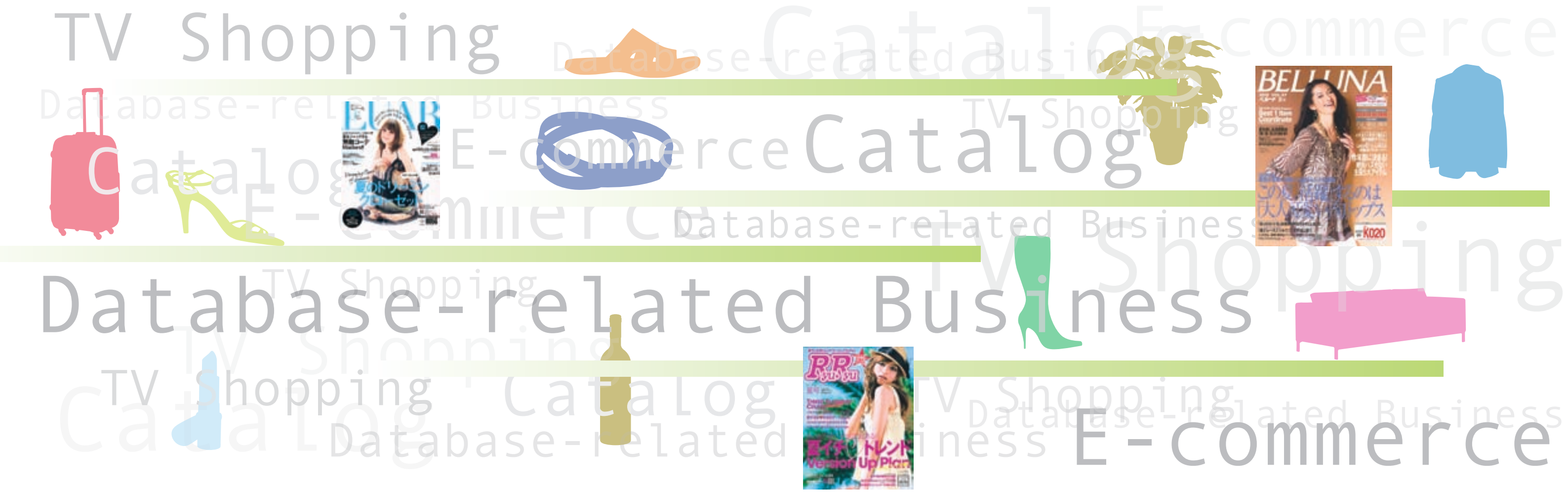
BELLUNA



BELLUNA CO., LTD.

ANNUAL REPORT 2010

For the year ended March 31, 2010

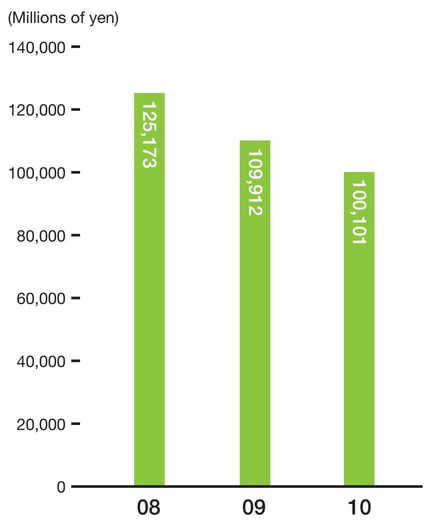
Financial Highlights

Belluna Co., Ltd. and Consolidated Subsidiaries

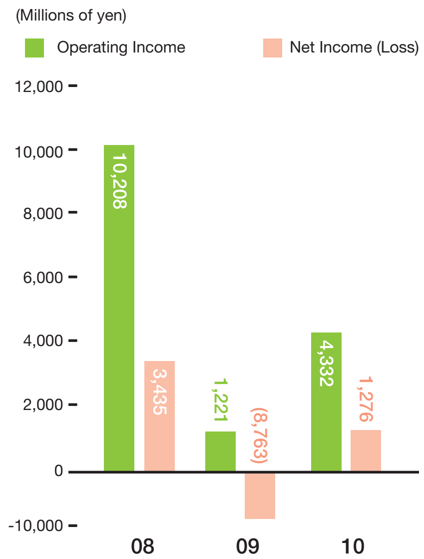
Years ended March 31, 2008, 2009 and 2010

	Millions of yen			Thousands of U.S. dollars
Years ended March 31	2008	2009	**2010**	**2010**
For the year:				
Net sales	¥125,173	¥109,912	**¥100,101**	**$1,075,892**
Operating income	10,208	1,221	**4,332**	**46,560**
Net income (loss)	3,435	(8,763)	**1,276**	**13,714**
At year-end:				
Net assets	¥ 64,327	¥ 53,808	**¥ 54,217**	**$ 582,727**
Total assets	160,707	133,868	**119,703**	**1,286,575**
Per share data (in yen):				
Net income (loss) per share	¥66.14	¥(173.72)	**¥25.47**	**$0.27**
Cash dividends per share	15	15	**15**	**0.16**

Note: The U.S. dollar amounts have been translated from yen, for the convenience of the reader, at the rate of ¥93.04 = US$1.00, the approximate rate on the Tokyo foreign exchange market on March 31, 2010.



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.

We are focused on restructuring our business portfolio, which is centered on mail order-related businesses, by continuously working to increase the number of active members.

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

In the fiscal 2010, the year ended March 31, 2010, the Japanese economy moved past the worst phase of the global recession—which was triggered by the U.S. financial crisis—while signs of recovery in corporate earnings began to appear due mainly to an increase in exports to Asia and the implementation of a series of inventory adjustments. However, such uncertainties as financial instability in Europe persisted along with the accompanying drastic changes in foreign currency exchange rates and unsettled financial markets.

In Japan, consumer spending was partially boosted by economic measures that included eco-points. Nevertheless, with no indications of improvement in employment and wage conditions, it is unlikely that deflationary pressure will weaken given the dampening of consumer spending in favor of saving money and the demand for lower prices.

Under these circumstances, consolidated net sales for the fiscal year under review declined 8.9% year on year to ¥100,101 million. Turning to earnings, ordinary income improved from a loss of ¥2,239 million during the previous fiscal year to a profit of ¥4,267 million for the current fiscal year. This change was mainly the result of successful efforts to reduce costs through such measures as improving media efficiency; significant drops in valuation losses for real estate for sale and provisions for defaults and loss on interest repayment; and a positive turnaround from a foreign exchange loss in fiscal 2009 to a foreign exchange gain during fiscal 2010. Net income during the fiscal year under review stood at ¥1,276 million due to Belluna recording a loss on the revaluation of investments in securities.

Q2 What progress was made concerning Belluna's efforts to maintain a healthy balance sheet during the previous fiscal year?

As a result of our efforts to maintain a healthy balance sheet, total assets amounted to ¥119,703 million, a decrease of 10.6% compared with the previous fiscal year. At the same time, net assets increased 0.8% year on year to ¥54,217 million, while the shareholders' equity ratio at the end of the period under review rose 5.1 percentage points to 45.3%. Against this backdrop, the Advanced Finance business reduced its outstanding balance of trade loans from ¥41,642 million to ¥29,090 million a decrease of by 30.2%. Consequently, interest-bearing liabilities fell 29.7% year on year to ¥37,325 million.

Moreover, the Company possesses ¥6,100 million worth of unamortized straight bonds that will reach maturity in September 2010. However, we ensured that approximately 90% of this amount had been retained as of March 31, 2010 in order to repay such bonds. At the same time, net cash provided by operating activities during fiscal 2010 increased ¥3,329 million compared with the previous fiscal year to ¥21,222 million. Net cash used in financing activities during the fiscal year under review amounted to ¥14,788 million, an increase compared with the previous fiscal year.

Belluna will continue to place a priority on efforts to maintain a healthy balance sheet. To this end, we will continue to promote reductions in the Advanced Finance and Property businesses while preparing the financial resources necessary to repay straight and convertible bonds.

Q3 What measures has Belluna taken to help its database-related businesses recover?

We focused on increasing the number of active members in order to facilitate a recovery in our database-related businesses, which are centered on the Catalog business. For this reason, we enhanced low-priced products that accurately meet customer needs and worked to increase the level of our service by substantially reducing delivery lead times from an average of 14 days to 4. Regarding efforts undertaken over the past several years to improve our level of service, we renewed each system, upgraded our infrastructure and improved operational flow. In addition, the success of timely and flexible price-related strategies in the area of product policies has enabled us to effect a recovery in the number of active members in the Catalog business from the third quarter of fiscal 2010 onward. Likewise, the sales composition ratio increased more than 40% in our upgraded E-commerce operations, particularly among young women. Reflecting this shift, E-commerce's presence in the Company is growing as it plays a major role in the development of new customers. Owing to improved media efficiency due to the increase in active members, operating income margin for the Catalog business improved from 0.3% to 1.3%.

Q4 What are your thoughts regarding the type of portfolio management approach that must be taken in the future?

Aiming to be a general merchant company, Belluna is working to develop its portfolio management approach and is focusing on a database-centered model for business expansion.

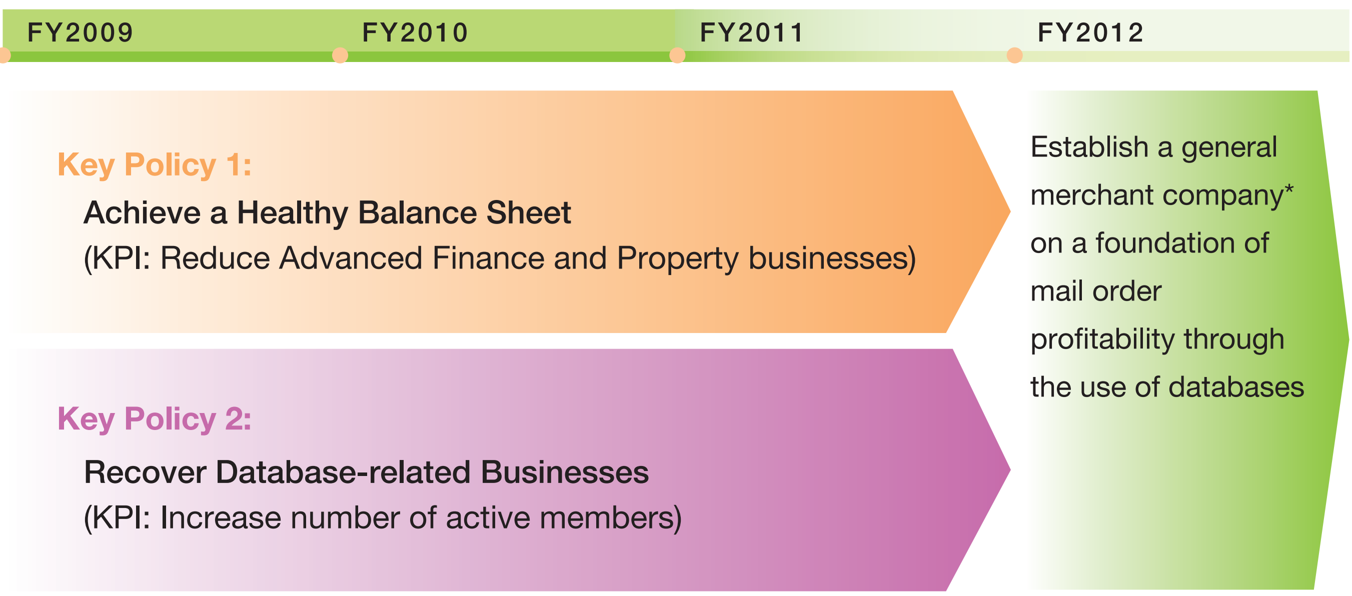
Previously, the Company was dependent on a business model that emphasized the growth potential and profitability of the Catalog business. Knowing that such a model is insufficient for ensuring success amid harsh competitive market conditions, we developed multiple sales and profit centers, including the Single-Item Mail Order and BOT businesses. Through these actions, we are reducing our dependence on the Advanced Finance and Property businesses (which have been impacted by significant changes in operating conditions), while undertaking measures that place the highest priority on recovering profitability in the Catalog business.

During the fiscal year under review, we focused on measures to increase the number of active members in the core Catalog business. Our success in initiating a recovery in this business is thanks to earnest efforts to implement policies based on the Company's fundamental concept of being customer driven and costumer focused. In addition to meticulously undertaking low-cost operations and ensuring solid earnings, we will strive to expand and maintain the number of active members with the aim of achieving sustainable long-term growth and being a company that is supported by customers.

Favorable sales in the Catalog business have a ripple effect that not only positively impacts the Catalog business, but every other business that makes use of Belluna's databases. In light of this momentum, we are aiming to expand these businesses further. We will also develop mail-order derived businesses that utilize infrastructure and know-how cultivated in our mail-order operations, including commission and wholesale services. By moving in this direction, we will build a solid business foundation that is supported by multiple sales and profit pillars.

The entire Belluna Group will expand its businesses centered on databases cultivated through the accumulation of

Direction and Progress of the Company



customer contacts, in line with the Group concept of being customer driven and customer focused. To this end, we will provide a wide array of products and services in order to attract more customers (active members).

