BELLUNA

BELLUNA CO., LTD.

ANNUAL REPORT 2008

For the year ended March 31, 2008

BELLUNA'S IMMEDIATE ACTIONS FOR

Recovering Profitability

Increasing the number of active member as well as encouraging repeat purchases are particularly important issues for the mail order business; in fact, the more these factors are improved, the greater the media cost efficiency. Expanding active membership entails three approaches: securing **"new sign ups," "retaining registered customers"** and encouraging **"repeat purchasing."** Hereafter, the Company will reinforce the second and third approaches, emphasizing repeat purchases from active and non-active registered customers. Facilitating these activities, we are working to improve service by upgrading Belluna's call centers and data management system while continuing to enhance commercial products that have a high frequency of usage and purchase.

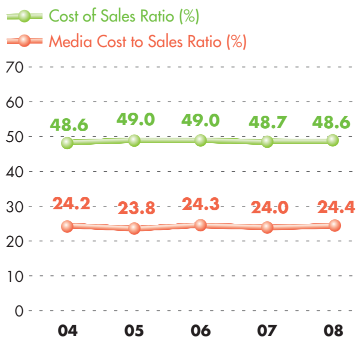
In addition, to keep costs low, the Company has established a management system wherein expense management supervisors provide enhanced and comprehensive cost control for each expense item.

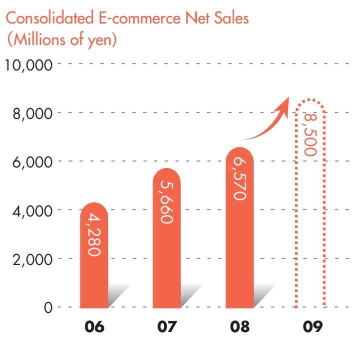
The Catalog Business in Today's Market

Recovering profitability and expanding E-commerce are pressing issues.

For Belluna, the key to maintaining profitability in the mail order business is keeping the cost of sales ratio and media costs at appropriate levels. However, in an age where the Internet is relentlessly displacing paper as the primary media, the importance of print media has been decreasing. Under these circumstances, the Company reduced the distribution of advertising literature inserted in newspapers, which has played a substantial role in our efforts to attract new customers. As a result, in the year under review we saw active membership decline. Moreover, with personnel, logistical and other expenses increasing, cost control is becoming ever more important.

Conversely, our E-commerce operations are steadily increasing and now account for 6.7% of sales in the Catalog business. In light of the around 40% ratio our leading competitors report, we are forced to admit that the Company has made a late start in this business, even when taking into account that the middle-aged women who comprise our main target market are more likely to favor traditional marketing channels. However, in our Catalog business that targets younger women, a group the Company is increasingly focusing on, the ratio accounted for by E-commerce has risen beyond 25%. This trend makes the strengthening of our E-commerce operations even more critical.





RECOVERY OF CATALOG BUSINESS

Attracting and Increasing "Belluna Fans"

By integrating print media and the Internet, as well as promoting low-cost operations, Belluna is taking action to gain the dominating position in the robust middle-aged women's market. Moreover, the Company is aiming to rapidly catch up with leading competitors that have made advances in the up and coming young adult market.

In the Catalog business, Belluna's core operation, we are on the path to ensuring ongoing sales and income increases as well as expanding synergies between such businesses as the Single-item Mail Order business and the Belluna Operation Trust (BOT) business.

Strengthening E-commerce Operations

Between 4.5 and 5 million people have accessed Belluna's website, which is on par with figures recorded by the competition. At the same time, although our website has recorded a steady increase in the number of page views, this growth is not translating into sales, and the low rate of conversion has become an issue for the Company.

One cause of this low rate of conversion has been insufficient coordination between our planning and marketing sections as we increasingly shift to an E-commerce model. To address this issue, Belluna established the Internet Strategy Office in April 2008. As the director for E-commerce strategy, this office has developed the following priority policies for expanding E-commerce sales.

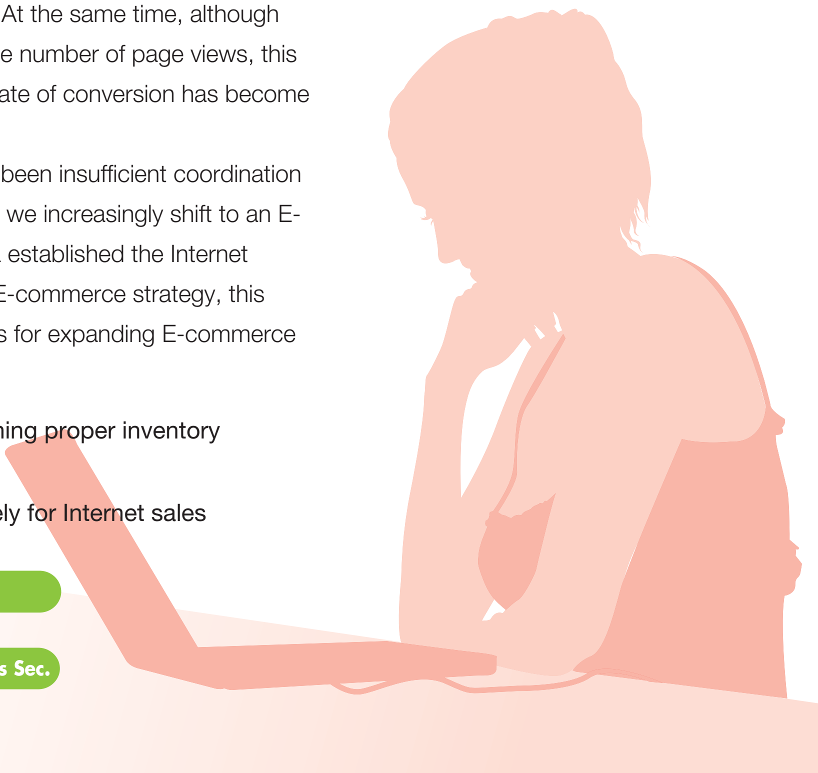
1. Eliminating missed opportunities by maintaining proper inventory
2. Effective website display
3. Development of strategic products exclusively for Internet sales

Internet Strategy Office

control

Catalog Planning Sec. | E-commerce Business Sec.

cooperate



Extending the medium-term management plan by two years, we are determined to aim to achieve our goals in fiscal 2013.

Q1 Please outline any changes in business conditions, performance and the external environment that occurred during the year under review.

In the fiscal year ended March 31, 2008, consolidated net sales declined 3.6% year-on-year to ¥125,173 million. In addition, we recorded such non-operating expenses as a valuation loss on currency swaps and a options and a foreign exchange loss resulting from the rapid rise of the yen along with an extraordinary loss on valuation of investment securities. As a result, operating income decreased 15.8% to ¥10,208 million and net income dropped 51.9% to ¥3,435 million compared with the previous fiscal year. Overall, Belluna's business results during the year under review were very unfavorable.

Looking at business conditions in Japan, the Company's principal operating base, impacted by such factors as the rise in consumer goods prices resulting from high raw material and fuel prices, as well as concerns regarding the poor performance of domestic enterprises in the wake of fears that the U.S. economy may be on the verge of a recession, uncertainty regarding the future continues to rise. The mail order industry appears to be in good condition, sustaining a high rate of growth. However, with the increasing utilization of such new media sources as the Internet, mobile phone sites and TV as the growth drivers in various industry sectors, the general mail order companies are being forced into an ever greater uphill battle. Over the past few years, competition has intensified even further for single-item mail order companies that handle such industry-leading products as cosmetics and health food. Factors contributing to this intensification include the increas-

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Forward-Looking Statements

ing industry polarization into winners and losers as an ever greater number of manufacturers enter the market and the continuing expansion of sales floor space at retail stores. Reflecting this situation, although Belluna maintained stable growth and profitability through the multiple profit pillar-based “portfolio approach” up until the previous fiscal year, due to the failure of other business segments to compensate for the slump in our core Catalog business, fiscal 2008 marked the first time that the Company experienced declines in both revenues and earnings.

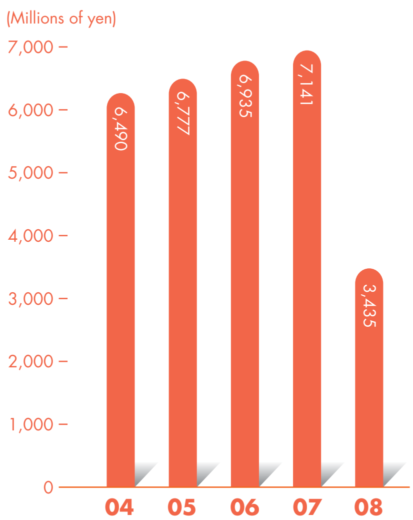
Q2 Please outline what actions are being taken to further emphasize the importance of compliance in light of Belluna’s voluntary recall of products and the injunction to suspend operations in the exhibition sales business.

Firstly, I would like to take this opportunity to sincerely apologize to our shareholders for the concern and worry we caused them as a result of the emergence of defective electric beds in December 2007 and injunction to suspend all business operations related to exhibition sales in July 2008.

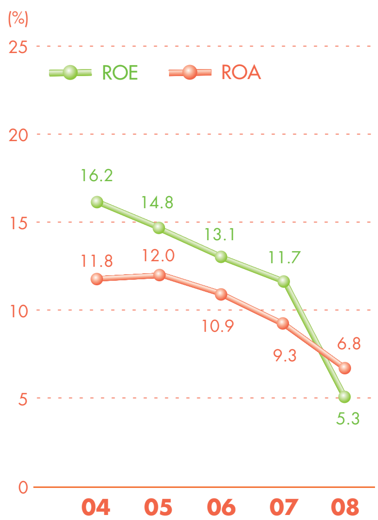
Regarding electric beds, Belluna is presently engaged in providing purchasers with information regarding product recalls and the replacement of parts in order to prevent similar problems from occurring again. To provide progress reports concerning these efforts, a special webpage has been set up on the Belluna website (http://www.belluna.co.jp/oshirase/) that is updated on a continual basis. In addition, ¥295 million has been provided to cover expenses associated with the recall and we have taken measures to prevent defects and ensure product safety including the revision of safety standards and reinforcement of management structures.

With regard to the exhibition sales business, an onsite inspection was conducted by the Ministry of Economy, Trade and Industry in February 2008. In June 2008, all exhibition openings were cancelled, marking an effective withdrawal from this business. Presently, purchaser follow-ups are being conducted at five locations and a special toll-free number has been set up to respond to such matters as inquiries and requests for refunds. As of August 20, 2008, the number of refunds remains at approximately 150, which is minor in terms of its impact on business results. However, we do not consider this disciplinary action an isolated incident related to one business segment; this incident serves as a wakeup call for Belluna’s overall compliance structure. Taking this issue extremely seriously, we have instituted a thorough reform of our internal management systems. For this reason, in addition to strengthening and expanding the in-house investigative committee, a third-party investigative committee has been established, providing an additional body that can conduct

Net Sales



Net Income



ROE and ROA

independent and detailed studies of investigation results that ensure objectivity and fairness, and are convincing. On this occasion, investigation reports and recommendations submitted by both independent review committees were approved and corresponding resolutions were passed at the Company's Board of Directors' meeting on August 26, 2008. In accordance with these reports and recommendations, internal disciplinary actions and specific preventive measures are being implemented.

Q3 With regard to the ASUNARO Plan, what kinds of changes have been made ?

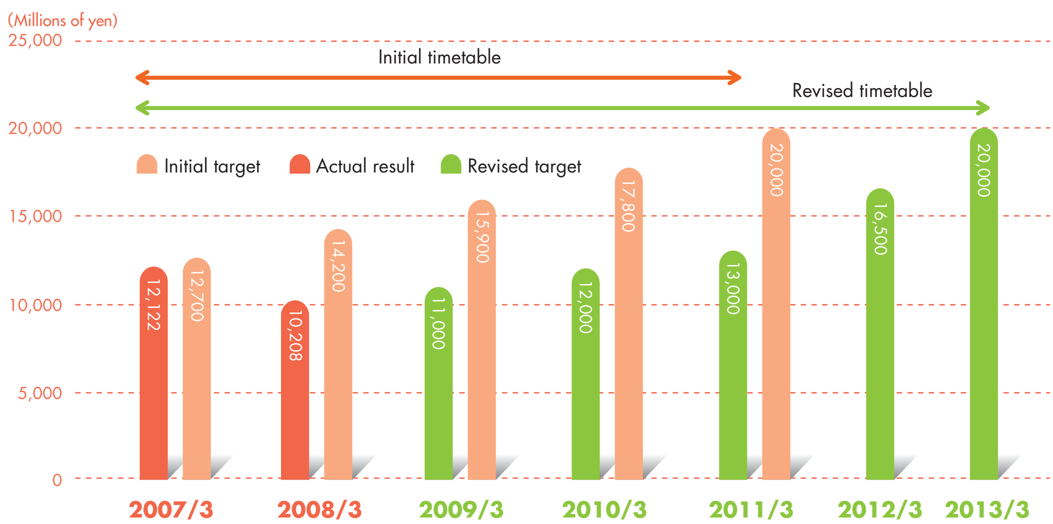
Under the ASUNARO Plan, a five-year medium-term management roadmap that commenced in fiscal 2007, the Company has been aiming for annual operating income of ¥20,000 million, an operating income margin of more than 10% and ROE of more than 13% by 2011, the final year of this plan. For the fiscal year under review, the second year of the plan, the operating income target was set at ¥14,000 million; however, performance deteriorated, and the Company recorded operating income of ¥10,208 million. This result, backed by the impact of changes in the external environment, reveals a widening divergence between economic conditions at the time that ASUNARO Plan was drafted and the current situation. More specifically, both the domestic consumer financing business and the South Korean financial services business in the three businesses that compose the Advanced Finance business have been required to lower the maximum interest rates. In particular, the domestic consumer finance business has been hard hit by market contraction related to interest overcharge repayment issues and the introduction of new regulations that limit the total amount of money that the finance industry can lend to individual customers. Moreover, increases in sales and administration expense ratios stemming from high raw material and crude oil prices are leading to profit erosion in the Catalog business, while the Single-item Mail Order business is feeling the impact of intensifying competition and increasing public mistrust of food products.

Due to these circumstances, we have concluded that the achievement of the plan's original targets requires that the final year of the ASUNARO Plan be extended by two years to fiscal 2013.

Q4 What actions are being taken to recover earnings in the Catalog business ?

In recent years, profitability has been eroded by increases in sales and administration expense ratios due to stagnant catalog sales of furniture and sundry goods as well as a lack of results from prior investments in E-commerce. In response, Belluna is undertaking improvements to product

Operating Income under the Revised ASUNARO Plan



Revised Targets (2013/3)

Operating income (Millions of yen)
20,000

Operating income margin
10%

ROE
13%

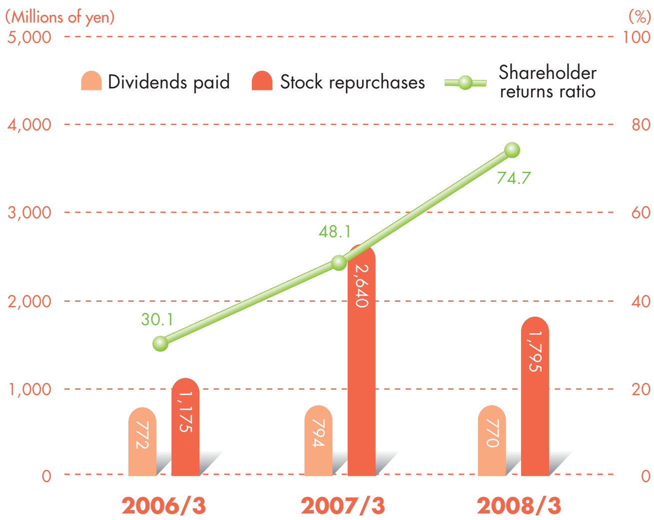
development, media production and customer service. In particular, we are reinforcing E-commerce-related structures. In addition, Belluna is working to achieve low cost operations, including through such measures as reforming operational procedures and bolstering cost management. Given this operating environment, “striving to obtain repeat orders from customers” is the only real way to ensure future growth. As such, we are focusing on recovering the robustness of the Catalog business, an important factor for growth as laid out in the ASUNARO Plan.

