BELLUNA

BELLUNA CO., LTD.

ANNUAL REPORT 2011

For the year ended March 31, 2011

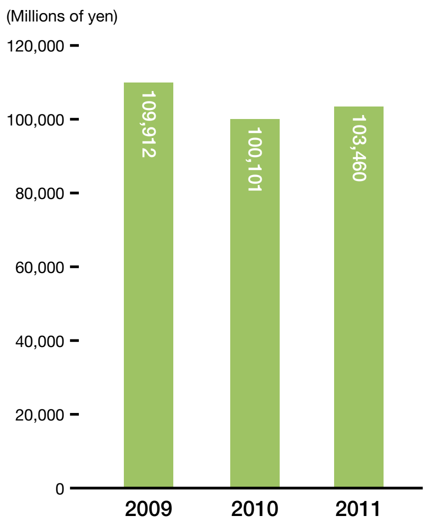
Financial Highlights

Belluna Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2009, 2010 and 2011

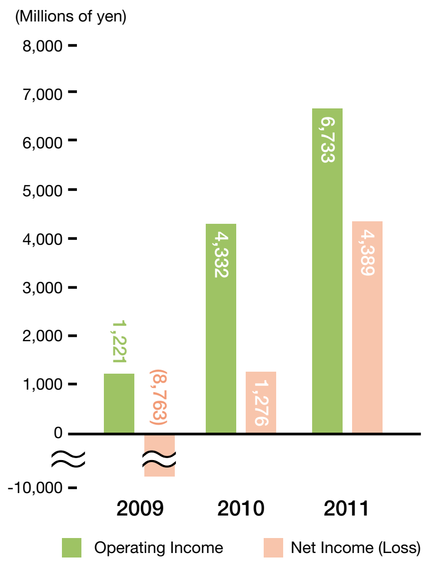
Years ended March 31	Millions of yen 2009	Millions of yen 2010	Millions of yen **2011**	Thousands of U.S. dollars **2011**
For the year:				
Net sales	¥109,912	¥100,101	**¥103,460**	**$1,244,258**
Operating income	1,221	4,332	**6,733**	**80,974**
Net income (loss)	(8,763)	1,276	**4,389**	**52,788**
At year-end:				
Net assets	¥ 53,808	¥ 54,217	**¥ 57,465**	**$ 691,110**
Total assets	133,868	119,703	**110,595**	**1,330,066**
Per share data (in yen):				
Net income (loss) per share	¥(173.72)	¥25.47	**¥87.57**	**$1.05**
Cash dividends per share	15	15	**15**	**0.18**

Note: The U.S. dollar amounts have been translated from yen, for the convenience of the reader, at the rate of ¥83.15 = US$1.00, the approximate rate on the Tokyo foreign exchange market on March 31, 2011.

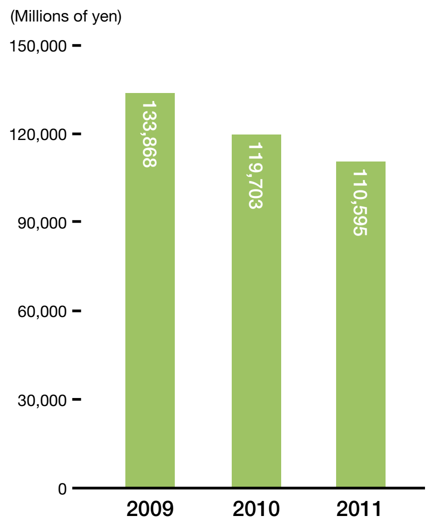
Net Sales



Operating Income and Net Income (Loss)



Total Assets



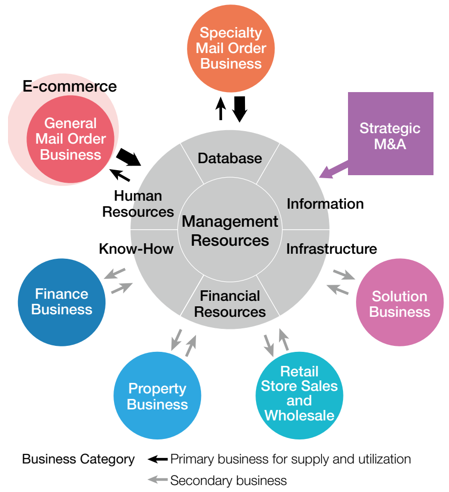
Contents

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.

As a major player in the domestic mail order industry, Belluna possesses superior management resources that include a database of approximately 13 million customers in Japan cultivated from its General Mail Order Business as well as related expertise and infrastructure. In recent years, we have worked to increase growth and realize profitability by taking advantage of these strengths. To this end, Belluna is expanding the General Mail Order Business, which includes Internet-based mail order sales, while strengthening such database-related businesses as the Specialty Mail Order and Solution businesses.

Utilizing the synergy effect from its multiple businesses, Belluna aims to establish a business model as a general merchant company to achieve a high rate of growth and profitability. At the same time, we will take steps to improve corporate value by promoting our short-term business plan.



Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Reconstruction of Growth Platform		Short-Term Business Plan & Management Policy		

Reconstruction of Growth Platform

Key Challenges

1. Return to Database-Related Business
   - Increase the number of active members[1]
   - Promote repeat purchasing
2. Restore a healthy balance sheet
   - Reduce size of the Finance and Property businesses

Short-Term Business Plan & Management Policy

Management Basic Policy

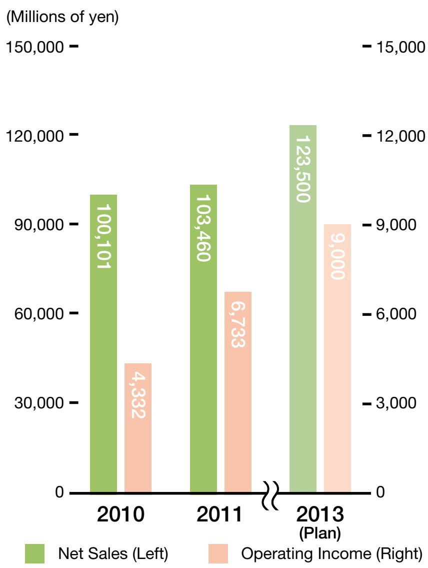
1. Strengthen database-related businesses
2. Newly establish and strengthen secondary utilization businesses[2]
3. Make balance sheet healthier
4. Maintain the compliance and corporate governance systems
5. Maintain stable returns to shareholders

1. The number of General Mail Order Business-related customers who have made purchases within a two year period
2. This key policy involves expanding Asian businesses centered on China, wholesale operations and retail stores

Initiatives for Database-Related Businesses

	Growth Measures
General Mail Order Business	**Aim for 10% overall growth** • Utilize the customer database – Secure growth by strengthening direct marketing and raising the service level • Strengthen Internet-related purchasing – Reduce media cost-to-sales ratio by improving E-commerce
Specialty Mail Order Business	**Establish a business plan that balances current profitability with future investment** • Change and enhance media channels Existing: Focus on direct marketing and advertising brochures Improve: Strengthen TV and radio tieups – Strengthen various publishing operations
Solution Business	**Utilize the boost accompanying the rise in new market entrants in the mail-order business and strengthen business in new areas** • Conduct aggressive marketing that takes advantage of growth in active membership in the General Mail Order Business – Maximize synergies with the mail order business • Strengthen sales power

Management Targets



Belluna's concentration of management resources on database-related businesses helps stabilize its earning platform.

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

In fiscal 2011, the year ended March 31, 2011, the Japanese economy showed signs of recovery due to an increase in exports amid expanding demand in emerging markets and the effect of various economic stimulus measures implemented by the Japanese government. However, economic conditions became more uncertain primarily due to the waning effect of these stimulus measures, a slowdown in exports reflecting rapid yen appreciation and deepening domestic turmoil caused by the unprecedented damage from the Great East Japan Earthquake on March 11, 2011.

Under these circumstances, consolidated net sales for the fiscal year under review increased 3.4% year on year to ¥103,460 million. In addition, operating income jumped 55.4% to ¥6,733 million. This rise was mainly the result of successful efforts to reduce costs through such measures as improving media efficiency and a decrease in provisions for defaults and loss on interest repayment. Net income during fiscal 2011 surged 243.8% year on year to ¥4,389 million largely owing to improved profitability and the tax effect from Belluna's absorption of its subsidiary El Dorado Co., Ltd. This increase occurred despite recording a loss on sales of investment securities as well as an extraordinary loss due to the Great East Japan Earthquake.

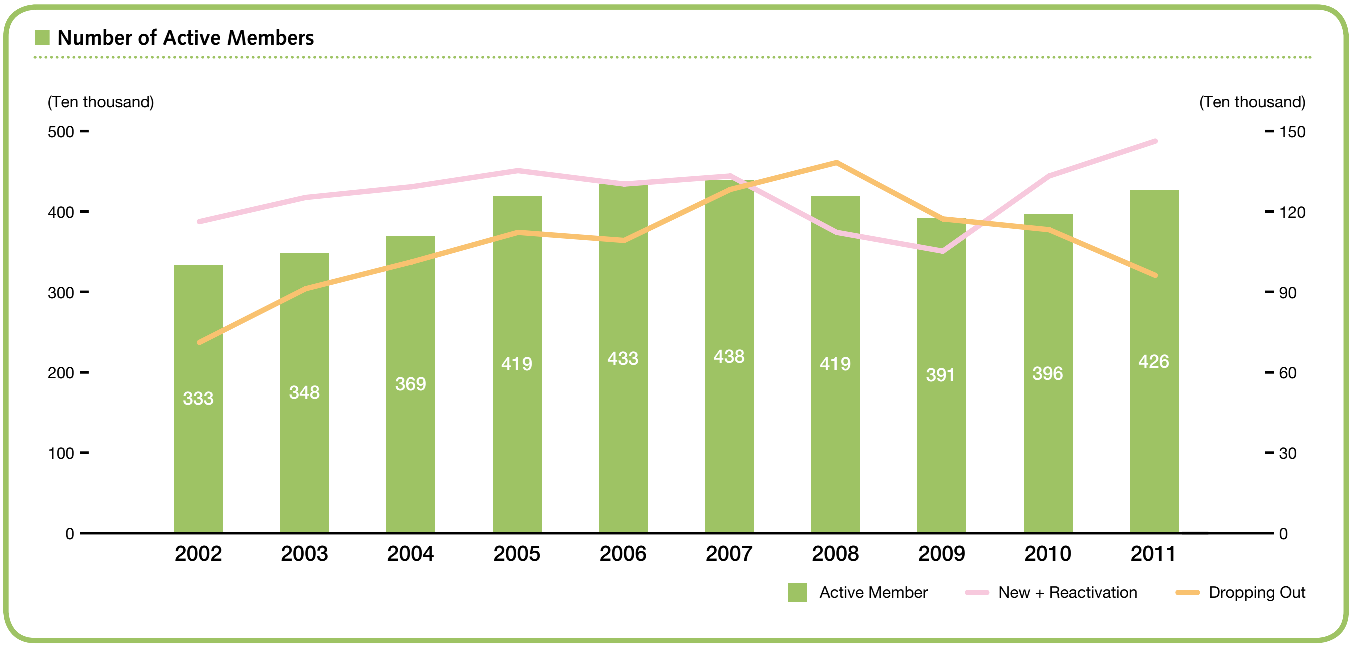
Q2 What progress was made concerning Belluna's Short-Term Business Plan?

Belluna aims to achieve net sales of ¥123,500 million and operating income of ¥9,000 million, targets established for fiscal 2013, the final year of its short-term business plan. These goals will be achieved through measures based on the five basic policies: (1) Strengthen database-related businesses; (2) Newly establish and strengthen secondary utilization businesses; (3) Make balance sheet healthier; (4) Maintain the compliance and corporate governance systems; and (5) Maintain stable returns to shareholders.

During fiscal 2011, the first year of the plan, database-related businesses accounted for 89.8% of consolidated net sales and 86.0% of segment income, results that were up 1.4 of a percentage point, respectively, compared with the previous fiscal year. Belluna's concentration of management resources on database-related businesses helped stabilize its earning platform.

Particularly in the mainstay General Mail Order business, we have seen the emergence of a virtuous circle stemming from successful efforts undertaken in recent years to increase the number of active members and the simultaneous improvement of both net sales and media efficiency. In line with these results, operating income in this business jumped 146.6% year on year to ¥1,207 million. Against this backdrop, overall segment performance has been driven by the noticeable increase in the number of new customer signups in young women-oriented mail order sales and E-commerce. In fact, E-commerce focusing on young women now accounts for 47% of sales.

To ensure a healthy balance sheet, we scaled back trade loans (including claims in bankruptcy and rehabilitation) offered by the Finance business 26.8%. Accordingly, the outstanding balance of trade loans shrank ¥29,081 million to ¥21,268 million. Interest-bearing liabilities were reduced 32.2% from the previous fiscal year to ¥25,287 million. This decline was attributable the repayment of loans and the redemption of corpo-



rate bonds due on September 30, 2010. As a result, total assets amounted to ¥110,595 million, a drop of ¥9,108 million compared with the previous fiscal year, while the shareholders' equity ratio at the end of the period under review rose 6.7 percentage points to 52.0%.