Q5 Please explain the initiatives Belluna is taking to strengthen compliance as well as its corporate governance system.

Belluna focuses on ingraining the idea of ethically sound operations as an integral part of its corporate culture among its employees, particularly through its structures, systems and fundamental policies, by continuing to bolster its corporate governance system (which includes compliance).

Established in September 2009, the Compliance Committee (which includes corporate lawyers) is held each month and reports problems and other matters to the Board of Directors. Belluna also makes thorough efforts to prevent the recurrence of problems and has established a "compliance day" and a "product safety day," which are held every July and December, respectively. In addition to the above initiatives, we not only maintain a system that includes holding workshops on rules to prevent insider trading and emphasizing the importance of compliance at Companywide meetings, we undertake activities to change attitudes and raise awareness with regard to compliance.

Instead of becoming lax about our awareness of compliance-related problems, Belluna will continue to make earnest efforts to regain the trust of society by improving the functions of its corporate governance system.

Q6 In closing, what message do you have for shareholders?

Taking into account strategic investments intended to improve yearly performance and medium-term growth, Belluna places a priority on continually paying stable dividends. In combination with an interim dividend of ¥7.5, the Company maintained its total annual dividend at ¥15 per share. 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.

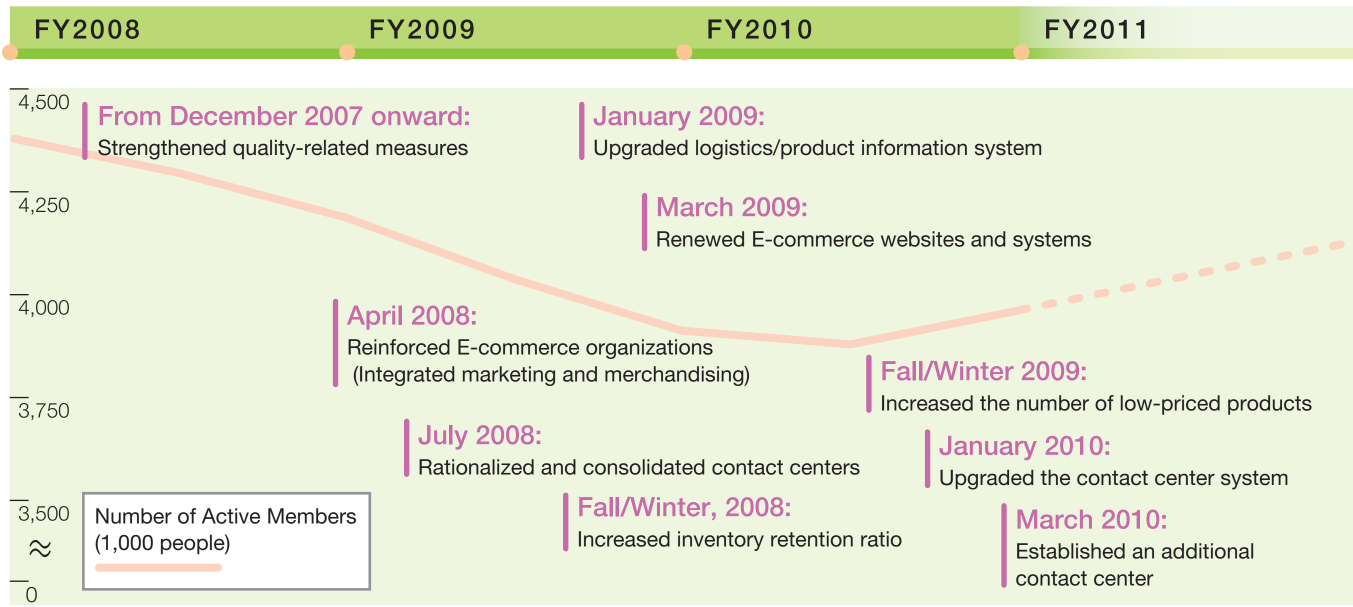
September 2010

安野清

Kiyoshi Yasuno

President and Representative Director

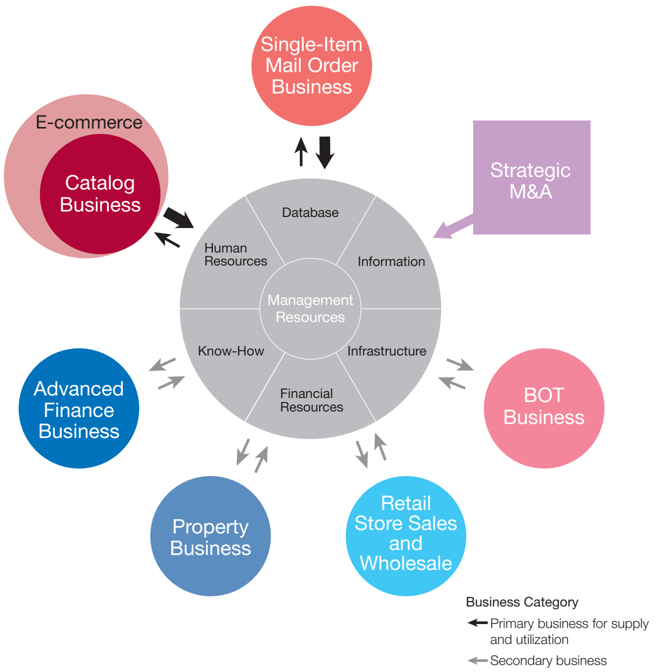
Initiatives to Recover Database-Related Business



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

Belluna Co., Ltd. possesses a database of over 1.2 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 the Single-Item Mail Order and Belluna Operation Trust (BOT) businesses, both of which are expected to grow and increase in profitability.

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 create a new business model, establishing itself as a general merchant company that further advances the general mail order business.

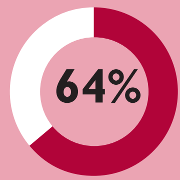


*From March 2011 onward, the names of Belluna's business segments will be changed to the following in order to further strengthen Group management.

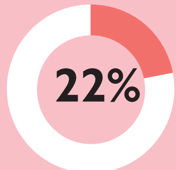
Catalogue business	→	General Mail Order business
Single-Item Mail Order business	→	Specialty Mail Order business
Belluna Operation Trust (BOT) business	→	Solution business
Advanced Finance business	→	Finance business

Percentage of Net Sales

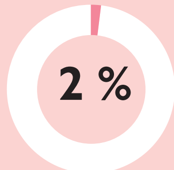
Catalog Business



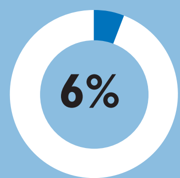
Single-Item Mail Order Business



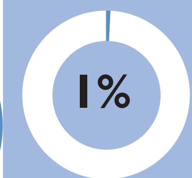
BOT Business



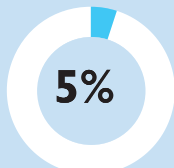
Advanced Finance Business



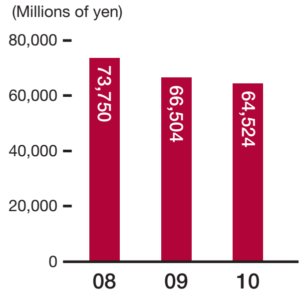
Property Business

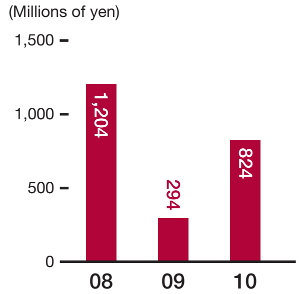


Other Business

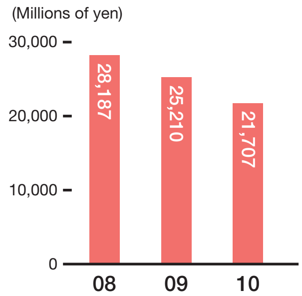


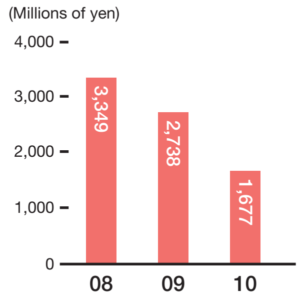
Net Sales	Operating Income (Loss)	Business Outline



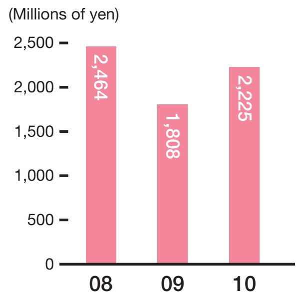


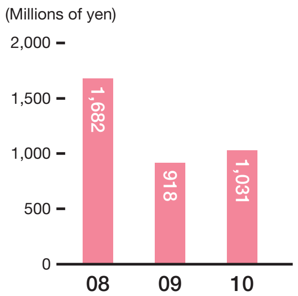
Belluna's core operation, the Catalog business handles general mail order sales for a wide range of products. Targeting different generations of consumers, we publish leaflets and catalogs that cover apparel and sundry goods. We are enhancing services via the Internet for home PCs and mobile phones, thereby expanding our customer base, particularly among young women.



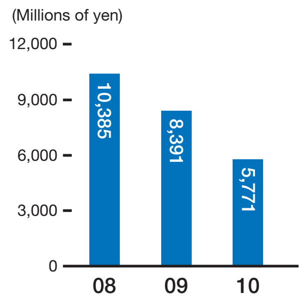


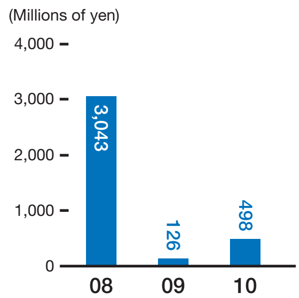
The Single-Item Mail Order business, one of the Company's profit drivers, specializes in such products as food, wine, cosmetics and health food. The products sold in this business tend to attract repeat orders for the same product by the same customer, a major factor contributing to the high profits the business generates.



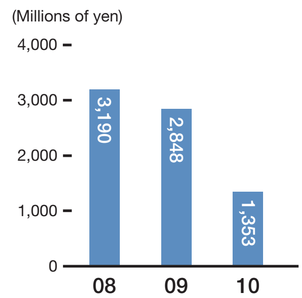


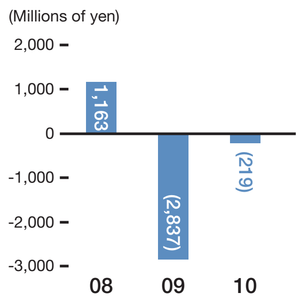
In the Belluna Operation Trust (BOT) business, Belluna provides its corporate clients with charged services to enclose and mail out their sales promotion materials with catalogs and products that the Company sends out to its customers. Belluna also offers order-processing, direct marketing and product dispatch services on a commission basis by taking advantage of its service infrastructure.



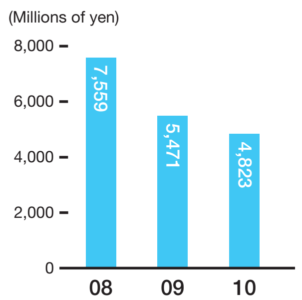


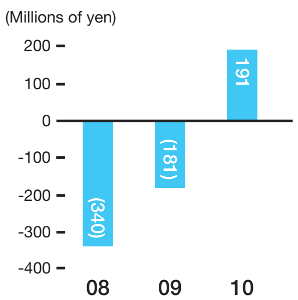
The Advanced Finance business provides consumer financing services that utilize the extensive customer database compiled by Belluna's mail order sales business. Leveraging our know-how in consumer financing services, we also provide collateralized financing services to corporate clients and financing services in South Korea.





Major operations in the Property business include the leasing of space in commercial buildings and high-value-added real estate redevelopment projects.





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.

Catalog Business

Performance Highlights

As a result of strengthened services and an expansion of low-priced products, sales during the second half of fiscal 2010 began to increase. However, since such gains were unable to recoup losses incurred in the first half, net sales for the full fiscal year fell 3.0% year on year to ¥64,524 million.

At the same time, operating income jumped 180.2% compared with the previous fiscal year to ¥824 million thanks to improved profitability resulting from an increase in repeat customers.

Overview

In a severe operating environment characterized by thriving Internet and TV mail order businesses, intensifying competition with retail stores, and a retail environment in which consumers are favoring low-priced products, the decrease in the number of active members has become noticeable in recent years. Impacted by these conditions, Belluna has returned to its core philosophy of being a company that is customer-driven and customer-focused. To this end, the Company began promoting fundamental overhaul of its products (prices and quality) and services (including points of contact with customers and delivery operations) in 2006. In fiscal 2010, Belluna focused on changing the price structure and strengthening services. At the same time, we renewed our operating systems to support these efforts. The effect of expanding the number of low-priced products on offer was significant, particularly from the 2009 fall/winter season onward, and led to a recovery in sales during the second half of the fiscal year under review. For the full fiscal year, although this recovery was unable to make up for losses sustained in the first half, we were able to undertake preparations for the next growth stage owing to an increase in active membership.

