

News Release

Upgraded bonds of Belluna to **BBB+**

January 25, 2002

JCR has upgraded the preliminary rating and the ratings on the following shelf registration and bonds from BBB to BBB+.

Issuer: Belluna Co., Ltd. (securities code no.: 9997)

Shelf Registration:

Maximum: Y10 billion

Valid: two years from November 22, 2000

Issues	Amount(bn)	Issue Date	Due Date	Coupon
convertible bonds no.1	Y3	Dec. 28, 1995	Mar. 31, 2003	0.8%
bonds no.1	Y5	Dec. 20, 2000	Dec. 20, 2005	2.06%

<Rationale>

- Belluna is a mid-size mail-order sales company with the primary clientele being women in their 40s to 50s. It is characterized by the cost effective management such as insertion of the handout into newspapers in order to obtain new customers.
- Both the net sales and operating profit for the first half of fiscal 2001 increased over the same period a year ago. The net sales increased by 16.3% to 39.1 billion yen while the operating profit increased by 15.8% to 3.4 billion yen. Two-digit increases in both the revenue and profit will be made for fiscal 2001 through March 31, 2002, due to increases in the number of new customers and catalog sales resulting from the increased customers.
- The operating profit margin remains high at 10%, supported by the cost reductions and financial services business. The cash flow generation capability is on the rise. It should improve the inefficient businesses of the affiliated companies, which could not produce synergistic effects with the mainstay mail-order business, however.
- The company issued bonds of 5 billion yen in fiscal 2000 to respond to the diversified needs for fundraising for capital expenditures. The financial ratios such as ratio of equity to total assets remain good, however. The funds might be required in the future for the capital investments. The financial soundness will improve, supported by the good earnings retained in the owners' capital.
- The company is making efforts to expand the target customer base into the young women. The company's profitability may fall, depending on the fixing condition of the new client base. The company will be able to maintain the competitive edge supported by the stable earnings base with the repeat rate of the core target customers being high, however. It acquired in January 2002 goodwill of Friendly, which filed for protection under the Civil Rehabilitation Law. JCR will pay close attention to the earnings trend of it.