BELLUNA

BELLUNA CO., LTD.

ANNUAL REPORT 2009

For the fiscal year ended March 31, 2009

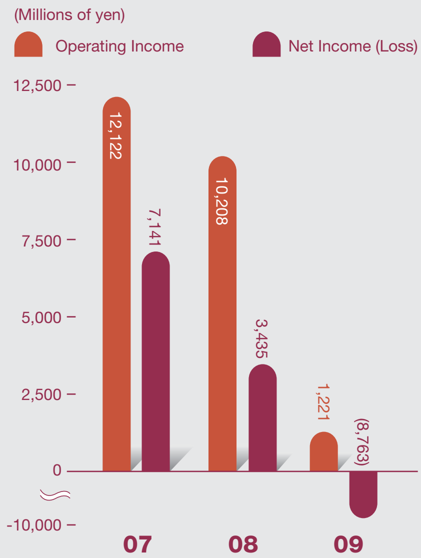
Financial Highlights

Belluna Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	Millions of Yen 2007	Millions of Yen 2008	Millions of Yen 2009	Thousands of U.S. dollars 2009
For the year:				
Net sales	¥129,912	¥125,173	**¥109,912**	**$1,118,583**
Operating income	12,122	10,208	**1,221**	**12,426**
Net income (loss)	7,141	3,435	**(8,763)**	**(89,182)**
At year-end:				
Net assets	¥ 64,718	¥ 64,327	**¥ 53,808**	**$ 547,608**
Total assets	149,239	160,707	**133,868**	**1,362,386**
Per share data (in yen):				
Net income (loss) per share	¥134.88	¥66.14	**¥(173.72)**	**$(1.77)**
Cash dividends per share	15	15	**15**	**0.15**

Note: U.S. dollar amounts are translated from yen at the rate of ¥98.26 to US$1, the approximate exchange rate as of March 31, 2009.

Net Sales



Operating Income and Net Income (Loss)

Total Assets

Contents

Forward-Looking Statements

This annual report contains forward-looking statements that reflect Belluna Co., Ltd.'s current views and judgments with respect to current plans, strategies and beliefs. They are based upon currently available information, and do not constitute promises, commitments or guarantees. The forward-looking statements involve both real and potential risks and uncertainties that can cause actual events and results to differ materially from those anticipated in these statements. Risks that can cause actual results to differ materially from those stated or implied in the forward-looking statements and from historical events include, but are not limited to, future economic trends, competition in the industrial sector in which Belluna operates, market demand, rates of exchange, and other social, political and economic factors.

Responding sincerely to the severe financial results reported for the year under review, we will promote the recovery of the mail order business as we reorganize Belluna's noncore businesses.

Q1 Please provide an outline of Belluna's performance during the year under review.

In the fiscal year ended March 31, 2009, consolidated net sales declined 12.2% year-on-year to ¥109,912 million. In terms of earnings, the recording of an ordinary loss of ¥2,239 million and a net loss of ¥8,763 million created an extremely difficult situation for the Company, which incurred a loss for the first time since its public listing. Factors that have pushed down earnings include valuation losses on real estate for sale, an increase in transfer of allowance for doubtful accounts; foreign exchange losses related to financial services that Bell-Net Credit Co., Ltd. provides in South Korea, an impairment loss on fixed assets, and the recording of a loss on valuation of investment securities.

Economic conditions in Japan during the fiscal year under review remained severe as global financial markets continued to be in turmoil in the wake of the subprime loan crisis in the United States. The impact of the situation on the real economy has far exceeded initial forecasts. As a result, exports fell rapidly amid slumping stock markets and domestic corporations sustained a further blow to their earnings platforms from ongoing high yen exchange rates. In addition, the negativity surrounding consumer spending—characterized by an ever increasing sense of concern among consumers as a result of worsening economic, employment and income conditions—is expected to continue for the foreseeable future.

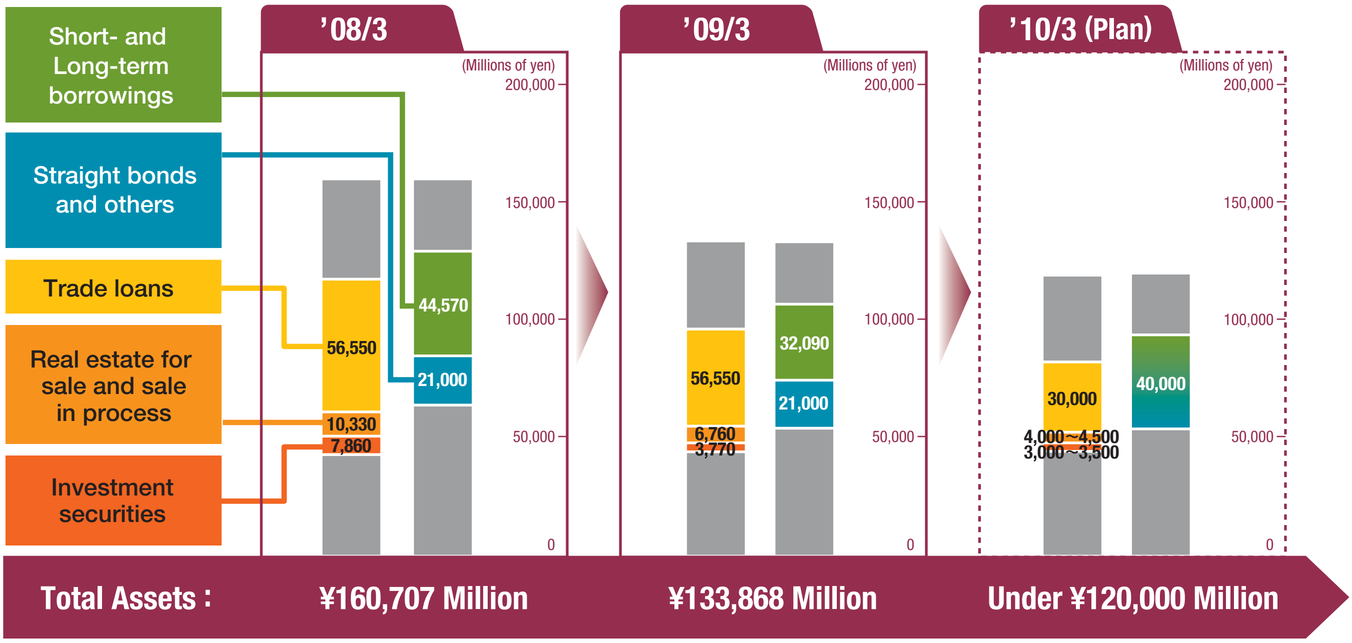
Q2 Please outline the results and progress of initiatives undertaken by Belluna during the fiscal year under review.

The changes in the external environment have had a significant impact on Belluna, and especially the Advanced Finance and Property businesses. Although both businesses had been solid contributors to the earnings of the Belluna Group prior to this point, Belluna now has no alternative but to reduce the scope of both of these businesses. This reflects the Company's decision to place priority on restoring a healthy balance sheet amid this rapidly changing business environment, which also entails the promotion of decreases in trade loans and the disposal of real estate for sale.

In the Advanced Finance business during the fiscal year under review, Belluna made the reduction of trade loans a top priority, reducing these by 33.5%, while appropriating funds necessary to decrease its debt. The Property business recorded valuation losses totaling ¥3,451 million due to provisions made based on conservative estimates of the market value of real estate for sale. Consequently, total assets fell from ¥160,707 million as of March 31, 2008 to ¥133,868 million.

In addition to the above measures, Belluna and the subsidiary Belluna Mailing Service Co., Ltd. transferred mail-related operations undertaken at mailing centers to Yoshida Shiko Co., Ltd. on March 2, 2009. Until now, catalog and direct mailing operations were undertaken within the Belluna Group. However, by transferring these operations and related assets

Establishing a Healthy Balance Sheet



to the specialized company, Belluna is able to reduce its assets and achieve a greater degree of flexibility with regard to expenses.

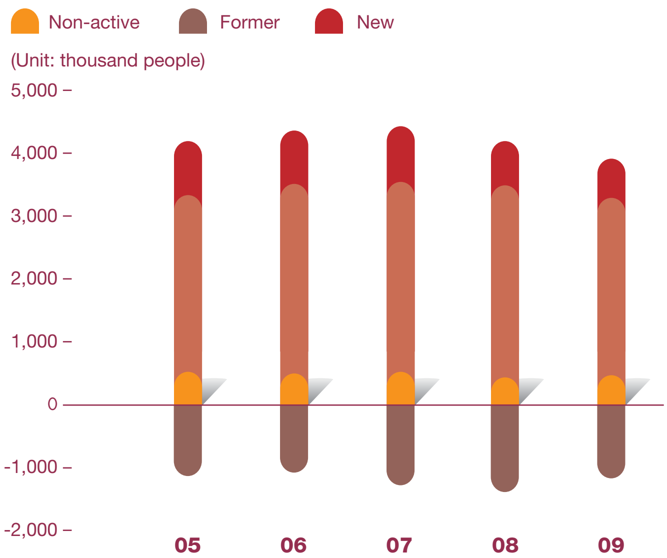
Q3 Please describe the management strategies that Belluna will undertake in the future?

While implementing measures aimed at realizing a healthy balance sheet, Belluna will focus on recovering its core database-related businesses. Until recently, the Company was able to secure stable growth and profitability through a portfolio management approach supported by multiple sales and profit centers. However, the Company's core mail order business has not been the driver of its business growth for the last few years. In addition, one cause for the spate of compliance-related problems that have occurred recently has been the failure of a Companywide internal management system to adequately regulate business operations that have grown increasingly complex in recent years. Thus, the need exists for Belluna to verify what its core businesses and earnings bases are and revise its portfolio accordingly.

Belluna has been guided by the slogan, "customer-driven, customer-focused" ever since its founding of the Company. Inspired by this concept, Belluna has grown from being a mail order-based company that distributed newspaper advertising inserts to one that provides a wide array of products and services. Against this backdrop, the Company boasts over 11 million customers throughout Japan. In order to maintain and further expand this customer base, I believe that the future performance of the Company will be determined by searching for answers to the question: "what products, services and provision methods will ensure the satisfaction of a significant number of customers and encourage them to make repeat purchases?" Taking steps to increase the number of active members on the basis of policies that improve customer support by increasing their level of satisfaction, the restoration of profitability in the Company's core mail order business has become an urgent issue. With this in mind, Belluna made efforts to reduce costs in such areas as distribution and personnel in the Catalog business during the fiscal year under review as an initiative to improve short-term profitability. However, improvements in earnings ratios did not meet expectations due to the impact of decreased sales brought about by such factors as slumping consumer spending. Belluna will continue to strive to improve earnings ratios by initiating cost control measures and increasing the number of active members as it enhances the ratio of repeat purchases in the medium term.

The ASUNARO plan, the Company's medium-term management plan, which reached its third year in fiscal 2009, has been suspended due to the dramatic changes that have occurred in the operating environment compared with when it was established. The plan is scheduled to be reformulated at an appropriate time once progress has been made in

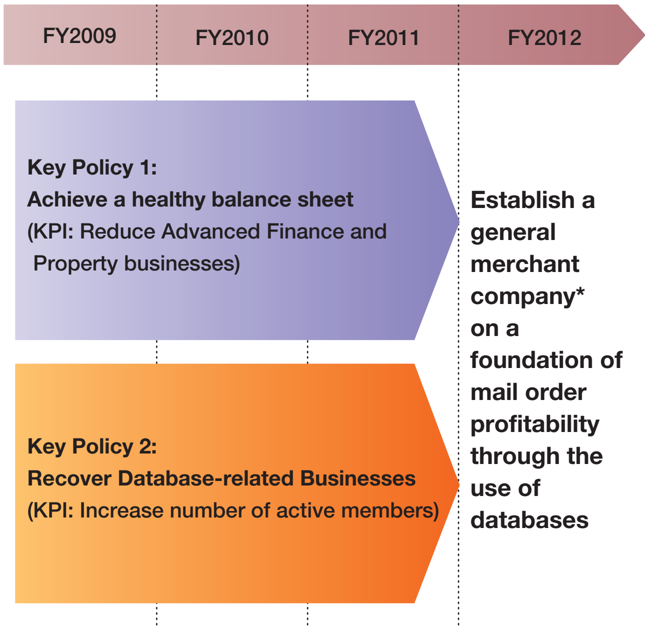
Trends in the Number of Active Members*



	05	06	07	08	09
The number of active members	4,193	4,327	4,379	4,186	3,912

*The number of customers who have made purchases through the Catalog business within two years. This does not include customers of the Single-Item Mail Order business.

Direction of the Company



implementing two key policies: achieve a healthy balance sheet and recover database-related businesses.

Q4 Please explain what measures Belluna is taking in terms of compliance and corporate governance?

