



For immediate Release

Nippan, CCC to integrate Merchandise Fulfillment Unit in response to retail complex needs

Promotion of one-stop logistics and consolidated invoicing

March 7, 2006 (Tokyo, Japan) — Nippon Shuppan Hanbai, Inc. (“Nippan,” President: Naomasa Tsuruta) and Culture Convenience Club Co., Ltd. (“CCC,” President: Muneaki Masuda) **have reached a basic accord to integrate merchandise fulfillment operations by July that will offer one-stop fulfillment for TSUTAYA and general stores. Streamlined merchandise fulfillment will cut the costs of goods by integrating fulfillment for all product categories, including both rental and sell-thru DVDs and CDs, books, and magazines transacted by participating franchised retail locations.**

In order to fuse both strengths, the logistics know-how held by Nippan and CCC’s assortment planning and marketing capabilities, the companies established the joint venture MPD Co., Ltd. (“MPD”; Nippan 51%, CCC 49 %; President: Naomasa Tsuruta), as a planning company in October, 2005, and examined the means towards improved store operations, including TSUTAYA.

As a result, subject to board approval slated for late March, **CCC will transfer to Nippan 51% of its ownership in Nihon Soft Service Co., Ltd. (“NSS,” net sales: 82.6 billion yen, ordinary income: 1 billion yen, for the year ended March, 2005).** Nippan will transfer its TSUTAYA-related business by spinning it off into a new company in April. The subsequent consolidation of CCC and Nippan fulfillment operations will involve the merger of four companies: Japan Media Link Co., Ltd (“JML”), which is Nippan’s CD rental distribution subsidiary, NSS, the MPD planning company, and the new spin-off.

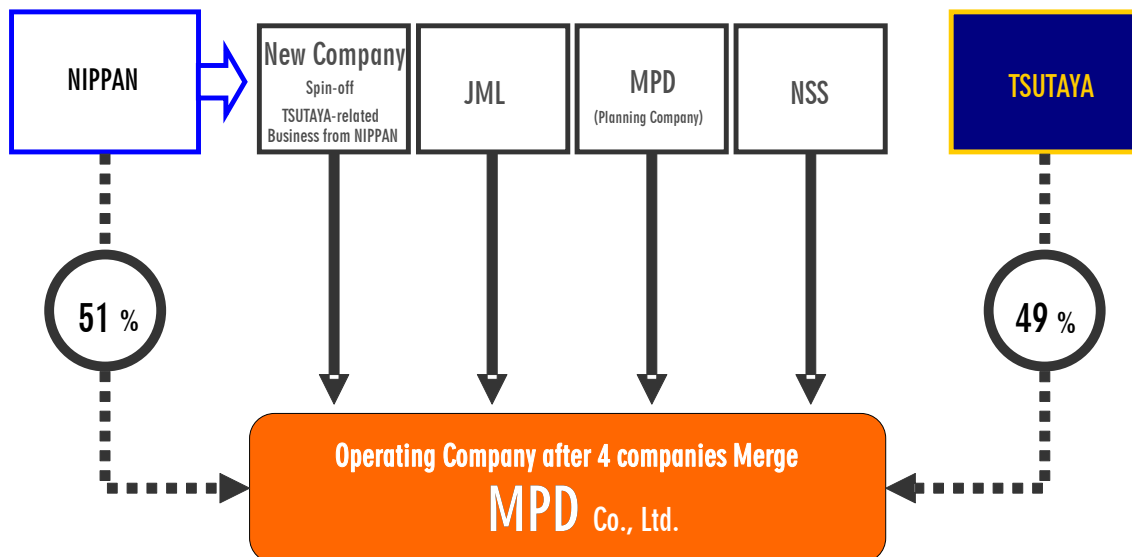
The resulting MPD will achieve Multi-Package Distribution, transacting nearly all packaged entertainment software. The consolidated entity will create value for its retail store accounts, including TSUTAYA, as a full-fledged fulfillment operations company.

In addition, **CCC expects consolidated total assets to be compressed to around 90 billion yen from 110 billion yen for the year ending March, 2006,** with NSS now qualifying for equity-method accounting. Consolidated ordinary income will remain steady, because of fee income received from MPD. Under the forecast ordinary income of 13.8 billion yen for this fiscal year, **CCC’s income ratio against consolidated total assets will improve 2.8 points from 12.5% to 15.3% ,** and effectively lift management efficiency.

■ Specific Benefits for Retail Accounts

1. Achievement of one-stop fulfillment will enable all products bundled in a single delivery.
2. One delivery each for outbound fulfillment and inbound returns will cut the costs of goods and in-store personnel expenses by generating efficiencies. Retailer profitability will improve.
3. The integration of various invoices issued until now will reduce processing burdens for retailers. In addition, the mid-term goal is to introduce paperless invoicing.

