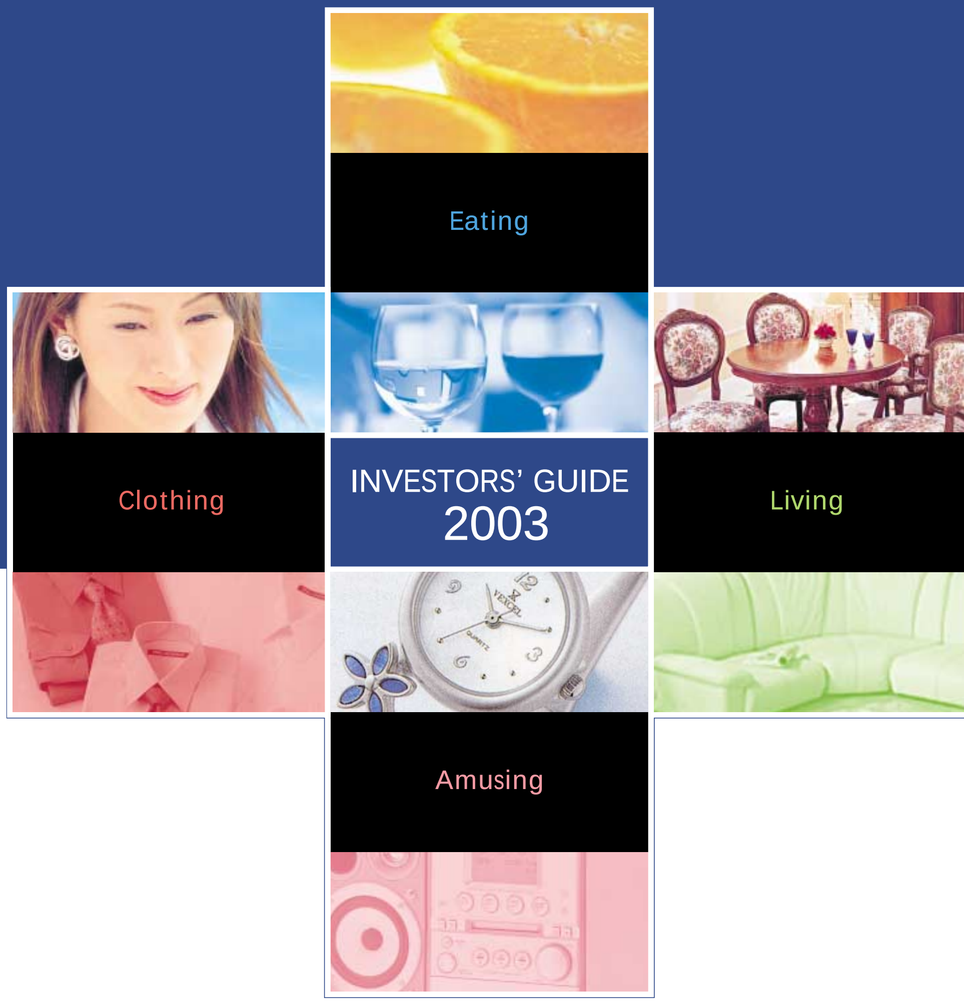
BELLUNA



Continued Growth and Solid Profit

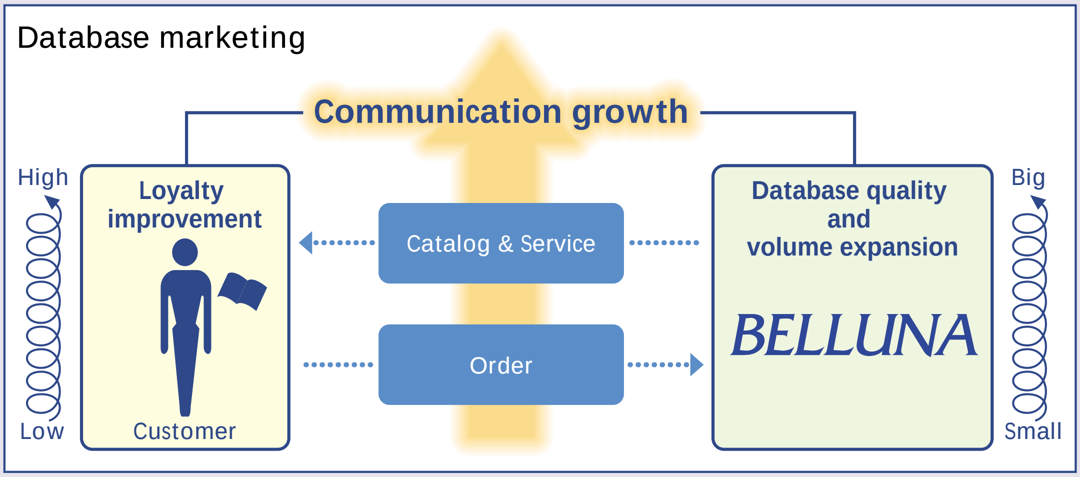
BELLUNA CO., LTD.

Corporate Profile

Among Japan's integrated mail order sales companies, Belluna Co., Ltd. ranks first in profits (operating, ordinary as well as net) and third in sales. We contribute to society by providing highly convenient, economical and fashion-oriented services. Based on this management concept, we have maintained continuous growth from our founding in 1977 to today.

The fiscal year under review saw achievement of our targets in large part, and record profits were posted. This growth was driven by three factors. The first was our "cultivation style business," where repeated experiments with the minimum necessary investment enabled us to "harvest" reliable results on a long-term basis. The second was our employees' never-ending persistence to "stick to the basics." Finally, there is what we called our spirit of "sound adventure," that is, a business approach where very challenging adventures and undertakings were proactively tackled with unwavering resolve and meticulous planning after carefully weighing the probabilities of success.

Belluna's core business is database marketing, utilizing customer databases as our management resources. To obtain new customers, maintain existing ones and activate the databases, we seek qualitative improvement and quantitative expansion of our databases by advancing into related new businesses. In such a way, our business development will maintain a good balance between growth and profitability.