In light of accidents involving electric beds sold by the Company that occurred in December 2007, the injunction to suspend operations in the exhibition sales business in July 2008, and ongoing negative press following the public disclosure of a report concerning Belluna's previous inappropriate use of the postage discount system (third-class mail) in May 2009, I would like to extend my sincere apologies to our shareholders for creating a great deal of concern and difficulty.

During the fiscal year under review, the Company promoted measures to upgrade and strengthen its governance system, which encompasses compliance issues. In particular, in September 2008, Belluna undertook organizational and functional enhancements to this system, beginning with the reinforcement of the Compliance Committee. Currently, the Company is focusing its efforts on ingraining the idea of ethically sound operations as an integral part of Belluna's corporate culture among its employees. In order to improve the capabilities of this upgraded system, the Company has launched initiatives to improve employee awareness and overhaul its flow of operations. Rather than simply weathering the fallout from compliance problems that occurred during the fiscal year under review, Belluna will continue to make sincere efforts to recover the trust of society as it improves the functions of its corporate governance system.

Q5 In closing, what message do you have for shareholders?

Belluna has set a policy whereby 30% of consolidated net income is returned to shareholders via dividends and company stock repurchases. Despite recording a net loss during the period under review, the Company maintained a total annual dividend of ¥15 per share and purchased 1,000,000 shares (worth approximately ¥455 million) of its own shares. We hope to repay shareholders for their support by making ongoing efforts to increase the corporate value of Belluna.

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

September 2009

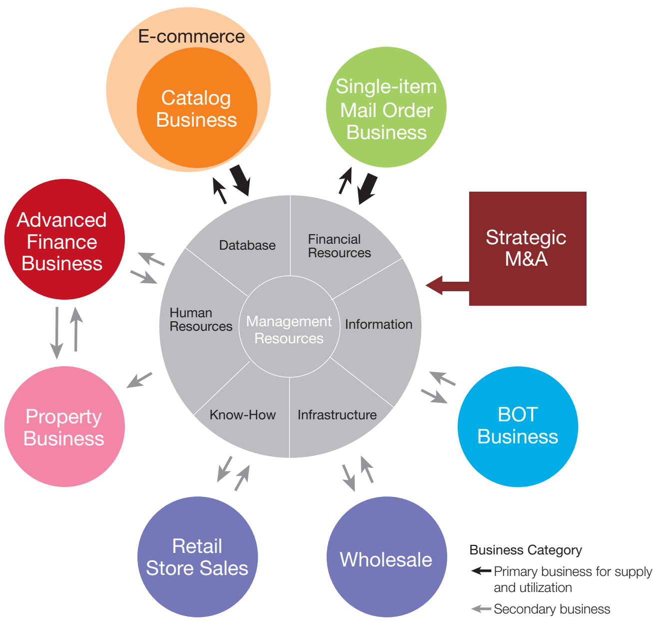
Kiyoshi Yasuno
President and Representative Director

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 possesses a database of over 11 million customers nationwide that has been cultivated through its catalog business, as well as infrastructure and other management resources. Using these strengths to the maximum extent possible, Belluna is expanding businesses derived from mail order businesses, including the Single-Item Mail Order, consumer finance and Belluna Operation Trust (BOT) businesses, all of which are expected to grow and increase in profitability. Impacted by a rapidly changing external environment, the Company currently is taking steps to reduce the scope of its Advanced Finance and Property businesses, which are particularly affected by such changes. Conversely, a greater focus will be given to strengthening Belluna's core mail order business.

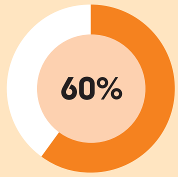
With the idea of achieving steady and continuous growth by cultivating businesses that develop multiple sales and profit centers, as it pursues cross-divisional synergies, Belluna aims to establish a new business model that further advances the general mail order business.



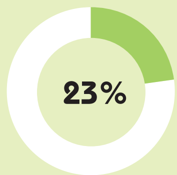
*The Karemu business segment, which was discontinued during the fiscal year under review, has been absorbed into the Other business segment. Belluna withdrew from exhibition sales business—which was operated by the now defunct Karemu business—in June 2008.

Percentage of Net Sales

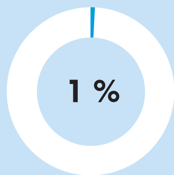
Catalog Business



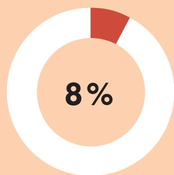
Single-item Mail Order Business



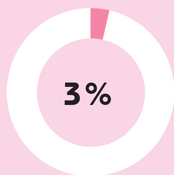
BOT Business



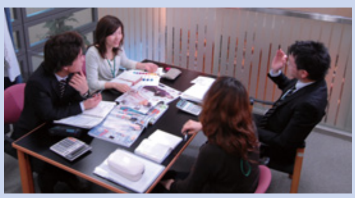
Advanced Finance Business

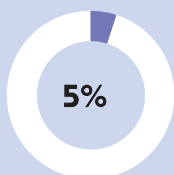


Property Business



Other Business





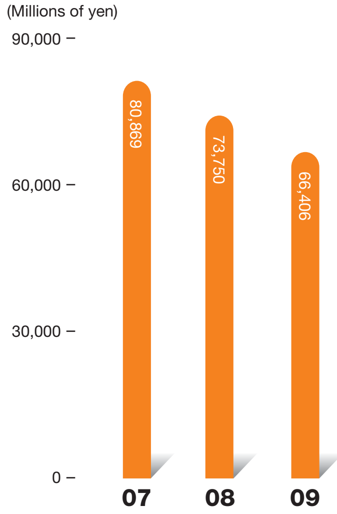
Business Outline	Main Products and Services
Belluna's core operation, the Catalog business handles general mail order sales activities for a wide range of products. Targeting different generations of consumers, we publish leaflets and catalogs that cover apparel and sundry goods. We are enhancing services 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 websites for home PCs • Shopping websites 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 and website • Wine catalogs and website • Cosmetics catalogs and website • Health food catalogs and website
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
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
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. In addition, we engage in retail store sales business operations that specialize in the sale of such products as Japanese-style goods.	• Wholesale operations in apparel and sundry goods • Sales of kimonos and other Japanese-style goods

Catalog Business

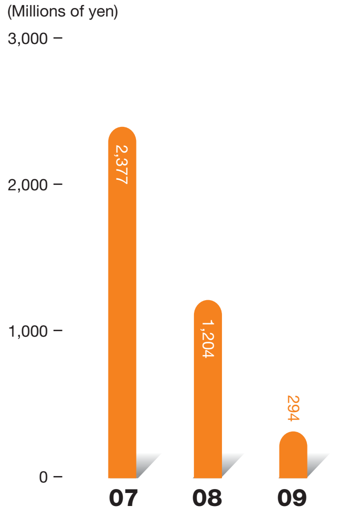
Overview

The environment in which mail order businesses operate remained severe in the wake of intensifying competition due to thriving Internet and TV mail order businesses and expansion in the scale of retail stores as well slumping consumer spending. Against this backdrop, the general mail order business, which traditionally utilizes conventional print media to reach consumers, continued to maintain the scale of its business by progressively focusing on Internet-based operations. Thus far, Belluna has reached the midway point in its shift to Internet marketing due to the Company's concentration on its mainstay segment of middle-aged women. Since 2006, we have been pursuing a project aimed at ensuring our ability to respond flexibly to the emergence of the Internet-based retail sales. This project showed results in fiscal 2009 in the form of upgraded primary and fulfillment systems as well as improvements in the area of operational flow. The ensuing positive results include the reduction of lead times from order placement to delivery by approximately half. Consequently, Belluna is gradually laying a foundation to facilitate further progress toward full-scale Internet-based services. How to best exercise the multiplier effect of Belluna's product capabilities, product appeal and effective coupling with print media are key issues regarding the Company's initiatives to further Internet-based services in the future.

Regarding efforts to improve short-term profitability, despite the Company's efforts to control personnel and logistics, factors that have eroded profitability in recent years, as well as other expenses, improvements in earnings ratios have yet to materialize due to decreases in net sales.



Net Sales



Operating Income

Outlook

Controlling sales cost ratios and media expenses related to mail-order sales is essential to maintaining profitability. While Belluna expects to cover increases in raw material prices by improving efficiency through the integration of factories and other measures, it forecasts only a slight increase in the cost of sales ratio in the fiscal year ending March 2010 due to efforts to increase product quality. A key point regarding the control of media costs centers on the question: "how can the number of active members be maintained and increased?" Recently, the number of active members has begun to decline as a result of a decrease in the dissemination of such conventional customer sign-up tools as advertising literature inserted in newspapers. Apart from efforts to sign up new customers, Belluna plans on investing in the effective use of media by shifting its focus toward reducing the number of customers who have withdrawn from its services and encouraging repeat purchases among non-active members. Specifically, the Company will make ongoing efforts to increase the ratio of such items as low-priced products and smaller sundry goods, which have proved to be effective in promoting repeat purchases, while making improvements in the level of service provided.

The recovery of the Catalog business will have a ripple effect on Belluna's other related businesses. Consequently, the Company aims to improve profitability in the medium term by approaching customers via a complementary mix of print and Internet media as well as by promoting a high level of satisfaction that leads to repeat purchases with commercial products that reflect contemporary consumer attitudes and needs.

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① **BELLUNA** is a general fashion catalog aimed at middle-aged women.
② **LE FRANT** is a general fashion and sundry goods catalog aimed at middle-aged women.
③ **LUAR** is a fashion catalog for women in their 30s.
④ **RYURYU** offers fashions items for young women in their 20s.

Single-item Mail Order Business

Overview

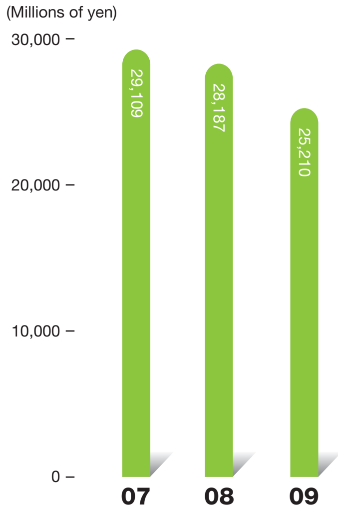
Formerly a growth driver in a burgeoning mail order industry, the Single-item Mail Order business in Japan is witnessing an ongoing polarization into winners and losers due to new market entrants from outside industries. Belluna's Single-item Mail Order business is composed of four divisions: gourmet, cosmetics, health food and overseas products. The food product sector, in which the gourmet division operates, has been particularly impacted by business conditions characterized by an increased level of demand for safety in the wake of food label falsification issues in Japan and overseas. At the same time, the wine sector was impacted by slumping consumer interest in luxury items. The cosmetics and health food divisions were affected by intensifying competition due to the increasing scope of business operations among manufacturers and other new market entrants.

During the fiscal year under review, all divisions saw sluggish markets amid the adverse business conditions mentioned above. In particular, the overseas products division, which has experienced a noticeable downturn in consumer confidence from when it began business operations, has been carrying out reforms of its business structure. However, judging that maintaining this business at its present scope and level of profitability will prove problematic, Belluna will withdraw from the sale of overseas products in the current fiscal year. Despite the difficult operating conditions besetting the remaining three business divisions, each is maintaining a high level of profitability supported by a significant number of repeat purchases by regular customers, one of Belluna's strengths.

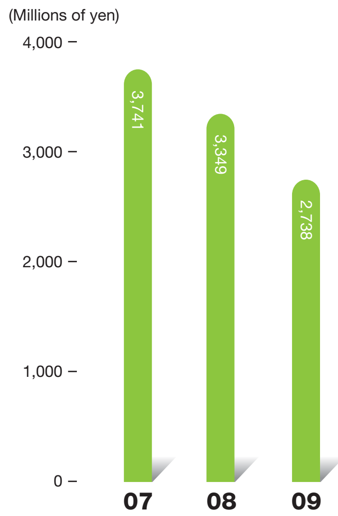
Outlook

The Single-item Mail Order business plays an important role as a revenue-generating pillar within Belluna's business portfolio. In particular, as the profitability of the Advanced Finance business declines, the presence of this business will increase. In the gourmet, cosmetics and health food divisions' areas of operations, Belluna is faced with the challenge of cultivating second and third pillars of profit by retaining regular customers as it signs up new ones, establishing new sales routes and advancing the development of new products.

Currently, although the databases for each divisions are administered separately from those of the Catalog business, Belluna is promoting new customer sign-ups by strengthening its approaches to databases usage within the Group. This is underpinned by adjusting how media is used to issue company advertising in the Catalog business. Furthermore, each divisions is continuing to work independently to sign up new customers through such means as advertising inserts in newspapers and Internet, print and television advertizing. In addition, Belluna will promote the expansion of its customer base in each business field. Specifically, the Company will focus on strengthening the B-to-B business within the gourmet business, establish wholesale routes to introduce new brands and fully utilize department stores in the cosmetics business operated by Ozio Co., Ltd., while employing new media to issue advertising in the health food business that is conducted by Refre Co., Ltd.



