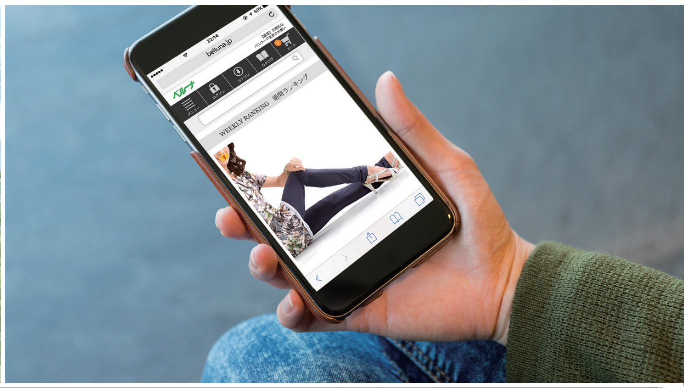


BELLUNA

Annual Report 2016

For the year ended March 31, 2016

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 3rd Short-term Business Plan through fiscal 2019.

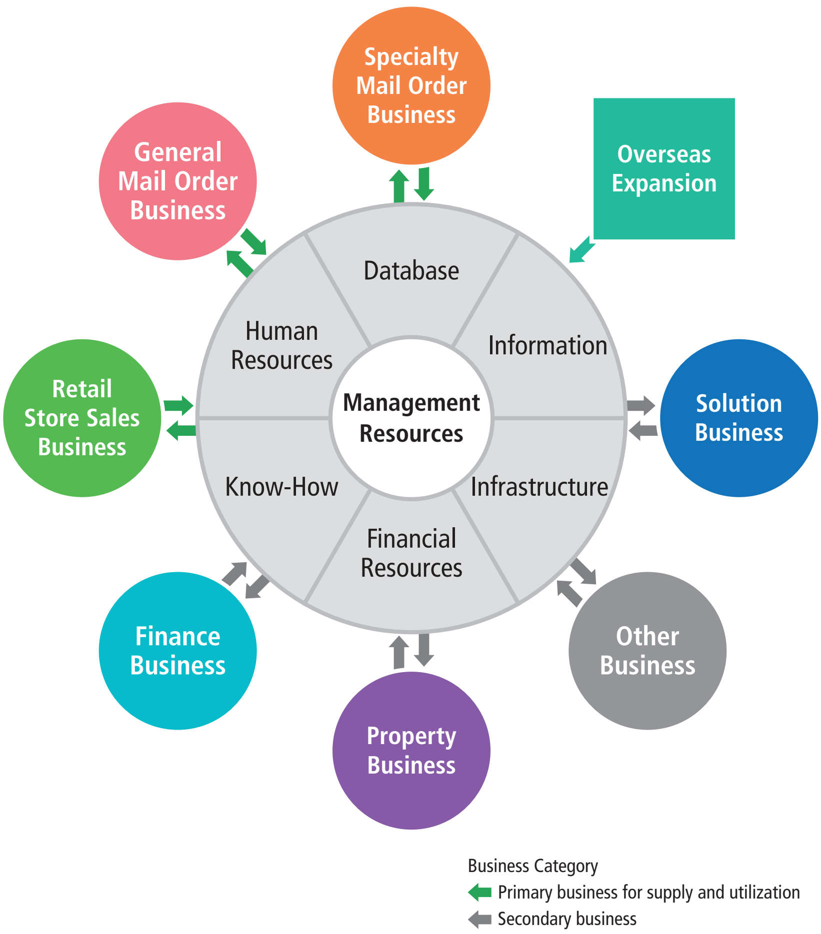
Looking ahead, based on our desire to "help improve the lifestyles and well-being of our customers," we will operate businesses that fulfill people's needs for food, clothing, lifestyle, and recreation.

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.

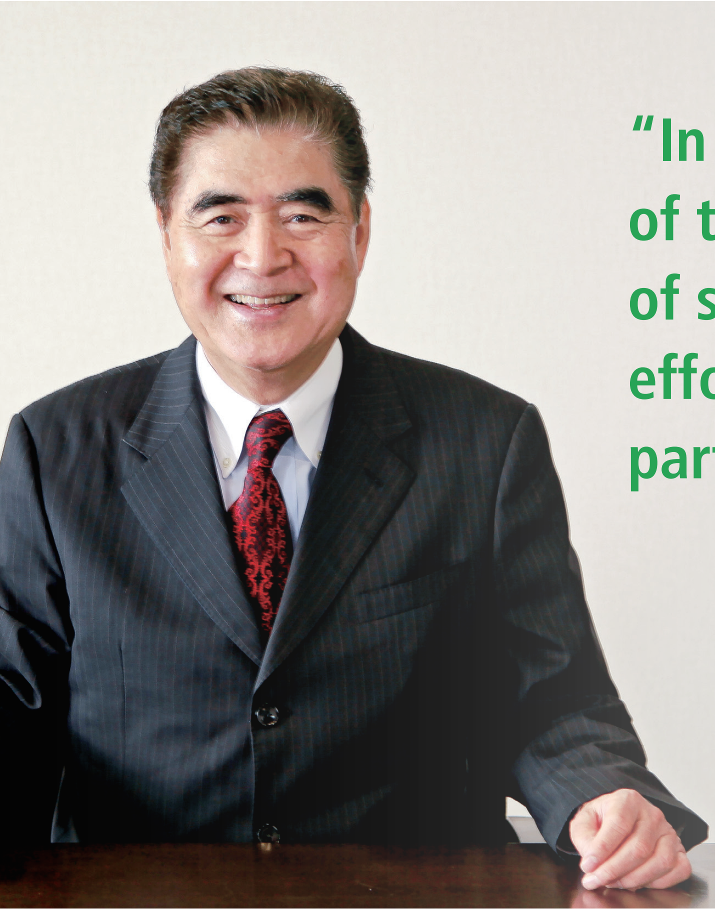
3. Nurturing the buds of future growth by identifying and surmounting strategic challenges, including expansion into overseas markets.



Contents

Forward-Looking Statements

This annual report contains forward-looking statements that reflect Belluna Co., Ltd.'s current views and judgments with respect to current plans, strategies and beliefs. They are based upon currently available information, and do not constitute promises, commitments or guarantees. The forward-looking statements involve both real and potential risks and uncertainties that can cause actual events and results to differ materially from those anticipated in these statements. Risks that can cause actual results to differ materially from those stated or implied in the forward-looking statements and from historical events include, but are not limited to, future economic trends, competition in the industrial sector in which Belluna operates, market demand, rates of exchange, and other social, political and economic factors.



"In order to achieve the targets of the 3rd Business Plan ahead of schedule, we will make strong efforts to grow our businesses, particularly with the four pillars."

Kiyoshi Yasuno
President and CEO

Q.1 Could you give us a snapshot of Belluna's performance and operating conditions during the fiscal year under review?

