the virtual dissipation of ordinary loss incurred in the previous year from this business segment.

As a result, segment sales in the current fiscal year decreased 51.5% year-over-year to 7,928 million yen (-8,425 million yen), operating loss was 53 million yen (operating loss was 1,711 million in the same period of the previous year), and ordinary loss was 118 million yen (ordinary loss in the same period of the previous year was 1,947 million yen).

3) Status of capital investments

The total capital investments of the corporate group during the fiscal year under review amounted to 3,845 million yen as a result of capital investments in software and other segments.

During the fiscal year under review, the Company sold the Shijo Shinmachi Bldg. and attached lands, an office property it had been using for one of its consolidated subsidiaries, to Sekisaku Building Management Co., Ltd. on March 16, 2009. A fixed-term building lease agreement targeting the buildings sale and a lease-back transaction were concluded with the purchaser on the same date.

4) Status of funding

The Company acquired long-term borrowing of 9,650 million yen.

The Company has signed overdraft agreements with six correspondent financial institutions to ensure efficient procurement of working capital. The balance of unused credit lines under these agreements as of the end of the fiscal year was as follows:

Current account of overdraft	14,150 million yen
Credit used	— million yen
Credit available	14,150 million yen

5) Assignment of business from other companies

n Insurance Service Co., Ltd., the Company's subsidiary, was assigned the business of a mutual-aid program operated by Famix on July 20, 2009.

6) Acquisition or disposal of shares, other interest, or the stock acquisition rights of other companies

The Company sold a part of the shares held in ALBERT Inc., an equity method affiliate of the Company. Because ALBERT Inc. ceased to be an affiliate upon the sale, this company has been eliminated from the scope of equity method affiliates.

Further, the Company sold all of its shares held in SharedWin Co., Ltd. (current IBS, Co., Ltd.), an equity method affiliate of the Company, to InfoDeliver Corporation, another equity method affiliate of the Company, on September 21, 2009. Because SharedWin Co., Ltd. is no longer an affiliate, this company has been eliminated from the scope of equity method affiliates.

(2) Business Results and Summary of Assets for the three immediately preceding fiscal terms

	Fiscal term ended December 20, 2006 (37th Term)	Fiscal term ended December 20, 2007 (38th Term)	Fiscal term ended December 20, 2008, (39th Term)	Fiscal term ended December 20, 2009, (40th Term)
Net sales (millions of yen)	154,871	152,997	155,489	141,469
Ordinary income (loss) (millions of yen)	5,228	(2,022)	2,242	2,696
Net income (loss) (millions of yen)	777	(3,144)	(9,353)	1,540
Net income (loss) per share (yen)	14.87	(53.03)	(157.58)	30.33
Total assets (millions of yen)	77,038	72,371	69,996	58,174
Net assets (millions of yen)	33,847	35,186	9,924	17,099
Net assets per share (yen)	653.70	578.23	195.38	336.68

Note: The Company conducted a capital increase by allotting new shares to a third party with a stock payment date set for February 20, 2007 and increased the number of shares outstanding by 9,110,000 shares as of the same date.

(3) Major parent company and subsidiaries

1) Relationship with the parent company

Not applicable

2) Major subsidiaries

Name of Company	Capital	Percentage of Voting Rights	Major Activities
Nissen Co., Ltd.	100 million yen	100.0%	Direct marketing business through catalogs and the Internet, plus store retailing of apparel.
Navibird, Inc.	80 million yen	74.2%	Japan-based Internet mail-order business for overseas residents
BUDOU Labo Co., Ltd.	63 million yen	100.0%	Development and sales of cosmetics using materials derived from grapes, and quasi-drugs
Kurashino Design, Inc.	300 million yen	100.0%	Planning, editing, and issuance of a catalog information magazine.
n Insurance Service Co., Ltd.	100 million yen	100.0%	Life insurance solicitation business and non-life insurance agency business
Nissen PREMIUM Co., Ltd.	50 million yen	100.0%	Store retailing of jewelry/kimono items and provision of various follow-up services such as tailoring costumes.
oriental diamond inc.	100 million yen	100.0%	Import of diamonds for jewelry, and development and sales of diamond jewelry

Name of Company	Capital	Percentage of Voting Rights	Major Activities
TRECENTI Co., Ltd.	200 million yen	100.0%	Sales of precious metals and jewelry
Nissen Shape Founde Co., Ltd.	50 million yen	100.0%	Sales of women's body-shaping undergarments and other apparel, and cosmetics, dietary supplements

Note: On December 21, 2009, Nissen PREMIUM Co., Ltd. and Nissen Co., Ltd., two of our consolidated subsidiaries, were merged into Nissen Co., Ltd., a surviving company.

3) Other major affiliated companies

Name of Company	Capital	Percentage of Voting Rights	Major Activities
GE Nissen Credit Co., Ltd.	4,050 million yen	50.0%	Consumer credit card business, finance business, non-life insurance agency business, etc.
Mail & eBusiness Logistics Service Co., Ltd.	980 million yen	49.5%	Storage, shipments, inspections, etc.
InfoDeliver Corporation	491 million yen	19.3%	Backoffice Business Process Outsourcing (BPO) services using centers in China

(4) Key issues

To build a system capable of achieving steady and sustainable growth even in this lackluster economy, the Nissen Group decided on the following four points as medium-term business strategies: 1. a “polishing up” of the direct marketing business model, 2. the development of a new business in the peripheral area of the core direct marketing, 3. structural reform and enhancement of synergy of the group business, 4. the strengthening of a financial structure that can handle growth and risk. Based on this, the Nissen Group aims to establish an “only one” direct marketing model that enables a reasonable and safe shopping experience for consumers through catalogs and the Internet, while developing new markets.

Direct marketing business

In the direct marketing business, the principal business of Nissen Group, in order to offer valuable products and services at optimal timing and through channels suited to individual customers, we will pursue an outstanding style of “One-to-One” marketing and No. 1 cost competitiveness in the industry, enhance various sales channels such as catalogs, Internet, and mobile and work towards a closer fusion of these channels, and thereby provide products and services with thoroughgoing cost reductions, while striving to penetrate into new businesses using the business knowhow it has cultivated up to now.

Financial services business

n Insurance Service Co., Ltd. intends to use its customer base in the Nissen brand and direct marketing business to offer value-added products that customers will be eager to select.

GE Nissen Credit Co., Ltd. will make efforts to enhance its operational efficiency in order to promote management in line with the legal restrictions for total volume control, etc., while leveraging the customer base of its direct marketing business to promote the introduction of new products and services.

Direct sales business

oriental diamond inc., TRECENTI Co., Ltd., and other group companies will work to implement thoroughgoing cost management in order to overcome the severe business conditions and secure a foothold toward re-growth. It will also re-build the business model by establishing a cross cell model with direct marketing customers.

Now that Nissen Co., Ltd. is positioned as the surviving company from the merger between Nissen PREMIUM Co., Ltd. and Nissen Co., Ltd. as of December 21, 2009, the business of Nissen PREMIUM will be included in the direct marketing business segment from the next fiscal year onwards.

(5) Significant business activities (as of December 20, 2009)

- 1) Direct marketing business, sales representation business, and store retailing business for apparel, home interior goods, miscellaneous daily goods, electric machinery and apparatuses, foodstuffs and beverages, and other service businesses.
- 2) Life insurance solicitation business and non-life insurance agency business, credit card business, finance and

loan business, and any and all services related thereto.

3) Development, store retailing of kimonos, jewelry, and precious metals, and other related service businesses.

(6) Main Offices (as of December 20, 2009)

Offices		Location
Nissen Holdings Co., Ltd.	Head office	Kyoto
	Headquarters	Kyoto
	Information Center	Kyoto
Nissen Co., Ltd.	Head office	Kyoto
	Domestic centers	Kyoto, Tokyo, others
	Overseas centers	Shanghai, Beijing, others
	Directly managed stores	Amagasaki, Sendai

(7) Employees (as of December 20, 2009)

1) Number of employees of Nissen Group

Number of employees	Increase/decrease from end of previous fiscal year
809	61 (decrease)

Note: Contract employees and temporary employees (non-regular employees) are excluded.

2) Number of employees of the Company

Number of employees	Increase/decrease from end of previous fiscal year	Average age	Average length of employment
83	11 (increase)	41 years, 3 month	11 years, 2 months

Note: Contract employees and temporary employees (non-regular employees) are excluded.

(8) Principal lenders (as of December 20, 2009)

Lenders	Outstanding amount of loan (millions of yen)
Resona Bank, Limited	2,250
Bank of Kyoto, Ltd.	2,160
Mizuho Bank, Ltd.	2,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,980
The Fukui Bank, Ltd.	810

(9) Other significant matters related to the corporate group

On December 21, 2009, Nissen PREMIUM Co., Ltd. and Nissen Co., Ltd., two of our consolidated subsidiaries, were merged into Nissen Co., Ltd., a surviving company.

2. Status of the Company (as of December 20, 2009)

(1) Stock Information

- | | | |
|---------------------------------------------|---------------|--------------------|
| 1) Number of shares authorized to be issued | | 140,000,000 shares |
| 2) Number of shares issued | Common shares | 63,416,332 shares |
| 3) Number of shareholders | | 15,621 persons |
| 4) Ten largest shareholders of the Company | | |

Name of shareholder	Investment in the Company	
	Number of shares held (thousand shares)	Percentage of voting rights (%)
THN, LLC (Standing proxy: Strategic Scenario)	5,560	10.95
THN Cayman, Inc. (Standing proxy: Strategic Scenario)	3,550	6.99
Japan Trustee Services Bank, Ltd. (Trust account)	1,968	3.88
Resona Bank, Limited	1,630	3.21
Nihon Unisys, Ltd.	1,501	2.96
Nissen Kyoekai	1,376	2.71
Tetsuo Kawashima	1,307	2.58
Bank of Kyoto, Ltd. (Standing proxy: Trust & Custody Services Bank, Ltd.)	1,214	2.39
Brastsheave Co., Ltd.	1,155	2.27
Dai Nippon Printing Co., Ltd.	1,020	2.01

- Notes: 1. The Company holds 12,627 thousand shares of treasury stocks and is excluded from the major shareholders list above.
2. The percentage of voting rights is computed after deducting the number of treasury stocks.

(2) Stock acquisition rights, etc.

- 1) Stock acquisition rights allotted in consideration of the performance of duties and held by the Directors and Corporate Auditors of the Company

(As of December 20, 2009)

Date of resolution of Ordinary General Meeting of Shareholders	March 18, 2003
Number of rights holders and number of rights allotted	
Director of the Company	2 persons 996 rights
Corporate Auditor of the Company	1 person 115 rights
Class of shares to be issued or transferred upon exercise of the stock acquisition rights	Common shares
Number of shares to be issued or transferred upon exercise of the stock acquisition rights	447,900 shares
Amount paid in upon the exercise of the stock acquisition rights	1,090 yen
Exercise period for the stock acquisition rights	From April 1, 2005 to March 15, 2013

- 2) Stock acquisition rights allotted to employees in consideration of the performance of duties during the fiscal year under review.
Not applicable
- 3) Other significant matters related to stock acquisition rights
Not applicable

(3) Corporate officers

1) Directors and Corporate Auditors (as of December 20, 2009)

Position	Name	Responsibility or representation in other corporations
President and Representative Director	Toshio Katayama	-
Director	Nobuyuki Ichiba	Managing Executive Officer and General Manager of Administrative Department Outside Corporate Auditor, GE Nissen Credit Co., Ltd. Corporate Auditor, Mail & Business Logistics Service Co., Ltd.
Director	Toshiya Tsukushi	Executive Officer, Chief Financial Officer, and General Manager of Business Development Office Director, n Insurance Service Co., Ltd. Chairman and Representative Director, GE Nissen Credit Co., Ltd.
Director	Takeshi Isokawa	Partner/attorney, Global law office Outside Corporate Auditor, Nissen Co., Ltd. Outside Corporate Auditor, IMJ Corporation
Director	Akira Iwamoto	Partner, Advantage Partners LLP Representative Director, Advantage Advisors, Inc.
Director	Toshio Komada	Director, Japan Independent Directors Network (a non profit organization)
Director	Kaori Sasaki	President and Representative Director, UNICUL International Inc. President and Representative Director, ewoman, Inc. Outside Corporate Auditor, Tokio Marine & Nichido Fire Insurance Co., Ltd.
Full-time Corporate Auditor	Yasoji Mori	Corporate Auditor, Nissen Co., Ltd.
Corporate Auditor	Yoshiharu Takahashi	President and Representative Director, Y's Stage Co., Ltd.
Corporate Auditor	Scott Trevor Davis	Outside Director, Seven & i Holdings Co., Ltd.