Net Sales



Operating Income

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① **OZIO** is a catalog specializing in cosmetics.
② **Refre** is a catalog specializing in health foods.
③ **Iki Iki Kazoku** is a catalog specializing in foods and flowers.
④ **My Wine Club** is a catalog specializing in wine.

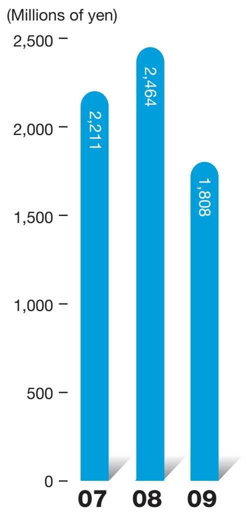
BOT Business

Overview

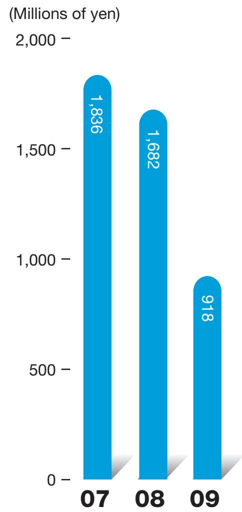
The Belluna Operation Trust (BOT) business actively meets the needs of its numerous corporate clients, primarily in the single-item mail order, travel and beauty care services. Performance of promotion support operations during the year under review suffered due to a drop in advertisements for major corporate clients in the wake of intensifying competition, while the number of contracts fell as a result of the indirect impact of administrative sanctions placed on other business segments. Despite these factors, net sales in the mail order support business showed considerable growth. Consequently, there was an overall decrease in revenues and earnings in the BOT business due to a decline in the distribution ratio of Belluna's lucrative promotion support operations.

Outlook

Belluna will work to encourage a rise in repeat orders from existing corporate clients during the current fiscal year. The Company is aiming to increase the overall profitability of the BOT business by creating more opportunities for approaching corporate clients in its promotion support operations, primarily on the basis of adjustments made to its media publications. This is in line with Belluna's policy of increasing the number of active members in the Catalog business.



Net Sales



Operating Income

Advanced Finance Business

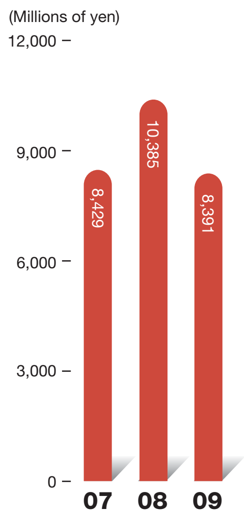
Overview

The Advanced Finance business experienced a decline in trade loans and interest revenues. This was due to priority given to debt collection stemming from the impact of deteriorating business conditions for Belluna's growth drivers, the B to B finance business operated by Sunstage Co., Ltd. and the South Korea-based financial service business, Bell-Net Credit Co., Ltd. Moreover, interest repayment claims being made by the B to C finance business remained high but the increase in the transfer of allowance and reserve stopped growing. At the same time, Sunstage transferred funds to its allowance for doubtful accounts in a conservative manner. As a result of these factors, this segment experienced a substantial overall decline in income.

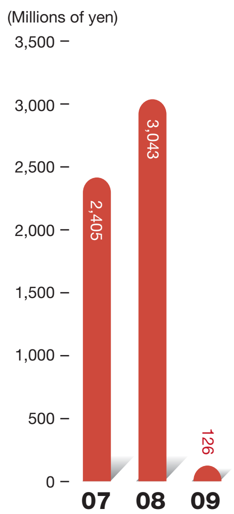
Outlook

In light of prevailing business conditions, Belluna will shrink trade loans to a level that will ensure the profitability of each business during the current fiscal year.

Accompanying this shrinkage of trade loans, Belluna will decrease the amount of loans payable by Sunstage and Bell-Net Credit, in particular, as part of the Company's efforts to maintain a sound business structure.



Net Sales



Operating Income

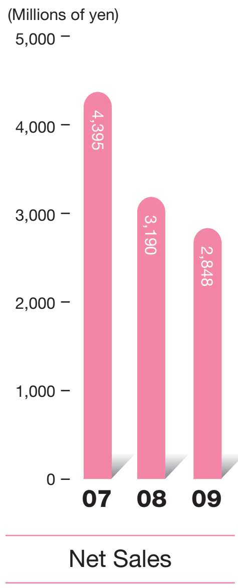
Property Business

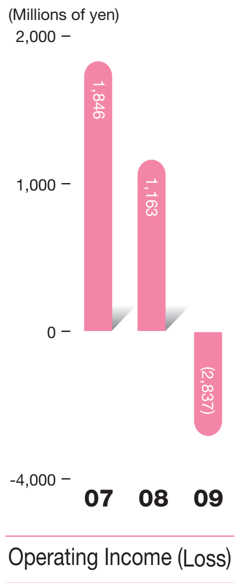
Overview

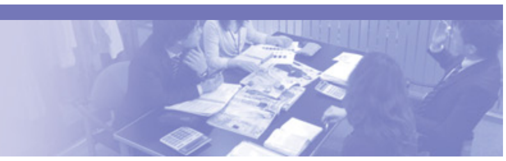
In addition to maintaining a stable earnings base of rental revenues from Belluna's real estate leasing operations, the Property business is engaged in real estate-oriented development projects. Despite securing stable earnings from its leasing operations, slumping markets resulted in the real estate development business recording valuation losses on real estate for sale. Consequently, this overall segment results fell into the red during the year under review.

Outlook

Inventories of real estate for sale and real estate sales in process declined ¥3,569 million year on year to ¥6,763 million for the fiscal year ended in March 2009. Included within this are valuation losses totaling ¥3,451 million. On the basis of markets that are expected to remain stagnant for the time being, Belluna will continue to promote property sales during the current fiscal year in order to reduce its assets in this segment.







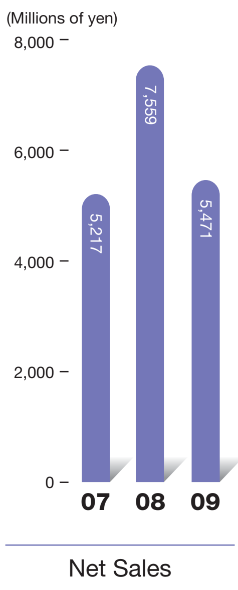
Other Business

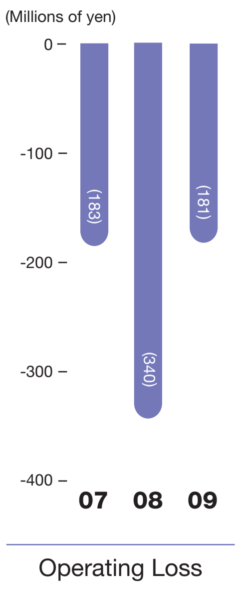
Overview

Belluna's wholesale business, which targets department stores and the Japanese Consumers' Cooperative Union, leverages the Belluna Group's expertise in product planning and media production. This segment also includes the development of the retail store sales business for Japanese-style goods. During the year under review, this segment experienced a significant decrease in revenue due to the impact of the Company's withdrawal from the exhibition sales business in June 2008.

Outlook

The wholesale business has been operating under severe business conditions following the withdrawal of major clients from its mail order business. From product selection to sales promotion material production, the reliability and consistent support provided by the wholesale business system is its strength. For this reason, the Belluna Group aims to increase the value of business transactions with existing corporate clients by undertaking measures to strengthen product planning capabilities that utilize the Group's expertise in this sector. Belluna will also strive to maintain profitability in the retail store sales business by engaging in scrap-and-build operations for retail stores.





Continuing to make sincere efforts to recover the trust of society as we improve the functions of our corporate governance system

Giving serious consideration to the facts surrounding product-related accidents and compliance-related incidents in recent years, Belluna has made the upgrading and strengthening of its compliance structure a top management priority in the fiscal year under review.

•Compliance Committee

The Compliance committee is composed of nine members, including outside experts, is chaired by a senior managing director and holds meetings on a monthly basis. The Compliance Committee has been granted with the authority to provide advice and issue directives to improve or cease operations.

Compliance committee meeting

•Strengthening Risk Management Systems

In addition to the Internal Audit Department, which undertakes audits to determine the appropriateness and effectiveness of management systems and the execution of operations Companywide, a specialized team has been established to engage in timely risk management that includes ensuring compliance within the Executive Corporate Planning Department.

•Bolstering Information Collection Systems

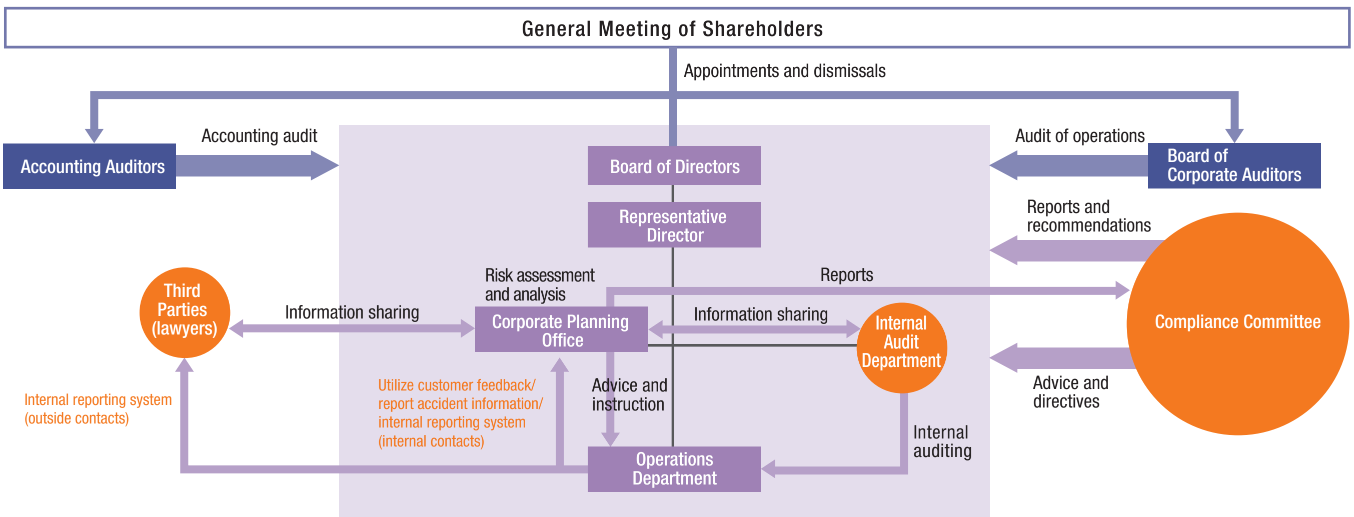
Belluna has established an internal reporting system that includes corporate lawyers who function as external contacts to ensure anonymity.

•Compliance Training

Belluna has established enhanced monthly education programs and awareness-raising activities and holds workshops and discussions Companywide. Moreover, employee-oriented compliance workshops featuring outside experts are conducted on a regular basis.

With the aim of becoming a company beloved by society, Belluna has established a corporate governance system that encompasses compliance-related issues in order to avoid a recurrence of similar incidents and problems in the future.

Corporate Governance System



Six-Year Financial Summary

Belluna Co., Ltd. and Consolidated Subsidiaries

	Millions of yen						Thousands of U.S. dollars (*6)
Years ended March 31	2004	2005	2006	2007	2008	2009	2009
For the year:							
Net sales	109,626	115,098	121,938	129,912	125,173	109,912	1,118,583
Cost of sales	47,073	48,206	51,409	53,675	51,566	49,963	508,478
Gross profit	62,839	66,891	70,536	76,275	73,614	59,967	610,096
Selling, general and administrative expenses	52,670	56,010	59,274	64,153	63,405	58,745	597,853
Operating income	10,169	10,881	11,261	12,122	10,208	1,221	12,426
Income (loss) before income taxes and minority interests	10,965	11,320	11,726	12,686	6,077	(7,281)	(74,099)
Net income (loss)	6,490	6,777	6,935	7,141	3,435	(8,763)	(89,182)
Capital investment	3,371	2,153	1,674	2,738	6,677	1,205	12,263
Depreciation	1,069	1,012	956	965	1,105	1,590	16,182
At year-end:							
Current assets	58,046	60,919	80,168	107,801	109,610	85,652	871,687
Property, plant and equipment	25,598	26,727	27,514	26,089	31,670	29,290	298,087
Total assets	93,256	97,015	119,253	149,239	160,707	133,868	1,362,386
Current liabilities	35,829	38,880	44,089	50,326	63,433	53,769	547,211
Long-term liabilities	14,711	9,161	17,853	34,194	32,946	26,289	267,545
Total liabilities	50,541	48,041	61,942	84,520	96,379	80,059	814,767
Net assets (*1)	—	—	—	64,718	64,327	53,808	547,608
Total shareholders' equity	42,703	48,920	57,197	—	—	—	—
Number of shares issued (thousands)	21,695	23,894	27,001	56,592	56,592	56,592	
Number of employees	789	913	1,027	1,102	1,249	1,064	

	Yen						U.S. dollars
Per share data:							
Net income (loss) per share (*2)	127.85	133.47	137.47	134.88	66.14	(173.72)	(1.77)
Shareholders' equity per share (*3)	2,035.47	2,119.40	2,220.42	1,223.95	1,254.05	1,073.46	10.92
Cash dividends per share	25	25	30	15	15	15	0.15

	Percentage (%)					
Financial ratios:						
Operating income (loss) margin	9.3	9.5	9.2	9.3	8.2	1.1
Net income (loss) margin	5.9	5.9	5.7	5.5	2.7	(8.0)
Return on equity (ROE) (*4)	16.2	14.8	13.1	11.7	5.3	(14.9)
Return on assets (ROA) (*5)	11.8	12.0	10.9	9.3	6.8	1.0
Shareholders' equity ratio (*4)	45.8	50.4	48.0	43.3	39.9	40.2

(*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 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 as the line item Shareholders' equity per share for fiscal 2007, 2008 and 2009. 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 the 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 net 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 ¥98.26 = US$1.00, the approximate rate on the Tokyo foreign exchange market on March 31, 2009.

