BELLUNA

Annual Report 2015

For the year ended March 31, 2015

Belluna Co., Ltd.

Code:9997

Profile

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

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 through fiscal 2016.

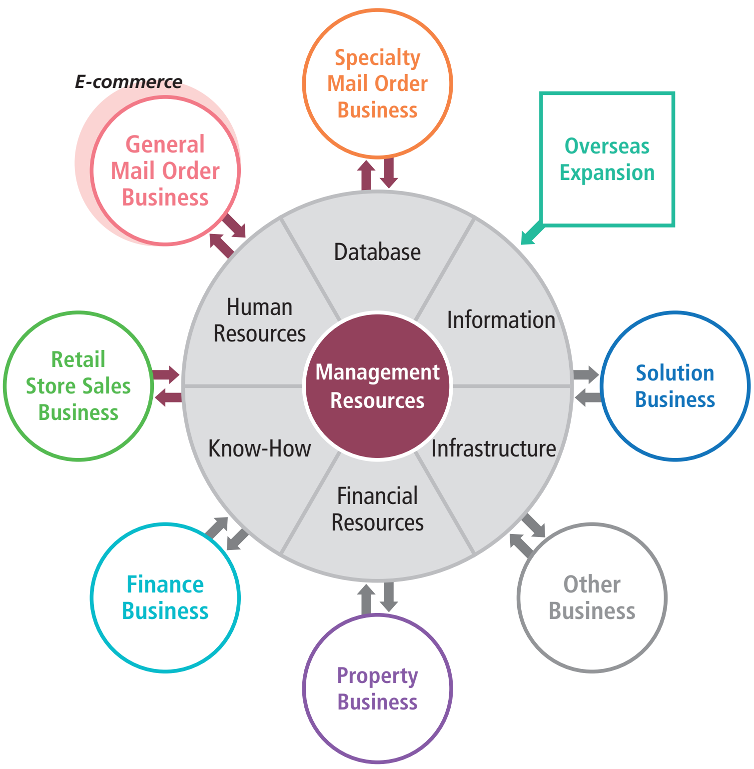
Looking ahead, based on our desire to "help improve the lifestyles and well-being of our customers," we will operate businesses that fulfill people's needs for food, clothing, lifestyle, and recreation.

Business Model

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.



*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.

Business Category
Primary business for supply and utilization
Secondary business

Highlights of the Fiscal Year

Financial Highlights

Millions of yen[1]
except per share data

	FY2015	FY2014
For the year:		
Net sales	**120,689**	125,412
Operating income	**6,376**	7,798
Income before income taxes and minority interests	**9,612**	9,982
Net income	**6,394**	7,013
At year-end:		
Total assets	**152,224**	130,648
Net assets	**79,510**	73,480
Per share data[2] (yen):		
Net income per share	**65.77**	72.12
Cash dividends per share	**12.50**	12.50

Notes: 1. Amounts less than one million yen have been omitted.
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, 2014.

Major Events

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

May 2015

We have formulated the 3rd Business Plan

(From FY March 2017 to FY March 2019)

We will strive for further growth and strengthen our revenue base with a focus on four pillars: (1) achieve stable growth in the Mail Order business, (2) achieve rapid growth of the Retail Store Sales business, (3) expand the Finance business, and (4) strengthen the Property business.

For more information, see pages 2 in the section entitled "The3rd Business Plan" and 3 in the section entitled "Interview with the President"

May 2015

Transition to a board with audit committee structure

We have transitioned into a board with audit committee structure. We have also newly elected two outside directors in order to strengthen our corporate governance system.

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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.

The 3rd Business Plan

The Company has been addressing the following four basic management policies under the 2nd Short-term Business Plan (fiscal 2014 to fiscal 2016): (1) strengthen portfolio management, (2) promote the growth of new businesses, (3) maintain the mail order infrastructure, and (4) review shareholder returns.

In response to changes in the external environment (changes in consumption and intensifying competition) and other factors, we have formulated the 3rd Business Plan (fiscal 2017 to fiscal 2019) that sets the Mail Order business, Retail Store Sales business, Finance business, and Property business as four pillars of growth.

Aiming to become No. 1 in Japan for net sales in apparel mail order

Mail Order Business

Stable growth through the synergistic effects of catalogs, the Internet, and stores

We will acquire new customers by strengthening EC together with the current media (ad inserts and ads in newspapers, and catalogs) and work to induce customers to migrate from stores to mail order. We will aim for stable growth driven by the synergistic effects of print media, the Internet, and stores.

Retail Store Sales Business

Aiming at a 240-retail store structure

Raise profitability by steadily expanding the number of retail stores

Apparel retail store BELLUNA will aim to achieve 10% profitability by improving operations while steadily increasing the number of retail stores. Furthermore, we will expand our highly profitable Japanese traditional clothing retail stores (BANKAN and Wamonoya). We will strive to expand our base, including our apparel retail stores, to 240 retail stores or more.

Strive for further growth and strengthening of our revenue base by centering on the four pillars

Aiming at ¥26.0 billion of outstanding loans

Finance Business

Take advantage of its close affinity with the mail order business

Our finance business has a low bad debt ratio because we manage our mail order customers' credit based on their payment histories. As requests for interest repayment are also on a decreasing trend, we expect stable revenue. We will steadily increase our outstanding loans and improve profitability further.

Property Business

Venture into the hotel business

Become the 4th pillar of portfolio management

In order to strengthen "housing" and "recreation" among the fields of focus in our management philosophy, "Aiming to enrich experiences of food, clothing, housing, and recreation," we will expand our existing real estate lease business and development business in response to matured portfolio management. In addition, we will proceed with our efforts to venture into the hotel business.

Target of the 3rd Business Plan

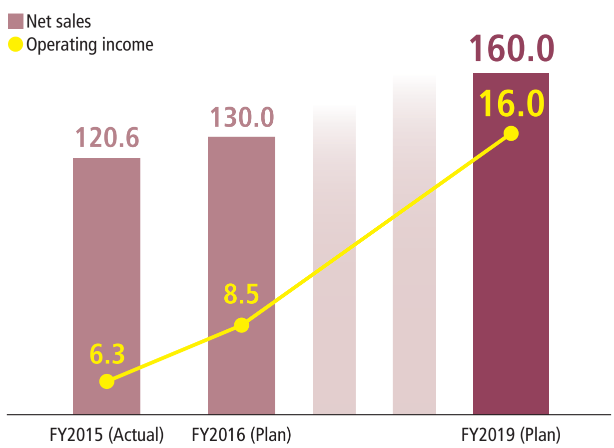
The Company will invest its management resources in the Retail Store Sales business, Finance business, and Property business as new areas of growth while aiming for stable growth in Belluna's core business, the Mail Order business. Through these efforts, the Company will strive to raise its growth capability.

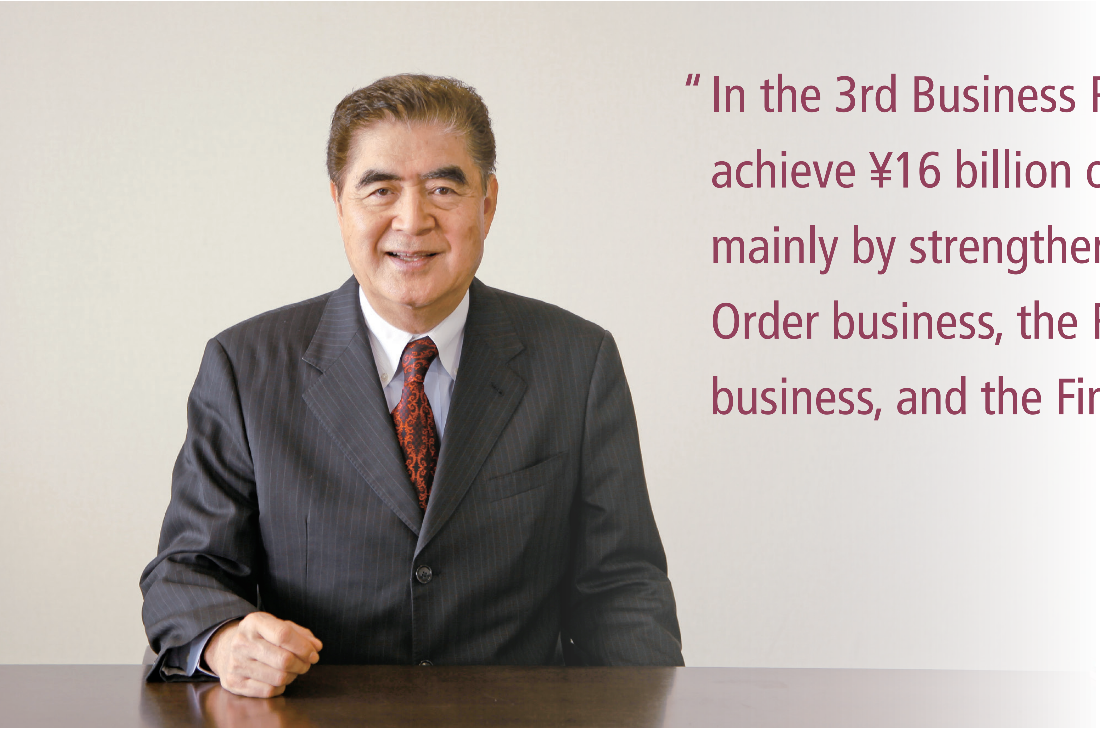
Fiscal year ending March 31, 2019

Net sales	160 billion yen
Operating income	16 billion yen
ROE	8% or more

Net sales and Operating income

(Billions of yen)





"In the 3rd Business Plan we aim to achieve ¥16 billion of operating income mainly by strengthening the Mail Order business, the Retail Store Sales business, and the Finance business."

Q1. Could you give us a snapshot of Belluna's performance and operating conditions during the fiscal year under review?

Consolidated net sales for the fiscal year under review (April 1, 2014 to March 31, 2015) decreased 3.8% to ¥120,689 million despite the addition of Infirmiere Co., Ltd. and Best Thanks Co., Ltd. to the scope of consolidation, mainly due to the backlash effect after the large-scale selling of real estate in the previous fiscal year in the Property business.

Turning to profits, operating income declined 18.2% year on year to ¥6,376 million despite a substantial increase in income from the General Mail Order business, largely due to declines in income mainly from the Property business. Ordinary income decreased 3.6% to ¥10,052 million, and net income declined 8.8% to ¥6,394 million partly due to income from the movement in foreign exchange rates.

Regarding our financial condition, total assets increased ¥21,576 million year on year to ¥152,224 million because of an increase in property, plant and equipment. At the same time, liabilities rose ¥15,546 million year on year to ¥72,713 million, net assets increased ¥6,030 million year on year to ¥79,510 million and the shareholders' equity ratio stood at 52.1%.

Q2. Could you tell us about the Business Plan?