- Notes: 1. The Directors Takeshi Isokawa, Akira Iwamoto, Toshio Komada and Kaori Sasaki are Outside Directors, as prescribed by Article 2 Paragraph 15 of the Corporation Law.
2. The Corporate Auditors Yoshiharu Takahashi and Scott Trevor Davis are Outside Corporate Auditors, as prescribed by Article 2 Paragraph 16 of the Corporation Law.
3. Changes in the positions of Directors during the fiscal year under review are as follows:

Name	Title(s) after change	Title(s) before change
Toshiya Tsukushi	Executive Officer, Chief Financial Officer, and General Manager of Business Development Office	Director, Executive Officer, General Manager of Financial Department

2) Total remuneration for Directors and Corporate Auditors

Title	Persons paid	Amount paid
Directors (Outside Directors)	7 (4)	125 million yen (32 million yen)
Corporate Auditors (Outside Corporate Auditors)	3 (2)	49 million yen (19 million yen)
Total (Outside Officers)	10 (6)	174 million yen (51 million yen)

- Notes: 1. In addition to the above, the following remuneration is paid to officers who are concurrently employed as employees:

Number of officers who are concurrently employed as employees: 2 59 million yen

2. It was resolved at the 33rd Ordinary General Meeting of Shareholders held on March 18, 2003 that the remuneration for Directors should be within the limit of 350 million yen per year (excluding

remuneration for employees).

3. It was resolved at the 37th Ordinary General Meeting of Shareholders held on March 14, 2007 that the remuneration for Corporate Auditors should be within the limit of 50 million yen per year.

3) Matters related to Outside Officers

- i) Positions concurrently held by Outside Officers as executive officers or outside officers of other legal entities, and the relationships of their legal entities with the Company.

Title	Name	Name of legal entity in which an Outside Director concurrently holds a position	Concurrent position	Relationship
Director	Takeshi Isokawa	Global law office	Partner/attorney	-
		Nissen Co., Ltd.	Outside Corporate Auditor	Nissen Co., Ltd. is a consolidated subsidiary of the Company.
		IMJ Corporation	Outside Corporate Auditor	-
Director	Akira Iwamoto	Advantage Partners LLP	Partner	Advantage Partners LLP is a company that offers services to the fund to which the Company carried out a third-party allocation in February 2007.
		Advantage Advisors, Inc.	Representative Director	-
Director	Toshio Komada	Japan Independent Directors Network (a non profit organization)	Director	-
Director	Kaori Sasaki	UNICUL International Inc.	President and Representative Director	-
		ewoman, Inc.	President and Representative Director	-
		Tokio Marine & Nichido Fire Insurance Co., Ltd.	Outside Corporate Auditor	-
Corporate Auditor	Yoshiharu Takahashi	Y's Stage Co., Ltd.	President and Representative Director	-
Corporate Auditor	Scott Trevor Davis	Seven & i Holdings Co., Ltd.	Outside Director	-

ii) Major activities during the fiscal year under review

Title	Name	Major Activities
Director	Takeshi Isokawa	He has participated in 17 out of 18 Board of Directors' meetings (including one special Board of Directors' meeting) held during the fiscal year under review. During these meetings he has commented on the agenda for discussion, as necessary, based on his advanced expertise and knowledge as an attorney familiar with corporate legal work.
Director	Akira Iwamoto	He has participated in all 18 Board of Directors' meetings (including one special Board of Directors' meeting) held during the fiscal year under review. During these meetings he has commented on the agenda for discussion, as necessary, based on his actual experience acquired from working on corporate revitalization and his extensive knowledge and experience in general.
Director	Toshio Komada	He has participated in all 18 Board of Directors' meetings (including one special Board of Directors' meeting) held during the fiscal year under review. During these meetings he has commented on the agenda for discussion, as necessary, based on his career experience as a corporate director and his thorough knowledge and global viewpoint nurtured through his extensive experience in international business.
Director	Kaori Sasaki	She has participated in 16 out of 18 Board of Directors' meetings (including one special Board of Directors' meeting) held during the fiscal year under review. During these meetings she has commented on the agenda for discussion, as necessary, based on her considerable knowledge and the consumer perspective she has acquired over her career as a corporate director and her active experience as a member of an administrative committee related to people's daily lives.
Corporate Auditor	Yoshiharu Takahashi	He has participated in 17 out of 18 Board of Directors' meetings (including one special Board of Directors' meeting) and all 10 Auditor Committees held during the fiscal year under review. In doing so, he has commented on the agenda for discussion as necessary, mainly from his viewpoint as an expert on personnel systems.
Corporate Auditor	Scott Trevor Davis	He has participated in 15 out of 18 Board of Directors' meetings (including one special Board of Directors' meeting) and all 10 Auditors Committees held during the fiscal year under review. In doing so, he has commented on the agenda for discussion as necessary, mainly from his viewpoint as an expert on CSR.

iii) Outline of agreement on limitation of liability

The Company stipulates in its Articles of Incorporation that the Company may conclude an agreement to limit liability for damages under Article 423 Paragraph 1 of the Corporation Law pursuant to the provision of Article 427 Paragraph 1 of the Corporation Law. Therefore, the Company has concluded an agreement on limitation of liability with each of the Outside Directors and Outside Corporate Auditors. Under the agreement, the liability for damages shall be limited to the minimum amount specified in Article 425 Paragraph 1 of the Corporation Law, provided that the relevant Outside Director or Outside Corporate Auditor has performed his duties in good faith and without gross negligence.

(4) Accounting Auditor

1) Name of Accounting Auditor: Ernst & Young ShinNihon LLC

2) Amount of remuneration paid to the Accounting Auditor

	Amount paid
1. Amount of remuneration paid to the Accounting Auditor in the fiscal year under review	53 million yen
2. Total amount of remuneration and property benefits to be paid to the Accounting Auditor by the Company and its subsidiaries	75 million yen

Note: 1. As the audit agreement between the Company and its Accounting Auditor does not differentiate the amount of remuneration for audit under the Corporation Law from the amount of remuneration for audit under the Financial Instruments and Exchange Law, the amount under I above shows the total remuneration for both audits.

2. Spark Ace Limited, one of the Company's subsidiaries, is audited by an Accounting Auditor other than the Company's Accounting Auditor.

3) Non-auditing services

Not applicable.

4) Policies for decisions on dismissal or non re-appointment of an Accounting Auditor

The Company does not provide any special policies for decisions on the dismissal or non re-appointment of the Accounting Auditor.

(5) Systems and Policies of the Company

1) Systems to ensure appropriate execution of duties

The Company, as a pure holding company controlling the group companies, aims for appropriate and legitimate conduct of corporate activities of the group companies, in compliance with the Corporation Law and the enforcement regulations. The following is an outline of the decisions made regarding the systems to ensure that the execution of duties by the Directors conforms to laws and the Articles of Incorporation, and to ensure the propriety of other operations:

A. Systems for the storage and management of information related to the execution of duties by Directors

- i) Information related to the execution of duties by Directors and other information will be recorded in documents (documents, printed matters, any and all other records (including microfilm, floppy discs, etc.)) and stored in accordance with the document management rules.
- ii) Documents related to the execution of duties by Directors must be stored in a manner that ensures that Directors or Corporate Auditors who request to browse them will have full access to them at the head office within 2 days of making their request.

B. Systems and rules related to loss danger management

- i) The Company will create risk management rules to provide for the systematic management of risk of the Company and the affiliated companies, designate a section in charge of risk management by risk categories, and establish a Risk Management Committee that will serve as a Company-wide headquarters to control the risk management activities of the Company and the affiliated companies. The Board of Directors will appoint a chairman of the Risk Management Committee from among the Directors as Director in Charge of Risk Management.
- ii) The Risk Management Committee will regularly receive reports on the state of risks from the section in charge of dealing with risks, and review, report, and make decisions on matters related to the risk management of the Company and affiliated companies in general. The Director in Charge of Risk Management will report the information on risk management to the Internal Control Committee and make proposals as necessary.
- iii) The Director in Charge of Risk Management will formulate a risk management activity plan each term and present the Internal Control Committee with a report on the plan and the state of risk management activities of the previous term.
- iv) The Risk Management Committee will check the performance of risk management systems and review the systems in accordance with the occurrence of new risks.

C. System to ensure the efficient execution of the Directors' duties

- i) Clarify the role of the Board of Directors, Management Strategy Conference, Management Conference, Nominating and Compensation Committee, Group Human Resources Development

- Conference and each section in charge through rules on the segregation of duties, rules on job authority, rules on document approval, and other rules, to enhance the efficiency of operations.
- ii) Adopt an executive officer system, simplify the procedures and systems for transferring the authority for the execution of duties, and endeavor to realize speedier and fairer decision-making by management.
- D. Systems to ensure that the execution of duties by the Directors and employees will conform to the laws and Articles of Incorporation
- i) Establish a Code of Conduct to ensure that Officers and employees will act in compliance with the laws and the various regulations.
 - ii) Establish compliance rules, properly understand how the system of compliance is implemented in the Company and affiliated companies, and establish a Compliance Committee that will control compliance enforcement efforts at all-Company levels. The Board of Directors will appoint a chairman of the Compliance Committee from among the Directors, as a Director in Charge of Compliance.
 - iii) The Director in Charge of Compliance will report on the actual state of compliance enforcement to the Internal Control Committee, and make proposals as necessary. The section in charge of internal audits will supervise the state of compliance enforcement in collaboration with the Compliance Committee.
 - iv) As a means for the Company's officers and employees to directly provide information on acts in violation of law, fraudulent acts, and any questionable acts that may be in violation of laws, an in-company consultation office will be established within the Company and a consultation office with an external expert as a contact person will be established outside the Company. The section in charge of internal audits will be charged with the in-company consultation office. Upon receipt of a report, the in-company consultation office will investigate the details of the report and take measures to prevent recurrence.
 - v) The Compliance Committee will provide education on compliance to the officers and employees.
- E. Systems to ensure the propriety of duties in the corporate group comprising the Company and the subsidiaries
- i) Efforts for the proper management of affiliated companies by the Company will be made by applying the Affiliated Companies Management Rules, and the Corporate Control section in the Company will be in charge of management services of the affiliated companies.
 - ii) Before conducting certain material matters, the affiliated companies will be required to report to the Head of the Corporate Control section.
 - iii) The Internal Audit section will conduct internal audits of the affiliated companies.
 - iv) Shareholders' rights will be exercised in accordance with the group strategies to ensure the proper execution of duties.
- F. System for employees when the Corporate Auditor requests the appointment of employees for assistance, and matters related to the independence of such employees from Directors
- Establish rules for the employees to observe when assisting with the duties of the Corporate Auditor, ensure a system for such employees, and ensure the independence of such employees from Directors.
- i) Staff of the internal audit section will assist with the duties of the Corporate Auditor.
 - ii) The Auditors Committee will approve matters on the transfer, employee evaluation, and disciplinary measures applicable to the persons assisting.
- G. System for reporting to the Corporate Auditors by the Directors or employees, and other systems regarding reports to Corporate Auditors
- i) The Directors will report the following matters to the Corporate Auditor in accordance with the rules on reporting to Corporate Auditors
 - a. Matters resolved at management conferences
 - b. Matters that may cause material damage to the Company
 - c. Significant matters on monthly management
 - d. Significant matters on the state of internal auditing and risk management
 - e. Material violations of laws or the Articles of Incorporation
 - f. State of reporting related to the Whistleblower system and related details
 - g. Other significant matters on compliance enforcement
 - ii) If an employee becomes aware of any matter stated in b, e, or g, he or she will report the matter to the Corporate Auditor in accordance with the rules on reporting to Corporate Auditors.
- H. Other systems to ensure that auditing by Corporate Auditors is carried out effectively
- Corporate Auditors will maintain ongoing communication with the Directors and employees, while the Corporate Auditors and Auditors Committee will hold meetings regularly with the Representative Director and Accounting Auditor.