Financial Review

Overview

In the fiscal year ended March 31, 2009, the economic environment remained unsettled due to such factors as international financial instability triggered by the sub-prime loan crisis in the U.S. and rising commodity prices resulting from increases in those for crude oil and other raw materials. Against this backdrop, the impact on the real economy far exceeded initial forecasts as a result of the noticeably widespread major disruptions in global financial markets that followed the bankruptcy of a major U.S. investment bank in the second half of the fiscal year under review. The rapid deterioration of the global financial and economic environment dealt a severe blow to operating conditions in Japan. Resulting in such factors as a sharp decline in exports, stock market slumps and persistently high yen exchange rates, these conditions have served to undermine the earnings platforms of corporations.

Consumer spending has been dampened by growing concerns over worsening economic, employment and income conditions, which have led to an increasing trend toward saving money and purchasing low-cost products. In addition, the environment in which the Belluna Group operates remains beset with difficulties due to such factors as consumers becoming more discerning with regard to service.

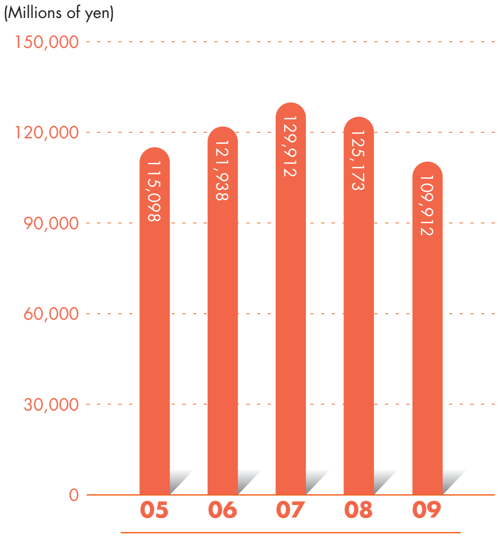
Net Sales

Under these conditions, the Belluna Group undertook measures to strengthen its E-commerce (EC) business and establish a healthy balance sheet. However, the Group was buffeted by the impact of such factors as the withdrawal from the exhibition sales business in June 2008 and the slump in consumer spending. At the same time, the Group worked to reduce trade loans in the face of the deteriorating financial and economic conditions. As a result of the above factors, consolidated net sales during the fiscal year under review fell 12.2% year on year to ¥109,912 million. 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 7 through 10.)

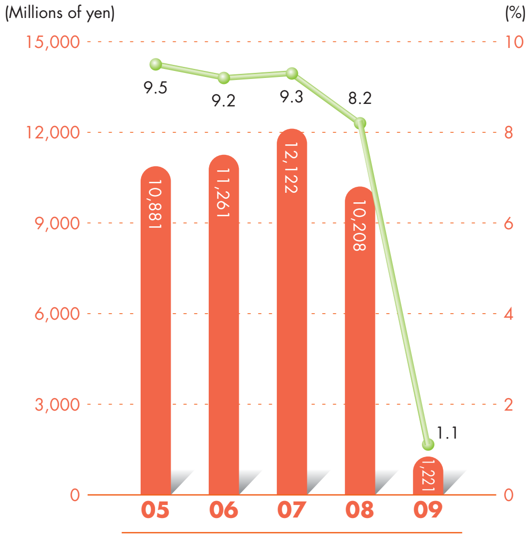
Despite robust sales for men's apparel, net sales declined in the core Catalog business due to weak performance overall in catalogs for other products, which was adversely affected by a slump in consumer spending. The Single-item Mail Order business experienced a decrease in revenue resulting from the uphill battle faced by the gourmet food and health food divisions. In line with these developments, the Advanced Finance business also suffered from reduced revenue stemming from the constriction of loans. The BOT business reported a decline in revenue based on weak demand for enclosure and mail-out services aimed at corporate clients, while postponing the scheduled property sale dates to the following fiscal year caused revenues in the Property business to fall. Finally, a decline in revenues in the Other business segment is attributable to Belluna's withdrawal from the exhibition sales business (previously part of the defunct Karemu business segment).

Earnings

In the year under review, operating income dropped 88.0% year on year to ¥1,221 million due to such factors as the reduction in revenues, a significant increase in valuation losses and allowance for doubtful accounts. As a result, the operating income margin decreased from 8.2% in the previous fiscal year to 1.1%. An overview of performance in each business segment is as follows.



Net Sales



Operating Income and Operating Income Margin

Despite efforts to reduce media, distribution and other expenses, operating income in the Catalog business decreased because of unrealized improvements to the net income margin. In spite of the cosmetics division achieving an increase in earnings, fierce competition faced by the gourmet food and health food divisions resulted in a decline in income in the Single-item Mail Order business. In the Advanced Finance business, the contraction of trade loans coupled with the increased allowance for doubtful accounts and other factors resulted in a decline in income. The BOT business also suffered from reduced income due to sluggish growth in the normally lucrative enclosure and mail-out services. The Property business experienced a drop in income due to such factors as the conservative allocation of valuation losses on real estate for sale to the cost of sales accompanying recent stagnation in real estate markets. As a result of the operating loss recorded following the withdrawal from the exhibition sales business, income declined in the Other business segment. (For a more detailed account by segment, please refer to the Review of Operations on pages 7 through 10.)

In non-operating income and expenses, despite a gain on valuation of derivatives and other items, there was a negative turnaround in ordinary income from a year-on-year profit of ¥7,151 million to a loss of ¥2,239 million. This is the result of the negative impact of such factors as recording a foreign exchange loss in the Advanced Finance business due to high yen exchange rates. In addition, an impairment loss on fixed assets was recorded as an extraordinary loss. As a result of the preceding Belluna experienced a net loss of ¥8,763 million compared with a net income of ¥3,435 million in the previous fiscal year.

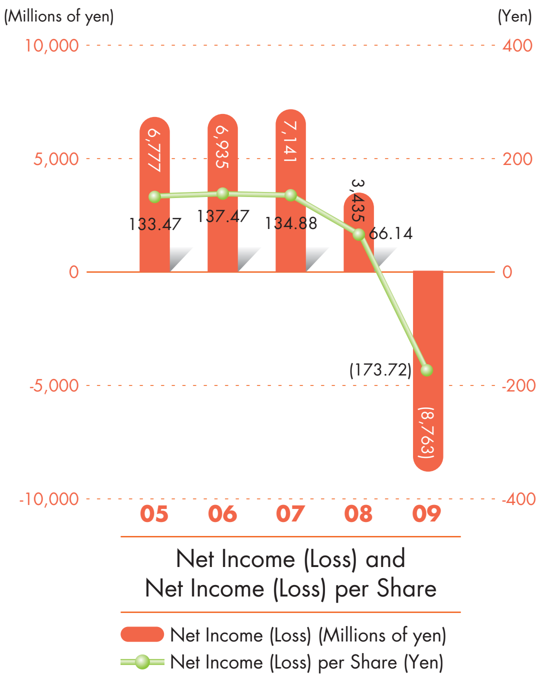
Net income per share fell from ¥66.14 to a net loss per share of ¥173.72 during the year under review. Year-end dividends were set at ¥7.50 per share, unchanged from the previous fiscal year. Combined with interim dividends, the Company maintained a total annual dividend of ¥15 per share.

Financial Condition

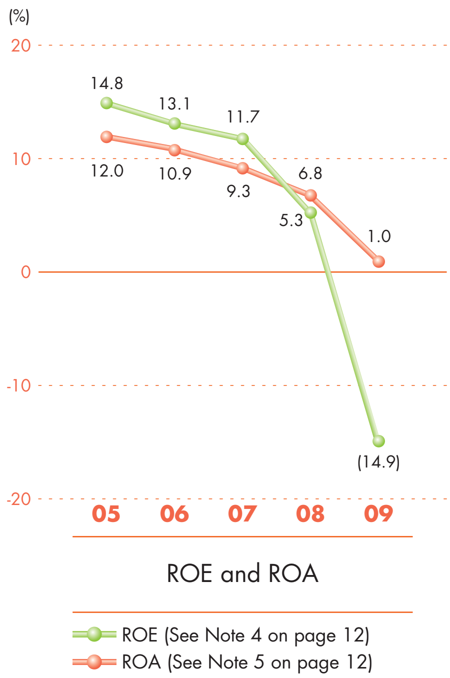
Total assets as of March 31, 2009 stood at ¥133,868 million, a decrease of ¥26,839 million from the ¥160,707 million recorded at the end of the previous fiscal year. Of this, current assets fell ¥23,958 million to ¥85,652 million, reflecting declines in such areas as trade loans and real estate for sale in process. Despite rises in such areas as claims provable in bankruptcy, rehabilitation and other, fixed assets as of the end of the year the under review fell ¥2,881 million to ¥48,215 million due primarily to declines in property, plant and equipment as well as investment securities.

Total liabilities decreased ¥16,320 million compared with the previous fiscal year-end to ¥80,059 million. Of this, current liabilities fell ¥9,664 million year on year to ¥53,769 million mainly because of drops in short-term borrowings and accrued expenses. Long-term liabilities shrank ¥6,657 million to ¥26,289 million due to such factors as a reduction in long-term borrowings.

Net assets as of March 31, 2009, totaled ¥53,808 million, a ¥10,519 million decrease compared with the previous fiscal year-end. This is primarily attributable to a decline in retained earnings following the recording of net losses. Consequently, the shareholders' equity ratio at the end of the period under review rose 0.3 of a percentage point from 39.9% to 40.2%.



Net Income (Loss) and
Net Income (Loss) per Share



ROE and ROA

Cash Flows

During the fiscal year under review, net cash provided by operating activities was ¥17,893 million compared with net cash used by operating activities of ¥11,119 million during the previous fiscal year. The main factors for the change included a decrease in trade loans, a fall off in the increase in inventories and income from a decrease in real estate for sale (including real estate for sale in process).

Net cash used by investing activities during the fiscal year under review decreased from ¥9,642 million to ¥3,854 million compared with the previous fiscal year. Main contributors to the change included declines in the acquisition of property, plant and equipment as well as of investment securities.

Net cash used in financing activities was ¥13,684 million compared with net cash provided by financing activities of ¥11,926 million during the previous fiscal year. This is attributable to the decreases in both long- and short-term borrowings.

As a result of the above, after accounting for exchange rate fluctuations and changes due to the increased scope of consolidation, the outstanding balance of cash and cash equivalents at the end of the year dropped ¥136 million to ¥17,086 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.

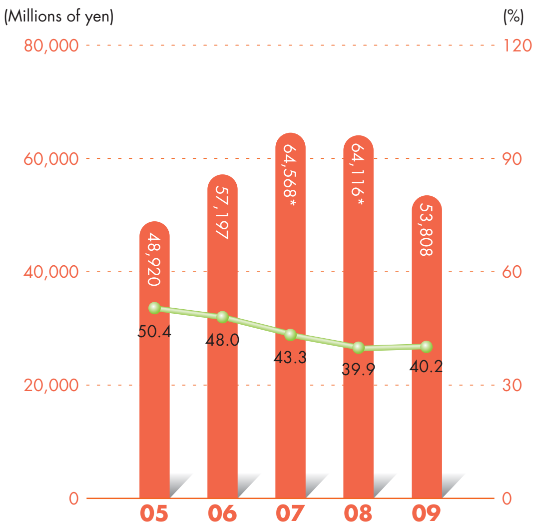
The ASUNARO Plan, the Company's medium-term management plan, has been suspended due to the dramatic changes that have occurred in the operating environment. The plan is scheduled to be reformulated at an appropriate time once progress has been made in implementing two key policies: achieve a healthy balance sheet and recover database-related businesses. During this period, Belluna aims to establish a platform for future growth by building a robust and resilient business structure that is capable of responding to changes in the external environment. The Company will make an all out effort to undertake the following initiatives in each segment on the basis of this policy.