The Belluna Group is now following the steps laid out in the 2nd Short-term Business Plan ending in fiscal 2016, the year ending on March 31, 2016. In a bid to more effectively execute our future business strategies in response to changes in the external and internal environments such as deteriorated consumer sentiment resulting from the consumption tax hike and persistent trend of a weaker yen, we have reviewed the 2nd Short-term Business Plan and have newly formulated the 3rd Business Plan (fiscal 2017 to fiscal 2019). The Group aims to achieve net sales of ¥160,000 million and operating income of ¥16,000 million in the final year according to the following four management policies: (1) achieve stable growth in the Mail Order business, (2) achieve rapid growth of the Retail Store Sales business, (3) expand the Finance business, and (4) strengthen the Property business.

(1) Achieve stable growth in the Mail Order business

In the General Mail Order business and Specialty Mail Order business, the two segments of the mail order business constituting Belluna's core operations, we aim to achieve stable growth and improve profitability. In the General Mail Order business we will acquire new customers mainly by newspaper inserts linked to TVCM and achieve stable growth by promoting the now-sluggish EC business.

(2) Achieve rapid growth of the Retail Store Sales business

For apparel retail stores, we aim to achieve rapid growth by accelerating new store openings. We opened our first apparel retail store in November 2011 and had expanded to 33 stores across the country as of March 31, 2015. The existing stores turned profitable in only 2 years after opening and net sales continue to increase favorably. We will be accelerating new store openings in the future with an aim to achieve 160 stores by fiscal 2019. By expanding our store network, we expect to generate synergistic effects to boost the mail order business through catalogs and the Internet.

(3) Expand the Finance business

In the Finance business we will expand our domestic consumer finance business by leveraging its strong credit control capabilities cultivated from the mail order business. Requests for interest repayment, previously a matter of concern, have been on a decreasing trend since their peak in fiscal 2009 and are expected to decrease on a long-term basis. From now on we will increase our outstanding loans to foster the Finance business as a pillar of revenue.

(4) Strengthen the Property business

Finally, we will be strengthening the Property business to expand Belluna's business portfolio. In the Property business, we will expand our real estate lease business and development business while entering into the hotel business in order to strengthen "lifestyle" and "recreation" among the fields of focus in our management philosophy ("Aiming to fulfill people's needs for food, clothing, lifestyle and recreation").

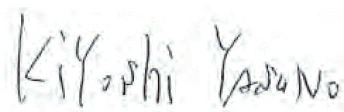
Q3. In closing, what message do you have for shareholders?

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 2015, 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 divided of ¥12.50 per share. We plan to maintain this amount at ¥12.50 per share in fiscal 2016.

Taking into account strategic investments intended to improve yearly performance and medium-term growth, the Company strives to continually pay stable dividends.

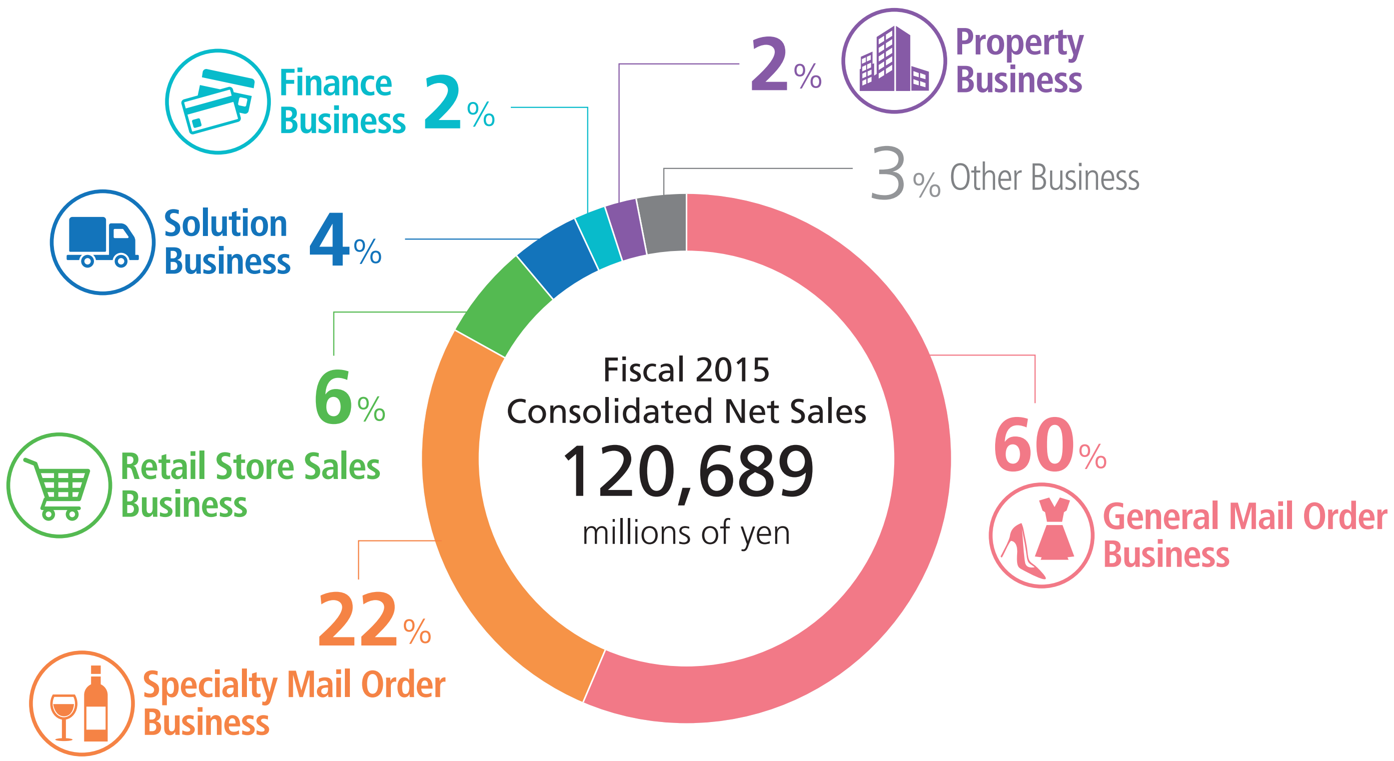
Since its foundation, Belluna has upheld a core philosophy of being a customer-driven, customer-focused company. Belluna offers complete lifestyle support, with a range of products and services that serve the demands of modern life, from food and clothing to recreation options and everything a home could need, in order to realize its management philosophy, "To help improve the lifestyles and well-being of our customers."

We appreciate your ongoing understand and support for the Belluna Group.



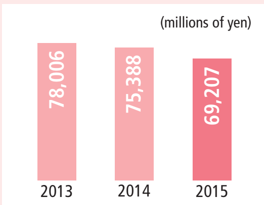
Kiyoshi Yasuno
President and CEO

Review of Business Operations

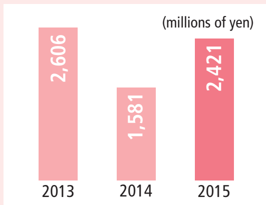


General Mail Order Business

Net Sales



Segment Income



Business Outline

The General Mail Order business, Belluna's core operation, 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. We are expanding the mail order business using the Internet and smartphones with a focus on young women.

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, segment net sales decreased 8.2% compared with the previous fiscal year to ¥69,207 million partly due to the backlash effect after the last-minute purchase demand associated with the consumption tax hike in addition to abolishment and curtailment of unprofitable advertising media. Segment income (operating income), on the other hand, surged 53.1% to ¥2,421 million because of the improved cost of sales ratios and the improved distribution cost ratios resulting from our newly operating distribution center.

Outlook

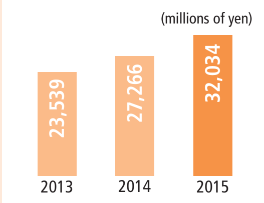
For fiscal 2016 we will seek to achieve segment net sales of ¥70,500 million (up 1.9%). To this end, we will strive to raise our conversion rate (CVR) on the Internet and expand our EC business through the introduction of goods dedicated to the Internet and improved website design. Thanks to synergistic effects resulting from multiple channels such as catalogs, the Internet, and retail stores, we expect the improved response to the mail order business, improved CVR on the Internet, and increased revenue in retail stores. We aim to achieve stable growth by taking advantage of the synergistic effects.

1 2 3 4

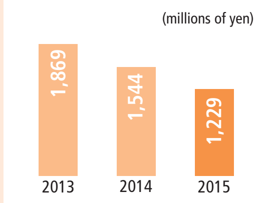
1 *BELLUNA* is a general fashion catalog aimed at middle-aged women.
2 *LE FRANT* is a general fashion and sundry goods catalog aimed at middleaged women.
3 *Ranan* is a fashion catalog for women in their 40s.
4 *RyuRyu* offers fashion items for young women in their 20s.

Specialty Mail Order Business

Net Sales



Segment Income



Business Outline

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 products by the same customers, a major factor contributing to the high profits the business generates.

Overview

Infirmiere Co., Ltd. and Best Thanks Co., Ltd., two companies acquired in fiscal 2014, were added to the scope of consolidation. Consequently, segment net sales rose 17.5% year on year to ¥32,034 million. Segment income (operating income), on the other hand, decreased 20.4% to ¥1,229 million mainly due to the higher cost of sales ratios of Best Thanks Co., Ltd.

Outlook

The Specialty Mail Order business plays an important role as an income-generating pillar within Belluna's business portfolio. Segment net sales for fiscal 2016 are forecast to increase 11.6% year on year to ¥35,750 million and segment income is expected to grow 50.5% to ¥1,850 million. We are aiming for further growth in the cosmetics, health food, gourmet food and wine divisions, as well as in the mail order business for nurses. Despite severe operating conditions, each division in the Specialty Mail Order business will work to achieve further growth while maintaining profitability.

1 

2 

3 

4 

5 

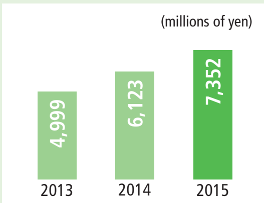
6 

7 

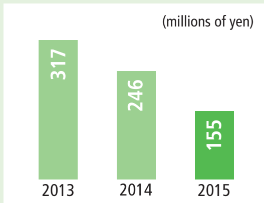
1 ***Egao no Haregohan*** is a gourmet catalog. 2 ***My Wine CLUB*** is a wine catalog. 3 ***OZIO*** is a cosmetics catalog.
4 ***Refre*** is a health food catalog. 5 ***Nursery*** is a catalog for nursing-related clothing. 6 ***Infirmiere*** is a catalog for nursing-related clothing.
7 ***Best Thanks*** is a gift catalog.

Retail Store Sales Business

Net Sales



Segment Income



Business Outline

Belluna Co., Ltd. is expanding the general apparel retail store business for women while its subsidiaries BANKAN Wamonoya Co., Ltd. are expanding the Japanese traditional clothing retail store business.