Moreover, we continue to educate employees regarding compliance and product safety as part of our efforts to strengthen Belluna's governance system, which covers this topic. At the same time, we introduced an executive officer system on April 1, 2011 in order to clarify management responsibilities and improve efficiency.

Q 3 Please explain to what extent Belluna was affected by the recent disaster as well as its performance forecasts for the next fiscal year.

Regarding the effect of the Great East Japan Earthquake on Belluna's performance, we plan to carefully watch consumer trends for the foreseeable future given the numerous uncertainties that currently exist. Although promotions were delayed due to disruptions in catalog paper supply immediately following the earthquake, promotions and orders received are returning to normal levels. As a result, in light of the recent disaster we expect performance during the summer season and the first half of fiscal 2012 to fall short of initial projections. By contrast, performance in the fall/winter season and the second half is anticipated to be in line with initial projections. Based on this, performance forecasts for the next fiscal year have been set in accordance with current conditions, and targets established for the second year of the short-term business plan have been postponed. In contrast to our initial projections of net sales of ¥112,000 million and operating income of ¥7,200 million, we estimate net sales of ¥109,000 million and operating income of ¥6,800 million.

Q 4 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 2011

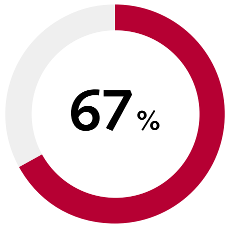
Kiyoshi Yasuno

Kiyoshi Yasuno
President and CEO

Main Products and Services | Percentage of Net Sales

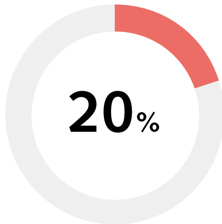
General Mail Order Business

- General fashion catalogs for middle-aged women
- General fashion catalogs for younger women
- Shopping websites for home PCs
- Shopping websites for mobile phones



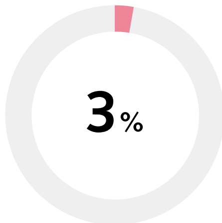
Specialty Mail Order Business

- Food and flower catalogs and website
- Wine catalogs and website
- Cosmetics catalogs and website
- Health food catalogs and website



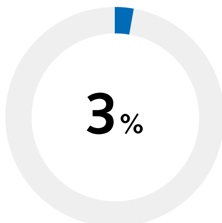
Solution Business

- Promotion support operations:
  Enclosure of clients' sales promotion materials; mail-out services for clients' direct mailings; advertising services
- Mail order support business:
  Commissioned services for direct mailing, call center operations, product dispatch and entire mail order sales operations



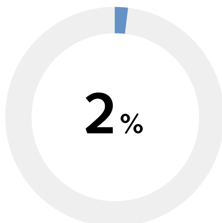
Finance Business

- B to C financing services
- B to B financing services



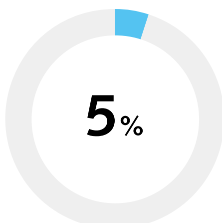
Property Business

- Real estate leasing operations
- Real estate redevelopment operations

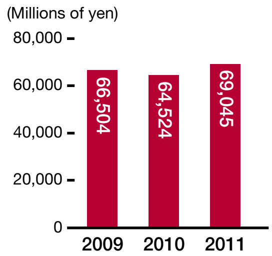


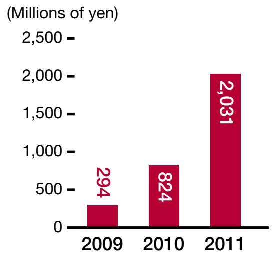
Other Business

- Wholesale operations in apparel and sundry goods
- Sales of kimonos and other Japanese-style goods

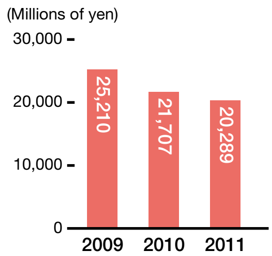


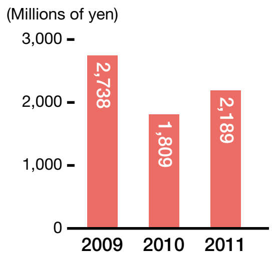
Net Sales | **Segment Income (Loss)** | **Business Outline**



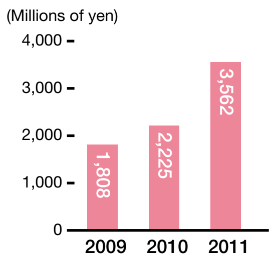


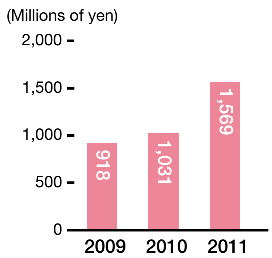
Belluna's core operation, this business handles general mail order sales activities for a wide range of products. Targeting different generations of consumers, we publish leaflets and catalogs that cover apparel and sundry goods. We are enhancing services via the Internet for home PCs and mobile phones,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



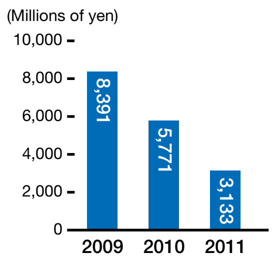


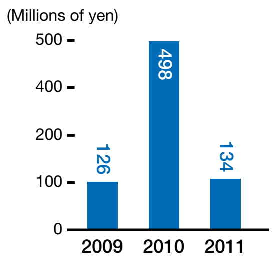
The Specialty Mail Order business, one of the Company's profit drivers, specializes in such products as food, wine, cosmetics and health food. The products sold in this business tend to attract repeat orders for the same product by the same customer, a major factor contributing to the high profits the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



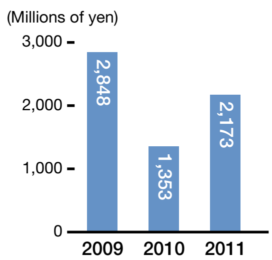


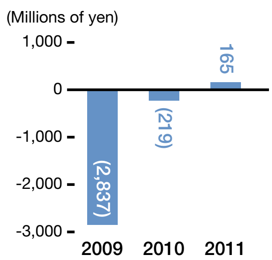
In the Solution business, Belluna provides its corporate clients with charged services to enclose and mail out their sales promotion materials with catalogs and products that the Company sends out to its customers. Belluna also offers order-processing, direct marketing and product dispatch services on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



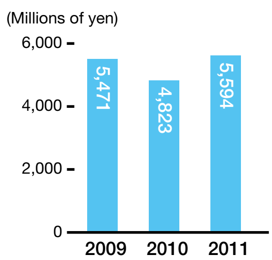


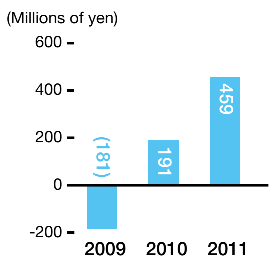
The Finance business provides consumer financing services that utilize the extensive customer database compiled by Belluna's mail order sales business. Leveraging our know-how in consumer financing services, we also provide collateralized financing services to corporate clients and financing services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

General Mail Order Business

Performance Highlights

The General Mail Order business experienced steady growth in new customer signups via the Internet while benefiting from the success of measures aimed at increasing repeat purchasing among existing customers. As a result, net sales grew 7.0% year on year to ¥69,045 million. Segment income jumped 146.6% to ¥2,031 million owing to the rise in revenue, improved media efficiency and cost reductions.

Overview

Despite a severe operating environment characterized by the growing popularity of online sales, intensifying competition with retail stores and the increasing consumer preference for inexpensive products, Belluna continued working to increase the number of active members, basing its efforts on its core philosophy of being a company that is customer-driven and customer-focused. Although net sales in fiscal 2011 fell short of projections, active membership increased 7.6% to 4.26 million, further increasing the ratio of repeat purchasing. In particular, the young women-oriented RYURYU and LUAR businesses saw progress in new customer signups as did E-commerce operations. These new signups are driving growth across the entire General Mail Order business. In addition to this, greater media efficiency and curbs on SG&A costs led to a significant rise in earnings.

Outlook

Belluna expects sales during the summer season to remain on par with those of the previous fiscal year due to a schedule delay in the issuing of catalogs for April following the recent disaster. At the same time, we anticipate net sales for the full fiscal year to grow 5% year on year and operating income to remain unchanged from fiscal 2010 as a result of a steady rise in the number of active members. Looking ahead, Belluna will increase points of contact with customers by effectively using such paper-based media as catalogs and advertising leaflets as well as Internet and mobile phone sites. In addition, we will encourage repeat purchasing by expanding our product lineups and services.

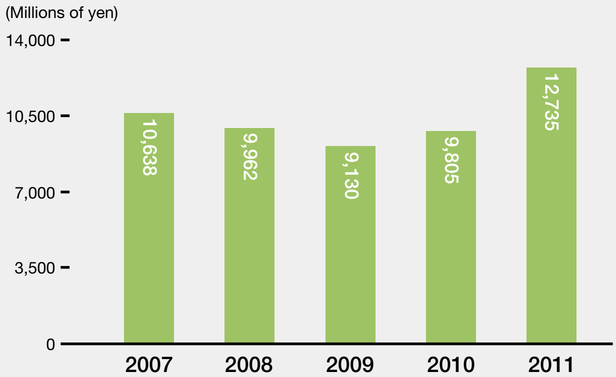
(From left to right)
BELLUNA is a general fashion catalog aimed at middle-aged women.
LE FRANT is a general fashion and sundry goods catalog aimed at middle-aged women.
LUAR is a fashion catalog for women in their 30s.
RYURYU offers fashions items for young women in their 20s.

Initiatives Targeting Young Women

In 2000, Belluna launched RYURYU and LUAR, businesses that focus on fashion-related mail order sales to young women in their 20s and 30s. After peaking in fiscal 2007, these businesses suffered from stagnant sales. However, in fiscal 2011 net sales in these businesses rose 29.8% year on year to ¥12,735 million thanks our efforts to attract customers by linking Internet access with paper media while expanding our lineups of low-cost products. Specifically, E-commerce-related sales grew noticeably, with the ratio of such sales to net sales in the RYURYU and LUAR businesses rising from 42.5% in fiscal 2010 to 47.1% in fiscal 2011.

Belluna will take steps to encourage repeat purchases through the effective use of the Internet and paper media in order to increase sales by 20% to 30% in fiscal 2012.

Net Sales to Young Women in Their 20s and 30s



Specialty Mail Order Business

Performance Highlights

During the year under review, the Specialty Mail Order business segment focused on maintaining media efficiency regarding mail order sales in the gourmet, cosmetics and health food divisions. As a result, although net sales fell 6.5% year on year to ¥20,289 million, segment income increased 21.0% to ¥2,189 million, owing to a fall in the ratio of media costs.

Overview

Although Belluna planned on aggressively expanding catalog distribution during the second half of fiscal 2011 (a period when seasonal foods are more often fresh), revenue fell in the gourmet, cosmetics and health food divisions because the Company did not spend as much on catalog publishing as it had initially targeted. At the same time, each division experienced greater-than-expected cuts in media cost ratios and higher earnings. These improvements were attributable to rises in publishing efficiency (including through changes in media formats and scrap-and-build efforts) and an increase in the number of active customers.

The gourmet division improved profitability on the back of successful cost control efforts in the areas of food products and flowers. However, revenue fell due to sluggish sales in the Specialty Course-of-the-Month Club. At the same time, the wine sector experienced lower revenue as a result of higher single-item sales failing to offset stagnation in the Specialty Course-of-the-Month Club. In contrast, although operating conditions remained severe in light of intensifying competition, the cosmetics division recorded steady sales of its new brand, Nachu-Life, which is sowing the seeds of future growth. The health food division experienced higher earnings in spite of a decline in revenue by focusing on the efficient distribution of catalogs. Despite these 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 Specialty Mail Order business plays an important role as an income-generating pillar within Belluna's business portfolio. In the gourmet division, we will focus on developing highly consistent core products based on cost control efforts to achieve both growth and profitability. In the cosmetics division, we will work to reach the target of ¥5,000 million in overall sales. This will be accomplished by expanding lineups of strategic products tailored to specific customer attributes and markets along with the bolstering of new brands. In the health food division, we will redouble its efforts to sign up new customers and encourage repeat purchases by actively expanding advertising with eye on facilitating growth. Although each division maintains stable profitability, we aim to increase revenue by overcoming conditions that negate growth and seizing the initiative in our promotion efforts rather than allowing media efficiency to deteriorate. Moreover, Belluna added Nursery Co., Ltd. to its scope of consolidation in March 2012. Nursery engages in mail order sales geared toward medical personnel.

Nursery is a catalog/website for nursing-related clothing.

Nachu-Life

The Ozio Co., Ltd. skin care brand Nachu-Life was developed based on the theme of attaining beauty through simple care. The mainstay Nachu-Life product Royal Jelly Noujuneki is an all-in-one product that offers complete skin care as a cosmetic, beauty cream, emulsion and base. As such, Royal Jelly Noujuneki supports the concept of simpler skin care that takes less time. As of March 31, 2011, cumulative sales of this product topped 400,000 units.

