ANNUAL REPORT 2013

For the year ended March 31, 2013

Belluna Co., Ltd.

BELLUNA

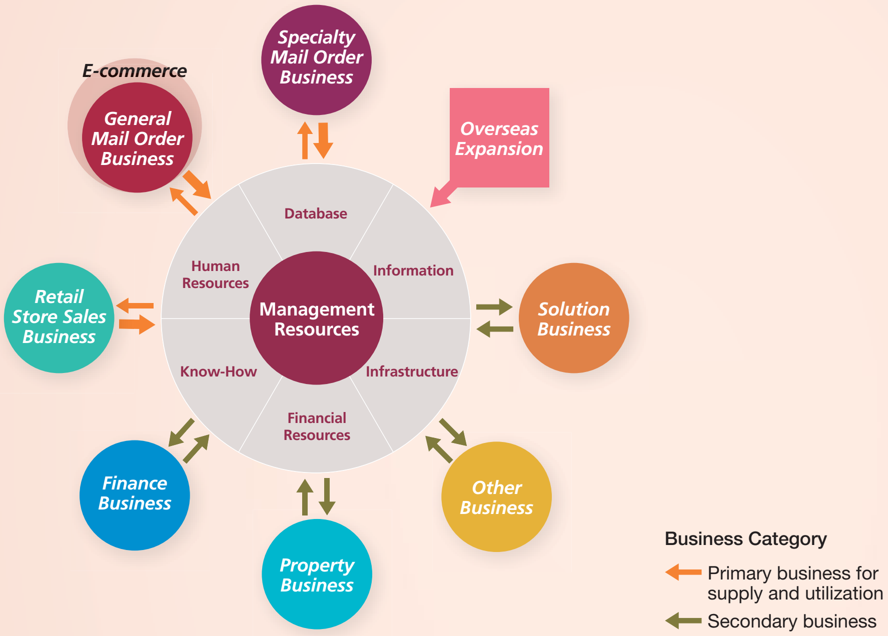
Profile

As a major player in the domestic mail order industry, Belluna possesses superior management resources that include a database of approximately 15 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 2nd 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 needs for 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	2008	2009	2010	2011	2012	**2013**	**2013**
For the year:							
Net sales	125,173	109,912	100,101	103,460	110,300	**117,884**	**1,253,428**
Cost of sales	51,566	49,963	43,259	45,511	48,670	**52,155**	**554,555**
Gross profit—net	73,614	59,967	56,834	57,954	61,621	**65,719**	**698,772**
Selling, general and administrative expenses	63,405	58,745	52,502	51,221	54,215	**58,638**	**623,485**
Operating income	10,208	1,221	4,332	6,733	7,406	**7,080**	**75,287**
Income (loss) before income taxes and minority interests	6,077	(7,281)	3,520	5,372	6,785	**8,974**	**95,422**
Net income (loss)	3,435	(8,763)	1,276	4,389	4,294	**5,870**	**62,420**
Capital investment	6,678	1,204	226	792	869	**8,948**	**951,408**
Depreciation and amortization	1,105	1,590	2,134	2,296	2,184	**2,282**	**24,263**
At year-end:							
Current assets	109,610	85,652	72,598	68,954	58,292	**65,091**	**692,091**
Property, plant and equipment	31,670	29,290	28,251	27,310	28,587	**35,230**	**374,595**
Total assets	160,707	133,868	119,703	110,595	99,174	**115,079**	**12,235,950**
Current liabilities	63,433	53,769	42,079	39,534	27,718	**38,723**	**411,732**
Long-term liabilities	32,946	26,289	23,405	13,594	10,650	**9,743**	**10,359**
Total liabilities	96,379	80,059	65,485	53,129	38,369	**48,466**	**515,329**
Net assets	64,327	53,808	54,217	57,465	60,805	**66,612**	**708,265**
Number of shares issued (thousands)	56,592	56,592	56,592	56,592	56,592	**56,592**	
Number of employees	1,249	1,064	992	969	1,020	**1,139**	

	Yen						U.S. dollars [1]
Per share data:							
Net income (loss) per share	66.14	(173.72)	25.47	87.57	86.53	**120.37**	**1.27**
Shareholders' equity per share [2]	1,254.05	1,073.46	1,081.64	1,146.45	1,241.73	**1,370.06**	**14.56**
Cash dividends per share	15	15	15	15	15	**15**	**0.15**

	Percentage (%)					
Financial ratios:						
Operating income margin	8.2	1.1	4.3	6.5	6.7	**6.0**
Net income (loss) margin	2.7	(8.0)	1.3	4.2	3.9	**5.0**
Return on equity (ROE) [3]	5.3	(14.9)	2.4	7.9	7.3	**9.2**
Return on assets (ROA) [4]	6.8	1.0	3.6	6.0	7.2	**6.9**
Shareholders' equity ratio [3]	39.9	40.2	45.3	52.0	61.3	**57.9**

Notes: 1. The U.S. dollar amounts have been translated from yen, for the convenience of the reader, at the rate of ¥94.05=US$1.00, the approximate rate on the Tokyo foreign exchange market on March 29, 2013.
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 will strengthen portfolio management and aims to bring to fruition the 2nd Short-term Business Plan.

Q1.

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

With regard to fiscal 2013, the year ended March 31, 2013, economic conditions in Japan remained uncertain in the first half mainly due to strained relations with China in addition to economic slowdowns in Europe and developing countries, despite demand related to recovery efforts in areas affected by the Great East Japan Earthquake. After the end of calendar 2012, however, conditions showed signs of becoming more positive along with the emergence of a weaker yen and rising stock prices.

The domestic mail order industry continued to expand, and its market grew to exceed ¥5 trillion in fiscal 2012. Although competition continued to intensify due to the rise in new market entrants, this led to more business opportunities in such areas as direct-marketing outsourcing services. Overall, it is safe to say that the mail order industry will experience rapid growth in the years ahead thanks in part to the rising popularity of smartphones.

Under these circumstances, consolidated net sales for the fiscal year under review increased 6.9% year on year to ¥117,884 million. Turning to profits, operating income fell 4.4% to ¥7,080 million mainly due to an increase in the allowance for doubtful accounts in the Finance business. Ordinary income grew 24.6% to ¥8,910 million primarily due to the recording of foreign exchange gains rather than the losses recorded in the previous fiscal year, and net income rose 36.7% to ¥5,870 million.

Regarding our financial condition, total assets increased ¥15,904 million year on year to ¥115,079 million mainly because of increases in investment securities as well as inventories of merchandise and finished goods. At the same time, liabilities rose ¥10,097 million year on year to ¥48,466 million, net assets increased ¥5,807 million year on year to ¥66,612 million and the shareholders' equity ratio stood at 57.9%.

Q2.

What progress was made under the recently concluded Short-term Business Plan?

The recently concluded the Short-term Business Plan was based on the following 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 categorized the General Mail Order, Specialty Mail Order and Solution businesses as database-related businesses and devoted our attention to attaining their growth and profitability. As a result, these businesses strengthened substantially, with annual net sales growing at a rate of 5%.

Looking at the second policy, "Newly establish and strengthen secondary utilization businesses," we endeavored to foster new businesses, including wholesale operations and retail store sales business operations. At the end of March 2013, our retail store sales business operations encompassed 10 stores.

In terms of the third policy, "Make balance sheet healthier," we worked to lower interest-bearing liabilities and consistently achieved a positive net cash flow. In addition, net assets increased annually and the shareholders' equity ratio maintained a level of around 60%.

As for the fourth policy, "Maintain the compliance and corporate governance systems," we introduced a system of executive officers in April 2011 in addition to the existing compliance and corporate governance systems, creating an even stronger corporate governance system. We continue to consider compliance and corporate governance as a crucial management issues.

Q3.

Please explain Belluna's performance forecasts under the 2nd Short-term Business Plan.

Based on the status of the Short-term Business Plan and changes in the external environment as it matures as a "General Merchant Company," Belluna intends to develop its business model based on the following policies: (1) Strengthen portfolio management; (2) Promote the growth of new businesses; (3) Maintain the mail order infrastructure; and (4) Review shareholder returns. We are working hard to achieve the targets of the 2nd Short-term Business Plan for fiscal 2016, specifically: net sales of ¥160,000 million and operating income of ¥12,000 million.

Q4.

In closing, what message do you have for shareholders?

Repaying shareholders for their constant support by making ongoing efforts to increase the corporate value of the Company is one of Belluna's most important policies. Regarding dividends for fiscal 2013, we maintained our total annual dividend at ¥15 per share, however we plan to increase this amount to ¥25 yen per share in fiscal 2014. Taking into account strategic investments intended to improve yearly performance and medium-term growth, the Company strives to continually pay stable dividends. Since its foundation, Belluna has upheld a core philosophy of being a customer-driven, customer-focused company. Belluna offers complete lifestyle support, with a range of products and services that serve the demands of modern life, from food and clothing to recreation options and everything a home could need, in order to be a company that enjoys the support of a wide range of customers.