Overview

In addition to the general apparel retail store business, BANKAN Co., Ltd., which is expanding its Japanese traditional clothing retail stores, steadily increased sales. As a result, segment net sales increased 20.1% compared with the previous fiscal year to ¥7,352 million; however, mainly due to the struggling Wamonoya Co., Ltd., segment income fell 37.1% to ¥155 million.

Outlook

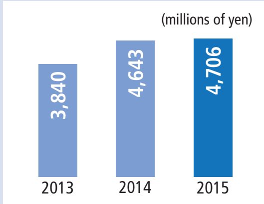
In fiscal 2016, forecasts call for segment net sales to rise 52.3% to ¥11,200 million and segment income to surge 157.6% to ¥400 million. In the general apparel retail store business, we plan to accelerate the rate at which new stores open, aiming for further growth. We expanded to 33 retail stores as of March 31, 2015 and aim to reach 67 retail stores as of March 31, 2016. Our regular retail stores, which account for 70% of our total general apparel retail stores, secured an average operating income margin of 7.2% and are expected to achieve a higher margin of 10% through improved operations. In the Japanese traditional clothing retail store business, we expanded to 54 retail stores as of March 31, 2015 and aim to reach 63 retail stores as of March 31, 2016. Further, we will maintain an operating income margin of 10% or higher. We will continue to increase the number of retail stores as we strive to make this new business segment a major pillar of operations.

Solution Business

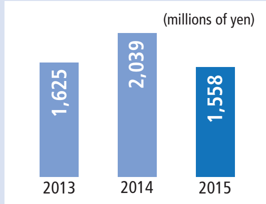
Business Outline

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 mail order business outsourcing services such as order-processing, direct marketing and product dispatch services.

Net Sales



Segment Income



Overview

Sales of mail order business outsourcing services, a relatively less profitable revenue source, increased. Consequently, segment net sales increased 1.4% compared with the previous fiscal year to ¥4,706 million but segment income decreased 23.6% to ¥1,558 million.

Outlook

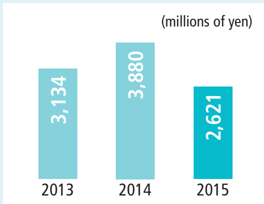
For the business segment as a whole, net sales for fiscal 2016 are expected to increase 5.2% year on year to ¥4,950 million and segment income is expected to rise 12.3% to ¥1,750 million through the expansion of enclosing and mailing services. Looking ahead, we aim to expand the scale of the business while securing profitability through cost control measures as well.

Finance Business

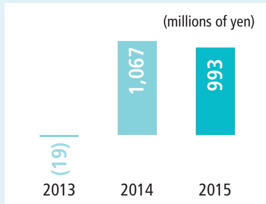
Business Outline

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.

Net Sales



Segment Income (loss)



Overview

The Finance business recorded a 32.4% year-on-year decrease in segment net sales to ¥2,621 million because of the sale of shares of a consolidated subsidiary in the consumer finance business in South Korea in fiscal 2014. Segment income decreased 6.9% to ¥993 million due to an increase in the highly profitable domestic consumer finance business.

Outlook

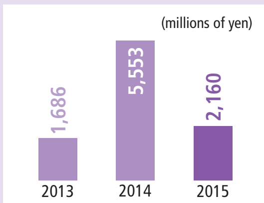
Positive signs have begun to slowly emerge in the operating conditions surrounding the Finance business. We will strive to build on the increase in trade loans mainly for the domestic consumer finance business. As a result, segment net sales are projected to rise 12.5% year on year to ¥2,950 million and segment income is forecast to increase 0.6% to ¥1,000 million.

Property Business

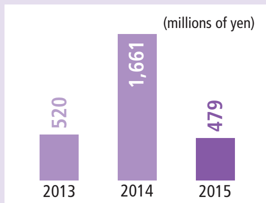
Business Outline

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

Net Sales



Segment Income



Overview

The Property business experienced a sharp 61.1% drop in segment net sales year on year to ¥2,160 million due to a significant reduction in revenues and profit by the backlash effect after the large-scale selling of real estate in fiscal 2014. Segment income decreased 71.1% to ¥479 million.

Outlook

Company aims to strengthen the hotel business in addition to the development and leasing of real estate in fiscal 2016. We will start operating URABANDAI LAKE RESORT (Fukushima Prefecture) in October 2015. Segment net sales for fiscal 2016 are forecast to surge 182.4% year on year to ¥6,100 million and segment income is expected to rise 108.6% to ¥1,000 million.

Corporate Governance

The Company transitioned into a board with audit committee structure in June 2015 in order to strengthen its auditing and supervising function for legal compliance and appropriateness of management and operation. Establishing multiple outside directors without engaging in management and operation enables the Company to separate supervision from management and operation, and thereby further reinforce the corporate governance. Through these measures, the Company achieves highly transparent management.

Governance System

Board of Directors

As of June 2015, the Board of Directors consisted of ten directors, makes decisions on management objectives and management strategy, etc., and supervises the management and operation of directors. The Board of Directors actively requests members of the Audit Committee to express opinions about resolutions on matters set forth in laws and regulations and the Articles of Incorporation, the status of management and operation, and other important managerial matters. In this manner, the Board of Directors releases reports and deliberates and adopts resolutions while securing fair and objective decisions.

Audit Committee

The Audit Committee consists of three members (including two outside directors) and audits the status of corporate governance, management and operation, and the daily activities of management, including directors. Two of the outside directors are independent directors 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 directors. Moreover, it has been determined that the objective and neutral monitoring provided by the outside directors is sufficient to maintain system effectiveness in the area of management supervision functions.

Executive Officer System

The Company introduced an executive office 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 to the Board of Directors and the Representative Director and possesses the authority to order improvements or suspensions of operations at operating divisions.

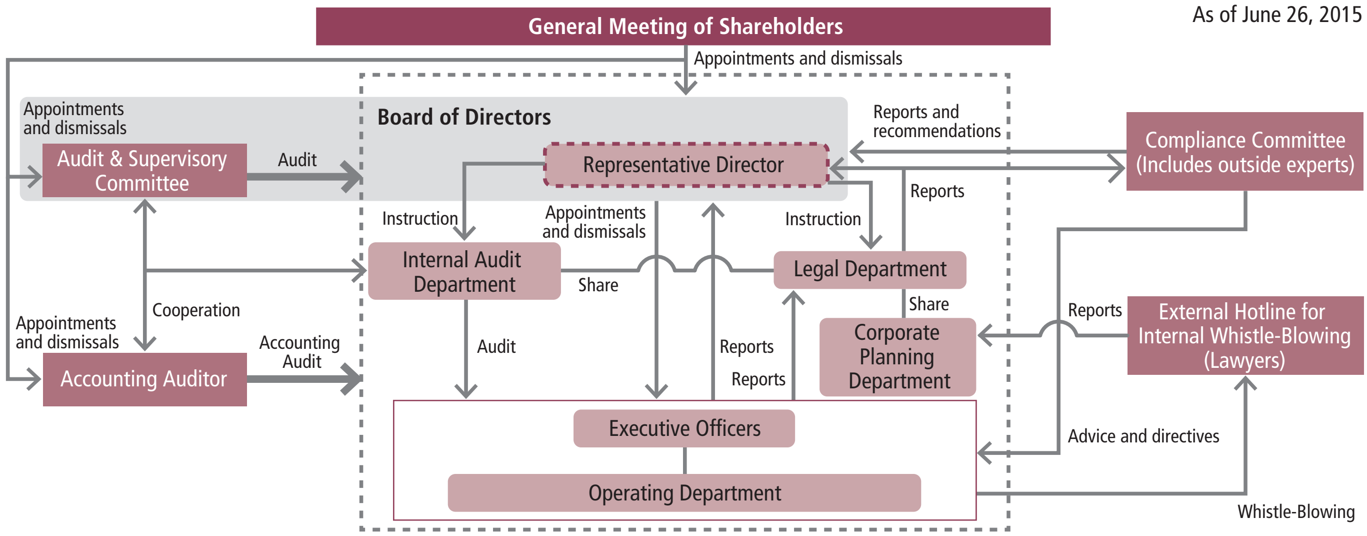
Compliance Promotion Structure

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 Company-wide administrative systems and the execution of operations. The Internal Audit Department coordinates with members of the Audit Committee 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

As of June 26, 2015



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	2010	2011	2012	2013	2014	2015	2015
For the year:							
Net sales	100,101	103,460	110,300	117,884	125,412	**120,689**	**1,004,821**
Cost of sales	43,259	45,511	48,670	52,155	56,677	**53,543**	**445,783**
Gross profit —net	56,834	57,954	61,621	65,719	68,739	**67,158**	**559,137**
Selling, general and administrative expenses	52,502	51,221	54,215	58,638	60,940	**60,782**	**506,053**
Operating income	4,332	6,733	7,406	7,080	7,798	**6,376**	**53,085**
Income before income taxes and minority interests	3,520	5,372	6,785	8,974	9,982	**9,612**	**80,027**
Net income	1,276	4,389	4,294	5,870	7,013	**6,394**	**53,235**
Capital investment	226	792	869	8,948	9,276	**20,171**	**167,938**
Depreciation	2,134	2,296	2,184	2,282	2,367	**2,506**	**20,864**
At year-end:							
Current assets	72,598	68,954	58,292	65,091	66,667	**69,855**	**581,592**
Property, plant and equipment	28,251	27,310	28,587	35,230	42,748	**55,804**	**464,607**
Total assets	119,703	110,595	99,174	115,079	130,648	**152,224**	**1,267,372**
Current liabilities	42,079	39,534	27,718	38,723	33,701	**36,516**	**304,021**
Long-term liabilities	23,405	13,594	10,650	9,743	23,466	**36,197**	**301,365**
Total liabilities	65,485	53,129	38,369	48,466	57,167	**72,713**	**605,387**
Net assets	54,217	57,465	60,805	66,612	73,480	**79,510**	**661,977**
Number of shares issued (thousands)	56,592	56,592	56,592	56,592	113,184	**113,184**	
Number of employees	992	969	1,020	1,139	1,212	**1,430**	
	Yen						U.S. dollars [2]
Per share data:							
Net income per share [3]	25.47	87.57	86.53	60.18	72.12	**65.77**	**548**
Shareholders' equity per share [3, 4]	1,081.64	1,146.45	1,241.73	685.03	755.67	**814.97**	**6,785**
Cash dividends per share [3]	15	15	15	7.5	12.5	**12.5**	**104**
	Percentage (%)						
Financial ratios:							
Operating income margin	4.3	6.5	6.7	6.0	6.2	**5.3**	
Net income margin	1.3	4.2	3.9	5.0	5.6	**5.3**	
Return on equity (ROE) [5]	2.4	7.9	7.3	9.2	10.0	**8.4**	
Return on assets (ROA) [6]	3.6	6	7.2	6.9	6.9	**5.3**	
Shareholders' equity ratio [5]	45.3	52	61.3	57.9	56.2	**52.1**	

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 ¥120.11=US$1.00, the approximate rate on the Tokyo foreign exchange market on March 31, 2015. Amounts of less than one thousand U.S. dollars have been truncated.
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 2015, the year ended March 31, 2015, the Japanese economy saw positive signs of a rebound. These signs included increasing capital investment and improving employment conditions, 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. Rising prices of imported goods due to weaker yen rates and concern over higher commodity prices after the consumption tax hike put increasing downward pressure on overall consumption.

