BELLUNA

BELLUNA CO., LTD.

ANNUAL REPORT 2012

For the year ended March 31, 2012

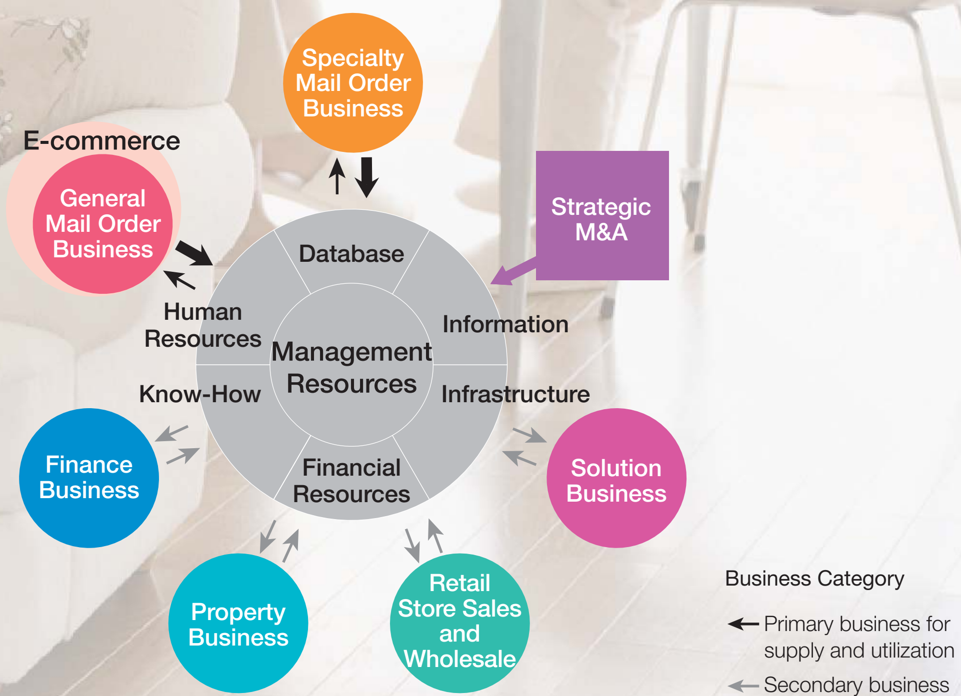
Profile

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.

Looking ahead, based on our desire to "help improve the lifestyles and well-being of our customers," we will operate businesses that fulfill people's food, clothing, lifestyle, and recreation.

Business Model



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.

Six-Year Financial Summary

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

	Millions of yen						Thousands of U.S. dollars [1]
Years ended March 31	2007	2008	2009	2010	2011	**2012**	**2012**
For the year:							
Net sales	129,912	125,173	109,912	100,101	103,460	**110,300**	**1,342,012**
Cost of sales	53,675	51,566	49,963	43,259	45,511	**48,670**	**592,164**
Gross profit—net	76,275	73,614	59,967	56,834	57,954	**61,621**	**749,738**
Selling, general and administrative expenses	64,153	63,405	58,745	52,502	51,221	**54,215**	**659,630**
Operating income	12,122	10,208	1,221	4,332	6,733	**7,406**	**90,108**
Income (loss) before income taxes and minority interests	12,686	6,077	(7,281)	3,520	5,372	**6,785**	**82,553**
Net income (loss)	7,141	3,435	(8,763)	1,276	4,389	**4,294**	**52,245**
Capital investment	2,739	6,678	1,204	226	792	**869**	**10,573**
Depreciation and amortization	965	1,105	1,590	2,134	2,296	**2,184**	**26,573**
At year-end:							
Current assets	107,801	109,610	85,652	72,598	68,954	**58,292**	**709,235**
Property, plant and equipment	26,089	31,670	29,290	28,251	27,310	**28,587**	**347,816**
Total assets	149,239	160,707	133,868	119,703	110,595	**99,174**	**1,206,643**
Current liabilities	50,326	63,433	53,769	42,079	39,534	**27,718**	**337,243**
Long-term liabilities	34,194	32,946	26,289	23,405	13,594	**10,650**	**129,578**
Total liabilities	84,520	96,379	80,059	65,485	53,129	**38,369**	**466,833**
Net assets	64,718	64,327	53,808	54,217	57,465	**60,805**	**739,810**
Number of shares issued (thousands)	56,592	56,592	56,592	56,592	56,592	**56,592**	
Number of employees	1,102	1,249	1,064	992	969	**1,020**	
	Yen						U.S. dollars [1]
Per share data:							
Net income (loss) per share	134.88	66.14	(173.72)	25.47	87.57	**86.53**	**1.05**
Shareholders' equity per share [2]	1,223.95	1,254.05	1,073.46	1,081.64	1,146.45	**1,241.73**	**15.11**
Cash dividends per share	15	15	15	15	15	**15**	**0.18**
	Percentage (%)						
Financial ratios:							
Operating income margin	9.3	8.2	1.1	4.3	6.5	**6.7**	
Net income (loss) margin	5.5	2.7	(8.0)	1.3	4.2	**3.9**	
Return on equity (ROE) [3]	11.7	5.3	(14.9)	2.4	7.9	**7.3**	
Return on assets (ROA) [4]	9.3	6.8	1.0	3.6	6.0	**7.2**	
Shareholders' equity ratio [3]	43.3	39.9	40.2	45.3	52.0	**61.3**	

Notes: 1. The U.S. dollar amounts have been translated from yen, for the convenience of the reader, at the rate of ¥82.19=US$1.00, the approximate rate on the Tokyo foreign exchange market on March 30, 2012.
2. Net assets per share is presented as the line item Shareholders' equity per share. In the calculation of net assets per share, the amount of net assets less minority interests is used.
3. In the calculation of ROE and the Shareholders' equity ratio, the amount of net assets less minority interests is used as shareholders' equity.
4. ROA is the total of operating income and net interest and dividend income divided by average total assets.

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.

With regard to the fiscal year ended March 31, 2012, the Japanese economy showed signs of recovery in the second half despite the serious impact of the Great East Japan Earthquake, which struck in March 2011. Nevertheless, economic conditions became more uncertain mainly due to the European debt crisis and high crude oil prices.

Although the mail order industry continued to expand, intensifying competition and performance polarization continued to increase. At the same time, the rise in new entrants led to more business opportunities related to enclosing and mailing services (infrastructure consignment). Overall, it is safe to say that the mail order industry will experience rapid growth in the years ahead thanks to the momentum caused by the rising popularity of smartphones.

Under these circumstances, consolidated net sales for the fiscal year under review increased 6.6% year on year to ¥110,300 million. Turning to profits, operating income rose 10.0% to ¥7,406 million thanks to the higher revenue and an improvement in the SG&A ratio to sales. Ordinary income grew 12.4% to ¥7,151 million, but net income fell 2.2% to ¥4,294 million.

Regarding our financial condition, total assets decreased ¥11,420 million year on year to ¥99,174 million because of lower cash and deposits accompanying the redemption of corporate bonds. In addition, liabilities fell ¥14,760 million year on year to ¥38,369 million as a result of the repayment of loans and the redemption of corporate bonds. Net assets increased ¥3,339 million year on year to ¥60,805 million.

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

Belluna is implementing its short-term business plan based on the following 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.

Regarding the first policy, "Strengthen database-related businesses," we steadily boosted sales in database-related businesses, which comprise the General Mail Order, Specialty Mail Order and Solution businesses. Accounting for a 91.3% share of net sales, these three businesses constitute Belluna's core operations and are helping to establish a stable earning platform for the Company. Owing to the success of measures focusing on E-commerce and young women, net sales in Belluna's mainstay General Mail Order business increased 7.7% compared with the previous fiscal year to ¥74,340 million.

Looking at the second policy, "Newly establish and strengthen secondary utilization businesses," we strengthened wholesale operations, developed Asian markets and opened new outlets on a trial basis as part of efforts to expand retail store sales business operations. Our efforts to develop Asian markets involved expanding Belluna's wine-related wholesale operations in China by utilizing the strengths of the wine division, which boasts unparalleled mail-order net sales in Japan. We will concentrate on continually cultivating each of these businesses in order to transform them into new operational pillars.

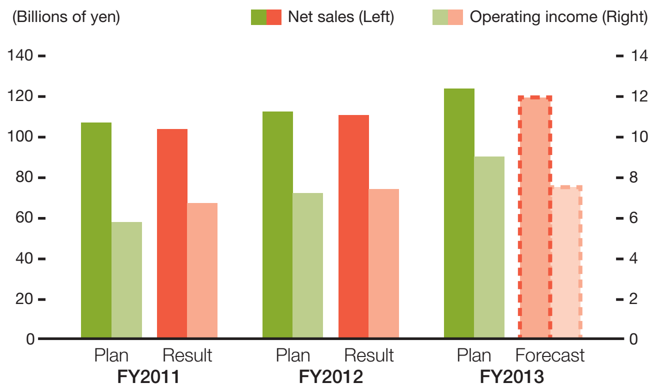
In terms of the third policy," Make balance sheet healthier," we achieved a positive turnaround in net cash flow by curbing increases in interest-bearing liabilities. In addition, we have greatly strengthened Belluna's financial condition by improving

Short-Term Business Plan: Basic Management Policy

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
5. Maintain stable returns to shareholders

Note: Database-related businesses include General Mail Order, Specialty Mail Order and Solution businesses.

Progress of Short-term Business Plan



the shareholders' equity ratio to 61.3% through the accumulation of net assets.

A detailed explanation of how we are executing the fourth policy, "Maintain the compliance and corporate governance systems," is provided on page 9.

Regarding the fifth policy, "Maintain stable returns to shareholders," we acquired 1,156 thousand shares of treasury stock in the fiscal year under review. Taking into account strategic investments intended to improve yearly performance and medium-term growth, Belluna plans on continually paying stable dividends.

Q3) Please explain Belluna's performance forecasts for the next fiscal year.

Under the current short-term business plan, the targets for the fiscal year ending March 31, 2013 are: net sales of ¥123,500 million and operating income of ¥9,000 million. However, growth in revenue and earnings in fiscal 2013 is expected to be lower than projected, due to market and cost-increase factors that did not exist when the short-term business plan was initially formulated. These factors include the commencement of advertising to enhance Belluna's brand image. Nevertheless, we will maximize our efforts to achieve the targets of the short-term business plan.

Q4) 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.

Since its foundation, Belluna has maintained the core philosophy of being a company that is customer-driven and customer-focused. In accordance with this philosophy, Belluna offers complete lifestyle support with a range of products and services, from food and clothing to recreation and everything for the home, in order to be a company that enjoys the support of numerous customers.