September 2013

Kiyoshi Yasuno
President and CEO

The 2nd Short-term Business Plan

(From FY March 2014 to FY March 2016)

• *Management Policies of the Short-term Business Plan*

Maturing of a "General Merchant Company"

1. *Strengthen portfolio management*

General Mail Order business: Place greater emphasis on the highly profitable market catering to middle-aged women, while devoting greater attention to winning new customers among younger women

Specialty Mail Order business: Pursue growth potential with a focus on the highly profitable wine sector

Solution business: Achieve stronger earnings and growth

+

2. *Promote the growth of new businesses*

- Expand the Retail Store Sales business: Plan to open 20 retail stores this fiscal year
- Promote overseas business development: Expand wine-related wholesale operations in Asia

+

3. *Maintain the mail order infrastructure*

- Reduce operating costs and improve service with the construction of the Yoshimi Distribution Center, which will begin full-scale operations in August 2014

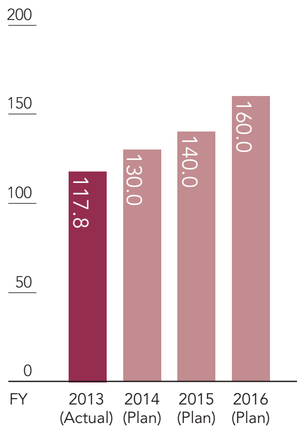
+

4. *Review shareholder returns*

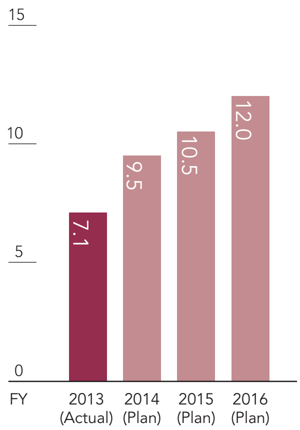
- Increase our total annual dividend by ¥10 per share to ¥25 in fiscal 2014

• *Managerial Targets*

Net Sales
(Billions of yen)



Operating Income
(Billions of yen)

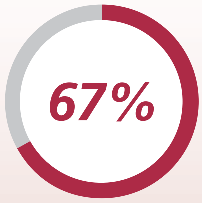


At a Glance

Segment | 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

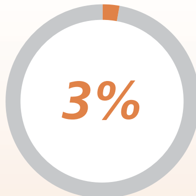


Speciality Mail Order Business

- 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

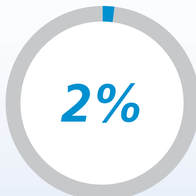
Solution Business

- 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

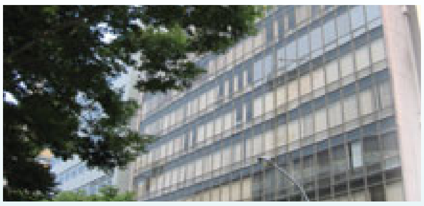


Finance Business

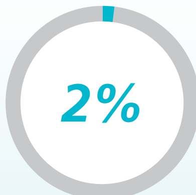
- B to C financing services
- B to B financing services



Property Business

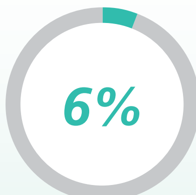


- Real estate leasing operations
- Real estate redevelopment operations

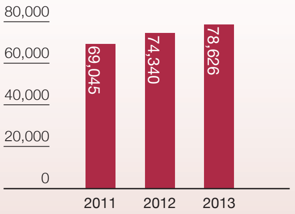


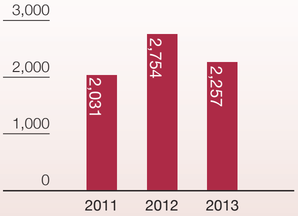
Other Business

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

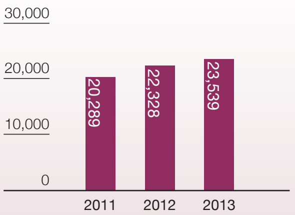


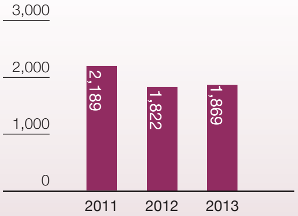
Net Sales (Millions of yen) | **Segment Income (Loss)** (Millions of yen) | **Business Outline**



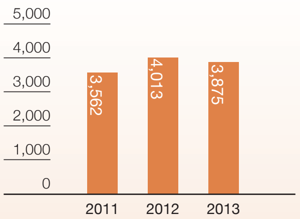


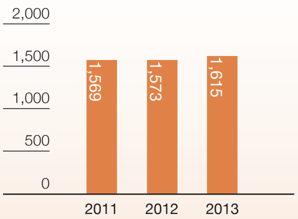
Belluna's core operation, this business handles general mail order sales activities for a wide range of products. We are expanding sales of such products as apparel, sundry goods and home furnishings through various media, including the Internet and catalogues. We are using the Internet, mobile phone sites, and smartphones to focus on young women in particular.



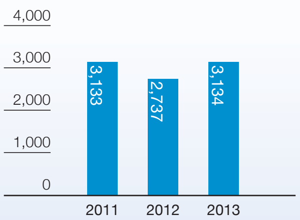


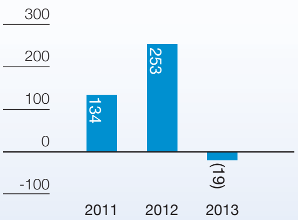
The Specialty Mail Order business, one of the Company's profit drivers, specializes in such products as food, wine, cosmetics, health food and nursing supplies. The products sold in this business tend to attract repeat orders for the same product by the same customer, a major factor contributing to the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



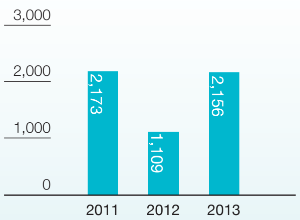


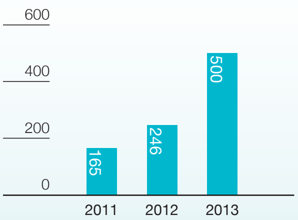
In the Solution business, Belluna provides its corporate clients with charged services to enclose and mail out their sales promotion materials with catalogs and products that the Company sends out to its customers. Belluna also offers order-processing, direct marketing and product dispatch services on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



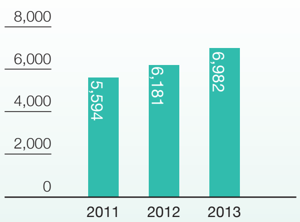


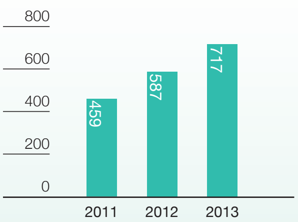
The Finance business provides consumer financing services that utilize the extensive customer database compiled by Belluna's mail order sales business. Leveraging our know-how in consumer financing services, we also provide collateralized financing services to corporate clients and financing services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

Review of Business Operations

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, we are beginning to see signs of recovery in the economy. 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 2013, active membership rose 3.6% to 4.59 million and net sales increased 5.8% to ¥78,626 million. Brand recognition for the young women-oriented RyuRyu and LUAR businesses improved greatly with the release of a TV commercial featuring a popular entertainer. On the other hand, operating income decreased 18.0% to ¥2,257 million due mainly to increased distribution costs resulting from a drop in order value.

Outlook

Looking ahead, Belluna will endeavor to bolster profitability while focusing on maintaining increases in active membership and improving the repeat purchasing ratio. We will also focus on signing up new customers and increasing profitability for our young women-oriented business while strengthening our lucrative middle-aged women-oriented business. In fiscal 2014, we anticipate net sales to increase 7.0% to ¥84,120 million and operating income to rise 13.2% to ¥2,560 million. We plan to begin operations at a new distribution center in August 2014 with the aim of increasing our logistical efficiency and level of service.

1.

2.


3.

4.


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

Speciality Mail Order Business

Overview

Net sales for the Specialty Mail Order business increased 5.4% year on year to ¥23,539 million and operating income grew 2.6% to ¥1,869 million, thanks mainly to firm net sales of cosmetics and goods geared to medical personnel. 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 is focusing on strategic products and the promotion of media development. 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 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, the medical personnel-geared mail order business that was added to our scope of consolidation in March 2012 saw sales steadily increase and posted non-consolidated profit for fiscal 2013.

Outlook

The Specialty Mail Order business plays an important role as an income-generating pillar within Belluna's business portfolio. We are aiming for growth in the cosmetics and health food divisions while maintaining profits. In the gourmet division, we will focus on improving profitability and developing new sales methods and new products. We will continue to expand Internet- and wholesale-based sales in the wine sector. The division handling medical personnel-geared goods should become a profit driver and we will strive to further expand sales. Despite severe operating conditions, each division in the Specialty Mail Order business will work to achieve further growth without undermining profitability.

1.


2.

3.


4.


1. ***IKIIKI KAZOKU*** is a gourmet catalog.
2. ***OZIO*** is a cosmetics catalog.
3. ***Refre*** is a health food catalog.
4. ***Nursery*** is a catalog for nursing-related clothing.