In fiscal 2016, the year ended March 31, 2016, exports lagged due to the economic slowdown in China and other emerging countries, leading to uncertainties in the future of the Japanese economy despite the increase in capital investments. The momentum of recovery in personal consumption remained weak in spite of improved employment conditions, and as such, the conditions surrounding the retail industry remained severe.

Under these conditions, the Belluna Group continued its measures to strengthen portfolio management. As a result, consolidated net sales for fiscal 2016 increased 9.2% year on year to ¥131,742 million. In the year under review, operating income increased 31.2% year on year to ¥8,366 million largely due to improved profitability of the General Mail Order business. Meanwhile, ordinary income decreased 29.3% to ¥7,105 million due to the negative impact of income from the movement in foreign exchange rates going in the reverse direction from the previous year, and Profit attributable to owners of parent plunged 44.6% year on year to ¥3,544 million.

Regarding our financial condition, total assets increased ¥8,831 million year on year to ¥161,055 million because of an increase in cash and deposits as well as in property, plant and equipment. At the same time, liabilities rose ¥7,695 million year on year to ¥80,409 million, net assets increased ¥1,136 million year on year to ¥80,646 million, and the shareholders' equity ratio stood at 49.8%.

Q.2 Could you tell us Belluna's initiatives during the fiscal year under review and the 3rd Business Plan?

During the fiscal year under review, Belluna has worked toward laying the groundwork for the new 3rd Business Plan, which commences from fiscal year ending March 31, 2017. In the 3rd Business Plan formulated for the period from fiscal 2017 to fiscal 2019, we aim to achieve net sales of ¥160,000 million, operating income of ¥16,000 million, and ROE of 8% or higher in the last fiscal year of the Plan. We also laid out the following four management policies:

(1) Achieve stable growth in the General Mail Order business

Sales in the General Mail Order business has been increasing, especially with the sales of our key product, apparel for married women. We will achieve growth by acquiring new customers, strengthening the EC business and capitalizing on the synergistic effects of catalogs, the Internet, and stores by compiling and utilizing the customer database.

(2) Expand the Specialty Mail Order business

Sales are on an increasing trend in the Specialty Mail Order business thanks to our recent M&A activities such as the share acquisition of MARUCHO CO., LTD., along with strong growth in our gourmet business and mail order business for nurses. The Specialty Mail Order business also contributed to the Solution business through its acquired customer database. We will strive to increase profitability by enhancing the contents of each business division.

(3) Expand the Retail Store Sales business through new store openings

For the apparel retail store business for married women, we accelerated new store openings and reached a total of 52 stores as of March 31, 2016. And by expanding our store network, synergistic effects with the mail order business through catalogs and the Internet are gradually starting to appear.

The number of stores also steadily increased in the Japanese traditional clothing retail store business, leading to increases in both net sales and operating income. We expect further growth of this business by leveraging the sales and rental of Japanese traditional clothing through acquisition of Maimu CO., LTD., a company engaged in clothing rental business. We hope to create synergies with Maimu Co., LTD. which has managed to penetrate the university cooperative market and achieve the largest share (approximately 20%) of the domestic rental market for hakama (Japanese-style pleated skirts) used in graduation ceremonies.

URABANDAI LAKE RESORT (Renovated and reopened in October 2015)

Le Grand KARUIZAWA (scheduled to open in July 2016)

(4) Strengthen the Property business toward a matured portfolio

In the Property business, the leasing business provided stable rental income while the development business and hotel business both contributed to sales, leading to increased net sales overall. Meanwhile, URABANDAI LAKE RESORT is forecasted to become profitable in the next fiscal year, and Le Grand KARUIZAWA opens in July 2016.

Q.3 In closing, what message do you have for shareholders?

For the fiscal year ending March 31, 2017, we expect to achieve net sales of ¥140,000 million and operating income of ¥11,000 million. In order to steadily realize these figures and achieve the targets of the 3rd Business Plan ahead of schedule, we will aim to develop into a more mature, comprehensive mail order merchant company.

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 2016, the year-end dividend was set at ¥6.25 per share. Combined with the interim dividend of ¥6.25, the Company paid a total annual dividend of ¥12.50 per share. We plan to maintain this amount at ¥12.50 per share in fiscal 2017.

Belluna will continue to faithfully uphold its commitment to being a customer-driven, customer-focused company in keeping with the core philosophy it has maintained since its foundation. Belluna aims to become a company supported by many customers, offering 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.

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

The 3rd Business Plan (fiscal 2017 to fiscal 2019)

