BELLUNA

Annual Report 2014

For the year ended March 31, 2014

Belluna Co., Ltd.

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 three-year 2nd Short-term Business Plan though fiscal 2016.

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

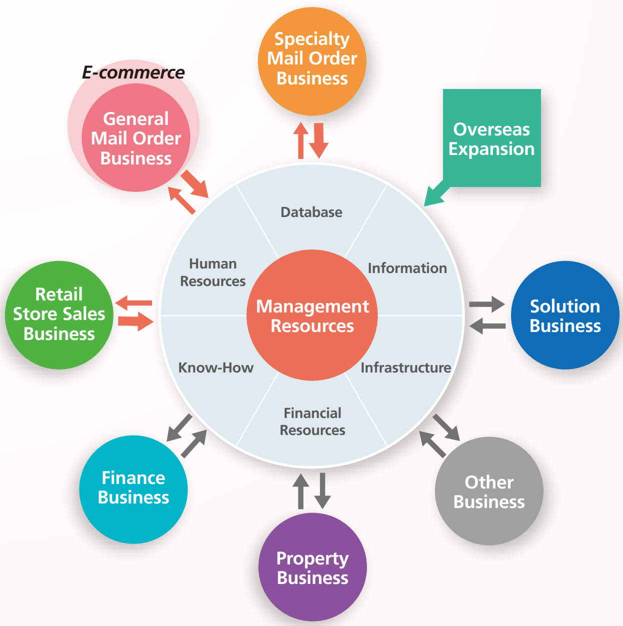
A general merchant company aiming to achieve a high rate of growth and profitability by utilizing the synergistic effects yielded by its multiple businesses

General Merchant Company

1. Building a stable earnings platform in our database-related businesses, which include specialty mail order and commission-type businesses, by leveraging the customer database cultivated in our General Mail Order business.

2. Generating extra profit through our crop of new businesses, which include wholesale operations and Retail Store Sales Business operations.

3. Nurturing the buds of future growth by identifying and surmounting strategic challenges, including expansion into overseas markets.



Business Category
Primary business for supply and utilization
Secondary business

* At the beginning of the fiscal year under review, we implemented a partial revision of our segments. This included reclassifying our Retail Store Sales business as an independent segment. Details can be found on page 4.

Highlights of the Fiscal Year
Financial Highlights

	Millions of yen[1] except per share data	
	FY2013	FY2014
For the year:		
Net sales	117,884	**125,412**
Operating income	7,080	**7,798**
Income before income taxes and minority interests	8,974	**9,982**
Net income	5,870	**7,013**
At year-end:		
Total assets	115,079	**130,648**
Net assets	66,612	**73,480**
Per share data[2] (yen):		
Net income per share	60.18	**72.12**
Cash dividends per share	7.5	**12.5**

Notes: 1. Amounts less than one million yen have been omitted.
2. On October 1, 2013, Belluna conducted a 2-for-1 stock split. In the above table, net income per share and cash dividends per share for fiscal 2013 and 2014 were calculated as if the stock split had already been conducted.

Business Review

We are pursuing a higher rate of growth in new business fields.

For more information, see pages 2 and 3 in the section entitled "To Our Stakeholders."

August 2013

Made Infirmiere Co., Ltd. a wholly owned subsidiary. Infirmiere operates a mail order business for nurses.

infirmière

January 2014

Made Best Thanks Co., Ltd. a wholly owned subsidiary. Best Thanks operates a baby goods and gift mail order businesses.

Best Thanks

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.

To Our Stakeholders

> "Toward the successful execution of the 2nd Short-term Business Plan, we are strengthening portfolio management and promoting the growth of new businesses."

Q.1

Could you give us a snapshot of Belluna's performance and operating conditions during the fiscal year under review?

With regard to fiscal 2014, the year ended March 31, 2014, positive signs of an overall rebound appeared in the Japanese economy. These signs included a positive turnaround in corporate earnings, especially for export-related companies, as well as recovering stock prices and weakening yen rates thanks to the government's fiscal policies and the Bank of Japan's monetary easing. The retail industry, however, continued to contend with harsh operating conditions, including rising export prices due to the weaker yen and consumer preference for lower-priced products.

Under these circumstances, consolidated net sales for the fiscal year under review rose 6.4% to ¥125,412 million. The main underlying factors were the acquisition of Infirmiere Co., Ltd., a nursing-related mail order business, and sales of real estate for sale in the Property business. Turning to profits, operating income increased 10.1% year on year to ¥7,798 million largely due to contributions from the Property business and a recovery in the Finance business despite declines in income from the General Mail Order and other businesses. Ordinary income grew 17.1% to ¥10,431 million, and net income rose 19.5% to ¥7,013 million.

Regarding our financial condition, total assets increased ¥15,569 million year on year to ¥130,648 million mainly because of increases in construction in progress and goodwill. At the same time, liabilities rose ¥8,701 million year on year to ¥57,167 million, net assets increased ¥6,867 million year on year to ¥73,480 million and the shareholders' equity ratio stood at 56.2%.

Q.2

What progress was made under the 2nd Short-term Business Plan?

The Belluna Group is focusing its efforts on successfully implementing the three-year 2nd Short-term Business Plan launched last year, which aims to help the Group mature as a general merchant company with the following four basic management policies: strengthen portfolio management, promote the growth of new businesses, maintain the mail order infrastructure and review shareholder returns.

Regarding the first policy, we are concentrating our energies on strengthening portfolio management by reinforcing our existing businesses. In the Specialty Mail Order business, we acquired Infirmiere Co., Ltd., a nursing-related mail order business, on August 30, 2013 and Best Thanks Co., Ltd., a baby goods and gift mail order businesses, on January 31, 2014 in an effort to expand the scope of our operations.

■ Managerial Targets of the 2nd Short-term Business Plan

Billions of yen

	FY2014 (Actual)	FY2015 (Plan)	FY2016 (Plan)
Net sales	125.4	140	160
Operating income	7.8	10.5	12
Operating income margin	6.2%	7.5%	
Interesting-bearing liabilities	25.4	15~20	
Net assets	73.5	77	83
ROE	10.0%	8.5~9.5%	

As for promoting the growth of new businesses, we have expanded the number of general apparel retail stores targeting middle-aged women to 17 as of March 2014. We will continue to steadily increase the number of retail stores while working to expand sales channels. Furthermore, the Japanese traditional clothing retail store operator BANKAN Co., Ltd. has enjoyed firm sales growth and is helping expand our business.

Q.3

Please explain Belluna's performance forecasts for the next coming years.

The Belluna Group is working hard to successfully execute the 2nd Short-term Business Plan, under which the Group aims to achieve net sales of ¥160,000 million and operating income of ¥12,000 million by fiscal 2016. In fiscal 2014, the first year of the business plan, the goals set for net sales and operating income were not met primarily due to considerable difficulties faced in the General Mail Order business. In the second year of the Short-term Business Plan, fiscal 2015, we plan to achieve net sales of ¥140,000 million and operating income of ¥10,500 million. However, the outlook is unpromising due in part to an expected market setback following the consumption tax hike. In other words, while revenue is expected to increase, it is not forecast to meet the managerial targets of the 2nd Short-term Business Plan. Nevertheless, amid the current brutal operating environment, the Belluna Group intends to successfully implement the plan by its final year and will faithfully execute the basic management policies of strengthening portfolio management, promoting the growth of new businesses, maintaining the mail order infrastructure and reviewing shareholder returns.

Q.4

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 2014, the year-end dividend was set at ¥6.25 per share. Combined with the interim dividend of ¥6.25, the Company paid a total annual dividend of ¥12.50 per share. The interim dividend amount was adjusted to account for the 2-for-1 stock split conducted on October 1, 2013. We plan to maintain this amount at ¥12.50 per share in fiscal 2015.

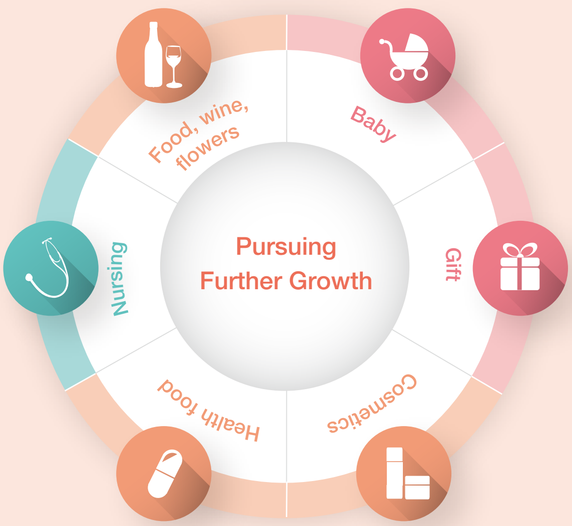
Taking into account strategic investments intended to improve yearly performance and medium-term growth, the Company strives to continually pay stable dividends. Since its foundation, Belluna has upheld a core philosophy of being a customer-driven, customer-focused company. Belluna offers complete lifestyle 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, 2014

Kiyoshi Yasuno

Kiyoshi Yasuno
President and CEO

Visualizing Belluna's Portfolio Expansion



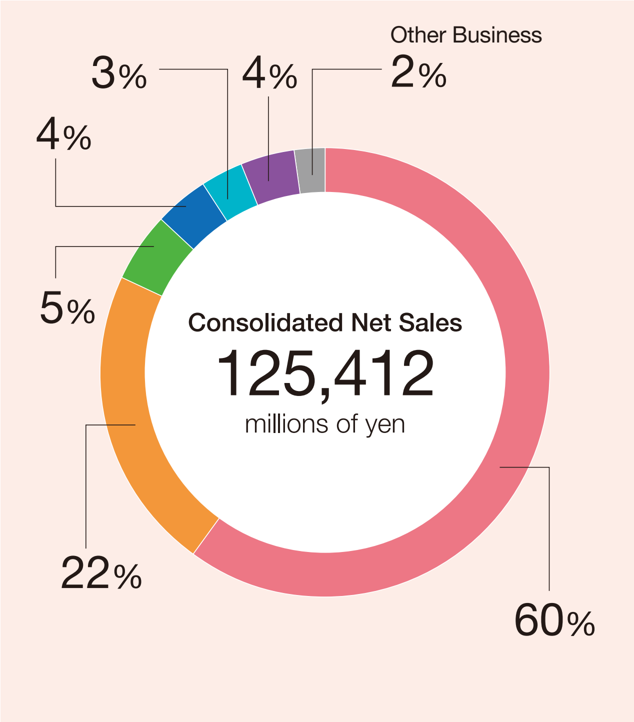
The 2nd Short-term Business Plan
(From FY March 2014 to FY March 2016)

Maturing of a
"General Merchant Company"

1. **Strengthen portfolio management**
2. **Promote the growth of new businesses**
3. **Maintain the mail order infrastructure**
4. **Review shareholder returns**

At a Glance

Percentage of Net Sales	Segment



General Mail Order Business

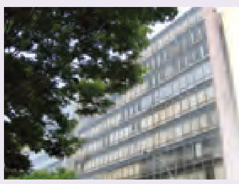
Speciality Mail Order Business

Retail Store Sales Business

Solution Business

Finance Business

Property Business

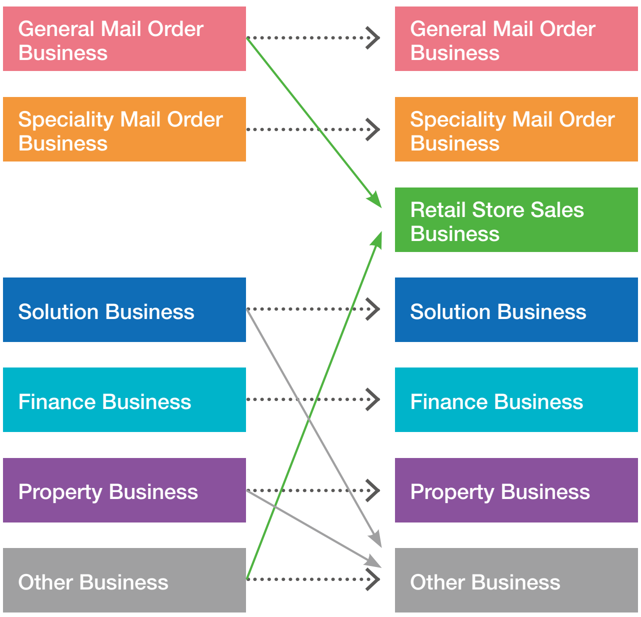


Partial Reclassifications of Reporting Segments

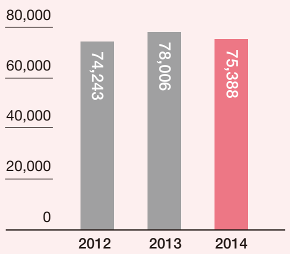
On April 1, 2013, Belluna implemented partial reclassifications of its reporting segments as follows. The clothing retail store sales businesses grouped under General Mail Order business and the Japanese traditional clothing-related and other retail store sales businesses grouped under Other business were spun off into the new Retail Store Sales business segment.