Under these conditions, the Belluna Group continued its measures to strengthen portfolio management.

As a result, consolidated net sales for fiscal 2015 decreased 3.8% year on year to ¥120,689 million. In the year under review, operating income decreased 18.2% year on year to ¥6,376 million largely due to a significant decrease in income from sales of real estate. Ordinary income decreased 3.6% to ¥10,052 million partly due to income from the movement in foreign exchange rates, while net income decreased 8.8% year on year to ¥6,394 million.

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 5. 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, in addition to the Company's efforts to abolish and curtail unprofitable advertising media, the backlash effect after the last-minute purchase demand associated with the consumption tax hike pushed segment net sales down 8.2% compared with the previous fiscal year to ¥69,207 million. Segment (operating) income surged 53.1% to ¥2,421 million mainly because of improved cost rate and logistics ratios.

In the Specialty Mail Order business, Infirmiere Co., Ltd. and Best Thanks Co., Ltd., two companies acquired in the previous fiscal year, were added to the scope of consolidation. Consequently, segment net sales rose 17.5% year on year to ¥32,034 million. Segment (operating) income, on the other hand, decreased 20.4% to ¥1,229 million mainly due to the higher cost rate of Best Thanks Co., Ltd.

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 20.1% compared with the previous fiscal year to ¥7,352 million; however, mainly due to the struggling business of Wamonoya Co., Ltd., segment (operating) income fell 37.1% to ¥155 million.

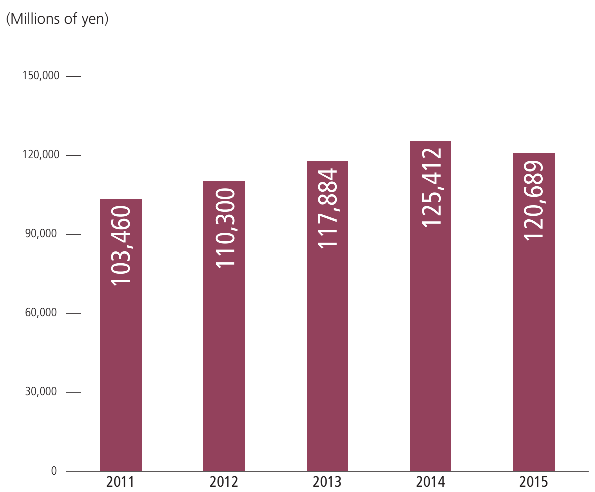
In the Solution business, sales of direct-marketing outsourcing services, a relatively less profitable revenue source, increased. Consequently, segment net sales increased 1.4% compared with the previous fiscal year to ¥4,706 million and segment (operating) income decreased 23.6% to ¥1,558 million.

The Finance business recorded a 32.4% year-on-year decrease in segment net sales to ¥2,621 million because of the sale of shares of a consolidated subsidiary in the consumer finance business in South Korea in the previous fiscal year. Segment (operating) income decreased 6.9% to ¥993 million due to an increase in the highly profitable domestic consumer finance business.

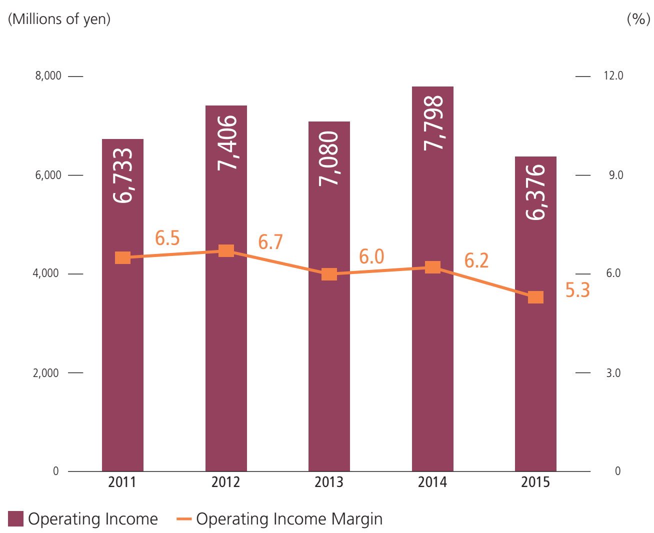
The Property business experienced a sharp 61.1% drop in segment net sales year on year to ¥2,160 million due to a significant reduction in revenues and profit by the backlash effect after the large-scale selling of real estate in the previous fiscal year. Segment (operating) income decreased 71.1% to ¥479 million.

The Other business saw no significant changes as a whole. As a result, segment net sales fell 2.8% compared with the previous fiscal year to ¥3,093 million. At the same time, a segment (operating) loss of ¥280 million was recorded for the year under review, in comparison with a segment (operating) loss of ¥236 million in the previous fiscal year.

Net Sales



Operating Income and Operating Income Margin



Financial Condition

Total assets as of March 31, 2015 stood at ¥152,224 million, an increase of ¥21,576 million from the previous fiscal year-end. In particular, current assets rose ¥3,188 million to ¥69,855 million, primarily reflecting increases of ¥841 million in cash and deposits, ¥408 million in trade loans, ¥1,531 million in merchandise and finished goods, ¥317 million in real estate for sale, and ¥328 million in real estate for sale in process, despite a decrease of ¥1,882 million in trade notes and accounts receivable. As of the end of the fiscal year, fixed assets recorded ¥82,368 million, an increase of ¥18,387 million. This was mainly due to increases of ¥7,588 million in buildings and structures, ¥12,067 million in land, and ¥4,525 million in investment securities, in spite of a ¥7,265 million decrease in construction in progress.

Total liabilities increased ¥15,546 million compared with the previous fiscal year-end to ¥72,713 million. Specifically, current liabilities increased ¥2,815 million year on year to ¥36,516 million, primarily because of a ¥1,842 million increase in short-term borrowings, and a ¥1,257 million increase in income taxes payable. Long-term liabilities grew by ¥12,730 million to ¥36,197 million, largely due to the ¥12,437 million increase in long-term borrowings.

Net assets as of March 31, 2015 totaled ¥79,510 million, a ¥6,030 million rise compared with the previous fiscal year-end. As a result, the shareholders' equity ratio was 52.1%.

Cash Flows

Net cash provided by operating activities during the fiscal year under review increased from ¥5,766 million in the previous fiscal year to ¥9,089 million. The main factors leading to this increase were ¥9,612 million of income before income taxes and minority interests, ¥2,506 million of depreciation, and a ¥2,162 million decrease in trade notes and accounts receivable, which offset ¥1,913 million of income taxes paid, a ¥2,145 million gain on valuation of derivatives, and a ¥1,537 million increase in inventories.

Net cash used in investing activities during the fiscal year under review increased from ¥15,397 million in the previous fiscal year to ¥20,191 million. This increase was largely due to a year-on-year rise in cash outflows for ¥1,525 million of payments into time deposits, ¥19,347 million of payments for the acquisition of property, plant and equipment, and ¥7,722 million of payments for the acquisition of investment securities, which offset ¥2,410 million of proceeds from withdrawal of time deposits, ¥3,004 million of proceeds from sales of property, plant and equipment, and ¥3,104 million of proceeds from sales of investment securities.

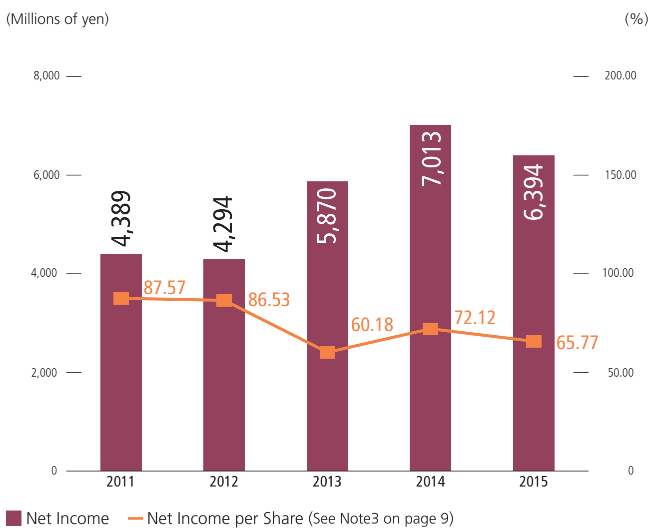
Net cash provided by financing activities during the fiscal year under review increased from ¥10,721 million in the previous fiscal year to ¥12,571 million. The principal factor contributing to this rise was ¥18,280 million of proceeds from long-term borrowings, which offset ¥5,239 million of repayments of long-term borrowings and ¥1,215 million of dividends paid.

Forecasts for Fiscal 2016

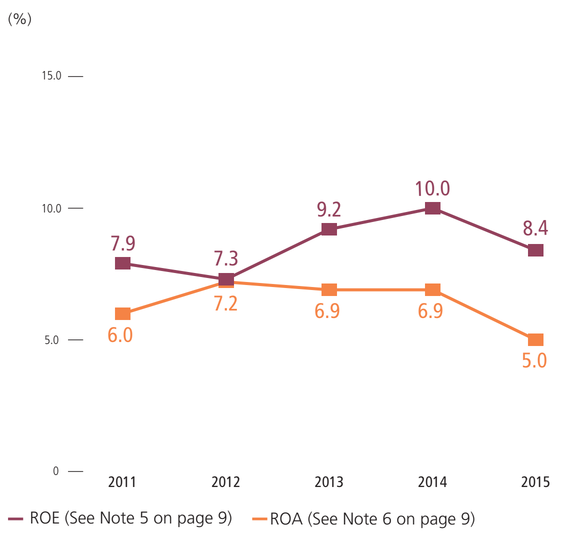
Going forward, the Japanese economy is projected to follow a path of gradual recovery due to the continuing virtuous cycle enabled by Abenomics and moderate recovery in exports. Against this backdrop, the Belluna Group will remain committed to strengthening portfolio management in accordance with the management policy of the 2nd Short-term Business Plan.

Regarding the forecast for fiscal 2016, we anticipate net sales of ¥130,000 million, operating income of ¥8,500 million, ordinary income of ¥10,200 million, and net income attributable to owners of the parent of ¥6,750 million. When business risks and other risks increase more than the Group currently recognizes, there may be changes to these forecasts. Nonetheless, these forecasts have been made based on all factors, predictable as of this document's release, that may impact the Group financially, as well as the current conditions of the Group's operations. Hereafter, any factor that may affect our business results or financial forecasts will be announced promptly.