· Targets for the last fiscal year of the Plan

Net sales
160
billion yen

Operating income
16.0
billion yen

ROE
8.0%
or higher

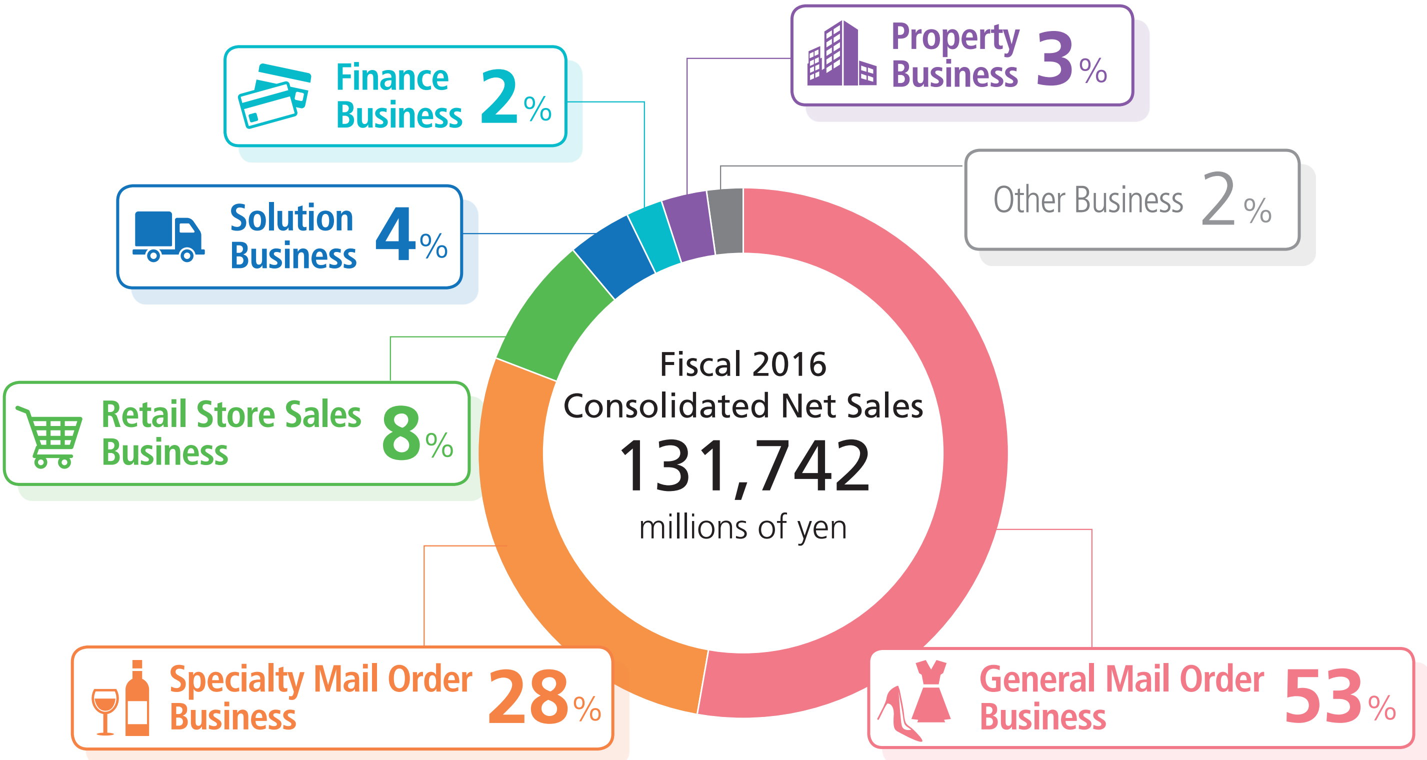
· Management policy

Expanding the four pillars

1. Achieve stable growth in the General Mail Order business
2. Expand the Specialty Mail Order business
3. Expand the Retail Store Sales business through new store openings
4. Strengthen the Property business toward a matured portfolio

Note: From this fiscal year, the Finance business is removed from the four pillars and the Mail Order business is divided into the General Mail Order business and the Specialty Mail Order business.

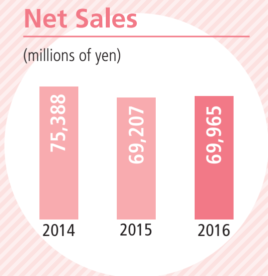
Review of Business Operations

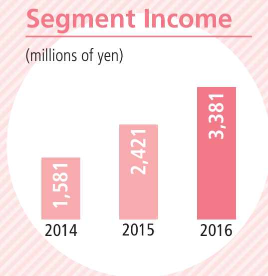


General Mail Order Business

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, sales of apparel progressed steadily while sales of home furnishings and sundry goods remained sluggish. As a result, segment net sales increased 1.1% compared with the previous fiscal year to ¥69,965 million. Segment income (operating income) surged 39.6% to ¥3,381 million mainly because of improved logistics ratios.

Outlook

For fiscal 2017 we will seek to achieve segment net sales of ¥73,600 million (up 5.2% year on year) and segment income (operating income) of ¥3,750 million (up 10.9% year on year). To this end, we will strive to expand our EC business by raising our conversion rate (CVR) on the Internet 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 an improved response to the mail order business, improved CVR on the Internet, and increased revenue in retail stores. We continue to aim at stable growth by taking advantage of these synergistic effects.

1

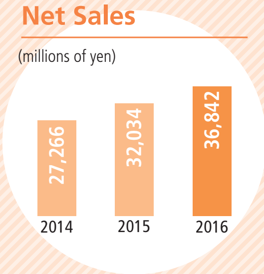
2

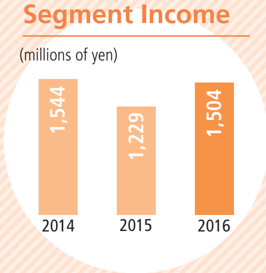
3

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 middle-aged 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





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

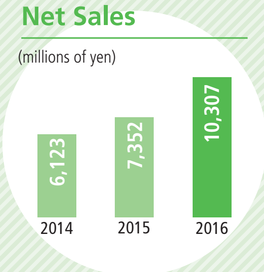
MARUCHO CO., LTD. was newly added to the scope of consolidation through share acquisition. Consequently, segment net sales rose 15.0% year on year to ¥36,842 million. Segment income (operating income) increased 22.4% to ¥1,504 million mainly due to improved profitability of Best Thanks Co., Ltd.

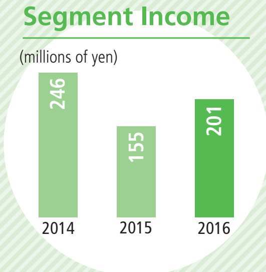
Outlook

The Specialty Mail Order business plays an important role as an income-generating pillar within Belluna's business portfolio. Segment net sales for fiscal 2017 are forecast to increase 9.7% year on year to ¥40,400 million and segment income is expected to grow 74.8% to ¥2,630 million. Looking ahead, we are aiming for further growth in our cosmetics, health food, gourmet food, and wine divisions, etc. as well as in our mail order business for nurses. At the same time, we will strive to reinforce segment profitability by enhancing the contents of each business division in the Specialty Mail Order business.

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





Business Outline

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

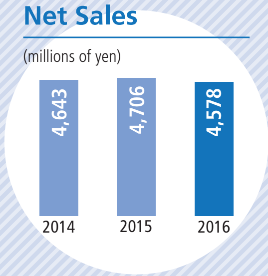
Overview

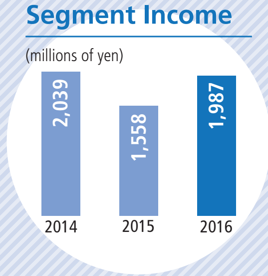
The Retail Store Sales business, including the apparel retail store business and the Japanese traditional clothing retail store business, steadily increased sales. As a result, segment net sales increased 40.2% compared with the previous fiscal year to ¥10,307 million and segment income increased 30.1% to ¥201 million.

Outlook

Segment net sales for fiscal 2017 are forecast to increase 23.9% year on year to ¥12,770 million and segment income is expected to surge 137.7% to ¥480 million. In the apparel retail store business, we plan to accelerate the rate at which new stores open, aiming for further growth. We expanded to 52 apparel retail stores as of March 31, 2016 and expect to reach around 75 apparel stores as of March 31, 2017. In the Japanese traditional clothing retail store business, we expanded to 63 retail stores as of March 31, 2016 and aim to reach 68 retail stores as of March 31, 2017. We expect further growth of this segment by leveraging the sales and rental of Japanese traditional clothing through the acquisition of Maimu CO., LTD., a company engaged in clothing rental business.

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 order-processing, direct marketing and product dispatch services.

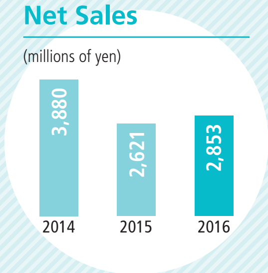
Overview

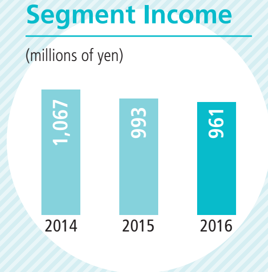
Sales of direct-marketing outsourcing services decreased with the scale-down of unprofitable businesses. Consequently, segment net sales decreased 2.7% compared with the previous fiscal year to ¥4,578 million, while segment income increased 27.5% to ¥1,987 million.

Outlook

For the business segment as a whole, net sales for fiscal 2017 are expected to increase 9.2% to ¥5,000 million year on year and segment income is expected to rise 10.7% to ¥2,200 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.