Royal Jelly Noujuneki

Website

Solution Business

Performance Highlights

During the year under review, enclosing and mailing services steadily increased on the back of higher catalog and product shipments related to the General Mail Order business. In addition, direct-marketing outsourcing services benefited from the success of proposal-based businesses, while transaction volume per corporate client rose. As a result of these factors, net sales jumped 60.1% year on year to ¥3,562 million and segment income increased 52.1% to ¥1,569 million.

Overview

The Solution business develops enclosing and mailing services and direct-marketing outsourcing services. Enclosing and mailing services expanded because of increases in the number of active members and product shipments in the General Mail Order business. At the same time, direct-marketing outsourcing services experienced ongoing growth. These factors contributed to higher net sales in the Solution business. By contrast, the operating income margin decreased due to a fall in the composition ratio of lucrative enclosing and mailing services, reflecting the growth of direct-marketing outsourcing services. Amid an increasing number of companies entering the mail order market, demand for direct-marketing outsourcing services is growing, while the composition ratio for such services is anticipated to continue rising.

Outlook

Demand is expected to grow for direct-marketing outsourcing services in tandem with market expansion. Accordingly, we anticipate further increases in sales. However, the operating income margin is forecasted to decrease for the entire business segment as the ratio of operational costs to sales increases. In response, Belluna aims to achieve a recovery in this business segment's overall operating income margin by improving profitability through better cost control. Regarding enclosing and mailing services, we will work to expand sales and secure earnings amid expectations that active membership will continue to steadily grow.

Finance Business

Performance Highlights

In addition to efforts to reduce trade loans, a decrease in interest on loans in the domestic consumer financing business following revisions to the Moneylending Control Act led to a 45.7% fall in net sales year on year to ¥3,133 million. Segment income also dropped 73.0% to ¥134 million, reflecting this reduction in revenue.

Overview

In line with efforts made by the Group to make the promotion of a sound financial structure a key initiative, steps were taken to continue reducing trade loans focusing on Sunstage Co., Ltd., which engages in real estate-related collateralized financing services. Moreover, revisions to the Moneylending Control Act have impacted the entire domestic consumer financing business, causing a decrease in interest on loans. Consequently, the Finance business has recorded a fall in revenue. Turning to earnings, despite a decline in provisions for related reserves accompanying reductions in trade loans and the repayment of interest overcharges, income dropped due to lower revenue.

Outlook

In the domestic consumer financing business, the number of applications fell as a result of the full implementation of the Moneylending Control Act in June 2010. Despite this, we anticipate applications to return to last year's level after bottoming out in June 2011. In response to the generally severe business conditions surrounding financing services, we will take steps to improve the quality of credit obligations and reduce the outstanding balance of trade loans. At the same time, we will continue to appropriately control outstanding balances and earnings levels.

Property Business

Performance Highlights

In fiscal 2011, Belluna's real estate leasing business maintained stable profits, while the real estate development business was able to dispose of real estate for sale. At the same time, valuation losses decreased for real estate for sale. Consequently, this segment recorded a 60.6% year-on-year jump in net sales to ¥2,173 million, and segment income stood at ¥165 million, a positive turnaround from the loss 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 2011, the Company retained stable income from its leasing operations. The real estate development business experienced a significant increase in revenue compared with the previous year due to a rebound in real estate market conditions, which had bottomed out, and the progressive disposal of properties. In addition, operating income bounced back from a loss in fiscal 2010 thanks to a reduction of valuation losses on real estate for sale.

Outlook

Belluna's projections for fiscal 2012 do not include the disposal of major properties. However, we will promote the sale of real estate while focusing on maintaining a healthy balance sheet.

El Dorado Co., Ltd. (which primarily engaged in real estate leasing, development and golf course management businesses) was dissolved after being absorbed by Belluna on October 1, 2010. Subsequently, on March 31, 2011, the former company's golf course management business was spun off as a new company operating under the same name, El Dorado Co., Ltd.

Other Business

Performance Highlights

Net sales recorded in the Other business segment during the year under review increased 16.0% year on year to ¥5,594 million, while segment income surged 139.7% to ¥459 million. These rises were attributable to our focus on profitability in combination with efforts to expand transactions.

Overview

Leveraging the Group's expertise in product planning and media production, Belluna develops the wholesale business (which targets department stores and the Japanese Consumers' Cooperative Union) as well as the retail store sales business mainly for Japanese-style goods. In the wholesale business, the value of business transactions with existing clients increased as we focused on controlling SG&A costs. In the retail store sales business, Belluna promoted scrap-and-build operations for retail stores and engaged in business expansion while focusing on profitability. Consequently, the segment achieved growth in revenue and earnings.

Outlook

Although the wholesale business continues to operate under severe business conditions, the Group will promote an increase in 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 continue working to boost profitability, increase the number of retail stores and strengthen sales channels.

The Company has established a compliance and efficient management structure to accelerate decision making functions while increasing the fairness and transparency of management. To this end, executive officers are entrusted with the authority and responsibility of executing operations based on policies determined by the Board of Directors.

Corporate Governance System

Board of Directors

As of June 2011, the Board of Directors consisted of seven directors. The Company has established the Compliance Committee, which includes outside experts. By granting outside experts authority, the Company develops structures that ensure that management decisions reflect the input offered by objective third parties. Consequently, the Company will maintain the current system and does not plan to appoint outside directors.

Board of Corporate Auditors

As of June 2011, 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 the abundant experience and balanced viewpoints of outside corporate auditors. Moreover, it has been determined that the objective and neutral supervision provided by the outside corporate auditors is sufficient to maintain system effectiveness in the area of management supervision functions.

Compliance

In addition to the its governance system, which focuses on management-related decision making, execution and supervision, the Company works to reinforce the maintenance and operation of the governance and risk management structures included under compliance, taking into account the increasing importance of compliance-related risk management in recent years.

Compliance Committee

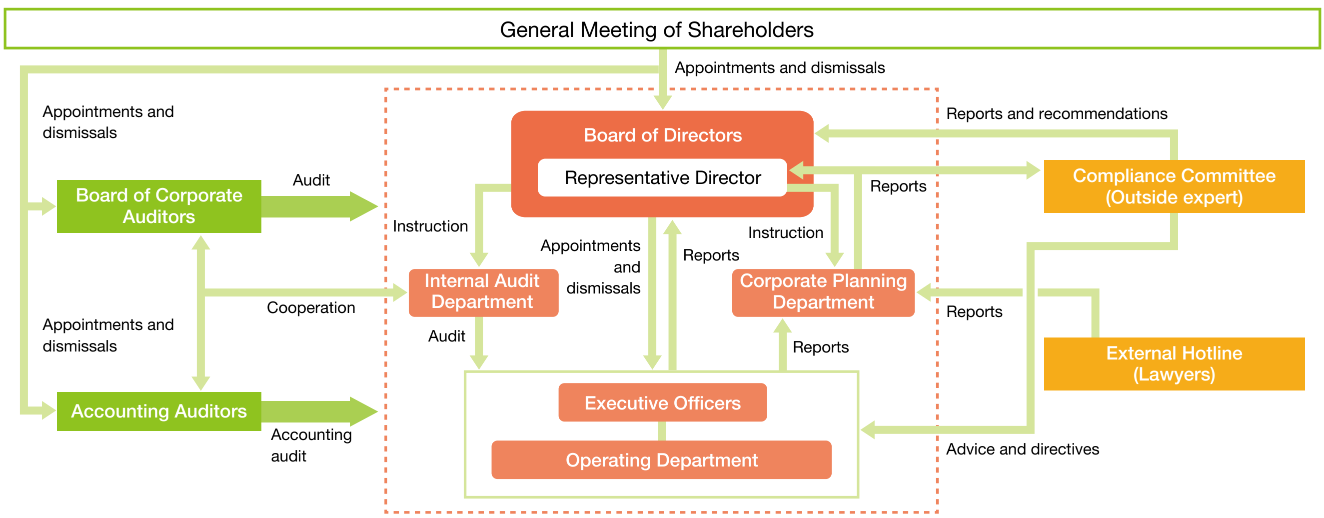
To further reinforce its compliance structure, in September 2008 the Company established the Compliance Committee, which is chaired by the director in charge of compliance and includes the participation of outside experts. The Compliance Committee provides advice regarding the deliberations of the Board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

Compliance Promotion Structure

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. In addition, the Company undertakes risk management through its Corporate Planning Department to ensure 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 the Company established an external hotline as part of its 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	2006	2007	2008	2009	2010	**2011**	**2011**
For the year:							
Net sales	121,938	129,912	125,173	109,912	100,101	**103,460**	**1,244,257**
Cost of sales	51,409	53,675	51,566	49,963	43,259	**45,511**	**547,336**
Gross profit—net	70,536	76,275	73,614	59,967	56,834	**57,954**	**696,981**
Selling, general and administrative expenses	59,274	64,153	63,405	58,745	52,502	**51,221**	**616,007**
Operating income	11,261	12,122	10,208	1,221	4,332	**6,733**	**80,974**
Income (loss) before income taxes and minority interests	11,726	12,686	6,077	(7,281)	3,520	**5,372**	**64,606**
Net income (loss)	6,935	7,141	3,435	(8,763)	1,276	**4,389**	**52,784**
Capital investment	1,674	2,739	6,678	1,204	226	**792**	**9,525**
Depreciation and amortization	956	965	1,105	1,590	2,134	**2,296**	**27,613**
At year-end:							
Current assets	80,168	107,801	109,610	85,652	72,598	**68,954**	**829,272**
Property, plant and equipment	27,514	26,089	31,670	29,290	28,251	**27,310**	**328,443**
Total assets	119,253	149,239	160,707	133,868	119,703	**110,595**	**1,330,066**
Current liabilities	44,089	50,326	63,433	53,769	42,079	**39,534**	**475,454**
Long-term liabilities	17,853	34,194	32,946	26,289	23,405	**13,594**	**163,488**
Total liabilities	61,942	84,520	96,379	80,059	65,485	**53,129**	**638,954**
Net assets (*1)	—	64,718	64,327	53,808	54,217	**57,465**	**691,100**
Total shareholders' equity	57,197	—	—	—	—	**—**	**—**
Number of shares issued (thousands)	27,001	56,592	56,592	56,592	56,592	**56,592**	
Number of employees	1,027	1,102	1,249	1,064	992	**969**	

	Yen						U.S. dollars (*6)
Per share data:							
Net income (loss) per share (*2)	137.47	134.88	66.14	(173.72)	25.47	**87.57**	**1.05**
Shareholders' equity per share (*3)	2,220.42	1,223.95	1,254.05	1,073.46	1,081.64	**1,146.45**	**13.79**
Cash dividends per share	30	15	15	15	15	**15**	**0.18**

	Percentage (%)					
Financial ratios:						
Operating income margin	9.2	9.3	8.2	1.1	4.3	**6.5**
Net income (loss) margin	5.7	5.5	2.7	(8.0)	1.3	**4.2**
Return on equity (ROE) (*4)	13.1	11.7	5.3	(14.9)	2.4	**7.9**
Return on assets (ROA) (*5)	10.9	9.3	6.8	1.0	3.6	**6.0**
Shareholders' equity ratio (*4)	48.0	43.3	39.9	40.2	45.3	**52.0**

(*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 a 2-for-1 stock split on April 1, 2006. The figure for fiscal 2006 has 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 2011. In the calculation of net assets per share, the amount of net assets less minority interests is used. For fiscal 2006, 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 2011, the amount of net assets less minority interests is used as shareholders' equity. For fiscal 2006, 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 ¥83.15 = US$1.00, the approximate rate on the Tokyo foreign exchange market on March 31, 2011.

Overview

In fiscal 2011, the year ended March 31, 2011, the Japanese economy showed signs of recovery because of a rise in exports amid increasing demand in emerging markets and the impact of various economic stimulus measures implemented by the Japanese government. However, economic conditions became more uncertain toward the end of the fiscal 2011 mainly due to the weakened effect of these stimulus measures, a slowdown in exports caused by the rapidly strengthening yen and deepening domestic turmoil caused by the Great East Japan Earthquake on March 11, 2011.

Net Sales

Under these conditions, the Belluna Group worked to develop products that accurately meet customer needs, improve its level of service, expand E-commerce and increase the number of repeat customers while cultivating new ones. Such measures were undertaken in order to achieve initial fiscal year targets established in Belluna's short-term business plan, which is based on the fundamental policy of realizing continuous growth, profitability and stability. At the same time, the Group scaled back trade loans and decreased interest-bearing liabilities as part of its efforts to further improve the health of its balance sheet.

As a result of the above and other factors, consolidated net sales for the fiscal year under review rose 3.4% year on year to ¥103,460 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. Note: Certain segment names changed in fiscal 2011.)