Q5 What accounts for the strength of the Advanced Finance business ? Also, in the domestic consumer finance business, what has happened regarding repayments of interest overcharges ?

The three divisions that compose the Advanced Finance business are the domestic B to C consumer financing services and the B to B financing services operated by Sunstage Co., Ltd., and the South Korea-based Bell-Net Credit Co., Ltd. Within this structure, Sunstage and Bell-Net Credit have captured a wide range of market demand and continue to make significant gains, boosting the entire Advanced Finance business. Hereafter, as we keep an eye on market conditions and revisions to relevant laws, we will continue to operate based on sound business practices, which includes conducting stricter credit checks and strengthening our debt collection system.

Conversely, although B to C consumer financing services has been impacted by the repayment of interest overcharges, the rate of increase in the demand for returns is beginning to decline. In line with the calculation method devised by the Association of the Institutes of Chartered Accountants, approximately ¥1,400 million has been allocated as provisions for loss on interest repayments. Despite this, our B to C services were able to garner the expected ¥1,087 million in operating income, exceeding the initial plan. Thus, we will take steps to improve the efficiency of this business through such measures as organizational reform.

Shareholder Returns

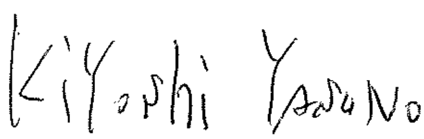


Q6 Please explain the Company’s policy regarding shareholder returns.

Although Belluna has set a policy of returning 30% of consolidated net income is returned to shareholders via dividends and company stock repurchases, the shareholders returns ratio during the year under review stood at 74.7%. Given that the operating environment is likely to continue to be severe for the foreseeable future, we will earnestly work to recover growth through our core policy of pursuing repeat orders, while the Company continues to enhance its corporate value. Belluna’s foremost mission is to share corporate value with all stakeholders and consistently fulfill their expectations.

We would like to sincerely thank our shareholders for their continuing support and understanding.

September 2008

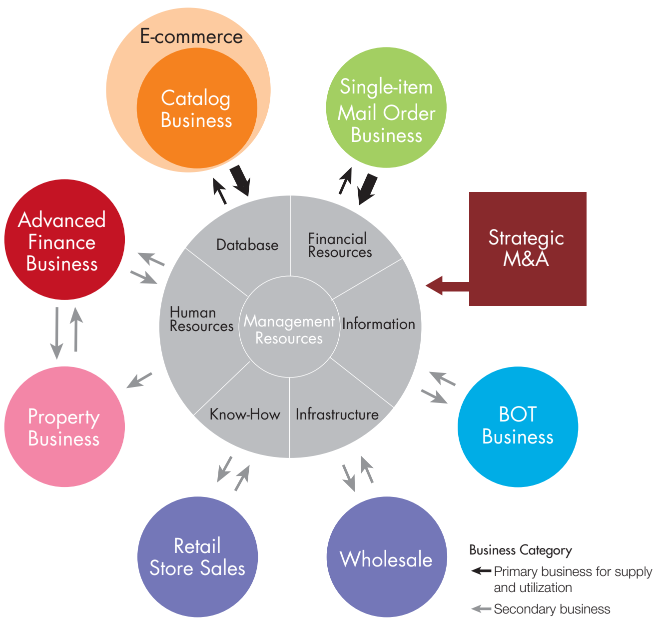


Kiyoshi Yasuno
President and Representative Director

At a Glance

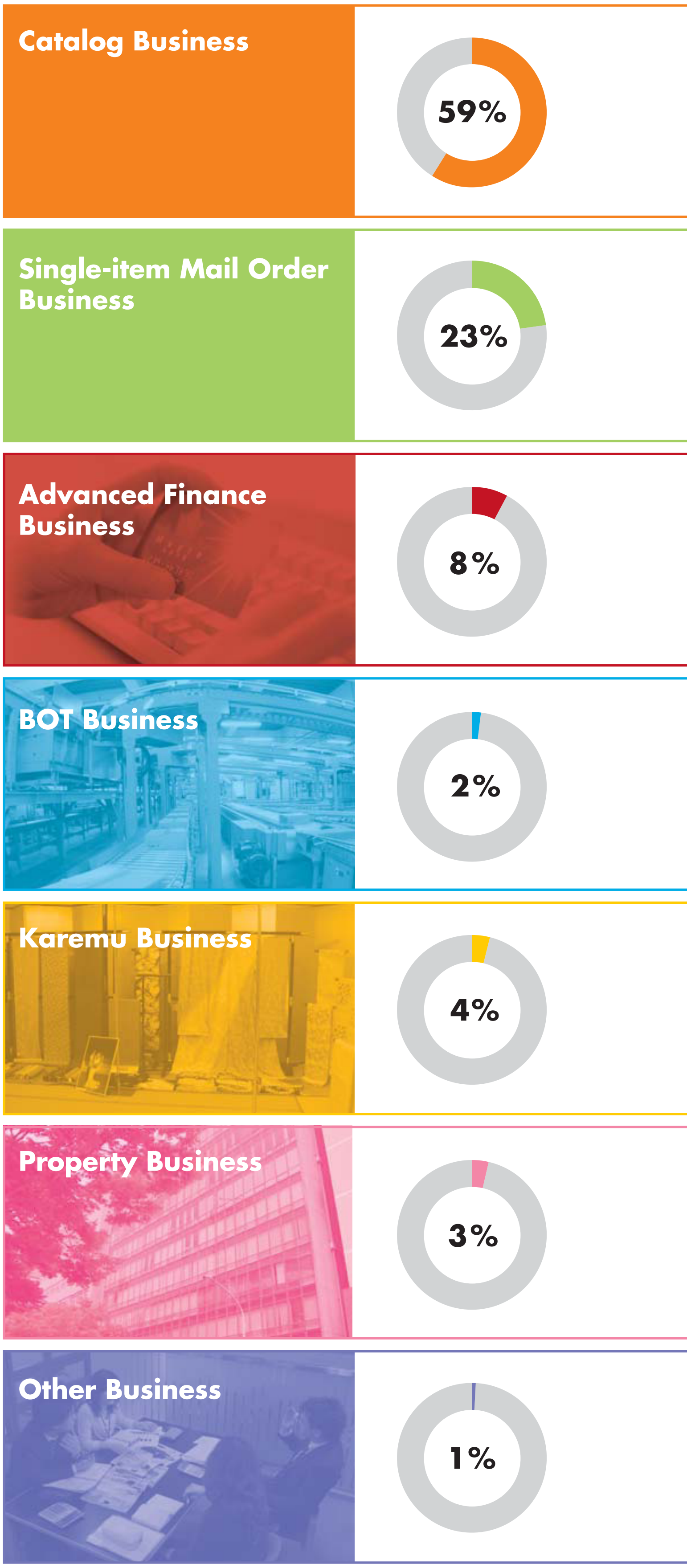
Bolstered by multiple sales and profit centers that underpin its multifaceted operations, Belluna is homing in on an innovative business model.

Belluna's "portfolio approach" to operations and business expansion involves the concerted use of its database, infrastructure and other management resources cultivated through its mail order business. In an operating environment characterized by growing competition, companies cannot overly rely on specific businesses; for steady and continuous growth they must pursue cross-divisional synergies and simultaneously nurture multiple sales and profit centers. For this reason, we are aiming to establish a new business model as a diversified conglomerate that further advances general mail order operations.



*Change of the Karemu business segment's classification announced: Regarding the two divisions that compose this segment, the Company withdrew from the exhibition sales division in June 2008 and the retail store sales division will be incorporated into the Other business segment from the fiscal year ending March 31, 2009.

Percentage of Net Sales



Business Outline	Main Products and Services
Belluna's core operation, the Catalog business handles general mail order sales activities for a wide range of products. Targeting different generations of consumers, we publish leaflets and catalogs that cover apparel and sundry goods. We are enhancing services via the Internet for home PCs and mobile phones, thereby expanding our customer base, particularly among young women.	● General fashion catalogs for middle-aged women ● General fashion catalogs for younger women ● Shopping Web sites for home PCs ● Shopping Web sites for mobile phones
The Single-item Mail Order business, one of the Company's profit drivers, specializes in such products as food, wine, cosmetics and health food. The products sold in this business tend to attract repeat orders for the same product by the same customer, a major factor contributing to the high profits the business generates.	● Food and flower catalogs ● Wine catalogs ● Cosmetics catalogs ● Health food catalogs
The Advanced Finance business provides consumer financing services that utilize the extensive customer database compiled by Belluna's mail order sales business. Leveraging our know-how in consumer financing services, we also provide collateralized financing services to corporate clients and financing services in South Korea.	● B to C financing services ● B to B financing services
In the Belluna Operation Trust (BOT) business, Belluna provides its corporate clients with charged services to enclose and mail out their sales promotion materials with catalogs and products that the Company sends out to its customers. Belluna also offers order-processing and product dispatch services on a commission basis by taking advantage of its service infrastructure.	● Promotion support operations: Enclosure of clients' sales promotion materials; mail-out services for clients' direct mailings; advertising services ● Mail order support business: Commissioned services for direct mailing, call center operations, product dispatch and entire mail order sales operations
Karemu is a retail store sales business specializing in the sale of kimonos and other Japanese-style goods. Belluna withdrew from the exhibition sales business in June 2008.	● Sales of kimonos and other Japanese-style goods
Major operations in the Property business include the leasing of space in commercial buildings and high-value-added real estate redevelopment projects.	Real estate leasing operations ● Real estate redevelopment operations
Rechanneling our product planning know-how, we are undertaking wholesale operations targeting department stores and the Japanese Consumers' Cooperative Union.	● Wholesale operations in apparel and sundry goods

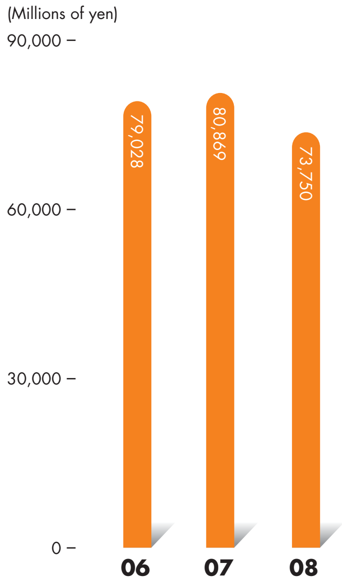
Review of Operations

Catalog Business

Overview

In an environment where competition is intensifying due to thriving Internet and TV mail order businesses as well as expansions in the scale of retail stores, the general mail order business, which traditionally utilizes conventional print media to reach consumers, is facing an ever steeper uphill battle. Therefore, to ensure the profitability of the Catalog business, Belluna is working to keep the cost of sales ratio and media costs at appropriate levels. At the same time, in an age where "the paper is being replaced by the Internet," the circulation of advertising literature inserted in newspapers, which has long played a key role in attracting new customers, has declined and thus active membership has dropped.

In addition, the increasing cost ratio of personnel, logistics and other expenses has been eroding profitability. In particular, rises have been seen in personnel expenses as the Company steps up investment in anticipation of the establishment of new sectors. This includes E-commerce accompanying the Internet's increased use as a marketing tool, as well as the establishment of supply chain management associated with the promotion of direct procurement overseas. However, only partial results have been obtained.

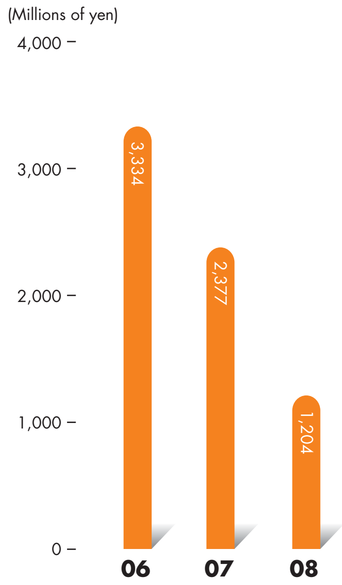


Net Sales

Outlook

Belluna considers recovering the profitability of core businesses a top priority and is working to thoroughly control expenses. Although media costs are being maintained at appropriate levels, we are integrating inefficient media operations while responding to increases in resource prices, including paper costs. Regarding the cost of sales ratio, increases in overhead expenses due to high crude oil prices are being covered by improved efficiency achieved through the integration of suppliers, (overseas) supply structures and product inspection systems. At the same time, the Company is working to ensure that the cost of sales ratio remains steady so that product quality is maintained and improved. Belluna is aiming to proportionally reduce personnel expenses by improving productivity and partially outsourcing operations.

The expansion of Internet usage is a major trend which must not be ignored. Belluna established the Internet Strategy Office in April 2008, which will operate as the director for E-commerce strategy, overseeing both Catalog Planning and E-commerce Business sectors. Based on this, the Company is focusing on eliminating missed opportunities and increasing efficient product promotion in its E-commerce operations, with an emphasis on marketing that targets the younger women's market.



Operating Income




(From left to right)

BELLUNA is a general fashion catalog aimed at middle-aged women.

LE FRANT is a general fashion and sundry goods catalog aimed at middle-aged women.

LUAR is a fashion catalog for women in their 30s.

RYURYU offers fashions items for young women in their 20s.

Single-item Mail Order Business

Overview

Formerly a growth driver in a burgeoning mail order industry, the single-item mail order business in Japan is witnessing an ongoing polarization into winners and losers due to new market entrants from outside industries. In the functional and health food product sector, the rise of large-scale manufacturers is particularly noticeable. In addition, in the food product sector, increasing public mistrust in the wake of several incidents of food label falsification in Japan and overseas have raised concerns of stagnating sales.

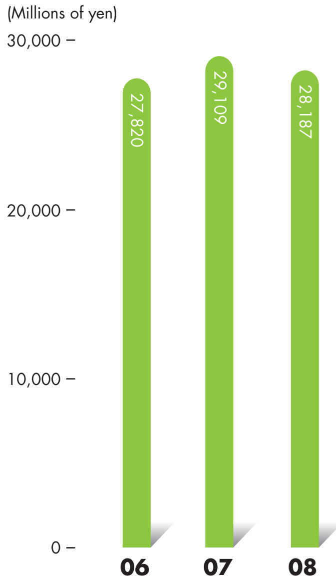
Belluna's Single-item Mail Order business is composed of four divisions: gourmet, cosmetics, health food and overseas products. Business performance during the year under review for all four divisions was constrained by intensifying competition in each sector due to the previously mentioned factors. As a result of this, sales decreased slightly and operating income dropped 10% compared with the previous fiscal year. Despite the difficult nature of the current business environment, the high rate of repeat purchases by regular customers, one feature of this business, is supporting a high level of profitability. However, this business faces various challenges, including the need to sign up and retain new customers in order to prevent profitability from declining.

Outlook

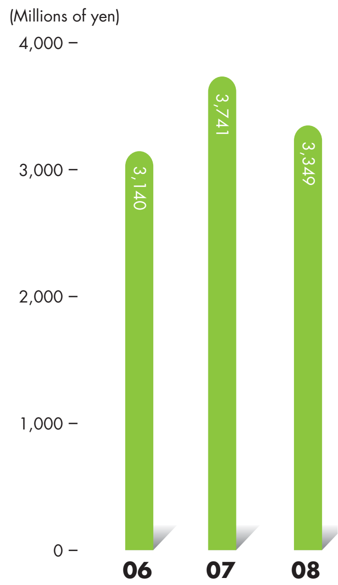
In the medium-term management plan, the Single-item Mail Order business plays an important role as a revenue-generating pillar. In the gourmet division, the Company is aiming to strengthen product development, which has been essential for attracting new customers, as well as to further develop the B to B business.

Ozio Co., Ltd., which handles cosmetics, is cultivating a variety of approaches to new customer development through the use of different media sources, while conducting product introduction tests of new cosmetic brands.