In the Catalog business, Belluna plans to increase the number of active customers through such measures as enhancing product lineups that have a high rate of repeat purchases and strengthening EC (Internet and mobile phone sites). The Single-item Mail Order business will undertake measures to cultivate new customers and increase repeat purchasing among existing customers by utilizing databases within the Belluna Group, while promoting the development of new distribution channels and products. Impacted by changes in the external environment, the Advanced Finance business will take steps to place downward pressure on trade loans and develop systems that are in line with amendments to laws and ordinances. The BOT business will continue to improve the retention rate of existing clients it provides with charged services to enclose and mail out their sales promotion materials, while striving to ensure the profitability of its mail order support services. Recognizing that real estate markets will likely remain in the doldrums for the foreseeable future, efforts will be made to reduce assets in the Property business.

Business Risks

1. Statutory Regulations

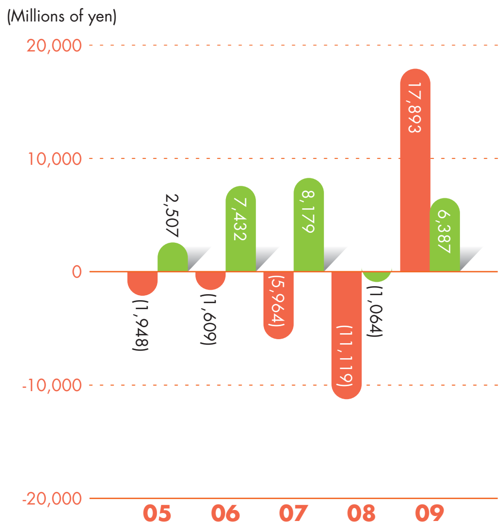
a) Belluna's Advanced Finance business is regulated by the Act on Control, etc. on Money Lending, the Act



Shareholders' Equity and Shareholders' Equity Ratio

Shareholders' Equity
Shareholders' Equity Ratio
(See Note 4 on page 12)

*Net assets less minority interests



Operating Cash Flow and Adjusted Operating Cash Flow

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

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 Sales businesses are subject to a variety of laws and regulations, including the Law for Preventing Unjustifiable Extra, Unexpected Benefit and Misleading Representation, the Pharmaceutical Affairs Law 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. There also exists the possibility that the Company may be required to undertake measures that include a recall, should its products be damaged, wholly or in part, during the production or distribution process. 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

Although the Belluna Group 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 Group's operating performance may be negatively affected.

3. Overseas Environment Risks

a) The Belluna Group procures the majority of its products overseas, particularly from China, in an effort to produce competitive products and to reduce 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 Group'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 geopolitical-based risks could impact the Belluna Group's overall operating performance.

4. Foreign Exchange Risks

In the natural course of its business activities, the Belluna Group 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 the Group's operating performance.

5. Protection of Personal Information

As an organization that handles personal information, the Belluna Group is subject to the Personal Information Protection Law, which came into effect in April 2005. The Group 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 Group may incur significant damage to its reputation and deterioration in its operating performance.

6. System Risk

The Belluna Group has installed firewalls and antivirus software in its computer systems to protect the Group against unauthorized access, computer viruses and related events. The Group is also taking steps to augment security by developing mechanisms that apply the latest hotfix programs and prevent computer misuse within the Group. However, despite the use of every conceivable state-of-the-art measure available at the time, the possibility exists that Belluna will incur a loss caused by system disruptions and malfunctions related to unauthorized access and the infiltration of computer viruses from outside the Group. Given that nearly all of the Group's business operations are computerized, should an extended computer malfunction arise, 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.

8. Financial Risks

Belluna and a number of its subsidiaries have concluded commitment contracts containing financial covenants that require them to ensure that the level of net assets stated on their year-end balance sheets (both consolidated and nonconsolidated) remains at least at 75% when compared with the sum total of net assets recorded at the end of the previous fiscal year. Any infringement of such financial covenants may result in the issuance of a claim to repay the borrowed funds in advance. In the event that such a breach occurs, the ensuing loss of term profits could potentially impact the performance of the Belluna Group.

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, 2008 and 2009.

CONSOLIDATED FINANCIAL STATEMENTS

I. Consolidated Balance Sheets

	In millions of yen	
	March 31, 2008	March 31, 2009
Assets		
Current assets		
Cash and deposits	18,612	*1 19,511
Trade notes and accounts receivable	12,703	10,407
Trade loans	52,962	35,239
Marketable securities	298	*2 1,124
Inventories	9,598	—
Merchandise and finished goods	—	9,078
Raw materials and supplies	—	871
Real estate for sale	*1 1,804	*1 3,440
Real estate for sale in process	*1 8,528	*1 3,322
Deferred tax assets	1,011	668
Other current assets	6,110	4,046
Allowance for doubtful accounts	(2,019)	(2,058)
Total current assets	109,610	85,652
Fixed assets		
Property, plant and equipment		
Buildings and structures	*1 21,041	*1 20,730
Accumulated depreciation	(7,671)	*3 (8,508)
Buildings and structures (net)	13,369	12,222
Machinery and equipment	1,095	1,045
Accumulated depreciation	(871)	(871)
Machinery and equipment (net)	224	174
Furniture and fixtures	1,163	1,747
Accumulated depreciation	(771)	*3 (968)
Furniture and fixtures (net)	391	779
Land	*1 17,604	*1 15,403
Lease assets	—	488
Accumulated depreciation	—	(56)
Lease assets (net)	—	431
Construction in progress	79	278
Total property, plant and equipment	31,670	29,290
Intangible fixed assets		
Goodwill	—	625
Other	2,336	4,167
Total intangible fixed assets	2,336	4,792
Investments and other assets		
Investment securities	*5 7,862	*5 3,773
Long-term lending	948	624
Claims provable in bankruptcy, rehabilitation and other (net)	—	6,914
Deferred tax assets	2,037	2,050
Other assets	7,247	3,573
Allowance for doubtful accounts	(1,005)	(2,804)
Total investments and other assets	17,090	14,132
Total fixed assets	51,096	48,215
Total assets	160,707	133,868

	In millions of yen	
	March 31, 2008	March 31, 2009
Liabilities		
Current liabilities		
Trade notes and accounts payable	14,124	13,112
Short-term borrowings	*1 36,677	*1, 6, 7 31,011
Accrued expenses	8,106	6,344
Lease obligations	—	107
Income taxes payable	1,282	356
Provision for product repairs	295	1
Provision for bonuses	563	305
Provision for sales returns	82	63
Provision for point program	380	471
Other current liabilities	1,920	1,995
Total current liabilities	63,433	53,769
Long-term liabilities		
Straight bonds	10,000	10,000
Convertible bonds	11,000	11,000
Long-term borrowings	*1 7,894	*1 1,074
Provision for loss on interest repayment	1,825	2,394
Lease obligations	—	426
Provision for retirement benefits	181	243
Provision for retirement benefits for directors and corporate auditors	190	199
Other long-term liabilities	1,854	951
Total long-term liabilities	32,946	26,289
Total liabilities	96,379	80,059
Net assets		
Shareholders' equity		
Common stock	10,607	10,607
Capital surplus	11,003	11,003
Retained earnings	51,570	42,053
Treasury stock	(8,340)	(8,796)
Total shareholders' equity	64,839	54,867
Valuation and translation adjustments		
Unrealized gains (losses) on available-for-sale securities	(399)	(45)
Foreign currency translation adjustments	(323)	(1,013)
Total valuation and translation adjustments	(723)	(1,059)
Minority interests	211	0
Total net assets	64,327	53,808
Total liabilities and net assets	160,707	133,868

II. Consolidated Statements of Operations

	In millions of yen	
	Year ended March 31, 2008	Year ended March 31, 2009
Net sales	125,173	109,912
Cost of sales	*1 51,566	*1 49,963
Gross profit	73,607	59,948
Reversal of provision for sales returns	88	82
Provision for sales returns	82	63
Gross profit—net	73,614	59,967
Selling, general and administrative expenses	*2 63,405	*2 58,745
Operating income	10,208	1,221
Non-operating income		
Interest income	245	149
Dividend income	146	158
Rent income	96	42
Commission income	59	19
Extinction of debt	51	91
Gain on valuation of derivatives	—	415
Compensation received	81	70
Other	302	269
Total non-operating income	982	1,216
Non-operating expenses		
Interest expense	399	437
Stock issuance cost	6	—
Loss on sales of securities	454	316
Foreign exchange loss	610	3,099
Loss on valuation of derivatives	2,091	*3 —
Other	476	824
Total non-operating expenses	4,039	4,677
Ordinary income (loss)	7,151	(2,239)
Extraordinary gains		
Gain on sales of investment securities	127	—
Gain on bad debts recovered	33	40
Gain on sales of fixed assets	—	*4 57
Other	—	4
Total extraordinary gains	161	103
Extraordinary losses		
Loss on retirement of fixed assets	*5 3	*5 29
Loss on sales of fixed assets	—	4
Loss on valuation of investment securities	*6 935	*6 1,770
Provision for product repairs	295	—
Impairment loss	—	*7 2,111
Loss on cancellation of derivatives	—	1,052
Other	—	176
Total extraordinary loss	1,234	5,145
Income (loss) before income taxes and minority interests	6,077	(7,281)
Income taxes—current	3,507	1,444
Income taxes—deferred	(926)	9
Total income taxes	2,581	1,454
Minority interests	61	28
Net income (loss)	3,435	(8,763)

III. Consolidated Statements of Changes in Net Assets

In millions of yen

	Year ended March 31, 2008	Year ended March 31, 2009
Shareholders' Equity		
Common stock		
Balance at end of previous year	10,607	10,607
Changes during current year	—	—
Balance at end of current year	10,607	10,607
Capital surplus		
Balance at end of previous year	11,003	11,003
Disposal of treasury stock	(0)	—
Balance at end of current year	11,003	11,003
Retained earnings		
Balance at end of previous year	49,255	51,570
Change of scope of consolidation	(337)	6
Dividends paid	(783)	(759)
Net income (loss)	3,435	(8,763)
Balance at end of current year	51,570	42,053
Treasury stock		
Balance at end of previous year	(6,545)	(8,340)
Purchase of treasury stock	(1,795)	(455)
Disposal of treasury stock	0	—
Balance at end of current year	(8,340)	(8,796)
Total shareholders' equity		
Balance at end of previous year	64,320	64,839
Total changes during current year	518	(9,971)
Balance at end of current year	64,839	54,867
Valuation and Translation Adjustments		
Valuation difference on available for-sale securities		
Balance at end of previous year	21	(399)
Changes during current year	(421)	354
Balance at end of current year	(399)	(45)
Deferred gains (losses) on hedges		
Balance at end of previous year	125	—
Changes during current year	(125)	—
Balance at end of current year	—	—
Foreign currency translation adjustments		
Balance at end of previous year	100	(323)
Changes during current year	(424)	(689)
Balance at end of current year	(323)	(1,013)
Total valuation and translation adjustments		
Balance at end of previous year	247	(723)
Total changes during current year	(971)	(335)
Balance at end of current year	(723)	(1,059)
Minority Interests		
Balance at end of previous year	150	211
Changes during current year	61	(211)
Balance at end of current year	211	0
Total Net Assets		
Balance at end of previous year	64,718	64,327
Total changes during current year	(391)	(10,518)
Balance at end of current year	64,327	53,808