Net Income and Net Income per Share*



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.

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

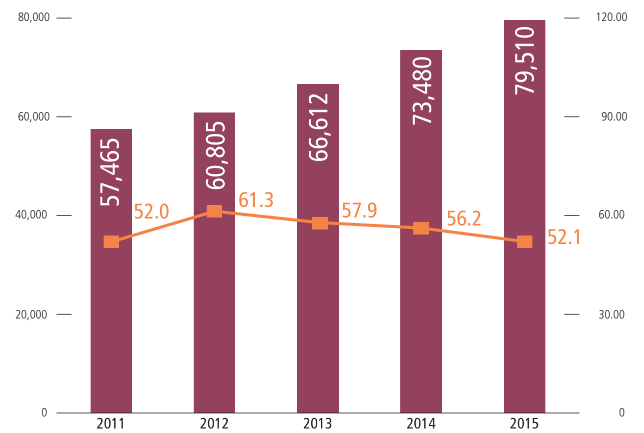
Although the Belluna Group formulates sales plans based on seasonal product trends, inclement weather, including cool summers, warm winters and extended periods of heavy rain, may place downward pressure on sales activities and cause additional problems such as excess inventories. As a result, the Group's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

Shareholders' Equity* and Shareholders' Equity Ratio

(Millions of yen) (%)

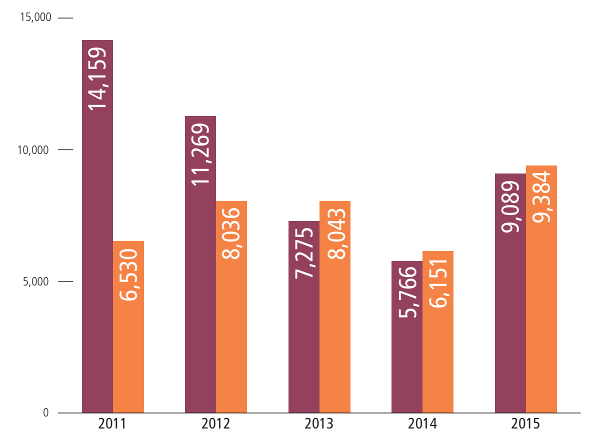


Shareholders' Equity — Shareholders' Equity Ratio (See Note 5 on page 9)

* Net assets less minority interests

Operating Cash Flow and Adjusted Operating Cash Flow Margin

(Millions of yen)



Operating Cash Flow   Adjusted Operating Cash Flow Margin (excluding trade loans) 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 in crude oil prices, the Group's operating performance and financial situation may be adversely affected.

7. Overseas Business Risks

The Group has developed the finance business in South Korea and the property business in Southeast Asia. When developing business overseas, factors such as changing political and economic circumstances, the establishment and amendment of laws and regulations and various rules, changes in regional working environments 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 the control systems within Group companies and contractors we outsource to in order 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 marketable securities. In the case of a major drop in market prices of these securities, 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, 2015 (with comparative figures for the previous year).

Consolidated Balance Sheets

		In millions of yen		
		March 31, 2014		**March 31, 2015**
Assets				
Current assets				
Cash and deposits		16,401		**17,242**
Trade notes and accounts receivable		11,462		**9,579**
Trade loans		16,873		**17,281**
Marketable securities		436		**721**
Merchandise and finished goods		14,326		**15,857**
Raw materials and supplies		1,182		**1,185**
Real estate for sale		1,464		**1,782**
Real estate for sale in process		—		**328**
Deferred tax assets		758		**712**
Other current assets		4,493		**5,785**
Allowance for doubtful accounts		(730)		**(621)**
Total current assets		66,667		**69,855**
Fixed assets				
Property, plant and equipment				
Buildings and structures		25,442		**33,955**
Accumulated depreciation	*1	(11,316)	*1	**(12,241)**
Buildings and structures (net)		14,126		**21,714**
Machinery and equipment		1,629		**2,139**
Accumulated depreciation		(1,051)		**(1,149)**
Machinery and equipment (net)		577		**990**
Furniture and fixtures		2,179		**2,053**
Accumulated depreciation	*1	(1,816)	*1	**(1,689)**
Furniture and fixtures (net)		362		**364**
Land		20,124	*2	**32,192**
Lease assets		366		**576**
Accumulated depreciation		(208)		**(167)**
Machinery and equipment (net)		157		**408**
Construction in progress		7,400		**134**
Total property, plant and equipment		42,748		**55,804**
Intangible fixed assets				
Goodwill		3,960		**3,601**
Lease assets		1,230		**1,284**
Other		2,167		**2,696**
Total intangible fixed assets		7,358		**7,582**
Investments and other assets				
Investment securities	*3	8,801	*3	**13,326**
Long-term lending		2,099		**1,679**
Claims provable in bankruptcy, claims provable in rehabilitation and other		363		**250**
Deferred tax assets		1,080		**807**
Other assets	*2	1,875		**3,203**
Allowance for doubtful accounts		(347)		**(286)**
Total investments and other assets		13,873		**18,981**
Total fixed assets		63,980		**82,368**
Total assets		130,648		**152,224**

		In millions of yen		
		March 31, 2014		**March 31, 2015**
Liabilities				
Current liabilities				
Trade notes and accounts payable		15,193		**15,449**
Short-term borrowings	*4, *5	5,829	*4, *5	**7,672**
Accrued expenses		7,013		**6,629**
Lease obligations		393		**548**
Income taxes payable		789		**2,047**
Provision for bonuses		509		**546**
Provision for sales returns		78		**66**
Provision for point program		670		**649**
Other current liabilities		3,223		**2,908**
Total current liabilities		33,701		**36,516**
Long-term liabilities				
Long-term borrowings	*5	19,557	*2, *5	**31,995**
Provision for loss on interest repayment		1,099		**1,097**
Lease obligations		861		**1,162**
Net defined benefit liability		186		**34**
Provision for retirement benefits for directors and corporate auditors		236		**244**
Asset retirement obligations		465		**494**
Other long-term liabilities		1,060		**1,168**
Total long-term liabilities		23,466		**36,197**
Total liabilities		57,167		**72,713**
Net assets				
Shareholders' equity				
Common stock		10,607		**10,607**
Capital surplus		11,003		**11,003**
Retained earnings		60,941		**66,120**
Treasury stock		(9,676)		**(9,676)**
Total shareholders' equity		72,875		**78,054**
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		700		**1,313**
Foreign currency translation adjustments		(104)		**(183)**
Remeasurements of defined benefit plans		9		**61**
Total accumulated other comprehensive income		604		**1,191**
Minority interests		0		**264**
Total net assets		73,480		**79,510**
Total liabilities and net assets		130,648		**152,224**

Consolidated Statements of Income

In millions of yen

		Year ended March 31, 2014		Year ended March 31, 2015
Net sales		125,412		**120,689**
Cost of sales	*1	56,677	*1	**53,543**
Gross profit		68,735		**67,146**
Reversal of provision for sales returns		82		**78**
Provision for sales returns		78		**66**
Gross profit—net		68,739		**67,158**
Selling, general and administrative expenses	*2	60,940	*2	**60,782**
Operating income		7,798		**6,376**
Non-operating income				
Interest income		205		**243**
Dividend income		490		**508**
Rent income		34		**29**
Extinction of debt		32		**33**
Compensation received		101		**97**
Foreign exchange gains		1,018		**574**
Gain on valuation of derivatives		796		**2,145**
Other		558		**472**
Total non-operating income		3,238		**4,105**
Non-operating income				
Interest expense		124		**119**
Commission fee		64		**12**
Loss on investments in partnership		169		**—**
Depreciation		85		**147**
Loss on closing of stores		3		**63**
Other		158		**85**
Total non-operating expenses		605		**429**
Ordinary income		10,431		**10,052**
Extraordinary gains				
Gain on sales of investment securities		—		**182**
Gain on bargain purchase		281		**—**
Total extraordinary gains		281		**182**
Extraordinary losses				
Loss on sales of fixed assets	*3	96	*3	**3**
Loss on retirement of fixed assets		—	*4	**98**
Impairment loss		—	*5	**13**
Settlement package		—	*6	**506**
Loss on valuation of investment securities		58		**—**
Loss on sales of shares of subsidiaries and associates		575		**—**
Total extraordinary loss		730		**621**
Income before income taxes and minority interests		9,982		**9,612**
Income taxes—current		2,319		**3,147**
Income taxes—deferred		650		**83**
Total income taxes		2,969		**3,231**
Income before minority interests		7,013		**6,381**
Minority interests in income (loss)		(0)		**(13)**
Net income		7,013		**6,394**

Consolidated Statements of Comprehensive Income

In millions of yen

	Year ended March 31, 2014	**Year ended March 31, 2015**
Income before minority interests	7,013	**6,381**
Other comprehensive income		
Valuation difference on available-for-sale securities	24	**613**
Foreign currency translation adjustments	794	**(79)**
Remeasurements of defined benefit plans, net of tax	—	**52**
Total other comprehensive income	*1 818	*1 **586**
Comprehensive income	7,831	**6,967**
Comprehensive income attributable to owners of the parent	7,831	**6,703**
Comprehensive income attributable to minority interests	(0)	**264**

Consolidated Statements of Changes in Net Assets

(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						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

(In millions of yen)

Year ended March 31, 2015	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**	**60,941**	**(9,676)**	**72,875**	**700**	**(104)**	**9**	**604**	**0**	**73,480**
Changes during year:											
Dividends paid			**(1,215)**		**(1,215)**						**(1,215)**
Net income			**6,394**		**6,394**						**6,394**
Purchase of treasury stock				**(0)**	**(0)**						**(0)**
Disposal of treasury stock		**—**		**—**	**—**						**—**
Net changes of items other than shareholders' equity						**613**	**(78)**	**52**	**586**	**264**	**851**
Total changes of items during year	**—**	**—**	**5,179**	**(0)**	**5,179**	**613**	**(78)**	**52**	**586**	**264**	**6,030**
Balance at end of year	**10,607**	**11,003**	**66,120**	**(9,676)**	**78,054**	**1,313**	**(183)**	**61**	**1,191**	**264**	**79,510**