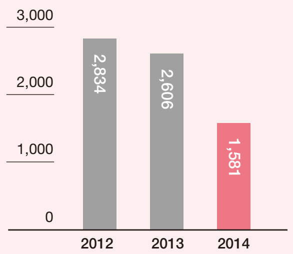
In addition, the Solution business's wholesale operations and the Property business's golf course management operations are now included under Other business.

Former Segments **New Segments**

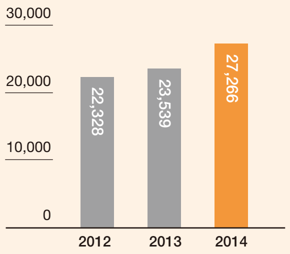


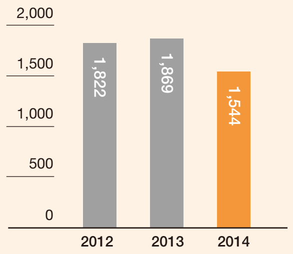
Net Sales (millions of yen) | **Segment Income (Loss)** (millions of yen) | **Business Outline**



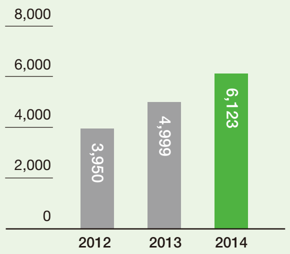


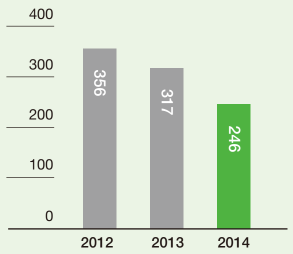
Belluna's core operation, the General Mail Order business entails diverse activities. We are promoting the sales expansion of a wide range of products, including apparel, sundry goods and home furnishings, through various media, including catalogs and the Internet. Online, we are using mobile phone sites and smartphones to focus on young women in particular.



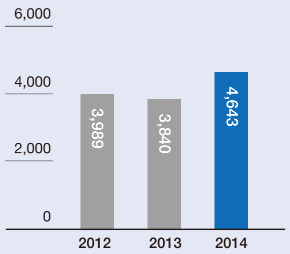


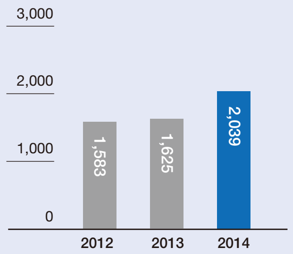
The Specialty Mail Order business, one of the Company's profit drivers, specializes in such products as food, wine, cosmetics, health food and nursing supplies. The products sold in this business tend to attract repeat orders for the same product by the same customer, a major factor contributing to the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



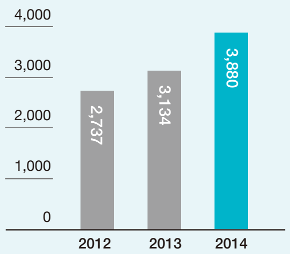


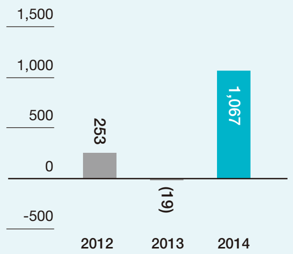
The Retail Store Sales business promotes women's apparel and products related to traditional Japanese clothing.



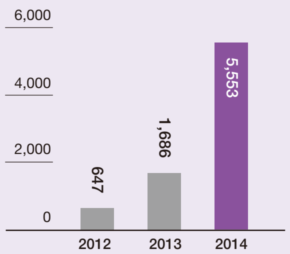


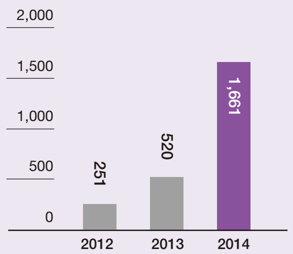
The Solution business takes advantage of the Belluna Group's database and service infrastructure to provide client support services. These services include providing corporate clients with charged services to enclose and mail out their sales promotion materials with catalogs and products that the Company sends out to its customers in addition to offering order-processing, direct marketing and product dispatch services.





The Finance business provides consumer financing services that utilize the extensive customer database compiled by Belluna's mail order sales business. This business mainly targets customers of the mail order sales business.





The Property business leases space in office and other commercial buildings in addition to engaging in real estate development and remodeling projects.

Review of Business Operations

General Mail Order Business

Overview

The operating environment remains severe, reflecting the growing popularity of online sales, intensifying competition with retail stores and increasing consumer preference for inexpensive products. In the General Mail Order business, despite the Company's efforts to narrow its range of low-margin products, including furniture and sundry goods, inclement weather helped push segment net sales down 3.4% compared with the previous fiscal year to ¥75,388 million. Segment income (operating income) decreased 39.3% to ¥1,581 million due mainly to increased distribution costs resulting from a drop in order value and an increase in inventories. Another contributing factor was the rise in cost of sales ratios due to the weaker yen and increase in the amount of inventory disposed of.

Outlook

Although we focused on improving profitability during fiscal 2014 by narrowing our range of low-margin products, this resulted in a reduction in revenue; however, for fiscal 2015 we forecast an increase in profits due to higher order value and improved cost of sales ratios. Also, we expect a 7.1% year-on-year decrease in segment net sales to ¥70,000 million and a 17.6% increase in segment income to ¥1,860 million. In addition, a new distribution center commenced operations in Hiki-gun, Saitama Prefecture, in August 2014 that is expected to improve operational efficiency thanks to the introduction of a system able to ship out products on the day they are ordered.

❶ *BELLUNA* is a general fashion catalog aimed at middle-aged women.
❷ *LE FRANT* is a general fashion and sundry goods catalog aimed at middle-aged women.
❸ *Ranan* is a fashion catalog for women in their 40s.
❹ *RyuRyu* offers fashion items for young women in their 20s.

❶

❷

❸

❹


Speciality Mail Order Business

Overview

Segment net sales for the Specialty Mail Order business increased 15.8% year on year to ¥27,266 million while segment income fell 17.4% to ¥1,544 million. The nursing-related businesses saw sales increase significantly thanks in part to the acquisition of Infirmiere Co., Ltd. and the expansion of Nursery Co., Ltd. The cosmetics division enjoyed growth in net sales and profit mainly due to a surge in demand preceding the consumption tax hike. 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 division also recorded higher revenue, buoyed by Internet- and wholesale-based sales. Segment income, however, declined due to a delayed response to the depreciation of the yen.

Outlook

The Specialty Mail Order business plays an important role as an income-generating pillar within Belluna's business portfolio. Because Infirmiere Co., Ltd. was acquired in August 2013 and Best Thanks Co., Ltd. was acquired in January 2014, fiscal 2015 will see their first full-year contributions to sales and profits. This is expected to help lift segment net sales 32.0% year on year to ¥35,980 million and boost segment income 41.2% to ¥2,180 million. We are still 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 business fields. The wine division is expected to record higher profits as prices reflecting the depreciated yen become more widespread. Despite severe operating conditions, each division in the Specialty Mail Order business will work to achieve further growth without undermining profitability.

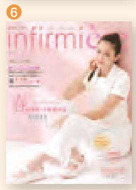
❶

❷


❸

❹

❺


❻

❼


❶ *Egao no Haregohan* is a gourmet catalog.
❷ *My Wine CLUB* is a wine catalog.
❸ *OZIO* is a cosmetics catalog.
❹ *Refre* is a health food catalog.
❺ *Nursery* is a catalog for nursing-related clothing.
❻ *Infirmiere* is a catalog for nursing-related clothing.
❼ *Best Thanks* is a gift catalog.

Retail Store Sales Business

Overview

Belluna is expanding the general apparel retail store business while its subsidiaries BANKAN Co., Ltd. and Wamonoya Co., Ltd. are expanding the Japanese traditional clothing retail store business. Although the general apparel retail store business did not achieve its goals due to delays in new store openings, the Japanese traditional clothing retail store business enjoyed firm sales growth at existing BANKAN stores. As a result, for the segment net sales increased 22.5% year on year to ¥6,123; however, segment income fell 22.4% to ¥246 million due in part to the cost of opening new stores. The number of retail stores as of March 31, 2014, stood at 17 apparel retail stores and 48 Japanese clothing retail stores.

Outlook

In fiscal 2015, forecasts call for segment net sales to rise 36.7% to ¥8,370 million and segment income to grow 58.0% to ¥390 million. In the general apparel retail store business, we plan to accelerate the rate at which new stores open, aiming to realize a network of 40 apparel retail stores by March 31, 2015. In the Japanese traditional clothing retail store business, we are looking to expand our network to 55 retail stores by March 31, 2015, by promoting scrap-and-build efforts. We will continue to increase the number of retail stores as we strive to make this new business segment a major pillar of operations.

Belluna's Lalaport YOKOHAMA store

Solution Business

Overview

The Solution business develops enclosing and mailing services and direct-marketing outsourcing services. Both direct-marketing outsourcing services and enclosing and mailing services saw firm sales in fiscal 2014 and, as a result, segment net sales grew 20.9% to ¥4,643 million compared with the previous fiscal year. Segment income rose 25.5% to ¥2,039 million thanks to the boost in revenue and higher margins in direct-marketing outsourcing services.

Outlook

With tougher advertising restrictions, enclosing and mailing services are expected to see lower revenue, but this should be offset by direct-marketing outsourcing services. For the business segment as a whole, net sales are expected to rise 1.9% to ¥4,730 million year on year and segment income is expected to decrease 3.9% to ¥1,960 million. Looking ahead, we aim to expand the scale of the business while securing profitability through cost control measures.

Finance Business

Overview

The increase in trade loans, particularly in the domestic consumer financing business, and a significant drop in the allowance for doubtful accounts maintained by collateralized financing services helped raise segment net sales 23.8% year on year to ¥3,880 million and reverse the previous year's segment net loss to net income of ¥1,067 million. Owing to the worsening money-lending business market conditions in South Korea, Belluna sold Bell-Net Credit Co., Ltd. in March 2014 to a South Korean consumer financing company.

Outlook

Positive signs have begun to slowly emerge in the operating conditions surrounding the Finance business. Interest revenue is expected to decrease following the sale of Bell-Net Credit, but we will strive to build on the increase in trade loans mainly for the domestic consumer financing business. As a result, while segment net sales are projected to fall 34.5% year on year to ¥2,540 million, segment income is forecast to rise 14.3% to ¥1,220 million.

Property Business

Overview

The Property business handles real estate-oriented development projects and boasts a solid foundation of rental revenues from real estate-leasing operations. For fiscal 2014, segment net sales soared 229.3% to ¥5,553 million and segment income surged 219.0% to ¥1,661 million thanks to selling nine properties of real estate for sale.

Outlook

The Company aims to increase its stable rental revenue base in fiscal 2015; however, with the real estate market drying up, segment net sales are forecast to decline 42.7% year on year to ¥3,180 million and segment income is expected to fall 45.2% to ¥910 million.

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.

Governance System

Board of Directors

As of June 2014, the Board of Directors consisted of six directors. The Company has established the Compliance Committee, which includes outside experts. By granting outside experts authority, the Company develops structures that ensure management decisions reflect the input offered by objective third parties.

Board of Corporate Auditors

As of June 2014, the Board of Corporate Auditors is composed of three corporate auditors, including two outside corporate auditors. One of the corporate auditors is an independent corporate auditor as stipulated by the Tokyo Stock Exchange. 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 monitoring provided by the outside corporate auditors is sufficient to maintain system effectiveness in the area of management supervision functions.

Executive Officer System

The Company introduced an executive officer system in April 2011 to clarify responsibility for executing operations and increase management efficiency. With the introduction of this system, the Company aims to achieve agile decision making and train the next crop of senior managers.