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Disclaimer Regarding Forward-looking Statements

The statements made in this Investors' Guide are given solely to provide information regarding the business performance of Belluna Co., Ltd. during fiscal year 2002 (ended in March 2003) and not to solicit investment in our company's stock. Any statements with respect to Belluna's current plans, strategies and beliefs are forward-looking statements based upon information available as of March 31, 2003, and involve known and unknown risks and uncertainties. Actual events and results may differ materially from those anticipated in these statements.

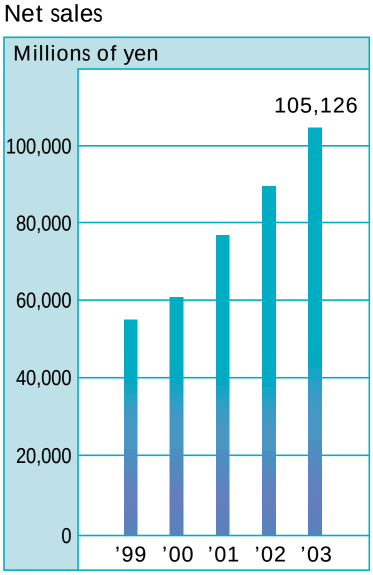
Financial Highlights

Belluna Co., Ltd. and Consolidated Subsidiaries

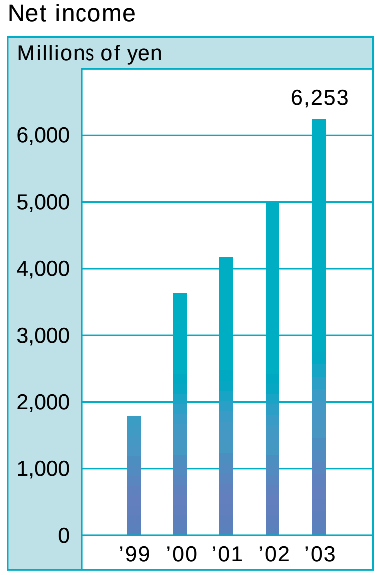
	Millions of yen		Thousands of U.S. dollars
Years ended March 31, 2003 and 2002	**2003**	**2002**	**2003**
Net sales	**¥ 105,126**	¥ 90,016	**$ 876,050**
Operating income	**10,684**	9,206	**89,033**
Net income	**6,253**	4,975	**52,108**
Total assets	**86,255**	76,940	**718,792**
Total shareholders' equity	**37,342**	32,915	**311,183**
Dividends	**489**	444	**4,075**
Per share data	Yen		U.S. dollars
Adjusted net income	**¥ 291.61**	¥ 231.99	**$ 2.43**
Dividends	**25**	25	**0.21**
Shareholders' equity	**1,760.57**	1,682.13	**14.67**

Note: Calculation based on the exchange rate of U.S. $1=¥120 (March 31, 2003).

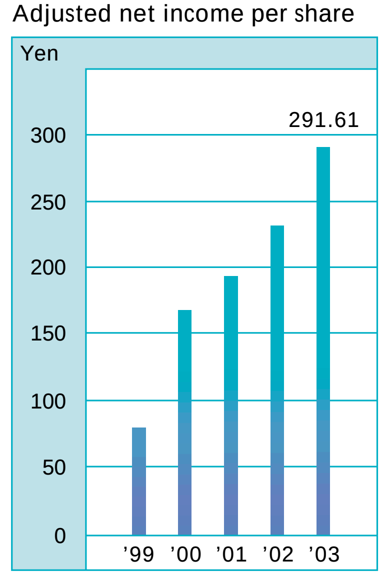
Net sales



Net income



Adjusted net income per share



Note: Consolidated financial statements were first prepared for the year ended March 2000. Accordingly, figures for 1999 are on a non-consolidated basis, provided for reference purpose only.

Message from the President

Belluna posts continuous sales and profit gains for the eleventh straight year

Fiscal Year Business Results

Consolidated ordinary income exceeds 10 billion yen

The fiscal year under review saw consolidated sales rise by 16.8% year-on-year to 105,126 million yen, with ordinary income up by 18.7% to 10,793 million yen and net income up by 25.7% to 6,253 million yen. This marked the eleventh consecutive year of sales and profit advances starting before the Company's IPO. We surpassed ordinary and net income of any Japanese integrated mail order company for the third straight year. With weak Japanese economy and low consumer spending, these results were driven by our dynamic spirit of "sound adventure," as noted in the corporate profile. While always maintaining this business posture, we undertook to ascertain customer preferences more thoroughly and focused on low cost, but high quality and high morale tactics. We believe that our ongoing sales and earnings gains resulted from customer acceptance of these policies.

Our EPS rose by 14.7% to 291.61 yen, while ROE gained 1.5 percentage points to 17.8% and maintained our target of 15% or better.

Strong trends in existing catalog and new businesses

A review of the year highlighted the following as positive and negative factors for our earnings.

Positive factors included at least 10% increases in the customer databases for the catalog business and related segments, and a sharp growth in a number of new businesses and subsidiaries established several years ago. Our database of active customers who made purchases within the recent two years and were mainly women in their 40s and 50s, showed 10.8% growth, exceeding budget estimates, to about 3,690,000 persons. New business with good performance included "Ryu Ryu" for women in their 20s and "Life Market" appearing in printed media and TV for home appliances, personal computers and hobby goods for the catalog business, and the exhibition sales business accounted for in the other businesses. In addition, major contributions came from such affiliates as Toyo Kampo Co., Ltd. and Ozio Co., Ltd., which were engaged in mail order sales of single items. Finally, personnel and infrastructure developments enabled our planning and marketing capabilities to provide a platform for further growth.

As a negative factor, Bell-Net International Hong Kong Ltd., one of our subsidiaries, encountered a consumer image problem related to Chinese health foods, so its sales and profits declined. The high-priced merchandise catalog issued in 2002 showed only slow growth below our expectation. While reducing costs and experimenting with optimum ways to obtain customers and identify the price zone segmentation, we will simultaneously move forward with the development of target-oriented merchandise and the cultivation of vendors.