Solution Business

Overview

The Solution business develops enclosing and mailing services and direct-marketing outsourcing services. While enclosing and mailing services experienced firm sales, direct-marketing outsourcing services were unable to make up for the decreased trade with major clients. As a result, net sales fell 3.4% to ¥3,875 million compared with the previous fiscal year. However, operating income rose 2.7% to ¥1,615 million thanks to an increase in the composition ratio accounted for by the more lucrative enclosing and mailing services.

Outlook

In enclosing and mailing services, Belluna will work hard to sign up new customers while ensuring profitability. And in direct-marketing outsourcing services, we will aim to expand business by increasing our handling capacity while simultaneously bolstering profitability. For the business segment as a whole, net sales are expected to rise 8.6% to ¥4,210 million year on year and operating income is expected to increase 10.2% to ¥1,780 million. Looking ahead, we will aim to reinforce cost controls and improve profitability.

Finance Business

Overview

Net sales increased 14.5% to ¥3,134 million due to the increase in trade loans mainly for the domestic consumer financing business. On the other hand, we recorded an operating loss of ¥19 million due to increases in allowance for doubtful accounts for Bell-Net Credit and collateralized financing services.

Outlook

Positive signs have begun to slowly emerge in the operating conditions surrounding the finance business. Going forward, we will strive to build on the increase in trade loans mainly for the domestic consumer financing business. Turning to profit, we expect the allowance for doubtful accounts to fall for collateralized financing services and profit to increase.

Property Business

Overview

The Property business handles real estate-oriented development projects with a solid foundation of rental revenues from real estate-leasing operations. For fiscal 2013, net sales soared 94.3% to ¥2,156 million and operating income surged 102.9% to ¥500 million thanks to sales of real estate for sale.

Outlook

For fiscal 2014, there have already been sales of real estate for sale, and we forecast large increases in sales and profit.

Other Business

Overview

Utilizing Group know-how in such areas as product planning and media production, Belluna is developing other businesses, including the retail store sales business for Japanese traditional clothing and the wholesale business geared toward various industries, including department stores and consumer cooperatives. Net sales rose 13.0% year on year to ¥6,982 million and operating income increased 22.1% to ¥717 million as sales steadily grew for both the wholesale business and Japanese clothing retail store sales business.

Outlook

While sales are expected to increase in fiscal 2014, operating income is expected to rise only slightly due in part to expenditures on retail store development.

Corporate Governance

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 2013, 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 2013, 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 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

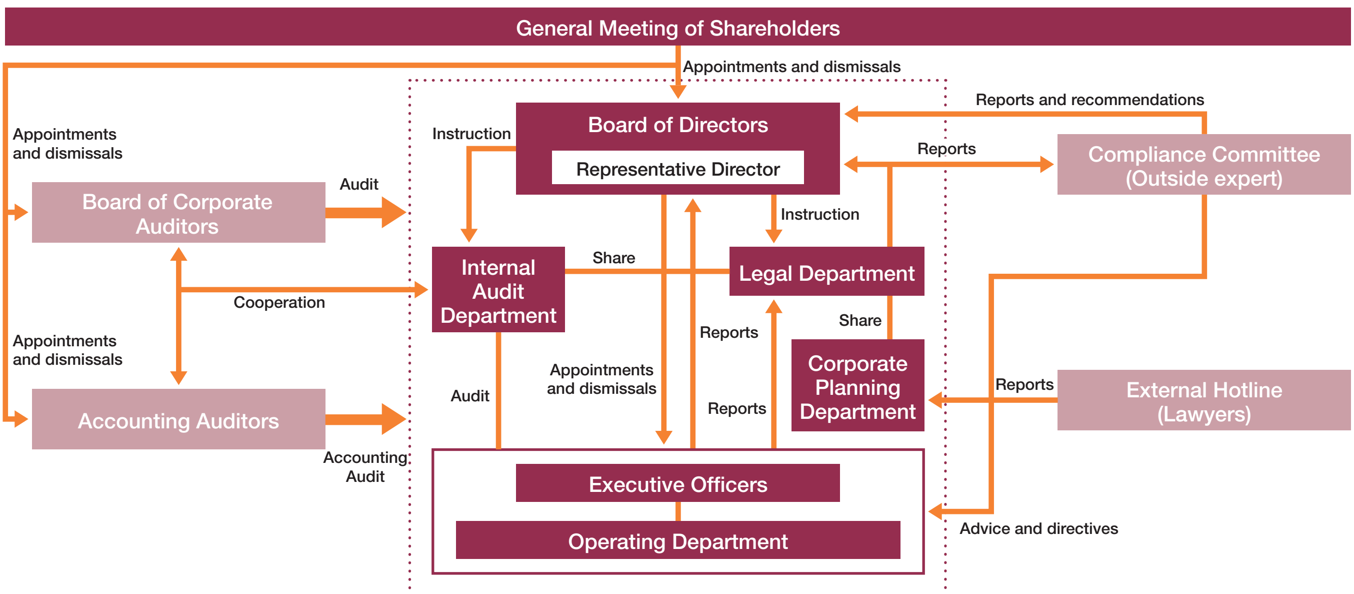
To further reinforce its compliance structure, in September 2008 the Company established the Compliance Committee, which is chaired by the director in charge of compliance and includes the participation of outside experts. The Compliance Committee provides advice regarding the deliberations of the Board 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

Financial Review

Overview and Net Sales

In fiscal 2013, the year ended March 31, 2013, although recovery efforts in the wake of the Great East Japan Earthquake drove up demand, overall economic conditions in Japan remained uncertain in the first half because of an increase in tensions with China as well as economic slowdowns in Europe and developing countries. From the end of December 2012, however, positive signs began to emerge in the Japanese economy, including rebounding stock prices and weakening yen rates.

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. As a result of these measures, consolidated net sales for fiscal 2013 rose 6.9% year on year to ¥117,884 million.

Earnings

In the year under review, operating income decreased 4.4% year on year to ¥7,080 million largely due to an increase in the allowance for doubtful accounts.

Ordinary income rose 24.6% to ¥8,910 million compared with the previous fiscal year. This increase was mainly attributable to a positive turnaround from foreign exchange losses to foreign exchange gains as well as a reduction in interest expense. Reflecting this increase, net income rose 36.7% year on year to ¥5,870 million.

As a result, net income per share increased from ¥86.53 in the previous fiscal year to ¥120.37 during the year under review. Year-end dividends were set at ¥7.50 per share, unchanged from the previous fiscal year. Combined with interim dividends, the Company maintained a total annual dividend of ¥15 per share.

Net Sales and Earnings per Segment

In Belluna's mainstay General Mail Order business, sales of household goods, apparel and other items steadily increased. As a result, segment net sales grew 5.8% compared with the previous fiscal year to ¥78,626 million, and segment (operating) income fell 18.0% to ¥2,257 million because of higher logistics-related costs.

In the Specialty Mail Order business, the cosmetics and nursing-related divisions saw sales steadily increase. Consequently, segment net sales rose 5.4% year on year to ¥23,539 million and segment (operating) income increased 2.6% to ¥1,869 million.

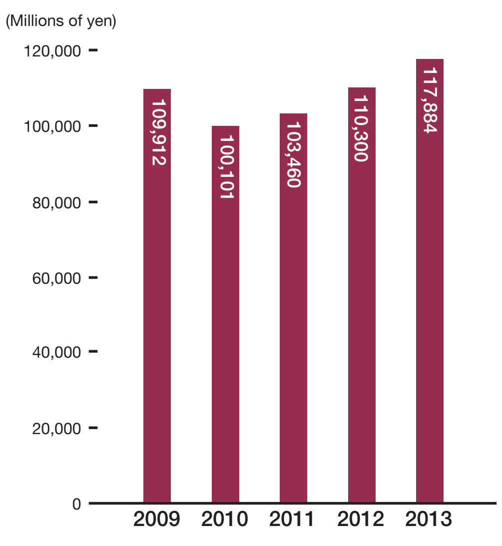
The Solution business enjoyed firm sales in enclosing and mailing services, while trade with major clients shrank for direct-marketing outsourcing services. As a result, segment net sales decreased 3.4% compared with the previous fiscal year to ¥3,875 million, while segment (operating) income rose 2.7% to ¥1,615 million.

The Finance business recorded a 14.5% year-on-year increase in segment net sales to ¥3,134 million because of an increased balance of trade loans, mostly in the consumer finance business. However, a segment (operating) loss of ¥19 million was recorded for the year under review, in comparison with ¥253 million in income in the previous fiscal year, due to an increase in the allowance for doubtful accounts.

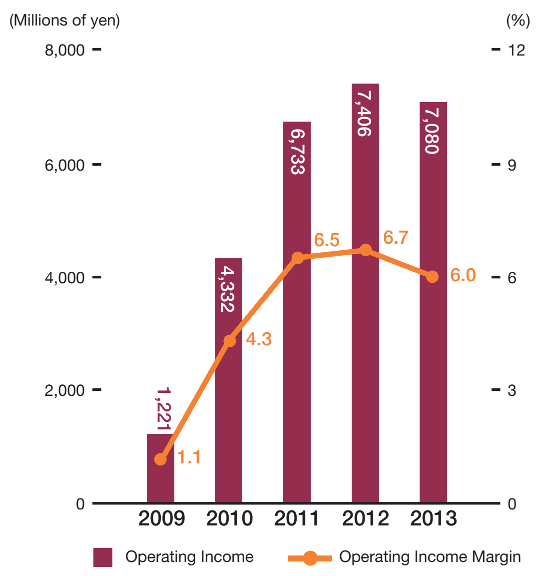
The Property business experienced a 94.3% surge in segment net sales year on year to ¥2,156 million due to increased revenues from real estate for sale. Segment (operating) income jumped 102.9% to ¥500 million.