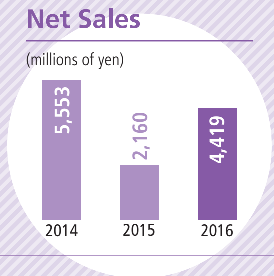
Overview

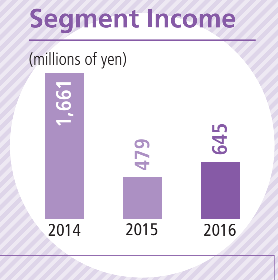
The Finance business recorded an 8.9% year-on-year increase in segment net sales to ¥2,853 million with a higher balance of trade loans in the domestic consumer finance business. Meanwhile, segment income decreased 3.3% to ¥961 million due to expenditures to fund active advertising and promotional activities.

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 financing business. As a result, segment net sales are projected to increase 8.6% year on year to ¥3,100 million and segment income is forecast to rise 19.6% to ¥1,150 million.

Property Business





Business Outline

The Property business leases, develops, and remodels office buildings and other real estate while also engaging in hotel management.

Overview

The Property business experienced a 104.6% surge in segment net sales year on year to ¥4,419 million due to strong contributions to sales by the hotel business as well as the selling of real estate. Segment income increased 34.6% to ¥645 million.

Outlook

The Company aims to earn stable rent income from the leasing business while realizing increased sales from the development business and hotel business in fiscal 2017. We will start operating Le Grand KARUIZAWA (Nagano Prefecture) in July 2016. Segment net sales for fiscal 2017 are forecast to rise 21.7% year on year to ¥5,380 million and segment income is expected to surge 65.8% to ¥1,070 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 2016, 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 & Supervisory 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 & Supervisory Committee

The Audit & Supervisory 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

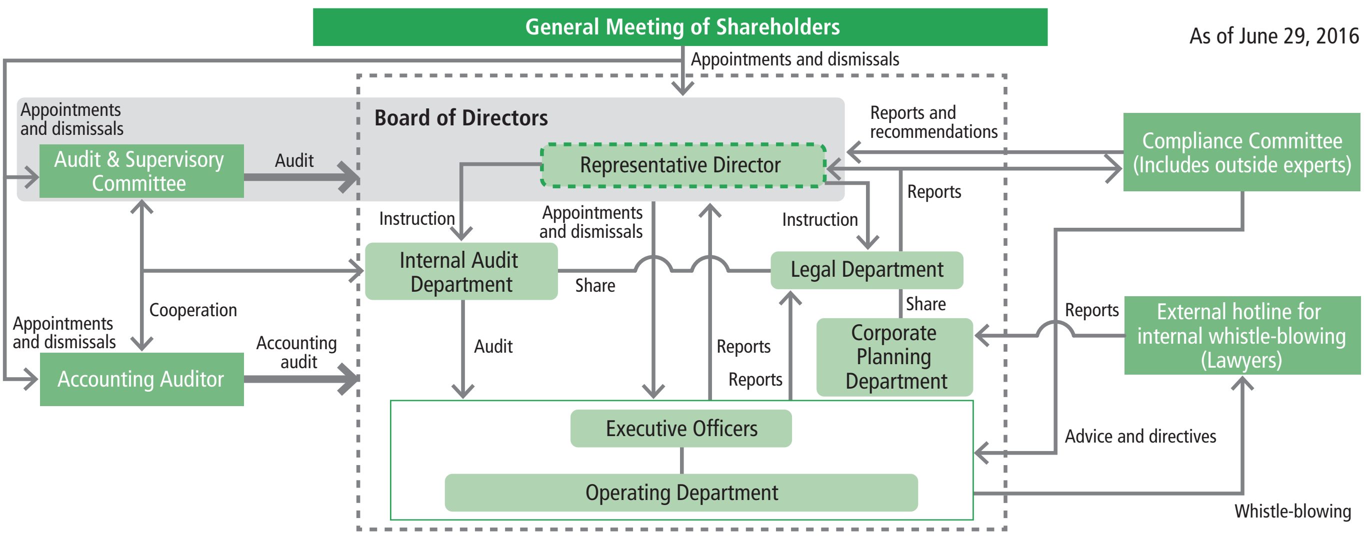
To reinforce its compliance structure, in September 2008 the Company established the Compliance Committee, which is chaired by the director in charge of compliance and features the participation of outside experts. The Compliance Committee provides advice to the Board of Directors and the Representative 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



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	2011	2012	2013	2014	2015	2016	2016
For the year:							
Net sales	103,460	110,300	117,884	125,412	120,689	**131,742**	**1,169,688**
Cost of sales	45,511	48,670	52,155	56,677	53,543	**59,241**	**525,979**
Gross profit—net	57,954	61,621	65,719	68,739	67,158	**72,500**	**643,701**
Selling, general and administrative expenses	51,221	54,215	58,638	60,940	60,782	**64,134**	**569,422**
Operating income	6,733	7,406	7,080	7,798	6,376	**8,366**	**74,279**
Income before income taxes and minority interests	5,372	6,785	8,974	9,982	9,612	**6,026**	**53,503**
Net income	4,389	4,294	5,870	7,013	6,394	**3,544**	**31,466**
Capital investment	792	869	8,948	9,276	20,171	**7,366**	**65,400**
Depreciation	2,296	2,184	2,282	2,367	2,506	**2,481**	**22,028**
At year-end:							
Current assets	68,954	58,292	65,091	66,667	69,855	**74,189**	**658,697**
Property, plant and equipment	27,310	28,587	35,230	42,748	55,804	**59,459**	**527,914**
Total assets	110,595	99,174	115,079	130,648	152,224	**161,055**	**1,429,948**
Current liabilities	39,534	27,718	38,723	33,701	36,516	**37,428**	**332,309**
Long-term liabilities	13,594	10,650	9,743	23,466	36,197	**42,981**	**381,612**
Total liabilities	53,129	38,369	48,466	57,167	72,713	**80,409**	**713,922**
Net assets	57,465	60,805	66,612	73,480	79,510	**80,646**	**716,026**
Number of shares issued (thousands)	56,592	56,592	56,592	113,184	113,184	**113,184**	
Number of employees	969	1,020	1,139	1,212	1,430	**1,377**	

	Yen						U.S. dollars [2]
Per share data:							
Net income per share [3]	87.57	86.53	60.18	72.12	65.77	**36.45**	**324**
Shareholders' equity per share [3, 4]	1,146.45	1,241.73	685.03	755.67	814.97	**824.56**	**7,321**
Cash dividends per share [3]	15	15	7.5	12.5	12.5	**12.5**	**111**

	Percentage (%)					
Financial ratios:						
Operating income margin	6.5	6.7	6.0	6.2	5.3	**6.4**
Net income margin	4.2	3.9	5.0	5.6	5.3	**2.7**
Return on equity (ROE) [5]	7.9	7.3	9.2	10.0	8.4	**4.4**
Return on assets (ROA) [6]	6	7.2	6.9	6.9	5.3	**5.8**
Shareholders' equity ratio [5]	52	61.3	57.9	56.2	52.1	**49.8**

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 outside Japan, at the rate of ¥112.63=US$1.00, the approximate rate on the Tokyo foreign exchange market on March 31, 2016. 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 2016, the year ended March 31, 2016, exports lagged due to the economic slowdown in China and other emerging countries, leading to uncertainties in the future of the Japanese economy despite capital investments remaining steady. Furthermore, personal consumption remained stagnant in spite of improved employment conditions.