Mail Order Industry and its Prospects

Ongoing two-tier formation

Despite a difficult economic situation, the mail order sales industry's sales have risen by 4-5% annually in recent years. This has been driven by single-item sales, of which cosmetics and health foods are the main merchandise, as well as TV and B-to-B sales and other mail order channels. This has more than offset the falloff seen among some of the big-name distributors. The two-tier phenomenon has also become more marked in respect of profits. Aggregate profits for the six publicly-traded integrated mail-order firms hit a record high. We view this era of confusion as a chance to capitalize on replacement of the old by the new, and are confident that over the coming several years Belluna will lead the sector not only in profits but in sales as well, forging ahead to stay true to its name as Japan's No.1 company in the sector.

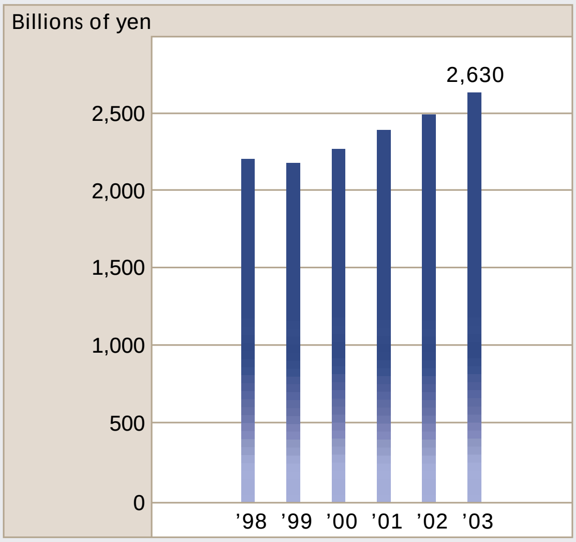
Belluna's Strengths

Continued growth and stable earnings

In this market environment, what enabled us to continue posting superior results was, firstly, our ability to cultivate new customers through the mass media, fee-charged mail order magazines widely disseminated and others. Second was effective use and activation of our customer databases; we obtained new customers with targeted approach methods and at low cost. In addition to expanding the number of items as well as developing and introducing new media, we sought to apply our databases more actively and effectively to our consumer loan as well as our other non-goods businesses.

A third strength lies in our growth strategy of organic linkage among businesses, cultivation of segments that although currently deficient are sound and promising, and our attention to balanced management over the short, intermediate and long terms. More specifically, segments that are stable earnings sources are envisioned as accounting for 70-80%, those that are at breakeven but hold future potential for 10%, and new businesses in which we are investing for the future for 10-20%. Keeping in mind the balance between growth and profitability, we are containing media costs within limits we consider appropriate, and in respect of the cost-price ratio the tradeoff is not one of lower product quality and higher inventory risk but thorough improvement of the balance. This

Market scale of mail-order service in Japan



Source: Japan Direct Marketing Association

is what enables the coexistence of ongoing growth and expansion of stable earnings.

Fourthly, we have secured a higher gross profit margin than our competitors. This derives from the profit contributions of consumer loan, commission businesses and other non-goods segments developed as part of practical application of databases all of which have operated in the aggregate to raise our gross margin. In the year under review, this had the effect of boosting the non-consolidated margin by 4.6 percentage points.

Finally, we note the qualitative aspects of a flat organization and accelerated decision-making. Bold delegation of authority and an incentive system have lent a gamelike quality to work that stimulates employee zeal while making the most of our human resources.

Plans and Strategies for the Current Term

Consolidated sales of 120,000 million yen and ordinary income of 12,000 million yen

Consolidated targets for the current term are a 14.1% year-on-year gain to 120,000 million yen for sales, an 11.2% increase to 12,000 million yen for ordinary income and a 10.3% gain to 6,900 million yen for net income.

Proactive new customer development policy

Our management strategy calls for proactive expansion and locking-in of our target age groups by growing such marketing channels as media for women in their 20s and 30s, plus TV, the Internet and mobile terminals, and filling out our merchandise lineup for men, innerwear, home appliances and others. This will build them up as supports for each business. In parallel, product quality improvement and shorter lead times are among the focal issues for enhancing existing customer satisfaction. We will continue qualitative improvement and quantitative expansion of our customer databases.

From the current term we expect to adopt a policy of aggressive expansion in our exhibition sales business, increases in our sales locations and full-scale commitment of personnel resources. In respect of the Internet, our objectives will be reduction of order costs and cultivation of new customer groups. We are developing a system of catalog merchandise postings on the Web and an online order system that is to go into operation next term, the fiscal year ending March 2005.

Belluna as a global company

Over the next several years Japan's population is expected to contract, and with it the market. Our mid/long-term strategy is thus one of cultivating overseas markets with strong potential. Over a long-term perspective, we will be looking to bring our overseas sales and profits to exceed domestic levels. As the first step, the year under review saw the establishment of business units in Seoul (Korea) in addition to those in Hong Kong and Chicago (U.S.A). While being alert for business opportunities, we plan further advances into China and various countries in Southeast Asia. We will also expand Belluna's network to a global scale, and construct a system enabling multinational merchandise procurement, merchandise planning and sales at strategically low cost.

The aforementioned strategies are aimed at earnings expansion over the intermediate and long term.

Conclusion

Maximizing the shareholder value

During this term, net sales and ordinary income exceeded 100 billion yen and 10 billion yen respectively, representing a milestone for Belluna. Our next objective is to become No. 1 in the Japan's mail order sales industry, and we are confident in such an achievement. Our ultimate objective, however, is to become what is known as an "truly excellent company." For us this means becoming a company that balances stability, growth, sustainability, profitability and functionality. Such a company possesses an inherent strength to withstand any changes, however adverse, in the external environment and markets. Its employees can stand the comparison with those of any other "outstanding" company anywhere in the world, and take pride in doing their jobs with the greatest zeal.

As we proceed toward these objectives, we will realize our growth potential and implement high-efficiency management through improvements in corporate quality and employee productivity. We believe that this will in turn serve to maximize shareholder value. We will always strive to produce results that enhance shareholder satisfaction.

July 31, 2003

Kiyoshi Yasuno

Kiyoshi Yasuno
President and Representative Director

Topics of the Year

Allotment of new share subscription rights

For registered shareholders as of March 31, 2003, Belluna allotted one unit of new share subscription rights for each 10 shares held. The exercise price was set extremely low and the issue price was at a substantial discount to its hypothetical market value. In this and other ways we achieved our goal of rewarding shareholders.

Stock buyback

The Company repurchased 312,100 of its own shares. Another buyback is slated for the current term.