I. Basic policies on eliminating anti-social forces and the status of maintenance

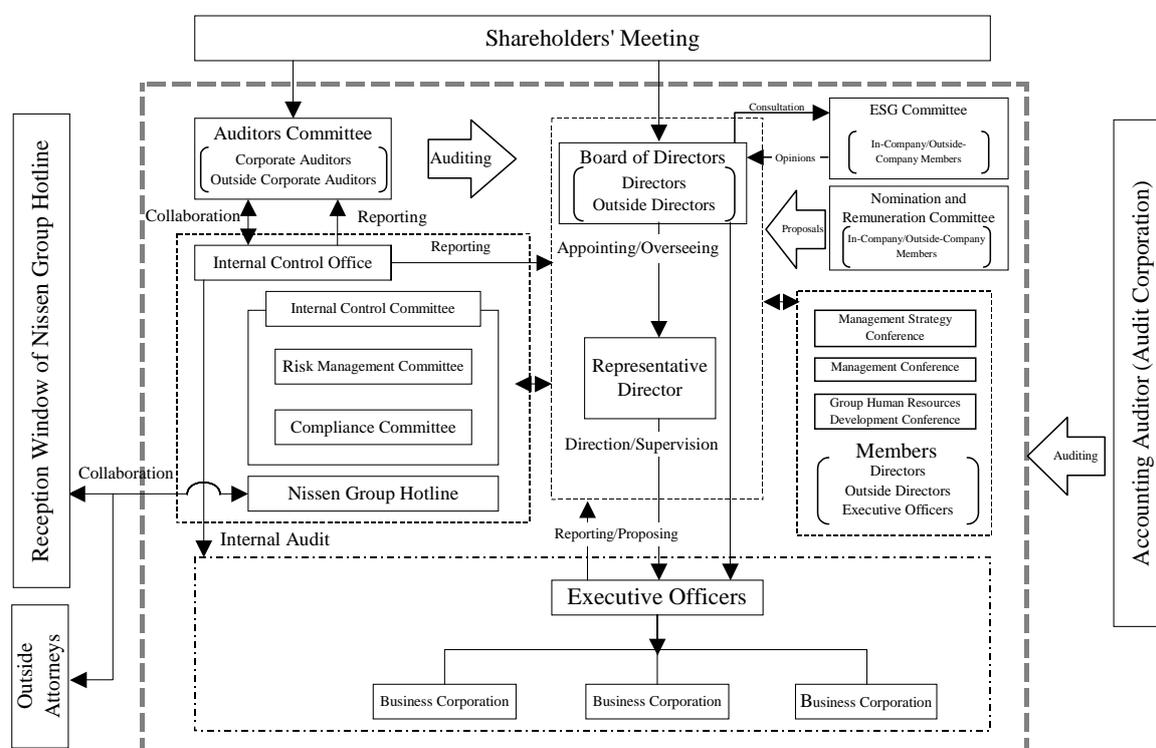
- i) The Nissen Group will cut off all relationships with anti-social forces that may harm social order or sound corporate activities, and the member companies of the Nissen Group will work together as a group to confront such forces. The Nissen Group will work to avoid any contact with anti-social forces. If any member company receives any possible unjustified demands by anti-social forces, the Nissen Group will cooperate with police agencies against the anti-social forces and take a resolute stance by resorting to legal measures.
- ii) The Company sets the legal section as the principal section responsible for handling all problems in the Nissen Group related to anti-social forces. Together with the internal audit section and general affairs section, the Company will cooperate with external organizations, including police agencies, the Center for the Elimination of Boryokudan, attorneys, etc., to collect information and enhance enlightenment activities within the Nissen Group with regard to antisocial forces.

2) The Company's basic policies on the Corporate Governance of the Company

The Company has been making continued efforts to enhance its corporate governance in order to heighten the soundness and transparency of management and improve corporate values over the medium and long term, through measures such as the appointment of outside directors, the introduction of an executive officer system, and a shift to a group management structure under a pure holding company system. Looking ahead to the future, the Company believes that, in addition to implementation of appropriate business action plans such as improvements in growth potential and profitability in its primary line of business, optimization of its business portfolio through the selection and concentration of management resources, and formation of strategic alliances in a proactive manner, the enhancement of a group management foundation to sustain stable and ongoing improvements in corporate values over the long term is essential for the Company's survival in the intense competition in the retail market in which the Company operates, and for the Company's ongoing future as "a company group able to develop everlastingly" as envisioned by the Company since its foundation.

In order to ensure "improvements in group management transparency and objectivity," "separation of management and execution roles," and "proper delegation of authority with clearly defined responsibilities," the Company will continue with its corporate governance reforms.

(Reference) Governance Organization Chart



3) Basic principles in connection with the control of *Kabushiki Kaisha*

A. Basic policies regarding persons who control the Company's decisions on financial and business matters

The Company believes that when the Company receives a Material Proposal with respect to control of the Company, the decision as to whether to accept the Proposal should ultimately be left up to the shareholders.

B. Special efforts to achieve the basic policies

As part of its efforts to reinforce the infrastructure for group management for the purpose of enhancing corporate values on a medium-to-long-term term, the Company has implemented the following reforms: established a pure holding company system, ensured that the number of independent directors comprises one third or more of the board members, reduced the number of internal directors to as low a number as possible, prevented the full-time directors of the pure holding company from occupying the same positions at business corporations, and established the Nominating and Compensation Committee and ESG (Environmental, Social, and Governance) Committee, appointing outside officers to chair the Committees and taking steps to ensure that each Committee is made up of a majority of outside officers.

The Company continuously aims to strengthen its financial base in order to reform its existing businesses in pursuit of further growth and improved profitability, create new businesses in pursuit of scale expansion and stability, and ensure the solid growth of the Group and risk management.

C. Measures to prevent inappropriate parties from controlling the financial and operational policies of the Company under the basic policy

A proposal on the "Introduction of a Policy on the Treatment of Large-scale Acquisitions of Nissen Shares" (hereinafter the "Policy") was approved by the shareholders at the 37th General Meeting of Shareholders held on March 14, 2007. At the 38th General Meeting of Shareholders held on March 18, 2008, however, the Company decided not to propose the agenda for the "Policy." This decision was made in consideration of various changes in circumstances, including the establishment of the Financial Instruments and Exchange Law at about the time the Policy was originally discussed, and the enforcement of the law thereafter by stage. The Company has decided not to propose the agenda for the "Policy" in the future unless special circumstances compel it to do so.

D. Decision of the Company's Board of Directors for taking each of the above measures, and the reasons therefor

The Company believes that the above efforts are measures to be taken to enhance the medium-to-long term corporate values of the Company and the common interests of the shareholders, and that these issues should be addressed on an ongoing basis.

Notes: Fractional units of monetary amounts and numbers of shares indicated in this Business Report are rounded down.

Percentages are rounded to the nearest digit indicated.

Consolidated Balance Sheet

(As of December 20, 2009)

(Millions of yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	43,363	Current liabilities	31,978
Cash and deposits	5,306	Notes and accounts payable-trade	16,062
Notes and accounts receivable-trade	9,191	Short-term bank loans	2,630
Inventories	13,983	Lease obligations	204
Accounts receivable-other	8,392	Income taxes payable	284
Prepaid expenses	5,577	Accounts payable-other	5,244
Deferred tax assets	932	Forward exchange contracts	3,973
Others	194	Allowance for returned goods unsold	210
Allowance for doubtful receivables	(214)	Allowance for returned goods damaged	18
Fixed assets	14,811	Allowance for interest repayment compensation	134
Property, plant and equipment	4,983	Allowance for loss on business liquidation	511
Buildings and structures	1,185	Others	2,704
Machinery equipment and vehicles	24	Long-term liabilities	9,096
Tools, furniture, and fixtures	577	Long-term loans from banks	7,110
Land	1,187	Lease obligations	1,817
Lease assets	1,996	Deferred tax liabilities	56
Construction in progress	11	Others	111
Intangible assets	2,043	Total liabilities	41,075
Lease assets	20	Net assets	
Others	2,022	Shareholders' equity	21,529
Investments and other assets	7,784	Common stock	11,218
Investment in securities	6,766	Capital surplus	11,240
Others	1,774	Retained earnings	6,248
Allowance for doubtful receivables	(757)	Treasury stock	(7,177)
		Valuation and translation adjustments	(4,429)
		Net unrealized holding gain (loss) on other securities	12
		Deferred hedge gain (loss)	(4,441)
		Translation adjustments	(0)
		Total net assets	17,099
Total assets	58,174	Total liabilities and net assets	58,174

Consolidated Statement of Income
(From December 21, 2008 to December 20, 2009)

(Millions of yen)

Item	Amount	
Net sales		141,469
Cost of sales		69,035
Gross profit		72,434
Provision of allowance for returned goods unsold		239
Reversal of allowance for returned goods unsold		274
Gross profit-net		72,469
Selling, general and administrative expenses		70,699
Operating income		1,770
Non-operating income		
Interest and dividend income	55	
Commission income	198	
Income on equity in earnings of affiliates	838	
Amortization of negative goodwill	108	
Miscellaneous income	456	1,657
Non-operating expenses		
Interest expenses	196	
Amortization of stock issuance cost	6	
Commission fee	82	
Foreign exchange loss	17	
Provision of allowance for interest repayment compensation	134	
Miscellaneous expenses	292	730
Ordinary income		2,696
Extraordinary income		
Gain on sales of fixed assets	1	
Gain on sales of investments in securities	145	146
Extraordinary loss		
Loss on sale or disposal of fixed assets	318	
Loss on write-down of investments in securities	61	
Loss on sale of investments in securities	6	
Equity in losses of affiliates	172	
Others	2	561
Income before income taxes and minority interest		2,281
Current income taxes		327
Deferred income taxes		413
Net income		1,540

Consolidated Statement of Changes in Shareholders' Equity, etc.

(From December 21, 2008 to December 20, 2009)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of Dec. 20, 2008	11,218	11,240	5,517	(7,177)	20,799
Change in the fiscal year					
Dividend of surplus	—	—	(711)	—	(711)
Net income	—	—	1,540	—	1,540
Purchase of treasury stocks	—	—	—	(0)	(0)
Disposal of treasury stocks	—	—	(0)	0	0
Increase in retained earnings resulting from decrease in the number of consolidated subsidiaries	—	—	11	—	11
Decrease in retained earnings resulting from decrease in the number of consolidated subsidiaries	—	—	(112)	—	(112)
Increase resulting from decrease in affiliates accounted for by equity method	—	—	1	—	1
Changes (net) in items other than shareholders' equity	—	—	—	—	—
Total changes in the fiscal year	—	—	730	(0)	730
Balance as of Dec. 20, 2009	11,218	11,240	6,248	(7,177)	21,529

	Valuation and translation adjustments				Minority interests	Total net assets
	Net unrealized holding gain (loss) on other securities	Deferred hedge gain (loss)	Translation adjustment	Total of valuation and translation adjustments		
Balance as of Dec. 20, 2008	122	(10,966)	(31)	(10,875)	1	9,924
Change in the fiscal year						
Dividend of surplus	—	—	—	—	—	(711)
Net income	—	—	—	—	—	1,540
Purchase of treasury stocks	—	—	—	—	—	(0)
Disposal of treasury stocks	—	—	—	—	—	0
Increase in retained earnings resulting from decrease in the number of consolidated subsidiaries	—	—	—	—	—	11
Decrease in retained earnings resulting from decrease in the number of consolidated subsidiaries	—	—	—	—	—	(112)
Increase resulting from decrease in affiliates accounted for by equity method	—	—	—	—	—	1
Changes (net) in items other than shareholders' equity	(109)	6,524	30	6,445	(1)	6,444
Total changes in the fiscal year	(109)	6,524	30	6,445	(1)	7,175
Balance as of Dec. 20, 2009	12	(4,441)	(0)	(4,429)	—	17,099

Notes to Consolidated Financial Statements

1. Basis of preparation of consolidated financial statements

(1) Basis of Consolidation

1) Consolidated subsidiaries

Consolidated subsidiaries: 9

Consolidated subsidiaries

Nissen Co., Ltd.

Navibird, Inc.

BUDOU Labo Co., Ltd.

Kurashino Design, Inc.

n Insurance Service Co., Ltd.

Nissen PREMIUM Co., Ltd.

oriental diamond inc.

TRECENTI Co., Ltd.

Nissen Shape Founde Co., Ltd.

Effective from the current fiscal year, Spark Ace Limited, Advance Progress Limited, and Nissen Evers Oita Co., Ltd., three companies accounted for as consolidated subsidiaries in the previous fiscal year, are excluded from the consolidation because these subsidiaries are in the course of liquidation and their significance has decreased. Effective from the current fiscal year, Nissen Youbist Tomonokai Co., Ltd. is also excluded from the consolidation because the significance of this company has decreased.

2) Non-consolidated subsidiaries

Major non-consolidated subsidiaries

Shanghai Nissen Garments & Inspection Co., Ltd.

(Reason for exclusion from the consolidation)

The consolidated financial statements do not include the accounts of twelve non-consolidated subsidiaries, because these entities are small-scale businesses whose combined total assets, net sales, net income/loss (equity in earnings/loss), and 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: 3

The company name:

GE Nissen Credit Co., Ltd.