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

September 2012

Kiyoshi Yasuno
President and CEO

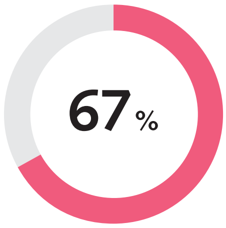
At a Glance

● Main Products and Services

● Percentage of Net Sales

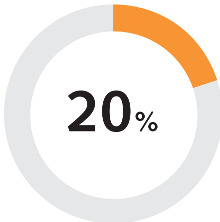
General Mail Order Business

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



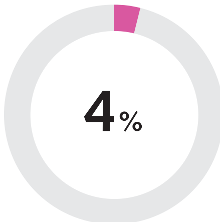
Specialty Mail Order Business

- Food and flower catalogs and website
- Wine catalogs and website
- Cosmetics catalogs and website
- Health food catalogs and website
- Clothes and supplies for nursing catalog and website



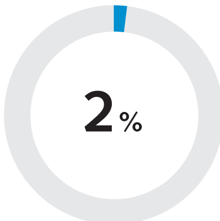
Solution Business

- 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



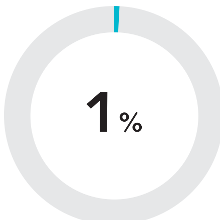
Finance Business

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



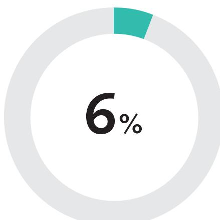
Property Business

- Real estate leasing operations
- Real estate redevelopment operations



Other Business

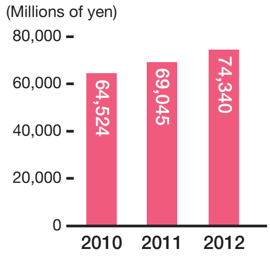
- Wholesale operations in apparel and sundry goods
- Sales of kimonos and other Japanese-style goods

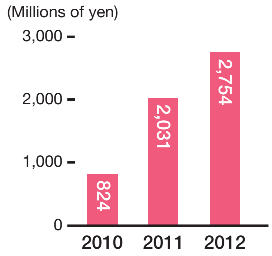


Net Sales

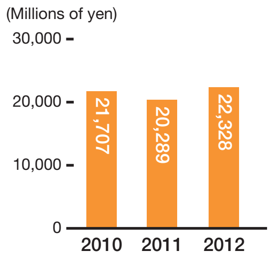
Segment Income (Loss)

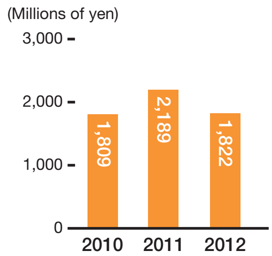
Business Outline



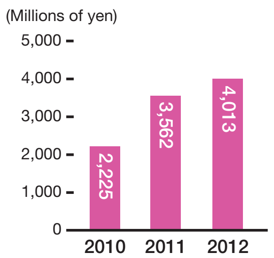


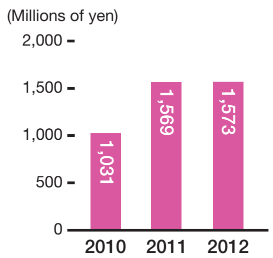
Belluna's core operation, this business handles general mail order sales activities for a wide range of products. Targeting different generations of consumers, we publish leaflets and catalogs that cover apparel and sundry goods. We are enhancing services via the Internet for home PCs and mobile phones,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



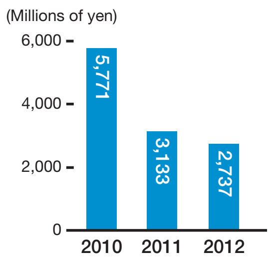


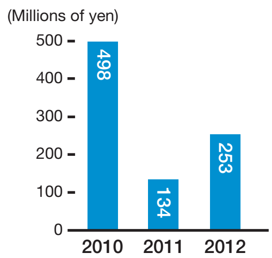
The Specialty Mail Order business, one of the Company's profit drivers, specializes in such products as food, wine, cosmetics, health food and nursing supplies. The products sold in this business tend to attract repeat orders for the same product by the same customer, a major factor contributing to the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



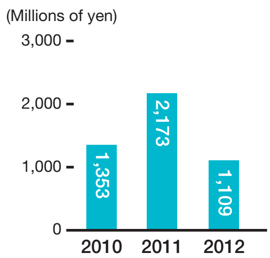


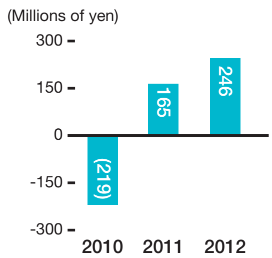
In the Solution business, Belluna provides its corporate clients with charged services to enclose and mail out their sales promotion materials with catalogs and products that the Company sends out to its customers. Belluna also offers order-processing, direct marketing and product dispatch services on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



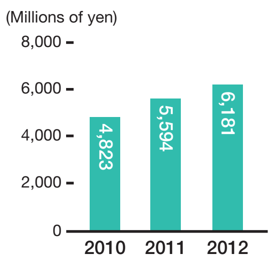


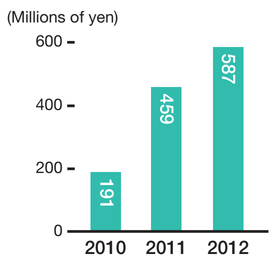
The Finance business provides consumer financing services that utilize the extensive customer database compiled by Belluna's mail order sales business. Leveraging our know-how in consumer financing services, we also provide collateralized financing services to corporate clients and financing services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





The Property business leases space in office and other commercial buildings as well as engages in real estate development and redevelopment projects.





We engage in retail store sales business operations that specialize in the sale of Japanese-style goods while undertaking wholesale and other operations that utilize our product planning know-how.

General Mail Order Business

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. In fiscal 2012, active membership rose 3.9% to 4.42 million, leading to a year-on-year increase in performance that exceeded projections. Continuing from last year, 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, efforts to increase media efficiency and curb SG&A costs led to a significant rise in earnings.

Outlook

Looking ahead, Belluna will focus on maintaining increases in active membership and improving the repeat purchasing ratio. Belluna will increase points of contact with customers by effectively using such paper-based media as catalogs and adverting leaflets, the Internet and television advertising. In addition, we will strengthen our responsiveness to the growing number of smartphone users. Thanks to such efforts, we anticipate net sales to increase 7.6% year on year to ¥80,000 million. However, we expect operating income to rise only slightly due mainly to investment in advertising.

(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 fashion items for young women in their 20s.

Specialty Mail Order Business

Overview

In the cosmetics and health food divisions, operating conditions were severe due to intensifying competition that extended beyond sales channels and business categories. Under these circumstances, we aggressively expanded catalog distribution mainly through television commercials and magazine advertising in both divisions to realize continual growth. Consequently, the cosmetics division enjoyed steadily increasing sales for its new brand, Nachu-Life. Fully aware of the need to maintain media efficiency, the health food division's focus on strategic products and promotion of cost reductions led to higher revenue. In addition, the gourmet division has been working to improve profitability mainly through scrap-and-build efforts related to catalog distribution. The wine sector recorded slightly higher revenue due to an increase in Internet- and wholesale-based sales that compensated for a slowdown in the Specialty Course-of-the-Month Club. Moreover, Belluna added Nursery Co., Ltd. to its scope of consolidation in March 2012. Nursery engages in mail order sales geared toward medical personnel.

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 new sales methods and new products to achieve both growth and profitability. In the cosmetics division, we will work to accelerate growth by maintaining existing brands while strengthening new ones. In the health food division, Belluna will redouble its efforts to sign up new customers and encourage repeat purchases by expanding effective advertising. Despite severe operating conditions, each division in the Specialty Mail Order business will work to achieve further growth without undermining profitability.

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

Solution Business

Overview

The Solution business develops enclosing and mailing services and direct-marketing outsourcing services. Enclosing and mailing services steadily expanded because of increases in the number of active members and product shipments in the General Mail Order business. In addition, direct-marketing outsourcing services experienced ongoing growth and higher sales due to proposals that utilize Belluna's infrastructure, know-how and other management resources. In contrast, the operating income margin decreased due to a fall in the composition ratio of lucrative enclosing and mailing services.

Outlook

The mail order market is expected to expand despite forecasted declines in advertising expenses among major clients. Accordingly, it is anticipated that demand for direct-marketing outsourcing services will increase. However, the operating income margin is forecasted to decrease for the entire business segment, accompanying an upswing in the portion of the composition ratio accounted for by direct-marketing outsourcing services. This forecasted decline in the operating income margin is attributable to a ratio of operational costs to sales in direct-marketing outsourcing services that exceeds that of enclosing and mailing services. We will work to maintain growth in the Solution business by taking maximum advantage of Belluna's management resources.

Image of Enclosing and Mailing Services

Clients' advertisements

Deliver Belluna catalogs and products enclosed with clients' advertisements

Topic 1

Initiatives to Accommodate Smartphones

We began operating five shopping websites that accommodate smartphones on April 2, 2012. Our smartphone websites emphasize user friendliness, not only for younger customers, but for smartphone beginners and women in their 40s to 60s, through such features as larger icons and the smooth loading of displays. Owing to these efforts, we are making it more convenient for customers to shop using smartphones while enabling us to further strengthen Belluna's E-commerce channels.

Smartphone website

Shopping websites

- **Belluna**: belluna.jp
- **RyuRyu**: ryuryu.jp
- **Interior**: belluna.jp/interior
- **Ozio**: ozio.jp
- **Goship! WORLD**: goship.jp

Topic 2

Expanding Television Advertising in the Specialty Mail Order Business

The cosmetics company, Ozio Co., Ltd., is airing television commercials as one initiative for augmenting catalog distribution and sales channels. Ozio is promoting new customer signups by fostering effective advertising couplings based on expanded linkage between television commercials and newspaper inserts. Continuing these initiatives in the years ahead will not only lead to new customer signups, but will also promote ongoing repeat purchasing.

TV commercial of Nachu-Life

Reflecting its basic stance on corporate governance, the Company maintains a highly efficient and sound management structure that emphasizes compliance in order to accelerate operations along with increasing fairness and transparency among directors, executive officers and employees. To this end, executive officers are entrusted with the authority and responsibility of executing the operations with which they are charged based on policies determined by the Board of Directors.