Refre Co., Ltd., which focuses on functional and health food products, has placed a high priority on developing new versions of core products that strongly attract customer interest. Although Refre's vast product lineup has thus far given it a competitive advantage, it is now using business resources to develop standard products that are anticipated to increase repeat users in the future while enhancing product quality and safety.



Net Sales



Operating Income

(From left to right)

OZIO is a catalog specializing in cosmetics.

Refre is a catalog specializing in health foods.

Iki Iki Kazoku is a catalog specializing in foods and flowers.

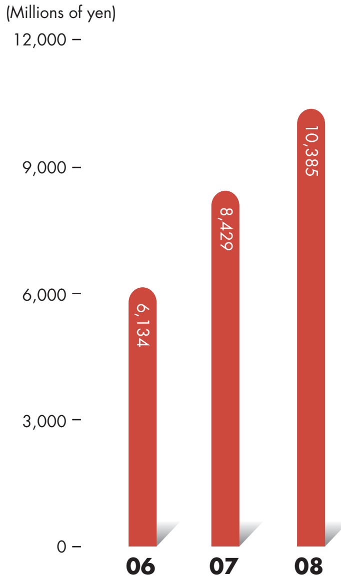
My Wine Club is a catalog specializing in wine.

Advanced Finance Business

Overview

Two of the three divisions that comprise the Advanced Finance business, B to B real estate-backed financing services operated by Sunstage Co., Ltd. and the South Korea-based Bell-Net Credit Co., Ltd., have captured increasing demand in each of their respective markets. As a result, both companies achieved substantial increases in sales and earnings during the year under review. Consequently, Belluna's Advanced Finance business experienced increases in net sales and operating income, grew more than 20% compared with the previous fiscal year.

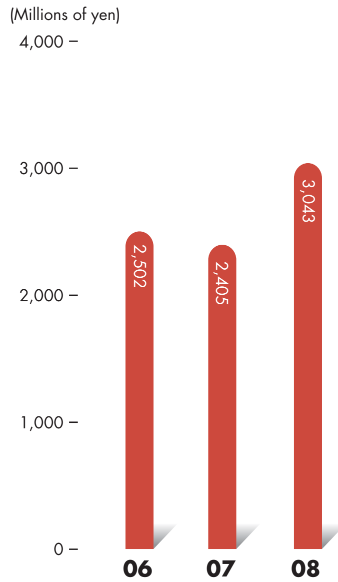
Conversely, the third division of the Advanced Finance business, domestic B to C financing services, was among the many consumer finance businesses in Japan that saw decreases in sales and earnings due to the repayment of interest overcharges from 2006 along with accumulated provisions for loss on interest repayments. However, operating income was in line with initial targets. In the fiscal year under review, accrued interest repayments (refund amounts plus loan forgiveness) totaled ¥821 million, a 98.3% increase compared with ¥414 million for the previous fiscal year. In addition, as a result of increases in provision for loss on interest repayment, as of the end of March 2008 the balance of allowances and reserves stood at ¥1,825 million. From December 2007, applicable interest rates for new contracts have been lowered to the legal rate of 18%.



Net Sales

Outlook

Based on the medium-term management plan, the Single-item Mail Order business as well as the Advanced Finance business, important profit sources for Belluna, are expected to enjoy stable growth. In response to significant changes in the external environment, including a deteriorating financing situation resulting from slumping real estate markets and the subprime loan problem, the Company is implementing sound business policies that include stricter credit checks and firmer collection procedures at both Sunstage and Bell-Net Credit. Conversely, although domestic B to C financing services has been impacted by ongoing repayments for interest overcharges, in the short-term the increased pace of repayment demands is beginning to slow down. In the current fiscal year ending in March 2009, reductions in personnel and operating expenses will be undertaken on a continual basis and operating income is expected to remain stable.



Operating Income

(From left to right)
Domestic B to C Finance homepage
Sunstage homepage
Bell-Net Credit homepage

BOT Business

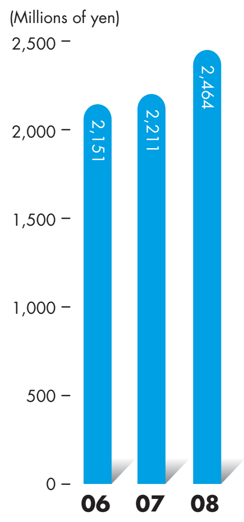
(Belluna Operation Trust)

Overview

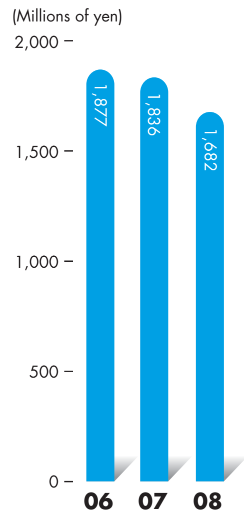
Actively meeting the needs of corporate clients, primarily in the single-item mail order, travel and beauty product sectors, the Belluna Operation Trust (BOT) business has enjoyed gradual increases in performance. In the year under review, despite a reduction of the number of contracts from major corporate clients that reflected intensified competition, promotion support operations results remained virtually unchanged from the previous fiscal year due to ongoing business with existing clients and a pickup in new orders. Although net sales in the mail order support business increased significantly, maintaining profitability remains an issue.

Outlook

In the current fiscal year, Belluna will promote the cultivation of new corporate clients while working to enhance our menu of services. In addition, with the goal of improving profitability, we are taking measures to encourage repeat clients in the mail order support business.



Net Sales



Operating Income

Karemu Business

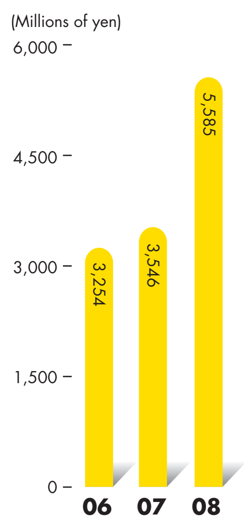
Overview

The Karemu business was composed of the exhibition sales business, which ceased business operations in June 2008, and the retail store sales business. In the year under review, increased revenues were recorded thanks to the coordinated efforts of the two subsidiaries involved in the operation of retail stores. However, operating income was down due to expenditures on new store openings and slack performance by the exhibition sales business.

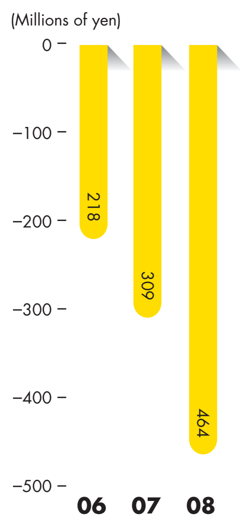
Outlook

The exhibition sales business received an injunction to suspend business operations from the Ministry of Economy, Trade and Industry on July 9, 2008. However, as was stated above, the Company withdrew from this business in June of this year.

The retail store sales business is gradually improving its performance. We will promote measures to achieve profitability by eliminating unprofitable stores, which is on issue of considerable importance in the current fiscal year.



Net Sales



Operating Loss

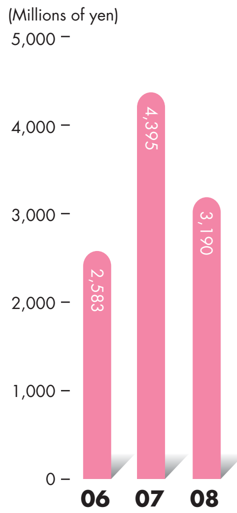
Property Business

Overview

In addition to a stable earnings base of rental revenues from Belluna's real estate leasing operations, the Property business is engaged in real estate-oriented development projects. Impacted by deteriorating market conditions, particularly during the second half of the year under review, the Property business was unable to realize business plans due to delayed sales of property.

Outlook

Although the Property business is expected to bear the impact of poor market conditions well into the current fiscal year, we aim to ensure stable earnings from rental revenues and conduct property sales at appropriate times during the year. In addition, for the immediate future we are planning to reduce the number of properties retained by the Company, in keeping with our policy of maintaining a balanced asset portfolio.



Net Sales

Operating Income

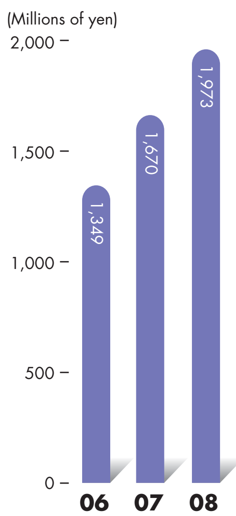
Other Business

Overview

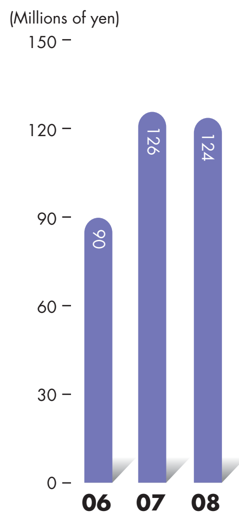
Belluna's wholesale business, which targets department stores and the Japanese Consumers' Cooperative Union, leverages the Group's expertise in product planning and media production. An expansion in revenues recorded in the fiscal year under review was primarily the result of the success of these efforts.

Outlook

From product selection to sales promotion material production, the reliability and consistent support provided by the wholesale business system is its strength. This strength is the reason for the continuing patronage of our corporate clients. In recent years, department stores have pulled out of the mail order business. However, Belluna is planning for future growth in this sector by taking advantage of continuing orders from existing clients and by developing new clients.



Net Sales



Operating Income

Six-Year Financial Summary

Years ended March 31	Millions of yen 2003	2004	2005	2006	2007	2008	Thousands of U.S. dollars 2008
For the year:							
Net sales	105,126	109,626	115,098	121,938	129,912	**125,173**	**1,249,356**
Cost of sales	45,865	47,073	48,206	51,409	53,675	**51,566**	**514,682**
Gross profit	59,759	62,839	66,891	70,536	76,275	**73,614**	**734,674**
Selling, general and administrative expenses	49,074	52,670	56,010	59,274	64,153	**63,405**	**632,847**
Operating income	10,684	10,169	10,881	11,261	12,122	**10,208**	**101,886**
Income before income taxes and minority interests	10,615	10,965	11,320	11,726	12,686	**6,077**	**60,654**
Net income	6,253	6,490	6,777	6,935	7,141	**3,435**	**34,284**
Capital investment	4,114	3,371	2,153	1,674	2,738	**6,677**	**63,878**
Depreciation	761	1,069	1,012	956	965	**1,105**	**11,029**
At year-end:							
Current assets	55,239	58,046	60,919	80,168	107,801	**109,610**	**1,094,021**
Property, plant and equipment	23,319	25,598	26,727	27,514	26,089	**31,670**	**316,099**
Total assets	86,255	93,256	97,015	119,253	149,239	**160,707**	**1,604,022**
Current liabilities	35,434	35,829	38,880	44,089	50,326	**63,433**	**633,127**
Long-term liabilities	13,478	14,711	9,161	17,853	34,194	**32,946**	**328,835**
Total liabilities	48,913	50,541	48,041	61,942	84,520	**96,379**	**961,962**
Net assets (*1)	—	—	—	—	64,718	**64,327**	**642,050**
Total shareholders' equity	37,342	42,703	48,920	57,197	—	**—**	**—**
Number of shares issued (thousands)	21,530	21,695	23,894	27,001	56,592	**56,592**	
Number of employees	753	789	913	1,027	1,102	**1,249**	

	Yen						U.S. dollars
Per share data:							
Net income per share (*2)	121.83	127.85	133.47	137.47	134.88	**66.14**	**0.66**
Shareholders' equity per share (*3)	1,760.57	2,035.47	2,119.40	2,220.42	1,223.95	**1,254.05**	**12.52**
Cash dividends per share	25	25	25	30	15	**15**	**0.15**

	Percentage (%)					
Financial ratios:						
Operating income margin	10.2	9.3	9.5	9.2	9.3	**8.2**
Net income margin	5.9	5.9	5.9	5.7	5.5	**2.7**
Return on equity (ROE) (*4)	17.8	16.2	14.8	13.1	11.7	**5.3**
Return on assets (ROA) (*5)	13.2	11.8	12.0	10.9	9.3	**6.8**
Shareholders' equity ratio (*4)	43.3	45.8	50.4	48.0	43.3	**39.9**

(*1) Effective from fiscal 2007, Belluna adopted the Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5, December 9, 2005) and the Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8, December 9, 2005).

(*2) Belluna executed 1.1-for-1 stock splits on May 21, 2002, May 20, 2004 and May 20, 2005. In addition, the Company executed a 2-for-1 stock split on April 1, 2006. Figures for fiscal 2006 and previous fiscal years have been adjusted based on the average number of shares during fiscal 2007.

(*3) Net assets per share is presented in the line item Shareholders' equity per share for fiscal 2007 and 2008. In the calculation of net assets per share, the amount of net assets less minority interests is used. For fiscal 2006 and previous fiscal years, the conventional shareholders' equity per share is presented in this line item.

(*4) In the calculation of ROE and Shareholders' equity ratio for fiscal 2007 and 2008, the amount of net assets less minority interests is used as shareholders' equity. For fiscal 2006 and previous fiscal years, the conventional total shareholders' equity is used in the calculation.

(*5) ROA is the total of operating income and interest and dividend income divided by average total assets.

(*6) The U.S. dollar amounts have been translated from yen, for the convenience of the reader, at the rate of ¥100.19 = US$1.00, the approximate rate on the Tokyo foreign exchange market on March 31, 2008.

Financial Review

Overview

In the fiscal year ended March 31, 2008, against the backdrop of robust corporate performance, the economy continued to expand gradually as capital investment increased and the employment situation improved. However, from midyear onward, the economy began to slow due to such factors as financial instability led by the subprime loan crisis in the United States and rising crude oil and raw material prices. This uncertainty is expected to intensify into the future. In addition, consumer spending is being impacted by sharp declines in consumer confidence stemming from the ongoing sluggishness of wage increases combined with elevated inflation rates. The mail order industry is experiencing an ever increasing level of competition resulting from the increase of new entrants that exceeds the pace of market expansion. Consequently, the market has entered a phase wherein only the most competitive companies will prevail.

Based on this situation, the Belluna Group has implemented a portfolio management approach that is supported by multiple profit pillars. However, the slump in our core Catalog business was not compensated for by performance in other business segments during the year under review.

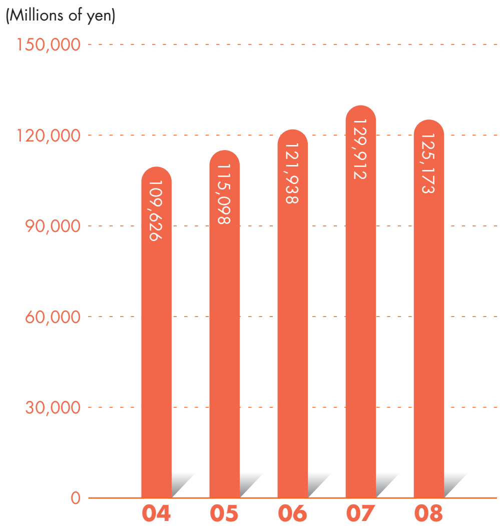
Net Sales

Despite significant gains achieved in the Advanced Finance, BOT and Karemu businesses, consolidated net sales fell 3.6% year on year to ¥125,173 million as a result of sluggish performance in the Catalog business. An overview of performance by business segment is provided as follows. (For a more detailed account by segment, please refer to the Review of Operations on pages 9 through 13)

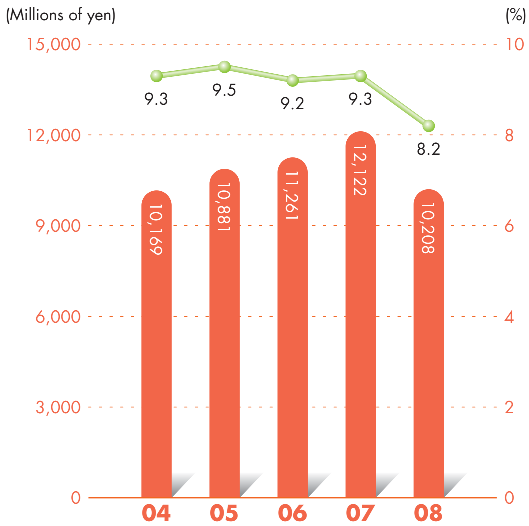
In the core Catalog business, sales slumped due to stagnant consumer spending, particularly for household products, and personal and hobby-related goods. Despite steady sales increases reported by Refre Co., Ltd., which handles functional and health food products, the Single-item Mail Order business experienced decreased revenue due to poor performance in the gourmet food division. In the Advanced Finance business, the outstanding balance of trade loans has grown substantially, buoying strong demand in the corporate and Korean markets. The BOT business experienced increases in revenue owing to the expansion of its mail order support business. Boosts in revenue in the Karemu business are attributable to the consolidation of BANKAN Co., Ltd. and Wamonoya Co., Ltd., both of which are engaged in Japanese traditional clothing-related retails sales. In addition, the Property business suffered from a reduction in revenue resulting from delays in the scheduled dates of property sales, while operations in the Other business segment achieved higher revenues thanks to the favorable performance of wholesale services.