Stock trading unit reduced

To increase the number of individual investors of the Company's stock, we lowered its minimum trading unit from 100 shares to 50 shares on August 1, 2002.

Belluna's Strength

Belluna's business development for maintenance of stable earnings growth

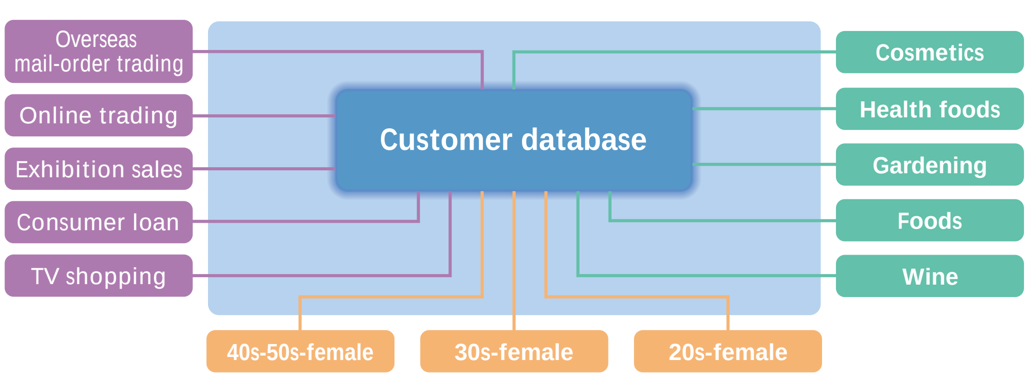
Concentration on effective use of databases
Being a formidable force in our sector

Customer databases, Belluna's greatest management resource, have been maintained at an annual growth rate exceeding 10% over the past three years. This has been a major factor supporting the Company's ongoing growth despite the economic recession.

The Company plans its business development from the standpoint of how to use resources effectively. In acquiring a database for new business, development costs are usually high and a considerable amount of time is required for the profits to appear. In Belluna's case, however, there is information in its existing databases matching new media and businesses, enabling lower costs and early profitability. Their development and practical application are the challenges we have to face.

In using databases for business startups, we take measures as if we were managing an independent business, and aim at reaching the top in every segment. We stress growth over several years following startup, and thereafter strive for a balance between growth and profitability. At the stage of maturity, we harvest from the "money tree" and invest part of the proceeds in new businesses. This kind of business cycle supports stability and sustainability of earnings. The combination of such businesses creates a formidable force which might even be called a "category killer." Within the Belluna Group, they are organically linked, forming a firm base for development of the Group.

To be No.1 in each segment



Five-Year Summary

The financial statements in this investors' guide are translations of the financial statements contained in securities filings that companies that are issuers of marketable securities are required to submit to the Financial Service Agency in accordance with Japan's securities regulations.
The financial statements are not audited by an independent certified accountant.

	Millions of yen					Thousands of U.S. dollars
Years ended March 31	1999	2000	2001	2002	2003	2003
OPERATING RESULTS:						
Net sales	¥ 55,675	¥ 61,382	¥ 77,215	¥ 90,016	**¥ 105,126**	**$ 876,050**
Cost of sales	25,988	27,700	34,742	39,593	**45,865**	**382,208**
Gross profit	30,125	33,985	42,775	50,838	**59,759**	**497,992**
Selling, general and administrative expenses	26,663	27,765	35,194	41,631	**49,074**	**408,950**
Operating income	3,462	6,220	7,581	9,206	**10,684**	**89,033**
Net income	1,732	3,617	4,163	4,975	**6,253**	**52,108**
FINANCIAL POSITION AT YEAR-END:						
Total assets	49,883	59,164	69,893	76,940	**86,255**	**718,792**
Total liabilities	29,838	33,571	41,578	44,025	**48,913**	**407,608**
Total shareholders' equity	20,045	25,592	28,315	32,915	**37,342**	**311,183**
PER SHARE AMOUNTS:	Yen					U.S. dollars
Adjusted net income	¥ 80.78	¥ 168.69	¥ 194.13	¥ 231.99	**¥ 291.61**	**$ 2.43**
Cash dividends	17	25	25	25	**25**	**0.21**
Shareholders' equity	1,403.55	1,697.74	1,591.70	1,682.13	**1,760.57**	**14.67**
OTHER DATA:	Thousands					
Number of shares issued (thousands)	14,281	15,074	17,789	19,567	**21,210**	—

Note: 1. Calculation based on the exchange rate of U.S. $1=¥120 (March 31, 2003).
2. Consolidated financial statements were first prepared for the year ended March 2000. Accordingly, figures for 1999 are on a non-consolidated basis, provided for reference purpose only.
3. Adjusted net income per share was calculated based on the average number of shares during the year ended March 31, 2003.
4. Number of shares issued is exclusive of treasury stock.

Financial Review

Sales

There was satisfactory growth in the catalog business for our existing core business of customer databases, while we made rapid progress in new businesses aimed at capturing new customers. These sent the segment's sales up 14.0% year-on-year to 76,545 million yen.

In the Hanpu monthly delivery service, we stressed profitability, and sought to solidify our hold on customers and improve media efficiency. As a result, sales rose by 6.4% to 10,418 million yen.

In the single-item catalog sales business, we saw strong performance in the Toyo Kampo Co., Ltd. and Ozio Co., Ltd. affiliates, together with a contribution from Friendly Co., Ltd. resulting in an increase in sales by 57.6% to 11,076 million yen.

In financial services, interest income rose by 2.7% to 4,668 million yen, falling below the 4.2% growth rate in the operating loan balance. This was derived from an approximate one-point rise in the default ratio, in tandem with stiffening competition and increasing voluntary bankruptcies. As countermeasures, we tightened our screening standards, revamped the content of sales promotion tools and improved our appeal power.

Regarding other operations, aggressive sales promotion brought substantial growth in envelope stuffing and mailing services and in the exhibition sales businesses. Sales rose by 58.8% to 2,418 million yen.

Catalog business: This comprises mail order sales of daily living products using mainly catalogs and other printed media.

Hanpu business: This comprises mail order sales of food and gardening merchandise, centering on monthly delivery services.

Note: For a fixed monthly fee, the Hanpu service delivers food and other predetermined merchandise monthly for a 12-month period.