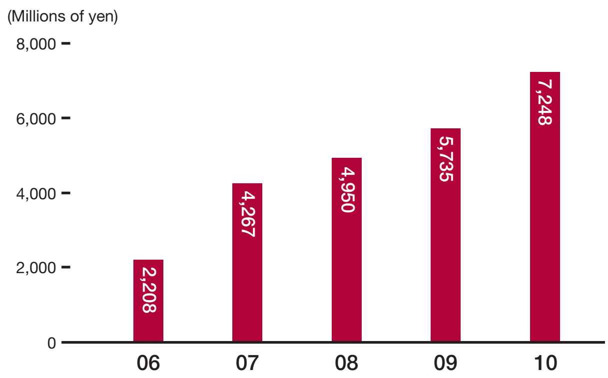
Outlook

Promoting consumer enthusiasm facilitates the controlling of costs and improves profitability in the form of increased sales. By increasing the ratio of repeat customers, improvements can be made in the form of curbing paper usage/catalog delivery expenses and increasing the ratio of Internet usage. We also expect rises in the ratio of repeat customers to further ameliorate the ratio of media costs. As part of measures to maintain and increase the number of active memberships, Belluna is also working to continually increase the ratio of repeat customers by improving products and services. While undertaking these measures, we will focus on increasing new customer sign-ups. In addition to Internet-based mail order sales, which have been brisk (see below), we are investigating the development and enhancement of such new channels as television-based shopping as a tool to facilitate new customer sign-ups. Due to a recent rapid recovery, concerns have arisen about an increase in operational costs following a rise in the number of transactions taking place at our distribution and call centers. In order to appropriately cope with this situation, we are working to undertake low-cost operations.

E-Commerce

Recently, E-commerce-related sales have been favorable. In particular, thanks to a notable increase in sales among young women in their 20s and 30s, E-commerce accounted for by sales to young women exceeded 40%. Consequently, the overall E-commerce sales ratio stood at 11.6%, an increase of 2.7 percentage points compared with the previous fiscal year.

Against this backdrop, Belluna expanded its lineup of low-cost products during the fall and winter of 2009, and saw improvements in sales efficiency stemming from an increase in the level of service being provided. Although our current focus is young women, if we can effectively cultivate the highly IT-literate middle-aged female segment, we can expect a substantial rise in sales.



Net Sales in E-Commerce

Single-Item Mail Order Business

Performance Highlights

Net sales fell 13.8% year on year to ¥21,707 million, while operating income decreased 38.7% to ¥1,677 million. These declines were attributable to a withdrawal from business operations by overseas subsidiaries and an increase in media costs following the launch of new brands by Refre Co., Ltd.

Overview

The Single-Item Mail Order business segment experienced overall decreases in revenues and earnings due to a withdrawal from business operations by overseas subsidiaries as well as sluggish performance in the gourmet, cosmetics and health food divisions. The gourmet division recorded a steady reduction of revenue due to the high rate of contract cancellations in our Specialty Course-of-the-Month Club related to food products and flowers. By contrast, the wine sector enjoyed improvements in growth and profitability owing to a steady increase in single items sold via the Internet. This occurred despite wine sales remaining at nearly the same level as the previous fiscal year and forecasts indicating sluggish sales in Belluna's Specialty Course-of-the-Month Club.

Operating conditions remained severe for the cosmetics division due to the continual intensification of competition. Despite an ongoing reduction in revenue, the division consistently benefited from expanding its lineups of new, low-priced products and making adjustments to its services. The health food division experienced an increase in revenue due to the development of new products as well as new brands boosting sales. However, costs kept earnings down because of expenses that preceded the release of new brands. Despite the existence of harsh operating conditions, this segment is maintaining a high degree of profitability supported by a significant number of repeat purchases by regular customers, one of Belluna's strengths.

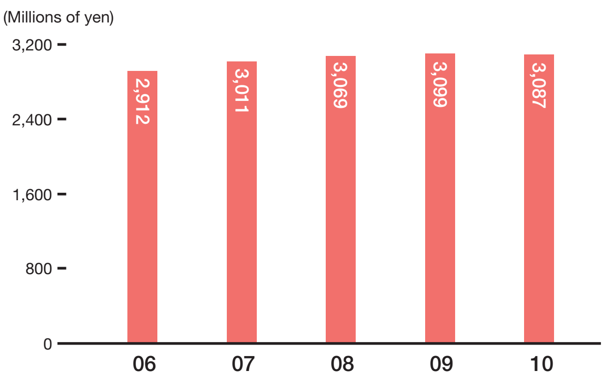
Outlook

The Single-Item Mail Order business plays an important role as an income-generating pillar within Belluna's business portfolio. The food products sector will promote readjustments to inefficient products and courses, while pursuing restructuring efforts under the theme of maintaining its earnings base. The cosmetics division will strengthen its new brand, Nachu-Life, which is experiencing steadily increasing sales. The cosmetics division overall has set the goal of attaining ¥5.0 billion in sales. The health food division maintains a favorable customer retention ratio for newly developed products and will continue to investigate effective marketing-related initiatives that will successfully promote repeat customers. Although each division is confronted with the issue of how to increase balanced earnings based on maintaining growth and efficient media costs, Belluna is pursuing customer sign-ups by utilizing the steadily increasing number of active members within the Catalog business.

My Wine CLUB is a catalog/website specializing in wine.

The Steadily Growing Wine Sector

The wine specialty mail order business, My Wine CLUB attained the No. 1 share of domestic mail-order wine sales according to the results of surveys undertaken by the research firm, Dun & Bradstreet TSR Ltd., in fiscal 2009 and 2010. The ability to eliminate the intermediary margin by importing wine directly from the area of production to provide low-priced products is one strength of My Wine CLUB. As a result, this business has maintained a high repeat ratio of over 70%. Looking ahead, we aim to increase the strength of our brands and further expand our share of the wine market, while increasing distribution channels that include not only domestic mail order sales, but also wholesalers and overseas expansion.



Net Sales in the Wine Sector

BOT Business

Performance Highlights

Revenues and earnings in this business segment grew due to a recovery in demand among main clients for sales promotion services; the successful cultivation of new clients for the past two years; and steady growth in mail order support services being developed by the Company. Consequently, net sales increased 23.1% year on year to ¥2,225 million, while operating income rose 12.3% to ¥1,031 million.

Overview

The Belluna Operation Trust (BOT) is a commissioned business that develops enclosure/mail-out services and mail order support services. Although net sales rose owing to the expansion of mail order support services, the operating income margin decreased due to a fall in the composition ratio of highly lucrative enclosure/mail-out services. The enclosure/mail-out services expanded because the amount of client advertisements being delivered with catalogs and products increased proportionally following a rise in the number of active memberships. Amid a growing number of companies entering the mail order market, demand for mail order support services is rising, while the composition ratio for such services continues to increase.

Outlook

Because operational costs accounted for by mail order support services are high compared with enclosure/mail-out services, the contribution made by sales to earnings is limited. However, Belluna aims to achieve a recovery in this business segment's operating income margin overall by improving profitability through better cost control and management efficiency. In addition, by taking advantage of the momentum building from increases in active memberships regarding enclosure/mail-out services, Belluna is promoting the development of new services that create effective synergies among corporate clients.

Advanced Finance Business

Performance Highlights

While Belluna made efforts to promote a sound financial structure, the segment's net sales decreased 31.2% year on year to ¥5,771 million in the wake of a decline in the outstanding balance of trade loans. However, operating income jumped 295.7% year on year to ¥498 million thanks to reductions in such areas as allowances and interest obligations.

Overview

Amid efforts made by the Group to make the promotion of a sound financial structure a key initiative, interest income decreased following a drop in the outstanding balance of trade loans. Despite this, overall segment operating income increased significantly. This was primarily due to a decline in cash outlays prompted by an apparent fall in the number of interest-overcharge repayment cases related to domestic B to C financing services as well as a decline in the allowance for doubtful accounts stemming from a reduction in outstanding balances by Sunstage Co., Ltd. and Bell-Net Credit Co., Ltd.

Outlook

The Moneylending Control Act, which applies to domestic B to C financing services, was completely revised in June 2010. Belluna is promoting the development of a business foundation in this segment that can appropriately respond to the revision. At the same time, the Company is formulating future business plans in a conservative fashion in order to address the numerous uncertainties precipitated by the legal revision, which includes the introduction of regulations that restrict the total volume of lending. Because the business environment in which the Advanced Finance Business operates remains severe overall, we will continue to appropriately control outstanding balances and earnings levels.

Property Business

Performance Highlights

Although Belluna's real estate leasing business maintained steady sales of ¥1,157 million, net sales in the Property segment fell 52.5% year on year to ¥1,353 million due to the late disposal of real estate properties by the real estate development business. Turning to earnings, the segment recorded an operating loss of ¥219 million despite a significant reduction in real estate valuation losses first recorded in the previous fiscal year.

Overview

In addition to the stable earnings base provided by rental revenues from Belluna's real estate leasing operations, the Property business is engaged in real estate-oriented development projects. During fiscal 2010, the Company retained stable income from its leasing operations. Although the real estate development business focused mainly on property disposals, such disposals lagged somewhat behind schedule because of the slumping real estate market. Valuation losses on real estate for sale fell from ¥3,452 million during fiscal 2009 to ¥440 million in fiscal 2010. In spite of the reduction, valuation losses exceeded income gained by the real estate leasing business, leading to an operating loss.

Outlook

Rental revenues are expected to remain steady during the current fiscal year. The real estate development business is slated to dispose of large distribution facilities that were originally scheduled to be sold off in fiscal 2010. Belluna anticipates a return to profitability during the current fiscal year due to declining valuation losses for real estate for sale and given that real estate markets seem to have begun bottoming out. We will continue to pay close attention to real estate market conditions while promoting the reduction of assets through the disposal of real estate for sale.

Other Business

Performance Highlights

No longer affected by its withdrawal from the exhibition sales business in fiscal 2009, the segment experienced a positive turnaround in earnings that led to operating income of ¥191 million. This occurred despite an 11.8% year-on-year decrease in net sales for the segment to ¥4,823 million. The retail store sales business also enjoyed a significant increase in profitability stemming from its successful retail store scrap-and-build operations.

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, the segment recorded an increase in overall earnings thanks to the absence of the effects of the withdrawal from the exhibition sales business in fiscal 2009. The cultivation of new clients in the wholesale business was able to make up for its withdrawal from business operations focusing on major corporate clients. The retail store sales business enjoyed increased profitability owing to its scrap-and-build operations for retail stores.

Outlook

The wholesale business has been operating under severe business conditions following the withdrawal by major corporate clients from the mail order business. The Group aims to increase the monetary amount of business transactions with existing corporate clients while developing new vendors by undertaking measures to strengthen product planning capabilities that utilize the Group's expertise in this sector. The retail store sales business will take steps to strengthen profitability, increase the number of retail stores and strengthen sales channels. This will be accomplished by continuing to engage in retail store-related scrap-and-build operations.

To enhance the functions of and accelerate the making and implementation of decisions by the Board of Directors while increasing the fairness and transparency of management, the Company has established an efficient management structure that focuses on compliance.

Governance System

Board of Directors

As of June 2010, the Board of Directors consists of eight directors who possess expertise specific to the Company and in specialized fields. Although outside directors have not been appointed, the Company has established the Compliance Committee (discussed in the column at right) which includes outside experts. By granting outside experts authority in the areas mentioned below, the Company is working to ensure that management decisions are made with input from objective third parties.

Board of Corporate Auditors

As of June 2010, the Board of Corporate Auditors is composed of three corporate auditors, including two outside corporate auditors. The Company aims to ensure a highly transparent management auditing system by utilizing outside corporate auditors' specialized legal and financial accounting expertise, abundant experience and balanced sensibilities. It has been determined that the objective and neutral supervision provided by the outside corporate auditors is maintaining system effectiveness in the area of management supervision functions.

Compliance

In addition to the Company's governance system, which focuses on management-related decision making, execution and supervision, the Company works to reinforce the maintenance and operation of compliance and risk management structures in light of the increasing importance of risk management in the area of compliance in recent years.

Compliance Committee

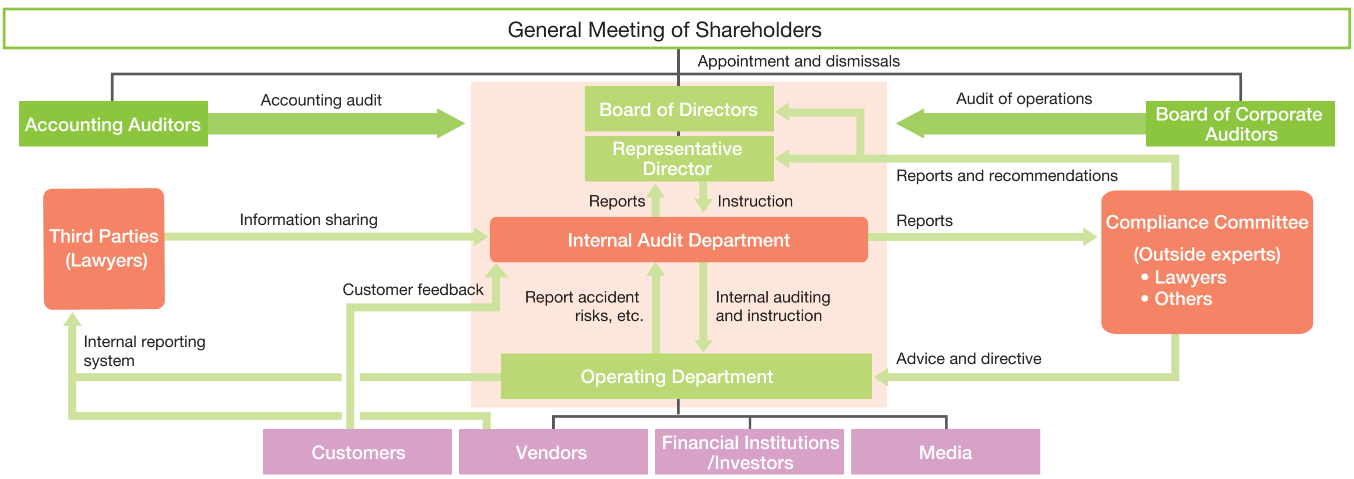
To further reinforce its compliance structure, in September 2008 the Company established the Compliance Committee, which is chaired by a senior managing director and includes the participation of such outside experts as lawyers and others. The Compliance Committee provides advice regarding the deliberations of the Board of Directors and decisions made by the Representative Director and possesses the authority to order improvements or stoppages of line segment operations.