Earnings

In the year under review, operating income dropped 15.8% year on year to ¥10,208 million, due to such factors a delay in cost reductions. As a result, the operating income margin decreased from 9.3% in the previous fiscal year to 8.2%. An overview of performance in each business segment is as follows.



Net Sales



Operating Income and Operating Income Margin

Operating Income
Operating Income Margin

Operating income in the Catalog business dropped significantly due to delayed reductions in personnel and distribution expenses. In the Single-item Mail Order business, changes in the external environment, including increased public mistrust of food products, led to decreased income. In the Advanced Finance business, broad expansions in trade loans contributed to boosts in income. However, the BOT business suffered from reduced income due to sluggish growth in the normally lucrative enclosure and mail-out services. The Karemu business continued to show operating deficits, experiencing a rise in expenses related to newly established subsidiaries engaged in sales at retail stores. In addition, the Property and Other businesses both suffered declines in income. (For a more detailed account by segment, please refer to the Review of Operations on pages 9 through 13)

Although interest income and dividends received increased, non-operating income and expenses were impacted by increases in foreign exchange losses and valuation losses on currency swaps and options attributable to the rapid yen appreciation. As a result, ordinary income dropped 43.3% year on year to ¥7,151 million and income before income taxes and minority interests declined 52.1% year on year to ¥6,077 million.

Net income dropped 51.9% from the previous fiscal year to ¥3,435 million. The net income margin decreased from 5.5% to 2.7%

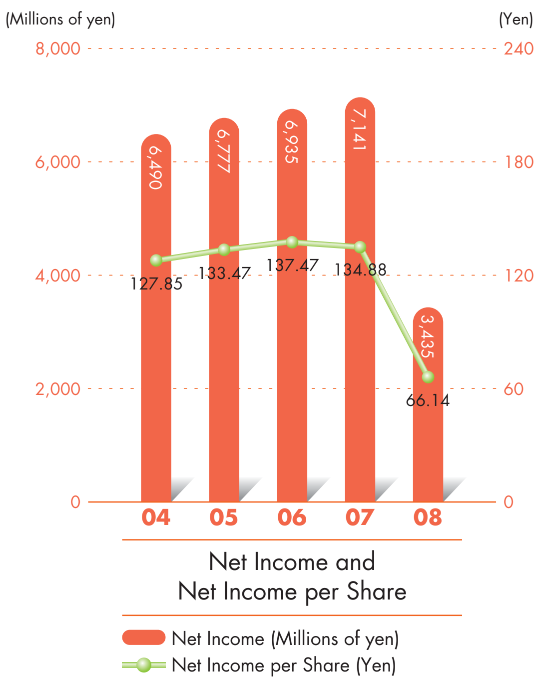
Net income per share fell from ¥134.88 to ¥66.14 during the year under review. Year-end dividends were set at ¥7.50 per share, unchanged from the previous fiscal year. Combined with interim dividends, the Company maintained a total annual dividend of ¥15 per share. The shareholder returns ratio, combining dividends and company stock repurchases, rose to 74.7%.

Financial Condition

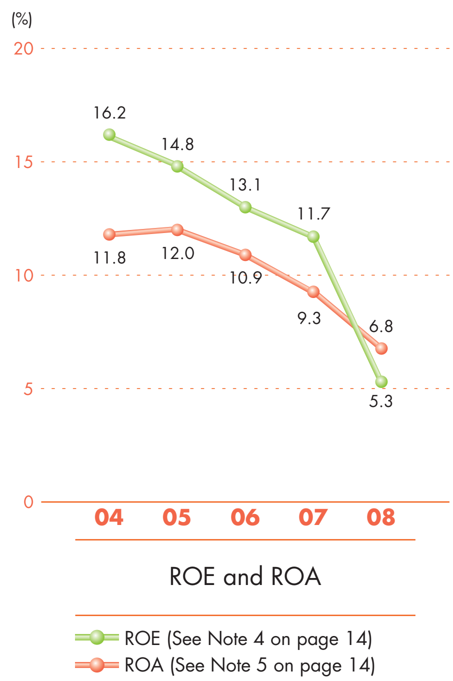
Total assets as of March 31, 2008 stood at ¥160,707 million, an increase of ¥11,468 million from ¥149,239 million at the end of the previous fiscal year. Of this, despite a decline in cash and deposits, current assets were up ¥1,809 million to ¥109,610 million, reflecting increased trade loans in the Advanced Finance business and real estate for sale in process in the Property business. Fixed assets as of the end of the year under review rose ¥9,659 million to ¥51,096 million due to expansion in property, plant and equipment and investments and other assets. In addition, progress is being made regarding product recalls and the replacement of parts related to defects in electric beds that emerged during the year under review. Thus, a provision for product repairs totaling ¥295 million has been created to cover expenses associated with the recall.

Total liabilities were up ¥11,859 million compared with the previous fiscal year-end, amounting to ¥96,379 million. Of this, current liabilities increased ¥13,107 million year on year to ¥63,433 million mainly owing to a rise in short-term borrowings. Long-term liabilities shrank ¥1,248 million to ¥32,946 million due to such factors as reductions in long-term borrowings.

Net assets as of March 31, 2008, totaled ¥64,327 million, a ¥391 million drop compared with the previous fiscal year-end that is primarily attributable to decreases in repurchases of treasury stock and valuation and



Net Income and Net Income per Share



ROE and ROA

translation adjustments. Consequently, the shareholders' equity ratio fell from 43.3% to 39.9% and ROE showed a year on year decrease from 11.7% to 5.3%.

Cash Flows

Net cash used by operating activities increased from ¥5,964 million in the previous fiscal year to ¥12,519 million. The main factors for this include lower income before income taxes and minority interests and an increase in inventories (including real estate for sale in process).

Net cash used by investing activities saw a slight drop from ¥8,539 million in the previous fiscal year to ¥8,243 million. Main contributors to the change included a rise in the acquisition of property, plant and equipment that was somewhat countered by a contraction in acquisitions of investment securities. As a result, the negative margin was down somewhat from the previous fiscal year.

Net cash provided by financing activities contracted from ¥20,703 million from the end of the previous fiscal year to ¥11,926 million. This is attributable to an increase in the proceeds of long-term borrowings in the Advanced Finance business. In contrast, cash inflows decreased compared with the previous fiscal year due to the absence of proceeds from the issuance of corporate convertible bonds as in previous fiscal year.

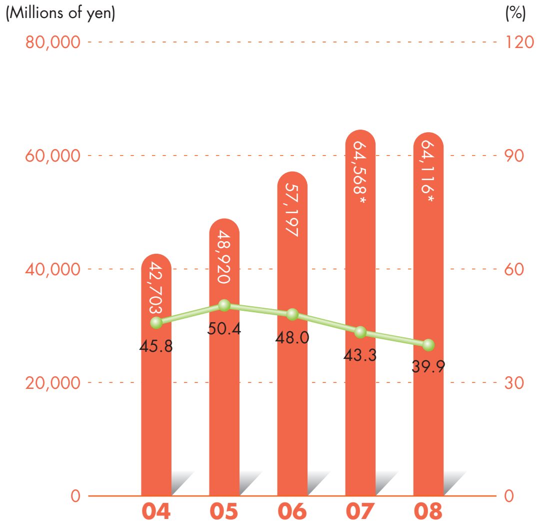
As a result of the above, after accounting for changes due to the increased scope of consolidation, the outstanding balance of cash and cash equivalents at the end of the year dropped ¥9,163 million to ¥17,222 million.

Management Targets

Leveraging its management resources to the greatest extent possible, Belluna is working to maximize income and shareholder value while pursuing policies that emphasize growth in the key management benchmarks of operating income, operating income margin and ROE.

The period of the ASUNARO Plan, Belluna's five-year medium-term management roadmap has been extended by two years to the end of March 2013. Centering on the recovery of profitability in the Catalog business, including the augmentation of E-commerce, we are enhancing the "portfolio approach," which selectively allocates management resources to ensure the optimal balance of growth and profit.

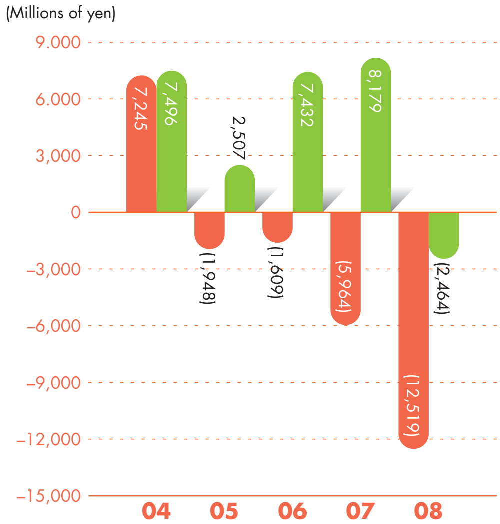
In addition, administrative sanctions were imposed on the Company's exhibition sales business by the Ministry of Economy, Trade and Industry on July 9, 2008. Upon receiving this, in conjunction with efforts by the in-house review committee to determine causes and take preventive measures, a third-party review committee has been established to verify the reliability and sufficiency of investigation reports. Investigation reports and recommendations submitted by both review committees were approved and corresponding resolutions were passed at the Board of Directors' meeting on August 26, 2008. Although Belluna had already withdrawn from the exhibition sales business in June 2008, the Company takes the imposition of administrative sanctions very seriously. Thus, the entire Belluna Group is endeavoring to restore social trust in the Company by revising and restructuring internal management systems.



Shareholders' Equity and Shareholders' Equity Ratio

Shareholders' Equity
Shareholders' Equity Ratio
(See Note 4 on page 14)

*Net assets less minority interests



Operating Cash Flow and Adjusted Operating Cash Flow

Operating Cash Flow
Adjusted Operating Cash Flow
(excluding trade loans)

Business Risks

1. Statutory Regulations

a) Belluna's Advanced Finance business is regulated by the Act on Control, etc., on Money Lending and the Act on Regulation of Receiving of Capital Subscription, Deposits, and Interest Rates, etc., as well as related laws and regulations. Looking ahead, amendments to these laws and regulations and issues relating to the return of excess interest payments could affect the Company's operating performance.

b) The Catalog and Single-item Mail Order businesses are subject to a variety of laws and regulations, including the Law for Preventing Unjustifiable Extra or Unexpected Benefit and Misleading Representation and the Act on Specified Commercial Transactions. Belluna has established internal control and administrative systems to promote strict compliance with such laws and regulations. Despite these initiatives, however, the possibility exists that certain laws and regulations may be breached due to illegal activity or the actions of vendors. In the event that a violation should occur, the Company's reputation may suffer. In addition, Belluna may be required to make certain compensatory payments, significantly impacting the Company's operating performance.

2. Climate and Seasonal Risks

While Belluna formulates sales plans based on seasonal product trends, inclement weather, including cool summers, warm winters and extended periods of heavy rain, may place downward pressure on sales activities and cause additional problems such as excess inventories. As a result, the Company's operating performance may be negatively affected.

3. Overseas Environment Risks

a) Belluna procures the majority of its products overseas, particularly from China, in an effort to produce competitive products and to reduce the manufacturing costs. A wide variety of factors, including changes in the political environment, unforeseen amendments to laws and regulations, a shortage in labor supply, strikes, demonstrations, a deterioration in economic conditions and natural disasters, could result in the Company's operating performance being negatively affected.

b) Inherent risks in the finance business in South Korea, including amendments to applicable laws and regulations, unexpected deterioration in the credit standing of clients, a general economic slump and growing tensions with North Korea, could impact the Group's overall operating performance.

4. Foreign Exchange Risks

In the natural course of its business activities, Belluna imports certain products denominated in foreign currencies. In an effort to minimize the risk from foreign exchange rate fluctuations, the Company enters into hedge transactions, including forward foreign exchange rate contracts. Despite these initiatives, a substantial movement in foreign exchange rates could affect Belluna's operating performance.

5. Protection of Personal Information

As a Company that handles personal information, Belluna is subject to the Personal Information Protection Law, which came into effect in April 2005. The Company makes every effort to adhere strictly to all relevant laws and regulations while strengthening its internal control systems to prevent the unauthorized outflow of information. If, however, any such information should be leaked, the Company may incur significant damage to its reputation and deterioration in its operating performance.

6. System Risk

Computers play a significant role in the overall management and operations of the Company's business. Accordingly, Belluna has introduced state-of-the-art computer systems to protect the Company against unauthorized access, computer viruses and related events. Should an extended computer malfunction arise, however, Belluna could incur significant costs up to the time of full recovery, placing downward pressure on the Company's operating performance.

7. Real Estate Market Trend Risks

The Property business is susceptible to the influence of such economic conditions as economic trends, land price fluctuations and changes in the overall financial environment. Such factors could have an impact on the Belluna Group's business performance.

The following is an English-language translation of the audited consolidated financial statements section of the *Yukashoken Hokokusho* (annual securities report), originally issued in Japanese, of BELLUNA CO., LTD. and its consolidated subsidiaries for the years ended March 31, 2007 and 2008.