Compliance

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

Compliance Committee

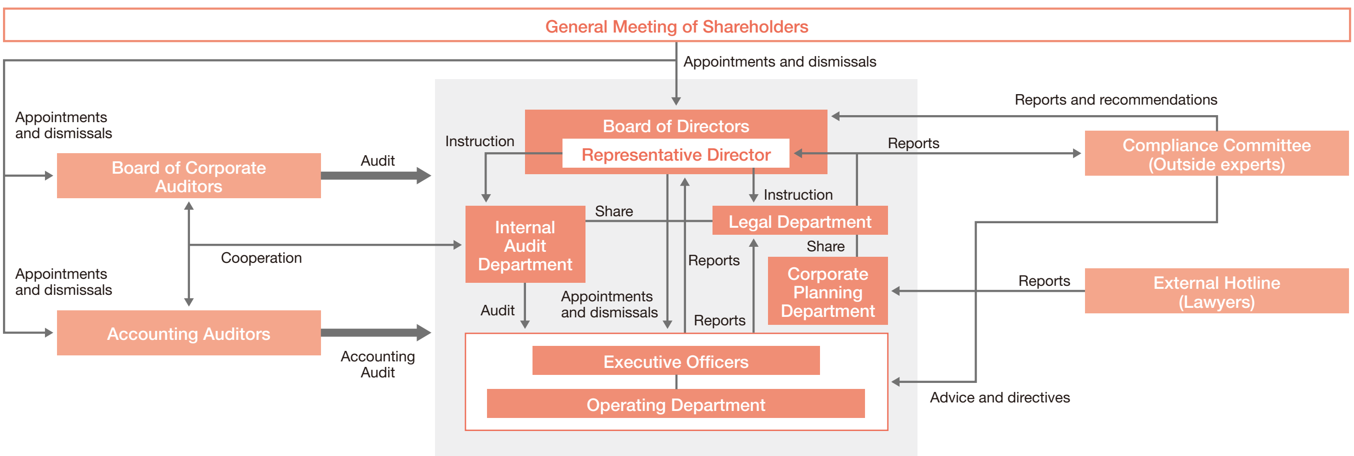
To reinforce its compliance structure, in September 2008 the Company established the Compliance Committee, which is chaired by the director in charge of compliance and features the participation of outside experts. The Compliance Committee provides advice regarding the deliberations of the Board of Directors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

Compliance Promotion Structure

The Company maintains the Internal Audit Department under the direct control of the Representative Director. This department is charged with auditing 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 whistle-blowing 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

Six-Year Financial Summary

Belluna Co., Ltd. and Consolidated Subsidiaries

	Millions of yen [1]						Thousands of U.S. dollars [2]
Years ended March 31	2009	2010	2011	2012	2013	2014	2014
For the year:							
Net sales	109,912	100,101	103,460	110,300	117,884	125,412	1,219,376
Cost of sales	49,963	43,259	45,511	48,670	52,155	56,677	551,031
Gross profit—net	59,967	56,834	57,954	61,621	65,719	68,739	668,344
Selling, general and administrative expenses	58,745	52,502	51,221	54,215	58,638	60,940	592,522
Operating income	1,221	4,332	6,733	7,406	7,080	7,798	75,821
Income (loss) before income taxes and minority interests	(7,281)	3,520	5,372	6,785	8,974	9,982	97,058
Net income (loss)	(8,763)	1,276	4,389	4,294	5,870	7,013	68,189
Capital investment	1,204	226	792	869	8,948	9,276	90,189
Depreciation	1,590	2,134	2,296	2,184	2,282	2,367	23,014
At year-end:							
Current assets	85,652	72,598	68,954	58,292	65,091	66,667	648,201
Property, plant and equipment	29,290	28,251	27,310	28,587	35,230	42,748	415,641
Total assets	133,868	119,703	110,595	99,174	115,079	130,648	1,270,279
Current liabilities	53,769	42,079	39,534	27,718	38,723	33,701	327,674
Long-term liabilities	26,289	23,405	13,594	10,650	9,743	23,466	228,163
Total liabilities	80,059	65,485	53,129	38,369	48,466	57,167	555,838
Net assets	53,808	54,217	57,465	60,805	66,612	73,480	714,441
Number of shares issued (thousands)	56,592	56,592	56,592	56,592	56,592	113,184	
Number of employees	1,064	992	969	1,020	1,139	1,212	

	Yen						U.S. dollars [1]
Per share data:							
Net income (loss) per share [3]	(173.72)	25.47	87.57	86.53	60.18	72.12	0.70
Shareholders' equity per share [3, 4]	1,073.46	1,081.64	1,146.45	1,241.73	685.03	755.67	7.34
Cash dividends per share [3]	15	15	15	15	7.5	12.5	0.12

	Percentage (%)					
Financial ratios:						
Operating income margin	1.1	4.3	6.5	6.7	6.0	6.2
Net income (loss) margin	(8.0)	1.3	4.2	3.9	5.0	5.6
Return on equity (ROE) [5]	(14.9)	2.4	7.9	7.3	9.2	10.0
Return on assets (ROA) [6]	1.0	3.6	6.0	7.2	6.9	6.9
Shareholders' equity ratio [5]	40.2	45.3	52.0	61.3	57.9	56.2

Notes:
1. Amounts less than one million yen have been omitted. As a result, the total amounts in Japanese yen shown in the consolidated financial statements and notes to the consolidated financial statements do not necessarily agree with the sums of the individual amounts.
2. The U.S. dollar amounts have been translated from yen, for the convenience of the reader, at the rate of ¥102.85=US$1.00, the approximate rate on the Tokyo foreign exchange market on March 31, 2014.
3. Belluna executed a 2-for-1 stock split on October 1, 2013. The above figures for net income per share, shareholders' equity per share and cash dividends per share for the years ended March 31, 2013 and 2014 have been adjusted based on the assumption that the stock split was executed at the beginning of the year ended March 31, 2013. Amounts for the prior years (prior to the year ended March 31, 2013) are not restated to reflect this stock split.
4. 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.
5. In the calculation of ROE and the Shareholders' equity ratio, the amount of net assets less minority interests is used as shareholders' equity.
6. ROA is the total of operating income and interest and dividend income divided by average total assets.

Financial Review

Overview and Net Sales

In fiscal 2014, the year ended March 31, 2014, positive signs of a rebound emerged in the overall Japanese economy. These signs included a positive turnaround in corporate earnings, especially for export-related companies, as well as rebounding stock prices and weakening yen rates thanks to the government's fiscal policies and the Bank of Japan's monetary easing. The retail industry, however, continued to struggle with harsh operating conditions, including rising prices of exported goods due to weaker yen rates and consumer preference for low-priced products.

Under these conditions, the Belluna Group worked to mature as a "General Merchant Company," mainly by strengthening its business foundation through M&A, including the acquisition of Infirmiere Co., Ltd. to expand the mail order business for nurses. As a result of these measures, consolidated net sales for fiscal 2014 rose 6.4% year on year to ¥125,412 million.

Earnings

In the year under review, operating income increased 10.1% year on year to ¥7,798 million and the operating income margin rose from 6.0% in the previous fiscal year to 6.2% largely due to contributions from the Property business and a recovery in the Finance business.

Ordinary income rose 17.1% to ¥10,431 million compared with the previous fiscal year. This increase was mainly attributable to increases in operating income, gain on valuation of derivatives and dividend income. Reflecting this increase, net income rose 19.5% year on year to ¥7,013 million.

As a result, net income per share increased from ¥60.18 in the previous fiscal year to ¥72.12 during the year under review. The Company conducted a 2-for-1 stock split on October 1, 2013, and net income per share is presented here as if the split had taken place at the beginning of the previous fiscal year.

The year-end dividend was set at ¥6.25 per share. Combined with the interim dividend of ¥6.25, the Company paid a total annual dividend of ¥12.50 per share. The interim dividend amount as reported here has been adjusted to account for the stock split. The actual dividend for the interim period was distributed to shareholders of record on September 30, 2013 on the basis used prior to the stock split and thus amounted to ¥12.50 per share.

Net Sales and Earnings per Segment

Belluna partially revised its reporting segments at the beginning of the fiscal year under review. More detailed information about the revision can be found on page 4. For ease of comparison, year-on-year segment results for the previous fiscal year have been restated to reflect these revisions.

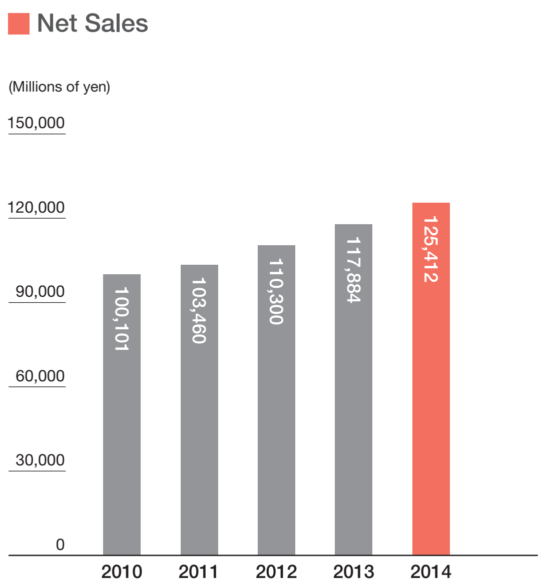
In Belluna's mainstay General Mail Order business, despite the Company's efforts to narrow its range of low-margin products, the inclement weather helped push segment net sales down 3.4% compared with the previous fiscal year to ¥75,388 million. Segment (operating) income fell 39.3% to ¥1,581 million because of increased logistics-related costs.

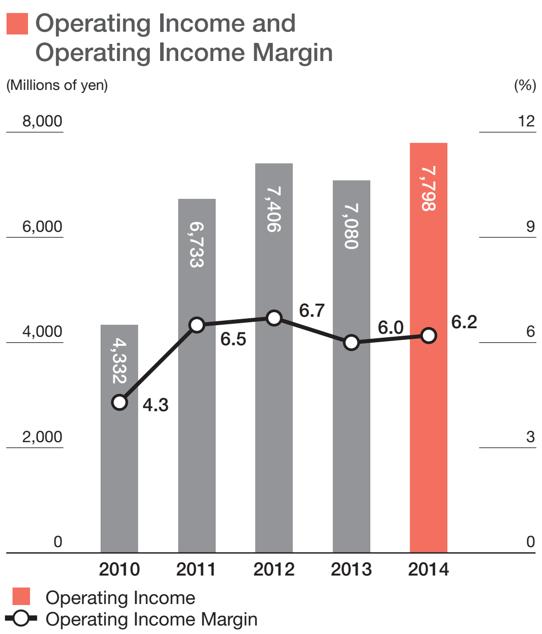
In the Specialty Mail Order business, the nursing-related divisions saw sales significantly increase thanks in part to the acquisition of Infirmiere Co., Ltd. Consequently, segment net sales rose 15.8% year on year to ¥27,266 million. Segment (operating) income, on the other hand, decreased 17.4% to ¥1,544 million mainly due to the struggling gourmet food division.

The Retail Store Sales business, including the apparel retail store business and BANKAN Co., Ltd., which is expanding its Japanese clothing retail stores, steadily increased sales. As a result, segment net sales increased 22.5% compared with the previous fiscal year to ¥6,123 million; however, mainly due to the cost of opening new stores, segment (operating) income fell 22.4% to ¥246 million.

The Solution business enjoyed firm sales in enclosing and mailing services as well as direct-marketing outsourcing services. As a result, segment net sales increased 20.9% compared with the previous fiscal year to ¥4,643 million and segment (operating) income rose 25.5% to ¥2,039 million.

The Finance business recorded a 23.8% year-on-year increase in segment net sales to ¥3,880 million because of an increased balance of trade loans, mostly in the domestic





consumer finance business. Segment (operating) income of ¥1,067 million was recorded for the year under review, in comparison with a ¥19 million loss in the previous fiscal year, mostly due to a significant decrease in the allowance for doubtful accounts.

The Property business experienced a 229.3% surge in segment net sales year on year to ¥5,553 million due to increased revenues from real estate for sale. Segment (operating) income jumped 219.0% to ¥1,661 million.

The Other business saw a decrease in net sales of Friendly Co., Ltd., which is expanding its apparel wholesale business. As a result, segment net sales fell 3.2% compared with the previous fiscal year to ¥3,009 million. At the same time, a segment (operating) loss of ¥236 million was recorded for the year under review, in comparison with segment (operating) income of ¥21 million in the previous fiscal year.

Financial Condition

Total assets as of March 31, 2014 stood at ¥130,648 million, an increase of ¥15,569 million. Of this, current assets rose ¥1,576 million to ¥66,667 million, primarily reflecting increases in cash and deposits, merchandise and finished goods, and trade loans despite a decrease in real estate for sale. Fixed assets as of the end of the fiscal year under review increased ¥13,992 million to ¥63,980 million, due to a rise in goodwill and property, plant and equipment, including buildings and structures, as well as a rise in investment securities.

Total liabilities increased ¥8,701 million compared with the previous fiscal year-end to ¥57,167 million. Of total liabilities, current liabilities fell ¥5,022 million year on year to ¥33,701 million primarily because of decreases in short-term borrowings, trade notes and accounts payable, and income taxes payable. Long-term liabilities grew ¥13,723 million to ¥23,466 million, largely accompanying increases in long-term borrowings.