Mail & e Business Logistics Service Co., Ltd.

InfoDeliver Corporation

The Company sold a part of the shares held in ALBERT Inc., an equity method affiliate of the Company in the previous fiscal year. Because ALBERT Inc. ceased to be an affiliate upon the sale, this company has been eliminated from the scope of equity method affiliates from the current fiscal year. Equity in earnings of affiliates on the consolidated statement of income for the current fiscal year includes the net income/loss for the first half of the current fiscal year of this company.

Further, the Company sold all of its shares held in SharedWin Co., Ltd. (current IBS, Co., Ltd.), an equity method affiliate of the Company, to InfoDeliver Corporation, another equity method affiliate of the Company. Because SharedWin Co., Ltd. ceased to be an affiliate upon the sale, this company has been eliminated from the scope of equity method affiliates from the current fiscal year. Equity in earnings of affiliates on the consolidated statement of income for the current fiscal year includes the net income/loss for the nine months of the current fiscal year of this company.

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 application of the equity method of accounting)

The aforementioned equity is not accounted for under the equity method, because it has a very minor effect on consolidated net income/loss and consolidated retained earnings and is relatively insignificant in the context of consolidated financial statements.

(3) Fiscal years of consolidated subsidiaries

The balance sheet dates of the consolidated subsidiaries are as follows:

	Year-end Balance sheet dates
Subsidiaries	
Nissen Co., Ltd.	Dec. 20
Navibird, Inc.	Sep. 20
BUDOU Labo Co., Ltd.	Dec. 31
Kurashino Design, Inc.	Dec. 20
n Insurance Service Co., Ltd.	Dec. 20
Nissen PREMIUM Co., Ltd.	Dec. 20
oriental diamond inc.	Sep. 30
TRECENTI Co., Ltd.	Sep. 30
Nissen Shape Founde Co., Ltd.	Dec. 20

The Company has assumed a provisional closing of September 30 for BUDOU Labo Co., Ltd. in preparing consolidated financial statements. The Company has used the actual closings for the subsidiaries Navibird, Inc., oriental diamond inc., and TRECENTI Co., Ltd. because their closing periods are within three months of the closing period of the Company. Appropriate adjustments were made for significant transactions during the year from their respective balance sheet dates to the balance sheet date of the consolidated financial statements.

Because Kurashino Design, Inc., a consolidated subsidiary, amended its closing date from March 31 to December 20, the Company's financial statements reflect this company's results for the fifteen-month period (from October 1, 2008 to December 20, 2009) following the provisional closing date used as the consolidated closing date of the previous fiscal year.

(4) Accounting principles

1) Valuation criteria and methods for principal assets

A. Securities

Held-to-maturity debt securities Amortized cost method (straight-line method)

Other securities

Securities with market quotations

Other securities that have market value are carried at fair value on the balance sheet date. (Unrealized holding gain or loss is included directly in net assets. The cost of securities sold is determined primarily by the moving-average method.)

Securities without market quotations

Securities without market quotations are stated at cost, cost being determined by the moving-average method.

B. Derivatives

Market value method

C. Inventories

Merchandise:

Inventories are stated at cost, cost being determined by the first-in first-out method.

(The carrying amount of the balance sheet is computed by the write-down method due to a decrease in profitability.)

2) Depreciation and amortization method for principal depreciable assets

A. Property, plant and equipment (excluding lease assets)

Buildings (excluding fixtures):

Depreciation on buildings acquired on or before March 31, 2007 is computed by the former straight-line method.

Depreciation on buildings acquired on or after April 1, 2007 is computed by the straight-line method.

Others:

Depreciation on others acquired on or before March 31, 2007 is computed by the former declining-balance method.

Depreciation on others acquired on or after April 1, 2007 is computed by the declining-balance method.

Useful life of principal assets is as follows:

Buildings and structures: 2-49 years

Machinery equipment and vehicles: 5-12 years

Tools, furniture, and fixtures: 2-20 years

(Additional Information)

Effective from the current fiscal year, according to the amendment of the Corporate Tax Law (the Law for Partial Amendments to the Income Tax Law, Etc., Law No. 23, April 30, 2008) and the

shortening of statutory useful lives (Ministerial Ordinance of Partial Amendments to Ministerial Ordinance regarding Useful Lives of Depreciable Assets, Finance Ministry Ordinance No. 32, April 30, 2008), a part of the useful lives of machinery equipment has been reviewed and amended. This amendment has a very minor effect on net income/loss.

B. Intangible assets (excluding lease assets)

Amortization is computed by the straight-line method.

The development costs for software intended for internal use are amortized over an expected useful life of 5 years by the straight-line method.

C. Lease assets

Depreciation is computed by the straight-line method.

Lease assets are depreciated by the straight-line method over the lease period without residual value.

Non-capitalized finance leases started before the fiscal year in which the Accounting Standard for Leases was first applied are accounted for by a method similar to that applicable to ordinary operating leases.

3) Method of accounting of deferred assets

Stock issuance cost

Stock issuance cost is charged to income in the fiscal year in which it is incurred.

4) Recognition of significant allowances

A. 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.

B. 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 returned goods.

C. 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 returned goods damaged.

D. 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.

E. Allowance for loss on business liquidation

To prepare for a loss from the business liquidation of affiliates, the Company booked an allowance for an estimated loss to be incurred in the future.

5) Translation of principal currency-dominated assets and liabilities

Foreign currency-dominated 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 for 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 date. The revenue and expense accounts of foreign consolidated subsidiaries are translated into yen at the average exchange rate for the year. Adjustments are stated as a component of net assets.

6) Significant accounting policies for hedges

A. 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. Interest rate swap contracts which meet the requirements are accounted for as exceptional processing.

B. Hedging instrument and the risk hedged

Hedging method:

Forward foreign exchange contracts, interest rate swap contracts

Risk hedged:

Foreign currency-denominated monetary liabilities, bank loans

C. Hedging policy

Nissen Holdings enters into forward foreign exchange contracts under a risk-control policy established by the Company, in order to reduce exposure to risks from fluctuations in foreign currency exchange. Nissen Holdings enters into interest rate swap contracts in order to reduce the future risk of interest rate fluctuations from bank loans to a certain level.

D. 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 Holdings 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.

With regard to interest rate swaps which meet the requirements of exceptional processing, the assessment of effectiveness is omitted.

7) Other significant accounting policies in the preparation of consolidated financial statements

Accounting for consumption taxes:

All amounts stated are exclusive of consumption taxes and local taxes.

(5) Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of the consolidated subsidiaries are valued at market.

(6) Amortization of goodwill and negative goodwill

Amortization of goodwill and negative goodwill is estimated for each period in which it is expected to emerge, and equally amortized over the designated amortization period. Relatively small amounts of goodwill are amortized in lump sums in the years in which they are recognized.

(7) Changes in accounting policy

1) Application of accounting standard for valuation of inventories

Inventories held for normal sale were previously stated at cost mainly using the first-in first-out method. Effective from the current fiscal year, they are mainly calculated at cost using the first-in first-out method (the carrying amount of the balance sheet is calculated by the write-down method due to decrease in profitability) with the application of the "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) No. 9, July 5, 2006).

Under the amended method, loss on devaluation of inventories, an item previously stated as a non-operating expense, is stated as cost of sales with the application of the accounting standard.

As a result, gross profit and operating income decreased by 1,854 million yen, respectively, and ordinary income and income before income taxes and minority interest decreases by 46 million yen, respectively.

2) Tentative accounting treatment for foreign subsidiaries for consolidated financial statements

Effective from the current fiscal year, the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18, May 17, 2006) is adopted.

This amendment has a very minor effect on net income/loss.

3) Application of accounting standard for leases

Non-capitalized finance leases were previously accounted for by a method similar to that applicable to ordinary operating leases. Effective from the current fiscal year, the "Accounting Standard for Lease Transactions" (ABSJ Statement No. 13, originally issued by the First Committee of the Business Accounting Council on June 17, 1993, and amended on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ABSJ Guidance No. 16, originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994, and amended on March 30, 2007) are adopted. Accordingly, non-capitalized finance leases are accounted for as sales. Non-capitalized finance lease assets are depreciated by the straight-line method over the lease period without residual value.

Non-capitalized finance leases started before the fiscal year of the application of this accounting procedure are accounted for by a method similar to that applicable to ordinary operating leases.

As a result, compared with the previous methods, lease assets are stated at 1,996 million yen in Property, plant and equipment, and 20 million yen in Intangible assets. Lease obligations are stated at 204 million yen in Current liabilities and 1,817 million yen in Long-term liabilities. This amendment has a very minor effect on net income/loss.

2. Notes to consolidated balance sheets

- (1) Accumulated depreciation of property, plant and equipment: 4,627 million yen
 (2) Loan guarantees: 30 million yen
 Note: Guarantees for loans taken out by Group employees from financial institutions
 (3) Overdraft

The Company has signed overdraft agreements with six correspondent financial institutions to ensure efficient procurement of working capital. The balance of unused credit lines under these agreements as of the end of the fiscal year was as follows:

Current account of overdraft	14,150 million yen
Credit used	– million yen
Credit available	14,150 million yen

3. Notes to consolidated statement of changes in shareholders' equity, etc.

(1) Type and number of outstanding shares and treasury stocks

	Number of shares as of Dec. 20, 2008 (Shares)	Increase during the fiscal year (Shares)	Decrease during the fiscal year (Shares)	Number of shares as of Dec. 20, 2009 (Shares)
Outstanding shares				
Common shares	63,416,332	–	–	63,416,332
Total	63,416,332	–	–	63,416,332
Treasury stock				
Common shares	12,626,701	782	166	12,627,317
Total	12,626,701	782	166	12,627,317

Notes: 1. The increase of 782 common shares of treasury stock resulted from the purchase of odd-lot shares.

2. The decrease of 166 common shares of treasury stock resulted from the sale of odd-lot shares.

(2) Dividends of surplus

1) Dividends payment

Resolution	Type of share	Total amount of dividend	Dividend per share	Record date	Effective date
Annual shareholders' meeting on March 18, 2009	Common shares	584 million yen	11.50 yen	Dec. 20, 2008	March 19, 2009
Board meeting on July 24, 2009	Common shares	126 million yen	2.50 yen	June 20, 2009	Sep. 7, 2009

2) Dividends with a record date in the current fiscal year and effective date in the following fiscal year

The Company proposes the appropriation of surplus at the Ordinary General Meeting of Shareholders on March 18, 2010, as follows.

Type of share	Total amount of dividend	Source of funds	Dividends per share	Record date	Effective date
Common shares	177million yen	Retained earnings	3.50 yen	Dec. 20, 2009	March 19, 2010

(3) Stock Acquisition Rights as of December 20, 2009

Resolution date of the Ordinary General Meeting of Shareholders	March 18, 2003	March 16, 2005 (to employees of the Company)
Type of shares	Common shares	Common shares
Number of shares	447,900	216,500

4. Notes to per share information

- (1) Net asset per share 336.68 yen
(2) Net income per share 30.33 yen

5. Notes to significant subsequent events

On December 21, 2009, Nissen PREMIUM Co., Ltd. and Nissen Co., Ltd., two of our consolidated subsidiaries, were merged into Nissen Co., Ltd., a surviving company.

1. Names of the combined companies or targeted business, and the business content; legal form of corporate combination; name of the company after the combination; and summary of the transaction, including its purpose

(1) Names of the combined companies or targeted business, and the business content

Direct sales business, Nissen PREMIUM Co., Ltd.

(2) Principal reason for corporate combination

Nissen PREMIUM Co., Ltd. engages in the sale of Japanese dress and jewelry in the Company group, and was established as an incorporation-type company demerged from Nissen Co., Ltd. in June 2008. Nissen PREMIUM Co., Ltd. withdrew from the exhibition sales business, its core business, due to rapid changes in the business environment, and significantly downsized its business. The Company decided to reorganize the corporate structure of Nissen PREMIUM Co., Ltd. in order to increase business efficiency via the sales expansion of new products and consolidation of common operations, and to increase profitability under the new business structure via the management integration of Nissen Co., Ltd. merged with Nissen PREMIUM Co., Ltd.

(3) Summary of the corporate combination, including the legal form

Merger-type business combination with Nissen Co., Ltd., being a surviving company, and Nissen PREMIUM Co., Ltd., being dissolved.

(4) Name of the company after the combination

Nissen Co., Ltd.

(5) Summary of the extinguished company

Name: Nissen PREMIUM Co., Ltd.