Corporate Governance System

Board of Directors

As of June 2012, 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 2012, 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

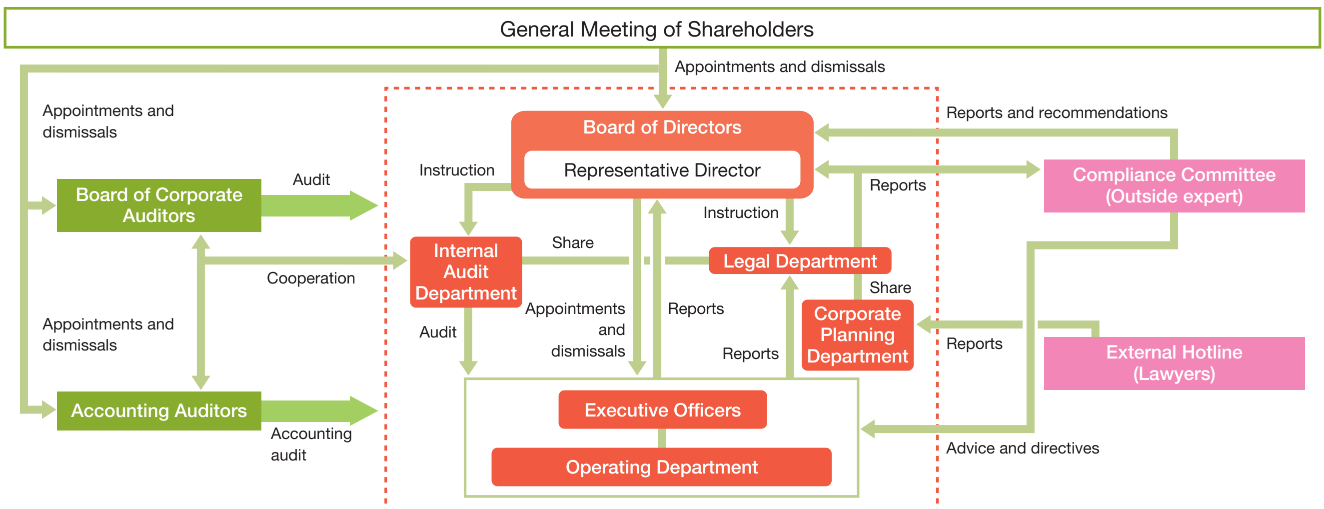
To further reinforce its compliance structure, in September 2008 the Company established the Compliance Committee, which is chaired by the director in charge of compliance and includes the participation of outside experts. The Compliance Committee provides advice regarding the deliberations of the Board 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. The Internal Audit Department coordinates with corporate auditors in the monitoring of all areas of operation. The Internal Audit, Legal and Corporate Planning departments share information and cooperate in order to rapidly identify and solve problems as well as reduce risk.

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. In addition, the Company strives to improve the effectiveness of its compliance structure through such measures as ongoing employee training and education.

● Corporate Governance System



Financial Section

Contents

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

Overview and Net Sales

In fiscal 2012, the year ended March 31, 2012, the Japanese economy showed signs of recovery during second half in spite of the major effect of the Great East Japan Earthquake, which occurred in March 2011. Nonetheless, economic conditions remain uncertain mainly because of the European debt crisis and high crude oil prices.

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. At the same time, the Group decreased interest-bearing liabilities as part of its efforts to further improve the health of its balance sheet. As a result of these measures, consolidated net sales for fiscal 2012 rose 6.6% year on year to ¥110,300 million.

Earnings

In the year under review, operating income increased 10.0% year on year to ¥7,406 million due to higher revenue and an improvement in the SG&A ratio to sales. As a result, the operating income margin grew from 6.5% in the previous fiscal year to 6.7%.

Ordinary income rose 12.4% to ¥7,151 million compared with the previous fiscal year. Despite the emergence of foreign exchange losses listed as non-operating expenses in line with the liquidation of overseas subsidiaries, this increase was largely attributable to the above-mentioned upswing in operating income along with a decrease in interest expense. Net income fell 2.2% year on year to ¥4,294 million. This result was primarily attributable to recording depreciation and amortization of fixed assets listed as extraordinary losses as well as an increase in the amount of income taxes–deferred.

As a result, net income per share declined from ¥87.57 in the previous fiscal year to ¥86.53 during the year under review (diluted net income per share decreased ¥81.82 to ¥81.20). 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.

Net Sales and Earnings per Segment

In Belluna's mainstay General Mail Order business, the impact of the Great East Japan Earthquake was relatively minor, while sales of household goods, apparel and other items steadily increased. As a result, segment net sales grew 7.7% compared with the previous fiscal year to ¥74,340 million, and segment (operating) income jumped 35.6% to ¥2,754 million thanks to the effect of cost reductions.

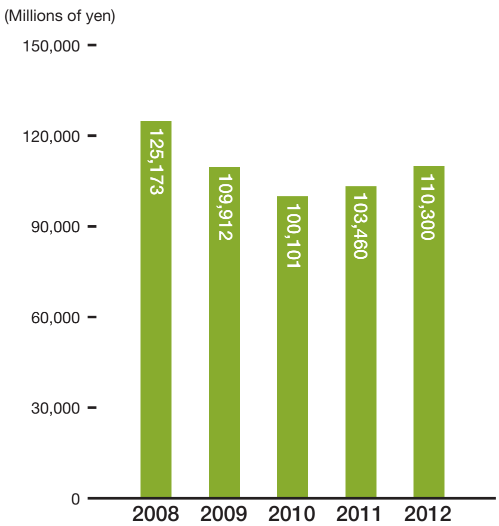
The Specialty Mail Order business aggressively expanded catalog distribution with an eye to growth in the cosmetics and health food divisions. Consequently, segment net sales rose 10.0% year on year to ¥22,328 million, but segment (operating) income decreased 16.7% to ¥1,822 million because of higher media costs.

The Solution business enjoyed steady expansion in enclosing and mailing services as well as direct-marketing outsourcing services. As a result, segment net sales increased 12.6% compared with the previous fiscal year to ¥4,013 million, while segment (operating) income edged up 0.2% to ¥1,573 million.

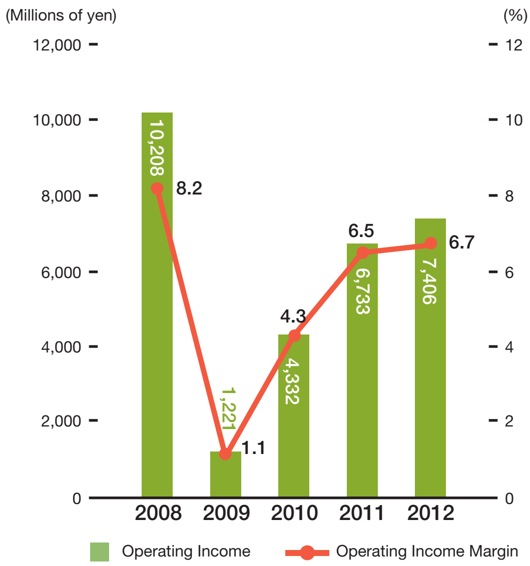
The Finance business recorded a 12.6% year-on-year decrease in segment net sales to ¥2,737 million because of a reduction in trade loans. However, segment (operating) income surged 88.8% to ¥253 million largely due to a reduction in the provision for loss on interest repayment.

The Property business experienced a 48.9% drop in segment net sales year on year to ¥1,109 million due to the lack of sales of real estate for sale. In contrast, segment (operating) income jumped 49.3% to ¥246 million, owing mainly to lower valuation losses on real estate for sale.

■ Net Sales



■ Operating Income and Operating Income Margin



The Other business enjoyed steady sales increases in the retail store sales and wholesale businesses. As a result, segment net sales rose 10.5% compared with the previous fiscal year to ¥6,181 million, while segment (operating) income grew 28.0% to ¥587 million.

Financial Condition

Total assets as of March 31, 2012 stood at ¥99,174 million, a decrease of ¥11,420 million from ¥110,595 million recorded at the end of the previous fiscal year. Of this, current assets fell ¥10,661 million to ¥58,292 million, primarily reflecting declines in cash and deposits, marketable securities and real estate for sale. Fixed assets as of the end of the fiscal year the under review decreased ¥758 million to ¥40,881 million, mainly due to drops in intangible fixed assets as well as investments and other assets.

Total liabilities decreased ¥14,759 million compared with the previous fiscal year-end to ¥38,369 million. Of total liabilities, current liabilities fell ¥11,815 million year on year to ¥27,718 million primarily because of a fall in short-term borrowings and redemptions of corporate bonds. Long-term liabilities shrank ¥2,944 million to ¥10,650 million, largely accompanying decreases in long-term borrowings and corporate bonds.

Net assets as of March 31, 2012, totaled ¥60,805 million, a ¥3,339 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 9.3 percentage points from 52.0% to 61.3%.

Cash Flows

Net cash provided by operating activities during the fiscal year under review decreased from ¥14,159 million to ¥11,269 million compared with the previous fiscal year. Despite the increase in income before income taxes and minority interests, the main factors for this change were the repayment of trade loans and a decrease in real estate for sale.

Net cash provided by investing activities during the fiscal year under review amounted to ¥299 million, a positive turnaround from net cash used in investing activities of ¥2,615 million in the previous fiscal year. The change was largely due to a year-on-year increase in proceeds from sales of marketable securities that offset cash outflows for the acquisition of marketable securities.

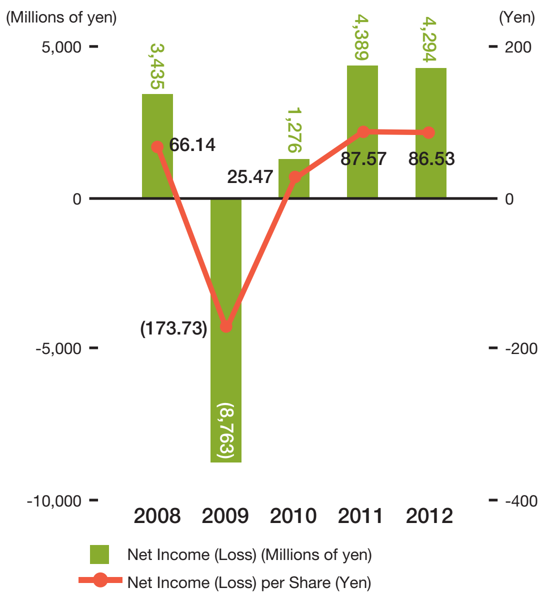
Net cash used in financing activities during the fiscal year under review increased from ¥15,037 million to ¥17,668 million compared with the previous fiscal year. Main components of this rise included a decrease in short- and long-term borrowings and the redemption of corporate bonds.

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 decreased ¥6,077 million to ¥11,529 million.