Net assets as of March 31, 2014, totaled ¥73,480 million, a ¥6,867 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 1.7 percentage points from 57.9% to 56.2%.

Cash Flows

Net cash provided by operating activities during the fiscal year under review decreased from ¥7,275 million in the previous fiscal year to ¥5,766 million. The main factors leading to this decline were a decrease in notes and accounts payable, an increase in income taxes paid, and a decrease in allowance for doubtful accounts, which offset the rise in income before income taxes and minority interests and other inflows.

Net cash used in investing activities during the fiscal year under review increased from ¥7,633 million in the previous fiscal year to ¥15,397 million. This increase was largely due to a year-on-year rise in cash outflows for the purchase of shares of subsidiaries and the acquisition of property, plant and equipment.

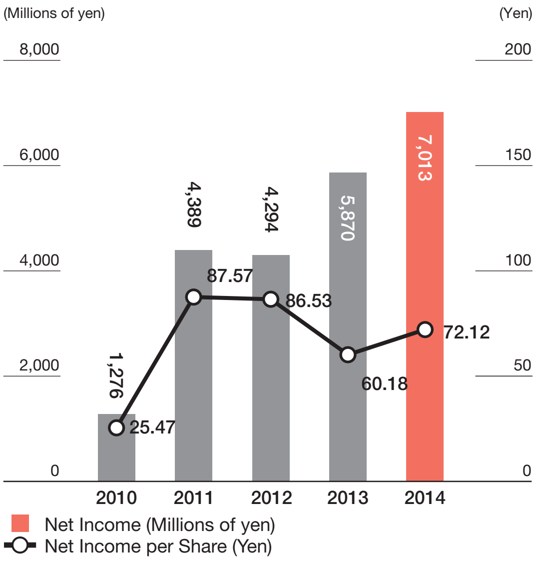
Net cash provided by financing activities during the fiscal year under review increased from ¥2,114 million in the previous fiscal year to ¥10,721 million. The principal factor contributing to this rise was increase in proceeds from long-term borrowings.

As a result of the above, and after accounting for the effect of exchange rate change, the outstanding balance of cash and cash equivalents at the end of the year increased ¥1,166 million to ¥14,500 million.

Forecasts for Fiscal 2015

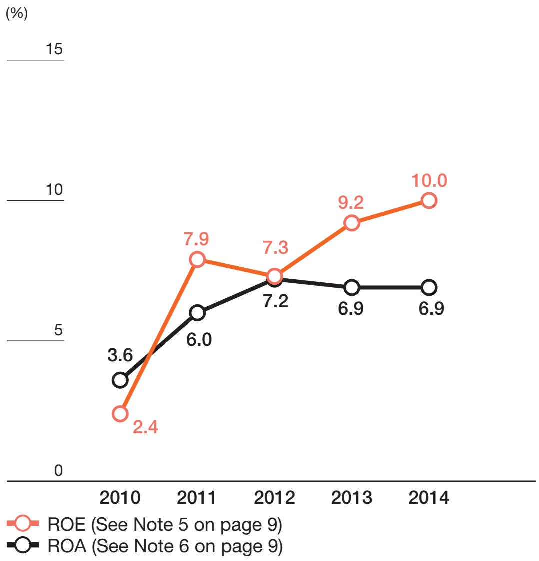
Concerns persist about the outlook of the Japanese economy primarily due to the expected market setback following the consumption tax hike despite the government's economic measures. Against this backdrop, the Belluna Group remains committed to achieving growth, stability and sustainability as a "General 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 and Net Income per Share*



* The Company implemented a 2-for-1 stock split for its common stock, effective October 1, 2013. The above amounts of net income per share have been adjusted based on the assumption that the stock split was executed at the beginning of the year ended March 31, 2013.

ROE and ROA



Business Risks

1. Statutory Regulations and Litigation

a) Belluna's Finance business is regulated by the Money Lending Business Act and the Act Regulating the Receipt of Contributions, the Receipt of Deposits, and Interest Rates, 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 Interest Rate Restriction Act. 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 Act against Unjustifiable Premiums and Misleading Representations, the Act on Standardization and Proper Quality Labeling of Agricultural and Forestry Products, 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 Standards Act, Building Lots and Building Transaction Business Act, Financial Instruments and Exchange Act 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" under "Other" on page 49 of the 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 in addressing 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.

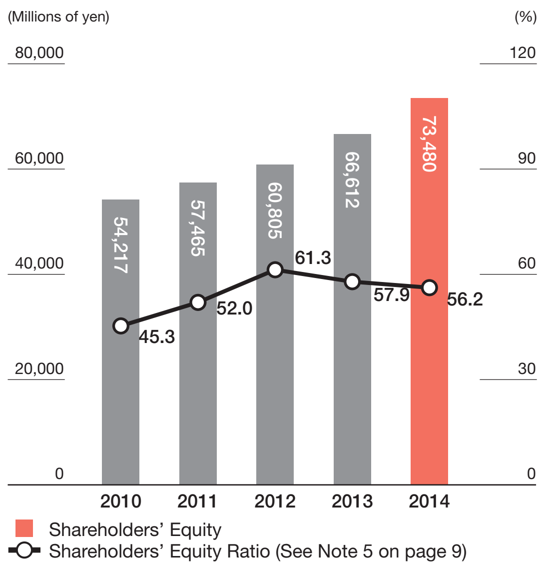
3. Climate and Seasonal Risks

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.

4. Natural Disaster Risks

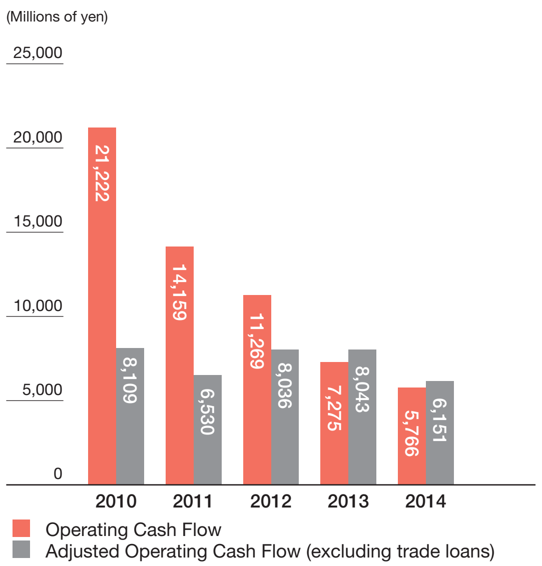
In the event of a natural disaster, order processing, product delivery and purchasing, credit control and other operations

Shareholders' Equity* and Shareholders' Equity* Ratio



* Net assets less minority interests

Operating Cash Flow and Adjusted Operating Cash Flow Margin



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 by a major disaster in the event that social infrastructure is significantly damaged, there is an outbreak of disease or the Group's facilities are damaged. 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 Act on the Protection of Personal Information, 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 Group'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 operating 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. Risk from Fluctuations in Marketable Security Prices

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

The Belluna Group has concluded commitment contracts and other agreements 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, 2014 (with comparative figures for the previous year).

Consolidated Balance Sheets

	In millions of yen			
		March 31, 2013		March 31, 2014
Assets				
Current assets				
Cash and deposits		14,833		**16,401**
Trade notes and accounts receivable		11,444		**11,462**
Trade loans		16,457		**16,873**
Marketable securities		916		**436**
Merchandise and finished goods		12,754		**14,326**
Raw materials and supplies		962		**1,182**
Real estate for sale		3,831		**1,464**
Real estate for sale in process		84		**—**
Deferred tax assets		986		**758**
Other current assets		4,157		**4,493**
Allowance for doubtful accounts		(1,337)		**(730)**
Total current assets		65,091		**66,667**
Fixed assets				
Property, plant and equipment				
Buildings and structures		23,261		**25,442**
Accumulated depreciation	*1	(11,069)	*1	**(11,316)**
Buildings and structures (net)		12,192		**14,126**
Machinery and equipment		1,142		**1,629**
Accumulated depreciation		(950)		**(1,051)**
Machinery and equipment (net)		191		**577**
Furniture and fixtures		2,075		**2,179**
Accumulated depreciation	*1	(1,755)	*1	**(1,816)**
Furniture and fixtures (net)		319		**362**
Land		19,646		**20,124**
Lease assets		636		**366**
Accumulated depreciation		(484)		**(208)**
Lease assets (net)		151		**157**
Construction in progress		2,729		**7,400**
Total property, plant and equipment		35,230		**42,748**
Intangible fixed assets				
Goodwill		98		**3,960**
Lease assets		1,516		**1,230**
Other		2,280		**2,167**
Total intangible fixed assets		3,896		**7,358**
Investments and other assets				
Investment securities	*2	7,099	*2	**8,801**
Long-term lending		1,642		**2,099**
Claims provable in bankruptcy, claims provable in rehabilitation and other		2,776		**363**
Deferred tax assets		141		**1,080**
Other assets	*3	1,458	*3	**1,875**
Allowance for doubtful accounts		(2,257)		**(347)**
Total investments and other assets		10,860		**13,873**
Total fixed assets		49,987		**63,980**
Total assets		115,079		**130,648**

		In millions of yen		
		March 31, 2013		March 31, 2014
Liabilities				
Current liabilities				
Trade notes and accounts payable		17,052		**15,193**
Short-term borrowings	*4, 5	7,456	*4, 5	**5,829**
Accrued expenses		6,740		**7,013**
Lease obligations		416		**393**
Income taxes payable		2,650		**789**
Provision for bonuses		558		**509**
Provision for sales returns		82		**78**
Provision for point program		556		**670**
Other current liabilities		3,208		**3,223**
Total current liabilities		38,723		**33,701**
Long-term liabilities				
Long-term borrowings	*5	5,783	*5	**19,557**
Provision for loss on interest repayment		1,149		**1,099**
Lease obligations		928		**861**
Provision for retirement benefits		247		**—**
Net defined benefit liability		—		**186**
Provision for retirement benefits for directors and corporate auditors		227		**236**
Asset retirement obligations		463		**465**
Other long-term liabilities		943		**1,060**
Total long-term liabilities		9,743		**23,466**
Total liabilities		48,466		**57,167**
Net assets				
Shareholders' equity				
Common stock		10,607		**10,607**
Capital surplus		11,003		**11,003**
Retained earnings		54,900		**60,941**
Treasury stock		(9,675)		**(9,676)**
Total shareholders' equity		66,835		**72,875**
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		676		**700**
Foreign currency translation adjustments		(899)		**(104)**
Remeasurements of defined benefit plans		—		**9**
Total accumulated other comprehensive income		(222)		**604**
Minority interests		0		**0**
Total net assets		66,612		**73,480**
Total liabilities and net assets		115,079		**130,648**

Consolidated Statements of Income

In millions of yen

		Year ended March 31, 2013		Year ended March 31, 2014
Net sales		117,884		**125,412**
Cost of sales	*1	52,155	*1	**56,677**
Gross profit		65,728		**68,735**
Reversal of provision for sales returns		73		**82**
Provision for sales returns		82		**78**
Gross profit—net		65,719		**68,739**
Selling, general and administrative expenses	*2	58,638	*2	**60,940**
Operating income		7,080		**7,798**
Non-operating income				
Interest income		159		**205**
Dividend income		141		**490**
Rent income		34		**34**
Extinction of debt		31		**32**
Compensation received		107		**101**
Foreign exchange gains		827		**1,018**
Gain on valuation of derivatives		161		**796**
Other		591		**558**
Total non-operating income		2,056		**3,238**
Non-operating expenses				
Interest expense		138		**124**
Commission fee		15		**64**
Loss on investments in partnership		5		**169**
Depreciation		6		**85**
Other		59		**162**
Total non-operating expenses		226		**605**
Ordinary income		8,910		**10,431**
Extraordinary gains				
Gain on sales of fixed assets	*3	35		**—**
Gain on sales of investment securities		52		**—**
Gain on bargain purchase		—		**281**
Total extraordinary gains		88		**281**
Extraordinary losses				
Loss on sales of fixed assets	*4	8	*4	**96**
Loss on valuation of investment securities		15		**58**
Loss on closing of stores		1		**—**
Loss on sales of shares of subsidiaries and associates		—		**575**
Total extraordinary loss		24		**730**
Income before income taxes and minority interests		8,974		**9,982**
Income taxes—current		3,077		**2,319**
Income taxes—deferred		26		**650**
Total income taxes		3,103		**2,969**
Income before minority interests		5,870		**7,013**
Minority interests in income (loss)		0		**(0)**
Net income		5,870		**7,013**