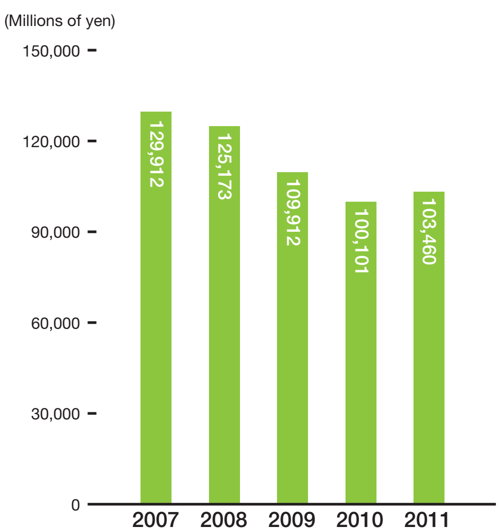
In the General Mail Order business, net sales increased year on year owing to steady progress in new customer sign-ups via the Internet and successful measures to increase the number of repeat purchases by existing customers. In contrast, the Specialty Mail Order business recorded a drop in net sales due to a decrease in catalog distribution. In the Solution business, net sales rose thanks to steady growth in enclosing and mailing services aimed at corporate clients along with the success of proposal-based sales for direct-marketing outsourcing services. Net sales in the Finance business fell, reflecting efforts to curb trade loans in such areas as real estate-related collateralized financing services and a reduction in interest rates following revisions to the Moneylending Control Act. In the Property business, net sales increased owing to higher revenues from sales of real estate for sale. The Other business recorded an upswing in net sales on the back of steady growth of the retail store and wholesale businesses.

Earnings

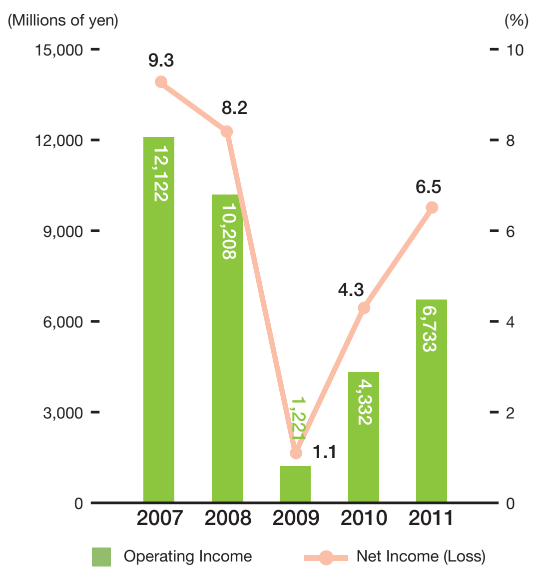
In the year under review, operating income jumped 55.4% year on year to ¥6,733 million. This was attributable to an improvement in media efficiency in the General Mail Order and Specialty Mail Order businesses as well as an improvement in the SG&A ratio to sales in line with such factors as a decrease in provisions. As a result, the operating income margin increased from 4.3% in the previous fiscal year to 6.5%. An overview of performance in each business segment is as follows.

Segment (operating) income in the General Mail Order and Specialty Mail Order businesses increased because of such factors as an improvement in media efficiency. The Solution business experienced a rise in segment income reflecting higher sales from its enclosing and mailing services and direct-marketing outsourcing services. In contrast, the Finance business recorded a decline in segment income due to subdued revenues, despite a reduction in the provision for loss on interest repayment. The Property business made a positive turnaround to profitability owing to a decrease in valuation loss on real estate for sale, while the Other business enjoyed higher segment income on the back of an upswing in sales. (For a more detailed account by segment, please refer to the Review of Operations on pages 7 through 10.)

■ **Net Sales**



■ **Operating Income and Operating Income Margin**



Consolidated ordinary income jumped 49.1% to ¥6,364 million compared with the previous fiscal year. This increase occurred despite declines in dividend income and foreign exchange gains recorded under non-operating income. Net income surged 243.8% year on year to ¥4,389 million. This was largely due to the tax effect from Belluna's absorption through merger of its subsidiary El Dorado Co., Ltd. in October 2010, which helped to offset the recording of a loss on sales of investment securities and a loss on disaster, both of which are listed as extraordinary losses.

As a result, net income per share rose from ¥25.47 in the previous fiscal year to ¥87.57 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, 2011 stood at ¥110,595 million, a decrease of ¥9,108 million from ¥119,703 million recorded at the end of the previous fiscal year. Of this, current assets fell ¥3,643 million to ¥68,954 million, primarily reflecting a decline in trade loans. Fixed assets as of the end of the fiscal year the under review declined ¥5,464 million to ¥41,640 million, mainly due to decreases in intangible fixed assets as well as investments and other assets.

Total liabilities decreased ¥12,356 million compared with the previous fiscal year-end to ¥53,129 million. This result was primarily attributable to a fall in short-term borrowings and redemptions of corporate bonds. Of total liabilities, current liabilities fell ¥2,545 million year on year to ¥39,534 million, while long-term liabilities shrank ¥9,810 million to ¥13,594 million.

Net assets as of March 31, 2011, totaled ¥57,465 million, a ¥3,247 million rise compared with the previous fiscal year-end. This increase was primarily attributable to an upswing in retained earnings. Consequently, the shareholders' equity ratio at the end of the period under review grew 6.7 percentage points from 45.3% to 52.0%.

Cash Flows

Net cash provided by operating activities during the fiscal year under review decreased from ¥21,222 million to ¥14,159 million compared with the previous fiscal year. The main factor for this change was a decrease in trade loans.

Net cash used in investing activities during the fiscal year under review increased from ¥2,294 million to ¥2,615 million compared with the previous fiscal year. The change was largely due to payments into time deposits and the acquisition of marketable securities.

Net cash used in financing activities during the fiscal year under review increased from ¥14,788 million to ¥15,037 million compared with the previous fiscal year. Main components of this rise included a decrease in short-term borrowings and the redemption of corporate bonds.

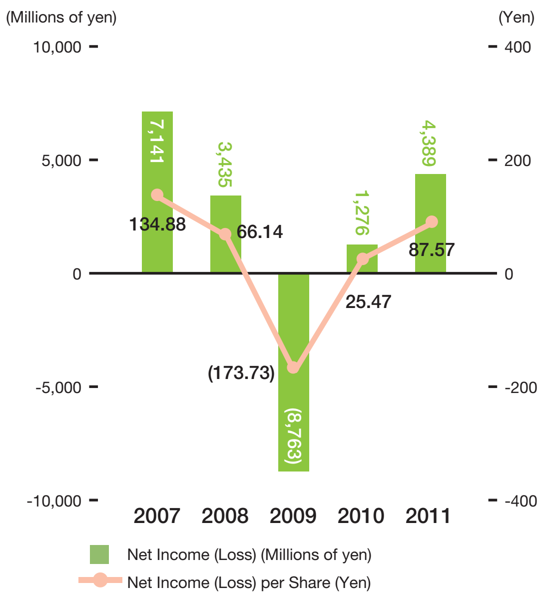
As a result of the above, after accounting for exchange rate fluctuations, the outstanding balance of cash and cash equivalents at the end of the year fell ¥3,559 million to ¥17,607 million.

Forecasts for Fiscal 2012

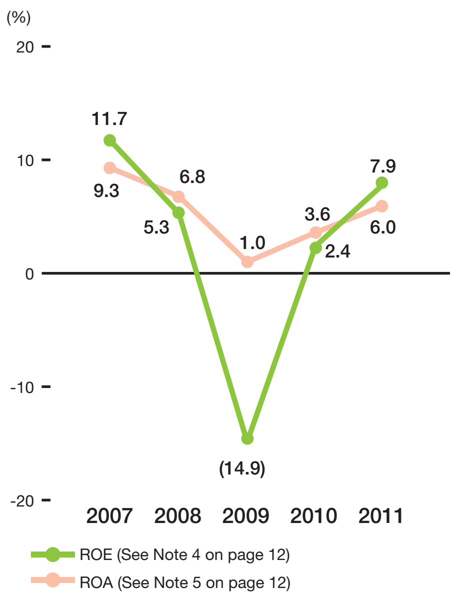
Direct property and other damage incurred by the Group as a result of the Great East Japan Earthquake on March 11, 2011 was minor. However, there are concerns that consumer confidence is eroding due to uncertainty about the future given the major economic losses sustained in Japan, the nuclear accident, subsequent power supply shortages and other factors. Despite its efforts to meet the needs of increasingly budget conscious consumers by releasing less expensive products, operating conditions for the mail order industry are forecasted to be severe. This forecast reflects an expected intensification of competition and higher raw material prices.

Against this backdrop, the Belluna Group aims to realize growth and profitability by strengthening database-related businesses in the General Mail Order, Specialty Mail Order and Solution businesses. Such ongoing efforts are based on the policies established under the short-term business plan. At the same time, the Group will enhance the health of its balance

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



ROE and ROA



sheet by decreasing the sizes of the Finance and Property businesses. Regarding forecasts for the next fiscal year, the Group will maximize its efforts to achieve operating results that exceed those of the fiscal year under review in spite of the post-disaster economic downturn and other factors.

Business Risks

1. Statutory Regulations

a) Belluna's Finance business is regulated by the Act on Control, etc., on Money Lending and the Act on Regulation of Receiving of Capital Subscription, Deposits, and Interest Rates, etc., as well as related laws and regulations. The Belluna Group's operating performance could be affected in cases where the decrease number of borrowers exceeds forecasts. In particular, each regulation has been reinforced primarily through the introduction of domestic regulations that restrict the total volume of lending in June 2010. Such changes may lead to a noticeable decrease in profitability primarily due to intensified competition following market contraction and a decline in interest revenue. In addition, the Group provides funds to address future repayment claims for past loans that exceed interest rate limitations stipulated by the Law Concerning the Regulation of Interest. However, in the event that the actual number and monetary amount of claims exceeds current forecasts, the Group's operating performance and financial situation may be adversely affected.

b) The General Mail Order and Specialty Mail Order businesses are subject to a variety of laws and regulations, including the Law for Preventing Unjustifiable Extra, Unexpected Benefit and Misleading Representation, the Japanese Agricultural Standards 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 Group may be required to make certain compensatory payments, significantly impacting the Group's operating performance and financial situation.

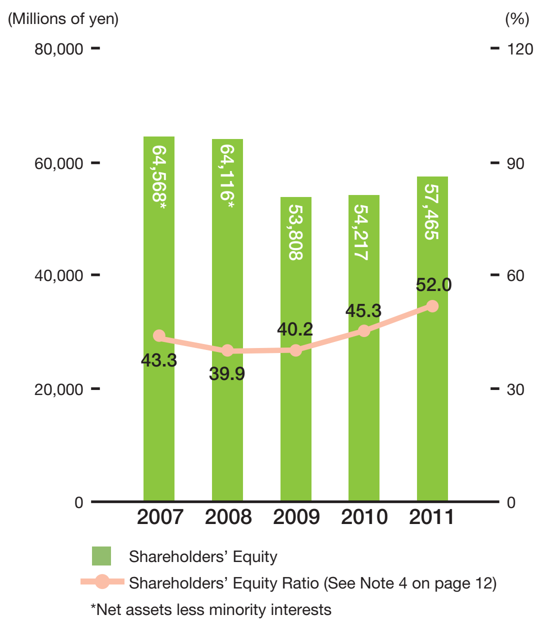
c) In the case that the Property business must adhere to new obligations and incur cost burdens arising from revisions or the formulation of new regulations related to the Building Standard Law, Building Lots and Building Transaction Business Law, Financial Instruments and Exchange Law or other real estate-related law, the Group's operating performance and financial situation may be adversely affected.

d) 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 in No. 5, Accounting Situation, 1. Consolidated Financial Statements, (2) Others, (c) Litigation on p. 53.

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.

■ **Shareholders' Equity and Shareholders' Equity Ratio**



■ **Operating Cash Flow and Adjusted Operating Cash Flow Margin**

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 and financial situation may be negatively affected.

4. Natural Disaster Risks

In the event of a natural disaster, order processing, product delivery and purchasing, credit control and other operations may be significantly impacted. In order to minimize such impact, the Group has increased the earthquake resistance of its information systems as well as dispersed its fulfillment service centers, including call and distribution centers. However, Belluna's operations may be disrupted, wholly or in part, may be impacted in the event that social infrastructure is significantly damaged by the occurrence of a major disaster or in the event of an outbreak of disease. As a result, the Group's operating performance and financial situation may be adversely affected.

5. Risks from Changes in the Political and Economic Situation of Producing Countries

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 and financial situation being negatively affected.

6. Risk from Fluctuations in Raw Material and Other Markets

In the event that the market prices of such raw materials as pulp (which is used to produce catalogs and other items) exceeds Group expectations or there is an increase in the cost of consigned dispatch services by carriers, mainly reflecting an increase crude oil prices, the Group's operating performance and financial situation may be adversely affected.

7. 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 and financial situation.

8. 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 and financial situation.

9. 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 and financial situation.

10. 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 and financial situation.

11. 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. In the event of a deterioration in real estate markets, the Finance business' collateralized real estate financing services may be subject to an increased risk of insufficient collateral for loan claims caused by a drop in prices of collateralized real estate as well as a heightened risk of late payment or bankruptcy due to a decreased ability to reimburse customers. As a result, the Group's operating performance and financial situation may be adversely affected.