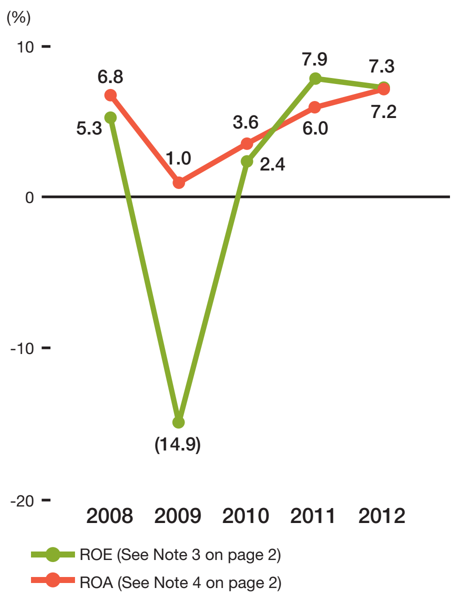
Forecasts for Fiscal 2013

Despite disaster recovery-related demand shifting into high gear, the Japanese economy is expected to remain uncertain. This uncertainty is largely attributable to resurgence of European debt problems, cost increases caused by high crude oil prices, and concerns over a worsening of corporate performance and consumer spending amid the possibility of planned power shortages and other factors. Against this backdrop, the Belluna Group aims to improve performance by continuing to strengthen database-related businesses in the General Mail Order, Specialty Mail Order and Solution businesses, carrying out one of the basic policies of the current short-term business plan.

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



■ **ROE and ROA**



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 in the number of borrowers exceeds forecasts. 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, the Pharmaceutical Affairs Law and the Act on Specified Commercial Transactions. The Belluna Group has established internal control and administrative systems to promote strict compliance with such laws and regulations. Despite these initiatives, however, the possibility exists that certain laws and regulations may be breached due to illegal activity or the actions of vendors. In the event that a violation should occur, the Company's reputation may suffer. In addition, the 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 to 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 "(3) Litigation" of "Other" on page 47 in Notes to Consolidated Financial Statements.

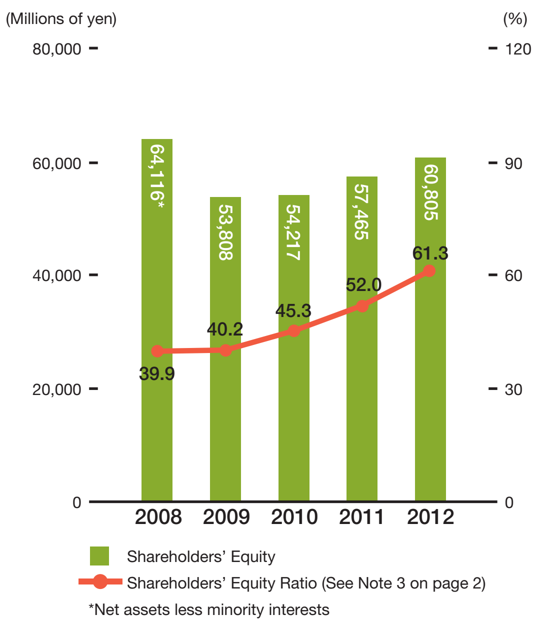
2. Product Safety

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

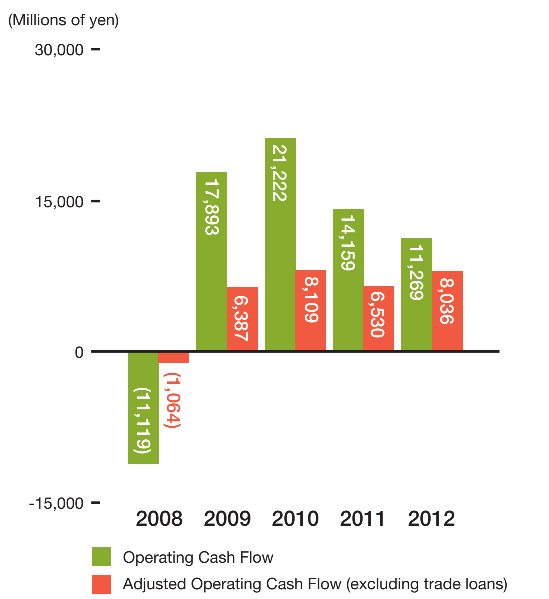
3. Climate and Seasonal Risks

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

Shareholders' Equity and Shareholders' Equity Ratio



Operating Cash Flow and Adjusted Operating Cash Flow Margin



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, or 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 addition, funds procured in the Group's South Korean finance business operations are denominated in yen. 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. Personal Information Leakage Risks

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's 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 consolidated balance sheets 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.

Consolidated Financial Statements

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 year ended March 31, 2012 (with comparative figures for the previous year).

Consolidated Balance Sheets

		In millions of yen		
		March 31, 2011		March 31, 2012
Assets				
Current assets				
Cash and deposits	*1	20,688		**12,959**
Trade notes and accounts receivable		10,937		**11,493**
Trade loans		15,793		**14,273**
Marketable securities		3,275		**401**
Merchandise and finished goods		9,215		**9,848**
Raw materials and supplies		605		**997**
Real estate for sale	*1	4,768		**2,450**
Real estate for sale in process	*1	433		**858**
Deferred tax assets		1,356		**586**
Other current assets		3,231		**5,670**
Allowance for doubtful accounts		(1,351)		**(1,246)**
Total current assets		68,954		**58,292**
Fixed assets				
Property, plant and equipment				
Buildings and structures	*1	21,047		**21,744**
Accumulated depreciation	*2	(9,893)	*2	**(10,485)**
Buildings and structures (net)		11,154		**11,258**
Machinery and equipment		1,010		**1,017**
Accumulated depreciation		(880)	*2	**(908)**
Machinery and equipment (net)		129		**109**
Furniture and fixtures		1,987		**1,974**
Accumulated depreciation	*2	(1,513)	*2	**(1,624)**
Furniture and fixtures (net)		473		**350**
Land	*1	15,125		**16,429**
Lease assets		685		**707**
Accumulated depreciation		(313)		**(458)**
Lease assets (net)		372		**249**
Construction in progress		55		**190**
Total property, plant and equipment		27,310		**28,587**
Intangible fixed assets				
Goodwill		361		**230**
Lease assets		959		**875**
Other		3,881		**2,893**
Total intangible fixed assets		5,202		**3,998**
Investments and other assets				
Investment securities	*3	1,930	*3	**2,379**
Long-term lending		1,009		**1,880**
Claims provable in bankruptcy, rehabilitation and other (net)		5,877		**3,692**
Deferred tax assets		1,664		**868**
Other assets	*1	1,944	*1	**1,786**
Allowance for doubtful accounts		(3,300)		**(2,312)**
Total investments and other assets		9,126		**8,295**
Total fixed assets		41,640		**40,881**
Total assets		110,595		**99,174**

		In millions of yen		
		March 31, 2011		March 31, 2012
Liabilities				
Current liabilities				
Trade notes and accounts payable		13,197		**14,852**
Short-term borrowings	*1, 5	4,893	*4, 5	**2,560**
Accrued expenses		5,786		**6,319**
Lease obligations		542		**490**
Current portion of bonds		200		**—**
Current portion of convertible bonds		11,000		**—**
Income taxes payable		1,117		**1,056**
Provision for bonuses		345		**441**
Provision for sales returns		64		**73**
Provision for point program		532		**517**
Provision for loss on disaster		126		**—**
Other current liabilities		1,729		**1,408**
Total current liabilities		39,534		**27,718**
Long-term liabilities				
Straight bonds		700		**—**
Long-term borrowings	*1, 5	8,494	*5	**6,983**
Provision for loss on interest repayment		2,042		**1,610**
Lease obligations		654		**371**
Provision for retirement benefits		283		**276**
Provision for retirement benefits for directors and corporate auditors		213		**219**
Asset retirement obligations		432		**449**
Other long-term liabilities		774		**739**
Total long-term liabilities		13,594		**10,650**
Total liabilities		53,129		**38,369**
Net assets				
Shareholders' equity				
Common stock		10,607		**10,607**
Capital surplus		11,003		**11,003**
Retained earnings		46,215		**49,761**
Treasury stock		(8,796)		**(9,456)**
Total shareholders' equity		59,029		**61,915**
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		(77)		**79**
Foreign currency translation adjustments		(1,486)		**(1,190)**
Total accumulated other comprehensive income		(1,563)		**(1,110)**
Minority interests		0		**0**
Total net assets		57,465		**60,805**
Total liabilities and net assets		110,595		**99,174**

Consolidated Statements of Income

		In millions of yen		
		Year ended March 31, 2011		Year ended March 31, 2012
Net sales		103,460		**110,300**
Cost of sales	*1	45,511	*1	**48,670**
Gross profit		57,949		**61,630**
Reversal of provision for sales returns		70		**64**
Provision for sales returns		64		**73**
Gross profit—net		57,954		**61,621**
Selling, general and administrative expenses	*2	51,221	*2	**54,215**
Operating income		6,733		**7,406**
Non-operating income				
Interest income		61		**72**
Dividend income		63		**53**
Rent income		27		**33**
Extinction of debt		32		**36**
Compensation received		62		**108**
Foreign exchange gains		264		**—**
Other		239		**560**
Total non-operating income		752		**864**
Non-operating expenses				
Interest expense		461		**349**
Commission fee		179		**88**
Provision of allowance for doubtful accounts		164		**—**
Foreign exchange losses		—		**432**
Loss on valuation of derivatives		74		**147**
Other		241		**101**
Total non-operating expenses		1,121		**1,119**
Ordinary income		6,364		**7,151**
Extraordinary gains				
Gain on bad debt recovered		84		**—**
Gain on sales of fixed assets	*4	274		**—**
Other		30		**—**
Total extraordinary gains		390		**—**
Extraordinary losses				
Loss on sales of investment securities		903		**112**
Loss on valuation of investment securities		62		**50**
Impairment loss		—	*3	**126**
Loss on disaster		211		**—**
Loss on adjustment for changes of accounting standard for asset retirement obligations		205		**—**
Loss on closing of stores		—		**76**
Total extraordinary loss		1,382		**365**
Income before income taxes and minority interests		5,372		**6,785**
Income taxes—current		1,607		**1,077**
Income taxes—deferred		(624)		**1,413**
Total income taxes		982		**2,491**
Income before minority interests		4,389		**4,294**
Minority interests		(0)		**0**
Net income		4,389		**4,294**

Consolidated Statements of Comprehensive Income

		In millions of yen		
		Year ended March 31, 2011		Year ended March 31, 2012
Income before minority interests		4,389		**4,294**
Other comprehensive income				
Valuation difference on available-for-sale securities		(66)		**157**
Foreign currency translation adjustments		(322)		**296**
Total other comprehensive income		(389)	*1	**453**
Comprehensive income		4,000		**4,747**
Comprehensive income attributable to owners of the parent		4,000		**4,747**
Comprehensive income attributable to minority interests		(0)		**0**