Consolidated Statements of Comprehensive Income

In millions of yen

		Year ended March 31, 2013		Year ended March 31, 2014
Income before minority interests		5,870		**7,013**
Other comprehensive income				
Valuation difference on available-for-sale securities		596		**24**
Foreign currency translation adjustments		290		**794**
Total other comprehensive income	*1	887	*1	**818**
Comprehensive income		6,758		**7,831**
Comprehensive income attributable to owners of the parent		6,758		**7,831**
Comprehensive income attributable to minority interests		0		**(0)**

Consolidated Statements of Changes in Net Assets

(In millions of yen)

Year ended March 31, 2013	Shareholders' equity					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at beginning of year	10,607	11,003	49,761	(9,456)	61,915	79	(1,190)	—	(1,110)	0	60,805
Changes during year:											
Dividends paid			(732)		(732)						(732)
Net income			5,870		5,870						5,870
Purchase of treasury stock				(218)	(218)						(218)
Disposal of treasury stock					—						—
Net changes of items other than shareholders' equity						596	290	—	887	0	887
Total changes of items during year	—	—	5,138	(218)	4,919	596	290	—	887	0	5,807
Balance at end of year	10,607	11,003	54,900	(9,675)	66,835	676	(899)	—	(222)	0	66,612

(In millions of yen)

Year ended March 31, 2014	Shareholders' equity					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at beginning of year	**10,607**	**11,003**	**54,900**	**(9,675)**	**66,835**	**676**	**(899)**	**—**	**(222)**	**0**	**66,612**
Changes during year:											
Dividends paid			**(972)**		**(972)**						**(972)**
Net income			**7,013**		**7,013**						**7,013**
Purchase of treasury stock				**(0)**	**(0)**						**(0)**
Disposal of treasury stock		**(0)**			**(0)**						**(0)**
Net changes of items other than shareholders' equity						**24**	**794**	**9**	**827**	**(0)**	**827**
Total changes of items during year	**—**	**(0)**	**6,040**	**(0)**	**6,040**	**24**	**794**	**9**	**827**	**(0)**	**6,867**
Balance at end of year	**10,607**	**11,003**	**60,941**	**(9,676)**	**72,875**	**700**	**(104)**	**9**	**604**	**0**	**73,480**

Consolidated Statements of Cash Flows

In millions of yen

	Year ended March 31, 2013	Year ended March 31, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	8,974	9,982
Depreciation	2,282	2,367
Increase (decrease) in provision for sales returns	9	(3)
Loss on closing of stores	1	—
Amortization of goodwill	131	344
Increase (decrease) in allowance for doubtful accounts	(30)	(1,833)
Increase (decrease) in provision for bonuses	116	(48)
Increase (decrease) in provision for retirement benefits	(28)	—
Increase (decrease) in net defined benefit liability	—	(31)
Increase (decrease) in provision for retirement benefits for directors and corporate auditors	7	9
Increase (decrease) in provision for point program	39	101
Increase (decrease) in provision for loss on interest repayment	(461)	(50)
Interest and dividend income	(301)	(696)
Interest expense	138	124
Loss (gain) on valuation of derivatives	(161)	(796)
Loss (gain) on sales of investment securities	(52)	—
Loss (gain) on valuation of investment securities	15	58
Loss (gain) on sales of shares of subsidiaries and associates	—	575
Foreign exchange losses (gains)	(483)	(603)
Loss (gain) on sales of property, plant and equipment	(27)	96
Gain on bargain purchase	—	(281)
Decrease (increase) in trade notes and accounts receivable	58	501
Decrease (increase) in trade loans	(768)	(385)
Decrease (increase) in inventories	(2,870)	(1,361)
Decrease (increase) in real estate for sale	(606)	2,451
Decrease (increase) in other current assets	(377)	97
Increase (decrease) in notes and accounts payable	2,023	(1,775)
Increase (decrease) in other current liabilities	728	152
Increase (decrease) in other long-term liabilities	277	(0)
Other	31	455
Sub-total	8,663	9,449
Interest and dividends received	260	655
Interest paid	(139)	(126)
Refund of income taxes	27	38
Income taxes paid	(1,536)	(4,250)
Net cash provided by operating activities	7,275	5,766
Cash flows from investing activities		
Payments into time deposits	(2,950)	(3,030)
Proceeds from withdrawal of time deposits	2,987	2,718
Acquisition of marketable securities	(548)	(294)
Proceeds from sales of marketable securities	2,313	1,014
Acquisition of property, plant and equipment	(5,964)	(8,742)
Proceeds from sales of property, plant and equipment	7	618
Acquisition of intangible fixed assets	(338)	(435)
Acquisition of investment securities	(4,256)	(3,013)
Proceeds from sales of investment securities	555	891
Purchase of shares of subsidiaries	—	*2 (7,048)
Proceeds from sales of shares of subsidiaries	—	*3 2,378
Payments of loans receivable	—	(549)
Collection of loans receivable	266	57
Payments for guarantee deposits	(66)	(84)
Proceeds from collection of guarantee deposits	144	132
Payments of other investments	—	(16)
Collection of other investments	216	7
Net cash used in investing activities	(7,633)	(15,397)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,900	(4,200)
Proceeds from long-term borrowings	1,100	23,900
Repayments of long-term borrowings	(2,303)	(7,553)
Purchase of treasury stock	(218)	(0)
Dividends paid	(732)	(972)
Repayments of lease obligations	(630)	(452)
Other	—	0
Net cash provided by financing activities	2,114	10,721
Effect of exchange rate change on cash and cash equivalents	47	75
Net increase (decrease) in cash and cash equivalents	1,804	1,166
Cash and cash equivalents at beginning of year	11,529	13,334
Cash and cash equivalents at end of year	*1 13,334	*1 14,500

Notes to Consolidated Financial Statements

Significant Accounting Policies

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 17 companies

From the fiscal year ended March 31, 2014, the Company included the newly established GRACE Co., Ltd., BIGBELL JAPAN Co., Ltd., STUDIO ANGEL Co., Ltd. and BELL-STAGE Co., Ltd. into the scope of consolidation. Also included into the scope of consolidation are Infirmiere Co., Ltd. and Best Thanks Co., Ltd., the shares of both of which were acquired by the Company.

Bell-Net Credit Co., Ltd. was excluded from the scope of consolidation as the Company sold all its share holdings in this former subsidiary.

Names of major consolidated subsidiaries:

Refre Co., Ltd., Ozio Co., Ltd., Friendly Co., Ltd., Sunstage Co., Ltd., BANKAN Co., Ltd., Wamonoya Co., Ltd., El Dorado Co., Ltd., Nursery Co., Ltd., Texas Co., Ltd., Infirmiere Co., Ltd. and Best Thanks Co., Ltd.

(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 do they have materiality as a whole.

3. Accounting period of consolidated subsidiaries

The accounting period of BELL-STAGE Co., Ltd., one of the consolidated subsidiaries mentioned above, ends on December 31. Nevertheless, the financial statements of BELL-STAGE 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 that company's 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:

Available-for-sale securities with available fair value:

Available-for-sale securities with available fair value are carried at their fair market value based on the market prices at the consolidated fiscal year-end, 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.

Available-for-sale securities with no available fair value:

These 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):
The 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:
The depreciation of leased assets is calculated by the straight-line method based on the assumption that the useful life equals to the lease term and the residual value equals to zero.
Of the finance lease transactions that do not transfer the ownership of the leased assets, those for which the commencement day of lease transactions fell on or before March 31, 2008 are accounted for by applying an accounting treatment similar to that for ordinary rental transactions.

(3) Basis for the provision of 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 that exceed the upper limit of the interest rate prescribed under the Interest Rate Restriction Act.

vi) 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) Accounting method for retirement benefits:

i) Method of attributing projected benefits to periods:
Projected retirement benefits are attributed to periods through the current fiscal year-end on a straight-line basis in determining retirement benefit obligation.

ii) Treatment of actuarial gains and losses and past service costs:
Past service costs are amortized by the straight-line method in equal installments over a certain period (5 years), which falls within the average remaining years of service of employees when incurred. The amortization of such service costs begins in the year in which they arise.
Actuarial gains and losses are amortized by the straight-line method in equal installments over a certain period (5 years), which falls within the average remaining years of service of employees when incurred. The amortization of such gains and losses begins in the year in which they arise.

iii) Application of short-cut method by small-scale companies:
Certain consolidated subsidiaries, in calculating retirement benefit liability and retirement benefit costs, apply a short-cut method in which the benefit amount payable for voluntary retirement is defined as the retirement benefit obligation.

(5) 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.

(6) Method and period of amortization of goodwill
Goodwill is amortized by the straight-line method over a period of 5 to 10 years.

(7) 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.

(8) Other significant accounting policies

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

ii) Application of the consolidated taxation system:
The Company has applied the consolidated taxation system.

Changes in Accounting Policy

Adoption of Accounting Standard for Retirement Benefits, etc.

Effective March 31, 2014, the Company applied “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, revised on May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, revised on May 17, 2012) (except for the provisions stated in the text of Paragraph 35 of the Accounting Standard for Retirement Benefits and in the text of Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits). Under the revised standard, the Company recorded retirement benefit obligation, net of plan assets, as net defined benefit liability, and also included unrecognized actuarial gains and losses and unrecognized past service costs in the net defined benefit liability.

In accordance with the transitional treatments as stipulated in Paragraph 37 of the revised accounting standard, the effects arising from this accounting change are accounted for as remeasurements of defined benefit plans in accumulated other comprehensive income.

As a result, net defined benefit liability is recorded in the amount of ¥186 million and accumulated other comprehensive income increased by ¥9 million, as of March 31, 2014.

The effect of this accounting change to per share information is insignificant.

New Accounting Standard Not Adopted as Yet

Accounting Standards for Business Combinations and Other Related Standards

- “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, revised on September 13, 2013)
- “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, revised on September 13, 2013)
- “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, revised on September 13, 2013)
- “Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2, revised on September 13, 2013)
- “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, revised on September 13, 2013)
- “Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4, revised on September 13, 2013)

(1) Summary

The above accounting standards and guidance represent revisions made, centered on (1) the treatment of the change in the parent company’s ownership interest in its subsidiary while the parent retains its controlling interest in the subsidiary, (2) the treatment of the acquisition-related costs, (3) the presentation of “net income” with the change from “minority interest” to “non-controlling interest” and (4) the handling of provisional accounting treatments.

(2) Scheduled application date

The revised accounting standards will be applied from the beginning of the fiscal year ending March 31, 2016, while the provisional accounting treatments will be applied to business combinations executed on or after the beginning of the fiscal year ending March 31, 2016.

(3) Effect of application of the standards

The Company is currently (at the time of the compilation of the accompanying consolidated financial statements) in the process of estimating the effects of the application.

Accounting Standard for Retirement Benefits

- “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, revised on May 17, 2012)
- “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, revised 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 unrecognized actuarial gains and losses and unrecognized past service costs, the calculation methods for retirement benefit obligation and current service cost and the enhancement of disclosure.

(2) Scheduled application date

The revised standards for the calculation methods of retirement benefit obligation and current service cost 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 the accompanying consolidated financial statements) in the process of estimating the amount of the effects of the application.

Changes in Presentation

For the Consolidated Statements of Income

1. "Gain on valuation of derivatives" previously included in "Other" of "Non-operating income" is presented as an independent line item in the year ended March 31, 2014, as its weight has grown to exceed 10% of the total amount of non-operating income. To conform to the current year presentation, certain reclassifications have been made in the consolidated financial statements for the year ended March 31. 2013.

Consequently, ¥753 million previously presented as "Other" of "Non-operating income" has been reclassified as "Gain on valuation of derivatives" and "Other" in the amounts of ¥161 million and ¥591 million, respectively, in the consolidated statement of income for the year ended March 31, 2013.

2. "Loss on investments in partnership" and "Depreciation" previously included in "Other" of "Non-operating expenses" are presented as independent line items in the year ended March 31, 2014, as the weight of each of these items has grown to exceed 10% of the total amount of non-operating expenses. To conform to the current year presentation, certain reclassifications have been made in the consolidated financial statements for the year ended March 31. 2013.

Consequently, ¥72 million previously presented as "Other" of "Non-operating expenses" has been reclassified as "Loss on investments in partnership," "Depreciation" and "Other" in the amounts of ¥5 million, ¥6 million and ¥59 million, respectively, in the consolidated statement of income for the year ended March 31, 2013.

For the Consolidated Statements of Cash Flows

"Loss (gain) on sales of property, plant and equipment" previously included in "Other" of "Cash flows from operating activities" is presented as an independent line item in the year ended March 31, 2014, as its materiality has increased. To conform to the current year presentation, certain reclassifications have been made in the consolidated financial statements for the year ended March 31. 2013.