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

As a result, consolidated net sales for fiscal 2016 increased 9.2% year on year to ¥131,742 million. In the year under review, operating income increased 31.2% year on year to ¥8,366 million largely due to improved profitability of the general mail order business. Meanwhile, ordinary income decreased 29.3% to ¥7,105 million due to the negative impact of income from the movement in foreign exchange rates going in the reverse direction from the previous year, and profit attributable to owners of parent plunged 44.6% year on year to ¥3,544 million partly due to the posting of extraordinary losses such as the provision of allowance for doubtful accounts.

Net Sales and Earnings per Segment

In Belluna's mainstay General Mail Order business, sales of apparel progressed steadily while sales of home furnishings and sundry goods remained sluggish. As a result, segment net sales increased 1.1% compared with the previous fiscal year to ¥69,965 million. Segment (operating) income surged 39.6% to ¥3,381 million mainly because of improved logistics ratios.

In the Specialty Mail Order business, MARUCHO CO., LTD. was newly added to the scope of consolidation through share acquisition. Consequently, segment net sales rose 15.0% year on year to ¥36,842 million. Segment (operating) income increased 22.4% to ¥1,504 million mainly due to improved profitability of Best Thanks Co., Ltd.

The Retail Store Sales business, including the apparel retail store business and the Japanese traditional clothing retail store business, steadily increased sales. As a result, segment net sales increased 40.2% compared with the previous fiscal year to ¥10,307 million and segment (operating) income increased 30.1% to ¥201 million.

In the Solution business, sales of direct-marketing outsourcing services decreased with the scale-down of unprofitable businesses. Consequently, segment net sales decreased 2.7% compared with the previous fiscal year to ¥4,578 million, while segment (operating) income increased 27.5% to ¥1,987 million.

The Finance business recorded an 8.9% year-on-year increase in segment net sales to ¥2,853 million with a higher balance of trade loans in the domestic consumer finance business. Meanwhile, segment (operating) income decreased 3.3% to ¥961 million due to expenditures to fund active advertising and promotional activities.

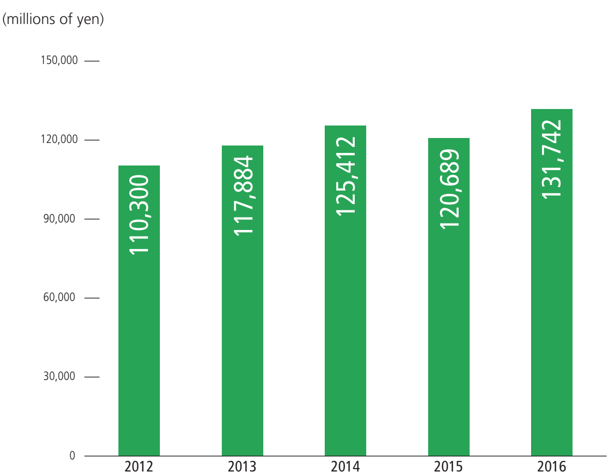
The Property business experienced a 104.6% surge in segment net sales year on year to ¥4,419 million due to strong contributions to sales by the hotel business as well as the selling of real estate. Segment (operating) income increased 34.6% to ¥645 million.

In Other business, sales of wholesale business, etc. increased. As a result, segment net sales increased 6.8% compared with the previous fiscal year to ¥3,304 million. Meanwhile, a segment (operating) loss of ¥127 million was recorded for the year under review, an improvement in comparison with a segment (operating) loss of ¥280 million in the previous fiscal year.

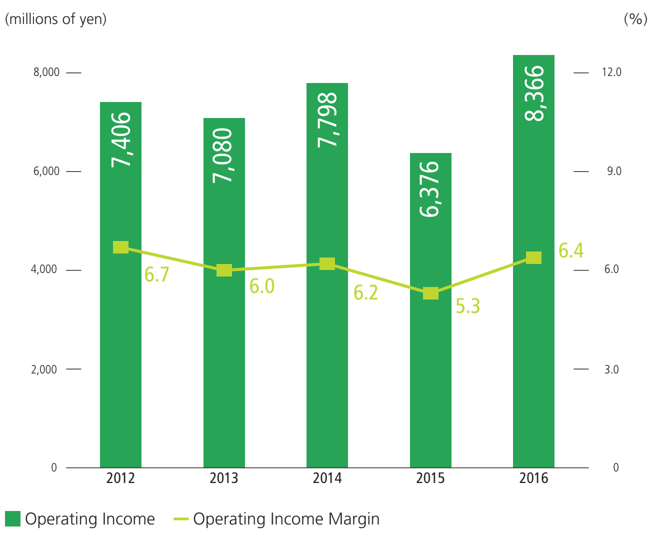
Financial Condition

Total assets as of March 31, 2016 stood at ¥161,055 million, an increase of ¥8,831 million from the previous fiscal year-end. In particular, current assets rose ¥4,333 million to ¥74,189 million, primarily reflecting increases of ¥2,235 million in cash and deposits and ¥2,845 million in real estate for sale in process. As of the end of the fiscal year, fixed assets stood at ¥86,866 million,

Net Sales



Operating Income and Operating Income Margin



an increase of ¥4,498 million. This was mainly due to increases of ¥3,208 million in land and ¥1,234 million in investment securities.

Total liabilities increased by ¥7,695 million compared with the previous fiscal year-end to ¥80,409 million. Specifically, current liabilities increased by ¥911 million year on year to ¥37,428 million, primarily because the ¥437 million increase in short-term borrowings and ¥1,251 million increase in accrued expenses outweighed the ¥1,096 million decrease in income taxes payable. Long-term liabilities grew by ¥6,783 million to ¥42,981 million, largely due to the ¥6,364 million increase in long-term borrowings.

Net assets as of March 31, 2016 totaled ¥80,646 million, a ¥1,136 million rise compared with the previous fiscal year-end. As a result, the shareholders' equity ratio was 49.8%.

Cash Flows

Net cash provided by operating activities during the fiscal year under review increased from ¥9,089 million in the previous fiscal year to ¥9,176 million. The main factors leading to this increase were ¥6,026 million of profit before income taxes, ¥2,481 million of depreciation, a ¥1,942 million loss on valuation of derivatives, 1,152 million of foreign exchange losses, and a ¥851 million decrease in trade notes and accounts receivable, which offset a ¥2,103 million increase in real estate for sale and ¥3,637 million of income taxes paid.