Consolidated Statements of Changes in Net Assets

	In millions of yen	
	Year ended March 31, 2011	Year ended March 31, 2012
Shareholders' equity		
Common stock		
Balance at beginning of current year	10,607	**10,607**
Changes during current year	—	**—**
Balance at end of current year	10,607	**10,607**
Capital surplus		
Balance at beginning of current 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 beginning of current year	42,578	**46,215**
Dividends paid	(751)	**(747)**
Net income	4,389	**4,294**
Balance at end of current year	46,215	**49,761**
Treasury stock		
Balance at beginning of current year	(8,796)	**(8,796)**
Purchase of treasury stock	(0)	**(660)**
Disposal of treasury stock	0	**0**
Balance at end of current year	(8,796)	**(9,456)**
Total shareholders' equity		
Balance at beginning of current year	55,392	**59,029**
Total changes during current year	3,637	**2,885**
Balance at end of current year	59,029	**61,915**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at beginning of current year	(11)	**(77)**
Changes during current year	(66)	**157**
Balance at end of current year	(77)	**79**
Foreign currency translation adjustments		
Balance at beginning of current year	(1,163)	**(1,486)**
Changes during current year	(322)	**296**
Balance at end of current year	(1,486)	**(1,190)**
Total accumulated other comprehensive income		
Balance at beginning of current year	(1,174)	**(1,563)**
Total changes during current year	(389)	**453**
Balance at end of current year	(1,563)	**(1,110)**
Minority interests		
Balance at beginning of current year	0	**0**
Changes during current year	(0)	**0**
Balance at end of current year	0	**0**
Total net assets		
Balance at beginning of current year	54,217	**57,465**
Changes during current year	3,247	**3,339**
Balance at end of current year	57,465	**60,805**

Consolidated Statements of Cash Flows

		In millions of yen	
		Year ended March 31, 2011	Year ended March 31, 2012
Cash flows from operating activities			
Income before income taxes and minority interests		5,372	**6,785**
Depreciation and amortization		2,296	**2,184**
Increase (decrease) in provision for sales returns		(5)	**8**
Impairment loss		—	**126**
Loss on closing of stores		—	**72**
Amortization of goodwill		131	**131**
Increase (decrease) in allowance for doubtful accounts		(253)	**(556)**
Increase (decrease) in provision for bonuses		18	**90**
Increase (decrease) in provision for retirement benefits		(5)	**(7)**
Increase (decrease) in provision for retirement benefits for directors and corporate auditors		9	**6**
Increase (decrease) in provision for point program		38	**(15)**
Increase (decrease) in provision for loss on interest repayment		(297)	**(431)**
Increase (decrease) in provision for loss on disaster		126	**(126)**
Increase (decrease) in other provisions		(47)	**—**
Interest and dividend income		(125)	**(125)**
Interest expense		461	**349**
Loss (gain) on valuation of derivatives		74	**147**
Loss (gain) on sales of investment securities		903	**112**
Loss (gain) on valuation of investment securities		62	**50**
Foreign exchange losses (gains)		(57)	**390**
Loss (gain) on sales of property, plant and equipment		(274)	**—**
Decrease (increase) in trade notes and accounts receivable		(594)	**(457)**
Decrease (increase) in trade loans		7,629	**3,233**
Decrease (increase) in inventories		(404)	**(751)**
Decrease (increase) in real estate for sale		1,107	**41**
Decrease (increase) in other current assets		(142)	**(947)**
Increase (decrease) in notes and accounts payable		163	**1,392**
Increase (decrease) in other current liabilities		(273)	**884**
Increase (decrease) in other long-term liabilities		(30)	**(16)**
Loss on adjustment for changes of accounting standard for asset retirement obligations		205	**—**
Other		434	**(233)**
Sub-total		16,524	**12,338**
Interest and dividends received		64	**202**
Interest paid		(470)	**(348)**
Refund of income taxes		136	**319**
Income taxes paid		(2,095)	**(1,242)**
Net cash provided by operating activities		14,159	**11,269**
Cash flows from investing activities			
Payments into time deposits		(2,714)	**(4,285)**
Proceeds from withdrawal of time deposits		1,702	**5,937**
Acquisition of marketable securities		(3,499)	**(6,793)**
Proceeds from sales of marketable securities		2,063	**8,149**
Acquisition of property, plant and equipment		(249)	**(383)**
Proceeds from sales of property, plant and equipment		690	**—**
Acquisition of intangible fixed assets		(705)	**(469)**
Acquisition of investment securities		(800)	**(793)**
Proceeds from sales of investment securities		921	**29**
Payments of loans receivable		(120)	**(1,200)**
Collection of loans receivable		90	**67**
Payments for guarantee deposits		(48)	**(79)**
Proceeds from collection of guarantee deposits		32	**124**
Payments of other investments		(4)	**(13)**
Collection of other investments		27	**8**
Net cash provided by (used in) investing activities		(2,615)	**299**
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		(7,160)	**(880)**
Proceeds from long-term borrowings		6,800	**6,650**
Repayments of long-term borrowings		(6,456)	**(9,718)**
Payments for retirement by purchase of bonds	*2	(1,755)	**—**
Proceeds from issuance of bonds		1,000	**—**
Redemption of bonds		(6,200)	**(11,900)**
Repurchase of treasury stock		(0)	**(660)**
Dividends paid		(751)	**(747)**
Repayments of lease obligations		(513)	**(568)**
Proceeds from sale and leaseback		—	**156**
Other		0	**0**
Net cash used in financing activities		(15,037)	**(17,668)**
Effect of exchange rate change on cash and cash equivalents		(65)	**(22)**
Net increase (decrease) in cash and cash equivalents		(3,559)	**(6,121)**
Cash and cash equivalents at beginning of the year		21,166	**17,607**
Increase of cash and cash equivalents from newly consolidated subsidiary		—	**43**
Cash and cash equivalents at end of the year	*1	17,607	*1 **11,529**

Notes to Consolidated Financial Statements

Significant Accounting Policies

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 10 companies

From the fiscal year ended March 31, 2012, the Company newly included the subsidiary Nursery Co., Ltd., into the scope of consolidation, as the integrated control of domestic subsidiaries, including the application of the consolidated taxation system, has become important and, moreover, the materiality of this subsidiary in the specialty mail order business segment has increased.

In the meantime, two of the Company's consolidated subsidiaries completed liquidation, namely, B.N. International U.S.A. Inc. in April 2011 and Belluna Mailing Service Co., Ltd. in September of the same year.

Names of major consolidated subsidiaries:

Refre Co., Ltd., Ozio Co., Ltd., Friendly Co., Ltd., Sunstage Finance Co., Ltd., Bell-Net Credit Co., Ltd., BANKAN Co., Ltd., Wamonoya Co., Ltd., El Dorado Co., Ltd., Nursery Co., Ltd. and one other company.

(2) Names of major non-consolidated subsidiaries:

Human Resource Management Co., Ltd., etc.

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.

2. Application of equity method

(1) Number of non-consolidated subsidiaries accounted for by the equity method: None

(2) Number of affiliated companies for which the equity method is applied: None

(3) 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 significant effect on the consolidated net income or loss, consolidated retained earnings, etc., of the Company, nor have materiality as a whole.

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.

4. Significant Accounting Policies

(1) Valuation method of significant assets

i) Securities:

(a) Held-to-maturity debt securities:

Held-to-maturity debt securities are amortized at cost (straight line method).

(b) 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).

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)

(2) Method of depreciation and amortization
i) Depreciation of property, plant and equipment (excluding lease assets):
For the 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 to the lease term and the residual value equals to zero.
Of the finance lease transactions that do not transfer the ownership of the leased assets, those for which the commencement day of lease transactions fell on or before March 31, 2008 are accounted for by applying the accounting treatment similar to that for ordinary rental transactions.

(3) 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.

iii) Provision for sales returns:
Provision for sales returns is provided for the estimated loss on the sales returns to arise after the year-end, at an amount equivalent to the gross profit on sales returns estimated based on the historical rate of sales returns.

iv) Provision for point program :
Provision for point program is provided for 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.

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 Act.

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 service life of the 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 service life of the eligible employees (five years). Amortization of such gain or loss begins in the year of its recognition.

vii) Provision for retirement benefits for directors and corporate auditors:
Provision for retirement benefits for directors and corporate auditors is provided at the amount to be paid at the year-end based on internal rules.

(4) Principal hedge accounting policies

i) Method of hedge accounting:
Exceptional treatment is applied to the interest rate swap contracts and the interest rate cap contracts that satisfy the criteria for such treatment.

ii) Hedge method and hedged items:
Hedge method—interest rate swaps and interest rate cap contracts
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 and the interest rate cap contracts to which exceptional treatment is applied.

(5) Method and period of amortization of goodwill
Goodwill is amortized by the straight-line method over a period of five years.

(6) 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.

(7) Other significant accounting policies

i) Accounting for consumption taxes:
Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

ii) Application of the consolidated taxation system:
The Company applied the consolidated taxation system, beginning the year ended March 31, 2012.

Changes in Presentation

For the consolidated statements of income

1. "Loss on valuation of derivatives" previously included in "Other" of "Non-operating expenses" is presented as an independent line item in the year ended March 31, 2012, as its weight has grown to exceed 10% of the total amount of the non-operating expenses. To conform to the current year's presentation, certain reclassifications have been made in the consolidated financial statements for the year ended March 31, 2011.

   Consequently, ¥315 million previously presented as "Other" under "Non-operating expenses" has been reclassified as "Loss on valuation of derivatives" and "Other" in the amounts of ¥74 million and ¥241 million, respectively, in the consolidated statement of income for the year ended March 31, 2011.

2. "Income taxes for prior periods" previously presented as an independent line item has been combined into "Income taxes—current" in the fiscal year ended March 31, 2012, as its materiality in amount has declined. To conform to the current year's presentation, reclassifications have been made in the consolidated financial statements for the year ended March 31, 2011.

   Consequently, ¥395 million previously presented as "Income taxes for prior periods" has been reclassified as "Income taxes—current" in the accompanying consolidated statement of income for the year ended March 31, 2011.

Additional information

Adoption of accounting standard for accounting changes and error corrections

The Company adopted the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made on and after the beginning of fiscal years beginning on and after April 1, 2011.

Note regarding a change in classification of real estate

To reflect the change in real estate usage, the Company reclassified certain property from "Real estate for sale" to "Real estate for rent, etc." The amount of such reclassifications totaled ¥1,851 million.

Notes and Supplemental Information

As in the preceding pages, all amounts in the following are in millions of yen, except per share data unless otherwise indicated.

Notes to the Consolidated Balance Sheets

*1. Pledged assets and secured liabilities

Assets pledged as collateral for short-term and long-term borrowings are as follows:

(In millions of yen)

	March 31, 2011	March 31, 2012
Cash and deposits	1,100	—
Real estate for sale	3,876	—
Real estate for sale in process	249	—
Buildings and structures	7,627	—
Land	12,093	—
Total	24,948	—

Liabilities secured by the above collateral:

(In millions of yen)

	March 31, 2011	March 31, 2012
Short-term borrowings	4,550	—
Long-term borrowings	8,310	—

In the year ended March 31, 2011, besides the above assets, a guarantee deposit of ¥330 million included in "Other assets" (guarantee) of "Investment and other assets" was pledged as collateral for derivative transactions.