Single-item mail order sales: This comprises individualized mail order sales by specialized subsidiaries.

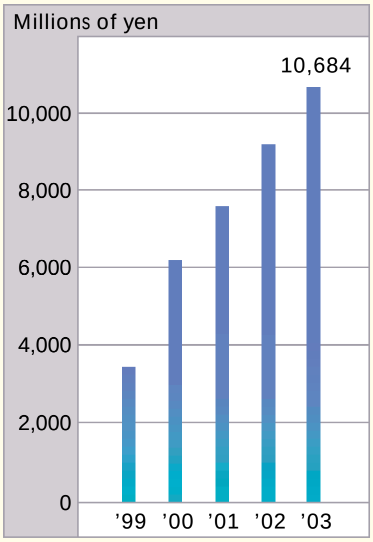
Financial services: This comprises consumer loan, mainly for mail order customers.

Others: This comprises mainly envelope stuffing and mailing services (enclosing direct mails of other companies in our merchandise packages or catalog mails), exhibition sales (sales of kimono, Japanese dress and jewelry at exhibition sites), the Internet and other businesses.

Cost of Sales and Expenses

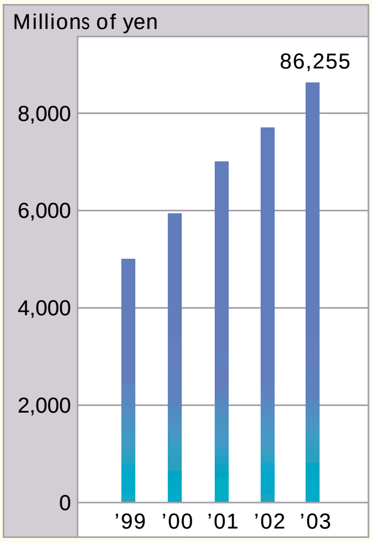
The term saw proactive measures to improve cost of sales ratio, reducing it by 0.4 percentage point to 43.6% on a consolidated basis. This derived from (1) OEM merchandise development, (2) a shift of merchandise production from Japan to overseas (3) reduction of the number of our suppliers and the consequent economies of scale by an increase in each sales volume. Over the medium term, we

Operating income

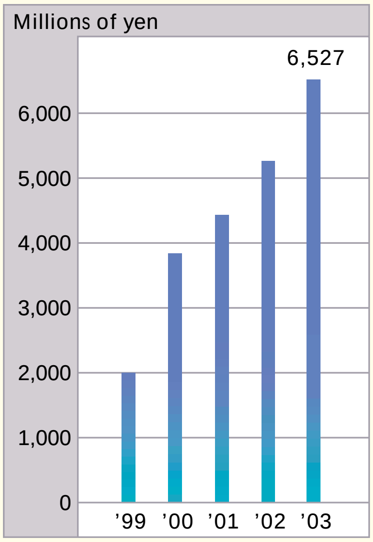


*All figures for 1999 are on a non-consolidated basis.

Total assets



Cash flows



Cash flows=Net income +Depreciation-Dividends -Directors´ bonuses believe that further improvements in the order of 2-3 points are possible. Media costs accounted for about a half of the non-consolidated SG&A expenses. Here, greater efficiency was achieved by enhancing the precision of customer segmentation. In recent years, more thoroughgoing controls have targeted the relevant cost ratio range from 23.5% to 24.5%, maintaining an operating profit margin of 10%. Packing and freight costs rose as a result of strong sales of large-size merchandise; so did advertising expenses in conjunction with broadcasts of commercials. These and other outlays caused a 17.9% increase in SG&A expenses.

Net Income

Driven by sales increases and improvement in the cost ratio, consolidated net income rose by 25.7% to 6,253 million yen.

Assets

Current assets increased by 1,277 Cash flows million yen, due to gains in inventory and operating loans in conjunction with business expansion.

Fixed assets increased by 8,038 million yen, mainly because of capital investment for new construction and increases in floor space of distribution facilities, enlarging the head office building and other infrastructure developments, as well as augmentation of investment securities as part of surplus cash management.

Liabilities

Current liabilities rose by 1,808 million yen, due to increases in notes payable and accounts payable in conjunction with higher sales. Long-term liabilities rose by 3,079 million yen, principally due to issuance of 5 billion yen convertible bonds during the term. The proceeds were allocated to capital investment and repayment of borrowings.

Shareholders' Equity

Total shareholders' equity increased by 4,427 million yen, and the shareholders' equity ratio advanced by 0.5 percentage point to 43.3%. A stock buyback during the term mandated subtraction of the company stock portion.

Cash Flows

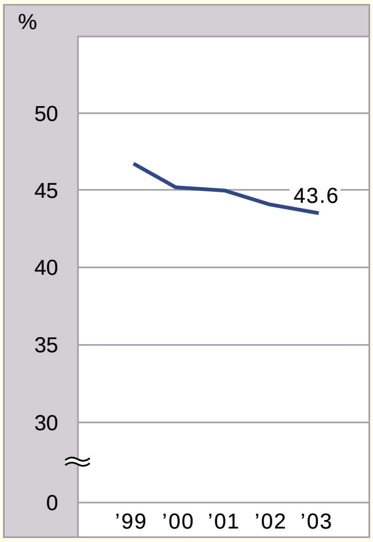
Consolidated cash and cash equivalents declined by 1,971 million yen to a yearend balance of 11,265 million yen, due to heavy investment activity.

Cash flows from operating activities increased by 2,209 million yen to 6,689 million yen, due to higher net income before tax and other adjustments resulting from higher sales and an increase in accounts payable.

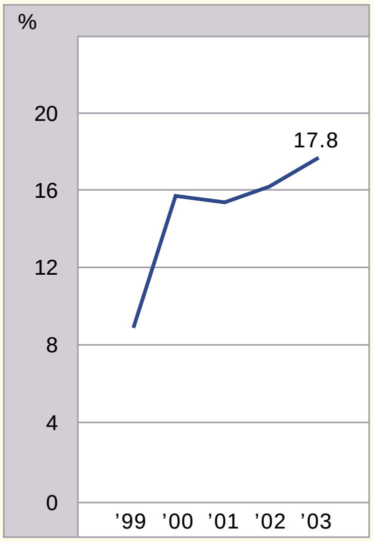
Cash flows from investing activities increased by 7,883 million yen year-on-year, due to higher outlays for acquisition of tangible fixed assets and investment securities. The major tangible fixed assets acquired during the year consisted of the Kawagoe building and building extensions at the Utsunomiya Distribution System Center.