12. Decreased Share Prices Risks

The Belluna Group possesses both listed and unlisted shares. In the case of a major drop in share prices, losses related to marketable securities held and valuation losses may be incurred. As a result, the Group's operating performance and financial situation may be adversely affected.

13. Financial Risks

Belluna has concluded commitment contracts containing financial covenants that require it to ensure that the level of net assets stated on its 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 and financial situation of the Belluna Group. In event that Belluna's credit rating is lowered, fund procurement costs will increase, while the ability to obtain funds in both public and private bonds markets will decrease. As a result, the Group's operating performance and financial situation may be adversely affected.

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, 2010 and 2011.

Consolidated Balance Sheets

		In millions of yen		
		March 31, 2010		March 31, 2011
Assets				
Current assets				
Cash and deposits	*1	23,221	*1	**20,688**
Trade notes and accounts receivable		10,350		**10,937**
Trade loans		21,177		**15,793**
Marketable securities		68		**3,275**
Merchandise and finished goods		8,612		**9,215**
Raw materials and supplies		804		**605**
Real estate for sale	*1	2,928	*1	**4,768**
Real estate for sale in process	*1	3,380	*1	**433**
Deferred tax assets		587		**1,356**
Other current assets		2,868		**3,231**
Allowance for doubtful accounts		(1,400)		**(1,351)**
Total current assets		72,598		**68,954**
Fixed assets				
Property, plant and equipment				
Buildings and structures	*1	20,769	*1	**21,047**
Accumulated depreciation	*2	(9,202)	*2	**(9,893)**
Buildings and structures (net)		11,567		**11,154**
Machinery and equipment		1,042		**1,010**
Accumulated depreciation		(895)		**(880)**
Machinery and equipment (net)		146		**129**
Furniture and fixtures		2,037		**1,987**
Accumulated depreciation	*2	(1,342)	*2	**(1,513)**
Furniture and fixtures (net)		694		**473**
Land	*1	15,403	*1	**15,125**
Lease assets		611		**685**
Accumulated depreciation		(178)		**(313)**
Lease assets (net)		432		**372**
Construction in progress		6		**55**
Total property, plant and equipment		28,251		**27,310**
Intangible fixed assets				
Goodwill		493		**361**
Lease assets		1,174		**959**
Other		4,396		**3,881**
Total intangible fixed assets		6,064		**5,202**
Investments and other assets				
Investment securities	*4	3,212	*4	**1,930**
Long-term lending		977		**1,009**
Claims provable in bankruptcy, rehabilitation and other (net)		8,617		**5,877**
Deferred tax assets		1,682		**1,664**
Other assets	*1	2,138	*1	**1,944**
Allowance for doubtful accounts		(3,839)		**(3,300)**
Total investments and other assets		12,788		**9,126**
Total fixed assets		47,104		**41,640**
Total assets		119,703		**110,595**

		In millions of yen		
		March 31, 2010		March 31, 2011
Liabilities				
Current liabilities				
Trade notes and accounts payable		13,059		**13,197**
Short-term borrowings	*1, 5, 6	12,688	*1, 6	**4,893**
Accrued expenses		5,918		**5,786**
Lease obligations		503		**542**
Current portion of bonds		6,100		**200**
Current portion of convertible bonds		—		**11,000**
Income taxes payable		1,368		**1,117**
Provision for bonuses		326		**345**
Provision for sales returns		70		**64**
Provision for point program		494		**532**
Provision for loss on litigation		47		**—**
Provision for loss on disaster		—		**126**
Other current liabilities		1,503		**1,729**
Total current liabilities		42,079		**39,534**
Long-term liabilities				
Straight bonds		—		**700**
Convertible bonds		11,000		**—**
Long-term borrowings	*1, 6	7,537	*1, 6	**8,494**
Provision for loss on interest repayment		2,340		**2,042**
Lease obligations		1,090		**654**
Provision for retirement benefits		288		**283**
Provision for retirement benefits for directors and corporate auditors		204		**213**
Asset retirement obligations		—		**432**
Other long-term liabilities		945		**774**
Total long-term liabilities		23,405		**13,594**
Total liabilities		65,485		**53,129**
Net assets				
Shareholders' equity				
Common stock		10,607		**10,607**
Capital surplus		11,003		**11,003**
Retained earnings		42,578		**46,215**
Treasury stock		(8,796)		**(8,796)**
Total shareholders' equity		55,392		**59,029**
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		(11)		**(77)**
Foreign currency translation adjustments		(1,163)		**(1,486)**
Total accumulated other comprehensive income		(1,174)		**(1,563)**
Minority interests		0		**0**
Total net assets		54,217		**57,465**
Total liabilities and net assets		119,703		**110,595**

Consolidated Statements of Income

In millions of yen

		Year ended March 31, 2010		Year ended March 31, 2011
Net sales		100,101		**103,460**
Cost of sales	[1]	43,259	[1]	**45,511**
Gross profit		56,841		**57,949**
Reversal of provision for sales returns		63		**70**
Provision for sales returns		69		**64**
Gross profit—net		56,834		**57,954**
Selling, general and administrative expenses	[2]	52,502	[2]	**51,221**
Operating income		4,332		**6,733**
Non-operating income				
Interest income		100		**61**
Dividend income		171		**63**
Rent income		24		**27**
Commission income		10		**—**
Extinction of debt		33		**32**
Compensation received		59		**62**
Foreign exchange gains		487		**264**
Other		271		**239**
Total non-operating income		1,158		**752**
Non-operating expenses				
Interest expense		588		**461**
Commission fee		159		**179**
Provision of allowance for doubtful accounts		—		**164**
Other		475		**315**
Total non-operating expenses		1,223		**1,121**
Ordinary income		4,267		**6,364**
Extraordinary gains				
Gain on bad debt recovered		68		**84**
Gain on retirement by purchase of bond		492		**—**
Gain on sales of fixed assets		—	[3]	**274**
Other		43		**30**
Total extraordinary gains		604		**390**
Extraordinary losses				
Loss on sales of fixed assets		—		**903**
Loss on valuation of investment securities	[4]	1,304		**62**
Loss on disaster		—		**211**
Provision for loss on litigation		47		**—**
Loss on adjustment for changes of accounting standard for asset retirement obligations		—		**205**
Total extraordinary loss		1,351		**1,382**
Income before income taxes and minority interests		3,520		**5,372**
Income taxes—current		1,817		**1,212**
Income taxes for prior periods		—		**395**
Income taxes—deferred		426		**(624)**
Total income taxes		2,243		**982**
Income before minority interests		—		**4,389**
Minority interests		(0)		**(0)**
Net income		1,276		**4,389**

Consolidated Statements of Comprehensive Income

In millions of yen

	Year ended March 31, 2010		Year ended March 31, 2011
Income before minority interests	—		**4,389**
Other comprehensive income			
Valuation difference on available-for-sale securities	—		**(66)**
Foreign currency translation adjustments	—		**(322)**
Total other comprehensive income	—	[2]	**(389)**
Comprehensive income	—	[1]	**4,000**
Comprehensive income attributable to owners of the parent	—		**4,000**
Comprehensive income attributable to minority interests	—		**(0)**

Consolidated Statements of Changes in Net Assets

	In millions of yen	
	Year ended March 31, 2010	Year ended March 31, 2011
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)	**(0)**
Balance at end of current year	11,003	**11,003**
Retained earnings		
Balance at end of previous year	42,053	**42,578**
Dividends paid	(751)	**(751)**
Net income	1,276	**4,389**
Balance at end of current year	42,578	**46,215**
Treasury stock		
Balance at end of previous year	(8,796)	**(8,796)**
Purchase of treasury stock	(0)	**(0)**
Disposal of treasury stock	0	**0**
Balance at end of current year	(8,796)	**(8,796)**
Total shareholders' equity		
Balance at end of previous year	54,867	**55,392**
Total changes during current year	524	**3,637**
Balance at end of current year	55,392	**59,029**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at end of previous year	(45)	**(11)**
Changes during current year	34	**(66)**
Balance at end of current year	(11)	**(77)**
Foreign currency translation adjustments		
Balance at end of previous year	(1,013)	**(1,163)**
Changes during current year	(149)	**(322)**
Balance at end of current year	(1,163)	**(1,486)**
Total accumulated other comprehensive income		
Balance at end of previous year	(1,059)	**(1,174)**
Total changes during current year	(115)	**(389)**
Balance at end of current year	(1,174)	**(1,563)**
Minority interests		
Balance at end of previous year	0	**0**
Changes during current year	(0)	**(0)**
Balance at end of current year	0	**0**
Total net assets		
Balance at end of previous year	53,808	**54,217**
Changes during current year	409	**3,247**
Balance at end of current year	54,217	**57,465**

Consolidated Statements of Cash Flows

	In millions of yen			
		Year ended March 31, 2010		Year ended March 31, 2011
Cash flows from operating activities				
Income before income taxes and minority interests		3,520		**5,372**
Depreciation and amortization		2,134		**2,296**
Increase (decrease) in provision for sales returns		6		**(5)**
Amortization of goodwill		131		**131**
Increase (decrease) in allowance for doubtful accounts		320		**(253)**
Increase (decrease) in provision for product repairs		(1)		**—**
Increase (decrease) in provision for bonuses		21		**18**
Increase (decrease) in provision for retirement benefits		45		**(5)**
Increase (decrease) in provision for retirement benefits for directors and corporate auditors		5		**9**
Increase (decrease) in provision for point program		23		**38**
Increase (decrease) in provision for loss on interest repayment		(54)		**(297)**
Increase (decrease) in provision for loss on disaster		—		**126**
Increase (decrease) in other provisions		47		**(47)**
Interest and dividend income		(271)		**(125)**
Interest expense		588		**461**
Loss (gain) on valuation of derivatives		78		**74**
Loss (gain) on sales of investment securities		—		**903**
Loss (gain) on valuation of investment securities		1,304		**62**
Loss (gain) on retirement of bonds		(492)		**—**
Foreign exchange losses (gains)		56		**(57)**
Loss (gain) on sales of property, plant and equipment		—		**(274)**
Decrease (increase) in trade notes and accounts receivable		46		**(594)**
Decrease (increase) in trade loans		13,113		**7,629**
Decrease (increase) in inventories		526		**(404)**
Decrease (increase) in real estate for sale		530		**1,107**
Decrease (increase) in other current assets		479		**(142)**
Increase (decrease) in notes and accounts payable		196		**163**
Increase (decrease) in other current liabilities		(633)		**(273)**
Increase (decrease) in other long-term liabilities		52		**(30)**
Loss on adjustment for changes of accounting standard for asset retirement obligations		—		**205**
Other		189		**434**
Sub-total		21,965		**16,524**
Interest and dividends received		231		**64**
Interest paid		(550)		**(470)**
Refund of income taxes		545		**136**
Income taxes paid		(970)		**(2,095)**
Net cash provided by operating activities		21,222		**14,159**
Cash flows from investing activities				
Payments into time deposits		(1,412)		**(2,714)**
Proceeds from withdrawal of time deposits		1,400		**1,702**
Acquisition of marketable securities		—		**(3,499)**
Proceeds from sales of marketable securities		—		**2,063**
Acquisition of property, plant and equipment		(569)		**(249)**
Proceeds from sales of property, plant and equipment		1		**690**
Acquisition of intangible fixed assets		(1,190)		**(705)**
Acquisition of investment securities		(1,000)		**(800)**
Proceeds from sales of investment securities		248		**921**
Payments of loans receivable		(393)		**(120)**
Collection of loans receivable		207		**90**
Payments for guarantee deposits		(14)		**(48)**
Proceeds from collection of guarantee deposits		440		**32**
Payments of other investments		(25)		**(4)**
Collection of other investments		13		**27**
Net cash used by investing activities		(2,294)		**(2,615)**
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		(7,871)		**(7,160)**
Proceeds from long-term borrowings		9,317		**6,800**
Repayments of long-term borrowings		(12,929)		**(6,456)**
Payments for retirement by purchase of bonds		(2,329)	*1	**(1,755)**
Proceeds from issuance of bonds		—		**1,000**
Redemption of bonds		—		**(6,200)**
Repurchase of treasury stock		(0)		**(0)**
Dividends paid		(751)		**(751)**
Repayments of lease obligations		(223)		**(513)**
Other		0		**0**
Net cash used by investing activities		(14,788)		**(15,037)**
Effect of exchange rate change on cash and cash equivalents		(58)		**(65)**
Net increase (decrease) in cash and cash equivalents		4,080		**(3,559)**
Cash and cash equivalents at beginning of the year		17,086		**21,166**
Cash and cash equivalents at end of the year	*2	21,166	*2	**17,607**

Significant Accounting Policies

Item	For the year ended March 31, 2010	For the year ended March 31, 2011
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 Co., Ltd., Bell-Net Credit Co., Ltd., BANKAN Co., Ltd., Wamonoya Co., Ltd., Belluna Mailing Service Co., Ltd.	a. Number of consolidated subsidiaries: 11 Effective October 1, 2010, the Company absorbed its real estate business subsidiary, El Dorado Co., Ltd., by merger. Following this, effective March 31, 2011, the Company established a new El Dorado Co., Ltd. by splitting off the Company's golf course management division. As a consequence, the Company has included the new El Dorado Co., Ltd. into the scope of consolidation, whereas the former El Dorado Co. Ltd. has been omitted from the scope of consolidation as it has been merged into the Company. Names of major consolidated subsidiaries: Refre 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. El Dorado 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: Nursery 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. Non-consolidated subsidiaries (Human Resource Management Co., Ltd., etc.) are excluded from the scope of the equity method application because they do not have a material effect on the consolidated net income or loss, retained earnings, etc. of the Company, nor materiality as a whole.	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. Non-consolidated subsidiaries (Nursery Co., Ltd., etc.) are excluded from the scope of the equity method application because they do not have a material effect on the consolidated net income or loss, retained earnings, etc. of the Company, nor materiality as a whole.