Net cash used in investing activities during the fiscal year under review decreased from ¥20,191 million in the previous fiscal year to ¥9,497 million. This decrease was largely due to ¥1,190 million of payments into time deposits, ¥5,264 million of payments for the acquisition of property, plant and equipment, ¥1,280 million of payments for the acquisition of intangible fixed assets, and ¥5,433 million of payments for the acquisition of investment securities, which offset a year-on-year rise in cash inflows for ¥1,463 million of proceeds from withdrawal of time deposits, and ¥2,400 million of proceeds from sales of investment securities.

Net cash provided by financing activities during the fiscal year under review decreased from ¥12,571 million in the previous fiscal year to ¥3,059 million. The main factors leading to this decrease were ¥28,455 million of repayments of long-term borrowings and ¥1,215 million of dividends paid, which offset ¥1,755 million of net increase in short-term borrowings and ¥31,544 million of proceeds from long-term borrowings.

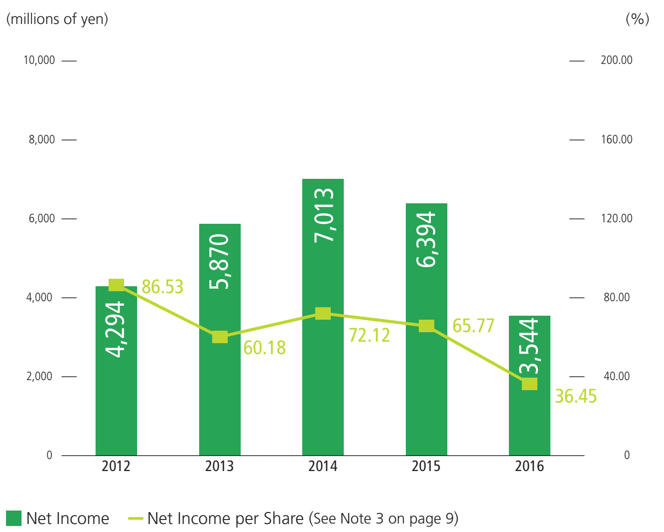
Forecasts for Fiscal 2017

Going forward, the Japanese economy is projected to remain uncertain mainly due to persistent concern about the economic slowdown in China and other countries overseas.

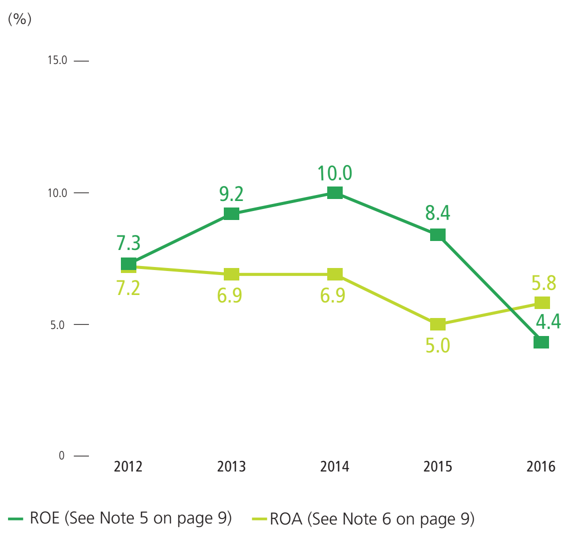
Against this backdrop, the Belluna Group will remain committed to strengthening portfolio management in accordance with the management policy of the 3rd Business Plan.

Regarding the forecast for fiscal 2017, we anticipate net sales of ¥140,000 million, operating income of ¥11,000 million, ordinary income of ¥11,000 million, and profit attributable to owners of parent of ¥7,000 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 Pharmaceuticals and Medical Devices 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.

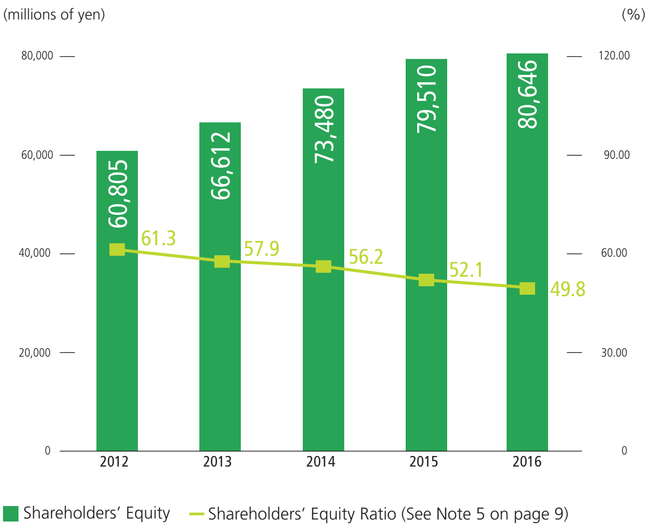
3. Climate and Seasonal Risks

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

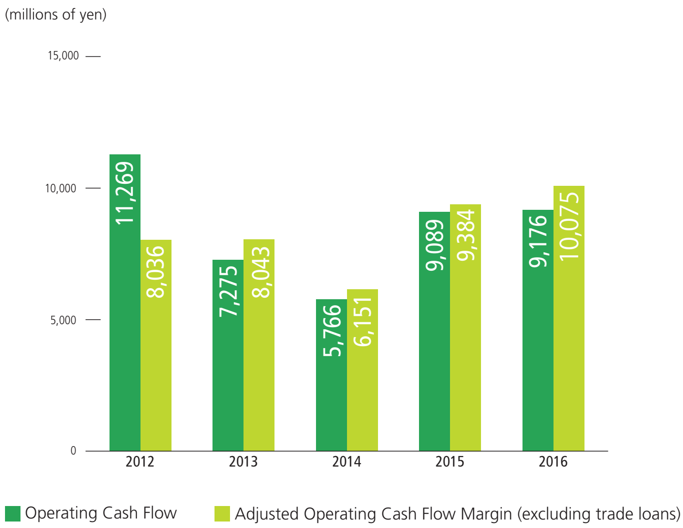
In the event of a natural disaster, order processing, product delivery and purchasing, credit control and other operations may be significantly impacted. In order to minimize such impact, the Group has increased the earthquake resistance of its information systems as well as dispersed its fulfillment service centers, including call and distribution centers. However, Belluna's operations may

Shareholders' Equity* and Shareholders' Equity Ratio



* Net assets less minority interests

Operating Cash Flow and Adjusted Operating Cash Flow Margin



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 Development Risks

The Group has developed the finance business in South Korea and the property business in U.S. and 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, 2016 (with comparative figures for the previous year).