IV. Consolidated Statements of Cash Flows

	In millions of yen	
	Year ended March 31, 2008	Year ended March 31, 2009
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	6,077	(7,281)
Depreciation and amortization	1,105	1,590
Increase (decrease) in provision for sales returns	(6)	(18)
Impairment loss	—	2,111
Amortization of goodwill	—	32
Increase in allowance for doubtful accounts	1,102	2,051
Increase in provision for product repairs	295	293
Increase (decrease) in provision for bonuses	12	(258)
Increase in provision for retirement benefits	46	62
Increase (decrease) in provision for retirement benefits for directors and corporate auditors	(16)	8
Increase in provision for point program	171	91
Increase in provision for loss on interest repayments	574	568
Interest and dividend income	(391)	(308)
Interest expense	399	437
Loss on cancellation of derivatives	—	1,052
Loss (gain) on valuation of derivatives	2,091	[*1] (415)
Loss (gain) on sales of marketable securities	454	(0)
Loss (gain) on sales of investment securities	(127)	324
Loss on valuation of investment securities	935	1,770
Loss on retirement of property, plant and equipment	3	27
Foreign exchange losses (gains)	—	3,212
Decrease in trade notes and accounts receivable	1,125	2,302
Decrease (increase) in trade loans	(10,055)	11,506
Decrease (increase) in inventories	(4,912)	(352)
Decrease (increase) in real estate for sale	—	3,569
Decrease (increase) in other current assets	(603)	444
Increase (decrease) in notes and accounts payable	(2,480)	(731)
Increase (decrease) in other current liabilities	(1,476)	(2,544)
Increase (decrease) in other long-term liabilities	(93)	217
Other	706	480
Sub-total	(5,062)	20,244
Interest and dividends received	390	300
Interest paid	(408)	(467)
Refund of income taxes	—	670
Income taxes paid	(6,039)	(2,853)
Net cash provided (used) by operating activities	(11,119)	17,893
Cash flows from investing activities		
Payments into time deposits	(513)	(1,411)
Proceeds from withdrawal of time deposits	806	323
Acquisition of marketable securities	(4,036)	(1,078)
Proceeds from sales of marketable securities	4,237	299
Acquisition of property, plant and equipment	(6,403)	(845)
Proceeds from sales of property, plant and equipment	5	810
Acquisition of intangible fixed assets	(834)	(1,960)
Proceeds from sales of intangible fixed assets	—	0
Acquisition of investment securities	(2,948)	(345)
Proceeds from sales of investment securities	1,923	3,764
Purchase of stocks of subsidiaries	—	(895)
Payments of loans receivable	(3,513)	(125)
Collection of loans receivable	2,750	129
Payments for guarantee deposits	—	(2,653)
Proceeds from collection of guarantee deposits	—	288
Payments of other investments	(1,430)	(163)
Collection of other investments	315	7
Net cash used by investing activities	(9,642)	(3,854)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,119	(3,906)
Proceeds from long-term borrowings	13,265	1,300
Repayments of long-term borrowings	(1,880)	(9,796)
Proceeds from sales of treasury stock	0	—
Repurchase of treasury stock	(1,795)	(455)
Dividends paid	(783)	(759)
Repayments of lease obligations	—	(66)
Net cash provided (used) by investing activities	11,926	(13,684)
Effect of exchange rate change on cash and cash equivalents	(421)	(549)
Net increase (decrease) in cash and cash equivalents	(9,256)	(194)
Cash and cash equivalents at beginning of the year	26,385	[*2] 17,222
Cash and cash equivalents of newly consolidated subsidiaries	93	58
Cash and cash equivalents at end of the year	[*2] 17,222	[*2] 17,086

Significant Accounting Policies

Item	For the year ended March 31, 2008	For the year ended March 31, 2009
1. Scope of Consolidation	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. were consolidated from this fiscal year, because they have a material effect on the consolidated financial statements of Belluna Co., Ltd. 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 the scope of 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 the scope of consolidation.	a. Number of consolidated subsidiaries: 11 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., Bell-Net Credit Co., Ltd., BANKAN Co., Ltd., Wamonoya Co., Ltd., Belluna Mailing Service Co., Ltd. Of the above companies, Belluna Mailing Service Co., Ltd. has been consolidated from this fiscal year, because its materiality to the consolidated financial statements of Belluna Co., Ltd. has increased. b. Name of a major non-consolidated subsidiary: Human Resource Management Co., Ltd. The reason why the above subsidiary is excluded from the scope of consolidation: Same as at left
2. Equity Method	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 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 material 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.	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 c. Name of a non-consolidated subsidiary not accounted for by the equity method: Human Resource Management Co., Ltd., etc. This non-consolidated subsidiary does not have a material effect on the consolidated net income or loss, retained earnings, etc. of the Company, nor materiality as a whole. Therefore, it has been excluded from the scope of the equity method application.

Item	For the year ended March 31, 2008	For the year ended March 31, 2009
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. Nevertheless, the financial statements of Bell-Net Credit Co., Ltd., 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 after their closing date 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 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: Derivatives are stated at their fair value. iii) Inventories: Merchandise and finished goods: Merchandise and finished goods are stated at the lower of cost, determined by the moving average method, or market value. Raw materials and supplies: Raw materials and 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: Same as at left ii) Derivatives: Same as at left iii) Inventories: Merchandise and finished goods: Merchandise and finished goods are stated at cost determined by the moving average method (with the book value reduction method based on a decline in profitability for balance sheet carrying amounts). Raw materials and supplies: Same as at left Real estate for sale: Real estate for sale is stated at cost by the individual price method (with the book value

Item	For the year ended March 31, 2008	For the year ended March 31, 2009
4. Significant Accounting Policies (contd.)	Real estate for sale in process: Real estate for sale in process is stated at cost by the individual price method.	reduction method based on a decline in profitability for balance sheet carrying amounts). Real estate for sale in process: Real estate for sale in process is stated at cost by the individual price method (with the book value reduction method based on a decline in profitability for balance sheet carrying amounts).
	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 (excluding lease assets): For depreciation of these properties, the Company and domestic consolidated subsidiaries apply the declining balance method, and overseas consolidated subsidiaries the straight-line method. For buildings (excluding accompanying facilities) acquired on or after April 1, 1998, the Company and domestic consolidated subsidiaries apply the straight-line method.
	(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 (excluding lease assets): Same as at left

Item	For the year ended March 31, 2008	For the year ended March 31, 2009
4. Significant Accounting Policies (contd.)		iii)Lease assets: Depreciation of leased assets is calculated by the straight-line method based on the assumption that the useful life equals to the lease term and the residual value equals to zero. Of the finance lease transactions that do not transfer the ownership of the leased assets, those for which the commencement day of lease transactions fell on or before March 31, 2008 are accounted for by applying the accounting treatment similar to that for ordinary rental transactions.
	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 to employees 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 returns to arise after the year-end, at an amount equivalent to the gross profit on sales returns estimated based on the historical rate of sales returns.	iii)Provision for sales returns: Same as at left
	iv)Provision for point program: Provision for point program is provided for future expenses caused by the consumption of points, for the consumption amount estimated based on the historical rate of consumption.	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.	v) Provision for loss on interest repayment: Same as at left
	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	vi)Provision for retirement benefits: Same as at left

Item	For the year ended March 31, 2008	For the year ended March 31, 2009
4. Significant Accounting Policies (contd.)	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. 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. 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 transactions, other than those leases under which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for by applying an accounting treatment similar to that for ordinary rental transactions. e. Other significant accounting policies i) Accounting for consumption taxes: Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. ii) Stock issuance costs: Stock issuance costs are charged at full amount to income at the time of payment thereof.	vii)Provision for retirement benefits for directors and corporate auditors: Same as at left viii) Provision for product repairs: Same as at left ――――― e. Other significant accounting policies i) Accounting for consumption taxes: Same as at left ii) Stock issuance costs: Same as at left
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. Amortization of Goodwill	―――――	Goodwill is amortized in equal installments over the estimated period of the effect of the investment (five years).
7. 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, 2008	For the year ended March 31, 2009
(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.	1. Accounting standard for inventories Beginning this fiscal year, the Company applied the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 issued on July 5, 2006). This change had the effect of reducing operating income by ¥3,388 million and increasing ordinary loss and loss before income taxes and minority interests by ¥3,388 million, respectively, for the year ended March 31, 2009. The impact of this change on segment information is described in the relevant section appearing later. 2. Accounting standard for lease transactions In prior years, finance lease transactions that do not transfer the ownership of the leased assets were accounted for by applying the accounting treatment similar to that for rental transactions. However, effective from this fiscal year, the Company applied the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 issued on June 17, 1993, as revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 issued on January 18, 1994, as revised on March 30, 2007), whereby the previous method has been replaced with an accounting treatment similar to that for ordinary sale and purchase transactions. Of the finance lease transactions that do not transfer the ownership of the leased assets, however, those for which the commencement day of lease transactions fell prior to the initial fiscal year of the application of the above Accounting Standard continue to be accounted for by applying the accounting treatment similar to that for ordinary rental transactions. The impact of this change on income or loss is insignificant. 3. Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" Effective from this fiscal year, the Company applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18 issued on May 17, 2006). This change had no material impact on the Company's consolidated financial statements.

Changes in Presentation

For the year ended March 31, 2008	For the year ended March 31, 2009
(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.	(For the consolidated balance sheets) 1. As the "Cabinet Office Ordinance Amending Part of Regulations Concerning Terminology, Forms and Preparation Methods of Financial Statements" (Cabinet Office Ordinance No. 50 issued on August 7, 2008) is to be applied, the line item "Inventories" presented in the previous fiscal year's balance sheet has been divided into "Merchandise and finished goods" and "Raw materials and supplies," beginning this fiscal year. The amounts of "Merchandise and finished goods" and "Raw materials and supplies" included in the "Inventories" at the end of the previous fiscal year were ¥8,499 million and ¥1,099 million, respectively. 2. Beginning this fiscal year, "Claims provable in bankruptcy, rehabilitation and other" is presented as a new independent line item within "Investments and other assets," as its materiality has increased. The amount of "Claims provable in bankruptcy, rehabilitation and other" included in "Other assets" of "Investments and other assets" at the end of the previous fiscal year was ¥3,746 million. (For the consolidated statements of cash flows) Beginning this fiscal year, "Foreign exchange losses (gains)" previously included in "Other" of the "Cash flows from operating activities" is presented as a new independent line item, as its materiality has increased. The amount of "Foreign exchange losses (gains)" previously included in "Other" of the "Cash flows from operating activities" at the end of the previous fiscal year was ¥469 million.

Notes and Supplemental Information:

As in the preceding pages, 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, 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.

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*4 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

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

Investment securities (stocks)	463

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

March 31, 2009

*1 Pledged assets and secured liabilities

Assets pledged as collateral:

Cash and deposits	900
Real estate for sale	2,968
Real estate for sale in process	3,127
Buildings and structures	8,468
Land	12,388
Total	27,852

Liabilities secured by the above collateral:

Short-term borrowings	19,425
Long-term borrowings	1,025
Total	20,451

In addition to the above, other investments of ¥1,016 million were pledged as collateral for derivative transactions.

*2 Short-term investment securities are the Company's own corporate bonds totaling ¥1,124 million (face value ¥1,400 million).

*3 Accumulated impairment loss is included in "Accumulated depreciation."

*4 Guarantees

Guarantees were provided for the following affiliates:

Name of guaranteed company	Balance of liabilities guaranteed
Nursery Co., Ltd. (Borrowings)	116
Total	116

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

Investment securities (stocks)	202

*6 The Company and its subsidiary Sunstage Co., Ltd. entered into lending commitments with three banks and an insurance company for timely financing of working capital. The unexecuted balance granted under the lending commitments as of March 31, 2009 is summarized as follows:

(In millions of yen)

<table>
<tr><th>March 31, 2008</th><th>March 31, 2009</th></tr>
<tr><td>Total lending commitments 21,550
Executed loans 6,550
Unexecuted balance of lending commitments 15,000

―――――</td><td>Total lending commitments 8,500
Executed loans 8,500
Unexecuted balance of lending commitments —

*7 Restrictive financial covenants
Of the consolidated borrowings balance, up to ¥18,600 million is subject to restrictive financial covenants under relevant loan agreements.
The Company's consolidated subsidiary Sunstage Co., Ltd. recorded a non-consolidated ordinary loss for this fiscal year, contrary to the covenants under its ¥6,000 million loan agreement by which it pledged the maintenance of profit at the ordinary income level. However, this subsidiary has completed repayment in full of the subject borrowings in accordance with the agreed terms, without falling in the event of default.</td></tr>
</table>

Notes to the Consolidated Statements of Income

(In millions of yen)

<table>
<tr><th>For the year ended March 31, 2008</th><th>For the year ended March 31, 2009</th></tr>
<tr><td>*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</td><td>*1 The amount of inventories on the balance sheet at the fiscal year-end is the amount after book value reduction to reflect a decline in profitability. The amount of loss on such revaluation of inventories included in the cost of sales is as follows: 4,208</td></tr>
<tr><td>*2 Major items of selling, general and administrative expenses are as follows:
Freightage and packing expenses 8,686
Advertising expenses 16,333
Promotion expenses 5,232
Allowance for doubtful accounts 2,407
Provision for point program 380
Provision for loss on interest repayment 1,394
Salaries and allowances 8,927
Provision for bonuses 563
Provision for retirement benefits for directors and corporate auditors 8
Provision for retirement benefits 111
Communication expenses 6,971</td><td>*2 Major items of selling, general and administrative expenses are as follows:
Freightage and packing expenses 7,032
Advertising expenses 15,019
Promotion expenses 4,158
Allowance for doubtful accounts 3,653
Provision for point program 471
Provision for loss on interest repayment 1,686
Salaries and allowances 7,986
Provision for bonuses 305
Provision for retirement benefits for directors and corporate auditors 8
Provision for retirement benefits 130
Communication expenses 5,934</td></tr>
<tr><td>―――――</td><td>*3 Beginning this fiscal year, the line item previously presented as "Valuation loss on currency swaps and options" has been changed to "Loss on valuation of derivatives" in order to augment the comparability of financial statements addressing the addition of XBRL to the EDINET filing system.</td></tr>
</table>

(In millions of yen)

For the year ended March 31, 2008

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*5 Breakdown of loss on retirement of fixed assets is as follows:

Buildings and structures	2
Machinery, equipment and vehicles	0
Furniture and fixtures	0

*6 Breakdown of loss on valuation of investment securities is as follows:

Investment securities	935

———

For the year ended March 31, 2009

*4 Breakdown of gain on sales of fixed assets is as follows:

Buildings and structures	57
Machinery, equipment and vehicles	0

*5 Breakdown of loss on retirement of fixed assets is as follows:

Buildings and structures	24
Machinery, equipment and vehicles	1
Furniture and fixtures	3

*6 Breakdown of loss on valuation of investment securities is as follows:

Investment securities	1,559
Stocks of affiliated companies	211

*7 Impairment loss:

In this fiscal year, Belluna recorded impairment losses for the following asset groups:

Location	Usage	Category	Notes
Ageo City, Saitama	One set of operating systems	Tools, furniture and fixtures, software, etc.	Idle assets
Ichigaya-tamachi, Shinjuku-ku, Tokyo	Rental office building	Land, building, structures, etc.	Real estate for rent
Ebisu, Shibuya-ku, Tokyo	Rental office building	Land, building, structures, etc.	Real estate for rent

(Method of grouping assets)

In Belluna, operating assets are grouped by categories set for administrative accounting purposes, while rental real estates and idle assets are grouped individually.