Item	For the year ended March 31, 2010	For the year ended March 31, 2011
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 2 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, 2010	For the year ended March 31, 2011
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). 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. 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 over the estimated useful life of said software (five years). iii) Lease assets: Depreciation of leased assets is calculated by the straight-line method based on the assumption that the useful life equals the lease term and the residual value equals zero. Of the finance lease transactions that do not transfer the ownership of the leased assets, those for which the commencement day of lease transactions fell on or before March 31, 2008 are accounted for by applying the accounting treatment similar to that for ordinary rental transactions. c. Basis for significant allowances and reserves i) Allowance for doubtful accounts: Allowances for doubtful accounts are provided at amounts determined based on the historical default rates with respect to ordinary receivables, and allowances for specific doubtful receivables at estimated amounts considered to be uncollectible after reviewing individual collectibility. ii) Provision for bonuses: Provision for bonuses is provided based on the estimated amount to be paid to employees for the current fiscal year.	Real estate for sale in process: Same as at left 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): Same as at left iii) Lease assets: Same as at left c. Basis for significant allowances and reserves i) Allowance for doubtful accounts: Same as at left ii) Provision for bonuses: Same as at left

Item	For the year ended March 31, 2010	For the year ended March 31, 2011
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.	iii) Provision for sales returns: Same as at left
	iv) Provision for point program: Provision for point program is provided for the future expense caused by the consumption of points, and is an estimate of the future consumption amount calculated at the year-end based on the historical rate of consumption.	iv) Provision for point program: Same as at left
	v) Provision for loss on interest repayment: Provision for loss on interest repayment is provided for expected refund claims of interest on trade loans, which exceed the upper limit of the interest rate prescribed under the Interest Rate Restriction Law.	v) Provision for loss on interest repayment: Same as at left
	vi) Provision for retirement benefits: Provision for retirement benefits is provided principally at an amount calculated based on the estimated retirement benefit obligation and the estimated fair value of the pension plan assets at the 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 on income or loss.	vi) Provision for retirement benefits: Same as at left

Item	For the year ended March 31, 2010	For the year ended March 31, 2011
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 the year-end based on internal rules.	vii) Provision for retirement benefits for directors and corporate auditors: Same as at left
	viii) 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 to incur in the future.	―――
	―――	ix) Provision for loss on disaster: In order to prepare for expenses that the Company will incur in connection with the restoration of property and equipment damaged by the Great East Japan Earthquake, the provision is provided for in an amount estimated at the year-end.
	―――	d. Principal hedge accounting policies i) Method of hedge accounting: Exceptional treatment is applied to the interest rate swaps that satisfy the criteria for such treatment. ii) Hedge method and hedged items: Hedge method—interest rate swaps Hedged items—interest on borrowings iii) Hedge policy: In order to reduce the risk associated with interest rate fluctuations, the Company utilizes hedges within the limit of the subject debt. iv) Method of evaluation of hedge effectiveness: Judgment as to the effectiveness of hedging is omitted for the interest rate swaps to which the exceptional treatment is applied.
	―――	e. Method and period of amortization of goodwill Goodwill is amortized by the straight-line method over a period of five years.
	―――	f. Cash and cash equivalents in the consolidated statements of cash flows These consist of cash on hand, cash in banks that can be withdrawn on demand, and short-term investments that will become due within three months from the acquisition date and can easily be converted into cash with negligible risk of value change.
	d. Other significant accounting policies i) Accounting for consumption taxes: Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.	g. Other significant accounting policies i) Accounting for consumption taxes: Same as at left

Item	For the year ended March 31, 2010	For the year ended March 31, 2011
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.	―――――
6. Amortization of Goodwill and Negative Goodwill	Goodwill is amortized in equal installments over the estimated period of the effect of the investment (five years).	―――――
7. Cash and Cash Equivalents in the Consolidated Statements of Cash Flows	Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, cash in banks which can be withdrawn on demand, and short-term investments which become due within three months from the acquisition date and can easily be converted into cash with negligible risk of value change.	―――――

Changes in Significant Matters That Constitute the Basis for Preparation of Consolidated Financial Statements

For the year ended March 31, 2010	For the year ended March 31, 2011
―――――	1. Application of accounting standard for asset retirement obligations: Beginning this fiscal year, the Company applied the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008). This change had the effect of reducing both operating income and ordinary income by ¥28 million, and income before income taxes and minority interests by ¥233 million.
―――――	2. Application of accounting standard for business combinations and other accounting standards: Beginning this fiscal year, the Company applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on December 26, 2008), the "Partial Amendment to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23 issued on December 26, 2008), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on December 26, 2008), the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 announced on December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on December 26, 2008).

Changes in Presentation

For the year ended March 31, 2010	For the year ended March 31, 2011
(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 income) 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 income) 1. "Provision of allowance for doubtful accounts" previously included in "Other" of the "Non-operating expenses" is presented as an independent line item, as its weight has exceeded 10% of total non-operating expenses. The amount of "Provision of allowance for doubtful accounts" included in "Other" of the "Non-operating expenses" in the previous fiscal year was ¥118 million. 2. As the Company applied the "Cabinet Office Ordinance Amending Part of Regulations Concerning Terminology, Forms and Preparation Method of Financial Statements" (Cabinet Office Ordinance No. 5 issued on March 24, 2009) in accordance with the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on December 26, 2008), a new line item "Income before minority interests" is provided, beginning this fiscal year.

Additional Information

For the year ended March 31, 2010	For the year ended March 31, 2011
―――――	(Presentation of consolidated statements of comprehensive income) Beginning this fiscal year, the Company applied the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 issued on June 30, 2010). As a transitional treatment, the previous year's reported figures of "Valuation and translation adjustments" and "Total valuation and translation adjustments" are presented as previous year figures for the new line items "Accumulated other comprehensive income" and "Total accumulated other comprehensive income."
―――――	(Application of consolidated taxation system) The Company and its domestic subsidiaries have received the approval of the Director-General of the National Tax Agency for the application of the consolidated taxation system from the fiscal year ending March 31, 2012. Meanwhile, from the fiscal year ended March 31, 2011, the Company and its domestic subsidiaries began applying the new accounting treatment, assuming the near-future application of the consolidated taxation system, in accordance with the "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)" (PITF No. 5 issued on March 18, 2011) and the "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)" (PITF No. 7 issued on June 30, 2010).

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, 2010		March 31, 2011	
*1 Pledged assets and secured liabilities		*1 Pledged assets and secured liabilities	
Assets pledged as collateral:		Assets pledged as collateral:	
Cash and deposits	1,100	Cash and deposits	1,100
Real estate for sale	2,003	Real estate for sale	3,876
Real estate for sale in process	3,185	Real estate for sale in process	249
Buildings and structures	8,059	Buildings and structures	7,627
Land	12,391	Land	12,093
Total	26,740	Total	24,948
Liabilities secured by the above collateral:		Liabilities secured by the above collateral:	
Short-term borrowings	12,417	Short-term borrowings	4,550
Long-term borrowings	7,202	Long-term borrowings	8,310
Total	19,619	Total	12,860
In addition to the above, a guarantee deposit of ¥369 million included in “Other assets” (guarantee) of “Investments and other assets” was pledged as collateral for derivative transactions.		In addition to the above, a guarantee deposit of ¥330 million included in “Other assets” (guarantee) of “Investments and other assets” was pledged as collateral for derivative transactions.	
*2 Accumulated impairment loss is included in “Accumulated depreciation.”		*2 Accumulated impairment loss is included in “Accumulated depreciation.”	
*3 Guarantees		*3 Guarantees	
Guarantees were provided for the debt of the following affiliate:		Guarantees were provided for the debt of the following affiliate:	
Name of guaranteed company	Amount	Name of guaranteed company	Amount
Nursery Co., Ltd. (Borrowings)	110	Nursery Co., Ltd. (Borrowings)	110
Total	110	Total	110
*4 Investment in equities of non-consolidated subsidiaries is as follows:		*4 Investment in equities of non-consolidated subsidiaries is as follows:	
Investment securities (stocks)	194	Investment securities (stocks)	194
*5 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:		*5 The Company entered into lending commitments with a bank for the timely financing of working capital. The unexecuted balance granted under the lending commitments as of March 31, 2011 is summarized as follows:	
Total lending commitments	3,000	Total lending commitments	2,000
Executed loans	3,000	Executed loans	—
Unexecuted balance of lending commitments	—	Unexecuted balance of lending commitments	2,000

March 31, 2010	March 31, 2011
*6 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 amounts as of the end of the preceding fiscal year.	*6 Restrictive financial covenants Of the consolidated borrowings balance, up to ¥4,718 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 amounts as of the end of the preceding fiscal year.

Notes to the Consolidated Statements of Income

(In millions of yen)

For the year ended March 31, 2010		For the year ended March 31, 2011	
*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	*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:	495
*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	6,673	Freightage and packing expenses	7,234
Advertising expenses	13,146	Advertising expenses	12,586
Sales promotion expenses	3,743	Sales promotion expenses	3,559
Allowance for doubtful accounts	2,075	Allowance for doubtful accounts	1,134
Provision for point program	494	Provision for point program	532
Provision for loss on interest repayment	925	Provision for loss on interest repayment	674
Salaries and allowances	7,192	Salaries and allowances	7,362
Provision for bonuses	351	Provision for bonuses	319
Provision for retirement benefits for directors and corporate auditors	11	Provision for retirement benefits for directors and corporate auditors	9
Provision for retirement benefits	96	Provision for retirement benefits	82
Communication expenses	5,715	Communication expenses	5,882
Commission fee	5,274	Commission fee	5,401
――――		*3 Breakdown of gain on sales of fixed assets is as follows:	
		Land	274
*4 Breakdown of loss on valuation of investment securities is as follows:		――――	
Investment securities	1,296		
Stocks of affiliated companies	8		

Notes to the Consolidated Statements of Comprehensive Income

– For the year ended March 31, 2011 –

*1. Comprehensive income for the preceding fiscal year ended March 31, 2010:

(In millions of yen)

Comprehensive income attributable to the owners of the parent	1,161
Comprehensive income attributable to minority interests	(0)
Total	1,161

*2. Other comprehensive income for the preceding fiscal year ended March 31, 2010:

(In millions of yen)

Valuation difference on available-for-sale securities	34
Foreign currency translation adjustment	(149)
Total	(115)

Notes to the Consolidated Statements of Changes in Net Assets

– 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

– For the year ended March 31, 2011 –

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

(In thousands of shares)

	As of March 31, 2010	Increase	Decrease	As of March 31, 2011
Shares issued:				
Common stock	56,592	—	—	56,592
Total	56,592	—	—	56,592
Treasury stock:				
Common stock (Notes 1 and 2)	6,466	0	0	6,467
Total	6,466	0	0	6,467

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 29, 2010	Common stock	375	7.5	March 31, 2010	June 30, 2010
Board of Directors' meeting on November 4, 2010	Common stock	375	7.5	September 30, 2010	December 9, 2010

(2) Dividends with a record date during the year ended March 31, 2011, 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, 2011	Common stock	375	Retained earnings	7.5	March 31, 2011	June 30, 2011

Notes to the Consolidated Statements of Cash Flows

(In millions of yen)

For the year ended March 31, 2010

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

For the year ended March 31, 2011

*1 "Payments for retirement by purchase of bonds" represents spending for the retirement of treasury bond.

*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, 2011
Cash and deposits	20,688
Time deposits with original maturities of more than three months	(3,080)
Cash and cash equivalents	17,607

Notes Regarding Lease Transactions

(In millions of yen)

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):

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) Amounts corresponding to acquisition cost, accumulated depreciation, accumulated impairment loss 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

(3) Lease expense and amounts corresponding to depreciation and interest expense:

Lease expense	730
Amount corresponding to depreciation	681
Amount corresponding to interest expense	38

(4) Calculation method of the amount corresponding to depreciation:

The amount has been 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.

[About impairment loss]

There is no impairment loss allocated to lease assets.