Consolidated Balance Sheets

		In millions of yen		
		March 31, 2015		**March 31, 2016**
Assets				
Current assets				
Cash and deposits		17,242		**19,478**
Trade notes and accounts receivable		9,579		**9,279**
Trade loans		17,281		**18,082**
Marketable securities		721		**346**
Merchandise and finished goods		15,857		**15,610**
Raw materials and supplies		1,185		**1,220**
Real estate for sale		1,782		**999**
Real estate for sale in process		328		**3,173**
Deferred tax assets		712		**684**
Other current assets		5,785		**6,417**
Allowance for doubtful accounts		(621)		**(1,104)**
Total current assets		69,855		**74,189**
Fixed assets				
Property, plant and equipment				
Buildings and structures		33,955	*2	**34,652**
Accumulated depreciation	*1	(12,241)	*1	**(13,311)**
Buildings and structures (net)		21,714		**21,341**
Machinery and equipment		2,139		**2,211**
Accumulated depreciation		(1,149)		**(1,308)**
Machinery and equipment (net)		990		**902**
Furniture and fixtures		2,053		**2,195**
Accumulated depreciation	*1	(1,689)	*1	**(1,816)**
Furniture and fixtures (net)		364		**378**
Land	*2	32,192	*2	**35,400**
Leased assets		576		**569**
Accumulated depreciation		(167)		**(203)**
Leased assets (net)		408		**366**
Construction in progress		134		**1,069**
Total property, plant and equipment		55,804		**59,459**
Intangible fixed assets				
Goodwill		3,601		**3,231**
Leased assets		1,284		**1,612**
Other		2,696		**3,498**
Total intangible fixed assets		7,582		**8,342**
Investments and other assets				
Investment securities	*3	13,326	*3	**14,561**
Long-term lending		1,679		**1,580**
Claims provable in bankruptcy, claims provable in rehabilitation and other		250		**239**
Deferred tax assets		807		**1,007**
Other assets		3,203		**1,952**
Allowance for doubtful accounts		(286)		**(276)**
Total investments and other assets		18,981		**19,065**
Total fixed assets		82,368		**86,866**
Total assets		152,224		**161,055**

		In millions of yen	
		March 31, 2015	**March 31, 2016**
Liabilities			
Current liabilities			
Trade notes and accounts payable		15,449	**15,633**
Short-term borrowings		*4, *5 7,672	*2, *4, *5 **8,109**
Accrued expenses		6,629	**7,880**
Lease obligations		548	**680**
Income taxes payable		2,047	**951**
Provision for bonuses		546	**569**
Provision for sales returns		66	**67**
Provision for point program		649	**599**
Other current liabilities		2,908	**2,936**
Total current liabilities		36,516	**37,428**
Long-term liabilities			
Long-term borrowings		*2, *5 31,995	*2, *5 **38,359**
Provision for loss on interest repayment		1,097	**1,048**
Lease obligations		1,162	**1,316**
Net defined benefit liability		34	**65**
Provision for retirement benefits for directors and corporate auditors		244	**252**
Asset retirement obligations		494	**505**
Other long-term liabilities		1,168	**1,433**
Total long-term liabilities		36,197	**42,981**
Total liabilities		72,713	**80,409**
Net assets			
Shareholders' equity			
Common stock		10,607	**10,607**
Capital surplus		11,003	**11,003**
Retained earnings		66,120	**68,449**
Treasury stock		(9,676)	**(9,677)**
Total shareholders' equity		78,054	**80,382**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities		1,313	**584**
Foreign currency translation adjustments		(183)	**(811)**
Remeasurements of defined benefit plans		61	**22**
Total accumulated other comprehensive income		1,191	**(204)**
Non-controlling interests		264	**468**
Total net assets		79,510	**80,646**
Total liabilities and net assets		152,224	**161,055**

Consolidated Statements of Income

In millions of yen

		Year ended March 31, 2015		Year ended March 31, 2016
Net sales		120,689		**131,742**
Cost of sales	*1	53,543	*1	**59,241**
Gross profit		67,146		**72,501**
Reversal of provision for sales returns		78		**66**
Provision for sales returns		66		**67**
Gross profit—net		67,158		**72,500**
Selling, general and administrative expenses	*2	60,782	*2	**64,134**
Operating income		6,376		**8,366**
Non-operating income				
Interest income		243		**330**
Dividend income		508		**310**
Rent income		29		**32**
Extinction of debt		33		**28**
Compensation received		97		**97**
Foreign exchange gains		574		**—**
Subsidy income		—		**211**
Gain on valuation of derivatives		2,145		**—**
Other		472		**563**
Total non-operating income		4,105		**1,574**
Non-operating expenses				
Interest expense		119		**129**
Commission fee		12		**208**
Loss on valuation of derivatives		—		**1,942**
Depreciation		147		**136**
Loss on closing of stores		63		**65**
Other		85		**353**
Total non-operating expenses		429		**2,835**
Ordinary income		10,052		**7,105**
Extraordinary gains				
Gain on sales of investment securities		182		**107**
Total extraordinary gains		182		**107**
Extraordinary losses				
Loss on sales of fixed assets		3		**—**
Loss on retirement of fixed assets	*3	98	*3	**312**
Impairment loss	*4	13	*4	**14**
Settlement package		506		**—**
Loss on valuation of investment securities		—		**300**
Provision of allowance for doubtful accounts		—		**560**
Total extraordinary losses		621		**1,187**
Profit before income taxes		9,612		**6,026**
Income taxes—current		3,147		**2,446**
Income taxes—deferred		83		**64**
Total income taxes		3,231		**2,511**
Profit		6,381		**3,514**
Loss attributable to non-controlling interests		(13)		**(29)**
Profit attributable to owners of parent		6,394		**3,544**

Consolidated Statements of Comprehensive Income

In millions of yen

	Year ended March 31, 2015	**Year ended March 31, 2016**
Profit	6,381	**3,514**
Other comprehensive income		
Valuation difference on available-for-sale securities	613	**(729)**
Foreign currency translation adjustments	(79)	**(670)**
Remeasurements of defined benefit plans, net of tax	52	**(39)**
Total other comprehensive income	*1 586	*1 **(1,439)**
Comprehensive income	6,967	**2,075**
Comprehensive income attributable to owners of parent	6,703	**2,147**
Comprehensive income attributable to non-controlling interests	264	**(71)**

Consolidated Statements of Changes in Net Assets

(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	Non-controlling 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)
Profit attributable to owners of parent			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

(In millions of yen)

Year ended March 31, 2016	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	Non-controlling interests	Total net assets
Balance at beginning of year	**10,607**	**11,003**	**66,120**	**(9,676)**	**78,054**	**1,313**	**(183)**	**61**	**1,191**	**264**	**79,510**
Changes during year:											
Dividends paid			**(1,215)**		**(1,215)**						**(1,215)**
Profit attributable to owners of parent			**3,544**		**3,544**						**3,544**
Purchase of treasury stock				**(0)**	**(0)**						**(0)**
Disposal of treasury stock		**0**		**0**	**0**						**0**
Net changes of items other than shareholders' equity						**(729)**	**(628)**	**(39)**	**(1,396)**	**204**	**(1,191)**
Total changes of items during year	**—**	**0**	**2,328**	**(0)**	**2,328**	**(729)**	**(628)**	**(39)**	**(1,396)**	**204**	**1,136**
Balance at end of year	**10,607**	**11,003**	**68,449**	**(9,677)**	**80,382**	**584**	**(811)**	**22**	**(204)**	**468**	**80,646**