Address: 55, Nikinomoricho, Kisshoin, Minami-ku, Kyoto

Representative: Hiroshi Fujii

Capital: 50 million yen

(6) Date of merger

December 21, 2009

(7) Merger ratio, etc.

Because this merger was performed between our wholly owned subsidiaries, no merger ratio was determined and no consideration was paid.

2. Summary of accounting procedures conducted

In accordance with the "Accounting Standard for Business Combinations" (issued by the Business Accounting Council on October 31, 2003) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ABSJ Guidance No. 10, December 27, 2005), the Company accounts for the corporate combination as transactions under common control.

3. Name of the business segment to which the subsidiary belonged, among business segments listed by category

Direct sales business

4. Estimated net income/loss of the subsidiary stated on the consolidated statement of income for the current fiscal year

Net sales 1,747 million yen

Operating loss 168 million yen

Ordinary loss 189 million yen

Independent Auditors' Report

February 12, 2010

The Board of Directors
Nissen Holdings Co., Ltd.

Ernst & Young ShinNihon LLC

Yutaka Terazawa, CPA (Seal)
Designated Partner,
Engagement Partner

Toshihiro Yoshida, CPA (Seal)
Designated Partner,
Engagement Partner

Pursuant to Article 444, Paragraph 4, of the Corporation Law, we have audited the consolidated financial statements, that is, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in shareholders' equity etc., and notes to the consolidated financial statements of Nissen Holdings Co., Ltd. (the "Company"), for the fiscal year from December 21, 2008 to December 20, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on the consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the consolidated financial statements, an assessment of the accounting policies used and significant estimates made by management, and an evaluation of the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the above consolidated financial statements fairly present, in every material aspect, the financial position and results of operations of the consolidated group consisting of the Company and its consolidated subsidiaries for the relevant term of the consolidated financial statements, in accordance with the business accounting standards generally accepted in Japan.

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Law.

Audit Report on the Consolidated Financial Statements

The Board of Corporate Auditors, following its review and deliberation of the reports prepared by each Corporate Auditor concerning the consolidated financial statements (the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in shareholders' equity, etc. and notes to consolidated financial statements) for the 40th fiscal year from December 21, 2008 to December 20, 2009, prepared this Audit Report and hereby submits it as follows:

1. Summary of Auditing Methods by the Corporate Auditors and Board of Corporate Auditors

The Board of Corporate Auditors established the auditing policies and division of duties, received reports and explanations on the status and results of the audits from each Corporate Auditor, received reports and explanations on the status of the execution of duties from the Directors and Accounting Auditor, and requested explanations as necessary.

In accordance with the auditing policies and division of duties determined by the Board of Corporate Auditors, each Corporate Auditor received reports and explanations on the consolidated financial statements from the Directors, employees, etc., and requested explanations as necessary. The Corporate Auditors monitored the Accounting Auditor to verify that the Accounting Auditor maintained independence and conducted the audits appropriately. Each Corporate Auditor also received reports on the status of the execution of duties from the Accounting Auditor and requested explanations as necessary. In addition, we were informed of the arrangement of the "System for ensuring that the duties are performed appropriately" (matters stipulated in the items of Article 131 of the Corporate Calculation Regulations in accordance with "Standards for the Quality Control of Audits" (Business Accounting Council, October 28, 2005)) from the Accounting Auditor, and requested explanations as necessary.

In accordance with the procedures mentioned above, we reviewed the consolidated financial statements for the year ended on December 20, 2009.

2. Results of Audit

The auditing methods and results of the Accounting Auditor, Ernst & Young ShinNihon LLC, are fair and reasonable.

February 15, 2010

The Board of Corporate Auditors of Nissen Holdings Co.,
Ltd.

Yasoji Mori (Seal)
Full-time Corporate Auditor

Yoshiharu Takahashi (Seal)
Outside Corporate Auditor

Scott Trevor Davis (Seal)
Outside Corporate Auditor

Non-consolidated Balance Sheet

(As of December 20, 2009)

(Millions of yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	1,723	Current liabilities	4,708
Cash and deposits	696	Notes payable-trade	7
Short-term loans receivable from affiliates	300	Short-term bank loans	1,130
Accounts receivable from affiliates	771	Long-term loans due within one year	2,540
Others	135	Accounts payable-other	457
Allowance for doubtful receivables	(180)	Accounts expenses	58
Fixed assets	35,224	Income taxes payable	36
Property, plant and equipment	4,687	Accounts payable-equipment	60
Buildings	999	Lease obligations	204
Structures	8	Others	213
Automotive equipment and vehicles	6	Long-term liabilities	9,000
Tools, furniture, and fixtures	487	Long-term loans from banks	7,110
Land	1,187	Allowance for loss on business of affiliates	4
Lease assets	1,996	Lease obligations	1,817
Construction in progress	1	Others	69
Intangible assets	225	Total liabilities	13,709
Investments and other assets	30,311	Net assets	
Investment in securities	1,080	Shareholders' equity	23,225
Affiliates stock	21,307	Common stock	11,218
Long-term loans receivable from affiliates	6,507	Capital surplus	11,260
Deferred tax assets	2,585	Additional paid-in capital	11,260
Others	540	Retained earnings	7,924
Allowance for doubtful receivables	(1,710)	Legal reserves	256
		Other retained earnings	7,667
		Special reserves	15,925
		Retained earnings carried forward	(8,257)
		Treasury stock	(7,177)
		Valuation and translation adjustments	12
		Net unrealized holding gain (loss) on other securities	12
		Total net assets	23,237
Total assets	36,947	Total liabilities and net assets	36,947

Non-consolidated Statement of Income
(From December 21, 2008 to December 20, 2009)

(Millions of yen)

Item	Amount	
Net sales		5,746
Cost of sales		3,408
Gross profit		2,338
Selling, general and administrative expenses		1,717
Operating income		621
Non-operating income		
Interest and dividend income	190	
Commission income	13	
Miscellaneous income	63	267
Non-operating expenses		
Interest expenses	202	
Provision of allowance for doubtful receivables	607	
Miscellaneous expenses	137	948
Ordinary loss		59
Extraordinary income		
Gain on sales of fixed assets	1	
Gain on sales of investment in securities	141	
Reversal of allowance for doubtful receivables	4	
Others	0	148
Extraordinary loss		
Loss on sales of fixed assets	204	
Loss on disposal of fixed assets	12	
Loss on sales of investment in securities	3	
Loss on write-down of investment in securities	36	
Loss on sales of investment in affiliates	9	
Loss on write-down of investment in affiliates	611	876
Loss before income taxes		788
Current income taxes		56
Deferred income taxes		(34)
Net loss		810

Non-consolidated Statement of Changes in Shareholders' Equity, etc.

(From December 21, 2008 to December 20, 2009)

(Millions of yen)

	Shareholders' equity						
	Common stock	Capital surplus		Legal reserves	Retained earnings		
		Additional paid-in capital	Total capital surplus		Other retained earnings		Total retained earnings
				Special reserves	Retained earnings carried forward		
Balance as of Dec 20, 2008	11,218	11,260	11,260	256	16,509	(7,320)	9,445
Change in the fiscal year							
Dividend of surplus	—	—	—	—	—	(711)	(711)
Net loss	—	—	—	—	—	(810)	(810)
Reversal of special reserves	—	—	—	—	(584)	584	—
Purchase of treasury stocks	—	—	—	—	—	—	—
Disposal of treasury stocks	—	—	—	—	—	(0)	(0)
Changes (net) in items other than shareholders' equity	—	—	—	—	—	—	—
Total changes in the fiscal year	—	—	—	—	(584)	(937)	(1,521)
Balance as of Dec. 20, 2009	11,218	11,260	11,260	256	15,925	(8,257)	7,924

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized holding gain (loss) on other securities	Total valuation and translation adjustments	
Balance as of Dec 20, 2008	(7,177)	24,747	122	122	24,869
Change in the fiscal year					
Dividend of surplus	—	(711)	—	—	(711)
Net loss	—	(810)	—	—	(810)
Reversal of special reserves	—	—	—	—	—
Purchase of treasury stocks	(0)	(0)	—	—	(0)
Disposal of treasury stocks	0	0	—	—	0
Changes (net) in items other than shareholders' equity	—	—	(109)	(109)	(109)
Total changes in the fiscal year	(0)	(1,521)	(109)	(109)	(1,631)
Balance as of Dec. 20, 2009	(7,177)	23,225	12	12	23,237

Notes to Non-consolidated Financial Statements

1. Significant accounting policies

(1) Valuation standard and method for securities

1) Equity in subsidiaries and affiliated companies

Equity in subsidiaries and affiliated companies is stated at cost, cost being determined by the moving-average method.

2) Other securities

Securities with market quotations

Other securities that have market value are carried at fair value on the balance sheet date. (Unrealized holding gain or loss is included directly in net assets. The cost of securities sold is determined primarily by the moving-average method.)

Securities without market quotations

Securities without market quotations are stated at cost, cost being determined by the moving-average method.

(2) Standards and method of derivative instruments

Derivative instruments are stated at market.

(3) Depreciation and amortization method for tangible fixed assets

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

Buildings (excluding fixtures):

Depreciation on buildings acquired on or before March 31, 2007 is computed by the former straight-line method.

Depreciation on buildings acquired on or after April 1, 2007 is computed by the straight-line method.

Others:

Depreciation on others acquired on or before March 31, 2007 is computed by the former declining-balance method.

Depreciation on others acquired on or after April 1, 2007 is computed by the declining-balance method.

Useful life of principal assets is as follows

Buildings and structures: 2-49 years

Attached structures: 3-20 years

Tools, furniture, and fixtures: 2-15 years

2) Intangible assets (excluding lease assets)

Amortization is computed by the straight-line method.

The development costs for software intended for internal use are amortized over an expected useful life of 5 years by the straight-line method.

3) Lease assets

Depreciation is computed by the straight-line method.

Lease assets are depreciated by the straight-line method over the lease period without residual value.

Non-capitalized finance leases started before the fiscal year in which the Accounting Standard for Leases was first applied are accounted for by a method similar to that applicable to ordinary operating leases.

(4) Recognition of allowances

1) Allowance for doubtful receivables

To prepare for credit losses on accounts receivable, allowances equal to the estimated amounts of uncollectible receivables are provided based on the historical write-off ratio for normal claims and based on a case-by-case determination of collectibility for doubtful claims.

2) Allowance for loss on business of affiliates

To prepare for loss on business of affiliates, the Company booked an allowance for estimated losses at the end of the current fiscal year, considering the financial position of the affiliates.

(5) Significant accounting policies for hedges

A. Hedge accounting method

A hedge which meets the requirements is accounted for by the short-cut method. An interest rate swap contract which meets the requirements is accounted for as exceptional processing.

B. Hedging instrument and the risk hedged

Hedging method:

Interest rate swap contracts

Risk hedged:

Bank loans

C. Hedging policy

Nissen Holdings enters into interest rate swap contracts in order to reduce future risk of interest rate fluctuation from bank loans to a certain level.

D. 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. When the principal, interest, period, and other terms and conditions of assets or liabilities hedged are identical to the terms and conditions of derivative instruments, the effectiveness of a hedge is significantly high.

In these cases, the assessment of effectiveness is omitted.

(6) Accounting for consumption taxes

All amounts stated are exclusive of consumption taxes.

(7) Significant changes in accounting policy

Non-capitalized finance leases were previously accounted for by a method similar to that applicable to ordinary operating leases. Effective from the current fiscal year, the "Accounting Standard for Lease Transactions" (ABSJ Statement No. 13, originally issued by the First Committee of the Business Accounting Council on June 17, 1993, and amended on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ABSJ Guidance No. 16, originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994, and amended on March 30, 2007) are adopted. Accordingly, non-capitalized finance leases are accounted for as sales.

Non-capitalized finance leases started before the fiscal year of the application of this accounting procedure are accounted for by a method similar to that applicable to ordinary operating leases.

This amendment has a very minor effect on operating income, ordinary loss, and loss before income taxes.

(8) Change of presentation

Foreign exchange loss (0 million yen for the current fiscal year), a loss which had been stated as a separate item until the previous fiscal year, is inclusively stated in the miscellaneous expenses under non-operating expenses in the current fiscal year because its monetary importance has decreased.