Cash flows from financing activities was 153 million yen. Against proceeds from corporate bond issuance, there were expenditures for repayment of borrowings and for a stock buyback.

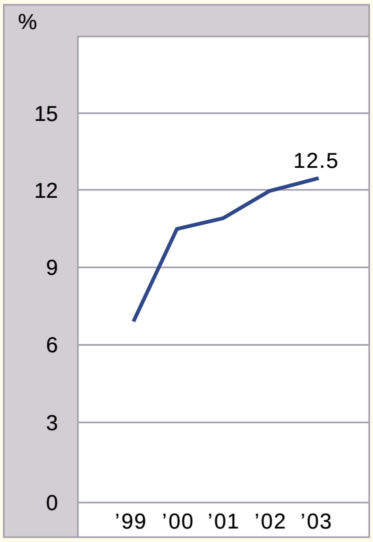
Cost of sales ratio



Return on equity (ROE)



Return on assets (ROA)



Consolidated Balance Sheets

Belluna Co., Ltd. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
March 31, 2003 and 2002	**2003**	2002	**2003**
Assets			
Current assets			
Cash and deposits with banks	**¥ 11,512**	¥ 12,773	**$ 95,933**
Notes and accounts receivable–trade	**13,860**	13,259	**115,500**
Loans receivable–trade	**17,466**	16,767	**145,550**
Marketable securities	**2,841**	3,650	**23,675**
Inventories	**6,095**	5,369	**50,792**
Deferred income tax assets	**427**	437	**3,558**
Other	**3,971**	2,638	**33,092**
Allowance for doubtful accounts	**(935)**	(933)	**(7,792)**
Total current assets	**55,239**	53,962	**460,325**
Fixed assets			
Tangible fixed assets			
Buildings and structures	**10,329**	8,922	**86,075**
Machinery, equipment and vehicles	**165**	185	**1,375**
Furniture and fixtures	**212**	197	**1,767**
Land	**11,677**	10,147	**97,308**
Construction in progress	**934**	519	**7,783**
Total tangible fixed assets	**23,319**	19,971	**194,325**
Intangible fixed assets	**465**	330	**3,875**
Total intangible fixed assets	**465**	330	**3,875**
Investments and other assets			
Investments in securities	**4,912**	2,051	**40,933**
Long-term loans receivable	**224**	50	**1,867**
Capital contributions	**1,336**	–	**11,133**
Deferred income tax assets	**158**	97	**1,317**
Other	**645**	496	**5,375**
Allowance for doubtful accounts	**(45)**	(20)	**(375)**
Total investments and other assets	**7,231**	2,675	**60,258**
Total fixed assets	**31,016**	22,977	**258,467**
Total assets	**¥ 86,255**	¥ 76,940	**$ 718,792**

	Millions of yen		Thousands of U.S. dollars
March 31, 2003 and 2002	2003	2002	2003
Liabilities			
Current liabilities			
Notes and accounts payable–trade	**¥ 24,430**	¥ 22,752	**$ 203,583**
Short-term borrowings	**2,245**	3,043	**18,708**
Current portion of convertible bonds	**–**	8	**–**
Accrued expenses	**4,450**	3,781	**37,083**
Corporation and inhabitants taxes payable	**2,558**	1,959	**21,317**
Accrued bonuses	**412**	407	**3,433**
Other	**1,338**	1,672	**11,150**
Total current liabilities	**35,434**	33,626	**295,283**
Long-term liabilities			
Bonds	**5,000**	5,000	**41,667**
Convertible bonds	**5,000**	–	**41,667**
Long-term borrowings	**2,756**	4,968	**22,967**
Reserve for retirement benefits	**44**	41	**367**
Reserve for retirement benefits for directors and corporate auditors	**213**	209	**1,775**
Other	**464**	179	**3,867**
Total long-term liabilities	**13,478**	10,398	**112,317**
Total liabilities	**48,913**	44,025	**407,608**
Shareholders‘ equity			
Capital stock	**–**	6,770	**–**
Additional paid-in capital	**–**	7,167	**–**
Consolidated retained earnings	**–**	18,869	**–**
Difference on revaluation of other marketable securities	**–**	31	**–**
Translation adjustments	**–**	86	**–**
Treasury stock	**–**	(10)	**–**
Total shareholders‘ equity	**–**	32,915	**–**
Capital stock	**6,773**	–	**56,442**
Capital surplus	**7,169**	–	**59,742**
Retained earnings	**24,633**	–	**205,275**
Difference on revaluation of other marketable securities	**(23)**	–	**(192)**
Translation adjustments	**22**	–	**183**
Treasury stock	**(1,233)**	–	**(10,275)**
Total shareholders‘ equity	**37,342**	–	**311,183**
Total liabilities and shareholders‘ equity	**¥ 86,255**	¥ 76,940	**$ 718,792**

Consolidated Statements of Income

Belluna Co., Ltd. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
Years ended March 31, 2003 and 2002	2003	2002	2003
Net sales	¥ 105,126	¥ 90,016	$ 876,050
Cost of sales	45,865	39,593	382,208
Gross profit	59,261	50,423	493,842
Adjustment to profit on installment sales	(497)	(414)	(4,142)
Less: Gross profit	59,759	50,838	497,992
Selling, general and administrative expenses	49,074	41,631	408,950
Operating income	10,684	9,206	89,033
Non-operating income			
Interest income	89	53	742
Dividends received	7	6	58
Rent income	61	69	508
Gain on sale of investment securities	105	–	875
Income from discharge of debt	29	57	242
Compensation received	49	62	408
Exchange gain	65	–	542
Other	169	72	1,408
Total non-operating income	578	321	4,817
Non-operating expenses			
Interest expense	205	255	1,708
Bond issuance cost	119	–	992
Provision for doubtful accounts	9	–	75
Other	134	176	1,117
Total non-operating expenses	468	432	3,900
Ordinary income	10,793	9,096	89,942
Special gains	61	98	508
Special losses	240	595	2,000
Income before income taxes and minority interests	10,615	8,600	88,458
Corporation, inhabitants and enterprise taxes	4,372	3,632	36,433
Adjustment to corporation tax, etc.	(11)	(6)	(92)
Net income	¥ 6,253	¥ 4,975	$ 52,108