Consequently, ¥3 million previously presented as "Other" of "Cash flows from operating activities" has been reclassified as "Loss (gain) on sales of property, plant and equipment" and "Other" in the amounts of (¥27 million) and ¥31 million, respectively, in the consolidated statement of cash flows for the year ended March 31, 2013.

Notes to the Consolidated Balance Sheets

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

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

(In millions of yen)

	March 31, 2013	March 31, 2014
Investment securities (stocks)	220	596

*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, 2013	March 31, 2014
Other assets (guarantee deposits) within Investments and other assets	138	48

*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, 2013 and 2014 is summarized as follows:

(In millions of yen)

	March 31, 2013	March 31, 2014
Total of the overdraft limit and lending commitments	12,510	12,250
Executed loans	5,210	1,010
Unexecuted balance	7,300	11,240

*5. Restrictive financial covenants

Of the consolidated borrowings balance, up to ¥10,579 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, 2013	March 31, 2014
Shimamura Co., Ltd. (Note 1)	759	331
Shurei Co., Ltd. (Note 2)	—	309
Total	759	641

Notes: 1. In commencing the construction of a new distribution center, the Company became a provider of a joint and several guarantee for the payables to the subcontractors of Shimamura Co., Ltd. as prime contractor.
2. The Company provides a joint and several guarantee for the borrowings from financial institutions.

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, 2013	Year ended March 31, 2014
Loss on revaluation of inventories	656	483

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

(In millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Freightage and packing expenses	8,485	9,193
Advertising expenses	16,237	15,899
Sales promotion expenses	2,799	2,836
Provision of allowance for doubtful accounts	2,028	1,510
Provision for point program	556	657
Provision for loss on interest repayment	215	425
Salaries and allowances	8,610	9,131
Provision for bonuses	524	485
Provision for retirement benefits for directors and corporate auditors	9	9
Retirement benefit expenses	59	67
Communication expenses	5,777	6,235
Commission fee	6,296	6,848

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

(In millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
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, 2013	Year ended March 31, 2014
Buildings and structures	7	23
Machinery and equipment	0	—
Furniture and fixtures	—	0
Land	0	72
Total	8	96

Notes to the Consolidated Statements of Comprehensive Income

*1. The components (reclassification adjustments and tax effects) of other comprehensive income are as follows:

(In millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Valuation difference on available-for-sale securities:		
Gains incurred during the year	922	(12)
Reclassification adjustment to net income	(0)	49
Amount before tax effect	922	36
Tax effect	(325)	(12)
Valuation difference on available-for-sale securities	596	24
Foreign currency translation adjustments:		
Losses incurred during the year	290	460
Reclassification adjustment to net income	—	333
Foreign currency translation adjustments	290	794
Total other comprehensive income	887	818

Notes to the Consolidated Statements of Changes in Net Assets

– 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 (Note)	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 thousand 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 fiscal 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

– For the year ended March 31, 2014 –

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 (Note 1)	56,592	56,592	—	113,184
Total	56,592	56,592	—	113,184
Treasury stock:				
Common stock (Notes 2 and 3)	7,972	7,973	0	15,945
Total	7,972	7,973	0	15,945

Notes: 1. The increase of 56,592 thousand shares of common stock issued all resulted from a stock split.
2. The increase of 7,973 thousand shares of treasury stock resulted from an increase of 7,972 thousand shares due to the stock split and an increase of one thousand shares due to the purchase of less-than-a-unit shares.
3. 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 27, 2013	Common stock	364	7.5	March 31, 2013	June 28, 2013
Board of Directors' meeting on November 1, 2013	Common stock	607	12.5	September 30, 2013	December 6, 2013

Note: The above dividend amounts are stated on an actually-paid basis and not adjusted for the 2-for-1 stock split implemented on October 1, 2013.

(2) Dividends with a record date during the year ended March 31, 2014, payable in the following fiscal 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, 2014	Common stock	607	Retained earnings	6.25	March 31, 2014	June 30, 2014

Notes to the Consolidated Statements of Cash Flows

*1. 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

(In millions of yen)

	March 31, 2013	March 31, 2014
Cash and deposits	14,833	16,401
Time deposits with original maturities of more than three months	(1,499)	(1,901)
Cash and cash equivalents	13,334	14,500

*2. Breakdown of assets and liabilities of the companies which were newly consolidated upon acquisition of shares

Major components of the assets and liabilities of Infirmiere Co., Ltd. and Best Thanks Co., Ltd. at the start of the consolidation of their accounts into the Company's consolidated accounts upon share acquisition, and the reconciliation between the acquisition cost and disbursement for the acquisition are as follows:

(In millions of yen)

Current assets	1,503
Fixed assets	2,381
Goodwill	4,205
Current liabilities	(282)
Long-term liabilities	(168)
Gain on bargain purchase	(281)
Share acquisition cost	7,358
Cash and cash equivalents	(309)
Net: disbursement for acquisition	7,048

*3. Breakdown of assets and liabilities of the company which ceased to be a consolidated subsidiary due to sales of shares

Major components of the assets and liabilities of Bell-Net Credit Co., Ltd. at the time of the sales of its shares when this company ceased to be a consolidated subsidiary, and the reconciliation between the sales price and proceeds from the sales of shares are as follows:

(In millions of yen)

Current assets	5,691
Fixed assets	76
Current liabilities	(3,136)
Long-term liabilities	(16)
Foreign currency translation adjustments	333
Loss on sales of shares	(575)
Sales price	2,372
Collection of lending to subsidiary	307
Cash and cash equivalents	(301)
Net: proceeds from sales	2,378

Notes Regarding Lease Transactions

1. Finance lease transactions

(As lessee)

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

① Description of lease assets

(a) Tangible fixed assets (property, plant and equipment):

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 the accounting treatment similar to that for ordinary rental transactions. Details of such lease transactions are as follows:

(1) Amounts equivalent to purchase price, accumulated depreciation and fiscal year-end net carrying value of the leased items:

(In millions of yen)

	March 31, 2013		
	Purchase price	Accumulated depreciation	Year-end net carrying value
Machinery and equipment	564	517	47
Total	564	517	47

(In millions of yen)

	March 31, 2014		
	Purchase price	Accumulated depreciation	Year-end net carrying value
Machinery and equipment	—	—	—
Total	—	—	—

(2) Amount equivalent to future lease payments:

(In millions of yen)

	March 31, 2013	March 31, 2014
Amount equivalent to remaining lease payments (balance at year-end):		
Due within one year	51	—
Due over one year	—	—
Total	51	—

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

(In millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Lease expense	301	51
Amount equivalent to depreciation	278	47
Amount equivalent to interest expense	4	0

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

The amount has been calculated by the straight-line method based on the assumption that the useful life is equal to the lease period and the residual value equals to zero.

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

The difference between total lease payments and the amount equal to the purchase price of leased assets is regarded as the amount equivalent 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. Temporary cash surpluses, if any, are invested in low risk financial instruments. The Group uses derivatives mainly for the purpose of evading the currency exchange rate fluctuation risk associated with foreign currency-denominated trade payables, and does not engage in speculative transactions as its policy.

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

Trade receivables (trade notes and accounts receivable) as well as trade loans are exposed to customer credit risk. Belluna manages such risk by maintaining a 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 notes and accounts payable) and accrued expenses mostly have due dates within one year. They partly include those related to imports denominated in foreign currencies and, as such, they are exposed to 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 (5) 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, 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 amounts. Net payables are presented in parenthesis.

– As of March 31, 2014 –

(In millions of yen)

	Balance sheet carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and deposits	16,401	16,401	—
(2) Trade notes and accounts receivable	11,462		
Allowance for doubtful accounts (*1)	(538)		
	10,923	10,923	—
(3) Trade loans	16,873		
Allowance for doubtful accounts (*1)	(184)		
	16,689	16,948	259
(4) Marketable securities and investment securities			
Held-to-maturity debt securities	1,119	1,136	17
Available-for-sale securities	6,589	6,589	—
	7,708	7,725	17
Assets total	35,321	35,597	276
(1) Trade notes and accounts payable	15,193	15,193	—
(2) Short-term borrowings	5,829	5,829	—
(3) Accrued expenses	7,013	7,013	—
(4) Long-term borrowings	19,557	19,557	—
Liabilities total	47,593	47,593	—
Derivative transactions (*2)	724	724	—

(*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 amounts. 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 debt amounts are calculated based on the estimated collectible amounts and, since their fair values approximate the amounts of balance sheet carrying amounts less the currently estimated bad 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, 2013	March 31, 2014
Unlisted equity securities	516	936
Investments in partnerships for investment business	856	593

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, 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	11,444	—	—	—	—	—
Trade loans	9,307	3,161	2,335	1,451	201	0
Marketable securities and investment securities:						
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

– As of March 31, 2014 –

(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	16,381	—	—	—	—	—
Trade notes and accounts receivable	11,462	—	—	—	—	—
Trade loans	5,325	4,793	3,618	2,827	307	0
Marketable securities and investment securities:						
Held-to-maturity debt securities:						
(1) National and local government bonds	101	—	—	—	—	—
(2) Corporate bonds	—	435	100	52	—	—
(3) Other	205	224	—	—	—	—
Available-for-sale securities with contractual maturities:						
(1) National and local government bonds	—	—	—	158	—	216
(2) Other	129	178	300	84	—	392
Total	33,605	5,632	4,018	3,122	307	609

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

– 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

– As of March 31, 2014 –

(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	1,010	—	—	—	—	—
Lease obligations (short-term)	393	—	—	—	—	—
Long-term borrowings	4,819	4,519	4,112	3,470	2,913	4,541
Lease obligations (long-term)	—	360	316	158	21	3
Total	6,222	4,880	4,428	3,628	2,935	4,545

Notes Regarding Securities

1. Marketable held-to-maturity debt securities

– As of March 31, 2013 –

(In millions of yen)

	Type of securities	Balance sheet carrying amount	Market value	Unrealized gain (loss)
Securities with market 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 market 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

– As of March 31, 2014 –

(In millions of yen)

	Type of securities	Balance sheet carrying amount	Market value	Unrealized gain (loss)
Securities with market value exceeding balance sheet carrying amount	(1) National and local government bonds	101	103	2
	(2) Corporate bonds	371	400	28
	(3) Other	205	207	1
	Subtotal	678	711	32
Securities with market value not exceeding balance sheet carrying amount	(1) National and local government bonds	—	—	—
	(2) Corporate bonds	215	207	(7)
	(3) Other	224	216	(7)
	Subtotal	440	424	(15)
Total		1,119	1,136	17

2. Available-for-sale securities

– 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

– As of March 31, 2014 –

(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	1,853	1,218	634
	(2) Debt securities:			
	① National and local government bonds	243	213	30
	② Other bonds	85	55	29
	(3) Other	2,847	2,331	516
	Subtotal	5,030	3,819	1,210
Securities with balance sheet carrying amount not exceeding the acquisition cost	(1) Equity securities	366	427	(60)
	(2) Debt securities:			
	① National and local government bonds	131	141	(10)
	② Other bonds	514	536	(22)
	(3) Other	546	641	(94)
	Subtotal	1,559	1,747	(187)
Total		6,589	5,566	1,022

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

– 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

– For the year ended March 31, 2014 –

(In millions of yen)

Type of securities	Proceeds of sales	Gain on sales	Loss on sales
(1) Equity securities	3	0	3
(2) Debt securities	—	—	—
(3) Other	—	—	—
Total	3	0	3

4. Securities for which impairment loss was recorded

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

In the fiscal year ended March 31, 2014, the Company recorded ¥58 million as impairment of value with respect to securities (¥49 million as impairment of value of equity securities and ¥9 million as impairment of value of other securities within "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, 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	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.

– As of March 31, 2014 –

(In millions of yen)

Category	Type of transaction	Contract amount	Over 1 year contract	Fair value	Unrealized gain (loss)
Transactions other than market transactions	Currency swaps:				
	Buy				
	US dollars	8,054	4,819	668	668
	Euro	3,444	1,996	91	91
Total		11,498	6,816	759	759

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, 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.

– As of March 31, 2014 –

(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	992	900	(34)	(34)
Total		992	900	(34)	(34)

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, 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 swap transactions	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.

– As of March 31, 2014 –

(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 swap transactions	Interest rate swaps: Receive floating price, pay fixed price	Long-term borrowings	900	400	(See Note below)
Exceptional treatment applicable to interest rate cap transactions	Interest rate cap transactions	Long-term borrowings	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 Benefits

– For the year ended March 31, 2013 –

1. Summary of retirement benefit plans

The Company and its consolidated subsidiaries maintain defined benefit corporate pension plans and lump-sum severance payment plans for employees as defined benefit plans.