Compliance and Risk Management Promotion Structures

The Company maintains the Internal Audit Department under the direct control of the Representative Director. This department is charged with supervising and ensuring the appropriateness and effectiveness of Companywide administrative systems and the execution of operations, as well as ensuring greater operational speed and effectiveness with regard to such areas of risk management as risk information gathering, risk awareness, situational assessment and prevention-related policies.

Beyond these measures, the Company revised rules for sharing important information and strengthened standards for submitting reports with the purpose of bolstering its information gathering system. In addition, to ensure anonymity we have appointed corporate lawyers as external contacts for our internal reporting system. Through this and other measures, the Company is upgrading operational flow to ensure the improved functioning of the system.

Corporate Governance System



Six-Year Financial Summary

Belluna Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen						Thousands of U.S. dollars (*6)
Years ended March 31	2005	2006	2007	2008	2009	**2010**	**2010**
For the year:							
Net sales	115,098	121,938	129,912	125,173	109,912	**100,101**	**1,075,892**
Cost of sales	48,206	51,409	53,675	51,566	49,963	**43,259**	**464,950**
Gross profit, net	66,891	70,536	76,275	73,614	59,967	**56,834**	**610,855**
Selling, general and administrative expenses	56,010	59,274	64,153	63,405	58,745	**52,502**	**564,294**
Operating income	10,881	11,261	12,122	10,208	1,221	**4,332**	**46,560**
Income (loss) before income taxes and minority interests	11,320	11,726	12,686	6,077	(7,281)	**3,520**	**37,833**
Net income (loss)	6,777	6,935	7,141	3,435	(8,763)	**1,276**	**13,714**
Capital investment	2,153	1,674	2,739	6,678	1,204	**226**	**2,429**
Depreciation	1,012	956	965	1,105	1,590	**2,134**	**22,936**
At year-end:							
Current assets	60,919	80,168	107,801	109,610	85,652	**72,598**	**780,288**
Property, plant and equipment	26,727	27,514	26,089	31,670	29,290	**28,251**	**303,643**
Total assets	97,015	119,253	149,239	160,707	133,868	**119,703**	**1,286,575**
Current liabilities	38,880	44,089	50,326	63,433	53,769	**42,079**	**452,267**
Long-term liabilities	9,161	17,853	34,194	32,946	26,289	**23,405**	**251,558**
Total liabilities	48,041	61,942	84,520	96,379	80,059	**65,485**	**703,837**
Net assets (*1)	—	—	64,718	64,327	53,808	**54,217**	**582,727**
Total shareholders' equity	48,920	57,197	—	—	—	**—**	**—**
Number of shares issued (thousands)	23,894	27,001	56,592	56,592	56,592	**56,592**	
Number of employees	913	1,027	1,102	1,249	1,064	**992**	

	Yen						U.S. dollars
Per share data:							
Net income (loss) per share (*2)	133.47	137.47	134.88	66.14	(173.72)	**25.47**	**0.27**
Shareholders' equity per share (*3)	2,119.40	2,220.42	1,223.95	1,254.05	1,073.46	**1,081.64**	**11.63**
Cash dividends per share	25	30	15	15	15	**15**	**0.16**

	Percentage (%)					
Financial ratios:						
Operating income margin	9.5	9.2	9.3	8.2	1.1	**4.3**
Net income (loss) margin	5.9	5.7	5.5	2.7	(8.0)	**1.3**
Return on equity (ROE) (*4)	14.8	13.1	11.7	5.3	(14.9)	**2.4**
Return on assets (ROA) (*5)	12.0	10.9	9.3	6.8	1.0	**3.6**
Shareholders' equity ratio (*4)	50.4	48.0	43.3	39.9	40.2	**45.3**

(*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, 2005. In addition, the Company executed a 2-for-1 stock split on April 1, 2006. Figures for fiscal 2006 and 2005 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 through 2010. In the calculation of net assets per share, the amount of net assets less minority interests is used. For fiscal 2006 and 2005, 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 through 2010, the amount of net assets less minority interests is used as shareholders' equity. For fiscal 2006 and 2005, 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 ¥93.04 = US$1.00, the approximate rate on the Tokyo foreign exchange market on March 31, 2010.

Financial Review

Overview

In the fiscal year ended March 31, 2010, the Japanese economy moved past the worst phase of the global recession—which was triggered by the U.S. financial crisis—during the second half, while signs of recovery in corporate earnings began to appear due primarily to a rise in exports to Asia and the undertaking of a series of inventory adjustments.

At the same time, consumer spending was partially boosted by such economic measures as tax reductions and subsidies for eco-friendly automobiles as well as eco-points. However, with no indications of improvement in employment and wage conditions, it is unlikely that deflationary pressure will weaken given the dampening of consumer spending and trends toward greater money saving and lower prices.

Net Sales

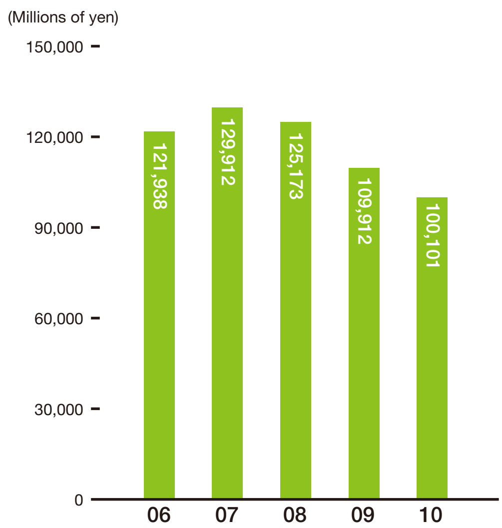
Under these conditions, the Belluna Group undertook measures to maintain a healthy balance sheet. At the same time, the Group focused on increasing repeat customers and cultivating new ones by enhancing low-priced products that accurately meet customer needs and by working to improve its level of service through the substantial reduction of delivery lead times. In addition, the Group continued to strengthen mobile phone sites and other E-commerce business operations in conjunction with emerging sales channels.

However, the Group was buffeted by the impact of an overall slump in the consumer environment; by the withdrawal of Bell-Net International Hong Kong Ltd. and B.N. International U.S.A., Inc. from import agency business operations; and by efforts made to shrink trade loans in wake of deteriorating financial and economic conditions. As a result of the above and other factors, consolidated net sales for the fiscal year under review fell 8.9% year on year to ¥100,101 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.)

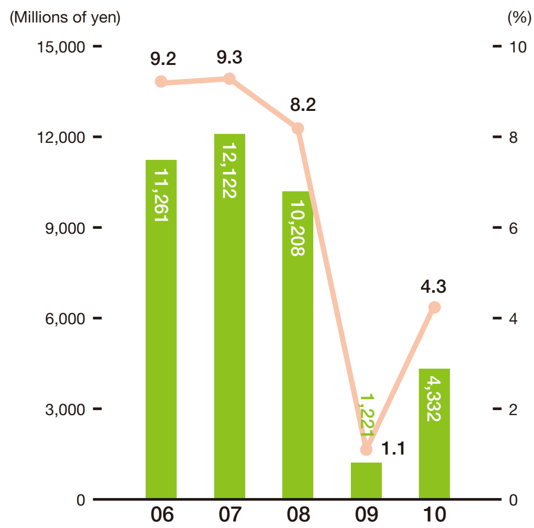
Despite the expansion of low-priced products leading to an increase in active customers during the second half of fiscal 2010, reversing the downward trend of recent years, net sales declined year on year in the core Catalog business. This decrease was caused by stagnant consumer spending in the first half. The Single-Item Mail Order business experienced a decrease in revenue resulting from the aforementioned withdrawal from the import agency business. The Advanced Finance business also suffered from lower revenue stemming from ongoing efforts to reduce loans in the consumer finance business. The BOT business reported an increase in revenue. This was attributable to a steady growth of enclosure and mail-out services aimed at corporate clients as well as our expertise in determining customer needs in the area of commissioned product-dispatch and other services. The Property business recorded a significant drop in revenue due to a reduction in real estate sell-offs. Finally, a decline in revenues in the Other business segment was caused by a retreat in sales following Belluna's withdrawal from the exhibition sales business in the previous fiscal year.

Earnings

In the year under review, operating income jumped 254.6% year on year to ¥4,332 million, owing to such factors as successful efforts to improve media efficiency in the Catalog business and a major drop in valuation losses for real estate for



Net Sales



Operating Income and Operating Income Margin

Operating Income
Operating Income Margin

sale. This increase occurred despite losses caused by Belluna's withdrawal from its import agency operations. As a result, the operating income margin increased from 1.1% in the previous fiscal year to 4.3%. An overview of performance in each business segment is as follows.

Operating income in the Catalog business increased because of efforts to reduce SG&A expenses, which included improving media efficiency. The Single-Item Mail Order business recorded a decline in income due primarily to operating losses incurred by the two companies that withdrew from the import agency business. The Advanced Finance business experienced a rise in income primarily as a result of decreases in allowance for doubtful accounts and the provision for loss on interest repayment. The BOT business experienced an improvement in income following a boost in sales from its lucrative enclosure and mail-out services, and its commissioned product-dispatch and other services. The Property business recorded a reduction in operating loss, while the Other business achieved a small, yet positive, turnaround toward profitability. (For a more detailed account by segment, please refer to the Review of Operations on pages 7 through 11.)

Ordinary income improved from a loss of ¥2,239 million during the previous fiscal year to a profit of ¥4,267 million for the fiscal year under review. This change is mainly the result of a positive turnaround from a foreign exchange loss to a foreign exchange gain recorded under non-operating income/expenses. Net income rose from a loss of ¥8,763 million year on year to a profit of ¥1,276 million thanks also in part to such factors as the elimination of impairment loss in the previous fiscal year. The improvement in net income occurred despite a loss on valuation of investment securities listed under extraordinary losses.

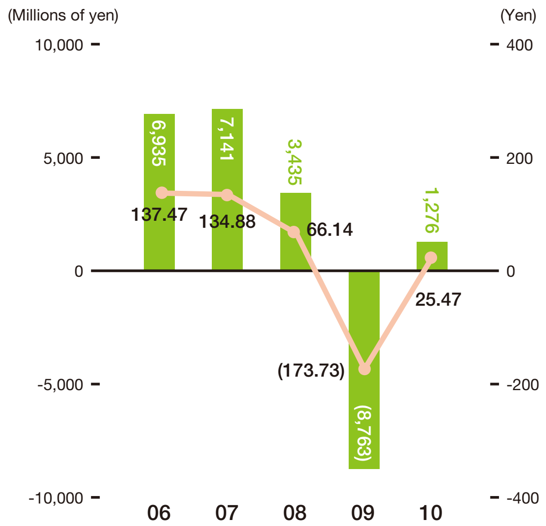
Net income per share rose from net loss per share of ¥173.72 to net income per share of ¥25.47 during the year under review. Year-end dividends were set at ¥7.50 per share, unchanged from the previous fiscal year. Combined with interim dividends, the Company maintained a total annual dividend of ¥15 per share.

Financial Condition

Total assets as of March 31, 2010 stood at ¥119,703 million, a decrease of ¥14,165 million from ¥133,868 million recorded at the end of the previous fiscal year. Of this, current assets fell ¥13,054 million to ¥72,598 million, reflecting a decline in such areas as trade loans and real estate for sale. Fixed assets as of the end of the year the under review declined ¥1,111 million to ¥47,104 million mainly due to a decrease in the acquisition of property, plant and equipment as well as in investments and other assets.

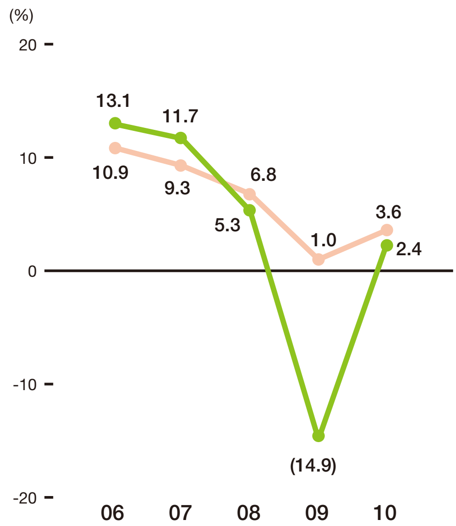
Total liabilities decreased ¥14,574 million compared with the previous fiscal year-end to ¥65,485 million. Of this, current liabilities fell ¥11,690 million year on year to ¥42,079 million mainly because of a drop in short-term borrowings. Despite an increase in long-term borrowings, long-term liabilities shrank ¥2,884 million to ¥23,405 million due to such factors as the elimination of certain corporate bonds and the transfer of current portion of bonds to current liabilities.