CONSOLIDATED FINANCIAL STATEMENTS

I. Consolidated Balance Sheets

Accounts	Notes	March 31, 2007 Amount (Millions of yen)		Ratio (%)	March 31, 2008 Amount (Millions of yen)		Ratio (%)
Assets							
I. Current assets							
1. Cash and deposits			28,065			18,612	
2. Trade notes and accounts receivable			13,868			12,703	
3. Trade loans			46,591			52,962	
4. Marketable securities			1,376			298	
5. Inventories							
1) Inventories			10,298			9,598	
2) Real estate for sale	*1		4,499			1,804	
3) Real estate for sale in process	*1		—			8,528	
Total inventories			14,798			19,930	
6. Deferred tax assets			878			1,011	
7. Other current assets			4,010			6,110	
Allowance for doubtful accounts			(1,789)			(2,019)	
Total current assets			107,801	72.2		109,610	68.2
II. Fixed assets							
1. Property, plant and equipment							
1) Buildings and structures	*1	17,829			21,041		
Accumulated depreciation		6,955	10,873		7,671	13,369	
2) Machinery and equipment		1,073			1,095		
Accumulated depreciation		826	246		871	224	
3) Furniture and fixtures		998			1,163		
Accumulated depreciation		644	354		771	391	
4) Land	*1		13,189			17,604	
5) Construction in progress			1,426			79	
Total property, plant and equipment			26,089	17.5		31,670	19.7
2. Intangible fixed assets			1,589			2,336	
Total intangible fixed assets			1,589	1.1		2,336	1.4
3. Investments and other assets							
1) Investment securities	*1, 3		9,994			7,862	
2) Long-term lending			906			948	
3) Deferred tax assets			877			2,037	
4) Other assets	*1		2,128			7,247	
Allowance for doubtful accounts			(147)			(1,005)	
Total investments and other assets			13,758	9.2		17,090	10.7
Total fixed assets			41,437	27.8		51,096	31.8
Total assets			149,239	100.0		160,707	100.0

Accounts	Notes	March 31, 2007 Amount (Millions of yen)	March 31, 2007 Ratio (%)	March 31, 2008 Amount (Millions of yen)	March 31, 2008 Ratio (%)
Liabilities					
I. Current liabilities					
1. Trade notes and accounts payable		16,787		**14,124**	
2. Short-term borrowings	*1, 4	18,977		**36,677**	
3. Accrued expenses		8,841		**8,106**	
4. Income taxes payable		3,271		**1,282**	
5. Provision for product repairs		—		**295**	
6. Provision for bonuses		551		**563**	
7. Provision for sales returns		88		**82**	
8. Provision for point program		209		**380**	
9. Other current liabilities		1,598		**1,920**	
Total current liabilities		50,326	33.7	**63,433**	**39.5**
II. Long-term liabilities					
1. Straight bonds		10,000		**10,000**	
2. Convertible bonds		11,000		**11,000**	
3. Long-term borrowings	*1	11,003		**7,894**	
4. Provision for loss on interest repayment		1,251		**1,825**	
5. Provision for retirement benefits		134		**181**	
6. Provision for retirement benefits for directors and corporate auditors		207		**190**	
7. Other long-term liabilities		596		**1,854**	
Total long-term liabilities		34,194	22.9	**32,946**	**20.5**
Total liabilities		84,520	56.6	**96,379**	**60.0**
Net assets					
I. Shareholders' equity					
1. Common stock		10,607	7.1	**10,607**	**6.6**
2. Capital surplus		11,003	7.4	**11,003**	**6.8**
3. Retained earnings		49,255	33.0	**51,570**	**32.1**
4. Treasury stock		(6,545)	(4.4)	**(8,340)**	**(5.2)**
Total shareholders' equity		64,320	43.1	**64,839**	**40.3**
II. Valuation and translation adjustments					
1. Unrealized gains (losses) on available-for-sale securities		21	0.0	**(399)**	**(0.2)**
2. Deferred gains (losses) on certain hedge transactions		125	0.1	**—**	**—**
3. Foreign currency translation adjustments		100	0.1	**(323)**	**(0.2)**
Total valuation and translation adjustments		247	0.2	**(723)**	**(0.4)**
III. Minority interests		150	0.1	**211**	**0.1**
Total net assets		64,718	43.4	**64,327**	**40.0**
Total liabilities and net assets		149,239	100.0	**160,707**	**100.0**

II. Consolidated Statements of Income

Accounts	Notes	For the year ended March 31, 2007 Amount (Millions of yen)		Ratio (%)	For the year ended March 31, 2008 Amount (Millions of yen)		Ratio (%)
I. Net sales			129,912	100.0		125,173	100.0
II. Cost of sales	*1		53,675	41.3		51,566	41.2
Gross profit			76,237	58.7		73,607	58.8
1. Reversal of provision for sales returns		127			88		
2. Provision for sales returns		88	(38)	(0.0)	82	(6)	(0.0)
Gross profit—net			76,275	58.7		73,614	58.8
III. Selling, general and administrative expenses	*2		64,153	49.4		63,405	50.6
Operating income			12,122	9.3		10,208	8.2
IV. Non-operating income							
1. Interest income		195			245		
2. Dividend income		118			146		
3. Rent income		86			96		
4. Commission income		146			59		
5. Gain on sales of marketable securities		76			—		
6. Extinction of debt		25			51		
7. Compensation received		67			81		
8. Valuation gain on currency swaps and options		123			—		
9. Other		404	1,244	1.0	302	982	0.7
V. Non-operating expenses							
1. Interest expense		222			399		
2. Bond issuance cost		97			—		
3. Stock issuance cost		—			6		
4. Loss on sale of securities		—			454		
5. Foreign exchange loss		68			610		
6. Valuation loss on currency swaps and options		—			2,091		
7. Other		355	743	0.6	476	4,039	3.2
Ordinary income			12,622	9.7		7,151	5.7
VI. Extraordinary gains							
1. Gain on sales of investment securities		403			127		
2. Gain on bad debts recovered		40			33		
3. Gain on reversal of stock acquisition rights		5	448	0.3	—	161	0.1
VII. Extraordinary losses							
1. Loss on disposal of fixed assets	*3	16			3		
2. Loss on valuation of investment securities	*4	368			935		
3. Provision for product repairs		—	384	0.3	295	1,234	1.0
Income before income taxes and minority interests			12,686	9.7		6,077	4.8
Income tax—current		6,281			3,507		
Income tax—deferred		(781)	5,500	4.2	(926)	2,581	2.1
Minority interests in net income			45	0.0		61	0.0
Net income			7,141	5.5		3,435	2.7

III. Consolidated Statements of Changes in Net Assets

– For the year ended March 31, 2007 –

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	8,393	8,789	43,242	(3,905)	56,520
Changes during the year:					
New share issue upon exercise of stock acquisition rights	2,117	2,117	—	—	4,235
Conversion of convertible bonds	96	95	—	—	191
Gain on disposal of treasury stock	—	0	—	—	0
Increase resulting from inclusion of a subsidiary in the scope of consolidation	—	—	43	—	43
Dividends paid (Note)	—	—	(1,172)	—	(1,172)
Net income	—	—	7,141	—	7,141
Repurchase of treasury stock	—	—	—	(2,640)	(2,640)
Sale of treasury stock	—	—	—	0	0
Net changes in net assets other than changes in shareholders' equity	—	—	—	—	—
Total changes during the year	2,214	2,213	6,012	(2,640)	7,800
Balance as of March 31, 2007	10,607	11,003	49,255	(6,545)	64,320

	Valuation and translation adjustments				Stock acquisition rights	Minority interests	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on certain hedge transactions	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance as of March 31, 2006	605	—	71	676	119	113	57,430
Changes during the year:							
New share issue upon exercise of stock acquisition rights	—	—	—	—	—	—	4,235
Conversion of convertible bonds	—	—	—	—	—	—	191
Gain on disposal of treasury stock	—	—	—	—	—	—	0
Increase resulting from inclusion of a subsidiary in the scope of consolidation	—	—	—	—	—	—	43
Dividends paid (Note)	—	—	—	—	—	—	(1,172)
Net income	—	—	—	—	—	—	7,141
Repurchase of treasury stock	—	—	—	—	—	—	(2,640)
Sale of treasury stock	—	—	—	—	—	—	0
Net changes in net assets other than changes in shareholders' equity	(584)	125	29	(429)	(119)	37	(512)
Total changes during the year	(584)	125	29	(429)	(119)	37	7,288
Balance as of March 31, 2007	21	125	100	247	—	150	64,718

Note:
The amount is a sum of ¥772 million as part of the appropriation of profit approved at the ordinary general meeting of shareholders held in June 2006 and ¥399 million as an interim dividend determined at the Board of Directors' meeting held in September 2006.

– For the year ended March 31, 2008 –

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	10,607	11,003	49,255	(6,545)	64,320
Changes during the year:					
Gain on disposal of treasury stock	—	(0)	—	—	(0)
Increase resulting from inclusion of additional subsidiaries in the scope of consolidation	—	—	(337)	—	(337)
Dividends paid	—	—	(783)	—	(783)
Net income	—	—	3,435	—	3,435
Purchase of treasury stock	—	—	—	(1,795)	(1,795)
Sale of treasury stock	—	—	—	0	0
Net changes in net assets other than changes in shareholders' equity	—	—	—	—	—
Total changes during the year	—	(0)	2,314	(1,795)	518
Balance as of March 31, 2008	10,607	11,003	51,570	(8,340)	64,839

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on certain hedge transactions	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2007	21	125	100	247	150	64,718
Changes during the year:						
Gain on disposal of treasury stock	—	—	—	—	—	(0)
Increase resulting from inclusion of additional subsidiaries in the scope of consolidation	—	—	—	—	—	(337)
Dividend paid	—	—	—	—	—	(783)
Net income	—	—	—	—	—	3,435
Purchase of treasury stock	—	—	—	—	—	(1,795)
Sale of treasury stock	—	—	—	—	—	0
Net changes in net assets other than changes in shareholders' equity	(421)	(125)	(424)	(971)	61	(910)
Total changes during the year	(421)	(125)	(424)	(971)	61	(391)
Balance as of March 31, 2008	(399)	—	(323)	(723)	211	64,327

IV. Consolidated Statements of Cash Flows

Accounts	Notes	For the year ended March 31, 2007 Amount (Millions of yen)	For the year ended March 31, 2008 Amount (Millions of yen)
I. Cash flows from operating activities			
Income before income taxes and minority interests		12,686	**6,077**
Depreciation and amortization		965	**1,105**
Decrease in provision for sales returns		(38)	**(6)**
Increase in allowance for doubtful accounts		289	**1,102**
Increase in provision for product repairs		—	**295**
Increase (decrease) in provision for bonuses		(1)	**12**
Increase in provision for retirement benefits		23	**46**
Increase (decrease) in provision for retirement benefits for directors and corporate auditors		(34)	**(16)**
Increase in provision for point program		209	**171**
Increase in provision for loss on interest repayment		1,156	**574**
Interest and dividend income		(313)	**(391)**
Interest expense		222	**399**
Valuation loss on currency swaps and options		—	**2,091**
Gain (loss) on sales of marketable securities		(76)	**454**
Gain on sales of investment securities		(403)	**(127)**
Reversal of stock acquisition rights		(5)	**—**
Loss on valuation of investment securities		368	**935**
Loss on disposal of property, plant and equipment		16	**3**
Decrease (increase) in trade notes and accounts receivable		(50)	**1,125**
Increase in trade loans		(14,143)	**(10,055)**
Increase in inventories		(836)	**(4,912)**
Increase in other current assets		(897)	**(2,003)**
Decrease in trade notes and accounts payable		(398)	**(2,480)**
Increase (decrease) in other current liabilities		1,314	**(1,476)**
Decrease in other long-term liabilities		(133)	**(93)**
Other		(221)	**706**
Sub-total		(301)	**(6,461)**
Interest and dividends received		314	**390**
Interest paid		(218)	**(408)**
Income taxes paid		(5,759)	**(6,039)**
Net cash used by operating activities		(5,964)	**(12,519)**
II. Cash flows from investing activities			
Payments into time deposits		(2,209)	**(513)**
Proceeds from withdrawal of time deposits		2,437	**806**
Acquisition of marketable securities		(1,700)	**(4,036)**
Proceeds from sales of marketable securities		1,599	**4,237**
Acquisition of property, plant and equipment		(2,707)	**(6,403)**
Proceeds from sale of property, plant and equipment		4	**5**
Acquisition of intangible assets		(409)	**(834)**
Acquisition of investment securities		(9,119)	**(2,948)**
Proceeds from sales of investment securities		4,734	**3,322**
Payments of trade loans		(850)	**(3,513)**
Collection of trade loans		70	**2,750**
Payments of other investments		(427)	**(1,430)**
Collection of other investments		36	**315**
Net cash used by investing activities		(8,539)	**(8,243)**
III. Cash flows from financing activities			
Net increase in short-term borrowings		7,330	**3,119**
Proceeds from long-term borrowings		6,888	**13,265**
Repayment of long-term borrowings		(2,045)	**(1,880)**
Proceeds from issuance of stock		4,121	**—**
Proceeds from issuance of bonds		11,000	**—**
Redemption of bonds		(2,778)	**—**
Proceeds from sale of treasury stock		0	**0**
Repurchase of treasury stock		(2,640)	**(1,795)**
Dividends paid		(1,172)	**(783)**
Net cash provided by financing activities		20,703	**11,926**
IV. Effect of exchange rate change on cash and cash equivalents		13	**(421)**
V. Net increase (decrease) in cash and cash equivalents		6,212	**(9,256)**
VI. Cash and cash equivalents at beginning of the year		19,960	**26,385**
VII. Cash and cash equivalents of newly consolidated subsidiaries		212	**93**
VIII. Cash and cash equivalents at end of the year		26,385	**17,222**

Notes to Consolidated Financial Statements

Significant Accounting Policies

Item	For the year ended March 31, 2007	For the year ended March 31, 2008
1. Scope of Consolidation	a. Number of consolidated subsidiaries: 8 Names of major consolidated subsidiaries: Refre Co., Ltd., El Dorado Co., Ltd., Bell-Net International Hong Kong Ltd., Ozio Co., Ltd., B.N. International U.S.A., Inc., Friendly Co., Ltd., Sunstage Finance Co., Ltd., Bell-Net Credit Co., Ltd. Of the above companies, Bell-Net Credit Co., Ltd. has been consolidated from this fiscal year, because its importance to the consolidated financial statements of Belluna Co., Ltd. (the "Company") has increased.	a. Number of consolidated subsidiaries: 10 Names of major consolidated subsidiaries: Refre Co., Ltd., El Dorado Co., Ltd., Bell-Net International Hong Kong Ltd., Ozio Co., Ltd., B.N. International U.S.A., Inc., Friendly Co., Ltd., Sunstage Co., Ltd. (former Sunstage Finance Co., Ltd.), Bell-Net Credit Co., Ltd., BANKAN Co., Ltd., Wamonoya Co., Ltd. Of the above companies, BANKAN Co., Ltd. and Wamonoya Co., Ltd. have been consolidated from this fiscal year, because their importance to the consolidated financial statements of Belluna Co., Ltd. has increased.
	b. Names of major non-consolidated subsidiaries: BANKAN Co., Ltd., Wamonoya Co., Ltd., Granbell TV Co., Ltd., Human Resource Management Co., Ltd. The reason why the above subsidiaries are excluded from consolidation: These non-consolidated subsidiaries are small in size, and their total assets, net sales, net income or loss (attributable to the equity interest) and retained earnings (attributable to the equity interest) do not have a significant effect on the consolidated financial statements of the Company. Therefore, they have been excluded from consolidation.	b. Names of major non-consolidated subsidiaries: Belluna Mailing Service Co., Ltd., Human Resource Management Co., Ltd. The reason why the above subsidiaries are excluded from consolidation: Same as at left
2. Equity Method	a. Number of non-consolidated subsidiaries accounted for by the equity method: None	a. Number of non-consolidated subsidiaries accounted for by the equity method: None
	b. Number of affiliated companies for which the equity method is applied: None	b. Number of affiliated companies for which the equity method is applied: None
	c. Names of non-consolidated subsidiaries not accounted for by the equity method: BANKAN Co., Ltd., Wamonoya Co., Ltd., Granbell TV Co., Ltd., Human Resource Management Co. Ltd., etc. These non-consolidated subsidiaries do not have a significant effect on the consolidated net income or loss, retained earnings, etc. of the Company, nor materiality as a whole. Therefore, they have been excluded from the scope of the equity method application.	c. Names of non-consolidated subsidiaries not accounted for by the equity method: Belluna Mailing Service Co., Ltd., Human Resource Management Co., Ltd., etc. These non-consolidated subsidiaries do not have a significant effect on the consolidated net income or loss, retained earnings, etc. of the Company, nor materiality as a whole. Therefore, they have been excluded from the scope of the equity method application.

Item	For the year ended March 31, 2007	For the year ended March 31, 2008
3. Accounting Period of Consolidated Subsidiaries	The accounting period of Bell-Net Credit Co., Ltd., one of the consolidated subsidiaries mentioned above, ends on December 31. The financial statements of Bell-Net Credit Co., Ltd., however, are used as the basis for consolidation since the difference between their financial closing date and the consolidated financial closing date does not exceed three months. The necessary adjustments are made to the financial statements of Bell-Net Credit Co., Ltd. to reflect any significant transactions made until the consolidated financial closing date.	Same as at left
4. Significant Accounting Policies	a. Valuation method of significant assets i) Securities: Available-for-sale securities: Marketable securities: Marketable available-for-sale securities are carried at fair value with any changes in unrealized gain or loss, net of the applicable income taxes, directly included in net assets. Cost of securities sold is calculated by the moving average method. Non-marketable securities: Non-marketable available-for-sale securities are carried at cost determined by the moving average method. Investments in limited liability investment business partnerships and similar partnerships, defined as a security under Article 2, Paragraph 2 of the Japanese Securities and Exchange Law, reflect net income or loss attributable to the equity interest, based on the latest available financial information as stipulated in the partnership agreements. ii) Derivatives: Derivatives are stated at their fair value. iii)Inventories: Merchandise: Merchandise is stated at the lower of cost, determined by the moving average method, or market value. Supplies: Supplies are stated at the latest purchase price. Real estate for sale: Real estate for sale is stated at cost by the individual price method.	a. Valuation method of significant assets i) Securities: Available-for-sale securities: Marketable securities: Same as at left Non-marketable securities: Non-marketable available-for-sale securities are carried at cost determined by the moving average method. Investments in limited liability investment business partnerships and similar partnerships, defined as a security under Article 2, Paragraph 1 of the Japanese Financial Instruments and Exchange Law, reflect net income or loss attributable to the equity interest, based on the latest available financial information as stipulated in the partnership agreements. ii) Derivatives: Same as at left iii)Inventories: Merchandise: Same as at left Supplies: Same as at left Real estate for sale: Same as at left Real estate for sale in process: Real estate for sale in process is stated at cost by the individual price method.