(Impairment loss recognition process)

For the above real estates for rent that has suffered significant profitability declines due to the recent unpredictable aggravation of market conditions, the book values have been written down to the recoverable amounts, whereby impairment losses for such impaired amounts have been recorded. The book values of the above idle assets that have no prospect of future reuse have also been written down to the recoverable amounts, whereby impairment losses have been recorded for such impaired amounts.

(Calculation method of the recoverable amount)

The recoverable amounts of the asset groups were measured on the basis of their net sales values, whereby the actual assessment of buildings and land was made based on the valuation standard provided by real estate assessors, while fair values of tools, furniture and fixtures, software and long-term prepaid expenses were assessed as zero because of the

For the year ended March 31, 2008	For the year ended March 31, 2009
	difficulty in making reasonable estimation thereof. (Breakdown of the amount of impairment loss by category of fixed assets) The amount of the impairment losses consists of: ¥16 million for operating systems in Ageo City, Saitama (¥1 million for tools, furniture and fixtures, ¥10 million for software and ¥5 million for prepaid expenses), ¥1,125 million for the office building for rent in Ichigaya-tamachi, Shinjuku-ku, Tokyo (¥941 million for land and ¥183 million for the building), and ¥969 million for another office building for rent in Ebisu, Shibuya-ku, Tokyo (¥948 million for land, ¥15 million for the building and ¥5 million for construction in progress).

Notes to the Consolidated Statements of Changes in Net Assets

– For the year ended March 31, 2008 –

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

(Thousand of shares)

	As of March 31, 2007	Increase	Decrease	As of March 31, 2008
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 from the stock market and that 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 requests 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

– For the year ended March 31, 2009 –

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

(In thousands of shares)

	As of March 31, 2008	Increase	Decrease	As of March 31, 2009
Shares issued:				
Common stock	56,592	—	—	56,592
Total	56,592	—	—	56,592
Treasury stock:				
Common stock (Note)	5,464	1,001	—	6,465
Total	5,464	1,001	—	6,465

Note: The increase of 1,001 thousand shares of common stock in treasury was due to purchase of 1,000 thousand shares from the stock market and that of 1 thousand shares of less-than-a-unit shares.

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 27, 2008	Common stock	383	7.5	March 31, 2008	June 30, 2008
Board of Directors' meeting on October 31, 2008	Common stock	375	7.5	September 30, 2008	December 10, 2008

(2) Dividends with a record date during the year ended March 31, 2009, 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 26, 2009	Common stock	375	Retained earnings	7.5	March 31, 2009	June 29, 2009

Notes to the Consolidated Statements of Cash Flows

(In millions of yen)

For the year ended March 31, 2008	For the year ended March 31, 2009
————	*1 Beginning this fiscal year, the line item previously presented as "Valuation loss on currency swaps and options" has been changed to "Loss on valuation of derivatives" in order to augment the comparability of financial statements addressing the addition of XBRL to the EDINET filing system.
*2 The reconciliation between the fiscal year-end cash and cash equivalents in the consolidated statement of cash flows and cash and deposits in the consolidated balance sheet is as follows:	*2 The reconciliation between the fiscal year-end cash and cash equivalents in the consolidated statement of cash flows and cash and deposits in the consolidated balance sheet is as follows:

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

	As of March 31, 2009
Cash and deposits	19,511
Time deposits with original maturities of more than three months	(2,425)
Cash and cash equivalents	17,086

Notes Regarding Lease Transactions

(In millions of yen)

For the year ended March 31, 2008

Finance lease transactions other than those which are deemed to transfer the ownership of the leased assets to the lessee:

1. Acquisition cost, accumulated depreciation and fiscal year-end net carrying value of the leased items:

	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 over 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:

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

5. Calculation of interest expense:

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

For the year ended March 31, 2009

1. Finance lease transactions (as lessee):

Finance lease transactions that do not transfer the ownership of the leased assets to the lessee:

① Description of lease assets

(a) Tangible fixed assets (property, plant and equipment):
Tools, furniture and fixtures in use for the catalog and single-item mail order businesses

(b) Intangible fixed assets:
Software

② Depreciation method for lease assets:

The depreciation method employed is as stated in "4 (Significant accounting policies), item b (Depreciation and amortization)" of "Significant Accounting Policies" herein. Of the finance lease transactions that do not transfer the ownership of the leased assets, those for which the commencement day of lease transactions fell on or before March 31, 2008 are accounted for by applying an accounting treatment similar to that for ordinary rental transactions. Details of such lease transactions are as follows:

(1) Acquisition cost, accumulated depreciation and fiscal year-end net carrying value of the leased items:

	Acquisition cost	Accumulated depreciation	Year-end net carrying value
Machinery, equipment and vehicles	1,912	1,211	700
Furniture and fixtures	1,928	1,018	909
Other	877	506	370
Total	4,718	2,737	1,981

(2) Future minimum lease payments:

Due within one year	695
Due over one year	1,349
Total	2,044

(3) Lease expense, depreciation and interest expense:

Lease expense	1,173
Depreciation	1,086
Interest expense	57

(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:

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

(Impairment loss)

None attributed to leased assets.

Notes Regarding Securities

1. Trading securities: None applicable

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

3. Marketable available-for-sale securities:

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

Type of securities	Acquisition cost (Millions of yen)	Carrying amount (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 (a)	502	636	134

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

Type of securities	Acquisition cost (Millions of yen)	Carrying amount (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 (b)	5,181	3,575	(1,606)
Total (a+b)	5,684	4,212	(1,472)

– As of March 31, 2009–
Securities with carrying amount on balance sheet exceeding acquisition cost:

Type of securities	Acquisition cost (Millions of yen)	Carrying amount (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Stocks	25	32	6
Bonds			
Japanese national and local government bonds	—	—	—
Corporate bonds	1,133	1,185	51
Other bonds	—	—	—
Other	—	—	—
Subtotal (a)	1,159	1,217	58

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

Type of securities	Acquisition cost (Millions of yen)	Carrying amount (Millions of yen)	Unrealized gain (loss) (Millions of yen)
Stocks	1,634	321	(1,313)
Bonds			
Japanese national and local government bonds	—	—	—
Corporate bonds	99	69	(30)
Other bonds	—	—	—
Other	650	345	(305)
Subtotal (b)	2,385	736	(1,649)
Total (a+b)	3,544	1,953	(1,590)

Note: For the fiscal year ended March 31, 2009, the Company recorded ¥1,514 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 70 to 50% of its acquisition cost, the impairment is also recorded for an amount deemed necessary upon giving consideration to the recoverability of the fair value.

4. Available-for-sale securities sold during years ended March 31, 2008 and 2009:

– For the year ended March 31, 2008 –

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

– For the year ended March 31, 2009 –

Proceeds of sales (Millions of yen)	Gain on sales (Millions of yen)	Loss on sales (Millions of yen)
2,385	64	388

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

Category	March 31, 2008	March 31, 2009
	Amount on the consolidated balance sheet (Millions of yen)	Amount on the consolidated balance sheet (Millions of yen)
Held-to-maturity securities:		
Other	—	—
Available-for-sale securities:		
Unlisted stocks	460	290
Other	3,024	2,451

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

– 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 bonds	—	—	—	—
Other	225	610	1,038	0
Total	225	610	1,038	216

– As of March 31, 2009 –

	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	1,124	69	—	60
Other bonds	—	—	—	—
Other	206	1,057	81	—
Total	1,331	1,127	81	60

Notes Regarding Derivatives

1. Transaction-related matters:

For the year ended March 31, 2008	For the year ended March 31, 2009
(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 the hedging of currency and interest rate risk exposure and does not use derivatives for speculative purposes.	(2) Policy of utilization of derivative instruments 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 instruments 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, 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)

– As of March 31, 2009 –

	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$	4,374	3,152	4,093	(281)
	HK$	227	—	202	(24)
	Euro	—	—	—	—
	Total	4,601	3,152	4,295	(306)

Note: Calculation method of fair value:
Fair values are determined based on the information provided by financial institutions.

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 for employees as defined benefit pension plans.

2. Retirement benefit obligations:

(In millions of yen)

Category	As of March 31, 2008	As of March 31, 2009
① Projected benefit obligation	(835)	(767)
② Fair value of pension plan assets	576	456
③ Unfunded benefit obligation (①+②)	(258)	(311)
④ Unrecognized actuarial differences	76	69
⑤ Balance on the consolidated balance sheet (③+④)	(181)	(242)
⑥ Prepaid pension cost	—	1
⑦ Provision for retirement benefits (⑤–⑥)	(181)	(243)

Note: Certain subsidiaries apply simplified methods for the calculation of benefit obligations.

3. Components of net periodic retirement benefit costs:

(In millions of yen)

Category	For the year ended March 31, 2008	For the year ended March 31, 2009
① Service cost	103	118
② Interest cost	16	16
③ Expected return on plan assets	(15)	(14)
④ Amortization of actuarial differences	7	10
⑤ Net periodic retirement benefit costs (①+②+③+④)	111	130

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

Category	As of March 31, 2008	As of March 31, 2009
① Discount rate	2.00%	2.23%
② Expected rate of return on plan assets	2.50%	2.50%
③ Allocation method of projected benefit obligation	Straight-line method	Same as at left
④ Amortization period of 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 of 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, 2008

1. Significant components of deferred tax assets and liabilities:

	(Millions of yen)
Deferred tax assets:	
Excess provision for bonuses	256
Excess allowance for doubtful accounts	450
Excess provision for sales returns	33
Excess provision for point program	153
Excess provision for loss on interest repayment	738
Bad debt expenses	197
Addition to 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
Addition to 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

For the year ended March 31, 2009

1. Significant components of deferred tax assets and liabilities:

	(Millions of yen)
Deferred tax assets:	
Excess provision for bonuses	137
Excess allowance for doubtful accounts	1,097
Excess provision for sales returns	25
Excess provision for point program	190
Excess provision for loss on interest repayment	968
Bad debt expenses	293
Addition to provision for product repairs	0
Loss on valuation of investment securities	537
Loss on valuation of investments in capital	202
Loss on valuation of stocks of affiliated companies	166
Provision for retirement benefits	98
Loss on valuation of real estate for sale	1,440
Foreign currency valuation gains (losses)	597
Excess impairment loss of fixed assets	881
Unrealized gains (losses) on available- for- sale securities	30
Other	410
Deferred tax assets subtotal	7,078
Valuation reserve	(4,320)
Deferred tax assets total	2,758
Deferred tax liabilities:	
Other	(38)
Deferred tax liabilities total	(38)
Net deferred tax assets	2,719

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

This information is omitted as the Company recorded net loss for this fiscal year.

Segment Information

Business segment information

– For the year ended March 31, 2008 –

	Catalog	Single-item Mail Order	Advanced Finance	BOT	Karemu	Property	Other	Total	Eliminations/ Corporate	Consolidated
	(Millions of yen)									
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 categories of business operations within the Belluna Group.

2. Description of business segments:

(1) Catalog	Catalog-based mail order sales of daily life-related merchandise and related services.
(2) Single-item Mail Order	Single-item mail order sales focusing on specific items, such as foods, cosmetics and supplements.
(3) Advanced Finance	Consumer loan services and secured loan services.
(4) BOT	Businesses consigned to the Company, including operations on inserting leaflets for other companies into the Company's merchandise catalogs or merchandise packages and dispatching them together.
(5) Karemu	Sales of Japanese traditional clothes and related merchandise.
(6) Property	Rent of real estate, remodeling and development of real estate, etc.
(7) Other	Wholesale businesses, etc.

3. No unallocated operating expenses are included in "Eliminations/Corporate."
4. Of the assets, the corporate assets in the amount of ¥695 million included in "Eliminations/corporate" are composed of the Company's buildings for rent and land.
5. Depreciation and capital expenditures include long-term prepaid expense and depreciation related thereto.