Net assets as of March 31, 2010, totaled ¥54,217 million, a ¥409 million rise compared with the previous fiscal year-end. This increase was primarily attributable to an improvement in retained earnings following the recording of net income in fiscal 2010. Consequently, the shareholders' equity ratio at the end of the period under review jumped 5.1 percentage points from 40.2% to 45.3%.



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

Net Income (Loss) (Millions of yen)
Net Income (Loss) per Share (Yen)



ROE and ROA

ROE (See Note 4 on page 12)
ROA (See Note 5 on page 12)

Cash Flows

Net cash provided by operating activities during the fiscal year under review increased from ¥17,893 million to ¥21,222 million compared with the previous fiscal year. The main factors for this change were the positive turnaround in income before income taxes and minority interests; a fall in the outstanding balance stemming from progress made in the repayment of loans receivable—trade; and a rise in depreciation and amortization.

Net cash used in investing activities during the fiscal year under review decreased from ¥3,854 million to ¥2,294 million compared with the previous fiscal year. The change was mainly due to the Company not acquiring marketable securities as it had during the previous fiscal year and comes despite a rise in the purchase of investment securities.

Net cash used in financing activities during the fiscal year under review increased from ¥13,684 million to ¥14,788 million compared with the previous fiscal year. Main factors contributing to this change included decreases in both short-term and long-term borrowings.

As a result of the above, after accounting for exchange rate fluctuations, the outstanding balance of cash and cash equivalents at the end of the year rose ¥4,080 million to ¥21,166 million.

Forecasts for Fiscal 2011

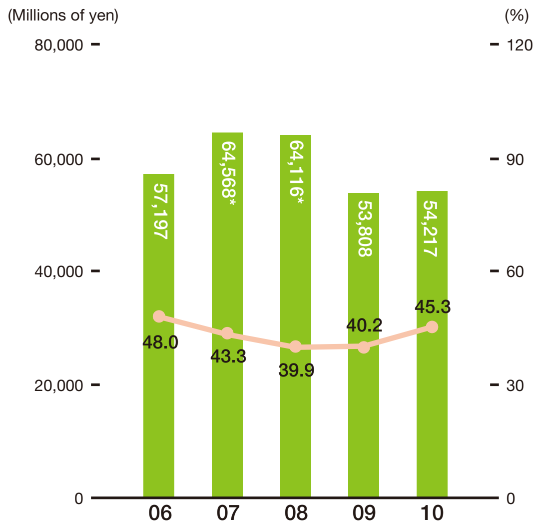
Regarding forecasts for fiscal 2011, although a recovery has yet to take place in consumer spending, which remains unstable, declining price trends are beginning to ease, while there are indications that operating conditions will improve. However, Belluna believes that the number of companies, particularly manufacturers, entering the mail order industry will continue to rise, resulting in an intensification of competition. The Belluna Group will continue to decrease the sizes of the Advanced Finance and Property businesses. At the same time, the Group will focus on the Catalog and Single-Item Mail Order businesses by leveraging steadily growing customer databases, as it expands B to B services, beginning with the BOT business. We aim to increase revenue and earnings during the next consolidated fiscal year based on these measures.

Business Risks

1. Statutory Regulations

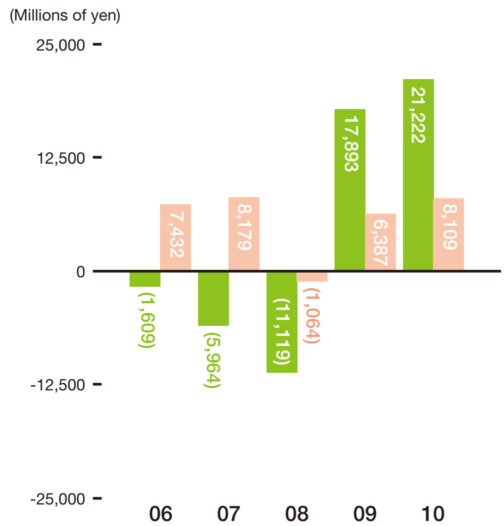
a) Belluna's Advanced Finance business is regulated by the Act on Control, etc. on Money Lending, the Act on Regulation of Receiving of Capital Subscription, Deposits, and Interest Rates, etc. as well as related laws and regulations. Looking ahead, it is expected that each regulation will be reinforced primarily by introducing regulations that restrict the total volume of lending. The Belluna Group's operating performance could be affected in cases where the decrease number of borrowers exceeds forecasts or demands for interest repayment is greater than expected.

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. The Belluna Group has established internal control and administrative systems to promote strict compliance with such laws and regulations. Despite these initiatives, however, the possibility exists that certain laws and regulations may be breached due to illegal activity or the actions of vendors. In the event that a violation should occur, the Company's reputation may suffer. In addition, the



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)

Group may be required to make certain compensatory payments, significantly impacting the Group's operating performance.

c) The Group is exposed to the risk of litigation during the execution of its business operations. In the case of an unfavorable judgment, the Group's operating performance and financial situation may be adversely affected. Legal cases under litigation are detailed on page 49 under "Other, 3. Litigation."

2. Product Safety

Having established its own quality control standards, the Belluna Group works to increase the quality of the products it offers. However, in the event that future safety-related problems occur with regard to products it sells, the Group's operating performance and financial situation may be adversely affected due to damage caused to its reputation and the costs incurred to address such issues. Furthermore, in the event that a serious accident connected to products handled by the Group occurs, its operating performance and financial situation could be negatively impacted given the possible costs that would be incurred for correcting any mishap associated with those products.

3. 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.

4. Production System in China

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.

5. Inherent Risks in South Korea

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.

6. Foreign Exchange Risks

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

7. 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.

8. 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.

9. 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.

10. Financial Risks

Belluna has 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 operating 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, 2009 and 2010.

CONSOLIDATED FINANCIAL STATEMENTS

I. Consolidated Balance Sheets

		In millions of yen		
		March 31, 2009		March 31, 2010
Assets				
Current assets				
Cash and deposits	*1	19,511	*1	**23,221**
Trade notes and accounts receivable		10,407		**10,350**
Trade loans		35,239		**21,177**
Marketable securities	*2	1,124		**68**
Merchandise and finished goods		9,078		**8,612**
Raw materials and supplies		871		**804**
Real estate for sale	*1	3,440	*1	**2,928**
Real estate for sale in process	*1	3,322	*1	**3,380**
Deferred tax assets		668		**587**
Other current assets		4,046		**2,868**
Allowance for doubtful accounts		(2,058)		**(1,400)**
Total current assets		85,652		**72,598**
Fixed assets				
Property, plant and equipment				
Buildings and structures	*1	20,730	*1	**20,769**
Accumulated depreciation	*3	(8,508)	*3	**(9,202)**
Buildings and structures (net)		12,222		**11,567**
Machinery and equipment		1,045		**1,042**
Accumulated depreciation		(871)		**(895)**
Machinery and equipment (net)		174		**146**
Furniture and fixtures		1,747		**2,037**
Accumulated depreciation	*3	(968)	*3	**(1,342)**
Furniture and fixtures (net)		779		**694**
Land	*1	15,403	*1	**15,403**
Lease assets		488		**611**
Accumulated depreciation		(56)		**(178)**
Lease assets (net)		431		**432**
Construction in progress		278		**6**
Total property, plant and equipment		29,290		**28,251**
Intangible fixed assets				
Goodwill		625		**493**
Lease assets		—		**1,174**
Other		4,167		**4,396**
Total intangible fixed assets		4,792		**6,064**
Investments and other assets				
Investment securities	*5	3,773	*5	**3,212**
Long-term lending		624		**977**
Claims provable in bankruptcy, rehabilitation and other (net)		6,914		**8,617**
Deferred tax assets		2,050		**1,682**
Other assets		3,573		**2,138**
Allowance for doubtful accounts		(2,804)		**(3,839)**
Total investments and other assets		14,132		**12,788**
Total fixed assets		48,215		**47,104**
Total assets		133,868		**119,703**

		In millions of yen		
		March 31, 2009		March 31, 2010
Liabilities				
Current liabilities				
Trade notes and accounts payable		13,112		**13,059**
Short-term borrowings	*1, 6, 7	31,011	*1, 6, 7	**12,688**
Accrued expenses		6,344		**5,918**
Lease obligations		107		**503**
Current portion of bonds		—		**6,100**
Income taxes payable		356		**1,368**
Provision for product repairs		1		**—**
Provision for bonuses		305		**326**
Provision for sales returns		63		**70**
Provision for point program		471		**494**
Provision for loss on litigation		—		**47**
Other current liabilities		1,995		**1,503**
Total current liabilities		53,769		**42,079**
Long-term liabilities				
Straight bonds		10,000		**—**
Convertible bonds		11,000		**11,000**
Long-term borrowings	*1	1,074	*1, 7	**7,537**
Provision for loss on interest repayment		2,394		**2,340**
Lease obligations		426		**1,090**
Provision for retirement benefits		243		**288**
Provision for retirement benefits for directors and corporate auditors		199		**204**
Other long-term liabilities		951		**945**
Total long-term liabilities		26,289		**23,405**
Total liabilities		80,059		**65,485**
Net assets				
Shareholders' equity				
Common stock		10,607		**10,607**
Capital surplus		11,003		**11,003**
Retained earnings		42,053		**42,578**
Treasury stock		(8,796)		**(8,796)**
Total shareholders' equity		54,867		**55,392**
Valuation and translation adjustments				
Unrealized gains (losses) on available-for-sale securities		(45)		**(11)**
Foreign currency translation adjustments		(1,013)		**(1,163)**
Total valuation and translation adjustments		(1,059)		**(1,174)**
Minority interests		0		**0**
Total net assets		53,808		**54,217**
Total liabilities and net assets		133,868		**119,703**

II. Consolidated Statements of Operations

		In millions of yen		
		Year ended March 31, 2009		Year ended March 31, 2010
Net sales		109,912		**100,101**
Cost of sales	*1	49,963	*1	**43,259**
Gross profit		59,948		**56,841**
Reversal of provision for sales returns		82		**63**
Provision for sales returns		63		**69**
Gross profit—net		59,967		**56,834**
Selling, general and administrative expenses	*2	58,745	*2	**52,502**
Operating income		1,221		**4,332**
Non-operating income				
Interest income		149		**100**
Dividend income		158		**171**
Rent income		42		**24**
Commission income		19		**10**
Extinction of debt		91		**33**
Gain on valuation of derivatives		415		**—**
Compensation received		70		**59**
Foreign exchange gains		—		**487**
Other		269		**271**
Total non-operating income		1,216		**1,158**
Non-operating expenses				
Interest expense		437		**588**
Commission fee		—		**159**
Loss on sales of securities		316		**—**
Foreign exchange loss		3,099		**—**
Other		824		**475**
Total non-operating expenses		4,677		**1,223**
Ordinary income (loss)		(2,239)		**4,267**
Extraordinary gains				
Gain on bad debt recovered		40		**68**
Gain on retirement by purchase of bond		—		**492**
Gain on sales of fixed assets	*3	57		**—**
Other		4		**43**
Total extraordinary gains		103		**604**
Extraordinary losses				
Loss on retirement of fixed assets	*4	29		**—**
Loss on sales of fixed assets		4		**—**
Loss on valuation of investment securities	*5	1,770	*5	**1,304**
Impairment loss	*6	2,111		**—**
Loss on cancellation of derivatives		1,052		**—**
Provision for loss on litigation		—		**47**
Other		176		**—**
Total extraordinary loss		5,145		**1,351**
Income (loss) before income taxes and minority interests		(7,281)		**3,520**
Income taxes—current		1,444		**1,817**
Income taxes—deferred		9		**426**
Total income taxes		1,454		**2,243**
Minority interests		28		**(0)**
Net income (loss)		(8,763)		**1,276**

III. Consolidated Statements of Changes in Net Assets

	In millions of yen	
	Year ended March 31, 2009	Year ended March 31, 2010
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	51,570	**42,053**
Change of scope of consolidation	6	**—**
Dividends paid	(759)	**(751)**
Net income (loss)	(8,763)	**1,276**
Balance at end of current year	42,053	**42,578**
Treasury stock		
Balance at end of previous year	(8,340)	**(8,796)**
Purchase of treasury stock	(455)	**(0)**
Disposal of treasury stock	—	**0**
Balance at end of current year	(8,796)	**(8,796)**
Total shareholders' equity		
Balance at end of previous year	64,839	**54,867**
Total changes during current year	(9,971)	**524**
Balance at end of current year	54,867	**55,392**
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at end of previous year	(399)	**(45)**
Changes during current year	354	**34**
Balance at end of current year	(45)	**(11)**
Foreign currency translation adjustments		
Balance at end of previous year	(323)	**(1,013)**
Changes during current year	(689)	**(149)**
Balance at end of current year	(1,013)	**(1,163)**
Total valuation and translation adjustments		
Balance at end of previous year	(723)	**(1,059)**
Total changes during current year	(335)	**(115)**
Balance at end of current year	(1,059)	**(1,174)**
Minority interests		
Balance at end of previous year	211	**0**
Changes during current year	(211)	**(0)**
Balance at end of current year	0	**0**
Total net assets		
Balance at end of previous year	64,327	**53,808**
Changes during current year	(10,518)	**409**
Balance at end of current year	53,808	**54,217**