2. Retirement benefit obligation

(In millions of yen)

Category	March 31, 2013
(1) Projected benefit obligation	(923)
(2) Fair value of pension plan assets	712
(3) Unfunded benefit obligation ((1)+(2))	(210)
(4) Unrecognized actuarial gains and losses	(9)
(5) Unrecognized past service costs	(26)
(6) Net liability amount on consolidated balance sheet ((3)+(4)+(5))	(246)
(7) Prepaid pension cost	1
(8) Provision for retirement benefits ((6)–(7))	(247)

Note: Certain subsidiaries apply a short-cut method for the calculation of benefit obligation.

3. Components of net periodic retirement benefit costs

(In millions of yen)

Category	Year ended March 31, 2013
Net periodic retirement benefit costs:	59
(1) Service cost	84
(2) Interest cost	17
(3) Expected return on plan assets (subtraction)	(13)
(4) Amortization of actuarial gains and losses	(14)
(5) Amortization of past service costs	(13)

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

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

(2) Discount rate:
1.46%

(3) Expected rate of return on plan assets:
2.23%

(4) Amortization period of past service costs:
Five years (amortized by the straight-line method over the period which falls within the average remaining years of service of employees when incurred.)

(5) Amortization period of actuarial gains and losses:
Five years (amortized by the straight-line method over the period which falls within the average remaining years of service of employees, beginning the first year of the occurrence.)

– For the year ended March 31, 2014 –

1. Summary of retirement benefit plans

The Company and its consolidated subsidiaries maintain defined benefit corporate pension plans and lump-sum severance payment plans for employees as defined benefit plans.

Certain consolidated subsidiaries apply a short-cut method in calculating retirement benefit obligation and retirement benefit expenses, regarding their defined benefit corporate pension plans and lump-sum severance payment plans.

2. Defined benefit plans

(1) Changes in retirement benefit obligation for the year ended March 31, 2014 (excluding the portion of the plans to which the short-cut method is applied):

(In millions of yen)

Balance of retirement benefit obligation at beginning of year	875
Service cost	79
Interest cost	12
Actuarial gains and losses	7
Benefits paid	(17)
Balance of retirement benefit obligation at end of year	957

(2) Changes in plan assets for the year ended March 31, 2014 (excluding the plans to which the short-cut method is applied):

(In millions of yen)

Balance of plan assets at beginning of year	695
Expected return on plan assets	10
Actuarial gains and losses	17
Contribution from the employer	90
Benefits paid	(17)
Balance of plan assets at end of year	796

(3) Changes in liability for retirement benefits under the plans to which the short-cut method is applied:

(In millions of yen)

Balance of liability for retirement benefits at beginning of year	28
Retirement benefit costs	16
Retirement benefits paid	—
Contribution to the plans	(1)
Other	(17)
Balance of liability for retirement benefits at end of year	25

(4) Reconciliation between the year-end balances of retirement benefit obligation and plan assets and the defined benefit liability and defined benefit assets recorded in the consolidated balance sheet:

(In millions of yen)

Funded retirement benefit obligation	1,005
Plan assets	(819)
	186
Unfunded retirement benefit obligation	—
Net liability (asset) recorded in the consolidated balance sheet	186
Defined benefit liability	186
Defined benefit assets	—
Net liability (asset) recorded in the consolidated balance sheet	186

Note: The above includes the benefit plans for which the short-cut method has been applied.

(5) Retirement benefit costs and the components thereof for the year ended March 31, 2014:

(In millions of yen)

Service cost	79
Interest cost	12
Expected return on plan assets	(10)
Amortization of actuarial gains and losses	(17)
Amortization of past service costs	(13)
Retirement benefit costs calculated by short-cut method	16
Retirement benefit costs on defined benefit plans	67

(6) Accumulated adjustments for retirement benefits:

Components of accumulated adjustments for retirement benefits (before adjusting for tax effects) are as follows:

(In millions of yen)

Unrecognized past service costs	(12)
Unrecognized actuarial gains and losses	(2)
Total	(14)

(7) Plan assets:

① Main components of plan assets:

Plan assets consisted of the following portfolio categories:

(% of total plan assets)

Debt securities	25.6%
Equity securities	11.0
General accounts	57.8
Cash and deposits	5.5
Other	0.1
Total	100.0%

② Method of determining the expected rate of return on plan assets:

The expected rate of return on plan assets is determined by considering the current and anticipated future portfolio of plan assets and long-term rates of return expected currently and in the future from a diversified range of plan assets managed.

(8) Assumptions in actuarial calculation:

Assumptions used in actuarial calculation at the end of the year ended March 31, 2014 are as follows (presented on a weighted-average basis):

Discount rate	0.99%
Long-term expected rate of return on plan assets	1.46

Notes Regarding Deferred Income Taxes

1. Significant components of deferred tax assets and liabilities

(In millions of yen)

	March 31, 2013	March 31, 2014
Deferred tax assets:		
Excess provision for bonuses	240	206
Excess allowance for doubtful accounts	760	268
Excess provision for sales returns	31	27
Excess provision for point program	209	237
Excess provision for loss on interest repayment	433	404
Bad debt expenses	251	74
Loss on valuation of investment securities	41	31
Loss on valuation of stocks of affiliated companies	970	35
Provision for retirement benefits	84	—
Defined benefit liability	—	64
Loss on valuation of real estate for sale	36	9
Excess impairment loss of fixed assets	758	361
Loss on transfer of receivables	283	283
Loss carried forward	618	504
Asset adjustment account	—	1,727
Other	568	440
Deferred tax assets subtotal	5,288	4,675
Valuation allowance	(3,672)	(2,226)
Deferred tax assets total	1,616	2,449
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(370)	(382)
Liability adjustment account	—	(152)
Reserve for special depreciation	—	(146)
Asset retirement expense	(75)	(69)
Other	(83)	(53)
Deferred tax liabilities total	(529)	(805)
Net deferred tax assets (liabilities)	1,087	1,643

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

(%)

	Year ended March 31, 2013	Year ended March 31, 2014
Statutory tax rate:	37.8%	37.8%
Items, including entertainment expenses, not eternally deductible for tax purposes	0.0	0.0
Items, including dividends received, not eternally inclusive of gross revenue for tax purposes	(0.1)	(0.1)
Equal installments of inhabitant taxes	0.4	0.4
Tax rate difference of subsidiaries	(0.3)	(0.6)
Valuation allowance change	(3.2)	(8.3)
Changes in deferred tax assets and liabilities due to tax rate revision	—	0.5
Other	(0.0)	0.0
Effective tax rate	34.6%	29.7%

3. Adjustment of amounts of deferred tax assets and liabilities due to change in corporate income tax rate

On March 31, 2014, the Law to Amend Part of the Income Tax Law, etc., was proclaimed, whereby the special corporate income tax for reconstruction is no longer imposed from the fiscal year beginning April 1, 2014. Accordingly, the statutory tax rate to be used in computing deferred tax assets and liabilities has been reduced from 37.8% in the year ended March 31, 2013 to 35.4% for the temporary differences estimated to be expired in the years beginning on and after April 1, 2014.

As a result, the amount of net deferred tax assets (after subtracting the amount of deferred tax liabilities) decreased by ¥46 million, while income taxes—deferred recorded in the year ended March 31, 2014 increased by ¥45 million.

Notes Regarding Business Combination, etc.

Business Combination by Acquisition

Acquisition of shares of Infirmiere Co., Ltd.

(1) Outline of business combination:

① Name and business of acquired company:

Name of acquired company: Infirmiere Co., Ltd.

Description of business: Mail order business for nurses

② Main reasons for business combination implemented:

The business combination was aimed at achieving a higher market share and a greater merchandise procurement capability with more efficient use of sales promotional expenses through increased trading volumes in this business area. Also purported was the enhancement of the Belluna Group's overall corporate value through the sharing of business know-how and mutual utilization of customer bases.

③ Date of business combination:

August 30, 2013

④ Legal structure of business combination:

Acquisition of shares of common stock

⑤ Name of company after business combination:

Infirmiere Co., Ltd.

⑥ Ratio of voting rights acquired:

100%

⑦ Basis for recognizing acquired company:

Acquisition of shares by cash consideration resulted in obtainment of 100% of the voting rights of Infirmiere Co., Ltd.

(2) Operational period of acquired company included in consolidated financial statements:

From August 31, 2013 through March 31, 2014

(3) Acquisition cost and components thereof:

(In millions of yen)

Consideration for acquisition	Consideration for acquisition of shares of common stock	5,407
Expenses directly spent for acquisition	Advisory fees, etc.	98
Acquisition cost		5,506

(4) Amount of goodwill, cause thereof and amortization method and period:

① Amount of goodwill recognized:

¥4,205 million

② Cause of goodwill:

The excess of the acquisition price over the fair value of the net assets at the time of business combination is to be amortized as goodwill. It represents the excess earning power expected to be generated by the future business development.

③ Amortization method and period:

Straight-line method over 10 years

(5) Main components of assets received and liabilities assumed on the date of business combination:

(In millions of yen)

Fixed assets	1,314
Current liabilities	13

(6) Approximate amount of effects on consolidated statement of income for the fiscal year ended March 31, 2014 and calculation method thereof, on assumption that business combination had been completed on the day of commencement of the fiscal year:
No such effects are recognized because the acquisition was effected on the same day as the acquired company was established.

Acquisition of shares of Best Thanks Co., Ltd.

(1) Outline of business combination:
① Name and business of acquired company:
Name of acquired company: Best Thanks Co., Ltd.
Description of business: Baby goods and gift mail order businesses
② Main reasons for business combination implemented:
The business combination was aimed at expanding the business areas of the Belluna Group by succeeding to the relevant businesses, thereby enhancing the corporate value.
③ Date of business combination:
January 31, 2014
④ Legal structure of business combination:
Acquisition of shares of common stock
⑤ Name of company after business combination:
Best Thanks Co., Ltd.
⑥ Ratio of voting rights acquired:
100%
⑦ Basis for recognizing acquired company:
Acquisition of shares by cash consideration resulted in obtainment of 100% of the voting rights of Best Thanks Co., Ltd.

(2) Operational period of acquired company included in consolidated financial statements:
From February 1 through March 31, 2014

(3) Acquisition cost and components thereof:

(In millions of yen)

Consideration for acquisition	Consideration for acquisition of shares of common stock	1,821
Expenses directly spent for acquisition	Advisory fees, etc.	30
Acquisition cost		1,851

(4) Amount of gain on bargain purchase and cause thereof:
① Amount of gain on bargain purchase:
¥281 million
② Cause of gain on bargain purchase:
The excess of the net assets succeeded to (assets received less liabilities assumed) over the acquisition cost has been recognized as gain on bargain purchase.

(5) Main components of assets received and liabilities assumed on the date of business combination:

(In millions of yen)

Current assets	1,503
Fixed assets	1,066
Assets total	2,570
Current liabilities	269
Long-term liabilities	168
Liabilities total	437

(6) Approximate amount of effects on consolidated statement of income for the fiscal year ended March 31, 2014 and calculation method thereof, on assumption that business combination had been completed on the first day of the fiscal year:

This information is omitted because the relevant amount is immaterial.

Divestiture of Subsidiaries

Divestiture of Bell-Net Credit Co., Ltd.

(1) Outline of divestiture:

① Name of company to which business was transferred:
Tem-ko Co., Ltd.

② Description of business transferred:
Money lending business in South Korea

③ Main reasons for business transfer implemented:
The Company transferred all shares of Bell-Net Credit Co., Ltd. (hereinafter, "Bell-Net Credit"), having concluded that the share transfer to Tem-Ko Co., Ltd. would enable the Belluna Group to allocate its management resources to other business areas that have higher growth potential, while Bell-Net Credit would be able to derive synergies from the scale of business, further propelling its growth.

④ Date of divestiture:
March 28, 2014

⑤ Outline of transaction, including legal structure of business transfer:
Share transfer for consideration received in only such assets as cash

(2) Outline of Accounting treatment applied:

① Amount of profit or loss for transfer:

(In millions of yen)

Loss on sales of shares of subsidiaries and associates	575

② Accurate book value of assets and liabilities of the transferred business and components thereof:

(In millions of yen)

Current assets	5,691
Fixed assets	76
Assets total	5,767
Current liabilities	3,136
Long-term liabilities	16
Liabilities total	3,152

③ Accounting treatment:
The difference between the book value of Bell-Net Credit in the consolidated accounts and the amount of cash the Company received as consideration for the transfer is recorded as Loss on sales of shares of subsidiaries and associates, a line item of Extraordinary losses.

(3) Reportable segment in which the divested business had been included:
Finance segment.