Consolidated Statements of Retained Earnings

Belluna Co., Ltd. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
Years ended March 31, 2003 and 2002	2003	2002	2003
Consolidated retained earnings at beginning of period	¥ –	¥ 14,335	$ –
Increase in consolidated retained earnings			
Increase in retained earnings due to increase in consolidated subsidiaries	–	3	–
Decrease in consolidated retained earnings			
Decrease in retained earnings due to increase in consolidated subsidiaries	–	–	–
Dividends	–	444	–
Net income	–	4,975	–
Retained earnings at end of period	–	18,869	–
Capital surplus			
Capital surplus at beginning of period	7,167	–	59,725
Increase in additional paid-in capital			
Conversion of bonds	2	–	17
Capital surplus at end of period	7,169	–	59,742
Retained earnings			
Retained earnings at beginning of period			
Consolidated retained earnings at beginning of period	18,869	–	157,242
Increase in retained earnings			
Net income	6,253	–	52,108
Decrease in retained earnings			
Dividends	489	–	4,075
Retained earnings at end of period	¥ 24,633	¥ –	$ 205,275

Consolidated Statements of Cash Flows

Belluna Co., Ltd. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
Years ended March 31, 2003 and 2002	2003	2002	2003
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 10,615	¥ 8,600	$ 88,458
Depreciation	761	716	6,342
Bond issuance cost	119	–	992
Increase in allowance for doubtful accounts	36	208	300
Increase in accrued bonuses	4	114	33
Increase/decrease in reserve for retirement allowances	3	(8)	25
Increase in reserve for retirement benefits for directors and corporate auditors	4	10	33
Interest and dividend income	(96)	(59)	(800)
Interest expense	205	255	1,708
Loss/gain on sales of marketable securities	(105)	18	(875)
Loss on sale of investment securities	–	150	–
Loss on devaluation of investments in securities	165	79	1,375
Loss on sale of treasury stock	–	0	–
Loss on retirement of tangible fixed assets	74	28	617
Loss on disposal of tangible fixed assets	–	262	–
Loss on sale of intangible fixed assets	–	5	–
Increase in notes and accounts receivable-trade	(656)	(1,989)	(5,467)
Increase in loans receivable-trade	(716)	(1,696)	(5,967)
Increase in inventories	(734)	(229)	(6,117)
Increase in other current assets	(1,395)	(1,941)	(11,625)
Increase in notes and accounts payable-trade	603	2,320	5,025
Increase in other current liabilities	1,478	1,148	12,317
Increase in other long-term liabilities	210	52	1,750
Loss on sale of other investment	–	63	–
Other	14	117	117
Subtotal	10,591	8,229	88,258
Interest and dividends received	82	58	683
Interest paid	(210)	(254)	(1,750)
Payment of income taxes, etc.	(3,774)	(3,553)	(31,450)
Cash flows from operating activities	6,689	4,479	55,742
Cash flows from investing activities			
Increase in time deposits	(115)	(23)	(958)
Withdrawal of time deposits	213	–	1,775
Expenditure for purchase of securities	(11,795)	(8,852)	(98,292)
Proceeds from sale of securities	11,826	9,832	98,550
Expenditure for purchase of tangible fixed assets	(4,111)	(1,578)	(34,258)
Proceeds from sale of tangible fixed assets	9	55	75
Expenditure for purchase of intangible fixed assets	(176)	(77)	(1,467)
Proceeds from sale of intangible fixed assets	–	2	–
Expenditure for purchase of investment securities	(4,011)	(548)	(33,425)
Proceeds from sale of investment securities	968	501	8,067
Payments for loans receivable	(201)	(276)	(1,675)
Proceeds from collection of loans receivable	75	257	625
Payments for other investments	(1,587)	(25)	(13,225)
Proceeds from collection of other investments	144	46	1,200
Payments for transfer of business	–	(190)	–
Cash flows from investing activities	(8,759)	(876)	(72,992)
Cash flows from financing activities			
Expenditure for repayment of short-term borrowings	(240)	0	(2,000)
Proceeds from long-term borrowings	–	300	–
Expenditure for repayment of long-term borrowings	(2,770)	(1,609)	(23,083)
Proceeds from bond issued	4,880	–	40,667
Payments for redemption of bonds	(4)	–	(33)
Proceeds from sale of treasury stock	–	14	–
Expenditure for purchase of treasury stock	(1,222)	(24)	(10,183)
Dividends paid	(489)	(444)	(4,075)
Cash flows from financing activities	153	(1,764)	1,275
Translation differences on cash and cash equivalents	(55)	67	(458)
Decrease/increase in cash and cash equivalents	(1,971)	1,905	(16,425)
Cash and cash equivalents at beginning of period	13,236	11,317	110,300
Cash and cash equivalents of additional consolidation of a subsidiary at beginning of period	–	13	–
Cash and cash equivelents at end of period	¥ 11,265	¥ 13,236	$ 93,875

Notes to Consolidated Financial Statements

Belluna Co., Ltd. and Consolidated Subsidiaries

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

Belluna Co., Ltd. (the "Company") and its consolidated subsidiaries, all Japanese corporations, maintain their records and prepare their financial statements in Japanese yen.

The accompanying financial statements are based upon the financial statements that are prepared for Japanese domestic purposes in accordance with the provisions of the Securities and Exchange Law of Japan and accounting principles generally accepted in Japan and filed with the Minister of Finance of Japan and stock exchanges in Japan. Certain modifications have been made in the accompanying financial statements to facilitate understanding by readers outside Japan.

For convenience only, U.S. dollar amounts presented in the accompanying financial statements have been translated from Japanese yen at the rate of ¥120=US$1, the approximate exchange rate prevailing on March 31, 2003.