IV. Consolidated Statements of Cash Flows

	In millions of yen	
	Year ended March 31, 2009	Year ended March 31, 2010
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	(7,281)	**3,520**
Depreciation and amortization	1,590	**2,134**
Increase (decrease) in provision for sales returns	(18)	**6**
Impairment loss	2,111	**—**
Amortization of goodwill	32	**131**
Increase (decrease) in allowance for doubtful accounts	2,051	**320**
Increase (decrease) in provision for product repairs	293	**(1)**
Increase (decrease) in provision for bonuses	(258)	**21**
Increase (decrease) in provision for retirement benefits	62	**45**
Increase (decrease) in provision for retirement benefits for directors and corporate auditors	8	**5**
Increase (decrease) in provision for point program	91	**23**
Increase (decrease) in provision for loss on interest repayment	568	**(54)**
Increase (decrease) in other provisions	—	**47**
Interest and dividend income	(308)	**(271)**
Interest expense	437	**588**
Loss (gain) on cancellation of derivatives	1,052	**—**
Loss (gain) on valuation of derivatives	[*1] (415)	**78**
Loss (gain) on sales of marketable securities	(0)	**—**
Loss (gain) on sales of investment securities	324	**—**
Loss (gain) on valuation of investment securities	1,770	**1,304**
Loss (gain) on retirement of bonds	—	**(492)**
Loss on retirement of property, plant and equipment	27	**—**
Foreign exchange losses (gains)	3,212	**56**
Decrease (increase) in trade notes and accounts receivable	2,302	**46**
Decrease (increase) in trade loans	11,506	**13,113**
Decrease (increase) in inventories	(352)	**526**
Decrease (increase) in real estate for sale	3,569	**530**
Decrease (increase) in other current assets	444	**479**
Increase (decrease) in notes and accounts payable	(731)	**196**
Increase (decrease) in other current liabilities	(2,544)	**(633)**
Increase (decrease) in other long-term liabilities	217	**52**
Other	480	**189**
Sub-total	20,244	**21,965**
Interest and dividends received	300	**231**
Interest paid	(467)	**(550)**
Refund of income taxes	670	**545**
Income taxes paid	(2,853)	**(970)**
Net cash provided by operating activities	17,893	**21,222**
Cash flows from investing activities		
Payments into time deposits	(1,411)	**(1,412)**
Proceeds from withdrawal of time deposits	323	**1,400**
Acquisition of marketable securities	(1,078)	**—**
Proceeds from sales of marketable securities	299	**—**
Acquisition of property, plant and equipment	(845)	**(569)**
Proceeds from sales of property, plant and equipment	810	**1**
Acquisition of intangible fixed assets	(1,960)	**(1,190)**
Proceeds from sales of intangible fixed assets	0	**—**
Acquisition of investment securities	(345)	**(1,000)**
Proceeds from sales of investment securities	3,764	**248**
Purchase of stocks of subsidiaries	(895)	**—**
Payments of loans receivable	(125)	**(393)**
Collection of loans receivable	129	**207**
Payments for guarantee deposits	(2,653)	**(14)**
Proceeds from collection of guarantee deposits	288	**440**
Payments of other investments	(163)	**(25)**
Collection of other investments	7	**13**
Net cash used by investing activities	(3,854)	**(2,294)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,906)	**(7,871)**
Proceeds from long-term borrowings	1,300	**9,317**
Repayments of long-term borrowings	(9,796)	**(12,929)**
Payments for retirement by purchase of bonds	—	**(2,329)**
Repurchase of treasury stock	(455)	**(0)**
Dividends paid	(759)	**(751)**
Repayments of lease obligations	(66)	**(223)**
Other	—	**0**
Net cash used by investing activities	(13,684)	**(14,788)**
Effect of exchange rate change on cash and cash equivalents	(549)	**(58)**
Net increase (decrease) in cash and cash equivalents	(194)	**4,080**
Cash and cash equivalents at beginning of the year	17,222	**17,086**
Cash and cash equivalents of newly consolidated subsidiaries	58	**—**
Cash and cash equivalents at end of the year	[*2] 17,086	[*2] **21,166**

Significant Accounting Policies

Item	For the year ended March 31, 2009	For the year ended March 31, 2010
1. 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 Finance 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.	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 Finance Co., Ltd., Bell-Net Credit Co., Ltd., BANKAN Co., Ltd., Wamonoya Co., Ltd., Belluna Mailing Service Co., Ltd.
	b. Names of major non-consolidated subsidiaries: Human Resource Management Co., Ltd., etc. 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, total net sales, total net income or loss (attributable to the equity interest) and total retained earnings (attributable to the equity interest) do not have a material effect on the consolidated financial statements of the Company. Therefore, they have been excluded from the scope of consolidation.	b. Names of major non-consolidated subsidiaries: Human Resource Management Co., Ltd., etc. The reason why the above subsidiaries are 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: 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. Names of non-consolidated subsidiaries not accounted for by the equity method: Same as at left

Item	For the year ended March 31, 2009	For the year ended March 31, 2010
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 for consolidation have been made to reflect any significant transactions that occurred during the period between their closing date and the consolidated balance sheet 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 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: 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 (with the book value reduction method based on a decline in profitability for balance sheet carrying amounts).	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: Same as at left Raw materials and supplies: Same as at left Real estate for sale: Same as at left

Item	For the year ended March 31, 2009	For the year ended March 31, 2010
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 (with the book value reduction method based on a decline in profitability for balance sheet carrying amounts).	Real estate for sale in process: Same as at left
	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.	b. Depreciation and amortization i) Depreciation of property, plant and equipment (excluding lease assets): Same as at left
	ii) Amortization of intangible assets (excluding lease 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 its estimated useful life (five years).	ii) Amortization of intangible assets (excluding lease assets): Same as at left
	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.	iii) Lease assets: Same as at left
	c. Basis for significant allowances and reserves i) Allowance for doubtful accounts: Allowances for doubtful accounts are provided at amounts determined based on the historical default rates with respect to ordinary receivables, and allowances for specific 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

Item	For the year ended March 31, 2009	For the year ended March 31, 2010
4. Significant Accounting Policies (contd.)	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. 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. 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. vi) Provision for retirement benefits: Provision for retirement benefits is provided principally at an amount calculated based on the estimated retirement benefit obligation and the estimated fair value of the pension plan assets at year-end. Certain subsidiaries have adopted the simplified method when calculating the retirement benefit obligation. Actuarial gain or loss is amortized by the straight-line method in equal installments over the period within the estimated average remaining length of service of eligible employees (five years). Amortization of such gain or loss begins in the year of its recognition.	iii) Provision for sales returns: Same as at left iv) Provision for point program: Same as at left 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 calculating the retirement benefit obligation. Prior service costs are amortized by the straight-line method over the period within the estimated average remaining length of service of eligible employees (five years), starting from the year in which such service costs arise. Actuarial gain or loss is amortized by the straight-line method in equal installments over the period within the estimated average remaining length of service of eligible employees (five years). Amortization of such gain or loss begins in the year of its recognition. (Change in accounting policy) Effective from this fiscal year, the Company applied the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19 issued on July 31, 2008). This change had no material impact income or loss.

Item	For the year ended March 31, 2009	For the year ended March 31, 2010
4. Significant Accounting Policies (contd.)	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. ――――― 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 ――――― ix) Provision for loss on litigation: In order to prepare for loss on litigation, the provision is provided at an amount deemed necessary upon estimating the possible loss that will incur. e. Other significant accounting policies i) Accounting for consumption taxes: 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).	Same as at left
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, 2009	For the year ended March 31, 2010
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, 2009	For the year ended March 31, 2010
(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 balance sheets) Beginning this fiscal year, "Lease assets" previously included in "Other" of the "Intangible fixed assets" are presented as a new independent line item, as their materiality has increased. The amount of "Lease assets" included in "Other" of the "Intangible fixed assets" in the previous fiscal year was ¥96 million.
―――	(For the consolidated statements of operations) Beginning this fiscal year, "Commission fee" previously included in "Other" of the "Non-operating expenses" is presented as a new independent line item, as its materiality has increased. The amount of "Commission fee" included in "Other" of the "Non-operating expenses" in the previous fiscal year was ¥80 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)" 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, 2009		March 31, 2010	
*1 Pledged assets and secured liabilities		*1 Pledged assets and secured liabilities	
Assets pledged as collateral:		Assets pledged as collateral:	
Cash and deposits	900	Cash and deposits	1,100
Real estate for sale	2,968	Real estate for sale	2,003
Real estate for sale in process	3,127	Real estate for sale in process	3,185
Buildings and structures	8,468	Buildings and structures	8,059
Land	12,388	Land	12,391
Total	27,852	Total	26,740
Liabilities secured by the above collateral:		Liabilities secured by the above collateral:	
Short-term borrowings	19,425	Short-term borrowings	12,417
Long-term borrowings	1,025	Long-term borrowings	7,202
Total	20,451	Total	19,619
In addition to the above, a guarantee deposit of ¥1,016 million included in “Other assets” (guarantee) of “Investment and other assets” was pledged as collateral for derivative transactions.		In addition to the above, a guarantee deposit of ¥369 million included in “Other assets” (guarantee) of “Investment and other assets” was 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.”		*3 Accumulated impairment loss is included in “Accumulated depreciation.”	
*4 Guarantees		*4 Guarantees	
Guarantees were provided for the following affiliates:		Guarantees were provided for the following affiliates:	
Name of guaranteed company	Amount	Name of guaranteed company	Amount
Nursery Co., Ltd. (Borrowings)	116	Nursery Co., Ltd. (Borrowings)	110
Total	116	Total	110
*5 Investment in equities of non-consolidated subsidiaries is as follows:		*5 Investment in equities of non-consolidated subsidiaries is as follows:	
Investment securities (stocks)	202	Investment securities (stocks)	194
*6 The Company and its subsidiary Sunstage Co., Ltd. entered into lending commitments with three banks for the timely financing of working capital. The unexecuted balance granted under the lending commitments as of March 31, 2009 is summarized as follows:		*6 The Company entered into lending commitments with two banks for the timely financing of working capital. The unexecuted balance granted under the lending commitments as of March 31, 2010 is summarized as follows:	
Total lending commitments	8,500	Total lending commitments	3,000
Executed loans	8,500	Executed loans	3,000
Unexecuted balance of lending commitments	—	Unexecuted balance of lending commitments	—

March 31, 2009	March 31, 2010
*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.	*7 Restrictive financial covenants Of the consolidated borrowings balance, up to ¥9,120 million is subject to restrictive financial covenants under relevant loan agreements, by which it is pledged, among others, that net assets amounts (on both consolidated and parent company alone basis) shall be maintained at the level of 75% or more of the net asset amount in the preceding fiscal year.