The Other business enjoyed steady sales increases in the retail store sales and wholesale businesses. As a result, segment net sales rose 13.0% compared with the previous fiscal year to ¥6,982 million while segment (operating) income grew 22.1% to ¥717 million.

• Net Sales



• Operating Income and Operating Income Margin



Financial Condition

Total assets as of March 31, 2013 stood at ¥115,079 million, an increase of ¥15,904 million. Of this, current assets rose ¥6,798 million to ¥65,091 million, primarily reflecting increases in cash and deposits, merchandise and finished goods, and trade loans. Fixed assets as of the end of the fiscal year the under review increased ¥9,106 million to ¥49,987 million, due to a rise in property, plant and equipment as well as a rise in acquisitions of investment securities.

Total liabilities increased ¥10,097 million compared with the previous fiscal year-end to ¥48,466 million. Of total liabilities, current liabilities rose ¥11,004 million year on year to ¥38,723 million primarily because of increases in short-term borrowings as well as trade notes and accounts payable. Long-term liabilities shrank ¥907 million to ¥9,743 million, largely accompanying decreases in long-term borrowings and provision for loss on interest repayment, despite an increase in lease obligations.

Net assets as of March 31, 2013, totaled ¥66,612 million, a ¥5,807 million rise compared with the previous fiscal year-end. This increase was primarily attributable to an upswing in retained earnings. Reflecting the abovementioned factors, the shareholders' equity ratio at the end of the period under review shrank 3.4 percentage points from 61.3% to 57.9%.

Cash Flows

Net cash provided by operating activities during the fiscal year under review decreased from ¥11,269 million to ¥7,275 million compared with the previous fiscal year. The main factor leading to this decline was a change from a decrease in the previous fiscal year to an increase in trade loans, which offset the rise in income before income taxes and minority interests.

Net cash used in investing activities during the fiscal year under review amounted to ¥7,633 million, a negative turnaround from net cash provided by investing activities of ¥299 million in the previous fiscal year. The change was largely due to a year-on-year increase in cash outflows for the acquisition of investment securities and the acquisition of property, plant and equipment.

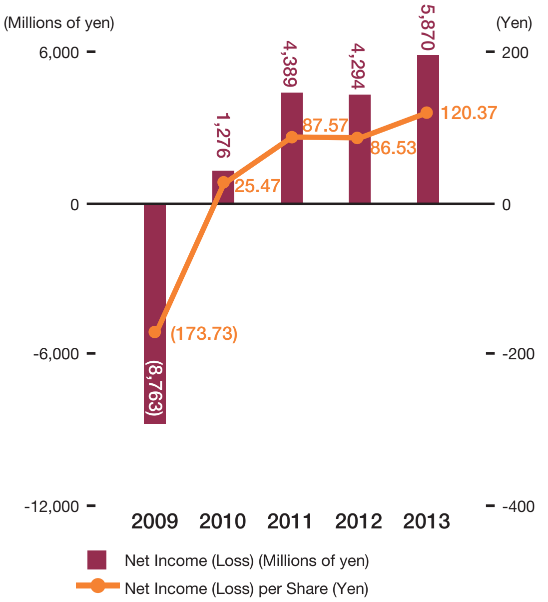
Net cash provided by financing activities during the fiscal year under review totaled ¥2,114 million, a positive turnaround from net cash used in financing activities of ¥17,668 in the previous fiscal year. Main components of this rise included the absence of outflows for the redemption of corporate bonds as recorded in the previous fiscal year and a decrease in outflows for the repayment of long-term borrowings along with an increase in short-term borrowings.

As a result of the above, after accounting for exchange rate fluctuations, the outstanding balance of cash and cash equivalents at the end of the year increased ¥1,804 million to ¥13,334 million.

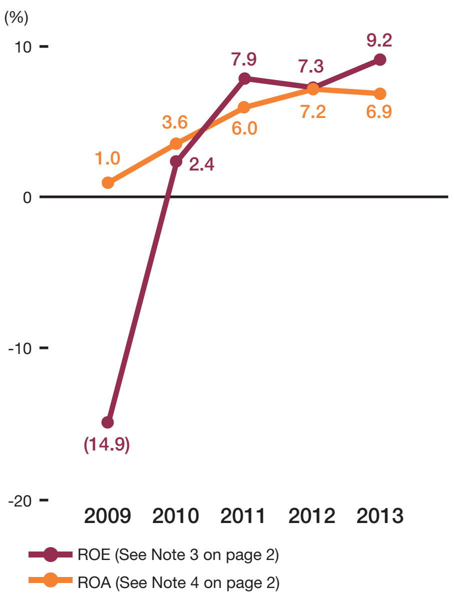
Forecasts for Fiscal 2013

The Japanese economy is expected to continue to expand, supported mainly by economic recovery in the United States and the Japanese government's extensive overhaul of the budget as well as by continued weakening in the yen and stock price growth. Concerns remain, however, that the prices of imports will rise due to the weakened yen. Against this backdrop, the Belluna Group remains committed to improving performance as a "General Merchant Company" and will steadfastly implement the four basic management policies of the 2nd Short-term Business Plan: strengthen portfolio management, promote the growth of new businesses, maintain the mail order infrastructure, and review shareholder returns.

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



• ROE and ROA



Business Risks

1. Statutory Regulations and Litigation

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 46 in Notes to Consolidated Financial Statements.

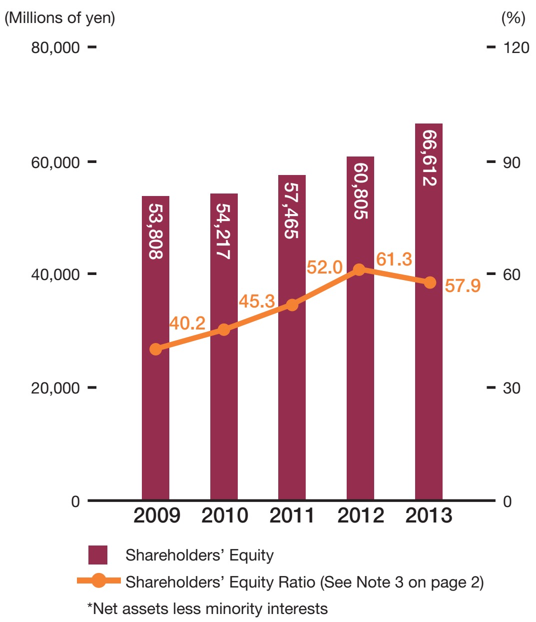
2. Product Safety

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.

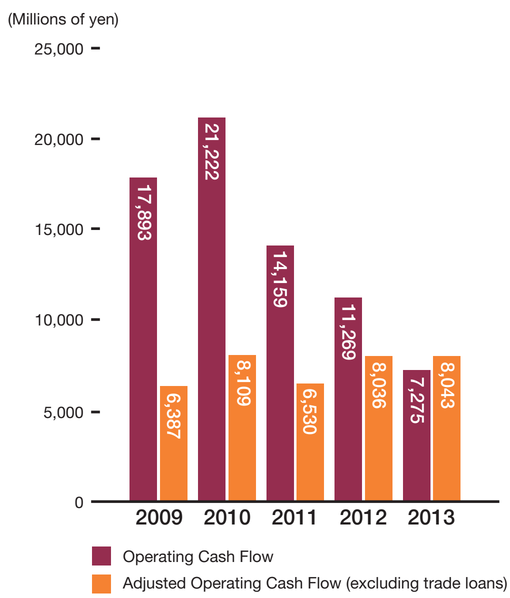
3. Climate and Seasonal Risks

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 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 and financial condition. 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, 2013 (with comparative figures for the previous year).