2. Notes to non-consolidated balance sheets

(1) Accumulated depreciation of property, plant and equipment:	4,193 million yen
(2) Loan guarantees:	
Guarantees for loans taken out by Group employees from financial institutions	30 million yen
Guarantee for debts arising from transactions between the following consolidated subsidiaries and financial institutions	
Nissen Co., Ltd.	1,830 million yen
Guarantee for payment obligation of the following consolidated subsidiaries	
Nissen Co., Ltd.	3,869 million yen
(3) Receivables from and payables to subsidiaries and affiliates:	
1) Short-term receivables	1,090 million yen
2) Long-term receivables	6,508 million yen
3) Short-term payables	1,139 million yen
(4) Overdraft	

The Company has signed overdraft and commitment line agreements with six correspondent financial institutions to ensure efficient procurement of working capital. 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	14,150 million yen
Credit used	— million yen

Credit available	14,150 million yen
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3. Notes to non-consolidated statement of income

(1) Operating transactions with subsidiaries and affiliates:	
1) Operating transactions with subsidiaries and affiliates	5,856 million yen
2) Transaction with subsidiaries and affiliates other than operating transactions	205 million yen

4. Notes to statement of changes in shareholders' equity, etc.

Number of treasury stocks

Type of shares	Number of shares as of Dec. 20, 2008 (Shares)	Increase during the fiscal year (Shares)	Decrease during the fiscal year (Shares)	Number of shares as of Dec. 20, 2009 (Shares)
Common shares	12,626,701	782	166	12,627,317

Notes: 1. The increase of 782 common shares of treasury stock resulted from the purchase of odd-lot shares.

2. The decrease of 166 common shares of treasury stock resulted from the sale of odd-lot shares.

5. Deferred tax accounting

Significant components of deferred tax assets and liabilities

(Millions of yen)

(Deferred tax assets)

Adjustment for stocks of majority-owned subsidiaries upon demerger	2,615
Loss on write-off of investment in affiliates	2,253
Allowance for doubtful receivables	725
Loss on write-down of investment in securities	315
Amortization of intangible assets in excess of tax allowance maximum	100
Amortization of telephone subscription right	49
Disallowed accrued bonuses	16
Accrued enterprise tax	9
Disallowed accrued social insurance premium	7
Others	31
Deferred tax assets (subtotal)	6,124
Valuation reserve	(3,475)
Total deferred tax assets	2,649

(Deferred tax liabilities)

Net unrealized holding gain (loss) on other securities	(30)
Total deferred tax liabilities	(30)
Deferred tax assets-net	2,619

6. Notes to fixed assets under lease

Non-capitalized finance leases started on or before December 20, 2008

(1) The amount equal to acquisition cost, the amount equal to accumulated depreciation, and the amount equal to the carrying amount at the end of the fiscal year

	The amount equal to acquisition cost	The amount equal to accumulated depreciation	The amount equal to the carrying amount
Tools, furniture and fixtures	5 million yen	3 million yen	1 million yen
Total	5 million yen	3 million yen	1 million yen

(2) The amount equal to the carrying amount at the end of fiscal year

One year or less	0 million yen
More than one year	0 million yen
Total	1 million yen

(3) Lease expenses, the amount equal to depreciation expenses, and the amount equal to interest expenses

Lease expenses	0 million yen
Amount equal to depreciation expenses	0 million yen

Amount equal to interest expenses

0 million yen

(4) Calculation method for depreciation expenses and interest expenses

Calculation method for depreciation expenses

Fixed assets under lease are depreciated by the straight-line method over the lease period without residual value.

Calculation method for interest expenses

The difference between the total lease expenses and the amount equal to acquisition cost is considered the amount equal to interest. That difference is expensed over the lease period by the interest method.

(Impairment losses)

Details are omitted because there are no impairment losses allocated to fixed assets under lease.

7. Notes to transaction with affiliated parties

Type	Name of Company, etc.	Ownership of voting rights, etc. (Ownership percentage)	Details of relationship		Details of transaction	Amount of transaction (millions of yen)	Account	Balance as of the end of the fiscal term (millions of yen)
			Concurrently serving Directors or Corporate Auditors, etc.	Factual relationship				
Subsidiary	Nissen Co., Ltd.	Direct ownership 100.0%	Number of concurrently serving Directors or Corporate Auditors: 2	Management guidance, borrowing and lending, combination of offices of Directors or Corporate Auditors, guarantee liability, and guaranteed liability	Lending of funds (Note 1)	2,500	Long-term loans receivable from affiliates	2,500
					Recovery of funds (Note 1)	6,010		
					Receipt of interest (Note 1)	68	—	—
					House rent income	288	Accounts receivable from affiliates -other	25
					Commission income of operation consignment	1,616	Accounts receivable from affiliates -other	151
					Receipt of system fees	2,433	Accounts receivable from affiliates -other	216
					Guarantee liability (Note 4)	5,699	—	—
					Guaranteed liability (Note 5)	9,650	—	—
	BUDOU Labo Co., Ltd.	Direct ownership 100.0%	None	Management guidance, borrowing and lending	Lending of funds (Note 1)	30	Short-term loans receivable from affiliates (Note 6)	250
					Recovery of funds (Note 1)	30		
					Lending of funds (Note 1)	150	Long-term loans receivable from affiliates (Note 6)	460
					Receipt of interest (Note 1)	11	Accrued income	4
	Kurashino Design, Inc.	Direct ownership 100.0%	None	Management guidance, borrowing and lending	Lending of funds (Note 1)	130	Long-term loans receivable from affiliates (Note 6)	800
					Recovery of funds (Note 1)	50		
					Receipt of interest (Note 1)	11	Accrued income	5
	n Insurance Service Co., Ltd.	Direct ownership 100.0%	Number of concurrently serving Directors or Corporate Auditors: 1	Management guidance, borrowing and lending, and combination of offices of Directors or Corporate Auditors	Borrowing of funds (Note 2)	650	Short-term loans receivable	650
					Payment of interest (Note 2)	2	—	—
	Nissen PREMIUM Co., Ltd.	Direct ownership 100.0%	Number of concurrently serving Directors or Corporate Auditors: 1	Management guidance, borrowing and lending, and combination of offices of Directors or Corporate Auditors	Lending of funds (Note 1)	1,125	—	—
					Recovery of funds (Note 1)	3,275	—	—
					Receipt of interest (Note 1)	34	—	—
					Borrowing of funds (Note 2)	380	Short-term loans receivable	380
Payment of interest (Note 2)					0	—	—	
Subscription of issuance of shares (Note 3)					3,700	—	—	

Type	Name of Company, etc.	Ownership of voting rights, etc. (Ownership percentage)	Details of relationship		Details of transaction	Amount of transaction (millions of yen)	Account	Balance as of the end of the fiscal term (millions of yen)
			Concurrently serving Directors or Corporate Auditors, etc.	Factual relationship				
Subsidiary	oriental diamond inc.	Direct ownership 100.0%	None	Management guidance, borrowing and lending	Recovery of funds (Note 1)	600	Long-term loans receivable from affiliates (Note 6)	2,500
					Receipt of interest (Note 1)	38	Accrued income	7
	Nissen Youbist Tomonokai Co., Ltd.	Direct ownership 100.0%	None	Management guidance, borrowing and lending	Lending of funds (Note 1)	50	—	—
					Recovery of funds (Note 1)	540	—	—
					Receipt of interest (Note 1)	2	—	—
					Borrowing of funds (Note 2)	90	Short-term borrowings	90
Payment of interest (Note 2)	0	—	—					
Affiliated company	Mail & e Business Logistics Service Co., Ltd.	Direct ownership 49.5%	Number of concurrently serving Directors or Corporate Auditors: 1	Management guidance and combination of offices of Directors or Corporate Auditors	Receipt of system fees	574	Accounts receivable from affiliates -other	52
					Commission income of operation consignment	5	Accounts receivable from affiliates -other	1

Trade conditions and related policies

- Notes:
- Interest on loans receivables is reasonably determined based on the market rate.
 - Interest on loans payables is reasonably determined based on the market rate.
 - The Company subscribed 74,000 shares of the stock of Nissen PREMIUM Co., Ltd. by allocation of new shares to shareholders at the price of 50,000 yen per share.
 - The Company guarantees liability for transactions with financial institutions and the payment obligations of Nissen Co., Ltd. The Company does not receive any guarantee fee for these guarantees.
 - The Company receives a guarantee from Nissen Co., Ltd. for borrowing from financial institutions. The Company does not pay any guarantee fee for this guarantee.
 - The Company records an allowance for doubtful receivables totaling 1,815 million yen for doubtful accounts from subsidiaries. The Company also records provisions of allowance for doubtful receivables totaling 534 million yen in the current fiscal year.
 - The amount for transactions excludes consumption taxes, and the balance as of the end of the fiscal term includes consumption taxes

(Additional information)

Effective from the current fiscal year, the “Accounting Standard for Related Party Disclosures” (ASBJ Statement No. 11, October 17, 2006) and the “Guidance on Accounting Standard for Related Party Disclosures” (ASBJ Guidance No. 13, October 17, 2006) are adopted. As a result, the amount of provisions of allowance for doubtful receivables and the balance of allowance for doubtful receivables are added to the items requiring disclosure.

8. Notes to per share information

(1) Net asset per share	457.54 yen
(2) Net loss per share	15.96 yen

9. Significant subsequent events

On December 21, 2009, Nissen PREMIUM Co., Ltd. and Nissen Co., Ltd., two of our consolidated subsidiaries, were merged into Nissen Co., Ltd., a surviving company. Details on this consolidation are as described in the “Notes to significant subsequent events” in the “Notes to Consolidated Financial Statements.”

Independent Auditors' Report

February 12, 2010

The Board of Directors
Nissen Holdings Co., Ltd.

Ernst & Young ShinNihon LLC

Yutaka Terazawa, CPA (Seal)
Designated Partner,
Engagement Partner

Toshihiro Yoshida, CPA (Seal)
Designated Partner,
Engagement Partner

Pursuant to Article 436, Paragraph 2, Item 1 of the Corporation Law, we have audited the non-consolidated financial statements, that is, the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in shareholders' equity etc., and notes to the non-consolidated financial statements of Nissen Holdings Co., Ltd. (the "Company"), for the 40th fiscal term from December 21, 2008 to December 20, 2009, together with the supplementary schedules of the Company for the same term. These non-consolidated financial statements and the supplementary schedules are the responsibility of the Company's management. Our responsibility is to independently express an opinion on the non-consolidated financial statements and the supplementary schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the non-consolidated financial statements and supplementary schedules are free of material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the non-consolidated financial statements and supplementary schedules, an assessment of the accounting policies used and significant estimates made by management, and an evaluation of the overall presentation of the non-consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the above non-consolidated financial statements and supplementary schedules fairly present, in every material aspect, the financial position and results of operations of the Company for the relevant term of the non-consolidated financial statements, in accordance with the business accounting standards generally accepted in Japan.

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Law.

Audit Report

The Board of Corporate Auditors, following its review and deliberations on the reports made by each Corporate Auditor concerning the methods and results of the audit of execution of duties by the Directors of the Board for the 40th fiscal term from December 21, 2008 to December 20, 2009, prepared this Audit Report and hereby submits it as follows:

1. Summary of Auditing Methods by the Corporate Auditors and Board of Corporate Auditors

The Board of Corporate Auditors established the auditing policies and the division of duties, received reports and explanations on the status and results of audits from each Corporate Auditor, received reports and explanations on the status of the execution of duties from the Directors and Accounting Auditor, and requested explanations as necessary.

In accordance with the auditing policies determined by the Board of Corporate Auditors and the division of duties, each Corporate Auditor endeavored to collect information and establish auditing circumstances through communication with Directors, internal audit staff, and other employees, attended the Board of Directors' meeting and other important meetings to hear about the status of deliberations on important matters, and opined his or her opinion as necessary. Each Corporate Auditor also received reports on the execution of duties from Directors and employees, requested explanations as necessary, inspected the approved documents and minutes of meetings, etc., and examined the status of operations and conditions of assets at the Company's head office and principal offices.

With respect to the establishment of the system for ensuring that the Directors' duties are performed in conformity with laws, regulations, and the Articles of Incorporation of the Company, and the other system required to ensure the proper business operations of the company set forth in Items 1 and 3 of Article 100 of the Enforcement Regulations of the Corporation Law, Each Corporate Auditor monitored and verified the contents of the resolutions adopted by the Board of Directors thereon and the systems (Internal Control System) to be established in accordance with the resolution of the Board of Directors. Each Corporate Auditor also reviewed the basic policy stipulated in Item 3 (i), Article 118 of the Enforcement Regulations for the Corporation Law and the activities described in the business report as stipulated in Item 3 (ro) of the same Article, based on the deliberations at the meetings of the Board of Directors and other meetings. The Corporate Auditors received their business reports from subsidiaries as necessary, through communication and information sharing with the Directors and Corporate Auditors of the subsidiaries. In accordance with the procedures mentioned above, we reviewed the business reports and supplementary schedules for the year ended on December 20, 2009.