Item	For the year ended March 31, 2007	For the year ended March 31, 2008
4. Significant Accounting Policies (contd.)	b. Depreciation and amortization i) Depreciation of property, plant and equipment: Depreciation of property, plant and equipment of the Company and domestic consolidated subsidiaries is calculated by the declining balance method, and that of overseas consolidated subsidiaries by the straight-line method. Buildings, excluding accompanying facilities, of the Company and domestic consolidated subsidiaries acquired on or after April 1, 1998 are calculated by the straight-line method.	b. Depreciation and amortization i) Depreciation of property, plant and equipment: Same as at left (Change in accounting policy) In accordance with the revision made to the Japanese Corporation Tax Law, the Company and domestic consolidated subsidiaries changed their depreciation method for property, plant and equipment acquired on and after April 1, 2007 to the one stipulated by the revised Tax Law. The effect of this change to income and loss is insignificant. (Additional information) In accordance with the revision to the Japanese Corporation Tax Law, the Company and domestic consolidated subsidiaries began depreciation of the residual value for property, plant and equipment acquired on and before March 31, 2007, whereby the difference between the remaining 5% value of the acquisition cost and the memorandum price is now depreciated by equal installments over the five-year period. The effect of this change to income or loss is insignificant.
	ii) Amortization of intangible assets: Amortization of intangible assets is calculated by the straight-line method. Capitalized costs for computer software for internal use are amortized by the straight-line method over the estimated useful life of five years.	ii) Amortization of intangible assets: Same as at left
	c. Basis for significant allowances and reserves i) Allowance for doubtful accounts: Allowances for doubtful accounts are provided at amounts determined based on the historical default rates with respect to ordinary receivables, and specific allowances for doubtful receivables at estimated amounts considered to be uncollectible after reviewing individual collectibility.	c. Basis for significant allowances and reserves i) Allowance for doubtful accounts: Same as at left
	ii) Provision for bonuses: Provision for bonuses is provided based on the estimated amount to be paid for the current fiscal year.	ii) Provision for bonuses: Same as at left
	iii)Provision for sales returns: Provision for sales returns is provided for the estimated loss on the sales return to be made after the period-end, based on the gross profit on sales returns estimated based on the historical rate of sales returns.	iii)Provision for sales returns: Same as at left

Item	For the year ended March 31, 2007	For the year ended March 31, 2008
4. Significant Accounting Policies (contd.)	iv)Provision for point program: Provision for point program is provided for the future expense caused by the consumption of points, for the consumption amount estimated based on the historical rate of consumption. (Change in accounting policy) With regard to the points given to our customers, the accounting treatment in prior years was to record sales discounts at the time customers used the points. As a system that can process actual data of grant, consumption and expiry of points on a timely basis has been introduced, the provision for point program has been provided from this fiscal year for the estimated amount of future consumption of awarded points. Also, as the granting of points for sales promotion purposes has been increasing recently, the points used by customers are now recorded in selling, general and administrative expenses. As a result of this change, net sales increased by ¥525 million and each of operating income, ordinary income and income before income taxes and minority interests decreased by ¥209 million. As the reasonable estimation has become available during the second half of the year, the prior method was used in the first half semi-annual period. Therefore, in the first half semi-annual consolidated financial statements, net sales and selling, general and administrative expenses were recorded ¥232 million lower than in the case where the new method would have been used. The impact to the segment information is stated in the relevant section's footnotes appearing later.	iv)Provision for point program: Same as at left ―――――
	v) Provision for loss on interest repayment: Provision for loss on interest repayment is provided for expected refund claims of interest on trade loans, which exceed the upper limit of the interest rate prescribed under the Interest Rate Restriction Law. (Additional Information) In accordance with the "Auditing Treatment on the Provision for Loss on Interest Repayment Claimed by the Customers of Non-Bank Financing Companies" (Industry Committee Report No.37) published by the Japan Institute of Certified Public Accountants on October 13, 2006, the method of estimating the amount of provision for loss on interest repayment was changed from this fiscal year, whereby the provision is reclassified from current liabilities to long-term liabilities.	v) Provision for loss on interest repayment: Same as at left ―――――

Item	For the year ended March 31, 2007	For the year ended March 31, 2008
4. Significant Accounting Policies (contd.)	The effect of this change was to decrease operating income, ordinary income and income before income taxes and minority interests by ¥1,023 million, respectively. Impact on segment information is stated in the relevant section's footnotes appearing later.	
	vi)Provision for retirement benefits: Provision for retirement benefits is provided principally at an amount calculated based on the estimated retirement benefit obligation and the estimated fair value of the pension plan assets at year end. Certain subsidiaries have adopted the simplified method when calculating the retirement benefit obligation. Actuarial gain or loss is amortized by the straight-line method over a certain period (five years) which is shorter than the average remaining years of service of the eligible employees. Amortization of such gain or loss begins in the year of its recognition.	vi)Provision for retirement benefits: Same as at left
	vii) Provision for retirement benefits for directors and corporate auditors: Provision for retirement benefits for directors and corporate auditors is provided at the amount to be paid at year-end based on internal rules.	vii) Provision for retirement benefits for directors and corporate auditors: Same as at left
	――――――	viii) Provision for product repairs: In order to prepare for repair expenses to incur in the coming years, the provision is provided at an estimated necessary amount.
	d. Lease accounting: Finance leases, other than those leases under which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.	d. Lease accounting: Same as at left
	e. Accounting for hedge transactions: Deferral hedge accounting is adopted. i) Hedging instruments Forward foreign exchange contracts and currency swaps ii) Hedged items: Future transactions denominated in foreign currencies iii) Hedging policy: Hedging transactions are to be made to hedge risks associated with future transactions denominated in foreign currencies.	――――――

Item	For the year ended March 31, 2007	For the year ended March 31, 2008
4. Significant Accounting Policies (contd.)	iv) Assessment of effectiveness of hedge: As the hedge is deemed highly effective, the assessment of effectiveness of hedge is omitted. f. Other significant accounting policies i) Accounting for consumption taxes: Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. ii) Bond issuance costs: Bond issuance costs are charged at full amount to income at the time of payment thereof. ―――――	e. Other significant accounting policies i) Accounting for consumption taxes: Same as at left ――――― ii) Stock issuance costs: Stock issuance costs are charged at full amount to income at the time of payment thereof.
5. Valuation of assets and liabilities of consolidated subsidiaries	For valuation of assets and liabilities of consolidated subsidiaries, the full fair value method is used.	Same as at left
6. Cash and Cash Equivalents in the Consolidated Statements of Cash Flows	Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, cash in banks which can be withdrawn on demand, and short-term investments which become due within three months from the acquisition date and can easily be converted into cash with negligible risk of value change.	Same as at left

Changes in Significant Accounting Policies

For the year ended March 31, 2007	For the year ended March 31, 2008
(Accounting Standard for the Presentation of Net Assets on the Balance Sheet) Effective from this fiscal year, the Company has adopted the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5 issued on December 9, 2005) and the"Implementation Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8 issued on December 9, 2005). The corresponding amount to the total shareholders' equity as of the year-end under the previous standard was ¥64,443 million. The net assets section of the consolidated balance sheet for this fiscal year is presented in accordance with the amended Regulations concerning Consolidated Financial Statements.	―――――
―――――	(Reclassifications) Effective from the year ended March 31, 2008, expenses on rent of real estate previously recorded in "Selling, general and administrative expenses" were reclassified into "Cost of sales," in order to more properly grasp the cost against sales in view of the rising materiality of the property business. As a result of this change, gross profit decreased by ¥600 million as compared with the previous method.

Changes in Presentation

For the year ended March 31, 2007	For the year ended March 31, 2008
(For the consolidated balance sheets) 1. Change in presentation of real estate for sale Real estate for sale previously included in "Inventories" in "Current assets" was reclassified into an independent account "Real estate for sale" in "Inventories," as the materiality of the account increased, effective from this fiscal year. The amount of real estate for sale included in "Inventories" in the previous fiscal year was ¥456 million. 2. Change in presentation of investments in capital: "Investments in capital" previously presented as an independent component of "Investments and other assets" was combined into "Other assets" in "Investments and other assets" as the materiality decreased. Investments in capital in "Other assets" were ¥1 million in this consolidated fiscal year.	(For the consolidated balance sheets) Change in presentation of real estate for sale in process: From the year ended March 31, 2008, "Real estate for sale in process" previously included in "Real estate for sale" is presented as an independent component of "Inventories," as its materiality increased. Real estate for sale in process included in "Real estate for sale" in the previous fiscal year was ¥2,271 million.

Additional Information

For the year ended March 31, 2007	For the year ended March 31, 2008
(Change of purpose of holding assets) During this fiscal year, because of the change of the purpose of holding assets, the following reclassifications have been made: ¥1,172 million from "Buildings and structures" to "Real estate for sale," ¥3 million from "Machinery and equipment" to "Real estate for sale," ¥1 million from "Furniture and fixtures" to "Real estate for sale," ¥2,179 million from "Land" to "Real estate for sale," and ¥17 million from "Construction in progress" to "Real estate for sale."	―――――

Notes and Supplemental Information:

All amounts in the following are in millions of yen except per share data unless otherwise indicated.

Notes to the Consolidated Balance Sheets

(In millions of yen)

March 31, 2007

*1 Pledged assets and secured liabilities

Assets pledged as collateral:

Real estate for sale	4,274
Buildings and structures	6,587
Land	8,357
Total	19,219

Liabilities secured by the above collateral:

Short-term borrowings	1,464
Long-term borrowings	4,428
Total	5,893

In addition to the above, investment securities of ¥719 million and other investments of ¥237 million were pledged as collateral for derivative transactions.

*2 Guarantees

Guarantees were provided for the following affiliates:

Name of guaranteed company	Balance of liabilities guaranteed
Granbell TV Co., Ltd.	
(Lease obligation)	43
Nursery Co., Ltd.	
(Borrowings)	105
(Currency swaps)	20
Total	168

*3 Investment in equities of non-consolidated subsidiaries is as follows:

Investment securities (stocks)	493

*4 The Company and its subsidiary, Sunstage Finance Co., Ltd., entered into lending commitments with ten banks for the timely financing of working capital. The unexecuted balance granted under the lending commitments as of March 31, 2007 is summarized as follows:

Total lending commitments	23,000
Executed loans	8,450
Unexecuted balance of lending commitments	14,550

March 31, 2008

*1 Pledged assets and secured liabilities

Assets pledged as collateral:

Real estate for sale	1,095
Real estate for sale in process	2,651
Buildings and structures	7,334
Land	11,121
Total	22,203

Liabilities secured by the above collateral:

Short-term borrowings	2,533
Long-term borrowings	3,527
Total	6,060

In addition to the above, other investments of ¥1,072 million were pledged as collateral for derivative transactions.

*2 Guarantees

Guarantees were provided for the following affiliates:

Name of guaranteed company	Balance of liabilities guaranteed
Granbell TV Co., Ltd.	
(Lease obligation)	25
Nursery Co., Ltd.	
(Borrowings)	98
Total	124

*3 Investment in equities of non-consolidated subsidiaries is as follows:

Investment securities (stocks)	463

*4 The Company and its subsidiary, Sunstage Co., Ltd., entered into lending commitments with nine banks and an insurance company for the timely financing of working capital. The unexecuted balance granted under the lending commitments as of March 31, 2008 is summarized as follows:

Total lending commitments	21,550
Executed loans	6,550
Unexecuted balance of lending commitments	15,000

Notes to the Consolidated Statements of Income

(In millions of yen)

For the year ended March 31, 2007		For the year ended March 31, 2008	
		*1 Loss on valuation by the lower-of-cost-or-market method is as follows:	
		Loss on valuation of merchandise by the lower-of-cost-or-market method	254
*2 Major items of selling, general and administrative expenses are as follows:		*2 Major items of selling, general and administrative expenses are as follows:	
Freightage and packing expenses	9,181	Freightage and packing expenses	8,686
Advertising expenses	16,754	Advertising expenses	16,333
Promotion expenses	6,160	Promotion expenses	5,232
Allowance for doubtful accounts	1,797	Allowance for doubtful accounts	2,407
Provision for point program	209	Provision for point program	380
Provision for loss on interest repayment	1,251	Provision for loss on interest repayment	1,394
Salaries and allowances	8,231	Salaries and allowances	8,927
Provision for bonuses	551	Provision for bonuses	563
Provision for retirement benefits for directors and corporate auditors	7	Provision for retirement benefits for directors and corporate auditors	8
Provision for retirement benefits	89	Provision for retirement benefits	111
Communication expenses	7,418	Communication expenses	6,971
*3 Breakdown of loss on disposal of fixed assets is as follows:		*3 Breakdown of loss on disposal of fixed assets is as follows:	
Buildings and structures	12	Buildings and structures	2
Machinery, equipment and vehicles	0	Machinery, equipment and vehicles	0
Furniture and fixtures	4	Furniture and fixtures	0
*4 Breakdown of loss on valuation of investment securities is as follows:		*4 Breakdown of loss on valuation of investment securities is as follows:	
Investment securities	316	Investment securities	935
Stocks of affiliated companies	51		

Notes to the Consolidated Statements of Changes in Net Assets

– For the year ended March 31, 2007 –

1. Type and number of shares issued and in treasury:

	As of March 31, 2006 (Thousands of shares)	Increase (Thousands of shares)	Decrease (Thousands of shares)	As of March 31, 2007 (Thousands of shares)
Shares issued:				
Common stock (Note 1)	27,001	29,590	—	56,592
Total	27,001	29,590	—	56,592
Treasury stock:				
Common stock (Notes 2 and 3)	1,242	2,596	0	3,838
Total	1,242	2,596	0	3,838

Notes:
(1) The increase of 29,590 thousand shares of common stock was due to a stock split (27,001 thousand shares by a two-for-one stock split, effective on April 1, 2006), new share issuance of 2,476 thousand shares upon exercise of stock acquisition rights and that of 112 thousand shares upon conversion of convertible bonds.
(2) The increase of 2,596 thousand shares of common stock in treasury was due to a stock split (1,242 thousand shares by a two-for-one stock split, effective on April 1, 2006), purchase of 1,352 thousand shares in the stock market and that of 1 thousand shares of less-than-a-unit shares.
(3) The decrease of 0 thousand shares of common stock in treasury was due to additional purchase requests from odd-lot shareholders.

2. Stock acquisition rights and stock acquisition rights in treasury:

Company	Type of stock acquisition rights	Type of shares to be issued	Number of shares to be issued (Thousands of shares)				Balance as of March 31, 2007 (Millions of yen)
			March 31, 2006	Increase	Decrease	March 31, 2007	
Belluna Co., Ltd. (the Company)	Stock acquisition rights granted in 2003 (Notes 1 and 2)	Common stock	1,294	1,294	2,588	—	—
Total		—	1,294	1,294	2,588	—	—

Notes:
(1) The increase of stock acquisition rights granted in 2003 was due to a stock split effective on April 1, 2006.
(2) The decrease of stock acquisition rights granted in 2003 was due to exercise of 2,476 thousand shares and rights expiration of 112 thousand shares.