In the year ended March 31, 2012, no assets were pledged as collateral for short-term and long-term borrowings. However, besides the above assets, a guarantee deposit of ¥200 million included in "Other assets" (guarantee) of "Investment and other assets" was pledged as collateral for derivative transactions.

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

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

(In millions of yen)

	March 31, 2011	March 31, 2012
Investment securities (stocks)	194	192

*4. The Company maintains overdraft agreements and lending commitments with banks for the timely financing of working capital. The unexecuted balance granted under these facilities at March 31, 2011 and 2012 is summarized as follows:

(In millions of yen)

	March 31, 2011	March 31, 2012
Total of the overdraft limit and lending commitments	2,000	3,060
Executed loans	—	260
Unexecuted balance	2,000	2,800

*5. Restrictive financial covenants

At March 31, 2011, of the consolidated borrowings balance, up to ¥4,718 million was subject to restrictive financial covenants under relevant loan agreements, by which it is pledged, among others, that net asset amount (on a 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.

At March 31, 2012, of the consolidated borrowings balance, up to ¥6,350 million was subject to restrictive financial covenants under relevant loan agreements, by which it is pledged, among others, that net asset amounts (on a consolidated basis) shall be maintained at the level of 75% or more of the net asset amount as of the end of the preceding fiscal year.

6. Guarantees
Guarantees were provided for the debt of the following affiliate:

(In millions of yen)

	March 31, 2011	March 31, 2012
Nursery Co., Ltd. (Borrowing)	110	—
Total	110	—

Notes to the Consolidated Statements of Income

*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:

(In millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Loss on revaluation of inventories	495	753

*2. Major items of selling, general and administrative expenses are as follows:

(In millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Freightage and packing expenses	7,234	8,010
Advertising expenses	12,586	14,489
Sales promotion expenses	3,559	2,901
Allowance for doubtful accounts	1,134	1,277
Provision for point program	532	517
Provision for loss on interest repayment	674	500
Salaries and allowances	7,362	7,834
Provision for bonuses	319	418
Provision for retirement benefits for directors and corporate auditors	9	8
Provision for retirement benefits	82	75
Communication expenses	5,882	6,102
Commission fee	5,401	5,795

*3. Impairment loss:
In the fiscal year ended March 31, 2012, Belluna recorded impairment losses for the following asset groups:

(In millions of yen)

Asset group	Asset type	Location
Idle assets	Construction in progress	Nasu, Tochigi Pref.
Idle assets	Software	Ageo, Saitama Pref.

(Method of grouping assets)
In reviewing assets for impairment, Belluna categorizes operating assets by classifications set for the administrative accounting purposes and categorizes rental real estates and idle assets by asset unit.

(Impairment loss recognition process)
The carrying amount of the assets which became idle due to the shift to a new operating system has been devaluated down to zero, and the amount so devaluated has been recorded as an impairment loss.

(Calculation method of recoverable amount)
The recoverable amounts of construction in progress and software were assessed at zero because their future reuse or sale is not expected.
(Details of amount of impairment loss by type of fixed assets)
Construction in progress ¥5 million and software ¥120 million.

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

(In millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Land	274	—
Total	274	—

Notes to the Consolidated Statements of Comprehensive Income

– For the year ended March 31, 2012–

*1. Components of other comprehensive income are as follows:

(In millions of yen)

Valuation difference on available-for-sale securities	
Gains incurred during the year	269
Reclassification adjustment to net income	(15)
Amount before tax effect	253
Tax effect	(96)
Valuation difference on available-for-sale securities	157
Foreign currency translation adjustment	
Losses incurred during the year	(54)
Reclassification adjustment to net income	350
Foreign currency translation adjustment	296
Total other comprehensive income	453

Notes to the Consolidated Statements of Changes in Net Assets

– For the year ended March 31, 2011 –

1. Type and number of shares issued and in treasury

(In thousands of shares)

	Beginning of the year	Increase during the year	Decrease during the year	End of the year
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 treasury stock was due to purchase of less-than-a-unit shares.
2. The decrease of 0 thousand shares of treasury stock 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

– For the year ended March 31, 2012 –

1. Type and number of shares issued and in treasury

(In thousands of shares)

	Beginning of the year	Increase during the year	Decrease during the year	End of the year
Shares issued:				
Common stock	56,592	—	—	56,592
Total	56,592	—	—	56,592
Treasury stock:				
Common stock (Notes 1 and 2)	6,467	1,156	0	7,624
Total	6,467	1,156	0	7,624

Notes: 1. The increase of 1,156 thousand shares of treasury stock resulted from an increase of 1,156 thousand shares due to purchase pursuant to the board of directors' resolution and an increase of 0 shares due to purchase of less-than-a-unit shares.
2. The decrease of 0 thousand shares of treasury stock 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, 2011	Common stock	375	7.5	March 31, 2011	June 30, 2011
Board of Directors' meeting on November 4, 2011	Common stock	371	7.5	September 30, 2011	December 9, 2011

(2) Dividends with a record date during the year ended March 31, 2012, payable in the following year:

Resolution adopted	Class of shares	Aggregate amount (millions of yen)	Source of dividends	Amount per share (yen)	Record date	Effective date
Shareholders' meeting on June 28, 2012	Common stock	367	Retained earnings	7.5	March 31, 2012	June 29, 2012

Notes to the Consolidated Statements of Cash Flows

*1. 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:

(In millions of yen)

	March 31, 2011	March 31, 2012
Cash and deposits	20,688	12,959
Time deposits with original maturities of more than three months	(3,080)	(1,429)
Cash and cash equivalents	17,607	11,529

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

Notes Regarding Lease Transactions

(As lessee)

1. Finance lease transactions

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):
Mainly tools, furniture and fixtures in use for the general mail order and specialty 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 (2) Method of depreciation and amortization” under “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 the 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:

(In millions of yen)

	March 31, 2011		
	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

(In millions of yen)

	March 31, 2012		
	Acquisition cost	Accumulated depreciation	Year-end net carrying value
Machinery, equipment and vehicles	804	644	159
Furniture and fixtures	837	713	123
Other	263	221	42
Total	1,905	1,579	325

(2) Future minimum lease payments, etc.:

(In millions of yen)

	March 31, 2011	March 31, 2012
Future minimum lease payments:		
Due within one year	440	297
Due over one year	348	51
Total	788	348

(3) Lease expense, reversal of lease asset impairment account, amounts corresponding to depreciation and impairment loss:

(In millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Lease expense	574	453
Amount corresponding to depreciation	535	425
Amount corresponding to Interest expense	23	13

(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 period and the residual value equals to zero.

[About impairment loss]

There is no impairment loss allocated to lease assets.

(5) Calculation method of the amount corresponding to interest expense:

Difference between total lease payments and the amount corresponding to the 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.

Notes Regarding Financial Instruments

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 the 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 the credit risk of the borrowers. The Group addresses such risk though measures beginning with screening at each time of 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 market price thereof and reports to the representative director (president).

Trade payables (trade note and accounts payable) and accrued expenses are mostly with due dates within one year. They partly include those related to imports denominated in foreign currencies and, as such, they are exposed to the 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 the interest rate fluctuation risk.

Derivative transactions utilized by the Company include forward foreign currency exchange contracts and currency option and currency swap contracts for the purpose of hedging the exchange rate fluctuation risk, and interest rate swap and interest rate cap contracts for hedging the interest rate fluctuation risk. The Company also has bank deposits incorporating derivatives. The Company’s 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 “4. Significant accounting policies, item (4) Principal hedge accounting policies” under “Significant Accounting Policies” herein.

(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 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.):

– As of March 31, 2011 –

(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.

– As of March 31, 2012 –

(In millions of yen)

	Balance sheet carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and deposits	12,959	12,959	—
(2) Trade notes and accounts receivable	11,493		
Allowance for doubtful accounts (*1)	(652)		
	10,840	10,840	—
(3) Trade loans	14,273		
Allowance for doubtful accounts (*1)	(589)		
	13,684	14,166	482
(4) Marketable securities and investment securities			
Held-to-maturity debt securities	404	402	(1)
Available-for-sale securities	1,205	1,205	—
	1,610	1,608	(1)
(5) Long-term lending	1,880		
Allowance for doubtful accounts (*1)	(192)		
	1,688	1,688	—
(6) Claims provable in bankruptcy, rehabilitation and other	3,692		
Allowance for doubtful accounts (*1)	(2,110)		
	1,581	1,581	—
Assets total	42,365	42,845	480
(1) Trade notes and accounts payable	14,852	14,852	—
(2) Short-term borrowings	2,560	2,560	—
(3) Accrued expenses	6,319	6,319	—
(4) Lease obligations (current liabilities)	490	490	—
(5) Income taxes payable	1,056	1,056	—
(6) Long-term borrowings	6,983	6,983	—
(7) Lease obligations (long-term liabilities)	371	371	—
Liabilities total	32,632	32,632	—
Derivative transactions (*2)	(193)	(193)	—

(*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. Net payables are presented in parenthesis.

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

(4) Marketable securities and investment securities:

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

For the information regarding the securities classified by the purpose of holding, 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 the fair values of these items 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 and (5) 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 (6) Long-term borrowings:
Borrowings 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 and interest rate cap 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 and interest rate cap 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 (7) 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.

Derivative transactions

See “Notes Regarding Derivatives.”

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

(In millions of yen)

Category	March 31, 2011	March 31, 2012
Unlisted equity securities	481	478
Unlisted debt securities	1,500	—
Investments in partnerships for investment business	997	691

These instruments 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 subsequent to fiscal year-end of financial assets and securities with contractual maturities:

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

– As of March 31, 2011 –

(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

– As of March 31, 2012 –

(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	12,946	—	—	—	—	—
Trade notes and accounts receivable	11,493	—	—	—	—	—
Trade loans	8,267	3,257	1,715	921	111	0
Marketable securities and investment securities:						
Held-to-maturity debt securities:						
(1) National and local government bonds	—	—	104	—	—	—
(2) Corporate bonds	—	—	—	—	100	—
(3) Other	200	—	—	—	—	—
Available-for-sale securities with contractual maturities:						
(1) Other	203	—	—	688	0	120
Long-term lending	—	1,327	39	34	25	453
Total	33,110	4,584	1,859	1,644	237	574

[Note 4] Repayment schedule subsequent to fiscal year-end of borrowings and lease obligations:
See "Borrowings" in "Supplementary Schedules" appearing later.

Notes Regarding Securities

1. Marketable held-to-maturity debt securities

– As of March 31, 2011 –

None applicable.