Consolidated Statements of Cash Flows

		In millions of yen		
		Year ended March 31, 2014		**Year ended March 31, 2015**
Cash flows from operating activities				
Income before income taxes and minority interests		9,982		**9,612**
Depreciation		2,367		**2,506**
Increase (decrease) in provision for sales returns		(3)		**(12)**
Impairment loss		—		**13**
Amortization of goodwill		344		**424**
Increase (decrease) in allowance for doubtful accounts		(1,833)		**(169)**
Increase (decrease) in provision for bonuses		(48)		**32**
Increase (decrease) in net defined benefit liability		(31)		**(34)**
Increase (decrease) in provision for retirement benefits for directors and corporate auditors		9		**7**
Increase (decrease) in provision for point program		101		**(21)**
Increase (decrease) in provision for loss on interest repayment		(50)		**(2)**
Interest and dividend income		(696)		**(752)**
Interest expense		124		**119**
Loss (gain) on valuation of derivatives		(796)		**(2,145)**
Loss (gain) on sales of investment securities		—		**(182)**
Loss (gain) on valuation of investment securities		58		**—**
Loss (gain) on sales of shares of subsidiaries and associates		575		**—**
Foreign exchange losses (gains)		(603)		**138**
Loss (gain) on sales of property, plant and equipment		96		**—**
Loss on retirement of fixed assets		—		**104**
Gain on bargain purchase		(281)		**—**
Decrease (increase) in trade notes and accounts receivable		501		**2,162**
Decrease (increase) in trade loans		(385)		**(295)**
Decrease (increase) in inventories		(1,361)		**(1,537)**
Decrease (increase) in real estate for sale		2,451		**151**
Decrease (increase) in other current assets		97		**(630)**
Increase (decrease) in notes and accounts payable		(1,775)		**291**
Increase (decrease) in other current liabilities		152		**(47)**
Increase (decrease) in other long-term liabilities		(0)		**87**
Other		455		**677**
Sub-total		9,449		**10,498**
Interest and dividends received		655		**620**
Interest paid		(126)		**(120)**
Refund of income taxes		38		**5**
Income taxes paid		(4,250)		**(1,913)**
Net cash provided by operating activities		5,766		**9,089**
Cash flows from investing activities				
Payments into time deposits		(3,030)		**(1,525)**
Proceeds from withdrawal of time deposits		2,718		**2,410**
Acquisition of marketable securities		(294)		**—**
Proceeds from sales of marketable securities		1,014		**443**
Acquisition of property, plant and equipment		(8,742)		**(19,347)**
Proceeds from sales of property, plant and equipment		618		**3,004**
Acquisition of intangible fixed assets		(435)		**(1,363)**
Acquisition of investment securities		(3,013)		**(7,722)**
Proceeds from sales of investment securities		891		**3,104**
Purchase of shares of subsidiaries	*2	(7,048)	*2	**(738)**
Proceeds from sales of shares of subsidiaries	*3	2,378		**—**
Payments of loans receivable		(549)		**(360)**
Collection of loans receivable		57		**1,625**
Payments for guarantee deposits		(84)		**(310)**
Proceeds from collection of guarantee deposits		132		**90**
Payments of other investments		(16)		**(105)**
Collection of other investments		7		**605**
Net cash used in investing activities		(15,397)		**(20,191)**
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		(4,200)		**1,240**
Proceeds from long-term borrowings		23,900		**18,280**
Repayments of long-term borrowings		(7,553)		**(5,239)**
Purchase of treasury stock		(0)		**(0)**
Dividends paid		(972)		**(1,215)**
Repayments of lease obligations		(452)		**(492)**
Other		0		**—**
Net cash provided by financing activities		10,721		**12,571**
Effect of exchange rate change on cash and cash equivalents		75		**131**
Net increase (decrease) in cash and cash equivalents		1,166		**1,601**
Cash and cash equivalents at beginning of year		13,334		**14,500**
Cash and cash equivalents at end of year	*1	14,500	*1	**16,102**

Notes to Consolidated Financial Statements

basis for preparation of consolidated financial statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 23 companies

From the fiscal year ended March 31, 2015, the Company included the newly established TEXAS PROPERTY MALAYSIA SDN. BHD., BELLUNA LANKA PVT. LTD., BELLUNA CAPITAL, INC. and GALLE HERITAGE LANKA PVT. LTD. into the scope of consolidation. Also, the Company acquired the shares of INYA CAPITAL PTE. LTD. and Nekoma Hotel Co., Ltd., and included them into the scope of consolidation.

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 periods of BELL-STAGE Co., Ltd. and BELLUNA CAPITAL, INC., two of the consolidated subsidiaries mentioned above, end on December 31. Nevertheless, the financial statements of BELL-STAGE Co., Ltd. and BELLUNA CAPITAL, INC. are used as the basis for consolidation since the difference between their financial closing dates 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 those companies' closing dates 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 oflease 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.

(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 4 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 from the fiscal year under review, 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 March 26, 2015) with respect to 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, whereby the calculation method for retirement benefit obligation and service cost has been reviewed. Based on this review, a straight-line basis is continuously applied in the method for attributing projected benefits to periods, and the method for determining the discount rate has been changed from a method using a discount rate based on the number of years approximately equal to the average remaining years of service of employees to a method using multiple discount rates set for each period up to the expected time of retirement benefit payment.

This accounting change has no effect on retained earnings at the beginning of the year or on income (loss).

New Accounting Standards 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.

Changes in Presentation

For the Consolidated Statements of Income

"Loss on closing of stores" previously included in "Other" of "Non-operating expenses" is presented as an independent line item in the year ended March 31, 2015, as its weight has grown to exceed 10% of the total amount of non-operating expenses. To conform to the current year's presentation, certain reclassifications have been made in the consolidated financial statements for the year ended March 31, 2014.

Consequently, ¥162 million previously presented as "Other" of "Non-operating expenses" has been reclassified as "Loss on closing of stores" and "Other" in the amounts of ¥3 million and ¥158 million, respectively, in the consolidated statement of income for the year ended March 31, 2014.

Notes to the Consolidated Balance Sheets

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

*2. Pledged assets and secured liabilities

Assets pledged as collateral and secured liabilities are as follows.

(In millions of yen)

	March 31, 2014	March 31, 2015
Land	—	9,532

Liabilities secured by the above are as follows.

(In millions of yen)

	March 31, 2014	March 31, 2015
Long-term borrowings	—	9,500

In the year ended March 31, 2014, a ¥48 million guarantee deposit included in "Other assets" of "Investments and other assets" was pledged as collateral for derivative transactions.

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

(In millions of yen)

	March 31, 2014	March 31, 2015
Investment securities (stocks)	596	596

*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, 2014 and 2015 is summarized as follows:

(In millions of yen)

	March 31, 2014	March 31, 2015
Total of the overdraft limit and lending commitments	12,250	12,250
Executed loans	1,010	2,250
Unexecuted balance	11,240	10,000

*5. Restrictive financial covenants

Of the consolidated borrowings balance, up to ¥8,937 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, 2014	March 31, 2015
Shimamura Co., Ltd. (Note 1)	331	—
Shurei Co., Ltd. (Note 2)	309	282
Total	641	282

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, 2014	Year ended March 31, 2015
Loss on revaluation of inventories	483	695

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

(In millions of yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Freightage and packing expenses	9,193	8,951
Advertising expenses	15,899	16,178
Sales promotion expenses	2,836	2,675
Provision of allowance for doubtful accounts	1,510	525
Provision for point program	657	641
Provision for loss on interest repayment	425	447
Salaries and allowances	9,131	9,297
Provision for bonuses	485	546
Provision for retirement benefits for directors and corporate auditors	9	9
Retirement benefit expenses	67	31
Communication expenses	6,235	6,352
Commission fee	6,848	6,902

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

(In millions of yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Buildings and structures	23	—
Furniture and fixtures	0	3
Land	72	—
Total	96	3

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

(In millions of yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Buildings and structures	—	55
Machinery and equipment	—	13
Furniture and fixtures	—	22
Software	—	5
Total	—	98

*5. Impairment loss

For the year ended March 31, 2015

The Group recorded impairment losses on the following asset groups in the year ended March 31, 2015.

Usage	Type	Location
Assets for business	Buildings and structures, furniture and fixtures	Tsuzuki-ku, Yokohama-shi
Assets for business	Software	Shinjuku-ku, Tokyo

(Method for grouping assets)
The Group bundles assets for business based on segments under managerial accounting, while real estate for lease and idle assets are grouped individually.

(Process through which impairment loss was recognized)
In the year ended March 31, 2015, a review by the above grouping indicated deteriorating operating results and no prospects for a performance recovery in the short-term. Consequently, the Group wrote down the carrying amounts to recoverable amounts and recorded the amount written off as an impairment loss.

(Components of amounts of impairment loss by type of fixed assets)
Amounts of components of impairment loss are as follows: ¥11 million of buildings and structures, ¥0 million of furniture and fixtures, and ¥2 million of software.

(Method for calculating the recoverable amounts)
The recoverable amounts of the relevant assets are measured by net sales values on the assumption that the net sales values equal to zero.

*6. Details of the settlement package are as follows:
The settlement package is settlement money paid to Japan Post Co., Ltd. upon the settlement of a dispute with that company.

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 end of March 31, 2014	Year end of March 31, 2015
Valuation difference on available-for-sale securities:		
Gains (losses) incurred during the year	(12)	940
Reclassification adjustment to net income	49	(90)
Amount before tax effect	36	850
Tax effect	(12)	(237)
Valuation difference on available-for-sale securities	24	613
Foreign currency translation adjustments:		
Gains (losses) incurred during the year	460	(79)
Reclassification adjustment to net income	333	—
Foreign currency translation adjustments	794	(79)
Remeasurements of defined benefit plans, net of tax		
Gains (losses) incurred during the year	—	93
Reclassification adjustment to net income	—	(17)
Amount before tax effect	—	76
Tax effect	—	(23)
Remeasurements of defined benefit plans, net of tax	—	52
Total other comprehensive income	818	586

Notes to the Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2014

1. Type and number of shares issued and in treasury

(In thousands of shares)

	Type	Location	Location	Location
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

For the year ended March 31, 2015

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	113,184	—	—	113,184
Total	113,184	—	—	113,184
Treasury stock:				
Common stock (Note 1)	15,945	0	—	15,946
Total	15,945	0	—	15,946

Note: The increase of 0 thousand shares of common stock issued resulted from the 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 27, 2014	Common stock	607	6.25	March 31, 2014	June 30, 2014
Board of Directors' meeting on October 31, 2014	Common stock	607	6.25	September 30, 2014	December 5, 2014

(2) Dividends with a record date during the year ended March 31, 2015, 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 26, 2015	Common stock	607	Retained earnings	6.25	March 31, 2015	June 29, 2015

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)

	Year ended March 31, 2014	Year ended March 31, 2015
Cash and deposits	16,401	17,242
Time deposits with original maturities of more than three months	(1,901)	(1,140)
Cash and cash equivalents	14,500	16,102

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

For the year ended March 31, 2014

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

For the year ended March 31, 2015

Major components of the assets and liabilities of INYA CAPITAL PTE. LTE. at the start of the consolidation of its 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	215
Fixed assets	1,459
Goodwill	65
Current liabilities	(412)
Minority interests	(227)
Subtotal	1,100
Book value of existing shares	(208)
Share acquisition cost	892
Cash and cash equivalents	(125)
Net: disbursement for acquisition	767

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

For the year ended March 31, 2014

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

For the year ended March 31, 2015

None applicable.