(4) Approximate amounts of sales and earnings of relevant subsidiary recorded in consolidated statement of income for the year ended March 31, 2014:

(In millions of yen)

Sales	1,749
Operating profit	251

Notes Regarding Asset Retirement Obligations

Asset Retirement Obligations Recorded on Consolidated Balance Sheets

(1) Outline of relevant asset retirement obligations:

Part of the Belluna Group's facilities are leased or rented under lease or rental contracts with the land-owners 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.

(2) Basis for calculation of the amount of 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%.

(3) Increase or decrease in total amount of relevant asset retirement obligations:

(In millions of yen)

	Year ended March 31, 2013	Year ended March 31, 2014
Balance at beginning of the year	449	463
Increase due to acquisition of property, plant and equipment	3	—
Adjustment due to passage of time	9	9
Other increase (decrease)	—	(7)
Balance at the end of the year	463	465

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. A portion of the rental office buildings is occupied by the Company and certain of its consolidated subsidiaries and, accordingly, categorized as "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, 2013 and 2014 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, 2013	Year ended March 31, 2014
Rental property:		
Balance sheet carrying amount:		
Balance at the beginning of the year	5,934	7,593
Increase (decrease) during the year	1,658	1,126
Balance at the end of the year	7,593	8,719
Fair value at the end of the year	8,335	9,342
Property that includes a portion used as rental property:		
Balance sheet carrying amount:		
Balance at the beginning of the year	2,167	2,133
Increase (decrease) during the year	(33)	(639)
Balance at the end of the year	2,133	1,494
Fair value at the end of the year	2,167	1,543

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, 2013 was caused primarily by the acquisition of rental commercial facilities (¥1,498 million) and acquisition of rental office buildings (¥255 million). The increase in rental property during the year ended March 31, 2014 was caused mainly by the acquisition of rental office buildings (¥1,029 million). The decrease in property that includes a portion used as a rental property was caused mainly by the sales of rental office buildings (¥612 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.

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, 2013	Year ended March 31, 2014
Rental property:		
Rental income	587	923
Rental expenses	282	476
Difference	305	447
Property that includes a portion used as rental property		
Rental income	86	85
Rental expenses	44	51
Difference	42	34

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. Expenses incidental to the relevant property (such as depreciation, repairing expenses, taxes and public charges, and commission fees) are included in rental expenses.

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 seven operating segments comprising "general mail order," "specialty mail order," "retail store sales," "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) Retail store sales: retail store sales of casual clothing, Japanese clothing-related merchandise, etc.
(4) 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.
(5) Finance: consumer loan services and secured loan services.
(6) Property: rental of real estate, remodeling and development of real estate, etc.
(7) Other: wholesale businesses, management of golf courses, 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. Reclassification of reportable segments

As the Belluna Group started its 2nd Short-term Business Plan from the year beginning April 1, 2013, the Company effected a partial change in classification of reportable segments as shown below in order to clarify and strengthen the business administration structure at respective businesses.

[Former segment classification]

(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.

[New segment classification]

(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) Retail store sales: retail store sales of casual clothing, Japanese clothing-related merchandise, etc.
(4) 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.
(5) Finance: consumer loan services and secured loan services.
(6) Property: rental of real estate, remodeling and development of real estate, etc.
(7) Other: wholesale businesses, management of golf courses, etc.

The segment information for the fiscal year ended March 31, 2013 provided in the following has been restated based on the reclassified basis.

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

– For the year ended March 31, 2013 –

(In millions of yen)

	General mail order	Specialty mail order	Retail store sales	Solution	Finance	Property	Other	Adjustments (Note 1)	Consolidated carrying amount (Note 2)
Net sales:									
Sales to third parties	77,885	23,538	4,999	3,558	3,134	1,686	3,081	—	117,884
Inter-segment sales or transfers	120	0	—	281	—	—	27	(430)	—
Total	78,006	23,539	4,999	3,840	3,134	1,686	3,109	(430)	117,884
Segment income (loss)	2,606	1,869	317	1,625	(19)	520	21	139	7,080
Segment assets	64,435	10,304	2,794	992	18,403	14,330	3,297	522	115,079
Other items:									
Depreciation (Note 3)	1,798	263	49	10	32	141	44	—	2,340
Amortization of goodwill	—	—	—	—	—	—	—	131	131
Increase in property, plant and equipment and intangible fixed assets (Note 3)	5,965	586	208	85	13	2,063	24	—	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.

– For the year ended March 31, 2014 –

(In millions of yen)

	General mail order	Specialty mail order	Retail store sales	Solution	Finance	Property	Other	Adjustments (Note 1)	Consolidated carrying amount (Note 2)
Net sales:									
Sales to third parties	75,302	27,265	6,123	4,304	3,880	5,553	2,982	—	125,412
Inter-segment sales or transfers	86	1	—	338	—	—	27	(452)	—
Total	75,388	27,266	6,123	4,643	3,880	5,553	3,009	(452)	125,412
Segment income (loss)	1,581	1,544	246	2,039	1,067	1,661	(236)	(107)	7,798
Segment assets	68,282	17,192	3,832	1,391	18,528	13,759	3,283	4,377	130,648
Other items:									
Depreciation (Note 3)	1,646	357	79	51	10	191	50	—	2,387
Amortization of goodwill	—	—	—	—	—	—	—	344	344
Increase in property, plant and equipment and intangible fixed assets (Note 3)	6,803	473	242	222	3	1,458	71	4,205	13,482

Notes: 1. Amounts of adjustments are as follows:
(1) Adjustments in segment income (loss) represent ¥236 million from inter-segment elimination minus ¥344 million for amortization of goodwill.
(2) Adjustments in segment assets include ¥417 million for the Company's employee welfare facilities and ¥3,960 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, 2013 –

1. Information by products and services

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

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 sheet.

3. Information by major customers

This information is not provided herein since, of the sales to third parties, sales to no single customer accounted for 10% or more of the sales amount in the consolidated statement of income.

– For the year ended March 31, 2014 –

1. Information by products and services

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

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 sheet.

3. Information by major customers

This information is not provided herein since, of the sales to third parties, sales to no single customer accounted for 10% or more of the sales amount in the consolidated statement of income.

[Impairment loss of fixed assets by reportable segment]

– For the year ended March 31, 2013 –

None applicable.

– For the year ended March 31, 2014 –

None applicable.

[Amortization and unamortized balance of goodwill by reportable segment]

— For the year ended March 31, 2013 –

(In millions of yen)

	General mail order	Specialty mail order	Retail store sales	Solution	Finance	Property	Other	Total
Amortization for the year	—	—	—	—	—	—	131	131
Unamortized balance at end of the year	—	—	—	—	—	—	98	98

– For the year ended March 31, 2014 –

(In millions of yen)

	General mail order	Specialty mail order	Retail store sales	Solution	Finance	Property	Other	Total
Amortization for the year	—	—	—	—	—	—	344	344
Unamortized balance at end of the year	—	—	—	—	—	—	3,960	3,960

[Gain from negative goodwill by reportable segment]

– For the year ended March 31, 2013 –

None applicable.

– For the year ended March 31, 2014 –

The Company recorded "Gain on bargain purchase" in the amount of ¥281 million on a companywide basis.

The excess of the net assets succeeded to (assets received less liabilities assumed) over the acquisition cost has been recognized as gain on bargain purchase.

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, 2013 –

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party: Interlocking directors or corporate auditors	Relationship with related party: Business relation	Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
Other affiliated company	Friend Stage Co., Ltd. (Note 2)	Ageo, Saitama	50	Seal stamp sales, etc.	34.4% (owned, directly)	1	Consignment of business activities	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 with 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 with consideration of the assessed price provided by real estate assessors.

– For the year ended March 31, 2014 –

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party: Interlocking directors or corporate auditors	Relationship with related party: Business relation	Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
Other affiliated company	Friend Stage Co., Ltd. (Note 2)	Ageo, Saitama	50	Seal stamp sales, etc.	34.4% (owned, directly)	1	Consignment of business activities	Rendering of services (Note 3)	11	Accounts receivable —trade	0
								Receipt of commission on consignment (Note 3)	17	Other current assets	1
								Sale of office buildings (Note 4): Proceeds from sale	600	—	—
								Loss on sale	9	—	—

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 with 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 with 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, 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-ku, 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. The above company is a subsidiary of the Company, a majority voting rights of which is held by the Company's 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, 2014 –

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-ku, Tokyo	8	Real estate renting, etc.	—	—	Business funds lending	Lending of funds (Note 2)	500	Long-term lending	1,598
								Receipt of interest (Note 2)	35	—	—

Notes: 1. The above company is a subsidiary of the Company, a majority voting rights of which is held by the Company's 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, 2013	Year ended March 31, 2014
Net assets per share	685.03	755.67
Basic net income per share	60.18	72.12
Diluted net income per share	—	—

Notes: 1. Amounts of diluted net income per share are not provided in the above, because there were no dilutive shares.
2. The Company implemented a 2-for-1 stock split for its common stock, effective October 1, 2013. The above amounts of net assets per share and net income per share have been adjusted based on the assumption that the stock split was executed at the beginning of the year ended March 31, 2013.
3. Basis for the calculation of basic net income per share is as follows:

	Year ended March 31, 2013	Year ended March 31, 2014
Basic net income per share:		
Net income (millions of yen)	5,870	7,013
Amount not attributable to holders of common stock (millions of yen)	—	—
Net income attributable to common stock (millions of yen)	5,870	7,013
Average number of shares of common stock during the year (thousands of shares)	97,544	97,239

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, 2013	Ending balance on March 31, 2014		
Short-term borrowings	5,210	1,010	0.32%	—
Current portion of long-term borrowings (due within 1 year)	2,246	4,819	0.63	—
Current portion of lease obligations (due within 1 year)	416	393	1.53	—
Long-term borrowings (except current portion)	5,783	19,557	0.63	From 2015 to 2021
Lease obligations (except current portion)	928	861	1.53	From 2015 to 2021
Total	14,585	26,641	—	—

Notes: 1. Average interest rate is the average during the year.
2. The 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	4,519	4,112	3,470	2,913
Lease obligations	360	316	158	21

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, 2014, 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, 2014:

(In millions of yen)

(Cumulative period)	First quarter ended June 30, 2013	Second quarter ended September 30, 2013	Third quarter ended December 31, 2013	Year ended March 31, 2014
Net sales	37,069	60,432	96,014	125,412
Income before income taxes and minority interests	2,432	3,087	8,141	9,982
Net income	1,560	1,962	5,424	7,013
Net income per share (in yen)	16.05	20.18	55.78	72.12

(In yen)

(Accounting period)	First quarter ended June 30, 2013	Second quarter ended September 30, 2013	Third quarter ended December 31, 2013	Fourth quarter ended March 31, 2014
Net income per share	16.05	4.13	35.61	16.34

Note: The Company implemented a 2-for-1 stock split for its common stock, effective October 1, 2013. The above amounts of net income per share have been adjusted based on an assumption the stock split was executed at the beginning of the year ended March 31, 2013.

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

None in particular to be remarked.

(3) Litigation:

On December 22, 2009, Japan Post Service Co., Ltd. (currently Japan Post Co., Ltd., hereinafter called “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, 2014)

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

1,212

Directors and Corporate Auditors

(as of June 27, 2014)

President and CEO

Kiyoshi Yasuno

Directors and Executive Officers

Yuichiro Yasuno
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.
BANKAN Co., Ltd.
Wamonoya Co., Ltd.
El Dorado Co., Ltd.
Nursery Co., Ltd.
Texas Co., Ltd.
Infirmiere Co., Ltd.
Best Thanks Co., Ltd.

Investor Information

(as of March 31, 2014)

Common Stock

Stock Exchange Listing

Tokyo Stock Exchange, 1st Section

Number of Shares of Common Stock Issued and Outstanding

113,184,548

* Effective October 1, 2013, Belluna executed a 2-for-1 stock split, simultaneously changing the number of shares constituting a unit of shares from 50 shares to 100 shares.

Number of Shareholders

6,505

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation

ADRs

Traded

OTC (U.S.A.)

Ratio

1 ADR = 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)	10.2%
Japan Trustee Services Bank, Ltd. (Trust Account)	3.7%
Kimi Yasuno	3.4%
Sumitomo Mitsui Banking Corporation	2.3%
The Nomura Trust and Banking Co., Ltd. (Pension Benefit Trust Account, Mitsubishi UFJ Trust and Banking Corporation)	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 INTL SMALL CAP VALUE PORTFOLIO	1.2%

* In addition to the above, Belluna retains 15,945 thousand treasury shares.

For Further Information

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

BELLUNA

4-2, Miyamoto-cho, Ageo, Saitama 362-8688, Japan
http://ir.belluna.co.jp/ir/index_e.html