Consolidated Balance Sheets

		In millions of yen		
		March 31, 2012		March 31, 2013
Assets				
Current assets				
Cash and deposits		12,959		**14,833**
Trade notes and accounts receivable		11,493		**11,444**
Trade loans		14,273		**16,457**
Marketable securities		401		**916**
Merchandise and finished goods		9,848		**12,754**
Raw materials and supplies		997		**962**
Real estate for sale		2,450		**3,831**
Real estate for sale in process		858		**84**
Deferred tax assets		586		**986**
Other current assets		5,670		**4,157**
Allowance for doubtful accounts		(1,246)		**(1,337)**
Total current assets		58,292		**65,091**
Fixed assets				
Property, plant and equipment				
Buildings and structures		21,744		**23,261**
Accumulated depreciation	*1	(10,485)	*1	**(11,069)**
Buildings and structures (net)		11,258		**12,192**
Machinery and equipment		1,017		**1,142**
Accumulated depreciation	*1	(908)	*1	**(950)**
Machinery and equipment (net)		109		**191**
Furniture and fixtures		1,974		**2,075**
Accumulated depreciation	*1	(1,624)	*1	**(1,755)**
Furniture and fixtures (net)		350		**319**
Land		16,429		**19,646**
Lease assets		707		**636**
Accumulated depreciation		(458)		**(484)**
Lease assets (net)		249		**151**
Construction in progress		190		**2,729**
Total property, plant and equipment		28,587		**35,230**
Intangible fixed assets				
Goodwill		230		**98**
Lease assets		875		**1,516**
Other		2,893		**2,280**
Total intangible fixed assets		3,998		**3,896**
Investments and other assets				
Investment securities	*2	2,379	*2	**7,099**
Long-term lending		1,880		**1,642**
Claims provable in bankruptcy, rehabilitation and other (net)		3,692		**2,776**
Deferred tax assets		868		**141**
Other assets	*3	1,786	*3	**1,458**
Allowance for doubtful accounts		(2,312)		**(2,257)**
Total investments and other assets		8,295		**10,860**
Total fixed assets		40,881		**49,987**
Total assets		99,174		**115,079**

		In millions of yen	
		March 31, 2012	March 31, 2013
Liabilities			
Current liabilities			
Trade notes and accounts payable		14,852	**17,052**
Short-term borrowings	*4, 5	2,560	*4, 5 **7,456**
Accrued expenses		6,319	**6,740**
Lease obligations		490	**416**
Income taxes payable		1,056	**2,650**
Provision for bonuses		441	**558**
Provision for sales returns		73	**82**
Provision for point program		517	**556**
Other current liabilities		1,408	**3,208**
Total current liabilities		27,718	**38,723**
Long-term liabilities			
Long-term borrowings	*5	6,983	*5 **5,783**
Provision for loss on interest repayment		1,610	**1,149**
Lease obligations		371	**928**
Provision for retirement benefits		276	**247**
Provision for retirement benefits for directors and corporate auditors		219	**227**
Asset retirement obligations		449	**463**
Other long-term liabilities		739	**943**
Total long-term liabilities		10,650	**9,743**
Total liabilities		38,369	**48,466**
Net assets			
Shareholders' equity			
Common stock		10,607	**10,607**
Capital surplus		11,003	**11,003**
Retained earnings		49,761	**54,900**
Treasury stock		(9,456)	**(9,675)**
Total shareholders' equity		61,915	**66,835**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities		79	**676**
Foreign currency translation adjustments		(1,190)	**(899)**
Total accumulated other comprehensive income		(1,110)	**(222)**
Minority interests		0	**0**
Total net assets		60,805	**66,612**
Total liabilities and net assets		99,174	**115,079**

Consolidated Statements of Income

		In millions of yen		
		Year ended March 31, 2012		Year ended March 31, 2013
Net sales		110,300		**117,884**
Cost of sales	*1	48,670	*1	**52,155**
Gross profit		61,630		**65,728**
Reversal of provision for sales returns		64		**73**
Provision for sales returns		73		**82**
Gross profit—net		61,621		**65,719**
Selling, general and administrative expenses	*2	54,215	*2	**58,638**
Operating income		7,406		**7,080**
Non-operating income				
Interest income		72		**159**
Dividend income		53		**141**
Rent income		33		**34**
Extinction of debt		36		**31**
Compensation received		108		**107**
Foreign exchange gains		—		**827**
Other		560		**753**
Total non-operating income		864		**2,056**
Non-operating expenses				
Interest expense		349		**138**
Commission fee		88		**15**
Foreign exchange losses		432		**—**
Loss on valuation of derivatives		147		**—**
Other		101		**72**
Total non-operating expenses		1,119		**226**
Ordinary income		7,151		**8,910**
Extraordinary gains				
Gain on sales of fixed assets		—	*3	**35**
Gain on sales of investment securities		—		**52**
Total extraordinary gains		—		**88**
Extraordinary losses				
Loss on sales of fixed assets		—	*4	**8**
Loss on sales of investment securities		112		**—**
Loss on valuation of investment securities		50		**15**
Impairment loss	*5	126		**—**
Loss on closing of stores		76		**1**
Total extraordinary loss		365		**24**
Income before income taxes and minority interests		6,785		**8,974**
Income taxes—current		1,077		**3,077**
Income taxes—deferred		1,413		**26**
Total income taxes		2,491		**3,103**
Income before minority interests		4,294		**5,870**
Minority interests		0		**0**
Net income		4,294		**5,870**

Consolidated Statements of Comprehensive Income

		In millions of yen		
		Year ended March 31, 2012		Year ended March 31, 2013
Income before minority interests		4,294		**5,870**
Other comprehensive income				
Valuation difference on available-for-sale securities		157		**596**
Foreign currency translation adjustments		296		**290**
Total other comprehensive income	*1	453	*1	**887**
Comprehensive income		4,747		**6,758**
Comprehensive income attributable to owners of the parent		4,747		**6,758**
Comprehensive income attributable to minority interests		0		**0**

Consolidated Statements of Changes in Net Assets

	In millions of yen	
	Year ended March 31, 2012	Year ended March 31, 2013
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)	**—**
Balance at end of current year	11,003	**11,003**
Retained earnings		
Balance at beginning of current year	46,215	**49,761**
Dividends paid	(747)	**(732)**
Net income	4,294	**5,870**
Balance at end of current year	49,761	**54,900**
Treasury stock		
Balance at beginning of current year	(8,796)	**(9,456)**
Purchase of treasury stock	(660)	**(218)**
Disposal of treasury stock	0	**—**
Balance at end of current year	(9,456)	**(9,675)**
Total shareholders' equity		
Balance at beginning of current year	59,029	**61,915**
Total changes during current year	2,885	**4,919**
Balance at end of current year	61,915	**66,835**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at beginning of current year	(77)	**79**
Changes during current year	157	**596**
Balance at end of current year	79	**676**
Foreign currency translation adjustments		
Balance at beginning of current year	(1,486)	**(1,190)**
Changes during current year	296	**290**
Balance at end of current year	(1,190)	**(899)**
Total accumulated other comprehensive income		
Balance at beginning of current year	(1,563)	**(1,110)**
Total changes during current year	453	**887**
Balance at end of current year	(1,110)	**(222)**
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	57,465	**60,805**
Changes during current year	3,339	**5,807**
Balance at end of current year	60,805	**66,612**

Consolidated Statements of Cash Flows

	In millions of yen	
	Year ended March 31, 2012	Year ended March 31, 2013
Cash flows from operating activities		
Income before income taxes and minority interests	6,785	**8,974**
Depreciation and amortization	2,184	**2,282**
Increase (decrease) in provision for sales returns	8	**9**
Impairment loss	126	**—**
Loss on closing of stores	72	**1**
Amortization of goodwill	131	**131**
Increase (decrease) in allowance for doubtful accounts	(556)	**(30)**
Increase (decrease) in provision for bonuses	90	**116**
Increase (decrease) in provision for retirement benefits	(7)	**(28)**
Increase (decrease) in provision for retirement benefits for directors and corporate auditors	6	**7**
Increase (decrease) in provision for point program	(15)	**39**
Increase (decrease) in provision for loss on interest repayment	(431)	**(461)**
Increase (decrease) in provision for loss on disaster	(126)	**—**
Interest and dividend income	(125)	**(301)**
Interest expense	349	**138**
Loss (gain) on valuation of derivatives	147	**(161)**
Loss (gain) on sales of investment securities	112	**(52)**
Loss (gain) on valuation of investment securities	50	**15**
Foreign exchange losses (gains)	390	**(483)**
Decrease (increase) in trade notes and accounts receivable	(457)	**58**
Decrease (increase) in trade loans	3,233	**(768)**
Decrease (increase) in inventories	(751)	**(2,870)**
Decrease (increase) in real estate for sale	41	**(606)**
Decrease (increase) in other current assets	(947)	**(377)**
Increase (decrease) in notes and accounts payable	1,392	**2,023**
Increase (decrease) in other current liabilities	884	**728**
Increase (decrease) in other long-term liabilities	(16)	**277**
Other	(233)	**3**
Sub-total	12,338	**8,663**
Interest and dividends received	202	**260**
Interest paid	(348)	**(139)**
Refund of income taxes	319	**27**
Income taxes paid	(1,242)	**(1,536)**
Net cash provided by operating activities	11,269	**7,275**
Cash flows from investing activities		
Payments into time deposits	(4,285)	**(2,950)**
Proceeds from withdrawal of time deposits	5,937	**2,987**
Acquisition of marketable securities	(6,793)	**(548)**
Proceeds from sales of marketable securities	8,149	**2,313**
Acquisition of property, plant and equipment	(383)	**(5,964)**
Proceeds from sales of property, plant and equipment	—	**7**
Acquisition of intangible fixed assets	(469)	**(338)**
Acquisition of investment securities	(793)	**(4,256)**
Proceeds from sales of investment securities	29	**555**
Payments of loans receivable	(1,200)	**—**
Collection of loans receivable	67	**266**
Payments for guarantee deposits	(79)	**(66)**
Proceeds from collection of guarantee deposits	124	**144**
Payments of other investments	(13)	**—**
Collection of other investments	8	**216**
Net cash (used in) provided by investing activities	299	**(7,633)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(880)	**4,900**
Proceeds from long-term borrowings	6,650	**1,100**
Repayments of long-term borrowings	(9,718)	**(2,303)**
Redemption of bonds	(11,900)	**—**
Repurchase of treasury stock	(660)	**(218)**
Dividends paid	(747)	**(732)**
Repayments of lease obligations	(568)	**(630)**
Proceeds from sale and leaseback	156	**—**
Other	0	**—**
Net cash provided by (used in) financing activities	(17,668)	**2,114**
Effect of exchange rate change on cash and cash equivalents	(22)	**47**
Net increase (decrease) in cash and cash equivalents	(6,121)	**1,804**
Cash and cash equivalents at beginning of the year	17,607	**11,529**
Increase of cash and cash equivalents from newly consolidated subsidiary	43	**—**
Cash and cash equivalents at end of the year	*1 11,529	*1 **13,334**

Notes to Consolidated Financial Statements

Significant Accounting Policies

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 12 companies

From the fiscal year ended March 31, 2013, the Company included the newly established Belluna United Co., Ltd. and Texas Co., Ltd. into the scope of consolidation.