– For the year ended March 31, 2009 –

	(Millions of yen)								
	Catalog	Single-item Mail Order	Advanced Finance	BOT	Property	Other	Total	Eliminations/ Corporate	Consolidated
I. Net sales and operating income:									
Net sales									
(1) Sales to third parties	66,406	25,210	8,391	1,610	2,835	5,457	109,912	—	109,912
(2) Inter-segment sales	97	0	—	198	12	14	323	(323)	—
Total	66,504	25,210	8,391	1,808	2,848	5,471	110,235	(323)	109,912
Operating expenses	66,210	22,471	8,265	890	5,685	5,652	109,176	(485)	108,690
Operating income (or loss)	294	2,738	126	918	(2,837)	(181)	1,059	162	1,221
II. Assets, depreciation and capital expenditures:									
Assets	66,702	12,474	41,557	504	15,256	2,790	133,285	582	133,868
Depreciation	1,251	221	25	9	138	36	1,682	8	1,690
Impairment loss	16	—	—	—	2,094	—	2,111	—	2,111
Capital expenditures	3,443	981	7	13	125	163	4,735	—	4,735

Notes: 1. Businesses segments are classified based on categories of business operations within the Belluna Group.

2. Description of business segments:

(1) Catalog	Catalog-based mail order sales of daily life-related merchandise and related services.
(2) Single-item Mail Order	Single-item mail order sales focusing on specific items, such as foods, cosmetics and supplements.
(3) Advanced Finance	Consumer loan services and secured loan services.
(4) BOT	Businesses consigned to the Company, including operations on inserting leaflets for other companies into the Company's merchandise catalogs or merchandise packages and dispatching them together.
(5) Property	Rent of real estate, remodeling and development of real estate, etc.
(6) Other	Wholesale businesses, etc.

3. No unallocated operating expenses are included in “Eliminations/Corporate.”

4. Of the assets, the corporate assets in the amount of ¥582 million included in “Eliminations/corporate” are composed of the Company’s employee welfare facilities.

5. Depreciation and capital expenditures include long-term prepaid expense and depreciation related thereto.

6. Reclassification of business segments:

In prior years, the Company reported business segment information in seven categories: Catalog, Single-item Mail Order, Advanced Finance, BOT, Karemu, Property, and Other. Of these, Karemu lost materiality as a reporting segment as in June 2008 the Company withdrew from the exhibition sales operation, a principal line of this business segment. Accordingly, beginning this fiscal year, the Company changed the reporting business segments to six categories by combining the Karemu segment (which became less material) into the Other segment.

This change caused sales of the Other segment to increase by ¥3,544 million and operating income of this segment to decrease by ¥243 million, compared with the amounts under the previous classification.

7. Accounting change:

(Change in valuation basis and valuation method of significant assets)

In prior years, of the inventories held for ordinary sales purposes, merchandise had been accounted for at the lower of cost determined by the moving average method or market value, and real estate for sale and real estate for sale in process at cost by the individual price method. Beginning this fiscal year, however, the Company applied the “Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9 issued on July 5, 2006),” whereby merchandise is now accounted for at cost determined by the moving average method (with the book value reduction method based on a decline in profitability for balance sheet carrying amounts), and real estate for sale and real estate for sale in process at cost by the individual price method (with the book value reduction method based on a decline in profitability for balance sheet carrying amounts). This change caused operating loss of the Property segment to increase by ¥3,388 million for this fiscal year.

(Accounting standard for lease transactions)

As stated in “Changes in Significant Accounting Policies” herein, the Company has applied the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13 issued on June 17, 1993, as revised on March 30, 2007) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16 issued on January 18, 1994, as revised on March 30, 2007). The effect of this change on the Company's consolidated financial statements is insignificant.

(Application of the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”)

Effective from this fiscal year, the Company applied the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18 issued on May 17, 2006), thereby adding certain adjustments necessary for consolidated accounting. This change did not have a material effect on the Company's consolidated financial statements.

Geographical segment information

– For the years ended March 31, 2008 and 2009

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 years ended March 31, 2008 and 2009

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

Related Party Transactions

– For the year ended March 31, 2008 –

(1) Parent company and major corporate shareholders

Attribution	Name	Address	Capital stock (Millions of yen)	Business line	Relation Ownership (%)			Nature of transaction	Transaction amount (Millions of yen)	Account title	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 taxes are not included in the above transaction amounts.
2. Kiyoshi Yasuno, President of the Company and his close family members 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.

– For the year ended March 31, 2009 –

(Additional information)

Effective from this fiscal year, the Company applied the "Accounting Standard for Related Party Disclosures" (ASBJ Statement No. 11 issued on October 17, 2006) and the "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13 issued on October 17, 2006), whereby significant subsidiaries of the Company have been newly added to the scope of disclosure.

Transactions with related parties:

(1) Parent company and major corporate shareholders

(a) Parent company and major shareholders of the entity filing consolidated financial statements (limited to corporations, etc.):

Attribution	Name	Address	Capital stock (Millions of yen)	Business line	Ownership of voting rights	Relations		Nature of transaction	Transaction amount (Millions of yen)	Account title	Balance at year-end
						Concurrent directors	Business relation				
Major shareholder	Friend Stage, Ltd. (note 2)	Ageo, Saitama	50	Seal stamp distributor	Directly owned 15.6%	1	Acquisition of shares of Ozio Co., Ltd.	Acquisition of shares of Ozio Co., Ltd.	111	Stocks of affiliated companies	—

(b) Directors and major shareholders of the entity filing consolidated financial statements (limited to individuals):

Attribution	Name	Address	Capital stock (Millions of yen)	Business line or vocation	Ownership of voting rights	Relation		Nature of transaction	Transaction amount (Millions of yen)	Account title	Balance at year-end
						Concurrent directors	Business relation				
Director and his or her close family members	Kiyoshi Yasuno	Ageo, Saitama	—	Representative Director of the Company	Directly owned 21.2%	—	Acquisition of shares of Ozio Co., Ltd.	Acquisition of shares of Ozio Co., Ltd.	557	Stocks of affiliated companies	—
Director and his or her close family members	Akiko Yasuno	Ageo, Saitama	—	Representative Director of Ozio Co., Ltd.	Directly owned 0.1%	—	Acquisition of shares of Ozio Co., Ltd.	Acquisition of shares of Ozio Co., Ltd.	167	Stocks of affiliated companies	—
Director and his or her close family members	Junko Shishido	Ageo, Saitama	—	Representative Director of the Company	Directly owned 0.0%	—	Acquisition of shares of Ozio Co., Ltd.	Acquisition of shares of Ozio Co., Ltd.	55	Stocks of affiliated companies	—

(2) Transactions of the consolidated subsidiaries of the entity filing consolidated financial statements with related parties

(a) Parent company and major shareholders of the entity filing consolidated financial statements (limited to corporations, etc.):

Attribution	Name	Address	Capital stock (Millions of yen)	Business line	Ownership of voting rights	Relation		Nature of transaction	Transaction amount (Millions of yen)	Account title	Balance at year-end
						Concurrent directors	Business relation				
Major shareholder	Nihon Ribowaru Co. (note 2)	Ageo, Saitama	16	Real estate renting	Directly owned 8.7%	1	Collateral provided	Collateral provided	(note 4)	—	—
Major shareholder	Friend Stage, Ltd. (note 2)	Ageo, Saitama	50	Seal stamp distributor	Directly owned 15.6%	1	Collateral provided	Collateral provided	(note 4)	—	—

(b) Directors and major shareholders of the entity filing consolidated financial statements (limited to individuals):

Attribution	Name	Address	Capital stock (Millions of yen)	Business line	Ownership of voting rights	Relation		Nature of transaction	Transaction amount (Millions of yen)	Account title	Year-end balance (Millions of yen)
						Concurrent directors	Business relation				
Company in which Director and his or her close family members hold a majority voting interest	Creative Apis Co., Ltd. (note 2)	Chuo-ku, Tokyo	10	Mail-order sales	Indirectly owned: 21.2%	1	Business funds rending	Collection of funds	300	Trade loans	—
								Rending of funds (note 3)	195	Trade loans	195
								Receipt of interest (note 3)	11	Accrued income	0

Notes: 1. Consumption taxes are not included in the above transaction amounts.
2. Mr. Kiyoshi Yasuno, the Company's Representative Director, and his close family members directly own 100% voting rights.
3. Terms and conditions of the transaction and the policy for determination thereof:
(1) The acquisition price of Ozio Co., Ltd. shares has been agreed on negotiation following the board of directors' resolutions based upon the third party's assessment of the fair value of the shares.
(2) The interest rates of the trade loans are determined by referring to market interests.
4. For the borrowings from banks of the Company's consolidated subsidiaries, buildings owned by Friend Stage, Ltd. and those owned by Nihon Ribowaru Co. have been provided as collateral (joint collateral: the maximum fixed mortgage amount set at ¥4,500 million).

Per Share Information

(In yen)

For the year ended March 31, 2008		For the year ended March 31, 2009	
Net assets per share	1,254.05	Net assets per share	1,073.46
Basic net income per share	66.14	Basic net income (loss) per share	(173.72)
Diluted net income per share	61.78	In the above, the amount of diluted net income per share is not presented since a net loss per share was recorded in the fiscal year under review; however, there remain outstanding securities with dilutive effect.	

Note: Basis for the calculation of basic net income (loss) per share and diluted net income per share is as follows:

	For the year ended March 31, 2008	For the year ended March 31, 2009
Basic net income (loss) per share:		
Net income (loss) (millions of yen)	3,435	(8,763)
Amount not attributable to holders of common stock (millions of yen)	—	—
Net income (loss) attributable to holders of common stock (millions of yen)	3,435	(8,763)
Average number of shares during the year (thousands of shares)	51,942	50,444
Diluted net income per share:		
Adjustments to net income (millions of yen)	71	—
(Interest expense, net of tax, included in the above) (millions of yen)	(71)	(—)
(Handling fee, net of tax, included in the above) (millions of yen)	(—)	(—)
Increase in number of shares of common stock (thousands of shares)	4,826	—
(Increase in number of shares upon conversion of convertible bonds, included in the above) (thousands of shares)	—	—
(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)	(4,826)	—
Securities with no dilutive effect excluded from the calculation of diluted net income per share	—	—

Significant Subsequent Events

None applicable

Supplementary Schedules

Bonds

Company name	Description	Date of issue	March 31, 2008 (Millions of yen)	March 31, 2009 (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. No amount is scheduled to be redeemed within one 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 (yen)	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 shall be the face amount of the bonds.

3. Redemption schedule over the next five years is as follows:

(In 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, 2008 (Millions of yen)	March 31, 2009 (Millions of yen)	Average interest rate	Repayment date
Short-term borrowings	21,118	17,213	1.95%	—
Current portion of long-term borrowings (due within 1 year)	15,558	13,797	2.31%	—
Current portion of lease obligations (due within 1 year)	—	107	3.24%	—
Long-term borrowings (except current portion)	7,894	1,074	2.31%	From 2010 to 2017
Lease obligations (except current portion)	—	426	3.24%	From 2010 to 2014
Other interest-bearing liabilities	—	—	—	—
Total	44,571	32,619	—	—

Notes:

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

(In millions of yen)

Due in	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term borrowings	281	233	237	162
Lease obligations	110	114	118	80

Other

Quarterly information for the current fiscal year

(In millions of yen)

	First quarter ended June 30, 2008	Second quarter ended September 30, 2008	Third quarter ended December 31, 2008	Fourth quarter ended March 31, 2009
Sales	31,113	23,532	31,152	24,113
Income (loss) before income taxes and minority interests	2,684	(1,605)	167	(8,527)
Net income (loss)	1,442	(998)	(130)	(9,076)
Net income (loss) per share (in yen)	28.21 yen	(19.82 yen)	(2.60 yen)	(181.07 yen)

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 Website:
http://www.belluna.co.jp/ir/library/financial

Corporate Data (as of March 31, 2009)

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
1,064

Directors and Corporate Auditors (as of June 26, 2009)
President and Representative Director
Kiyoshi Yasuno

Senior Managing Director
Takeo Shimano

Directors
Junko Shishido
Masakazu Oikawa
Toshio Takahashi
Shigeru Sudo
Yuichiro Yasuno

Standing Corporate Auditor
Shuji Fujita

Corporate Auditors
Isao Nakamura*
Yukimitsu Watabe*

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.
Belluna Mailing Service Co., Ltd.

Investor Information (as of March 31, 2009)

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

Number of Shares Issued and Outstanding
56,592,274

Number of Shareholders
7,781

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	21.14
Friend Stage Co., Ltd.	15.59
Nihon Ribowaru Inc.	8.70
BBH for Fidelity Low Price Stock Fund	7.68
Japan Trustee Services Bank, Ltd. (Trust Account)	4.79
Kimi Yasuno	3.32
The Nomura Trust and Banking Co., Ltd.	2.37
Sumitomo Mitsui Banking Corporation	2.24
The Ashikaga Bank, Ltd.	2.10
The Master Trust Bank of Japan, Ltd. (Trust Account)	1.67

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