Further, the Corporate Auditors monitored and verified that the Accounting Auditor maintains independence and conducts the audits appropriately. Each Corporate Auditor also received reports on the status of the execution of duties from the Accounting Auditor and requested explanation, as necessary. In addition, we were informed of the arrangement of the "System for ensuring that the duties are performed appropriately" (matters stipulated in the items of Article 131 of the Corporate Calculation Regulations in accordance with "Standards for the Quality Control of Audits" (Business Accounting Council, October 28, 2005)) from the Accounting Auditor, and requested explanations as necessary.

In accordance with the procedures mentioned above, we reviewed the financial statements, that is, the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in shareholders' equity etc., and notes to the non-consolidated financial statements, for the year ended on December 20, 2009, together with the supplementary schedules for the same year.

2. Results of Audit

(1) Results of the audit of business reports

1. The business reports and supplementary schedules present fairly the financial condition of the Company in conformity with related laws, regulations, and the Articles of Incorporation of the Company;
2. Regarding the execution of duties by Directors, there were no instances of misconduct or material matters in violation of laws, regulations, or the Articles of Incorporation of the Company; and

3. The resolution of the Board of Directors regarding the internal control system is fair and reasonable. There are no matters requiring additional mention regarding such internal control or the execution of duties by Directors.
4. There are no matters to be pointed out with respect to the basic principles on the parties who are to control the decision of the Company's financial and operational policies described in the business reports. Activities described in the business reports in accordance with Item 3(ro), Article 118 of the Enforcement Regulations for the Corporation Law are in line with such basic principles, do not harm the common interests of the shareholders, and are not undertaken with the intention to maintain the positions of Directors or Corporate Auditors of the Company.

(2) Results of audit of financial statements and supplementary schedules

The auditing methods and results of the Accounting Auditor, Ernst & Young ShinNihon LLC, are fair and reasonable.

February 15, 2010

The Board of Corporate Auditors of Nissen Holdings Co., Ltd.

Yasoji Mori (Seal)
Full-time Corporate Auditor

Yoshiharu Takahashi (Seal)
Outside Corporate Auditor

Scott Trevor Davis (Seal)
Outside Corporate Auditor

Reference Documents for the General Meeting of Shareholders

Proposals and references

Proposal No. 1: Appropriation of Surplus

The Company proposes the appropriation of surplus and payment of a year-end dividend for the 40th Business Period as follows, based on the operating results for the business period and future business development.

1. Matters pertaining to the fiscal year-end dividend
 - (1) Dividend asset classification
The dividend will be paid in cash.
 - (2) Matters pertaining to the allocation of dividend assets and total amount
The Company will pay a dividend of ¥3.50 per share of Nissen Holdings common stock.
In this case the total amount to be paid out in the form of dividends comes to ¥177,761,552.
 - (3) Effective Date for payment of dividend of surplus
March 19, 2010
2. Appropriation of surplus
 - (1) Items to be decreased and amount of decrease
Special reserves 177,761,552 yen
 - (2) Items to be increased and amount of increase
Retained earnings carried forward 177,761,552 yen

Proposal No. 2: Partial Amendments to the Articles of Incorporation

1. Reason for the amendments

The Company proposes to add the following provisions to the Articles of Incorporation in response to new business activities in the Nissen group.

2. Contents of the Amendments

The details of the proposed amendments to the Articles of Incorporation are as follows.

(In case that change in original Japanese text does not effect a substantial change in the meaning, no change is made in the English translation.)

(Note: Underlined parts are amended.)

Existing Articles of Incorporation	Proposed Amendments
Article 1. (Omitted)	Article 1. (Unchanged)
(Purpose)	(Purpose)
Article 2. (Omitted)	Article 2. (Unchanged)
(1) Sale of clothing, jewelry and precious metal goods, food products, non-alcoholic beverages, furniture, fittings, fixtures, household articles, daily miscellaneous goods, business supplies, electronic appliances, amusement supplies, sporting goods, toys, books, cosmetics, animals and plants, various media content and other commodities, and the manufacture, processing, wholesaling, conciliation, import, export, and leasing of goods related to these products	(1) Sale of clothing, jewelry and precious metal goods, food products, non-alcoholic beverages, furniture, fittings, fixtures, household articles, daily miscellaneous goods, business supplies, electronic appliances, amusement supplies, sporting goods, toys, books, cosmetics, animals and plants, <u>print materials and package materials</u> , various media content and other commodities, and the manufacture, processing, wholesaling, conciliation, import, export, and leasing of goods related to these products
(2) to (28) (Omitted)	(2) to (28) (Unchanged)
(New)	<u>(29) Credit card service business</u>
<u>(29)</u> All businesses incidental to any of the above businesses	<u>(30)</u> All businesses incidental to any of the above businesses
2. (Omitted)	2. (Unchanged)
(1) to (9) (Omitted)	(1) to (9) (Unchanged)
Article 3. to Article 42. (Omitted)	Article 3. to Article 42. (Unchanged)

Proposal No. 3: Election of Eight Directors

All of the seven Directors of the Company (Toshio Katayama, Nobuyuki Ichiba, Toshiya Tsukushi, Takeshi Isokawa, Akira Iwamoto, Toshio Komada, and Kaori Sasaki) will complete their terms of office at the closing of this General Meeting of Shareholders.

Accordingly, the Company proposes the election of the above seven Directors (four of whom are Outside Directors) and Shinya Samura (as a newly appointed candidate) to the position of Director for the coming term of office.

The Company has judged that collaboration by and between management and execution is absolutely necessary for a certain period, in order to achieve its newly developed mid-term management plan.

The Company believes that Shinya Samura will exert strenuous driving power towards the accomplishment of the mid-term management plan, in light of the considerable business experience he has acquired from working in management as the Representative Director of Nissen Co., Ltd., a core corporation in the Nissen Group.

The ESG Committee (Environmental, Social, and Governance), a body which is chaired by an outside officer of the Company and whose members consist of a majority of outside officers, has approved the mitigated application of the policy for the Separation of Management and Execution between a Pure Holding Company and Business Companies for a certain period in order to achieve the mid-term management plan.

Information on the candidates for Directors is provided below.

Candidate Number	Name (Date of Birth)	Career summary, Position, Assignment, and Major Concurrent Positions of Other Companies	Number of Shares of the Company Held
1	Toshio Katayama (January 6, 1950)	<p>August 1973 Joined Nissen Holdings Co., Ltd.</p> <p>December 1981 Elected Director</p> <p>March 1986 Elected Managing Director</p> <p>November 1999 Elected Representative Executive Director</p> <p>December 2000 Elected President and Representative Director (current position)</p> <p>June 2007 Elected President and Representative Director of Nissen Co., Ltd. (demerged from Nissen Holdings Co., Ltd.)</p>	100,300 shares
2	Nobuyuki Ichiba (January 25, 1954)	<p>April 1977 Joined Nissen Holdings Co., Ltd.</p> <p>March 1987 Elected Director</p> <p>January 2000 Resigned as Director</p> <p>February 2000 Elected Executive Officer, serving concurrently as General Manager, Internet Business Promotion, Direct Marketing Division Headquarters</p> <p>March 2001 Elected Director</p> <p>December 2005 Elected Director and Managing Executive Officer</p> <p>June 2006 Elected Corporate Auditor of Mail & Business Logistics Service Co., Ltd. (current position)</p> <p>August 2006 Elected Corporate Auditor of GE Nissen Credit Co., Ltd. (current position)</p> <p>June 2008 Elected Director and Managing Executive Officer, serving concurrently as General Manager, Administrative Department of Nissen Holdings Co., Ltd. (current position)</p>	36,168 shares

Candidate Number	Name (Date of Birth)	Career summary, Position, Assignment, and Major Concurrent Positions of Other Companies	Number of Shares of the Company Held
3	Toshiya Tsukushi (June 23, 1965)	<p>April 1989 Joined Showa Shell Sekiyu K.K.</p> <p>September 1995 Joined Pricewaterhouse Consulting Co., Ltd. (current IBM Business Consulting Co., Ltd.)</p> <p>July 1999 Joined General Electric Capital Consumer Finance Co., Ltd. (current GE Consumer Finance Co., Ltd.)</p> <p>December 2005 Elected Executive Officer of General Electric Capital Consumer Finance Co., Ltd. (current GE Consumer Finance Co., Ltd.)</p> <p>September 2006 Joined Nissen Holdings Co., Ltd. and elected Executive Officer, serving concurrently as Group Leader of Business Development Group</p> <p>June 2007 Elected Executive Officer, serving concurrently as Manager, Financial Planning Office</p> <p>December 2007 Elected Director of n Insurance Service Co., Ltd. (current position)</p> <p>March 2008 Elected Director and Executive Officer, serving concurrently as Manager, Financial Planning Office</p> <p>June 2008 Elected Director and Executive Officer, serving concurrently as General Manager, Financial Department</p> <p>March 2009 Elected Chairman and Representative Director of GE Nissen Credit Co., Ltd. (current position)</p> <p>June 2009 Elected Director and Executive Officer, serving concurrently as Chief Financial Officer and General Manager of Business Development Office (current position)</p>	4,500 shares
4	Takeshi Isokawa (February 6, 1973)	<p>April 1999 Registered attorney (Osaka Bar Association), joined Kitahama Partners</p> <p>April 2003 Joined Global Law Office</p> <p>September 2004 Worked at the offices of Allen & Gledhill Advocates & Solicitors (Singapore)</p> <p>June 2005 Registered, New York State Bar Association</p> <p>September 2005 Partner/attorney of Global Law Office (current position)</p> <p>March 2007 Elected Director of Nissen Holdings Co., Ltd. (current position)</p> <p>December 2007 Elected Corporate Auditor of Nissen Co., Ltd. (current position)</p> <p>December 2007 Elected Corporate Auditor of IMJ Corporation (current position)</p>	1,200 shares

Candidate Number	Name (Date of Birth)	Career summary, Position, Assignment, and Major Concurrent Positions of Other Companies	Number of Shares of the Company Held
5	Akira Iwamoto (October 15, 1962)	<p>April 1986 Joined The Long-term Credit Bank of Japan (current Shisei Bank Ltd.)</p> <p>August 1998 Joined A.T. Kearney, Inc.</p> <p>August 2001 Joined Advantage Partners Inc. (now Advantage Partners, LLP) Partner (current position)</p> <p>March 2003 Elected Director of Seiden Co., Ltd.</p> <p>May 2005 Elected Director of Daiei, Inc., elected Director of OMC Card, Inc. (current Cedyne Financial Corporation)</p> <p>March 2007 Elected Director of Nissen Holdings Co., Ltd. (current position)</p> <p>October 2007 Elected Representative Director of Advantage Advisors, Inc. (current position)</p>	0
6	Toshio Komada (March 18, 1937)	<p>April 1959 Joined ITOCHU Corporation</p> <p>June 1990 Elected Director of ITOCHU Corporation</p> <p>June 1992 Elected Representative Managing Director of ITOCHU Corporation</p> <p>April 1995 Elected Senior Managing Director of ITOCHU Corporation</p> <p>June 1996 Elected Senior Vice President and Representative Director of Takiron Co., Ltd.</p> <p>June 2001 Elected Chairman and Representative Director of Takiron Co., Ltd.</p> <p>June 2003 Elected Adviser of Takiron Co., Ltd.</p> <p>March 2008 Elected Director of Nissen Holdings Co., Ltd. (current position)</p> <p>October 2008 Elected Director of Japan Independent Directors Network (current position)</p>	0
7	Kaori Sasaki (May 12, 1959)	<p>July 1987 Elected President and Representative Director of UNICUL International Inc. (current position)</p> <p>March 2000 Elected President and Representative Director of ewoman, Inc. (current position)</p> <p>October 2004 Elected Member of the Price Stability Council, Cabinet Office (current position)</p> <p>January 2005 Elected Member of the Financial System Council, Financial Services Agency (current position)</p> <p>July 2005 Elected Member of the Social Policy Council, Cabinet Office (current position)</p> <p>March 2008 Elected Director of Nissen Holdings Co., Ltd. (current position)</p> <p>June 2009 Elected Corporate Auditor of Tokio Marine & Nichido Fire Insurance Co., Ltd. (current position)</p>	0

Candidate Number	Name (Date of Birth)	Career summary, Position, Assignment, and Major Concurrent Positions of Other Companies	Number of Shares of the Company Held
8	Shinya Samura (May 9, 1955)	<p>April 1978 Joined Nissen Holdings Co., Ltd.</p> <p>March 1986 Elected General Manager, Catalog, Direct Marketing Division</p> <p>April 1987 Elected General Manager, Products, Direct Marketing Division</p> <p>February 2000 Elected Director General Manager, Marketing, Direct Marketing Division</p> <p>December 2000 Elected Director Managing Director General Manager, Direct Marketing Division</p> <p>May 2004 Elected Director of Nissen Logistics Service Co., Ltd. (current Mail & e Business Logistics Service Co., Ltd.) (current position)</p> <p>December 2005 Elected Director Senior Managing Executive Officer General Manager, Direct Marketing Division</p> <p>March 2007 Elected Director of BUDOOU Labo Co., Ltd. (current position)</p> <p>June 2007 Elected Director of Nissen Co., Ltd. (demerged from Nissen Holdings Co., Ltd.) Senior Managing Executive Officer General Manager, Direct Marketing Division</p> <p>June 2007 Elected Director Senior Managing Executive Officer General Manager, Direct Marketing Unit</p> <p>March 2008 Elected Senior Managing Executive Officer General Manager, Direct Marketing Unit</p> <p>June 2008 Elected President and Representative Director of Nissen Co., Ltd. (current position)</p> <p>June 2008 Elected President and Representative Director of Kurashino Design, Inc.</p>	63,600

Notes: 1. There are no special interests between the candidates and the Company.