Names of major 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. and three other companies.

(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 the lease term and the residual value equals zero.
Of the finance lease transactions that do not transfer the ownership of the leased assets, those for which the commencement day of lease transactions fell on or before March 31, 2008 are accounted for by applying an 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 has applied the consolidated taxation system.

Changes in Accounting Policy

Change in accounting policy that is hardly separable from change in accounting estimate

In accordance with the revision made to the Japanese Corporation Tax Law, the Company and its domestic consolidated subsidiaries changed their depreciation method, effective from the year ended March 31, 2013, for property, plant and equipment acquired on and after April 1, 2012 to the method stipulated by the revised Tax Law.

The effect of this change on the profit and loss for the fiscal year ended March 31, 2013 is insignificant.

New Accounting Standard Not Adopted as Yet

- "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 issued on May 17, 2012)
- "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012)

1. Summary

The above accounting standard and guidance represent revisions made from the perspective of improving financial reporting and in light of international trends, focusing on such areas as the accounting treatment for unrealized actuarial gains and losses and unrealized past service costs, the calculation method for retirement benefit obligations and current service costs and the enhancement of disclosure.

2. Effective dates

The revised accounting standard will be applied from the end of the fiscal year ending March 31, 2014, with the proviso that the amendments related to the calculation method of retirement benefit obligations and current service costs will be applied from the beginning of the fiscal year ending March 31, 2015.

3. Effect of application of the standard

The Company is currently (at the time of the compilation of these consolidated financial statements) estimating the effects in terms of amount.

Notes to the Consolidated Balance Sheets

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

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

(In millions of yen)

	March 31, 2012	March 31, 2013
Investment securities (stocks)	192	220

*3. Pledged assets and secured liabilities

A guarantee deposit included in "Other assets" of "Investments and other assets" was pledged as collateral for derivative transactions. The amount of such guarantee deposit is as follows:

(In millions of yen)

	March 31, 2012	March 31, 2013
Other assets (guarantee deposits) within Investments and other assets	200	138

*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, 2012 and 2013 is summarized as follows:

(In millions of yen)

	March 31, 2012	March 31, 2013
Total of the overdraft limit and lending commitments	3,060	12,510
Executed loans	260	5,210
Unexecuted balance	2,800	7,300

*5. Restrictive financial covenants

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 the net asset amount (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. Joint and several liability on guarantee

The Company provides a joint and several guarantee as follows:

(In millions of yen)

	March 31, 2012	March 31, 2013
Shimamura Co., Ltd.	—	759

Note: In commencing the construction of a new distribution center, the Company become a provider of a joint and several guarantee for the payables to the subcontractors of Shimamura Co., Ltd. as prime contractor.

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, 2012	Year ended March 31, 2013
Loss on revaluation of inventories	753	656

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

(In millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Freightage and packing expenses	8,010	8,485
Advertising expenses	14,489	16,237
Sales promotion expenses	2,901	2,799
Allowance for doubtful accounts	1,277	2,028
Provision for point program	517	556
Provision for loss on interest repayment	500	215
Salaries and allowances	7,834	8,610
Provision for bonuses	418	524
Provision for retirement benefits for directors and corporate auditors	8	9
Provision for retirement benefits	75	59
Communication expenses	6,102	5,777
Commission fee	5,795	6,296

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

(In millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Buildings and structures	—	17
Machinery and equipment	—	0
Furniture and fixtures	—	1
Land	—	17
Total	—	35

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

(In millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Buildings and structures	—	7
Machinery and equipment	—	0
Land	—	0
Total	—	8

*5. Impairment loss:

– For the year ended March 31, 2012–

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.

– For the year ended March 31, 2013 –

None applicable.

Notes to the Consolidated Statements of Comprehensive Income

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

(In millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Valuation difference on available-for-sale securities		
Gains incurred during the year	269	922
Reclassification adjustment to net income	(15)	(0)
Amount before tax effect	253	922
Tax effect	(96)	(325)
Valuation difference on available-for-sale securities	157	596
Foreign currency translation adjustment		
Losses incurred during the year	(54)	290
Reclassification adjustment to net income	350	—
Foreign currency translation adjustment	296	290
Total other comprehensive income	453	887

Notes to the Consolidated Statements of Changes in Net Assets

– 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

– For the year ended March 31, 2013 –

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)	7,624	348	—	7,972
Total	7,624	348	—	7,972

Note: The increase of 348 thousand shares of treasury stock resulted from an increase of 347 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. Dividends

(1) Dividends paid:

Resolution adopted	Class of shares	Aggregate amount (millions of yen)	Amount per share (yen)	Record date	Effective date
Shareholders' meeting on June 28, 2012	Common stock	367	7.5	March 31, 2012	June 29, 2012
Board of Directors' meeting on November 2, 2012	Common stock	365	7.5	September 30, 2012	December 7, 2012

(2) Dividends with a record date during the year ended March 31, 2013, payable in the following year:

Resolution adopted	Class of shares	Aggregate amount (millions of yen)	Source of dividends	Amount per share (yen)	Record date	Effective date
Shareholders' meeting on June 27, 2013	Common stock	364	Retained earnings	7.5	March 31, 2013	June 28, 2013

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, 2012	March 31, 2013
Cash and deposits	12,959	14,833
Time deposits with original maturities of more than three months	(1,429)	(1,499)
Cash and cash equivalents	11,529	13,334

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 furniture and fixtures in use by 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 an accounting treatment similar to that for ordinary rental transactions. Details of such lease transactions are as follows:

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

(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

(In millions of yen)

	March 31, 2013		
	Acquisition cost	Accumulated depreciation	Year-end net carrying value
Machinery, equipment and vehicles	564	517	47
Total	564	517	47

(2) Future minimum lease payments, etc.:

(In millions of yen)

	March 31, 2012	March 31, 2013
Future minimum lease payments:		
Due within one year	297	51
Due over one year	51	—
Total	348	51

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

(In millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Lease expense	453	301
Amount corresponding to depreciation	425	278
Amount corresponding to Interest expense	13	4

(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.

(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. Marketable securities and investment securities are also exposed to the risk of market price fluctuations, against which the Group periodically monitors market price thereof and reports thereon 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 are used mainly for raising the funds necessary to carry out the business plan. 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, 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.

– As of March 31, 2013 –

(In millions of yen)

	Balance sheet carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and deposits	14,833	14,833	—
(2) Trade notes and accounts receivable	11,444		
Allowance for doubtful accounts (*1)	(573)		
	10,870	10,870	—
(3) Trade loans	16,457		
Allowance for doubtful accounts (*1)	(754)		
	15,703	16,352	648
(4) Marketable securities and investment securities			
Held-to-maturity debt securities	1,500	1,532	31
Available-for-sale securities	5,143	5,143	—
	6,643	6,675	31
Assets total	33,217	33,898	680
(1) Trade notes and accounts payable	17,052	17,052	—
(2) Short-term borrowings	7,456	7,456	—
(3) Accrued expenses	6,740	6,740	—
(4) Long-term borrowings	5,783	5,783	—
Liabilities total	37,033	37,033	—
Derivative transactions (*2)	13	13	—

(*1) Allowances for doubtful accounts recognized on each of trade notes and accounts receivable and trade loans 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:

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.

Liabilities

(1) Trade notes and accounts payable and (3) Accrued expenses:

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 (4) 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.