2. ACCOUNTING POLICIES

a Valuation standards and methods of significant assets

(1) Securities
Other securities:
Those with market values
Market value method on the basis of market price, etc. as of the end of the consolidated fiscal year (Differences on valuation are totally included in the shareholders' equity and cost of sales is calculated according to the moving average method)
Those not marked to market
At cost according to the moving average method

(2) Derivatives
Market value method

(3) Inventories
Merchandise: Lower of cost or market price according to the moving average method
Supplies: Last Purchase Price Method

b Depreciation method of significant depreciable assets

(1) Tangible fixed assets
The Company and its domestic consolidated subsidiaries adopt the declining balance method except for the items stated below, and overseas consolidated subsidiaries adopt the straight-line method.
However, the Company and its domestic consolidated subsidiaries adopt the straight-line method for buildings (excluding fixtures) acquired on or after April 1, 1998.

(2) Intangible fixed assets
The straight-line method is adopted. Software for internal-use is amortized based on the straight-line method with useful life determined according to the Company's policy (5 years).

c Accounting policies for calculation of significant allowances

(1) Allowance for doubtful accounts
To allow for losses due to bad debts, the Company set aside an allowance based on the historical ratio for unspecified receivables and on the collectibility for specific receivables (such as delinquent accounts).

(2) Accrued bonuses
For the payment of bonuses to employees, an estimated amount is set aside.

(3) Reserve for retirement benefits
To prepare for the payment of retirement benefits to employees, the Company records estimated amounts of retirement benefit obligations and pension assets as of the end of the current consolidated fiscal year.
Actuarial differences are apportioned over a fixed term (of 5 years) from the date of occurrence, within the employees' average remaining service period. And these differences are expensed using the straight-line method after such accrual.

(4) Reserve for retirement benefits for directors and corporate auditors
To prepare for the payment of retirement benefits for directors and corporate auditors, the Company records an amount required for payment at year-end in accordance with the internal rules.

d Accounting for lease transactions

Finance lease transactions other than those for which the ownership of leased property is transferred to the lessee are accounted for as normal rental transactions.

e Accounting for significant hedge transactions

Hedge transactions are accounted for on a general accrual basis.

(1) Hedge instruments: Forward exchange contracts
(2) Subject of hedge: Anticipated transactions in foreign currency
(3) Hedging policy: Transactions are conducted in such a way so as to minimize risks of exchange rate fluctuations.

f Other significant matters for the preparation of consolidated financial statements

(1) Accounting for consumption taxes
Consumption taxes are excluded from sales.
(2) Accounting for bond issuance
Bond issuance costs are fully expensed when the respective bonds are issued.
(3) Accounting for treasury stock and the reversal of legal reserves
"Accounting standards for treasury stocks and the reversal of legal reserves" (Corporate Accounting Standards No. 1) has been effective since April 1, 2002. The Company adopts these standards from The current consolidated fiscal year. However, there is no effect on the Company's profits (or losses) in the current year.
In addition, based on the revised regulations for financial statements, etc., the shareholders' equity section of the consolidated balance sheet and the consolidated statement of retained earnings for the current consolidated fiscal year were prepared based on these revised regulations.
(4) Per share information
"Accounting for net income per share" (Corporate Accounting Standards No. 2) and "Implementation guide for accounting for net income per share" (Corporate Accounting Standards Implementation Guide No. 4) are effective on or after April 1, 2002.
The Company adopts these standards and implementation guide from the current consolidated fiscal year. However, there is no effect on the Company's profits (or losses) in the current year.

3. CONSOLIDATED STATEMENTS OF CASH FLOWS

The cash and cash equivalents in the statements of cash flows are cash on hand, demand deposits, and highly liquid short-term investments with minimal risk of price fluctuation and maturity of less than 3 months.

4. CHANGE OF ACCOUNTING POLICIES

The Company recorded accounts receivable from convenience stores and credit charge companies (¥878 million as of the current consolidated fiscal year and ¥790 million as of the previous consolidated fiscal year) as part of "Accounts receivable" until the previous fiscal year-end. However, because the collection period, collection risks, etc. of these receivables differ from other accounts receivable, and the proportion of these receivables in the total for receivables is increasing year by year, the Company records such receivables as part of other receivables in "Other" section of the "Current assets" from the current consolidated fiscal year in order to fairly present the Company's financial conditions.

"Capital contributions" were included in the "Other" section of the "Investments and other assets" until the previous year. However, because the balance of this account exceeded 1% of the total assets in the current consolidated fiscal year, it is disclosed separately now.

In addition, capital contributions included in the "Other" section of the "Investments and other assets" amounted to ¥163 million in the previous consolidated fiscal year.

Corporate Data

(As of March 31, 2003)

Company name: Belluna Co., Ltd.
Head office: 4-2, Miyamoto-cho, Ageo City, Saitama Pref. 362-8688, Japan
Phone: +81-48-771-7753
Paid-in capital: ¥6,773 million
Established: June 1977
Employees: 623
Businesses: Belluna is a mail-order sales company through catalogs and the mass media with the primary clientele being women in their 40's to 50's.
Consolidated subsidiaries: Toyo Kampo Co., Ltd.
Bell-Net International Hong Kong Ltd.
B.N. International U.S.A. Inc.
Bell-Net Finance Co., Ltd.
El Dorado Co., Ltd.
Ozio Co., Ltd.
Friendly Co., Ltd.

Board of Directors & Corporate Auditors

(As of June 27, 2003)

President and Representative Director	Kiyoshi Yasuno
Senior Managing Director	Yukio Ohashi
Directors	Masako Sato
	Tomonori Uno
	Junko Shishido
Standing Corporate Auditor	Tadashi Furuhashi
Corporate Auditors	Isao Nakamura
	Yukimitsu Watabe

Investor Information

(As of March 31, 2003)

Common stock
Exchange: Tokyo Stock Exchange, 1st Section
Shares issued and outstanding: 21,530,723
Number of shareholders: 2,694

ADRs
Exchange: OTC (U.S.A.)
Ratio: 2 ADRs = 1 Ordinary Share
Symbol: BLUNY
CUSIP: 07986W102
Depositary: The Bank of New York
Tel (212)815-2042
U.S. toll free 888-269-2377 (888-BNY-ADRS)
URL: http://www.adrbny.com

For further information:
URL: http://www.irstreet.com/e/index.jsp?brand_code=9997
E-mail: ir@belluna.co.jp

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