2. Takeshi Isokawa, Akira Iwamoto, Toshio Komada, and Kaori Sasaki are candidates for Outside Directors. None of these candidates fall under any provisions of Rule 211. 6.(5) a. through e. of the Enforcement Rules for Securities Listing Regulations set forth by Tokyo Stock Exchange, Inc.

3. The reasons for the election of candidates for Outside Directors are as follows.

(1) The election of candidates for Outside Directors meets the requirements set forth in 3. Standards for the Election of Outside Directors and Outside Corporate Auditors, as stated in the Notice of Measures for the Improvement of Corporate Governance issued on October 23, 2007.

Standards for the Election of Outside Directors

1) The standards for the election of Outside Directors require that elected Outside Director have wide-ranging knowledge and business experience as a corporate manager, as necessary for discussion of proposals at the Board of Directors of a pure holdings company, or have actual experience and a wide variety of knowledge in a specified field necessary for supervision of management.

2) In order to introduce the standpoints of various stakeholders into management, the Company pays attention to the diversification of background upon the election of multiple Outside

Directors.

- 3) In order to meet the original purposes of the election of Outside Directors as spokespersons on behalf of various Shareholder interests, the Company pays attention to the assurance of their independency upon the election of new Outside Directors.
 - 4) When the Company, an enterprise active in a wide range of business fields, elects any business manager as an Outside Director, there is a possibility that conflicts of interest will arise in transactions between the Company and that business manager. The Company responds to conflicts of interest in individual cases through the procedures of the Board of Directors.
 - (2) Because Takeshi Isokawa is a lawyer familiar with corporate legal work, the Company believes that he will continue to actively express valuable opinions and advice based on his advanced expertise and knowledge. He has also served as a member of the Nominating and Compensation Committee, a member of the ESG Committee, and chairman of the Compliance Committee. His term of office as an Outside Director will have been three years at the end of this General Meeting of Shareholders.
 - (3) Because Akira Iwamoto has actual experience acquired from working on corporate revitalization, the Company believes that he will continue to actively express valuable opinions and advice based on his considerable experience and knowledge. He has expressed his valuable advice for business strategy over the medium and long term. His term of office as an Outside Director will have been three years at the end of this General Meeting of Shareholders.
 - (4) Because Toshio Komada has held corporate directors' posts and has extensive career experience on international business, the Company believes that he will continue to actively express valuable opinions and advice based on his thorough knowledge and global viewpoint. He has also served as a member of the Nominating and Compensation Committee and as chairman of the Risk Management Committee. His term of office as an Outside Director will have been two years at the end of this General Meeting of Shareholders.
 - (5) Because Kaori Sasaki has career experience as a corporate director and activity experience as a member of an administrative committee related to people's daily lives, the Company believes that she will continue to actively express valuable opinions and advice based on her considerable knowledge and way of thinking from perspective as a consumer. She has expressed valuable opinions as a member of the Nominating and Compensation Committee. Her term of office as an Outside Director will have been two years at the end of this General Meeting of Shareholders.
4. The Company has entered into a Liability Limitation Agreement with each of the Outside Directors, as follows.

In the event that any Outside Director bears liability with the Company for damages under Article 427, Paragraph 1 of the Corporation Law, the minimum liability amount stipulated in Article 425, Paragraph 1 of the Corporation Law shall be the maximum amount of the said liability for damages, provided that the said Outside Director has performed his/her duties without gross negligence or knowledge of misconduct.

Proposal No. 4: Election of Two Substitute Corporate Auditors

The election of Hidekazu Tamada and Shinichiro Kawazoe, Substitute Corporate Auditors, both of whom were resolved at the previous Ordinary General Meeting of Shareholders, will be effective until the beginning of this General Meeting of Shareholders. The Company proposes the election of the following two Substitute Corporate Auditors in preparation for cases where the number of Corporate Auditors falls short of the capacity stipulated in laws and regulations. The Company proposes the election of Hidekazu Tamada as a candidate Substitute Corporate Auditor to substitute for Yasoji Mori, Corporate Auditor, and Shinichiro Kawazoe as a candidate Substitute Corporate Auditor to substitute for Yoshiharu Takahashi and Scott Trevor Davis, Outside Corporate Auditors.

The Board of Corporate Auditors has previously given its approval.

Information on the candidate for Substitute Corporate Auditors is provided below.

Candidate Number	Name (Date of Birth)	Career summary, Position, Assignment, and Major Concurrent Positions of Other Companies	Number of Shares of the Company Held
1	Hidekazu Tamada (July 10, 1952)	<p>April 1976 Joined The Daiwa Bank, Limited (current Resona Bank, Limited)</p> <p>January 1998 Elected Manager, Roppongi Branch of The Daiwa Bank, Limited</p> <p>December 2000 Elected Manager, General Risk Office of The Daiwa Bank, Limited</p> <p>August 2004 Joined Nissen Holdings Co., Ltd.</p> <p>June 2007 Financial Planning Office in charge of Financial Strategy</p> <p>June 2008 Elected Vice General Manager, Finance Department (current position)</p>	0
2	Shinichiro Kawazoe (March 10, 1942)	<p>April 1964 Joined Marubeni-Iida Co., LTD. (current Marubeni Corporation)</p> <p>April 1995 Elected General Manager, Foods Department of Marubeni America Corporation</p> <p>June 1998 Elected Managing Director, serving concurrently as Vice General Manger, Administrative Department of Toyo Sugar Refining Co., Ltd.</p> <p>June 2002 Elected Senior Managing Director, serving concurrently as General Manager, Administrative Department</p> <p>June 2003 Elected Representative Director of Pacific Grain Terminal Co., Ltd.</p> <p>June 2007 Elected full-time Corporate Auditor of Biomaster, Inc.</p>	0

Notes: 1. There are no special interests between the candidates and the Company.

2. Shinichiro Kawazoe is a candidate for Substitute Outside Corporate Auditor.

3. The reasons for the election of candidates for Substitute Outside Corporate Auditors are as follows. The election of candidates for Substitute Outside Corporate Auditors meets the requirements set forth in 3.

(1) Standards for the Election of Outside Directors and Outside Corporate Auditors, as stated in the Notice of Measures for the Improvement of Corporate Governance issued on October 23, 2007.

Standards for the Election of Outside Corporate Auditors

1) Outside Corporate Auditors are selected from among persons with considerable knowledge and experience in various areas. The health and transparency of management is assured by audits conducted from neutral and objective viewpoints.

2) Upon the election of new Outside Corporate Auditors, the Company pays attention to the assurance of its independency, in order to meet the original purposes of the election of Outside Corporate Auditors.

(2) Because Shinichiro Kawazoe has career experience in domestic and overseas companies and job experience as a Corporate Auditor, the Company proposes his election as a Substitute Outside

- Corporate Auditor, in order to make use of his experience.
4. The Company has entered into a Liability Limitation Agreement with each of the Outside Corporate Auditors, as follows. Upon the election of new candidates for Substitute Outside Corporate Auditors, the Company will enter into the same agreement with each newly appointed candidate. In the event that any Outside Corporate Auditor shares liability with the Company for damages under Article 427, Paragraph 1 of the Corporation Law, the minimum liability amount stipulated in Article 425, Paragraph 1 of the Corporation Law shall be the maximum amount of the said liability for damages, provided that the said Outside Corporate Auditor has performed his/her duties without gross negligence or knowledge of misconduct.

END

Information on Exercising Voting Rights

1. How votes will be handled if shareholders exercise voting rights more than once by paper ballot and the Internet

In the event a shareholder exercises voting rights twice using the paper ballot and the Internet, and the contents of the votes differ, the Company will consider the voting rights exercised using the Internet to be the effective voting rights.

2. How votes will be handled if shareholders exercise voting rights more than once using the Internet

In the event a shareholder exercises voting rights more than once using the Internet, and the contents of the votes differ, the Company will consider the most recently exercised voting rights to be the effective voting rights.

3. Procedure for exercising voting rights using the Internet

If you will exercise your voting rights using the Internet, please exercise your rights after confirming the following items.

If you will attend the Ordinary General Meeting of Shareholders on the scheduled date, you do not need to use either of the procedures for exercising your voting rights by mail (Voting Rights Exercise Form) or the Internet.

- (1) Website for exercising voting rights

- 1) You can exercise your voting rights using the Internet only by accessing the voting rights exercise site (<http://www.evote.jp/>) specified by Nissen Holdings Co., Ltd. from a personal computer or cellular phone (i-mode, EZweb or Yahoo!-Keitai)*. (Please note, however, the site cannot be accessed between the hours of 2:00AM-5:00AM daily.)

* “i-mode” is a registered trademark of NTT DoCoMo, Inc. “EZweb” is a registered trademark of KDDI Corporation. “Yahoo!” is a registered trademark of Yahoo! Inc. in the United States.

- 2) Depending on your Internet use environment, in some cases you might be unable to exercise your voting rights using a personal computer. This includes when you are using a firewall or other measure for your Internet connection, when you have anti-virus software installed, and when you are using a proxy server.
- 3) To exercise your voting rights using a cellular phone, please use the services of i-mode, EZweb or Yahoo!-Keitai. To ensure security, cellular telephone models that cannot handle encrypted transmissions (SSL transmissions) and cellular phone information transmission cannot be utilized.
- 4) Voting rights exercised using the Internet will be accepted until 5:30PM on Wednesday, March 17, 2010. We encourage you to exercise your votes early, however, and to inquire at the help desk shown on the following page when you have any questions.

- (2) Procedure for exercising voting rights using the Internet

- 1) Use the “Login ID” and “provisional password” shown on your Voting Rights Exercise Form to enter the voting rights exercise site (<http://www.evote.jp/>), and input your affirmative or negative votes by following the instructions on the voting screen.
- 2) To prevent unlawful (“disguised”) computer access and falsification of the voting rights exercise contents by individuals other than shareholders, shareholders using the voting rights exercise site will be requested to revise the “provisional password” on the voting rights exercise site. Please follow the requested procedure.
- 3) Shareholders will be notified of a new “Login ID” and “provisional password” with each notification for the Ordinary General Meeting of Shareholders.

- (3) Costs incurred when accessing the voting rights exercise site

Shareholders are responsible for all charges (dial-up connection fees, telephone charges, etc.) incurred when accessing the voting rights exercise site. In addition, shareholders are also responsible for all costs required for packet transmission charges and other cellular phone usage fees when using a cellular telephone to access the voting rights exercise site.

- (4) Procedure for receiving future notices of shareholder meetings

Shareholders wishing to receive future notices of shareholder meetings automatically by e-mail beginning from the next General Meeting of the Shareholders can do so by using a personal computer and following the procedure on the voting rights exercise site.

(This procedure cannot be completed using a cellular phone. Shareholders also cannot designate a

cellular telephone mail address for receiving future notices. Your understanding is appreciated.)

Inquiries concerning the voting system etc. Mitsubishi UFJ Trust and Banking Corporation Transfer Agent Department (Help Desk) TEL: 0120-173-027 (Hours: 9:00 – 21:00 Free-dial)

4. Platform for exercise of voting rights by institutional investors

Institutional investors that have applied beforehand to use the platform managed by ICJ, Inc. for electronic exercise of voting rights may use that platform as the method to exercise their voting rights by electronic means at the Ordinary General Meeting of Shareholders of Nissen Holdings Co., Ltd.

END