– As of March 31, 2012 –

(In millions of yen)

	Type of securities	Balance sheet carrying amount	Fair value	Unrealized gain (loss)
Securities with fair value exceeding balance sheet carrying amount	(1) National and local government bonds	—	—	—
	(2) Corporate bonds	100	100	0
	(3) Other	200	200	0
	Subtotal	300	300	0
Securities with fair value not exceeding balance sheet carrying amount	(1) National and local government bonds	104	101	(2)
	(2) Corporate bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	104	101	(2)
Total		404	402	(1)

2. Available-for-sale securities

– As of March 31, 2011 –

(In millions of yen)

	Type of securities	Balance sheet carrying amount	Acquisition cost	Unrealized gain (loss)
Securities with balance sheet carrying amount exceeding the acquisition cost	(1) Equity securities	49	38	10
	(2) Debt securities:			
	① National and local government bonds	—	—	—
	② Corporate bonds	1,774	1,755	18
	③ Other bonds	—	—	—
	(3) Other	1	1	0
	Subtotal	1,824	1,795	29
Securities with balance sheet carrying amount not exceeding the acquisition cost	(1) Equity securities	201	310	(109)
	(2) Debt securities:			
	① National and local government bonds	—	—	—
	② Corporate bonds	43	55	(12)
	③ Other bonds	—	—	—
	(3) Other	158	195	(36)
	Subtotal	402	561	(158)
Total		2,227	2,356	(129)

– As of March 31, 2012 –

(In millions of yen)

	Type of securities	Balance sheet carrying amount	Acquisition cost	Unrealized gain (loss)
Securities with balance sheet carrying amount exceeding the acquisition cost	(1) Equity securities	555	403	151
	(2) Debt securities:			
	① National and local government bonds	—	—	—
	② Corporate bonds	—	—	—
	③ Other bonds	—	—	—
	(3) Other	70	65	5
	Subtotal	625	469	156
Securities with balance sheet carrying amount not exceeding the acquisition cost	(1) Equity securities	99	134	(35)
	(2) Debt securities:			
	① National and local government bonds	—	—	—
	② Corporate bonds	—	—	—
	③ Other bonds	250	255	(4)
	(3) Other	230	271	(41)
	Subtotal	580	661	(81)
Total		1,205	1,130	75

3. Available-for-sale securities sold during the fiscal year

– For the year ended March 31, 2011 –

(In millions of yen)

Type of securities	Proceeds of sales	Gain on sales	Loss on sales
(1) Equity securities	0	0	—
(2) Debt securities:			
① National and local government bonds	—	—	—
② Corporate bonds	—	—	—
③ Other bonds	—	—	—
(3) Other	900	—	900
Total	900	0	900

– For the year ended March 31, 2012 –

(In millions of yen)

Type of securities	Proceeds of sales	Gain on sales	Loss on sales
(1) Equity securities	1	0	—
(2) Debt securities:			
① National and local government bonds	—	—	—
② Corporate bonds	1,820	64	—
③ Other bonds	8,094	—	—
(3) Other	38	—	113
Total	9,954	65	113

4. Securities for which impairment loss was recorded

In the fiscal year ended March 31, 2012, the Company recorded ¥49 million as impairment of value with respect to 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

1. Derivative transactions to which hedge accounting is not applied

(1) Currency-related derivatives:

– As of March 31, 2011 –

(In millions of yen)

Category	Type of transaction	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.

– As of March 31, 2012 –

(In millions of yen)

Category	Type of transaction	Contract amount	Over 1 year contracts	Fair value	Unrealized gain (loss)
Transactions other than market transactions	Currency swaps:				
	Buy				
	US dollars	349	181	(44)	(44)
	Currency forward exchange contracts:				
	Buy				
	US dollars	601	—	(11)	(11)
	Currency options:				
	Buy calls				
	US dollars	53	—	0	0
	Sell puts				
	US dollars	49	—	(1)	(1)
	Total	1,052	181	(56)	(56)

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

(2) Compound financial instruments:

– As of March 31, 2011 –

None applicable.

– As of March 31, 2012 –

(In millions of yen)

Category	Type of transaction	Contract amount	Over 1 year contract	Fair value	Unrealized gain (loss)
Transactions other than market transactions	Deposits incorporating derivatives	1,399	1,100	(136)	(136)
	Total	1,399	1,100	(136)	(136)

Notes: 1. Fair values are determined based on the prices offered by financial institutions.
2. The fair value of deposits incorporating derivatives has been obtained by sorting out built-in derivatives from compound financial instruments.
3. The contract amount represents the principal amount of deposits incorporating derivative, and the amount itself does not indicate the market risk pertaining to derivative transactions.

2. Derivative transactions to which hedge accounting is applied

Interest-related derivatives:

– As of March 31, 2011 –

(In millions of yen)

Method of hedge accounting	Type of transaction	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	(See Note below)

Note: The interest rate swap transactions 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.

– As of March 31, 2012 –

(In millions of yen)

Method of hedge accounting	Type of transaction	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	2,500	1,400	(See Note below)
Exceptional treatment applicable to interest rate cap transactions	Interest rate cap transactions	Long-term borrowings	1,000	400	(See Note below)

Note: The interest rate swap and interest rate cap transactions subject to 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	March 31, 2011	March 31, 2012
(1) Projected benefit obligation	(766)	(804)
(2) Fair value of pension plan assets	561	627
(3) Unfunded benefit obligation ((1)+(2))	(205)	(176)
(4) Unrecognized actuarial differences	(23)	(57)
(5) Unrecognized prior service costs	(53)	(39)
(6) Net liability amount on consolidated balance sheet ((3)+(4)+(5))	(281)	(274)
(7) Prepaid pension cost	1	1
(8) Provision for retirement benefits ((6)–(7))	(283)	(276)

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	Year ended March 31, 2011	Year ended March 31, 2012
Net periodic retirement benefit costs:	82	75
(1) Service cost	81	74
(2) Interest cost	15	16
(3) Expected return on plan assets (subtraction)	(10)	(12)
(4) Amortization of actuarial differences	10	10
(5) Amortization of prior service costs	(13)	(13)

4. Assumptions used in calculation of projected retirement benefit obligations, etc.

(1) Allocation method of projected benefit obligation:
Equal amount over each period

(2) Discount rate:

Year ended March 31, 2011	Year ended March 31, 2012
2.23%	2.23%

(3) Expected rate of return on plan assets:

Year ended March 31, 2011	Year ended March 31, 2012
2.23%	2.23%

(4) Amortization period of prior service cost:
Five years (processed by the straight-line method over the period set within the length of the average remaining service period of employees.)

(5) Amortization period of actuarial differences:
Five years (processed by the straight-line method over the period set within the length of average remaining service period of employees, beginning the first year of the occurrence.)

Notes Regarding Deferred Income Taxes

1. Significant components of deferred income tax assets and liabilities

(In millions of yen)

	March 31, 2011	March 31, 2012
Deferred tax assets:		
Excess provision for bonuses	159	192
Excess allowance for doubtful accounts	1,058	747
Excess provision for sales returns	26	27
Excess provision for point program	215	195
Excess provision for loss on interest repayment	825	601
Bad debt expenses	391	261
Loss on valuation of investment securities	695	43
Loss on valuation of stocks of affiliated companies	1,278	970
Provision for retirement benefits	114	96
Loss on valuation of real estate for sale	556	570
Excess impairment loss of fixed assets	447	452
Loss on transfer of receivables	323	283
Loss carried forward	1,195	512
Valuation difference on available-for-sale securities	52	—
Excess provision for loss on disaster	50	—
Other	634	474
Deferred tax assets subtotal	8,027	5,429
Valuation reserve	(4,887)	(3,818)
Deferred tax assets total	3,140	1,610
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	—	(43)
Asset retirement obligations	(94)	(78)
Other	(106)	(58)
Deferred tax liabilities total	(201)	(181)
Net deferred tax assets (liabilities)	2,939	1,428

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

(%)

	Year ended March 31, 2011	Year ended March 31, 2012
Statutory tax rate:	40.4%	40.4%
Items, including entertainment expenses, not eternally deductible for tax purposes	0.3	0.4
Items, including dividends received, not eternally deductible for tax purposes	(0.0)	0.1
Equal installments of inhabitant taxes	0.6	0.5
Tax rate difference of subsidiaries	(0.1)	(0.1)
Increase (decrease) of valuation reserve	(33.5)	(5.6)
Adjustment due to tax rate revision	—	1.6
Effects of merger	2.5	—
Deductible foreign taxes	0.1	(0.0)
Prior year income taxes	7.4	(0.4)
Other	0.6	(0.2)
Effective tax rate	18.3%	36.7%

3. Adjustment of amounts of deferred tax assets and liabilities due to revision of corporation tax rates

Following the promulgation on December 2, 2011 of the "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011), a reduction in the Japanese corporation income tax rates and the imposition of a Special Reconstruction Corporation Tax were implemented from the fiscal year beginning on and after April 1, 2012. As a consequence, the effective statutory tax rate utilized for the measurement of deferred tax assets and liabilities has been changed from 40.43% to 37.75% for temporary differences expected to be settled and realized during the period from April 1, 2012 to March 31, 2015, and to 35.38% for those expected to be settled and realized on or after April 1, 2015.

The tax rate change has caused the amount of the Company's deferred tax assets (net amount after deducting deferred tax liabilities) to decrease by ¥104 million, and the amount of income taxes—deferred to increase by ¥110 million.

Notes Regarding Asset Retirement Obligations

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 rented under lease or rental contracts with the landowners and, to reflect the obligations thereunder to restore the facilities to their 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 of 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:

(In millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Balance at the beginning of the year (See Note below)	423	432
Increase due to acquisition of property, plant and equipment	—	—
Adjustment due to passage of time	9	9
Decrease due to fulfillment of asset retirement obligations	—	—
Other increase (decrease)	—	7
Balance at the end of the year	432	449

Note: The balance at the beginning of the year ended March 31, 2011 represents the beginning balance recognized upon 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).

Notes Regarding Investment and Rental Property

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. Part of the rental office buildings is 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, increases or decreases in such carrying amounts during the years ended March 31, 2011 and 2012 and the fair values of the rental property and the property that includes a portion used as rental property are as follows:

(In millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Rental property:		
Balance sheet carrying amount:		
Balance at the beginning of the year	3,160	2,797
Increase (decrease) during the year	(363)	3,137
Balance at the end of the year	2,797	5,934
Fair value at the end of the year	2,616	5,576
Property that includes a portion used as rental property		
Balance sheet carrying amount:		
Balance at the beginning of the year	3,629	3,548
Increase (decrease) during the year	(81)	(1,381)
Balance at the end of the year	3,548	2,167
Fair value at the end of the year	3,421	2,136

Notes: 1. The above carrying amounts are the amounts after subtracting the accumulated depreciation and accumulated impairment loss from the acquisition costs.
2. In the above amount of increase (decrease) of rental property during the year ended March 31, 2011, a principal factor that caused the decrease was the sale of real estate (¥357 million). The amount of increase of rental property during the year ended March 31, 2012 was caused primarily by a reclassification from "Real estate for sale" to "Rental property" to reflect a usage change (¥1,851 million) and a usage change from the Company's own use to rental use (¥1,341 million).
3. The fair values at the end of the year of the major properties are recorded at the amounts determined using real estate appraisal certificates provided by outside real estate assessors. However, in case 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 rental property and the property that includes a portion used as rental property were as follows:

(In millions of yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Rental property:		
Rental income	196	445
Rental expenses	123	160
Difference	73	284
Other (gain or loss on sale, etc.)	274	—
Property that includes a portion used as rental property		
Rental income	300	82
Rental expenses	154	43
Difference	145	38
Other (gain or loss on sale, etc.)	—	—

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 property, such as depreciation, repairing expenses, insurance premium, taxes and public charges.