Notes to the Consolidated Statements of Operations

(In millions of yen)

For the year ended March 31, 2009		For the year ended March 31, 2010	
*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	*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:	868
*2 Major items of selling, general and administrative expenses are as follows:		*2 Major items of selling, general and administrative expenses are as follows:	
Freightage and packing expenses	7,032	Freightage and packing expenses	6,673
Advertising expenses	15,019	Advertising expenses	13,146
Promotion expenses	4,158	Promotion expenses	3,743
Allowance for doubtful accounts	3,653	Allowance for doubtful accounts	2,075
Provision for point program	471	Provision for point program	494
Provision for loss on interest repayment	1,686	Provision for loss on interest repayment	925
Salaries and allowances	7,986	Salaries and allowances	7,192
Provision for bonuses	305	Provision for bonuses	351
Provision for retirement benefits for directors and corporate auditors	8	Provision for retirement benefits for directors and corporate auditors	11
Provision for retirement benefits	130	Provision for retirement benefits	96
Communication expenses	5,934	Communication expenses	5,715
		Commission fee	5,274
*3 Breakdown of gain on sales of fixed assets is as follows:		―――	
Buildings and structures	57		
Machinery, equipment and vehicles	0		
*4 Breakdown of loss on retirement of fixed assets is as follows:		―――	
Buildings and structures	24		
Machinery, equipment and vehicles	1		
Furniture and fixtures	3		
*5 Breakdown of loss on valuation of investment securities is as follows:		*5 Breakdown of loss on valuation of investment securities is as follows:	
Investment securities	1,559	Investment securities	1,296
Stocks of affiliated companies	211	Stocks of affiliated companies	8

For the year ended March 31, 2009	For the year ended March 31, 2010
*6 Impairment loss: In this fiscal year, Belluna recorded impairment losses for the following asset groups: <table><tr><th>Location</th><th>Usage</th><th>Category</th><th>Notes</th></tr><tr><td>Ageo City, Saitama</td><td>One set of operating systems</td><td>Tools, furniture and fixtures, software, etc.</td><td>Idle assets</td></tr><tr><td>Ichigaya-tamachi, Shinjuku-ku, Tokyo</td><td>Rental office building</td><td>Land, building, structures, etc.</td><td>Real estate for rent</td></tr><tr><td>Ebisu, Shibuya-ku, Tokyo</td><td>Rental office building</td><td>Land, building, structures, etc.</td><td>Real estate for rent</td></tr></table> (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 estate 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 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, 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

– For the year ended March 31, 2010 –

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

(In thousands of shares)

	As of March 31, 2009	Increase	Decrease	As of March 31, 2010
Shares issued:				
Common stock	56,592	—	—	56,592
Total	56,592	—	—	56,592
Treasury stock:				
Common stock (Notes 1 and 2)	6,465	0	0	6,466
Total	6,465	0	0	6,466

Notes: 1. The increase of 0 thousand shares of common stock in treasury was due to purchase 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 26, 2009	Common stock	375	7.5	March 31, 2009	June 29, 2009
Board of Directors' meeting on November 2, 2009	Common stock	375	7.5	September 30, 2009	December 9, 2009

(2) Dividends with a record date during the year ended March 31, 2010, 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 29, 2010	Common stock	375	Retained earnings	7.5	March 31, 2010	June 30, 2010

Notes to the Consolidated Statements of Cash Flows

(In millions of yen)

For the year ended March 31, 2009	For the year ended March 31, 2010
*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 statements of cash flows and cash and deposits in the consolidated balance sheets is as follows:	*2 The reconciliation between the fiscal year-end cash and cash equivalents in the consolidated statements of cash flows and cash and deposits in the consolidated balance sheets is as follows:

	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

	As of March 31, 2010
Cash and deposits	23,221
Time deposits with original maturities of more than three months	(2,054)
Cash and cash equivalents	21,166

Notes Regarding Lease Transactions

(In millions of yen)

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

For the year ended March 31, 2010

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):
   Same as at left
   (b) Intangible fixed assets:
   Same as at left
   ② Depreciation method for lease assets:
   Same as at left
   (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	1,365	885	480
Furniture and fixtures	1,441	850	591
Other	709	496	212
Total	3,517	2,232	1,284

(2) Future minimum lease payments:

Due within one year	557
Due over one year	788
Total	1,346

For the year ended March 31, 2009	For the year ended March 31, 2010
(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.	(3) Lease expense, depreciation and interest expense: Lease expense 730 Depreciation 681 Interest expense 38 (4) Depreciation method: Same as at left (5) Calculation of interest expense: Same as at left

Notes Regarding Financial Instruments:

– For the year ended March 31, 2010–

1. Status of financial instruments:

(1) Policy for financial instruments:

In consideration of its business plan, the Company and its subsidiaries (collectively, the "Group") raise necessary funds mainly through bank borrowings or issuance of corporate bonds. Temporary cash surpluses, if any, are invested in low-risk financial instruments. The Group uses derivatives mainly for the purpose of evading the currency exchange rate fluctuation risk associated with foreign currency-denominated trade payables and does not engage in speculative transactions as its policy.

(2) Types of financial instruments, related risks and management thereof:

Trade receivables (trade notes and accounts receivable) as well as trade loans are exposed to customer credit risk. Belluna manages such risk by the credit line control based on its screening standards, along with controls of due dates and outstanding receivables balances. Long-term lending is also exposed to borrower credit risk. The Group addresses such risk through measures beginning with the pre-screening of each lending and followed by periodical monitoring of borrowers' conditions and checking/managing of due dates and lending balances for each borrower, while also endeavoring for the early information collection on possible uncollectibility and the alleviation of concerns for uncollectible accounts. Meanwhile, marketable securities and investment securities are exposed to the risk of market price fluctuations, against which the Group periodically monitors the market prices thereof and reports to the representative director (president).

Trade payables (trade notes and accounts payable) and accrued expenses mostly have due dates within one year. They partly include those related to imports denominated in foreign currencies and, as such, they are exposed to currency exchange rate fluctuation risk. Such risk is partly hedged by derivative transactions.

Borrowings and corporate bonds are used mainly for raising of funds necessary to carry out the business plan, while lease obligations are for capital investment. The borrowings are exposed to interest rate fluctuation risk.

Derivative transactions are conducted in accordance with the Company's derivative transaction control regulations, which stipulate such matters as transaction authorization and ceilings, whereby the transaction status, outstanding balances, etc., are periodically checked and confirmed.

(3) Supplementary explanation concerning fair values of financial instruments:

The fair values of financial instruments include, besides values based on the market price, rationally calculated values in cases where market price is not available. In the calculation of such values, variable factors are also taken into consideration and, therefore, the values calculated may change depending on the factors or assumptions employed.

2. Fair values of financial instruments:

The balance sheet carrying amounts, fair values and unrealized gains/losses of the financial instruments as of March 31, 2010 are as presented below, provided however, that financial instruments whose fair values are not readily determinable are excluded from these tables (see [Note 2] as follows):

(In millions of yen)

	Balance sheet carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and deposits	23,221	23,221	—
(2) Trade notes and accounts receivable	10,350		
Allowance for doubtful accounts (*1)	(602)		
	9,748	9,748	—
(3) Trade loans	21,177		
Allowance for doubtful accounts (*1)	(798)		
	20,378	20,933	555
(4) Marketable securities and investment securities	656	656	—
(5) Long-term lending	977		
Allowance for doubtful accounts (*1)	(139)		
	838	838	—
(6) Claims provable in bankruptcy, rehabilitation and other	8,617		
Allowance for doubtful accounts (*1)	(3,667)		
	4,950	4,950	—
Assets total	59,793	60,348	555
(1) Trade notes and accounts payable	13,059	13,059	—
(2) Short-term borrowings	12,688	12,688	—
(3) Accrued expenses	5,918	5,918	—
(4) Lease obligations (current liabilities)	503	503	—
(5) Current portion of straight bonds (due within one year)	6,100	6,100	—
(6) Income taxes payable	1,368	1,368	—
(7) Convertible bonds (bonds with stock acquisition rights)	11,000	10,450	(550)
(8) Long-term borrowings	7,537	7,537	—
(9) Lease obligations (long-term liabilities)	1,090	1,090	—
Liabilities total	59,266	58,716	(550)
Derivative transactions (*2)	(39)	(39)	—

(*1) Allowances for doubtful accounts recognized on each of trade notes and accounts receivable, trade loans, long-term lending and claims provable in bankruptcy, rehabilitation and other are deducted.
(*2) Receivables and payables incurred by derivative transactions are presented in net amounts. Net payables are presented in parentheses.

[Note 1] Calculation methods of fair values of financial instruments and related information concerning marketable securities and derivative transactions:

Assets

(1) Cash and deposits and (2) Trade notes and accounts receivable:

These assets are recorded using book values because their fair values approximate book values, reflecting their short-term maturity nature.

(3) Trade loans and (5) Long-term lending:

The fair values of these items are calculated on the basis of present values obtained by discounting the estimated values of principal and interests to be received (such estimation is reflective of the collectability checked category by category of receivables classified by the maturity dates) using the assumed interest rates deemed appropriate in the light of the interest rates for new lending and credit risks. With respect to those secured by collateral, however, the estimated bad debts amounts are calculated based on the estimated collectible amounts and, since their fair values approximate the amounts of balance sheet carrying amounts less the currently estimated bad debts amounts, such amounts are determined as fair values.

(4) Marketable securities and investment securities:
Of these securities, fair values of stocks are determined using the quoted stock exchange prices, while those of bonds are determined based on the quoted stock exchange prices or those offered by the trading financial institutions. Fair values of investments in investment trusts are determined using the published base prices.

Proceeds from sales of available-for-sale securities during the year ended March 31, 2010 totaled ¥234 million yen, with gains on such sales of those securities amounting to ¥12 million. For information regarding the acquisition costs, balance sheet carrying amounts and unrealized gains/losses by category of available-for-sale securities, please see “Notes Regarding Securities” appearing later.

(6) Claims provable in bankruptcy, rehabilitation and other:
The estimated bad debts amounts are calculated based on the estimated collectible amounts that are backed by collateral and guarantee and, since their fair values approximate the amounts of balance sheet carrying amounts less the currently estimated bad debts amounts, such amounts are determined as fair values.

Liabilities

(1) Trade notes and accounts payable, (3) Accrued expenses, (5) Current portion of straight bonds and (6) Income taxes payable:
These items are recorded using book values, because their fair values approximate book values reflective of their short-term settlement nature.

(2) Short-term borrowings and (8) Long-term borrowings:
The borrowings are all of the floating-rate type and recorded using book values because their fair values approximate book values as they quickly reflect market interest rates within a short period of time.

(4) Lease obligations (current liabilities) and (9) Lease obligations (long-term liabilities):
The fair values of these items are calculated on the basis of present values obtained by discounting the estimated values of principal and interests to be received using the assumed interest rates applicable to the case where the same type of lease transactions are newly made. However, they are recorded using book values because their fair values calculated by the above-mentioned method approximate their book values.

(7) Bonds with stock acquisition rights (convertible bonds):
The fair values of these bonds are recorded using the prices offered by trading financial institutions.

Derivative transactions

See “Notes Regarding Derivatives.”

[Note 2] Financial instruments, fair values of which are not readily determinable:

(In millions of yen)

Category	Balance sheet carrying amount
Unlisted equity securities	481
Investments in partnerships for investment business	1,143
Investment trusts	1,000

These items are not included in “(4) Marketable securities and investment securities,” because there are no market quoted prices and it is thus considered difficult to identify their fair values.

[Note 3] Redemption schedule of monetary assets and securities with contractual maturities:

The following information includes the securities, fair values of which are not readily determinable.

(In millions of yen)

Due	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Cash and deposits	23,221	—	—	—	—	—
Trade notes and accounts receivable	10,350	—	—	—	—	—
Trade loans	12,898	5,091	2,660	500	20	5
Marketable securities and investment securities: Available-for-sale securities with contractual maturities:						
(1) Corporate bonds	68	—	—	—	—	58
(2) Other	125	365	633	—	—	1,071
Long-term lending	—	88	373	64	27	423
Total	46,664	5,544	3,667	564	48	1,559

[Note 4] Repayment schedule of straight bonds, bonds with stock acquisition rights (convertible bonds), borrowings and lease obligations:

See “Bonds” and “Borrowings” in “Supplementary Schedules” appearing later.

(Additional information)

Effective the year ended March 31, 2010, the Company adopted the “Accounting Standard for Financial Instruments,” (ASBJ Statement No. 10 issued on March 10, 2008) and the “Guidance on Accounting Standard for Financial Instruments,” (ASBJ Guidance No. 19 issued on March 10, 2008).

Notes Regarding Securities

– As of March 31, 2009–

1. Trading securities: None applicable.

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

3. Available-for-sale securities that have market value:
Securities with carrying amounts on the balance sheet exceeding the acquisition cost:

(In millions of yen)

Type of securities	Acquisition cost	Carrying amount	Unrealized gain (loss)
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 amounts on the balance sheet not exceeding the acquisition cost:

(In millions of yen)

Type of securities	Acquisition cost	Carrying amount	Unrealized gain (loss)
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 has declined to 50% or less than its acquisition cost. When the market value of a security has declined to a level 30% to 50% below 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 year ended March 31, 2009:

(In millions of yen)

Proceeds of sales	Gain on sales	Loss on sales
2,385	64	388

5. Securities not appraised by market value:

(In millions of yen)

Category	March 31, 2009
	Balance sheet carrying amount
Available-for-sale securities:	
Unlisted equity securities	290
Other	2,451

6. Redemption schedules of available-for-sale securities with contractual maturities, including held-to-maturity bonds:

(In millions of yen)

	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
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

– As of March 31, 2010–

1. **Trading securities:** None applicable.

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

3. Available-for-sale securities:

Securities with carrying amounts on the balance sheet exceeding the acquisition cost:

(In millions of yen)

Type of securities	Acquisition cost	Carrying amount	Unrealized gain (loss)
Stocks	118	149	31
Bonds:			
Japanese national and local government bonds	—	—	—
Corporate bonds	55	58	2
Other bonds	—	—	—
Other	70	84	14
Subtotal (a)	243	292	48

Securities with carrying amounts on the balance sheet not exceeding the acquisition cost:

(In millions of yen)

Type of securities	Acquisition cost	Carrying amount	Unrealized gain (loss)
Stocks	230	170	(60)
Bonds:			
Japanese national and local government bonds	—	—	—
Corporate bonds	99	68	(30)
Other bonds	—	—	—
Other	258	124	(134)
Subtotal (b)	588	363	(225)
Total (a + b)	832	656	(176)

Note: Unlisted equity securities (carrying amount: ¥2,624 million) are not included in the above "Available-for-sale securities," because they have no quoted market prices and their fair values are not readily determinable.

4. Available-for-sale securities sold during the year ended March 31, 2010:

(In millions of yen)

Type of securities	Proceeds of sales	Gain on sales	Loss on sales
Stocks	47	0	—
Bonds:			
Japanese national and local government bonds	—	—	—
Corporate bonds	—	—	—
Other bonds	—	—	—
Other	186	11	—
Total	234	12	—

5. Securities for which impairment loss was recorded:

For the fiscal year ended March 31, 2010, the Company recorded ¥1,304 million as impairment of value with respect to securities (¥8 million in available-for-sale stocks, ¥30 million in available-for-sale bonds and ¥1,265 million in other available-for-sale securities).