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.

2. Operating lease transactions

(As lessee)

Future lease payments under non-cancelable operating leases in operating lease transactions

(In millions of yen)

	March 31, 2014	March 31, 2015
Due within one year	—	257
Due over one year	—	1,137
Total	—	1,395

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, 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	51,723	51,999	276
(1) Trade notes and accounts payable	15,193	15,193	—
(2) Short-term borrowings	5,829	5,829	—
(3) Long-term borrowings	19,557	19,557	—
Liabilities total	40,580	40,580	—
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.

As of March 31, 2015

(In millions of yen)

	Balance sheet carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and deposits	17,242	17,242	—
(2) Trade notes and accounts receivable	9,579		
Allowance for doubtful accounts (*1)	(431)		
	9,148	9,148	—
(3) Trade loans	17,281		
Allowance for doubtful accounts (*1)	(181)		
	17,100	17,325	224
(4) Marketable securities and investment securities			
Held-to-maturity debt securities	1,003	1,001	(2)
Available-for-sale securities	10,214	10,214	—
	11,218	11,216	(2)
Assets total	43,491	43,716	222
(1) Trade notes and accounts payable	15,449	15,449	—
(2) Short-term borrowings	7,672	7,672	—
(3) Long-term borrowings	31,995	31,995	—
Liabilities total	55,116	55,116	—
Derivative transactions (*2)	2,599	2,599	—

(*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
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 (3) 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, 2014	March 31, 2015
Unlisted equity securities	936	1,903
Investments in partnerships for investment business	593	925

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, 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

As of March 31, 2015

(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	17,214	—	—	—	—	—
Trade notes and accounts receivable	9,579	—	—	—	—	—
Trade loans	5,320	4,939	4,211	2,462	346	1
Marketable securities and investment securities:						
Held-to-maturity debt securities:						
(1) National and local government bonds	—	—	—	—	—	—
(2) Corporate bonds	469	100	228	—	—	—
(3) Other	206	—	—	—	—	—
Available-for-sale securities with contractual maturities:						
(1) National and local government bonds	—	—	244	—	—	133
(2) Corporate bonds	—	—	254	150	—	86
(3) Other	82	109	2,324	—	1,256	1,109
Total	32,873	5,148	7,263	2,612	1,602	1,330

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

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

As of March 31, 2015

(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	2,250	—	—	—	—	—
Lease obligations (short-term)	548	—	—	—	—	—
Long-term borrowings	5,422	14,515	4,439	4,016	4,430	4,592
Lease obligations (long-term)	—	505	349	215	90	2
Total	8,220	15,020	4,789	4,231	4,521	4,594

Notes Regarding Securities

1. Marketable held-to-maturity debt securities

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

As of March 31, 2015

(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	—	—	—
	(2) Corporate bonds	508	528	19
	(3) Other	96	97	0
	Subtotal	604	625	20
Securities with market value not exceeding balance sheet carrying amount	(1) National and local government bonds	—	—	—
	(2) Corporate bonds	288	268	(20)
	(3) Other	110	107	(2)
	Subtotal	399	376	(22)
Total		1,003	1,001	(2)

2. Available-for-sale securities

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

As of March 31, 2015

(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	2,608	1,520	1,008
	(2) Debt securities:			
	1. National and local government bonds	244	198	46
	2. Corporate bonds	336	312	24
	3. Other bonds	580	526	54
	(3) Other	2,727	1,839	888
	Subtotal	6,498	4,396	2,101
Securities with balance sheet carrying amount not exceeding the acquisition cost	(1) Equity securities	156	192	(36)
	(2) Debt securities:			
	1. National and local government bonds	133	247	(114)
	2. Corporate bonds	154	196	(42)
	3. Other bonds	263	316	(52)
	(3) Other	3,008	3,081	(72)
	Subtotal	3,716	4,034	(318)
Total		10,214	8,431	1,783

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

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

For the year ended March 31, 2015

(In millions of yen)

Type of securities	Proceeds of sales	Gain on sales	Loss on sales
(1) Equity securities	495	107	3
(2) Debt securities	95	32	—
(3) Other	4	—	0
Total	595	140	3

4. Securities for which impairment loss was recorded

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").

In the fiscal year ended March 31, 2015, the Company recorded no impairment loss with respect to securities.

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

Notes Regarding Derivatives

1. Derivative transactions to which hedge accounting is not applied

(1) Currency-related derivatives:

As of March 31, 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.

As of March 31, 2015

(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	13,544	9,949	2,744	2,744
	Euro	3,656	2,200	(154)	(154)
Total		17,201	12,149	2,589	2,589

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, 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.

As of March 31, 2015

(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	300	300	9	9
Total		300	300	9	9

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, 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:	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.

As of March 31, 2015

(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	400	—	(See Note below)

Note: The interest rate swap and interest rate cap transactions subject to exceptional treatment are treated en bloc with the relevant long-term borrowings. Therefore, for presentation herein, their fair values are included in those of the relevant long-term borrowings.

Notes Regarding Retirement Benefits

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 cost, 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 years ended March 31, 2014 and 2015 (excluding the portion of the plans to which the short-cut method is applied):

(In millions of yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Balance of retirement benefit obligation at beginning of year	875	957
Service cost	79	85
Interest cost	12	9
Actuarial gains and losses	7	(109)
Benefits paid	(17)	(20)
Balance of retirement benefit obligation at end of year	957	922

(2) Changes in plan assets for the years ended March 31, 2014 and 2015 (excluding the plans to which the short-cut method is applied):

(In millions of yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Balance of plan assets at beginning of year	695	796
Expected return on plan assets	10	28
Actuarial gains and losses	17	7
Contribution from the employer	90	96
Benefits paid	(17)	(20)
Balance of plan assets at end of year	796	908

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

(In millions of yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Balance of liability for retirement benefits at beginning of year	28	25
Retirement benefit costs	16	5
Retirement benefits paid	—	(0)
Contribution to the plans	(1)	(9)
Other	(17)	—
Balance of liability for retirement benefits at end of year	25	20

(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)

	Year ended March 31, 2014	Year ended March 31, 2015
Funded retirement benefit obligation	1,005	975
Plan assets	(819)	(940)
	186	34
Unfunded retirement benefit obligation	—	—
Net liability (asset) recorded in the consolidated balance sheet	186	34
Defined benefit liability	186	34
Defined benefit assets	—	—
Net liability (asset) recorded in the consolidated balance sheet	186	34

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 years ended March 31, 2014 and 2015:

(In millions of yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Service cost	79	85
Interest cost	12	9
Expected return on plan assets	(10)	(28)
Amortization of actuarial gains and losses	(17)	(28)
Amortization of past service costs	(13)	(12)
Retirement benefit costs calculated by short-cut method	16	5
Retirement benefit costs on defined benefit plans	67	31

(6) Remeasurements of defined benefit plans, net of tax:
Components of remeasurements of defined benefit plans, net of tax (before adjusting for tax effects) are as follows:

(In millions of yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Past service costs	—	(12)
Actuarial gains and losses	—	88
Total	—	76

(7) Remeasurements of defined benefit plans:
Components of remeasurements of defined benefit plans (before adjusting for tax effects) are as follows:

(In millions of yen)

	March 31, 2014	March 31, 2015
Unrecognized past service costs	(12)	—
Unrecognized actuarial gains and losses	(2)	(90)
Total	(14)	(90)

(8) Plan assets:

1. Main components of plan assets:

   Plan assets consisted of the following portfolio categories:

(% of total plan assets)

	March 31, 2014	March 31, 2015
Debt securities	25.6%	14.1%
Equity securities	11.0	22.4
General accounts	57.8	56.3
Cash and deposits	5.5	6.9
Other	0.1	0.3
Total	100.0%	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.

(9) Assumptions in actuarial calculation:

Assumptions used in actuarial calculation at the end of the years ended March 31, 2014 and 2015 are as follows (presented on a weighted-average basis):

	Year ended March 31, 2014	Year ended March 31, 2015
Discount rate	0.99%	1.06%
Long-term expected rate of return on plan assets	1.46	3.62
Expected rate of salary increase	1.99	1.68

Notes Regarding Deferred Income Taxes

1. Significant components of deferred tax assets and liabilities

(In millions of yen)

	March 31, 2014	March 31, 2015
Deferred tax assets:		
Excess provision for bonuses	206	198
Excess allowance for doubtful accounts	268	279
Excess provision for sales returns	27	21
Excess provision for point program	237	213
Excess provision for loss on interest repayment	404	384
Bad debt expenses	74	45
Loss on valuation of investment securities	31	3
Loss on valuation of stocks of affiliated companies	35	32
Defined benefit liability	64	11
Loss on valuation of real estate for sale	9	8
Excess impairment loss of fixed assets	361	318
Loss on transfer of receivables	283	256
Loss carried forward	504	448
Asset adjustment account	1,727	1,266
Other	440	623
Deferred tax assets subtotal	4,675	4,111
Valuation allowance	(2,226)	(1,707)
Deferred tax assets total	2,449	2,404
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(382)	(620)
Liability adjustment account	(152)	(124)
Reserve for special depreciation	(146)	(244)
Asset retirement expense	(69)	(62)
Other	(53)	(53)
Deferred tax liabilities total	(805)	(1,104)
Net deferred tax assets (liabilities)	1,643	1,299

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

	March 31, 2014	March 31, 2015
Statutory tax rate:	37.8%	—
Items, including entertainment expenses, not eternally deductible for tax purposes	0.0	—
Items, including dividends received, not eternally inclusive of gross revenue for tax purposes	(0.1)	—
Equal installments of inhabitant taxes	0.4	—
Tax rate difference of subsidiaries	(0.6)	—
Valuation allowance change	(8.3)	—
Changes in deferred tax assets and liabilities due to tax rate revision	0.5	—
Other	0.0	—
Effective tax rate	29.7%	—

Note: The notes are omitted for the year ended March 31, 2015 since the difference between the statutory tax rate and effective tax rate is not more than 5% of the statutory tax rate.

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

On March 31, 2015, the Law to Amend Part of the Income Tax Law, etc. (Law No. 9 of 2015) and the Law to Amend Part of the Local Tax Law, etc. (Law No. 2 of 2015) were proclaimed, whereby the corporate income tax rate, etc. was reduced from the fiscal year beginning on or after April 1, 2015. Accordingly, the statutory tax rate to be used in computing deferred tax assets and liabilities has been reduced from the previous 35.3% to 32.8% for the temporary differences estimated to be expired in the years beginning on April 1, 2015 and to 32.0% for the temporary differences estimated to be expired in the years beginning on April 1, 2016.