Segment Information, etc.

[Segment information]

1. Outline of reportable segments

The Belluna Group's reportable segments consist of 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, management of golf courses, etc.
(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, 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.

– For the year ended March 31, 2012 –

(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	74,231	22,284	3,754	2,737	1,109	6,181	—	110,300
Inter-segment sales or transfers	108	43	258	—	—	—	(410)	—
Total	74,340	22,328	4,013	2,737	1,109	6,181	(410)	110,300
Segment income (or segment loss)	2,754	1,822	1,573	253	246	587	166	7,406
Segment assets	53,259	10,386	814	16,846	13,200	3,798	866	99,174
Other items:								
Depreciation (Note 3)	1,797	231	6	37	140	30	—	2,244
Amortization of goodwill	—	—	—	—	—	—	131	131
Increase in property, plant and equipment and intangible fixed assets (Note 3)	335	385	7	7	74	58	—	869

Notes: 1. Amounts of adjustments are as follows:
(1) Adjustments in segment income represent ¥298 million from inter-segment elimination minus ¥131 million for amortization of goodwill.
(2) Adjustments in segment assets include ¥636 million for the Company's employee welfare facilities and ¥230 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.

[Related information]

– For the year ended March 31, 2011 –

1. Information by products and services

Presentation of this information is omitted herein since similar information is provided in "Segment information."

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.

– For the year ended March 31, 2012 –

1. Information by products and services

Presentation of this information is omitted herein since similar information is provided in "Segment information."

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.

[Impairment loss of fixed assets by reportable segment]

– For the year ended March 31, 2011 –

None applicable.

– For the year ended March 31, 2012 –

(In millions of yen)

	General mail order	Specialty mail order	Solution	Finance	Property	Other	Total
Impairment loss	5	120	—	—	—	—	126

[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 the end of the year	—	—	—	—	—	361	361

– For the year ended March 31, 2012 –

(In millions of yen)

	General mail order	Specialty mail order	Solution	Finance	Property	Other	Total
Amortization for the year	—	—	—	—	—	131	131
Unamortized balance at the end of the year	—	—	—	—	—	230	230

[Gain from negative goodwill by reportable segment]

– For the year ended March 31, 2011 –

None applicable.

– For the year ended March 31, 2012 –

None applicable.

Related Party Transactions

1. Transactions with related parties

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

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

– For the year ended March 31, 2011 –

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Ownership of voting rights of the Co.	Relations		Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
						Concurrent directors	Business relation				
Major shareholder	Friend Stage, Ltd. (Note 2)	Ageo, Saitama	50	Seal stamp sales	14.5% (Directly owned)	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	—	—

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.

– For the year ended March 31, 2012 –

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Ownership of voting rights of the Co.	Relations		Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
						Concurrent directors	Business relation				
Major shareholder	Friend Stage, Ltd. (Note 2)	Ageo, Saitama	50	Seal stamp sales	14.8% (Directly owned)	1	Rent of buildings, etc.	Commission on consignment (Note 3)	20	Accounts receivable –other	11
								Payment of rent (Note 3)	21	—	—
								Payment for utilities (Note 3)	10	—	—
								Loss on withdrawal of stores (Note 4)	33	—	—

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.
4. Loss on withdrawal of stores includes the expenses incurred to restore the stores to their original state.

(a) Companies, etc. having the same parent company as the company filing consolidated financial statements and the subsidiaries, etc. of other affiliated companies of the company filing consolidated financial statements:

– For the year ended March 31, 2011 –

None applicable.

– For the year ended March 31, 2012 –

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Ownership of voting rights of the Co.	Relations		Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
						Concurrent directors	Business relation				
Company (including its subsidiaries) in which a major corporate shareholder holds a majority voting interest	FSY101 Co., Ltd. (Note 2)	Shibuya, Tokyo	8	Real estate renting, etc.	—	—	Business funds lending	Lending of funds (Note 2)	1,100	Long-term lending	1,100

Notes: 1. Consumption taxes are not included in the above transaction amounts, but are included in the year-end balance.
2. Conditions for lending funds are determined with due consideration of market interest rates. The lending is also secured by the collateral furnished..

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

None applicable.

Per Share Information

(In yen)

	Year ended March 31, 2011	Year ended March 31, 2012
Net assets per share	1,146.45	1,241.73
Basic net income per share	87.57	86.53
Diluted net income per share	81.82	81.20

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

	Year ended March 31, 2011	Year ended March 31, 2012
Basic net income per share:		
Net income (millions of yen)	4,389	4,294
Amount not attributable to holders of common stock (millions of yen)	—	—
Net income attributable to holders of common stock (millions of yen)	4,389	4,294
Average number of shares during the year (thousands of shares)	50,125	49,626
Diluted net income per share:		
Adjustments to net income (millions of yen)	65	60
(Interest expense, net of tax, included in the above) (millions of yen)	(64)	(60)
(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)	4,320	4,005
(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)	(4,320)	(4,005)
Securities with no dilutive effect excluded from the calculation of diluted net income per share	—	—

Significant Subsequent Events

The Company resolved at its Board of Directors meeting held on May 23, 2012 to repurchase its own shares as follows in conformity with the provisions of Article 156 of the Company Law of Japan as applied with relevant changes in interpretation pursuant to Article 165, Paragraph 3 of the same law:

Reason for share repurchase

The share repurchase is intended to help enhance the profit return to shareholders and also enable the implementation of flexible and agile capital policy addressing the changing business environment.

Details of share repurchase

① Class of shares: Common stock
② Aggregate number of repurchasable shares: Up to 400,000 shares
③ Aggregate repurchase amount: Up to ¥300 million
④ Period of repurchase: From May 24, 2012 to December 30, 2012
⑤ Method of repurchase: Market purchase on the Tokyo Stock Exchange

The Company executed the repurchase of its own shares pursuant to the above Board resolution, as follows:
1) Aggregate number of shares repurchased: 33,500 shares
2) Aggregate repurchase amount: ¥19 million

Bonds

Issuer	Description	Date of issue	In millions of yen: Beginning balance on April 1, 2011	In millions of yen: Ending balance on March 31, 2012	Coupon rate	Collateral	Maturity
Belluna Co., Ltd.	Euro Yen Bonds with Stock Acquisition Rights due 2012 (Convertible Bonds)	March 26, 2007	11,000 (11,000)	— (—)	1.10%	None	March 31, 2012
Belluna Co., Ltd.	1st Unsecured Bonds with Floating Rate Interests	July 30, 2010	900 (200)	— (—)	0.50%	None	July 31, 2015
Total	—	—	11,900 (11,200)	— (—)	—	—	—

Note: Amounts in parenthesis indicate the amounts to be redeemed within 1 year.

Borrowings

	In millions of yen: Beginning balance on April 1, 2011	In millions of yen: Ending balance on March 31, 2012	Average interest rate	Repayment date
Short-term borrowings	1,080	310	1.66%	—
Current portion of long-term borrowings (due within 1 year)	3,813	2,250	2.08%	—
Current portion of lease obligations (due within 1 year)	542	490	2.93%	—
Long-term borrowings (except current portion)	8,494	6,983	2.08%	From 2013 to 2019
Lease obligations (except current portion)	654	371	2.93%	From 2013 to 2016
Other interest-bearing debt	—	—	—	—
Total	14,584	10,405	—	—

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 5 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	2,000	2,000	1,700	1,281
Lease obligations	196	96	60	17

Schedule of asset retirement obligations

As the amount of asset retirement obligations fell within 1% of the total of liabilities and net assets at the beginning and the end of the fiscal year ended March 31, 2012, presentation of the schedule of these obligations is omitted herein in accordance with the provisions of Article 92-2 of the Regulations for Consolidated Financial Statements.

Other

(1) Quarterly information for the year ended March 31, 2012:

(In millions of yen)

(Cumulative period)	First quarter ended June 30, 2011	Second quarter ended September 30, 2011	Third quarter ended December 31, 2011	Year ended March 31, 2012
Net sales	27,184	49,754	83,702	110,300
Income before income taxes and minority interests	1,656	1,817	4,821	6,785
Net income	946	1,020	2,584	4,294
Net income per share (in yen)	18.89	20.40	51.86	86.53

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

None in particular to be remarked.

(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 postal 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, 2012)

Company Name
Belluna Co., Ltd.

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

Capital Stock
¥10,607 million

Established
June 1977

Number of Employees
1,020

Directors and Corporate Auditors (as of June 29, 2012)
President and CEO
Kiyoshi Yasuno

Directors and Executive Officers
Yuichiro Yasuno
Yasutaka Nomura
Junko Shishido
Takeo Shimano
Masakazu Oikawa
Hideshi Shimokawa

Standing Corporate Auditor
Takashi Kawaharazuka

Corporate Auditors
Isao Nakamura*
Yukimitsu Watabe*

**Outside corporate auditor*

Consolidated Subsidiaries
Refre Co., Ltd.
Ozio Co., Ltd.
Friendly Co., Ltd.
Sunstage Co., Ltd.
Bell-Net Credit Co., Ltd.
BANKAN Co., Ltd.
Wamonoya Co., Ltd.
El Dorado Co., Ltd.
Nursery Co., Ltd.

Investor Information
(as of March 31, 2012)

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

Number of Shares Issued and Outstanding
56,592,274

Number of Shareholders
6,490

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
Nihon Ribowaru Inc.	19.3%
Friend Stage Co., Ltd.	14.8%
Kiyoshi Yasuno	11.1%
BBH for Fidelity Low Price Stock Fund	10.4%
Japan Trustee Services Bank, Ltd.	7.4%
Kimi Yasuno	3.3%
Sumitomo Mitsui Banking Corporation	2.2%
The Nomura Trust and Banking Co., Ltd.	2.2%
Mizuho Trust & Banking Co., Ltd.	1.5%
CBNY DFA ITHL SMALL CAP VALUE PORTFOLIO	1.2%

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

BELLUNA

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