The impairment is automatically recorded when the market value of a security has declined to 50% or less than its acquisition cost. When the market value of a security has declined to a level 30% to 50% below its acquisition cost, the impairment is also recorded for an amount deemed necessary upon giving consideration to the recoverability of the fair value.

Notes Regarding Derivatives

– For the year ended March 31, 2009 –

1. Transaction status:

For the year ended March 31, 2009
(1) Nature of transactions Derivative transactions used by the Company are currency option contracts and currency swap contracts. (2) Policy on derivative transactions The Company uses derivative transactions solely for minimizing the risks associated with currency and interest rate fluctuations and does not use derivatives for speculative purposes. (3) Purpose of utilization of derivative transactions Derivatives transactions are used to hedge the foreign exchange rate fluctuation risk in foreign currency receivables and payables and to seek stable profitability. (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. (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. (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.

2. Fair value of transactions:

(1) Currency-related derivatives

(In millions of yen)

		Year ended March 31, 2010			
	Type of transactions	Contract amount	Over 1 year contracts	Fair value	Unrealized gain (loss)
Off-market transactions	Currency swaps:				
	Buy				
	US$	4,374	3,152	4,093	(281)
	HK$	227	—	202	(24)
	Total	4,601	3,152	4,295	(306)

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

– For the year ended March 31, 2010–

1. Derivative transactions to which hedge accounting was not applied:

(1) Currency-related derivatives

(In millions of yen)

		Year ended March 31, 2010			
	Type of transactions	Contract amount	Over 1 year contracts	Fair value	Unrealized gain (loss)
Off-market transactions	Currency swaps				
	Buy				
	US$	1,077	613	(69)	(69)
	Currency swaps				
	Buy				
	Euro	78	—	(4)	(4)
	Currency options				
	Buy				
	US$	756	58	13	13
	Euro	494	189	19	19
	Total	2,407	860	(39)	(39)

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

2. Derivative transactions to which hedge accounting was applied:

None applicable.

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, 2009	As of March 31, 2010
① Projected benefit obligation	(767)	(726)
② Fair value of pension plan assets	456	495
③ Unfunded benefit obligation (①+②)	(311)	(230)
④ Unrecognized actuarial differences	69	10
⑤ Unrecognized prior service costs	—	(67)
⑥ Net liability amount on consolidated balance sheet (③+④+⑤)	(242)	(287)
⑦ Prepaid pension cost	1	1
⑧ Provision for retirement benefits (⑥–⑦)	(243)	(288)

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, 2009	For the year ended March 31, 2010
① Service cost	118	95
② Interest cost	16	16
③ Expected return on plan assets	(14)	(10)
④ Amortization of actuarial differences	10	(4)
⑤ Amortization of prior service costs	—	(1)
⑥ Net periodic retirement benefit costs (①+②+③+④+⑤)	130	96

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

Category	As of March 31, 2009	As of March 31, 2010
① Discount rate	2.23%	2.23%
② Expected rate of return on plan assets	2.50%	2.23%
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 differences (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, 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

For the year ended March 31, 2010

1. Significant components of deferred tax assets and liabilities:

	(Millions of yen)
Deferred tax assets:	
Excess provision for bonuses	147
Excess allowance for doubtful accounts	1,390
Excess provision for sales returns	28
Excess provision for point program	199
Excess provision for loss on interest repayment	946
Bad debt expenses	388
Loss on valuation of investment securities	897
Loss on valuation of stocks of affiliated companies	173
Provision for retirement benefits	117
Loss on valuation of real estate for sale	1,605
Excess impairment loss of fixed assets	875
Unrealized gains (losses) on available-for-sale securities	7
Other	726
Deferred tax assets subtotal	7,503
Valuation reserve	(5,163)
Deferred tax assets total	2,340
Deferred tax liabilities:	
Other	(70)
Deferred tax liabilities total	(70)
Net deferred tax assets	2,269

For the year ended March 31, 2009	For the year ended March 31, 2010
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.	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	0.05
Items, including dividends received, not eternally deductible for tax purposes	(2.81)
Equal installments of inhabitant taxes	0.68
Tax rate difference of subsidiaries	0.27
Increase (decrease) of valuation reserve	23.95
Other	1.17
Effective tax rate	63.74

Notes Regarding Investment and Rental Property

– For the year ended March 31, 2010–

The Company and certain of its consolidated subsidiaries own rental office buildings and rental commercial facilities in Tokyo and certain other regions for the purpose of earning rental income. Parts of the rental office buildings are occupied by the Company and certain of its consolidated subsidiaries and, accordingly, categorized as the "property that includes a portion used as rental property." The balance sheet carrying amounts of these rental properties, the increase or decrease in such amounts in the year ended March 31, 2010 and their fair values are as follows:

(In millions of yen)

	Carrying amount			
	Balance at end of prior fiscal year	Increase (decrease) in the current year	Balance at end of current fiscal year	Fair value at end of current fiscal year
Investment and rental property	3,187	(27)	3,160	3,092
Property that includes a portion used as rental property	3,707	(77)	3,629	3,522

Notes: 1. The above carrying amounts are the amounts after subtracting the accumulated depreciation and accumulated impairment loss from the acquisition costs.
2. Of the above properties, the fair values of the major properties are recorded at the amounts determined using real estate appraisal certificates provided by outside real estate assessors. However, in cases where it is deemed that no significant changes since the time of the acquisition from the third party or the time of the latest appraisal have occurred in the indices that are considered to properly reflect the formal appraisal value or market price, the fair values are recorded at the amounts adjusted using such appraised value or such indices. As for the properties that have little materiality, the fair values are recorded mainly at the amounts determined based on the indices that are considered to fairly reflect the formal appraisal value or market price.

The income and expenses related to the investment and rental property and the property that includes a portion used as rental property for the year ended March 31, 2010 are as follows:

(In millions of yen)

	Income	Expenses	Difference	Other (gain or loss on sale)
Investment and rental property	199	165	34	—
Property that includes a portion used as rental property	291	269	22	—

Note: Income from the property that includes a portion used as rental property does not include the revenue from renting the portion of the property used by the Company and certain of its subsidiaries.
The above expenses include those incidental to the above properties, such as depreciation, repairing expenses, insurance premium, taxes and public charges.

(Additional Information)

Effective the year ended March 31, 2010, the Company adopted the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property," (ASBJ Statement No. 20 issued on November 28, 2008) and the "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property," (ASBJ Guidance No. 23 issued on November 28, 2008).

Segment Information

Business segment information

– 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. Business 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 — Sales of Japanese clothes-related merchandise, 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.

– For the year ended March 31, 2010 –

	(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	64,434	21,697	5,771	2,038	1,336	4,823	100,101	—	100,101
(2) Inter-segment sales	89	10	—	186	16	—	303	(303)	—
Total	64,524	21,707	5,771	2,225	1,353	4,823	100,404	(303)	100,101
Operating expenses	63,700	20,029	5,272	1,193	1,572	4,631	96,400	(631)	95,768
Operating income (or loss)	824	1,677	498	1,031	(219)	191	4,004	328	4,332
II. Assets, depreciation and capital expenditures:									
Assets	62,933	10,278	27,705	522	14,962	2,725	119,128	574	119,703
Depreciation	1,812	305	31	10	131	26	2,318	11	2,329
Capital expenditures	2,489	100	71	1	21	1	2,686	—	2,686

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 — Sales of Japanese clothes-related merchandise, wholesale businesses, etc.
3. No unallocated operating expenses are included in “Eliminations/Corporate.”
4. Of the assets, the corporate assets in the amount of ¥574 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.

Geographical segment information

– For the years ended March 31, 2009 and 2010

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

Overseas sales

– For the years ended March 31, 2009 and 2010

Overseas sales are not presented since they accounted for less than 10% of the consolidated sales in both years.

Related Party Transactions

– For the year ended March 31, 2009 –

(Additional information)

Effective from the fiscal year ended March 31, 2009, 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 were newly added to the scope of disclosure.

* Transactions with related parties:

(1) Transactions of the Company 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	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	Relations		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 21.1%	—	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	—	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	Relations		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	Relations		Nature of transaction	Transaction amount (Millions of yen)	Account title	Balance at year-end
						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: 21.1%	1	Business funds rending	Collection of funds	300	Trade loans	—
								Lending 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 adopted based upon a third party 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).

– For the year ended March 31, 2010–

* Transactions with related parties:

(1) Transactions of the company filing consolidated financial statements with related parties

None applicable.

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

(a) 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	Relations		Nature of transaction	Transaction amount (Millions of yen)	Account title	Balance at year-end (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: 21.1%	1	Business funds lending	Collection of funds	1	Trade loans	194
								Receipt of interest (note 3)	9	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:
The interest rates of the trade loans are determined by referring to market interests.

Per Share Information

(In yen)

For the year ended March 31, 2009		For the year ended March 31, 2010	
Net assets per share	1,073.46	Net assets per share	1,081.64
Basic net income (loss) per share	(173.72)	Basic net income per share	25.47
		Diluted net income per share	24.55
In the above, the amount of diluted net income per share is not presented since this fiscal year fell in net loss per share, although there existed 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, 2009	For the year ended March 31, 2010
Basic net income (loss) per share:		
Net income (loss) (millions of yen)	(8,763)	1,276
Amount not attributable to holders of common stock (millions of yen)	—	—
Net income (loss) attributable to holders of common stock (millions of yen)	(8,763)	1,276
Average number of shares during the year (thousands of shares)	50,444	50,125
Diluted net income per share:		
Adjustments to net income (millions of yen)	—	72
(Interest expense, net of tax, included in the above) (millions of yen)	(—)	(72)
(Handling fee, net of tax, included in the above) (millions of yen)	(—)	(0)
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, 2009 (Millions of yen)	March 31, 2010 (Millions of yen)	Coupon rate	Collateral	Maturity
Belluna Co., Ltd.	2nd Unsecured Straight Bonds	September 21, 2005	10,000	6,100 (6,100)	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	17,000 (6,100)	—	—	—

Notes:
1. Amount is parenthesis indicate the amounts to be redeemed within one year.

2. Terms of the 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 (in yen)	2,278 yen per share
Total amount of bonds issued (in 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
6,100	11,000	—	—	—

Borrowings

	March 31, 2009 (Millions of yen)	March 31, 2010 (Millions of yen)	Average interest rate	Repayment date
Short-term borrowings	17,213	8,240	1.93%	—
Current portion of long-term borrowings (due within 1 year)	13,797	4,448	2.90%	—
Current portion of lease obligations (due within 1 year)	107	503	3.33%	—
Long-term borrowings (except current portion)	1,074	7,537	2.90%	From 2011 to 2019
Lease obligations (except current portion)	426	1,090	3.33%	From 2011 to 2014
Other interest-bearing liabilities	—	—	—	—
Total	32,619	21,820	—	—

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	3,234	2,647	814	517
Lease obligations	519	423	119	26

Other

(1) Quarterly information for the year ended March 31, 2010:

(In millions of yen)

	First quarter ended June 30, 2009	Second quarter ended September 30, 2009	Third quarter ended December 31, 2009	Fourth quarter ended March 31, 2010
Net sales	26,546	19,461	29,409	24,683
Income (loss) before income taxes and minority interests	1,329	364	2,524	(697)
Net income (loss)	684	355	1,462	(1,225)
Net income (loss) per share (in yen)	13.66	7.09	29.18	(24.46)

(2) Conditions subsequent to the fiscal year-end:

None in particular to be reported.

(3) Litigation:

On December 22, 2009, Japan Post Service Company filed suit against the Company and its consolidated subsidiaries (collectively, the "Group"), alleging the misuse by the Group of low-rate, third-class mail and demanding the payment of the difference (¥1,263 million) from the regular postage. (The date of receipt of the written complaint from the Tokyo District Court: January 21, 2010.) Regarding this suit, the Group intends to assert the inexistence of liability upon examining the written complaint.

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, 2010)

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
992

Directors and Corporate Auditors (as of June 29, 2010)

President and Representative Director
Kiyoshi Yasuno

Senior Managing Director
Takeo Shimano

Directors
Junko Shishido
Masakazu Oikawa
Toshio Takahashi
Shigeru Sudo
Yuichiro Yasuno
Yasutaka Nomura

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, 2010)

Common Stock

Stock Exchange Listing
Tokyo Stock Exchange, 1st Section

Number of Shares Issued and Outstanding
56,592,274

Number of Shareholders
7,002

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

Names	Percentage of Total Shares
Kiyoshi Yasuno	21.14%
Friend Stage Co., Ltd.	14.49%
Nihon Ribowaru Inc.	8.70%
BBH for Fidelity Low Price Stock Fund	8.48%
Japan Trustee Services Bank, Ltd. (Trust Account)	7.80%
Kimi Yasuno	3.32%
Sumitomo Mitsui Banking Corporation	2.24%
The Nomura Trust and Banking Co., Ltd.	2.09%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1.75%
Mizuho Corporate Bank, Ltd.	1.54%

For Further Information

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

BELLUNA

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