3. Dividends

(1) Dividends paid:

Resolution adopted	Class of shares	Aggregate amount (Millions of yen)	Amount per share (Yen)	Record date	Effective date
Shareholders' meeting on June 29, 2006	Common stock	772	30.0	March 31, 2006	June 29, 2006
Board of Directors' meeting on September 21, 2006	Common stock	399	7.5	September 30, 2006	December 8, 2006

(2) Dividends with a record date during the year ended March 31, 2007, payable in the following year:

Resolution adopted	Class of shares	Aggregate amount (Millions of yen)	Source of dividends	Amount per share (Yen)	Record date	Effective date
Shareholders' meeting on June 28, 2007	Common stock	395	Retained earnings	7.5	March 31, 2007	June 29, 2007

– For the year ended March 31, 2008 –

1. Type and number of shares issued and in treasury:

	As of March 31, 2007 (Thousands of shares)	Increase (Thousands of shares)	Decrease (Thousands of shares)	As of March 31, 2008 (Thousands of shares)
Shares issued:				
Common stock	56,592	—	—	56,592
Total	56,592	—	—	56,592
Treasury stock:				
Common stock (Notes 1 and 2)	3,838	1,626	0	5,464
Total	3,838	1,626	0	5,464

Notes:

(1) The increase of 1,626 thousand shares of common stock in treasury was due to purchase of 1,626 thousand shares in the stock market and of 0 thousand shares of less-than-a-unit shares.

(2) The decrease of 0 thousand shares of common stock in treasury was due to additional purchase request from odd-lot shareholders.

2. Dividends

(1) Dividends paid:

Resolution adopted	Class of shares	Aggregate amount (Millions of yen)	Amount per share (Yen)	Record date	Effective date
Shareholders' meeting on June 28, 2007	Common stock	395	7.5	March 31, 2007	June 29, 2007
Board of Directors' meeting on November 1, 2007	Common stock	387	7.5	September 30, 2007	December 10, 2007

(2) Dividends with a record date during the year ended March 31, 2008, payable in the following year:

Resolution adopted	Class of shares	Aggregate amount (Millions of yen)	Source of dividends	Amount per share (Yen)	Record date	Effective date
Shareholders' meeting on June 27, 2008	Common stock	383	Retained earnings	7.5	March 31, 2008	June 30, 2008

Notes to the Consolidated Statements of Cash Flows

(In millions of yen)

For the year ended March 31, 2007

1 Cash and cash equivalents as of March 31, 2007 are reconciled to the accounts reported in the consolidated balance sheet as follows:

	As of March 31, 2007
Cash and deposits	28,065
Time deposits with maturities more than three months	(1,679)
Cash and cash equivalents	26,385

2 Major non-cash transactions:

Increase of common stock by exercise of stock acquisition rights	57
Increase of capital surplus by exercise of stock acquisition rights	57
Decrease of stock acquisition rights by exercise	114
Increase of common stock by conversion of convertible bonds	96
Increase of capital surplus by conversion of convertible bonds	95
Decrease of convertible bonds by conversion	191

For the year ended March 31, 2008

1 Cash and cash equivalents as of March 31, 2008 are reconciled to the accounts reported in the consolidated balance sheet as follows:

	As of March 31, 2008
Cash and deposits	18,612
Time deposits with maturities more than three months	(1,390)
Cash and cash equivalents	17,222

Notes Regarding Lease Transactions

(In millions of yen)

For the year ended March 31, 2007	For the year ended March 31, 2008
Finance leases other than those which are deemed to transfer ownership of the leased property to the lessee:	Finance leases other than those which are deemed to transfer ownership of the leased property to the lessee:

For the year ended March 31, 2007

1. Acquisition cost, accumulated depreciation and year-end net carrying value:

	Acquisition cost	Accumulated depreciation	Net carrying value
Machinery, equipment and vehicles	2,251	1,072	1,179
Furniture and fixtures	1,880	1,012	868
Other	1,366	716	650
Total	5,499	2,800	2,698

2. Future minimum lease payments:

Due within one year	989
Due after one year	1,821
Total	2,810

3. Lease expense, depreciation and interest expense:

Lease expense	1,238
Depreciation	1,060
Interest expense	69

4. Depreciation method:

Leased assets are depreciated by the straight-line method over the lease period with no residual value.

5. Calculation of interest expense:

Difference between total lease payments and acquisition cost of leased asset is regarded as interest expense. Such expense is allocated to each period based on the periodic interest method.

For the year ended March 31, 2008

1. Acquisition cost, accumulated depreciation and year-end net carrying value:

	Acquisition cost	Accumulated depreciation	Net carrying value
Machinery, equipment and vehicles	2,278	1,208	1,069
Furniture and fixtures	2,668	1,315	1,352
Other	1,642	1,002	640
Total	6,590	3,526	3,063

2. Future minimum lease payments:

Due within one year	1,118
Due after one year	2,045
Total	3,164

3. Lease expense, depreciation and interest expense:

Lease expense	1,131
Depreciation	1,063
Interest expense	62

4. Depreciation method:

Same as at left

5. Calculation of interest expense:

Same as at left

Notes Regarding Securities

1. Trading securities: None

2. Marketable held-to-maturity debt securities: None

3. Marketable available-for-sale securities:

– As of March 31, 2007 –
Securities with carrying amount on balance sheet exceeding acquisition cost:

Type of securities	Acquisition cost (Millions of yen)	Carrying value (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Stocks	350	728	377
Bonds			
Japanese national and local government bonds	—	—	—
Corporate bonds	—	—	—
Other bonds	—	—	—
Other	1,106	1,148	42
Subtotal (a)	1,457	1,877	419

Securities with carrying amount on balance sheet not exceeding acquisition cost:

Type of securities	Acquisition cost (Millions of yen)	Carrying value (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Stocks	3,415	3,140	(275)
Bonds			
Japanese national and local government bonds	—	—	—
Corporate bonds	969	930	(38)
Other bonds	—	—	—
Other	696	630	(65)
Subtotal (b)	5,081	4,702	(379)
Total (a+b)	6,539	6,579	40

– As of March 31, 2008–
Securities with carrying amount on balance sheet exceeding acquisition cost:

Type of securities	Acquisition cost (Millions of yen)	Carrying value (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Stocks	206	338	131
Bonds			
Japanese national and local government bonds	—	—	—
Corporate bonds	—	—	—
Other bonds	—	—	—
Other	296	298	2
Subtotal (c)	502	636	134

Securities with carrying amount on balance sheet not exceeding acquisition cost:

Type of securities	Acquisition cost (Millions of yen)	Carrying value (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Stocks	3,404	2,196	(1,208)
Bonds			
Japanese national and local government bonds	176	160	(15)
Corporate bonds	100	55	(44)
Other bonds	—	—	—
Other	1,501	1,162	(338)
Subtotal (d)	5,181	3,575	(1,606)
Total (c+d)	5,684	4,212	(1,472)

Note:
For the fiscal year ended March 31, 2008, the Company recorded ¥935 million as impairment of value.
The impairment is automatically recorded when the market value of a security declines to 50% of its acquisition cost or lower. When the market value of a security declines to about 50 to 30% of its acquisition cost, the impairment is also recorded for an amount deemed necessary upon giving consideration to such factors as materiality of the relevant amount and recoverability of the fair value.

4. Available-for-sale securities sold during years ended March 31, 2007 and 2008:

– For the year ended March 31, 2007 –

Proceeds of sale (Millions of yen)	Gain on sale (Millions of yen)	Loss on sale (Millions of yen)
4,728	509	29

– For the year ended March 31, 2008 –

Proceeds of sale (Millions of yen)	Gain on sale (Millions of yen)	Loss on sale (Millions of yen)
2,118	209	537

5. Securities not appraised by market value and their carrying amount on consolidated balance sheets:

Category	March 31, 2007	March 31, 2008
	Amount on the consolidated balance sheet (Millions of yen)	Amount on the consolidated balance sheet (Millions of yen)
Held-to-maturity securities:		
Other	500	—
Available-for-sale securities:		
Money management fund and mid-term JGB fund	—	—
Unlisted bonds	40	—
Unlisted stocks	581	460
Other	3,176	3,024

6. Redemption schedules of available-for-sale securities that have maturity, and held-to-maturity bonds:

– As of March 31, 2007 –

	Within 1 year (Millions of yen)	1 to 5 years (Millions of yen)	5 to 10 years (Millions of yen)	Over 10 years (Millions of yen)
Bonds				
Japanese national and local government bonds	—	—	—	—
Corporate bonds	878	—	—	91
Other	—	—	—	—
Other	19	757	1,290	737
Total	898	757	1,290	829

– As of March 31, 2008 –

	Within 1 year (Millions of yen)	1 to 5 years (Millions of yen)	5 to 10 years (Millions of yen)	Over 10 years (Millions of yen)
Bonds				
Japanese national and local government bonds	—	—	—	160
Corporate bonds	—	—	—	55
Other	—	—	—	—
Other	225	610	1,038	0
Total	225	610	1,038	216

Notes Regarding Derivatives

1. Transaction-related matters:

For the year ended March 31, 2007	For the year ended March 31, 2008
(1) Nature of transactions Derivative instruments used by the Company are currency option contracts and currency swap contracts.	(1) Nature of transactions Same as at left
(2) Policy of utilization of derivative transactions The Company uses derivative instruments solely for hedging of currency and interest rate risk exposure and does not use derivatives for speculative purposes.	(2) Policy of utilization of derivative transactions Same as at left
(3) Purpose of utilization of derivative transactions Derivatives are used to hedge the foreign exchange rate fluctuation risk in foreign currency receivables and payables and to seek stable profitability.	(3) Purpose of utilization of derivative transactions Same as at left
(4) Risks related to derivative transactions Currency option contracts and currency swap contracts used by the Company have foreign exchange risk. The counterparties of these transactions are limited to highly rated financial institutions and credit risks are considered almost nil.	(4) Risks related to derivative transactions Same as at left
(5) Risk management system Execution and control of derivatives are handled by the Company's treasury department with the approval of authorized settlement personnel in accordance with the internal rules that stipulate authorization, transaction volume limit, etc.	(5) Risk management system Same as at left
(6) Supplementary explanation of fair value information Contract amounts shown in the fair value information are nominal contract amounts or notional amounts for the purpose of calculation and such amounts do not indicate the size of derivative transaction risks.	(6) Supplementary explanation of fair value information Same as at left

2. Fair value information:

Contract amounts, fair value and unrealized gains or losses of derivative transactions:

Currency derivatives

– As of March 31, 2007 –

	Type of transactions	Contract amount (Millions of yen)	Over 1 year contracts (Millions of yen)	Fair value (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Off-market transactions	Currency swaps:				
	Buying				
	US$	2,705	2,298	2,836	131
	HK$	852	511	864	12
	Euro	—	—	—	—
	Total	3,557	2,809	3,701	144

– As of March 31, 2008 –

	Type of transactions	Contract amount (Millions of yen)	Over 1 year contracts (Millions of yen)	Fair value (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Off-market transactions	Currency swaps:				
	Buying				
	US$	18,571	13,310	16,695	(1,875)
	HK$	568	227	505	(62)
	Euro	3,583	2,385	3,571	(11)
	Total	22,722	15,923	20,772	(1,949)

Note:

1. Calculation method of fair value:
   Fair values are determined based on the information provided by financial institutions.
2. Contract amounts shown in the above are nominal contract amounts or notional amounts for the purpose of calculation, and such amounts do not indicate the size of derivative transaction risks.
3. Derivatives that are recorded under the hedge accounting are excluded from the above.

Notes Regarding Retirement and Pension Plans

1. Summary of retirement and pension plans:

The Company and its consolidated subsidiaries maintain qualified pension plans and retirement allowance plans as defined benefit pension plans.

2. Liabilities for employees' retirement benefits:

(In millions of yen)

Category	As of March 31, 2007	As of March 31, 2008
① Projected benefit obligation	(691)	(835)
② Fair value of pension plan assets	631	576
③ Unfunded benefit obligation (①+②)	(59)	(258)
④ Unrecognized impact of accounting change	—	—
⑤ Unrecognized actuarial differences	(74)	76
⑥ Unrecognized prior service cost	—	—
⑦ Balance on the consolidated balance sheet (③+④+⑤+⑥)	(134)	(181)
⑧ Prepaid pension cost	0	0
⑨ Provision for retirement benefits (⑦+⑧)	(134)	(181)

Note: Certain subsidiaries apply simplified methods for the calculation of liabilities for retirement benefits.

3. Components of net periodic retirement benefit costs:

(In millions of yen)

Category	For the year ended March 31, 2007	For the year ended March 31, 2008
① Service cost	97	103
② Interest cost	14	16
③ Expected return on plan assets	(13)	(15)
④ Amortization of cost due to accounting change	—	—
⑤ Amortization of actuarial differences	(6)	7
⑥ Amortization of prior service cost	—	—
⑦ Net periodic retirement benefit costs (①+②+③+④+⑤+⑥)	90	111

4. Assumptions used in the calculation of the above information:

Category	For the year ended March 31, 2007	For the year ended March 31, 2008
① Discount rate	2.5%	2.0%
② Expected rate of return on plan assets	2.5%	2.5%
③ Allocation method of projected benefit obligation	Straight-line method	Same as at left
④ Amortization period for prior service cost (Straight-line method is adopted within the term of average remaining service period of employees.)	5 years	Same as at left
⑤ Amortization period for actuarial gain/loss (Straight-line method is adopted within the term of average remaining service period of employees.)	5 years	Same as at left

Notes Regarding Deferred Income Taxes

For the year ended March 31, 2007

1. Significant components of deferred tax assets and liabilities:

	(Millions of yen)
Deferred tax assets:	
Provision for bonuses	250
Accrued enterprise taxes	254
Allowance for doubtful accounts	101
Provision for sales returns	35
Provision for point program	84
Provision for loss on interest repayment	506
Provision for retirement benefits for directors and corporate auditors	83
Loss on valuation of investment securities	126
Loss on valuation of stocks of affiliated companies	104
Other	337
Deferred tax assets total	1,885
Deferred tax liabilities:	
Unrealized loss on sale of fixed assets	(27)
Unrealized gains (losses) on available-for-sale securities	(16)
Unrealized gains (losses) on certain hedge transactions	(85)
Deferred tax liabilities total	(129)
Net deferred tax assets	1,755

2. Significant components of difference between the statutory tax rate and the effective tax rate:

	(%)
Statutory tax rate	40.43
Tax rate difference of overseas subsidiaries	(1.08)
Taxation in other jurisdictions of overseas subsidiaries	2.73
Other	1.27
Effective tax rate	43.35

For the year ended March 31, 2008

1. Significant components of deferred tax assets and liabilities:

	(Millions of yen)
Deferred tax assets:	
Provision for bonuses	256
Allowance for doubtful accounts	450
Provision for sales returns	33
Provision for point program	153
Provision for loss on interest repayment	738
Bad debt expenses	197
Provision for product repairs	119
Loss on valuation of investment securities	485
Loss on valuation of investments in capital	47
Loss on valuation of stocks of affiliated companies	101
Provision for retirement benefits	72
Unrealized gains (losses) on available-for-sale securities	269
Other	415
Deferred tax assets subtotal	3,341
Valuation reserve	(263)
Deferred tax assets total	3,077
Deferred tax liabilities:	
Other	(27)
Deferred tax liabilities total	(27)
Net deferred tax assets	3,049

2. Significant components of difference between the statutory tax rate and the effective tax rate:

	(%)
Statutory tax rate:	40.43
Items, including entertainment expenses, not eternally deductible for tax purposes	0.09
Items, including dividends received, not eternally deductible for tax purposes	(0.17)
Equal installments of inhabitant taxes	0.25
Tax rate difference of subsidiaries	(0.60)
Increase (decrease) of valuation reserve	3.00
Deductible income taxes	(0.54)
Other	(0.01)
Effective tax rate	42.47