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, 2012	March 31, 2013
Unlisted equity securities	478	516
Investments in partnerships for investment business	691	856

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, 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

– As of March 31, 2013 –

(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	14,820	—	—	—	—	—
Trade notes and accounts receivable						
Trade loans	11,444	—	—	—	—	—
Marketable securities and investment securities:	9,307	3,161	2,335	1,451	201	0
Held-to-maturity debt securities:						
(1) National and local government bonds	—	102	—	—	—	—
(2) Corporate bonds	220	—	406	100	47	—
(3) Other	198	188	237	—	—	—
Available-for-sale securities with contractual maturities:						
(1) National and local government bonds	—	—	—	—	46	47
(2) Other	447	143	653	0	93	362
Total	36,437	3,595	3,632	1,551	389	410

[Note 4] Repayment schedule subsequent to fiscal year-end of borrowings and lease obligations:

– 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
Short-term borrowings	310	—	—	—	—	—
Lease obligations (short-term)	490	—	—	—	—	—
Long-term borrowings	2,250	2,000	2,000	1,700	1,281	—
Lease obligations (long-term)	—	196	96	60	17	—
Total	3,050	2,196	2,097	1,761	1,299	—

– As of March 31, 2013 –

(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
Short-term borrowings	5,210	—	—	—	—	—
Lease obligations (short-term)	416	—	—	—	—	—
Long-term borrowings	2,246	2,245	1,945	1,526	66	—
Lease obligations (long-term)	—	318	285	239	81	5
Total	7,873	2,564	2,230	1,765	147	5

Notes Regarding Securities

1. Marketable held-to-maturity debt securities

– 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)

– As of March 31, 2013 –

(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	102	104	1
	(2) Corporate bonds	674	715	41
	(3) Other	288	292	3
	Subtotal	1,065	1,112	46
Securities with fair value not exceeding balance sheet carrying amount	(1) National and local government bonds	—	—	—
	(2) Corporate bonds	99	99	(0)
	(3) Other	335	320	(14)
	Subtotal	435	420	(14)
Total		1,500	1,532	31

2. Available-for-sale securities

– 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:	—	—	—
	(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 Other bonds	250	255	(4)
	(3) Other	230	271	(41)
	Subtotal	580	661	(81)
Total		1,205	1,130	75

– As of March 31, 2013 –

(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	1,717	1,266	451
	(2) Debt securities:			
	① Other bonds	466	442	24
	(3) Other	2,488	1,879	608
	Subtotal	4,672	3,587	1,084
Securities with balance sheet carrying amount not exceeding the acquisition cost	(1) Equity securities	73	94	(21)
	(2) Debt securities:			
	① National and local government bonds	94	105	(11)
	② Other bonds	288	293	(5)
	(3) Other	14	30	(15)
	Subtotal	470	523	(52)
Total		5,143	4,110	1,032

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

– 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 Corporate bonds	1,820	64	—
② Other bonds	8,094	—	—
(3) Other	38	—	113
Total	9,954	65	113

– For the year ended March 31, 2013 –

(In millions of yen)

Type of securities	Proceeds of sales	Gain on sales	Loss on sales
(1) Equity securities	80	5	7
(2) Debt securities	—	—	—
(3) Other	283	53	—
Total	364	59	7

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 (other securities within the category of “available-for-sale securities”).

In the fiscal year ended March 31, 2013, the Company recorded ¥15 million as impairment of value with respect to securities (other securities within the category of “available-for-sale securities”).

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

Notes Regarding Derivatives

1. Derivative transactions to which hedge accounting is not applied

(1) Currency-related derivatives:

– 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.

– As of March 31, 2013 –

(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	2,650	1,779	71	71
	Currency forward exchange contracts:				
	Buy				
	US dollars	103	—	(0)	(0)
Total		2,753	1,779	71	71

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, 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 derivatives, and the amount itself does not indicate the market risk pertaining to derivative transactions.

– As of March 31, 2013 –

(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	1,099	900	(58)	(58)
Total		1,099	900	(58)	(58)

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 derivatives, 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, 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.

– As of March 31, 2013 –

(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	900	(See Note below)
Exceptional treatment applicable to interest rate cap transactions	Interest rate cap transactions	Long-term borrowings	1,000	200	(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 defined benefit pension plans and retirement allowance plans for employees as defined benefit plans.

2. Retirement benefit obligations

(In millions of yen)

Category	March 31, 2012	March 31, 2013
(1) Projected benefit obligation	(804)	(923)
(2) Fair value of pension plan assets	627	712
(3) Unfunded benefit obligation ((1)+(2))	(176)	(210)
(4) Unrecognized actuarial differences	(57)	(9)
(5) Unrecognized prior service costs	(39)	(26)
(6) Net liability amount on consolidated balance sheet ((3)+(4)+(5))	(274)	(246)
(7) Prepaid pension cost	1	1
(8) Provision for retirement benefits ((6)–(7))	(276)	(247)

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, 2012	Year ended March 31, 2013
Net periodic retirement benefit costs:	75	59
(1) Service cost	74	84
(2) Interest cost	16	17
(3) Expected return on plan assets (subtraction)	(12)	(13)
(4) Amortization of actuarial differences	10	(14)
(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, 2012	Year ended March 31, 2013
2.23%	1.46%

(3) Expected rate of return on plan assets:

Year ended March 31, 2012	Year ended March 31, 2013
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, 2012	March 31, 2013
Deferred tax assets:		
Excess provision for bonuses	192	240
Excess allowance for doubtful accounts	747	760
Excess provision for sales returns	27	31
Excess provision for point program	195	209
Excess provision for loss on interest repayment	601	433
Bad debt expenses	261	251
Loss on valuation of investment securities	43	41
Loss on valuation of stocks of affiliated companies	970	970
Provision for retirement benefits	96	84
Loss on valuation of real estate for sale	179	36
Excess impairment loss of fixed assets	843	758
Loss on transfer of receivables	283	283
Loss carried forward	512	618
Other	474	568
Deferred tax assets subtotal	5,429	5,288
Valuation reserve	(3,818)	(3,672)
Deferred tax assets total	1,610	1,616
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(43)	(370)
Asset retirement obligations	(78)	(75)
Other	(58)	(83)
Deferred tax liabilities total	(181)	(529)
Net deferred tax assets (liabilities)	1,428	1,087

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

(%)

	Year ended March 31, 2012	Year ended March 31, 2013
Statutory tax rate:	40.4%	37.8%
Items, including entertainment expenses, not eternally deductible for tax purposes	0.4	0.0
Items, including dividends received, not eternally deductible for tax purposes	0.1	(0.1)
Equal installments of inhabitant taxes	0.5	0.4
Tax rate difference of subsidiaries	(0.1)	(0.3)
Increase (decrease) of valuation reserve	(5.6)	(3.2)
Adjustment due to tax rate revision	1.6	—
Deductible foreign taxes	(0.0)	0.0
Prior year income taxes	(0.4)	(0.3)
Other	(0.2)	0.2
Effective tax rate	36.7%	34.6%

Notes Regarding Business Combination, etc.

– For the year ended March 31, 2013–

1. Transactions under common control, etc.

(1) Outline of transaction:

① Name and description of the combined business:
Name of the business: Financial services business
Description of the business: Consumer loan services

② Date of business combination:
October 1, 2012

③ Legal structure of business combination:
A company split, in which the Company is the party splitting off a part of its business with Sunstage Co., Ltd. (the Company's consolidated subsidiary) as the successor company.

④ Name of company after business combination:
Sunstage Co., Ltd. (the Company's consolidated subsidiary)

⑤ Summary of transaction:
The purpose of this transaction is to enhance efficiency in management resource utilization as well as business operations from a Groupwide perspective by integrating the Company's financial services business (consumer loan services) into the operations of Sunstage Co., Ltd., which operates a finance business (secured loan services).

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

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, 2012	Year ended March 31, 2013
Balance at the beginning of the year	432	449
Increase due to acquisition of property, plant and equipment	—	3
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	449	463

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, 2012 and 2013 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, 2012	Year ended March 31, 2013
Rental property:		
Balance sheet carrying amount:		
Balance at the beginning of the year	2,797	5,934
Increase (decrease) during the year	3,137	1,658
Balance at the end of the year	5,934	7,593
Fair value at the end of the year	5,576	8,335
Property that includes a portion used as rental property		
Balance sheet carrying amount:		
Balance at the beginning of the year	3,548	2,167
Increase (decrease) during the year	(1,381)	(33)
Balance at the end of the year	2,167	2,133
Fair value at the end of the year	2,136	2,167

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 increase (decrease) of rental property, the increase during the year ended March 31, 2012 was caused primarily by a reclassification of a property from "Real estate for sale" to "Rental property" to reflect a usage change (¥1,851 million) as well as a usage change for another property from the Company's own use to rental use (¥1,341 million). The increase in rental property during the year ended March 31, 2013 was caused by the acquisition of rental commercial facilities (¥1,498 million) and acquisition of rental office buildings (¥255 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 cases where it is deemed that no significant changes since the time of the acquisition from the third party or the time of the latest appraisal have occurred in the indices that are considered to properly reflect the formal appraisal value or market price, the fair values are recorded at the amounts adjusted using such appraised value or such indices. As for the properties that have little materiality, the fair values are recorded mainly at the amounts determined based on the indices that are considered to fairly reflect the formal appraisal value or market price.

The income and expenses related to the rental property and the property that includes a portion used as rental property were as follows:

(In millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Rental property:		
Rental income	445	587
Rental expenses	160	282
Difference	284	305
Property that includes a portion used as rental property		
Rental income	82	86
Rental expenses	43	44
Difference	38	42

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, 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	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.