As a result, the amount of net deferred tax assets (after subtracting the amount of deferred tax liabilities) decreased by ¥115 million, while income taxes—deferred increased by ¥178 million and valuation difference on available-for-sale securities increased by ¥63 million.

Notes Regarding Business Combination, etc.

Business Combination by Acquisition

(1) Outline of business combination:

1. Name and business of acquired company:
   Name of acquired company: INYA CAPITAL PTE. LTD.
   Description of business: Real estate development
2. Main reasons for business combination implemented:
   The business combination was aimed at expanding the scale of the property business and thereby enhancing its competitiveness.
3. Date of business combination:
   December 31, 2014
4. Legal structure of business combination:
   Acquisition of shares of common stock by cash consideration
5. Name of company after business combination:
   No change
6. Ratio of voting rights acquired:
   0% (The Company acquired an 82% stake.)
7. Basis for recognizing acquired company:
   Acquisition of shares by cash consideration

(2) Operational period of acquired company included in consolidated financial statements:
From January 1, 2015 through March 31, 2015

(3) Acquisition cost and components thereof:

(In millions of yen)

Consideration for acquisition:Cash consideration for acquisition	1,100
Acquisition cost	1,100

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

1. Amount of goodwill recognized:
   ¥65 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 4 years

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

(In millions of yen)

Current assets	215
Fixed assets	1,459
Assets total	1,674
Current liabilities	(412)
Liabilities total	(412)

(6) Approximate amount of effects on consolidated statement of income for the fiscal year ended March 31, 2015 and calculation method thereof, on assumption that the business combination had been completed on the first day of the fiscal year:

This information is omitted because the relevant approximate amount is immaterial.

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 landowners and, to reflect the obligations thereunder to restore the facilities to their original state at the time of evacuation, asset retirement obligations were recorded. In addition, asset retirement obligations were also recorded for the obligation to remove harmful substances used in certain buildings.

(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, 2014	Year ended March 31, 2015
Balance at beginning of the year	463	465
Increase due to acquisition of property, plant and equipment	—	22
Adjustment due to passage of time	9	9
Other increase (decrease)	(7)	(3)
Balance at the end of the year	465	494

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, 2014 and 2015 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, 2014	Year ended March 31, 2015
Rental property:		
Balance sheet carrying amount:		
Balance at the beginning of the year	7,593	8,719
Increase (decrease) during the year	1,126	14,532
Balance at the end of the year	8,719	23,252
Fair value at the end of the year	9,342	24,452
Property that includes a portion used as rental property:		
Balance sheet carrying amount:		
Balance at the beginning of the year	2,133	1,494
Increase (decrease) during the year	(639)	(1,082)
Balance at the end of the year	1,494	411
Fair value at the end of the year	1,543	219

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 in rental property during the year ended March 31, 2014 was caused primarily by the acquisition of rental office buildings (¥1,029 million). The decrease in property that includes a portion used as rental property was caused mainly by the sales of rental office buildings (¥612 million). The increase in rental property during the year ended March 31, 2015 was caused mainly by the acquisition of rental office buildings (¥12,988 million), transfer from property that includes a portion used as rental property (¥1,077 million), and changes from in-house use to rental use (¥648 million).
3. The above carrying amounts in the year ended March 31, 2014 include asset retirement obligations (¥4 million), while the above carrying amounts in the year ended March 31, 2015 include asset retirement obligations (¥28 million).
4. 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, 2014	Year ended March 31, 2015
Rental property:		
Rental income	923	1,172
Rental expenses	476	686
Difference	447	485
Property that includes a portion used as rental property:		
Rental income	85	11
Rental expenses	51	3
Difference	34	8

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., and hotel management.
(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. Segment sales, segment income or loss, segment assets, segment liabilities and other material items

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.

For the year ended March 31, 2015

(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	69,117	32,028	7,352	4,374	2,621	2,155	3,039	—	120,689
Inter-segment sales or transfers	89	5	—	331	—	5	54	(486)	—
Total	69,207	32,034	7,352	4,706	2,621	2,160	3,093	(486)	120,689
Segment income (loss)	2,421	1,229	155	1,558	993	479	(280)	(180)	6,376
Segment assets	67,533	16,823	4,202	4,666	19,129	31,667	4,190	4,012	152,224
Other items:									
Depreciation (Note 3)	1,447	497	136	149	1	222	55	—	2,510
Amortization of goodwill	—	—	—	—	—	—	—	424	424
Increase in property, plant and equipment and intangible fixed assets (Note 3)	5,578	416	406	135	3	13,435	196	65	20,237

Notes: 1. Amounts of adjustments are as follows:
(1) Adjustments in segment income (loss) represent ¥243 million from inter-segment elimination minus ¥424 million for amortization of goodwill.
(2) Adjustments in segment assets include ¥411 million for the Company's employee welfare facilities and ¥3,601 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, 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.

For the year ended March 31, 2015

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, 2014

None applicable.

For the year ended March 31, 2015

(In millions of yen)

	General mail order	Specialty mail order	Retail store sales	Solution	Finance	Property	Other	Companywide/ Elimination	Total
Impairment loss	—	—	11	—	—	—	2	—	13

[Amortization and unamortized balance of goodwill by reportable segment]

For the year ended March 31, 2014

(In millions of yen)

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

For the year ended March 31, 2015

(In millions of yen)

	General mail order	Specialty mail order	Retail store sales	Solution	Finance	Property	Other	Companywide/ Elimination	Total
Amortization for the year	—	—	—	—	—	—	—	424	424
Unamortized balance at end of the year	—	—	—	—	—	—	—	3,601	3,601

[Gain on bargain purchase by reportable segment]

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.

For the year ended March 31, 2015

None applicable.

Related Party Transactions

1. Transactions with related parties

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

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

For the year ended March 31, 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				
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.

For the year ended March 31, 2015

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party		Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
						Interlocking directors or corporate auditors	Business relation				
Other affiliated company	Friend Stage 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)	41	Other current assets	8
								Payment of rent (Note 4)	30	—	—
								Intermediation of premiums (Note 5)	67	Other current assets	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:
Rent was determined with due consideration of the neighboring market prices and other factors.
5. Terms and conditions of the transaction and the policy for determination thereof:
Premiums were paid on the same conditions as ordinary premiums.

(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, 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)	Shibuyaku, 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.

For the year ended March 31, 2015

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owing (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	Receipt of interest (Note 2)	17	—	—

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 Company has no balance of lending funds because it received all lending funds during the year.

(2) Transactions of the consolidated subsidiaries 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, 2014

None applicable.

For the year ended March 31, 2015

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party		Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
						Interlocking directors or corporate auditors	Business relation				
Other affiliated company	Friend Stage Co., Ltd. (Note 2)	Ageo, Saitama	50	Seal stamp sales, etc.	34.4% (owned, directly)	1	Consign-ment of business activities	Guarantee deposits of hotel facilities (Note 3)	170	Investments and other assets	170
								Rent of hotel facilities (Note 3)	35	Other current assets	18

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:
Guarantee deposits and rent were determined with due consideration of the neighboring market prices and other factors.

(b) Directors and major shareholders (limited to individuals) of subsidiaries of the Company filing consolidated financial statements:

For the year ended March 31, 2014

None applicable.

For the year ended March 31, 2015

Attribution	Name	Address	Capital stock (thousands of SGD)	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				
Corporations, etc., where a majority of voting rights is held by directors and their close family members	Stasia Capital Singapore PTE. LTD.	Singapore	200	Real estate consulting	—	1	Consignment of business activities	Real estate development and administration expenses (Note 2)	29	Other current assets	45
										Investments and other assets	60
								Real estate brokerage fees (Note 3)	32	Accrued expenses	32

Notes: 1. Consumption taxes are not included in the above transaction amounts.
2. Terms and conditions of the transaction and policy for determination thereof:
Real estate development and administration expenses were determined upon mutual consultation between both parties with due consideration of the contents of administration.
3. Terms and conditions of the transaction and policy for determination thereof:
Real estate brokerage fees were determined upon mutual consultation between both parties with due consideration of the contents of brokerage.

Per Share Information

(In yen)

	Year ended March 31, 2014	Year ended March 31, 2015
Net assets per share	755.67	814.97
Basic net income per share	72.12	65.77
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, 2014.
3. Basis for the calculation of basic net income per share is as follows:

	Year ended March 31, 2014	Year ended March 31, 2015
Basic net income per share:		
Net income (millions of yen)	7,013	6,394
Amount not attributable to holders of common stock (millions of yen)	—	—
Net income attributable to common stock (millions of yen)	7,013	6,394
Average number of shares of common stock during the year (thousands of shares)	97,239	97,238

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, 2014	Ending balance on March 31, 2015		
Short-term borrowings	1,010	2,250	0.29%	—
Current portion of long-term borrowings (due within 1 year)	4,819	5,422	0.34	—
Current portion of lease obligations (due within 1 year)	393	548	1.38	—
Long-term borrowings (except current portion)	19,557	31,995	0.34	From 2016 to 2025
Lease obligations (except current portion)	861	1,162	1.38	From 2016 to 2021
Total	26,641	41,378	—	—

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	14,515	4,439	4,016	4,430
Lease obligations	505	349	215	90

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, 2015, 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, 2015:

(In millions of yen)

(Cumulative period)	First quarter ended June 30, 2014	Second quarter ended September 30, 2014	Third quarter ended December 31, 2014	Year ended March 31, 2015
Net sales	33,068	56,314	92,688	120,689
Income before income taxes and minority interests	1,316	3,094	8,327	9,612
Net income	874	2,051	5,397	6,394
Net income per share	8.99	21.09	55.51	65.77

(In yen)

(Accounting period)	First quarter ended June 30, 2014	Second quarter ended September 30, 2014	Third quarter ended December 31, 2014	Fourth quarter ended March 31, 2015
Net income per share	8.99	12.10	34.42	10.26

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

None in particular to be remarked.

Corporate Data (as of March 31, 2015)

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
1,430

Directors and Corporate Auditors
(as of June 27, 2015)

President and CEO:
Kiyoshi Yasuno

Directors and Executive Officers:
Yuichiro Yasuno
Junko Shishido
Takeo Shimano
Masakazu Oikawa
Hideshi Shimokawa
Tomohiro Matsuda

Director and Audit and Supervisory Committee:
Yasuo Hagiwara

Outside Director (Independent Director) and Audit and Supervisory Committee Member:
Yukimitsu Watabe
Hideki Yamagata

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, 2015)

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

Number of Shares of Common Stock Issued and Outstanding
113,184,548

Number of Shareholders
5,614

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)	10.1%
Japan Trustee Services Bank, Ltd. (Trust Account)	4.0%
Kimi Yasuno	3.4%
Sumitomo Mitsui Banking Corporation	2.3%
The Nomura Trust and Banking Co., Ltd.	2.0%
Belluna Mutual Benefit Society	2,0%
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 15,946 thousand treasury shares.

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

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

BELLUNA

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