Segment Information

Business segment information

– For the year ended March 31, 2007 –

	(Millions of yen)									
	Catalog	Single-item Mail Order	Advanced Finance	BOT	Karemu	Property	Other	Total	Eliminations /Corporate	Consolidated
I. Net sales and operating income:										
Net sales										
(1) Sales to third parties	80,869	29,109	8,429	1,920	3,546	4,366	1,670	129,912	—	129,912
(2) Inter-segment sales	—	—	—	291	—	29	—	320	(320)	—
Total	80,869	29,109	8,429	2,211	3,546	4,395	1,670	130,233	(320)	129,912
Operating expenses	78,492	25,368	6,023	375	3,855	2,549	1,544	118,209	(418)	117,790
Operating income (or loss)	2,377	3,741	2,405	1,836	(309)	1,846	126	12,024	97	12,122
II. Assets, depreciation and capital expenditures:										
Assets	72,138	13,851	49,550	679	562	10,209	1,533	148,524	714	149,239
Depreciation	660	83	34	4	5	189	34	1,012	11	1,023
Capital expenditures	2,670	99	28	10	1	500	1	3,311	—	3,311

Notes:

1. Businesses segments are classified based on business operations within the Group.
2. Description of business segments:
   - (1) Catalog — Catalog Business consists of mail order services of daily goods and related services.
   - (2) Single-item Mail Order — Single-item Mail Order Business consists of “specialized type” mail order services focusing on specific items, such as foods, cosmetics and supplements.
   - (3) Advanced Finance — Advanced Finance Business consists of consumer loan services and secured loan services.
   - (4) BOT — BOT (Outsourcing) Business consists of commission businesses on inserting leaflets for other companies into the Group’s merchandise catalogs or sending them together with the Group’s merchandise.
   - (5) Karemu — Karemu Business consists of sales of Japanese traditional clothes and related merchandise.
   - (6) Property — Rent of real estate, remodeling and development of real estate, etc.
   - (7) Other — Other Business consists of wholesale businesses, etc.
3. No unallocated operating expenses are included in “Eliminations/Corporate.”
4. With regard to the points on the point service program given to our customers, the accounting treatment in prior years was to record sales discounts at the time customers used the points. As a system that can process actual data of grant, consumption and expiry of points on a timely basis has been introduced, the “Provision for point program” has been provided from this fiscal year for the estimated amount of future consumption of awarded points. Also, as the granting of points for sales promotion purposes has been increasing recently, the points used by customers are now recorded in selling, general and administrative expenses.
   As a result of this change, in the Catalog segment, net sales increased by ¥525 million, operating expenses increased by ¥734 million, and operating income decreased by ¥209 million.
   As the reasonable estimation has become available during the second half of the year, the prior method was used in the first half semi-annual consolidated financial statements. Therefore, in the first half semi-annual consolidated financial statements, net sales and operating expenses of the Catalog segment are recorded ¥232 million lower than in the case where the new method would have been used.
5 In accordance with the “Auditing Treatment on the Provision for Loss on Interest Repayment Claimed by the Customers of Non-Bank Financing Companies” (Industry Committee Report No. 37) published by the Japan Institute of Certified Public Accountants on October 13, 2006, the method of estimating provision for loss on interest repayment was changed from this fiscal year, whereby the provision is reclassified from current liabilities to long-term liabilities.
   The effect of this change was to increase operating expenses by ¥1,023 million and decrease operating income by ¥1,023 million in the Advanced Finance segment, as compared with the previous method.
6 In the prior year (the year ended March 31, 2006), the Company reported business segment information in six categories: Catalog, Single-item Mail Order, Advanced Finance, BOT, Karemu and Other. Beginning the year ended March 31, 2007, the “Property” business, which had been a part of the “Other” segment,” was separated as a new segment, as its operating income exceeded 10% of the total of all business segments. Accordingly, the business segment information is now presented in seven categories.

   The following is the prior year’s segment information restated applying the new seven segment classification.

– For the year ended March 31, 2006 (restated) –

	(Millions of yen)									
	Catalog	Single-item Mail Order	Advanced Finance	BOT	Karemu	Property	Other	Total	Eliminations /Corporate	Consolidated
I. Net sales and operating income:										
Net sales										
(1) Sales to third parties	79,028	27,820	6,134	1,839	3,254	2,548	1,313	121,938	—	121,938
(2) Inter-segment sales	0	0	—	312	—	35	36	384	(384)	—
Total	79,028	27,820	6,134	2,151	3,254	2,583	1,349	122,323	(384)	121,938
Operating expenses	75,694	24,679	3,631	274	3,472	2,131	1,259	111,144	(467)	110,676
Operating income (or loss)	3,334	3,140	2,502	1,877	(218)	452	90	11,179	82	11,261
II. Assets, depreciation and capital expenditures:										
Assets	61,667	12,752	33,266	722	619	8,163	1,334	118,527	726	119,253
Depreciation	613	107	18	1	6	208	42	999	11	1,010
Capital expenditures	553	405	12	7	4	1,246	2	2,231	0	2,231

– For the year ended March 31, 2008 –

	(Millions of yen)									
	Catalog	Single-item Mail Order	Advanced Finance	BOT	Karemu	Property	Other	Total	Eliminations /Corporate	Consolidated
I. Net sales and operating income:										
Net sales										
(1) Sales to third parties	73,748	28,182	10,385	2,136	5,585	3,162	1,973	125,173	—	125,173
(2) Inter-segment sales	1	4	—	328	—	28	—	363	(363)	—
Total	73,750	28,187	10,385	2,464	5,585	3,190	1,973	125,536	(363)	125,173
Operating expenses	72,545	24,837	7,342	782	6,050	2,026	1,848	115,433	(468)	114,964
Operating income (or loss)	1,204	3,349	3,043	1,682	(464)	1,163	124	10,103	105	10,208
II. Assets, depreciation and capital expenditures:										
Assets	62,480	14,864	59,571	884	1,179	19,512	1,520	160,012	695	160,707
Depreciation	847	93	43	4	22	116	11	1,138	10	1,148
Capital expenditures	1,933	949	43	8	21	4,434	21	7,411	—	7,411

Notes:

1. Businesses segments are classified based on business operations within the Group.
2. Description of business segments:
   - (1) Catalog — Catalog Business consists of mail order services of daily goods and related services.
   - (2) Single-item Mail order — Single-item Mail Order Business consists of "specialized type" mail order services focusing on specific items, such as foods, cosmetics and supplements.
   - (3) Advanced Finance — Advanced Finance Business consists of consumer loan services and secured loan services.
   - (4) BOT — BOT (Outsourcing) Business consists of commission businesses on inserting leaflets for other companies into the Group's merchandise catalogs or sending them together with the Group's merchandise.
   - (5) Karemu — Karemu Business consists of sales of Japanese traditional clothes and related merchandise.
   - (6) Property — Rent of real estate, remodeling and development of real estate, etc.
   - (7) Other — Other Business consists of wholesale businesses, etc.
3. No unallocated operating expenses are included in "Eliminations/Corporate."
4. Of the assets, corporate assets included in "Eliminations/Corporate" were ¥695 million comprised of the Company's buildings and land for rent.
5. Depreciation and capital expenditures include long-term prepaid expenses and depreciation thereof.

Geographical segment information

– For the year ended March 31, 2007 –

Geographical segment information is not presented since operations in Japan represent more than 90% of the total of all segments in sales as well as in assets.

– For the year ended March 31, 2008 –

Geographical segment information is not presented since operations in Japan represent more than 90% of the total of all segments in sales as well as in assets.

Overseas sales

– For the year ended March 31, 2007 –

Overseas sales are not presented since they represent less than 10% of the consolidated sales.

– For the year ended March 31, 2008 –

Overseas sales are not presented since they represent less than 10% of the consolidated sales.

Transactions with Related Parties

– For the year ended March 31, 2007 –

(1) Parent company and major corporate shareholders

Attribution	Name	Address	Capital stock (Millions of yen)	Business	Ownership (%)	Relation		Nature of transaction	Transaction amount (Millions of yen)	Account	Balance at year-end
						Concurrent directors	Business relation				
Major corporate shareholder	Friend Stage Co., Ltd.	Ageo, Saitama	50	Seal stamp distributor	Directly owned 14.82	1	—	Office rent	1	—	—

Notes:

1. Consumption tax is not included in above amounts.
2. Mr. Kiyoshi Yasuno, President of the Company and his immediate family directly own 100% voting rights.

– For the year ended March 31, 2008 –

(1) Parent company and major corporate shareholders

Attribution	Name	Address	Capital stock (Millions of yen)	Business	Ownership (%)	Relation		Nature of transaction	Transaction amount (Millions of yen)	Account	Balance at year-end
						Concurrent directors	Business relation				
Major corporate shareholder	Friend Stage Co., Ltd.	Ageo, Saitama	50	Seal stamp distributor	Directly owned 15.3	1	—	Office rent	1	—	—

Notes:

1. Consumption tax is not included in above amounts.
2. Kiyoshi Yasuno, President of the Company and his immediate family directly own 100% voting rights.
3. Terms and conditions of the transaction and the policy for determination thereof:
   They are determined by referring to market prices.

Per Share Information

For the year ended March 31, 2007		For the year ended March 31, 2008	
Net assets per share	1,223.95 yen	Net assets per share	1,254.05 yen
Basic net income per share	134.88 yen	Basic net income per share	66.14 yen
Diluted net income per share	130.52 yen	Diluted net income per share	61.78 yen
On April 1, 2006, the Company implemented a two-for-one stock split for each outstanding share.			
Per share information for the year ended March 31, 2006 on the assumption that the stock split was implemented on April 1, 2005 is as follows:			
Net assets per share	1,110.21 yen		
Basic net income per share	137.47 yen		
Diluted net income per share	129.29 yen		

Note:
Basic and diluted net income per share are calculated based on the following:

	For the year ended March 31, 2007	For the year ended March 31, 2008
Basic net income per share:		
Net income (millions of yen)	7,141	3,435
Amount not attributable to common shareholders (millions of yen)	—	—
Net income attributable to common shareholders (millions of yen)	7,141	3,435
Average number of shares during the year (thousands of shares)	52,948	51,942
Diluted net income per share:		
Adjustments to net income (millions of yen)	11	71
(Interest expense, net of tax, included in the above) (millions of yen)	(4)	(71)
(Handling fee, net of tax, included in the above) (millions of yen)	(7)	—
Increase in number of shares of common stock (thousands of shares)	1,854	4,826
(Increase in number of shares upon conversion of convertible bonds, included in the above) (thousands of shares)	(1,654)	—
(Increase in number of shares upon exercise of stock acquisition rights attached to bonds with stock acquisition rights, included in the above) (thousands of shares)	(79)	(4,826)
Securities with no dilutive effect excluded from the computation of diluted net income per share	—	—

Significant Subsequent Events

None applicable.

Supplementary Schedules

Bonds

Company	Description	Date of issue	March 31, 2007 (Millions of yen)	March 31, 2008 (Millions of yen)	Coupon rate	Collateral	Maturity
Belluna Co., Ltd.	2nd Unsecured Straight bonds	September 21, 2005	10,000	10,000	0.96%	None	September 21, 2010
Belluna Co., Ltd.	Euro Yen Convertible Bonds due 2012	March 26, 2007	11,000	11,000	1.1%	None	March 31, 2012
Total	—	—	21,000	21,000	—	—	—

Notes:

1. Parentheses indicate amounts to be redeemed within 1 year.

2. Terms of Euro yen convertible bonds (bonds with stock acquisition rights) are as follows:

Description	Euro yen convertible bonds due 2012
Stock to be issued	Common stock
Issue price of stock acquisition rights ("rights")	Free
Issue price of stock	2,278 yen per share
Total amount of bonds issued (millions of yen)	11,000
Aggregate amount of shares of common stock issued upon exercise of rights (yen)	—
Ratio of grant of rights	100 %
Exercisable period of rights	From March 30, 2007 to March 17, 2012

Note: Upon the exercise of the rights, the bonds pertaining to the rights shall be made an investment in capital stock, whereby the amount of such investment in capital stock shall be the face amount of the bonds.

3. Redemption schedule in the next 5 years is as follows:

(Millions of yen)

Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
—	—	10,000	11,000	—

Borrowings

	March 31, 2007 (Millions of yen)	March 31, 2008 (Millions of yen)	Average interest rate	Repayment date
Short-term borrowings	17,998	21,118	1.92%	—
Current portion of long-term borrowings	979	15,558	2.17%	—
Current portion of lease obligations	—	—	—	—
Long-term borrowings (except current portion)	11,003	7,894	2.17%	From 2009 to 2017
Lease obligations (except current portion)	—	—	—	—
Other interest-bearing liabilities	—	—	—	—
Total	29,981	44,571	—	—

Notes:

1. Average interest rate is the average during the year.
2. Repayment schedule of long-term borrowings (except current portion) in the next 5 years is as follows:

(Millions of yen)

Due in	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term borrowings	7,029	160	111	108

Other

① Status after the financial closing date:

None applicable.

② Litigation:

On June 21, 2007, the Company filed an action against DMS Inc., seeking for the payment of ¥279 million, including the sales amount the Company had billed. The suit is currently pending.

Notice Concerning English-Language Financial Statements and Independent Auditors’ Report

The consolidated financial statements and notes to consolidated financial statements contained in this annual report are an English-language translation of the Company’s annual securities report (*Yukashoken Hokokusho*), a statutory disclosure document in Japan.

In order to view the Company’s annual securities report, including the original text of the consolidated financial statements, notes to the consolidated financial statements and independent auditors’ report, please refer to the Company’s Web site:
http://www.belluna.co.jp/ir/library/financial

Corporate Data (as of March 31, 2008)

Company Name
Belluna Co., Ltd.

Head Office
4-2, Miyamoto-cho, Ageo, Saitama
362-8688, Japan
Tel: +81-48-771-7753

Capital Stock
¥10,607 million

Established
June 1977

Number of Employees
1,249

Directors and Corporate Auditors (as of June 27, 2008)
President and Representative Director
Kiyoshi Yasuno

Managing Director
Takeo Shimano

Directors
Junko Shishido
Yukihiro Katabe
Masakazu Oikawa
Toshio Takahashi

Standing Corporate Auditor
Shuji Fujita

Corporate Auditors
Isao Nakamura*
Yukimitsu Watabe*
Tadashi Furuhashi

**Outside Auditor*

Consolidated Subsidiaries
Refre Co., Ltd.
El Dorado Co., Ltd.
Bell-Net International Hong Kong Ltd.
Ozio Co., Ltd.
B.N. International U.S.A., Inc.
Friendly Co., Ltd.
Sunstage Co., Ltd.
Bell-Net Credit Co., Ltd.
BANKAN Co., Ltd.
Wamonoya Co., Ltd.

Investor Information (as of March 31, 2008)

Common Stock
Stock Exchange Listing
Tokyo Stock Exchange, 1st Section

Number of Shares Issued and Outstanding
56,592,274

Number of Shareholders
7,478

Transfer Agent
Mitsubishi UFJ Trust & Banking Corporation

ADRs
Exchange
OTC (U.S.A.)

Ratio
2 ADRs = 1 share of common stock

Symbol
BLUNY

CUSIP
07986W102

Depositary
The Bank of New York Mellon
Tel: (212)815-2042
U.S. Toll Free: 888-269-2377 (888-BNY-ADRS)
URL: http://www.adrbnymellon.com

Major Shareholders

Shareholder Name	Percentage of Total Shares
Kiyoshi Yasuno	18.73
Friend Stage Co., Ltd.	13.81
Nihon Ribowaru Inc.	7.70
Japan Trustee Services Bank, Ltd. (Trust Account)	5.14
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.42
National Mutual Insurance Federation of Agricultural Cooperatives	3.42
Kimi Yasuno	2.94
BBH for Fidelity Low Price Stock Fund	2.24
Trust & Custody Services Bank, Ltd.	2.08
The Nomura Trust and Banking Co., Ltd.	2.04

For Further Information
URL: http://www.belluna.co.jp/ir/index_e
E-mail: ir@belluna.co.jp

BELLUNA

4-2, Miyamoto-cho, Ageo, Saitama 362-8688, Japan
http://www.belluna.co.jp/ir/index_e