– For the year ended March 31, 2013 –

(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	78,506	23,538	3,566	3,134	2,156	6,982	—	117,884
Inter-segment sales or transfers	120	0	309	—	—	—	(430)	—
Total	78,626	23,539	3,875	3,134	2,156	6,982	(430)	117,884
Segment income (loss)	2,257	1,869	1,615	(19)	500	717	139	7,080
Segment assets	65,522	10,140	1,017	18,403	15,738	3,733	522	115,079
Other items:								
Depreciation (Note 3)	1,827	260	10	32	183	25	—	2,340
Amortization of goodwill	—	—	—	—	—	—	131	131
Increase in property, plant and equipment and intangible fixed assets (Note 3)	6,145	585	85	13	2,077	41	—	8,948

Notes: 1. Amounts of adjustments are as follows:
(1) Adjustments in segment income (loss) represent ¥271 million from inter-segment elimination minus ¥131 million for amortization of goodwill.
(2) Adjustments in segment assets include ¥423 million for the Company's employee welfare facilities and ¥98 million as the year-end balance of goodwill.
2. Segment income (loss) has been reconciled with operating income in the consolidated financial statements.
3. Depreciation and increase in property, plant and equipment and intangible fixed assets include long-term prepaid expenses and amortization of such expenses.

[Related information]

– 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.

3. Information by major client

This information is not provided herein as no client accounts for more than 10% of the sales amount in the consolidated statement of income.

– For the year ended March 31, 2013 –

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.

3. Information by major client

This information is not provided herein as no client accounts for more than 10% of the sales amount in the consolidated statement of income.

[Impairment loss of fixed assets by reportable segment]

– 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

– For the year ended March 31, 2013 –

None applicable.

[Amortization and unamortized balance of goodwill by reportable segment]

– 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

– For the year ended March 31, 2013 –

(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	—	—	—	—	—	98	98

[Gain from negative goodwill by reportable segment]

– For the year ended March 31, 2012 –

None applicable.

– For the year ended March 31, 2013 –

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 (limited to corporations, etc.) of the company filing consolidated financial statements:

– For the year ended March 31, 2012 –

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party		Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
						Interlocking directors or corporate auditors	Business relation				
Major shareholder	Friend Stage, Ltd. (Note 2)	Ageo, Saitama	50	Seal stamp sales, etc.	14.8% (owned, directly)	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. A majority of the voting rights of the above company is held by the Company's directors and their close family members.
3. Terms and conditions of the transaction and the policy for determination thereof:
The terms and conditions for the commission on consignment and payments for rent and for utilities were determined, applying the same terms and conditions for outside third parties.
4. Loss on withdrawal of stores includes the expenses incurred to restore the stores to their original state.

– For the year ended March 31, 2013 –

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party		Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
						Interlocking directors or corporate auditors	Business relation				
Other affiliated company	Friend Stage, Ltd. (Note 2)	Ageo, Saitama	50	Seal stamp sales, etc.	34.4% (owned, directly)	1	Work under contract, etc.	Rendering of services (Note 3)	10	Accounts receivable –trade	0
								Receipt of commission on consignment (Note 3)	14	Other current assets	2
								Sale of welfare facilities (Note 4): Proceeds from sale	6	—	—
								Loss on sale	8	—	—

Notes: 1. Consumption taxes are not included in the above transaction amounts, but are included in the year-end balance.
2. A majority of the voting rights of the above company is held by the Company's directors and their close family members.
3. Terms and conditions of the transaction and the policy for determination thereof:
The terms and conditions for the rendering of services and the commission on consignments were determined upon mutual consultation between both parties in due consideration of the contents of the business operations.
4. Terms and conditions of the transaction and the policy for determination thereof:
The sales amount was determined in consideration of the assessed price provided by real estate assessors.

(b) 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, 2012 –

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party		Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
						Interlocking directors or corporate auditors	Business relation				
Company (including its sub-sidiaries) in which a major corporate shareholder holds a majority voting interest	FSY101 Co., Ltd. (Note 1)	Shibuya, Tokyo	8	Real estate renting, etc.	—	—	Business funds lending	Lending of funds (Note 2)	1,100	Long-term lending	1,100

Notes: 1. A majority of the voting rights of the above company is held by its directors and their close family members.
2. Terms and conditions of the transaction and the policy for determination thereof:
The terms and conditions for lending funds are determined with due consideration of market interest rates. The lending is also secured by land collateral provided.

– For the year ended March 31, 2013 –

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party		Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
						Interlocking directors or corporate auditors	Business relation				
Subsidiary of other affiliated company	FSY101 Co., Ltd. (Note 1)	Shibuya, Tokyo	8	Real estate renting, etc.	—	—	Business funds lending	Lending of funds (Note 2)	—	Long-term lending	1,100
								Receipt of interest (Note 2)	39	Other current assets	5

Notes: 1. A majority of the voting rights of the above company is held by its directors and their close family members.
2. Terms and conditions of the transaction and the policy for determination thereof:
The terms and conditions for lending funds are determined with due consideration of market interest rates. The lending is also secured by land collateral provided.

(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, 2012	Year ended March 31, 2013
Net assets per share	1,241.73	1,370.06
Basic net income per share	86.53	120.37
Diluted net income per share	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, 2012	Year ended March 31, 2012
Basic net income per share:		
Net income (millions of yen)	4,294	5,870
Amount not attributable to holders of common stock (millions of yen)	—	—
Net income attributable to common stock (millions of yen)	4,294	5,870
Average number of shares of common stock during the year (thousands of shares)	49,626	48,772
Diluted net income per share:		
Adjustments to net income (millions of yen)	60	—
(Interest expense, net of tax, included in the above) (millions of yen)	(60)	—
(Handling fee, net of tax, included in the above) (millions of yen)	(0)	—
Increase in number of shares of common stock (thousands of shares)	4,005	—
(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)	(4,005)	—
Outline of the securities with no dilutive effect excluded from the calculation of diluted net income per share	—	—

Note: Amounts are not provided in the column of diluted net income per share for the year ended March 31, 2013, because dilutive shares are not existent.

Significant Subsequent Events

None applicable.

Supplementary Schedules

Bonds

None applicable.

Borrowings

	In millions of yen		Average interest rate	Repayment date
	Beginning balance on April 1, 2012	Ending balance on March 31, 2013		
Short-term borrowings	310	5,210	0.53	—
Current portion of long-term borrowings (due within 1 year)	2,250	2,246	1.32	—
Current portion of lease obligations (due within 1 year)	490	416	2.07	—
Long-term borrowings (except current portion)	6,983	5,783	1.32	From 2014 to 2018
Lease obligations (except current portion)	371	928	2.07	From 2014 to 2021
Other interest-bearing debt	—	—	—	—
Total	10,405	14,585	—	—

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 dates	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
Long-term borrowings	2,245	1,945	1,526	66
Lease obligations	318	285	239	81

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, 2013, 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, 2013:

(In millions of yen)

(Cumulative period)	First quarter ended June 30, 2012	Second quarter ended September 30, 2012	Third quarter ended December 31, 2012	Year ended March 31, 2013
Net sales	31,749	54,242	89,766	117,884
Income before income taxes and minority interests	2,398	2,477	5,928	8,974
Net income	1,792	1,828	3,545	5,870
Net income per share (in yen)	36.62	37.39	72.63	120.37

(In yen)

(Accounting period)	First quarter ended June 30, 2012	Second quarter ended September 30, 2012	Third quarter ended December 31, 2012	Year ended March 31, 2013
Net income per share	36.62	0.74	35.29	47.82

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

None in particular to be remarked.

(3) Litigation:

On December 22, 2009, Japan Post Service Company (“Japan Post”) filed a complaint against Belluna and its consolidated subsidiaries (collectively, the “Group”) on the alleged misuse by the Group of low-rate, third-class postal mail, making a claim for the payment of ¥1,012 million (revised from ¥1,263 million by the change of statement of claim filed by Japan Post on November 21, 2012) 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://ir.belluna.co.jp/ir/library/financial.html

Corporate Data

(as of March 31, 2013)

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
1,139

Directors and Corporate Auditors (as of June 28, 2013)

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, 2013)

Common Stock

Stock Exchange Listing
Tokyo Stock Exchange, 1st Section

Number of Shares Issued and Outstanding
56,592,274

Number of Shareholders
6,094

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
Friend Stage Co., Ltd.	34.4%
Kiyoshi Yasuno	11.2%
BBH for Fidelity Low Price Stock Fund (Principal All Sector Subportfolio)	10.4%
Japan Trustee Services Bank, Ltd.	4.1%
Kimi Yasuno	3.4%
Sumitomo Mitsui Banking Corporation	2.3%
The Nomura Trust and Banking Co., Ltd.	2.0%
Belluna Mutual Benefit Society	1.9%
Mizuho Trust & Banking Co., Ltd Trust & Custody Services Bank, Ltd., as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted	1.5%
CBNY DFA ITHL SMALL CAP VALUE PORTFOLIO	1.2%

For Further Information

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

BELLUNA

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