For the year ended March 31, 2011

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:

Same as at left

(1) Amounts corresponding to acquisition cost, accumulated depreciation, accumulated impairment loss and fiscal year-end net carrying value of the leased items:

	Acquisition cost	Accumulated depreciation	Year-end net carrying value
Machinery, equipment and vehicles	935	626	308
Furniture and fixtures	1,200	856	344
Other	282	183	98
Total	2,418	1,666	751

(2) Future minimum lease payments:

Due within one year	440
Due over one year	348
Total	788

(3) Lease expense and amounts corresponding to depreciation and interest expense:

Lease expense	574
Amount corresponding to depreciation	535
Amount corresponding to interest expense	23

(4) Calculation method of the amount corresponding to depreciation:

Same as at left

[About impairment loss]

Same as at left

For the year ended March 31, 2010	For the year ended March 31, 2011
(5) Calculation method of the amount corresponding to interest expense: The difference between total lease payments and acquisition cost of leased assets is regarded as the amount corresponding to interest expense. Such amount is allocated to each period based on the periodic interest method.	(5) Calculation method of the amount corresponding to 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] below):

(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 debt 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 debt 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 debt 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 debt 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 interest 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 Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 issued on March 10, 2008).

– For the year ended March 31, 2011 –

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.

The 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. For information regarding the hedge accounting adopted by the Company, including hedge method and hedge items, hedge policy and method of evaluation of hedge effectiveness, please see “d. Principal hedge accounting policies” under “4. Significant Accounting Policies.”

(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, 2011 are as presented below, provided, however, that financial instruments whose fair values are not readily determinable are excluded from these tables (see [Note 2] below):

(In millions of yen)

	Balance sheet carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and deposits	20,688	20,688	—
(2) Trade notes and accounts receivable	10,937		
Allowance for doubtful accounts (*1)	(610)		
	10,327	10,327	—
(3) Trade loans	15,793		
Allowance for doubtful accounts (*1)	(741)		
	15,052	15,464	412
(4) Marketable securities and investment securities	2,227	2,227	—
(5) Long-term lending	1,009		
Allowance for doubtful accounts (*1)	(303)		
	705	705	—
(6) Claims provable in bankruptcy, rehabilitation and other	5,877		
Allowance for doubtful accounts (*1)	(2,971)		
	2,905	2,905	—
Assets total	51,907	52,319	412
(1) Trade notes and accounts payable	13,197	13,197	—
(2) Short-term borrowings	4,893	4,893	—
(3) Accrued expenses	5,786	5,786	—
(4) Lease obligations (current liabilities)	542	542	—
(5) Current portion of straight bonds (due within one year)	200	200	—
(6) Current portion of convertible bonds (bonds with stock acquisition rights) (due within one year)	11,000	10,725	(275)
(7) Income taxes payable	1,117	1,117	—
(8) Straight bonds	700	700	—
(9) Long-term borrowings	8,494	8,494	—
(10) Lease obligations (long-term liabilities)	654	654	—
Liabilities total	46,585	46,310	(275)
Derivative transactions (*2)	(89)	(89)	—

(*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 debt 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 debt 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, 2011 totaled ¥900 million yen, with losses on such sales of those securities amounting to ¥900 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 debt 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 debt amounts, such amounts are determined as fair values.

Liabilities

(1) Trade notes and accounts payable, (3) Accrued expenses, (6) Current portion of straight bonds and (7) 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.

(2) Short-term borrowings, (8) Straight bonds and (9) Long-term borrowings:
Borrowings and bonds bearing variable interest rates (floating rate types) are recorded using book values because their fair values approximate book values as they quickly reflect market interest rates within a short period of time. However, some of the floating rate type long-term borrowings are subject to the exceptional treatment applicable to interest rate swap transactions and, therefore, their fair values are determined by discounting the aggregate values of principal and interest (treated en bloc with the relevant interest rate swap transactions) using a reasonably estimated interest rate that is based on the assumption of the same type of borrowings being newly made.

(4) Lease obligations (current liabilities) and (10) 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 interest 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.

(6) Bonds with stock acquisition rights (convertible bonds) due within one year:
The fair values of these bonds are recorded using the prices offered by the 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
Unlisted bonds	1,500
Investments in partnerships for investment business	997

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	20,674	—	—	—	—	—
Trade notes and accounts receivable	10,937	—	—	—	—	—
Trade loans	10,088	4,027	1,221	402	52	0
Marketable securities and investment securities: Available-for-sale securities with contractual maturities:						
(1) Corporate bonds	3,274	—	—	—	—	—
(2) Other	285	5	—	—	686	43
Long-term lending	—	372	65	27	135	408
Total	45,261	4,405	1,286	430	873	453

[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.

Notes Regarding Securities

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

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

(In millions of yen)

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

Note: Unlisted equity securities 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 declines to a level 50% or more below its acquisition cost. When the market value of a security declines 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.

– As of March 31, 2011–

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	Balance sheet carrying amount	Acquisition cost	Unrealized gain (loss)
Stocks	49	38	10
Bonds:			
Japanese national and local government bonds	—	—	—
Corporate bonds	1,774	1,755	18
Other bonds	—	—	—
Other	1	1	0
Subtotal (a)	1,824	1,795	29

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

(In millions of yen)

Type of securities	Balance sheet carrying amount	Acquisition cost	Unrealized gain (loss)
Stocks	201	310	(109)
Bonds:			
Japanese national and local government bonds	—	—	—
Corporate bonds	43	55	(12)
Other bonds	—	—	—
Other	158	195	(36)
Subtotal (b)	402	561	(158)

Total (a + b)	2,227	2,356	(129)

Note: Unlisted equity securities 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, 2011:

(In millions of yen)

Type of securities	Proceeds of sales	Gain on sales	Loss on sales
Stocks	0	0	—
Bonds:			
Japanese national and local government bonds	—	—	—
Corporate bonds	—	—	—
Other bonds	—	—	—
Other	900	—	900
Total	900	0	900

5. Securities for which impairment loss was recorded:

For the fiscal year ended March 31, 2011, the Company recorded ¥62 million as impairment of value with respect to securities (¥62 million in other available-for-sale securities).

The impairment is automatically recorded when the market value of a security declines to a level 50% or more below its acquisition cost. When the market value of a security declines 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, 2010 –

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

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)
Transactions other than market transactions	Currency swaps:				
	Buy				
	US dollars	1,077	613	(69)	(69)
	Currency forward exchange contracts:				
	Buy				
	Euro	78	—	(4)	(4)
	Currency options:				
	Buy calls				
	US dollars	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.

– For the year ended March 31, 2011 –

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

Currency-related derivatives

(In millions of yen)

	Type of transactions	Year ended March 31, 2011 Contract amount	Over 1 year contracts	Fair value	Unrealized gain (loss)
Transactions other than market transactions	Currency swaps:				
	Buy				
	US dollars	613	349	(87)	(87)
	Currency forward exchange contracts:				
	Buy				
	US dollars	75	—	(0)	(0)
	Currency options:				
	Buy calls				
	US dollars	218	53	2	2
	Euro	189	—	1	1
	Sell puts				
	US dollars	147	49	(5)	(5)
Total		1,243	451	(89)	(89)

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:

Interest-related derivatives

(In millions of yen)

Method of hedge accounting	Type of transactions	Main hedged item	Contract amount	Over 1 year contract	Fair value
Exceptional treatment applicable to interest rate swaps	Interest rate swaps: Receive floating price, pay fixed price	Long-term borrowings	1,500	1,200	(Note below)

Note: The above derivatives subject to the exceptional treatment are treated en bloc with the relevant long-term borrowings. Therefore, for presentation herein, their fair values are included in those of the relevant long-term borrowings.

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, 2010	As of March 31, 2011
① Projected benefit obligation	(726)	(766)
② Fair value of pension plan assets	495	561
③ Unfunded benefit obligation (①+②)	(230)	(205)
④ Unrecognized actuarial differences	10	(23)
⑤ Unrecognized prior service costs	(67)	(53)
⑥ Net liability amount on consolidated balance sheet (③+④+⑤)	(287)	(281)
⑦ Prepaid pension cost	1	1
⑧ Provision for retirement benefits (⑥–⑦)	(288)	(283)

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, 2010	For the year ended March 31, 2011
① Service cost	95	81
② Interest cost	16	15
③ Expected return on plan assets	(10)	(10)
④ Amortization of actuarial differences	(4)	10
⑤ Amortization of prior service costs	(1)	(13)
⑥ Net periodic retirement benefit costs (①+②+③+④+⑤)	96	82

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

Category	As of March 31, 2010	As of March 31, 2011
① Discount rate	2.23%	2.23%
② Expected rate of return on plan assets	2.23%	2.23%
③ Allocation method of projected benefit obligation	Equal amount over period	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, 2010

1. Significant components of deferred tax assets and liabilities:

(In 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, 2011

1. Significant components of deferred tax assets and liabilities:

(In millions of yen)

Deferred tax assets:	
Excess provision for bonuses	159
Excess allowance for doubtful accounts	1,058
Excess provision for sales returns	26
Excess provision for point program	215
Excess provision for loss on interest repayment	825
Bad debt expenses	391
Loss on valuation of investment securities	695
Loss on valuation of stocks of affiliated companies	1,278
Provision for retirement benefits	114
Loss on valuation of real estate for sale	556
Excess impairment loss of fixed assets	447
Unrealized gains (losses) on available-for-sale securities	52
Loss on transfer of receivables	323
Excess provision for loss on disaster	50
Loss carried forward	1,195
Other	634
Deferred tax assets subtotal	8,027
Valuation reserve	(4,887)
Deferred tax assets total	3,140
Deferred tax liabilities:	
Asset retrement obligations	(94)
Other	(106)
Deferred tax liabilities total	(201)
Net deferred tax assets	2,939

For the year ended March 31, 2010		For the year ended March 31, 2011	
2. Significant components of difference between the statutory tax rate and the effective tax rate:		2. Significant components of difference between the statutory tax rate and the effective tax rate:	
	(%)		(%)
Statutory tax rate:	40.4	Statutory tax rate:	40.4
Items, including entertainment expenses, not eternally deductible for tax purposes	0.1	Items, including entertainment expenses, not eternally deductible for tax purposes	0.3
Items, including dividends received, not eternally deductible for tax purposes	(2.8)	Items, including dividends received, not eternally deductible for tax purposes	(0.0)
Equal installments of inhabitant taxes	0.7	Equal installments of inhabitant taxes	0.6
Tax rate difference of subsidiaries	0.3	Tax rate difference of subsidiaries	(0.1)
Increase (decrease) of valuation reserve	24.0	Increase (decrease) of valuation reserve	(33.5)
Other	1.2	Effects of merger	2.5
		Deductible foreign taxes	0.1
		Prior year income taxes	7.4
		Other	0.6
Effective tax rate	63.7	Effective tax rate	18.3

Notes Regarding Business Combination

– For the year ended March 31, 2010 –

None applicable.

– For the year ended March 31, 2011 –

1. Transactions under common control, etc.

(1) Outline of transaction:

① Name and description of the combined business:

Name of the business: Property business

Description of the business: Real estate renting, real estate recycling and development, etc.

② Date of business combination:

October 1, 2010

③ Legal structure of business combination:

A absorption-type merger in which the Company is the surviving company.

④ Name of company after business combination:

Belluna Co., Ltd.

⑤ Summary of transaction:

El Dorado Co., Ltd. had been engaged in real estate renting, real estate recycling and development, etc. In order to strengthen the corporate governance and raise management and financial efficiency from the Group’s perspective, the Company decided to merge with this company.

(2) Summary of accounting treatment:

This transaction was treated as a transaction under common control in accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 issued on December 26, 2008) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 issued on December 26, 2008).

2. Transactions under common control, etc.

(1) Outline of transaction:

① Name and description of the combined business:

Name of the business: Property business

Description of the business: Management of golf courses, buying/selling and intermediation (brokerage) of golf course memberships, etc.

② Date of business combination:

March 31, 2011

③ Legal structure of the business combination:

A company split, in which the Company is the party to split a part of its business and El Dorado Co., Ltd. (the Company's consolidated subsidiary) is the successor company.

④ Name of company after business combination:

El Dorado Co., Ltd. (the Company's consolidated subsidiary)

⑤ Summary of transaction:

The purpose of this transaction is to separate off the golf course management business which differs in nature from the Company's principal business of mail order sales, and to create a new entity that affords flexible organizational management and speedy decision making fit for the specific nature of this business.

(2) Summary of accounting treatment:

This transaction was treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on December 26, 2008).

Effective October 1, 2010, the Company absorbed its real estate business subsidiary, El Dorado Co., Ltd. into it by merger. Meanwhile, effective March 31, 2011, the Company established a new company bearing the same name "El Dorado Co., Ltd." by splitting out the Company's golf course management division.

