

Dear Sirs:

Name of Company: BELLUNA CO., LTD.

Code No.: 9997 1st Section of the Tokyo Stock Exchange

Notice of Cease and Desist Order by the Japan Fair Trade Commission

Belluna Co., Ltd. has recently received a cease and desist order from the Japan Fair Trade Commission for its catalog display of Kabi Stop Fushigina Yuoke (antimycotic magical hot-water bowl) and Ion Power Kitchen Oke (ion power kitchen tub) on the grounds that they violate Article 4, Paragraph 1, Item 1 (misconception of quality) of the Act Against Unjustifiable Premiums and Misleading Representations.

Description

1. Catalog displays subject to the order

The Japan Fair Trade Commission (“JFTC”) has determined that Kabi Stop Fushigina Yuoke (“antimycotic magical hot-water bowl”) presented in the *Hanamaru Club 2006 Summer Edition*, a mail-order catalog of the Company, and Ion Power Kitchen Oke (“ion power kitchen tub”), listed in the *Sutekina Seikatsu 2006 Summer Edition* are displayed as if they had the effect of inhibiting mold and slime simply by placing them in a bathroom and a kitchen, and that these representations appear to consumers to be far superior than the actual quality.

2. Background for the cease and desist order

The Company judged that these products had an inhibiting effect on mold and slime, based on the examination reports and the results of research of multiple research institutions submitted by the suppliers of the products. It consequently produced the displays described above. However, the JFTC judged that these documents do not show reasonable grounds and consequently issued the order.

3. Future response of the Company

After the commencement of the examination by the JFTC in September 2006, we ceased sales of the two products in October 2006.

Although we have been developing an internal checking system with utmost attention to our catalog displays, we deeply reflect on the fact that excessive representations were made with respect to these products and have humbly accepted the judgment of the JFTC. We will make every effort to provide fair and proper indications of our products and prevent the recurrence of similar incidents in the future.

We sincerely apologize for any concerns that this may have caused our customers and other stakeholders.

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