■ Outline of Consolidation Steps in Fulfillment Operations



■ About MPD (after July merger)

Company Name: MPD Co., Ltd.
Headquarters: Yebisu Garden Place 24th Floor, 4-20-3 Ebisu, Shibuya-ku, Tokyo
Capital: 430 million yen
Ownership: Nippon Shuppan Hanbai, Inc., 51%; TSUTAYA Co., Ltd, 49%
Board of Directors: Eisaku Yoshikawa, President (Nippan)
Directors (full-time): 3 from Nippan, 3 from CCC (Planned)
Directors (part-time): 3 from Nippan, 3 from CCC (Planned)
Auditors: 1 from Nippan 1 from CCC

■ **Entertainment Software Wholesale Ranking***

	Company Names	Sales
1	MPD (NSS & Nippan, including TSUTAYA-related business)	127.6 Billion Yen
2	Seikodo Co., Ltd.	111.2 Billion Yen
3	Happinet Corporation	74.2 Billion Yen
4	Japan Record Sales Network Inc.	49.0 Billion Yen
5	Lilac Co., Ltd.	47.9 Billion Yen

Source: CCC

* Ranking of total sales for sell-thru DVD & CD, Games, rental DVD & CD, and VHS.

■ **MPD Books and Magazines Annual Wholesale Agency Targets**

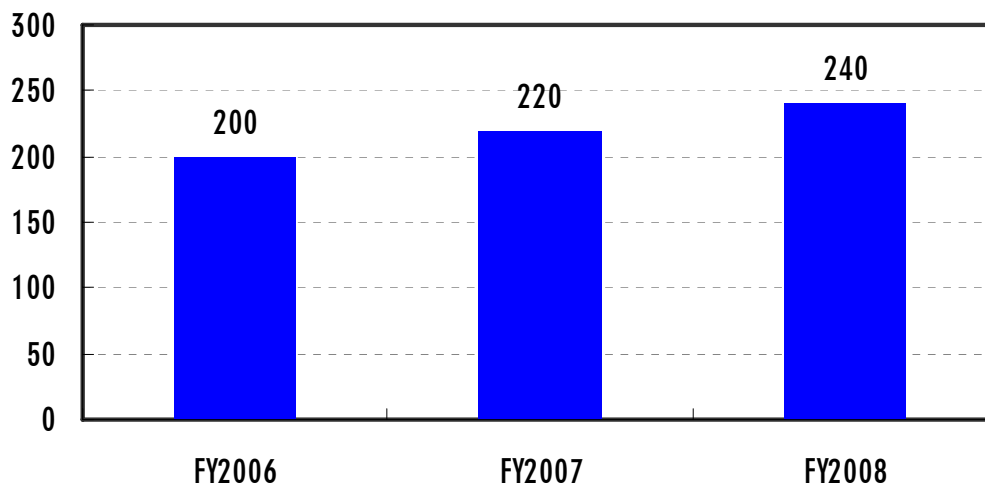
After launching business, MPD will aim for sales of 60 billion yen from its TSUTAYA-related books & magazines wholesale agency operations.

	Company Names	Sales
1	Nippon Shuppan Hanbai, Inc.	733.7 Billion Yen
2	Tohan Co., Ltd.	652.0 Billion Yen
3	Osakaya Co., Ltd.	109.3 Billion Yen
4	Kurita Shuppan Hanbai Co., Ltd.	54.8 Billion Yen
5	Taiyo-sha Co., Ltd.	48.6 Billion Yen

Reference: Books & Magazines Wholesale Agency Rankings

■ **Sales Target for Next 3 years**

Unit: Billion Yen



About Nippon Shuppan Hanbai, Inc.

Headquarters: 4-3 Kanda-Surugadai, Chiyoda-ku, Tokyo

Lines of Business: 1. Wholesale consignment agency for books, magazines, textbooks, educational materials, and computer equipment.
2. Video and music software production, sales and copyright licensing business.

About Japan Medialink Co., Ltd.

Headquarters: 9-32-6 Takashimadaira, Itabashi-ku, Tokyo

Lines of Business: Purchasing agency of rental CDs, rental product processing, product management, delivery, video & CD rentals.

About Culture Convenience Club, Co., Ltd.

Headquarters: Yebisu Garden Place 21st Floor, 4-20-3 Ebisu, Shibuya-ku, Tokyo

Lines of Business: Lifestyle navigation business through TSUTAYA stores, TSUTAYA online (Internet), and T-Card (membership). The franchise chain of 1,240 TSUTAYA stores has a combined membership of 18.31 million members (as of January, 2006). TSUTAYA online membership consists of 8.25 million members.

About Nihon Soft Service, Inc.

Headquarters: Yebisu Garden Place 24st Floor, 4-20-3 Ebisu, Shibuya-ku, Tokyo

Lines of Business: Wholesale and distribution of both sales and rental software product to TSUTAYA locations.

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