Notes Regarding Asset Retirement Obligations

– For the year ended March 31, 2011 –

Asset retirement obligations recorded on the consolidated balance sheets:

a. Outline of the asset retirement obligations

Part of the Belluna Group's facilities are leased or rent under lease or rental contracts with the landowners and, as for the obligations thereunder to restore the original state at the time of evacuation, asset retirement obligations were recorded. In addition, asset retirement obligations were also recorded for the obligation to remove harmful substances used in certain buildings.

b. Basis for calculation of the amount of the relevant asset retirement obligations:

The amounts of asset retirement obligations were calculated by estimating the projected period of use for these facilities to be 9 to 50 years, depending on the useful life of each relevant building or facility, and using a discount rate between 1.54% to 2.30%.

c. Increase or decrease in the total amount of the relevant asset retirement obligations during the year ended March 31, 2011:

Balance at the beginning of the year (Note)	¥423 million
Adjustments over time	9 million
Balance at the end of the year	¥432 million

Note: The balance at the beginning of the year recognized due to the adoption of the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008) from the fiscal year ended March 31, 2011.

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 obtaining rental revenue. 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).

– For the year ended March 31, 2011 –

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 obtaining rental revenue. 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, 2011 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	3,160	(363)	2,797	2,616
Property that includes a portion used as rental property	3,629	(81)	3,548	3,421

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.
3. The principal factor of the increase (decrease) in investment and rental property is the decrease from the sale of real estate (¥357 million).

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, 2011 are as follows:

(In millions of yen)

	Income	Expenses	Difference	Other (gain or loss on sale)
Investment and rental property	196	123	73	274
Property that includes a portion used as rental property	300	154	145	—

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.

Segment Information

a. Business segment information

– For the year ended March 31, 2010 –

(In millions of yen)

	(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. 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.
(6) Other — Sales of Japanese clothing-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.

b. Geographical segment information

– For the year ended March 31, 2010 –

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

c. Overseas sales

– For the year ended March 31, 2010 –

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

d. Segment information

– For the year ended March 31, 2011 –

1. Outline of reportable segments

The Belluna Group's reportable segments are operating segments representing components of the entity, for each of which discrete financial information is available and periodic reviews are given by the board of directors in order to make decisions on the allocation of resources as well as to assess business performance.

The Belluna Group is aiming to become a comprehensive mail order merchant company that provides services addressing diversified customer needs through the effective use of management resources. The Group has identified six operating segments comprising "general mail order," "specialty mail order," "solution," "finance," "property" and "other" as reportable segments.

The principal business lines of the respective reportable segments are as follows:

(1) General mail order: mail order sales of daily life-related merchandise, including clothing, household goods and furniture, and related services.
(2) Specialty mail order: mail order sales of specialty single items, including food, cosmetics and supplements, and sales focusing on specific customers.
(3) Solution: commission-type businesses that outsource to the Company. These include operations involving the insertion of other companies' leaflets into the Company's merchandise catalogs or merchandise packages and their dispatching.
(4) Finance: consumer loan services and secured loan services.
(5) Property: rental of real estate, remodeling and development of real estate.
(6) Other: sales of Japanese clothing-related merchandise, wholesale businesses, etc.

2. Basis of measuring the amounts of segment sales, segment income or loss, segment assets, segment liabilities and other material items

The basis of the accounting treatment for the reported operating segments is substantially the same as described herein under "Significant Accounting Policies."

Segment income represents operating income (before amortization of goodwill)-based amount.

Inter-segment revenues and transfer amounts are calculated based on the prevailing market value.

3. Segment sales, segment income or loss, segment assets, segment liabilities and other material items

– For the year ended March 31, 2010 –

(In millions of yen)

	General mail order	Specialty mail order	Solution	Finance	Property	Other	Adjustments (Note 1)	Consolidated carrying amount (Note 2)
Net sales:								
Sales to third parties	64,434	21,697	2,038	5,771	1,336	4,823	—	100,101
Inter-segment sales or transfers	89	10	186	—	16	—	(303)	—
Total	64,524	21,707	2,225	5,771	1,353	4,823	(303)	100,101
Segment income (or segment loss)	824	1,809	1,031	498	(219)	191	196	4,332
Segment assets	62,933	9,784	522	27,705	14,962	2,725	1,068	119,703
Other items:								
Depreciation (Note 3)	1,812	174	10	31	131	26	—	2,187
Amortization of goodwill	—	—	—	—	—	—	131	131
Increase in property, plant and equipment and intangible fixed assets (Note 3)	2,489	100	1	71	21	1	—	2,686

Notes: 1. Amounts of adjustments are as follows:
(1) Adjustments in segment income represent ¥328 million from inter-segment elimination minus ¥131 million for amortization of goodwill.
(2) Adjustments in segment assets include ¥574 million for the Company's employee welfare facilities and ¥493 million as the year-end balance of goodwill.
2. Segment income (or segment loss) has been reconciled with operating income in the consolidated financial statements.
3. Depreciation and increase in property, plant and equipment and intangible fixed assets include long-term prepaid expenses and amortization of such expenses.

– For the year ended March 31, 2011 –

(In millions of yen)

	General mail order	Specialty mail order	Solution	Finance	Property	Other	Adjustments (Note 1)	Consolidated carrying amount (Note 2)
Net sales:								
Sales to third parties	68,941	20,286	3,337	3,133	2,165	5,594	—	103,460
Inter-segment sales or transfers	103	2	225		7	—	(339)	—
Total	69,045	20,289	3,562	3,133	2,173	5,594	(339)	103,460
Segment income	2,031	2,189	1,569	134	165	459	183	6,733
Segment assets	60,029	11,648	715	19,879	13,910	3,406	1,004	110,595
Other items:								
Depreciation (Note 3)	1,939	205	5	41	132	26	—	2,350
Amortization of goodwill	—	—	—	—	—	—	131	131
Increase in property, plant and equipment and intangible fixed assets (Note 3)	402	279	14	58	5	34	—	792

Notes: 1. Amounts of adjustments are as follows:
(1) Adjustments in segment income represent ¥314 million from inter-segment elimination minus ¥131 million for amortization of goodwill.
(2) Adjustments in segment assets include ¥642 million for the Company's employee welfare facilities and ¥361 million as the year-end balance of goodwill.
2. Segment income has been reconciled with operating income in the consolidated financial statements.
3. Depreciation and increase in property, plant and equipment and intangible fixed assets include long-term prepaid expenses and amortization of such expenses.

e. Related information

– For the year ended March 31, 2011 –

1. Information by products and services

(In millions of yen)

	General mail order	Specialty mail order	Solution	Finance	Property	Other	Total
Sales to third parties	68,941	20,286	3,337	3,133	2,165	5,594	103,460

2. Information by region

(1) Sales

This information is not provided herein since sales to third parties in Japan represented more than 90% of the sales amount in the consolidated statement of income.

(2) Property, plant and equipment

This information is not provided herein since the amount of property, plant and equipment located in Japan accounted for more than 90% of the amount of property, plant and equipment in the consolidated balance sheets.

f. Impairment loss of fixed assets by reportable segment

– For the year ended March 31, 2011 –

None applicable.

g. Amortization and unamortized balance of goodwill by reportable segment

– For the year ended March 31, 2011 –

(In millions of yen)

	General mail order	Specialty mail order	Solution	Finance	Property	Other	Total
Amortization for the year	—	—	—	—	—	131	131
Unamortized balance at year-end	—	—	—	—	—	361	361

h. Gain from negative goodwill by reportable segment

– For the year ended March 31, 2011 –

None applicable.

(Additional Information)

– For the year ended March 31, 2011 –

Effective the year ended March 31, 2011, the Company adopted the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 issued on March 21, 2008).

Related Party Transactions

– 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

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, but are included in the year-end balance.
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.

– For the year ended March 31, 2011 –

Transactions with related parties:

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

Parent company and major shareholders of the entity filing consolidated financial statements (limited to companies):

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				
Major shareholder	Friend Stage, Ltd. (Note 2)	Ageo, Saitama	50	Seal stamp sales	Directly owned: 14.5%, Indirectly owned: 21.1%	1	Deposit of down payment	Deposit of down payment (Note 3)	—	Investment and other assets (Other assets)	25
								Commission for sales of realty (Note 3)	19	—	—
								Commission on consignment (Note 3)	10	—	—

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

None applicable.

Notes: 1. Consumption taxes are not included in the above transaction amounts, but are included in the year-end balance.
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 deposit of down payments, commissions for sales of realty and commissions on consignments are determined according to the same terms and conditions as those with outside parties.

Per Share Information

(In yen)

For the year ended March 31, 2010		For the year ended March 31, 2011	
Net assets per share	1,081.64	Net assets per share	1,146.45
Basic net income per share	25.47	Basic net income per share	87.57
Diluted net income per share	24.55	Diluted net income per share	81.82

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

	For the year ended March 31, 2010	For the year ended March 31, 2011
Basic net income per share:		
Net income (millions of yen)	1,276	4,389
Amount not attributable to holders of common stock (millions of yen)	—	—
Net income attributable to holders of common stock (millions of yen)	1,276	4,389
Average number of shares during the year (thousands of shares)	50,125	50,125
Diluted net income per share:		
Adjustments to net income (millions of yen)	72	65
(Interest expense, net of tax, included in the above) (millions of yen)	(72)	(64)
(Handling fee, net of tax, included in the above) (millions of yen)	(0)	(0)
Increase in number of shares of common stock (thousands of shares)	4,826	4,320
(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)	(4,320)
Securities with no dilutive effect excluded from the calculation of diluted net income per share	—	—

Significant Subsequent Events

None applicable.

Supplementary Schedules

Bonds

Issuer	Description	Date of issue	Outstanding balance (millions of yen)		Coupon rate	Collateral	Maturity
			March 31, 2010	March 31, 2011			
Belluna Co., Ltd.	2nd Unsecured Straight Bonds	September 21, 2005	6,100 (6,100)	— —	0.96%	None	September 21, 2010
Belluna Co., Ltd.	Euro Yen Bonds with Stock Acquisition Rights due 2012 (Convertible Bonds)	March 26, 2007	11,000 —	11,000 (11,000)	1.10%	None	March 31, 2012
Belluna Co., Ltd.	1st Unsecured Bonds with Floating Rate Interest	July 30, 2010	— —	900 (200)	0.50%	None	July 31, 2015
Total	—	—	17,100 (6,100)	11,900 (11,200)	—	—	—

Notes:

1. Amounts in 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 (in 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 changed to 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
11,200	200	200	200	100

Borrowings

	Outstanding balance (millions of yen)		Average interest rate	Repayment date
	March 31, 2010	March 31, 2011		
Short-term borrowings	8,240	1,080	1.81%	—
Current portion of long-term borrowings (due within 1 year)	4,448	3,813	2.18%	—
Current portion of lease obligations (due within 1 year)	503	542	3.17%	—
Long-term borrowings (except current portion)	7,537	8,494	2,18%	From 2012 to 2019
Lease obligations (except current portion)	1,090	654	3.17%	From 2012 to 2015
Other interest-bearing debt	—	—	—	—
Total	21,820	14,584	—	—

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	2,439	2,187	1,810	1,200
Lease obligations	446	143	50	13

Asset retirement obligations

As the amount of asset retirement obligations fell within 1% of the total of liabilities and net assets at the current fiscal year-end (March 31, 2011), the schedule of these obligations is not presented here in accordance with the provision of Article 92-2 of the Regulations for Consolidated Financial Statements.

Other

(1) Quarterly information for the year ended March 31, 2011:

(In millions of yen)

	First quarter ended June 30, 2010	Second quarter ended September 30, 2010	Third quarter ended December 31, 2010	Fourth quarter ended March 31, 2011
Net sales	27,141	19,681	32,276	24,361
Income (loss) before income taxes and minority interests	2,226	(5)	3,344	(193)
Net income	1,142	16	2,860	369
Net income per share (in yen)	22.80	0.33	57.07	7.37

(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 Belluna and its consolidated subsidiaries (collectively, the Group), alleging the misuse by the Group of low-rate, third-class mail and claiming for the payment of ¥1,263 million to make up for the difference between the rate paid and the regular postage. (The date of receipt of the process from the Tokyo District Court: January 21, 2010) Regarding this suit, the Group intends to testify and prove the assertion on the inexistence of liability for the cause of the claim.

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 those in 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, 2011)

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
969

Directors and Corporate Auditors (as of June 29, 2011)
President and CEO
Kiyoshi Yasuno

Directors and Executive Officers
Yuichiro Yasuno
Yasutaka Nomura
Junko Shishido
Takeo Shimano
Masakazu Oikawa
Toshio Takahashi

Standing Corporate Auditor
Takashi Kawaharazuka

Corporate Auditors
Isao Nakamura*
Yukimitsu Watabe*

**Outside corporate auditor*

Consolidated Subsidiaries
Refre 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.
El Dorado Co., Ltd.

Investor Information

(as of March 31, 2011)

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

Number of Shares Issued and Outstanding
56,592,274

Number of Shareholders
7,283

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	21.1%
Friend Stage Co., Ltd.	14.5%
BBH for Fidelity Low Price Stock Fund	10.2%
Nihon Ribowaru Inc.	8.7%
Japan Trustee Services Bank, Ltd. (Trust Account)	8.0%
Kimi Yasuno	3.3%
Sumitomo Mitsui Banking Corporation	2.2%
The Nomura Trust and Banking Co., Ltd.	2.1%
Mizuho Trust & Banking Co., Ltd.	1.5%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1.2%

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

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