Consolidated Statements of Cash Flows

	In millions of yen	
	Year ended March 31, 2015	**Year ended March 31, 2016**
Cash flows from operating activities		
Profit before income taxes	9,612	**6,026**
Depreciation	2,506	**2,481**
Increase (decrease) in provision for sales returns	(12)	**0**
Impairment loss	13	**14**
Amortization of goodwill	424	**448**
Increase (decrease) in allowance for doubtful accounts	(169)	**472**
Increase (decrease) in provision for bonuses	32	**3**
Increase (decrease) in net defined benefit liability	(34)	**(64)**
Increase (decrease) in provision for retirement benefits for directors and corporate auditors	7	**8**
Increase (decrease) in provision for point program	(21)	**(49)**
Increase (decrease) in provision for loss on interest repayment	(2)	**(49)**
Interest and dividend income	(752)	**(640)**
Interest expense	119	**129**
Loss (gain) on valuation of derivatives	(2,145)	**1,942**
Loss (gain) on sales of investment securities	(182)	**(107)**
Loss (gain) on valuation of investment securities	—	**300**
Foreign exchange losses (gains)	138	**1,152**
Loss on retirement of fixed assets	104	**312**
Decrease (increase) in trade notes and accounts receivable	2,162	**851**
Decrease (increase) in trade loans	(295)	**(899)**
Decrease (increase) in inventories	(1,537)	**823**
Decrease (increase) in real estate for sale	151	**(2,103)**
Decrease (increase) in other current assets	(630)	**(376)**
Increase (decrease) in notes and accounts payable	291	**454**
Increase (decrease) in other current liabilities	(47)	**569**
Increase (decrease) in other long-term liabilities	87	**10**
Other	677	**635**
Sub-total	10,498	**12,345**
Interest and dividends received	620	**591**
Interest paid	(120)	**(129)**
Refund of income taxes	5	**6**
Income taxes paid	(1,913)	**(3,637)**
Net cash provided by operating activities	9,089	**9,176**
Cash flows from investing activities		
Payments into time deposits	(1,525)	**(1,190)**
Proceeds from withdrawal of time deposits	2,410	**1,463**
Proceeds from sales of marketable securities	443	**677**
Acquisition of property, plant and equipment	(19,347)	**(5,264)**
Proceeds from sales of property, plant and equipment	3,004	**65**
Acquisition of intangible fixed assets	(1,363)	**(1,280)**
Acquisition of investment securities	(7,722)	**(5,433)**
Proceeds from sales of investment securities	3,104	**2,400**
Purchase of shares of subsidiaries	(738)	**(85)**
Payments of loans receivable	(360)	**(187)**
Collection of loans receivable	1,625	**23**
Payments for guarantee deposits	(310)	**(666)**
Proceeds from collection of guarantee deposits	90	**54**
Payments of other investments	(105)	**(74)**
Collection of other investments	605	**1**
Net cash used in investing activities	(20,191)	**(9,497)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,240	**1,755**
Proceeds from long-term borrowings	18,280	**31,544**
Repayments of long-term borrowings	(5,239)	**(28,455)**
Proceeds from share issuance to non-controlling shareholders	—	**42**
Purchase of treasury stock	(0)	**(0)**
Dividends paid	(1,215)	**(1,215)**
Repayments of lease obligations	(492)	**(609)**
Other	—	**0**
Net cash provided by financing activities	12,571	**3,059**
Effect of exchange rate change on cash and cash equivalents	131	**(601)**
Net increase (decrease) in cash and cash equivalents	1,601	**2,137**
Cash and cash equivalents at beginning of year	14,500	**16,102**
Cash and cash equivalents at end of year	*1 16,102	*1 **18,239**

Notes to Consolidated Financial Statements

basis for preparation of consolidated financial statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 37 companies

From the fiscal year ended March 31, 2016, the Company included the newly established BIGBELL TRADING Co., Ltd. MIRIANDHOO MALDIVES RESORTS PVT. LTD., VAUXHALL STREET TOWERS PVT. LTD., MADISON GRANBELL LLC, ASIA LANDS DEVELOPMENT PVT. LTD., UNION PLACE APARTMENTS PVT. LTD., MARINE DRIVE HOTELS PVT. LTD., MADISON GRANBELL 2 LLC, BELLUNA CORONA LLC, GRANBELL CORONA LLC, MADISON GRANBELL 3 LLC, GRANBELL EUCLID LLC, and two other companies into the scope of consolidation. Also, the Company acquired the shares of MARUCHO CO., LTD., and included it into the scope of consolidation.

Names of major consolidated subsidiaries:

Refre Co., Ltd., Ozio Co., Ltd., Friendly Co., Ltd., Sunstage Co., Ltd., BANKAN 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: 1

From the fiscal year ended March 31, 2016, the Company included Belluna GF Logistics. Co., Ltd. into the scope of the application of the equity method.

(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 eight consolidated subsidiaries, namely BELL-STAGE CO., LTD., BELLUNA CAPITAL, INC., MADISON GRANBELL LLC, MADISON GRANBELL 2 LLC, BELLUNA CORONA LLC, GRANBELL CORONA LLC, MADISON GRANBELL 3 LLC and GRANBELL EUCLID LLC, end on December 31. Nevertheless, the financial statements of BELL-STAGE CO., LTD., BELLUNA CAPITAL, INC., MADISON GRANBELL LLC, MADISON GRANBELL 2 LLC, BELLUNA CORONA LLC, GRANBELL CORONA LLC, MADISON GRANBELL 3 LLC and GRANBELL EUCLID LLC 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 leased 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 leased 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) Leased assets:
The depreciation of leased assets is calculated by the straight-line method based on the assumption that the useful life equals to the lease term and the residual value equals to zero.

(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

Effective from the fiscal year under review, the Company applied "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, revised on September 13, 2013; hereinafter the "Accounting Standard for Business Combinations"), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on September 13, 2013; hereinafter the "Accounting Standard for Consolidated Financial Statements"), and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, revised on September 13, 2013; hereinafter, the "Accounting Standard for Business Divestitures"). Following the methods changed according to these standards, the Company records the differences arising from changes in its equity interest in subsidiaries that remain under its control as capital surplus and charges acquisition-related costs for business combinations to expenses in the fiscal years when such costs are incurred. With regard to business combinations on or after April 1, 2015, any adjustment of an allocated amount of acquisition costs arising from a determination of provisional treatment shall be reflected in the consolidated financial statements for the fiscal year in which the date of the business combination falls. Furthermore, the Company has changed the presentation of net income, etc. as well as the presentation of minority interests to non-controlling interests. To reflect these changes in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

When applying the accounting standards, the Company follows the transitional treatment set forth in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. These are applied to the period from April 1, 2015 onward.

As a result, operating income, ordinary income, and profit before income taxes for the fiscal year under review decreased by ¥39 million, respectively.

With regard to the consolidated statement of cash flows for the fiscal year under review, cash flows resulting from the acquisition or sales of shares of subsidiaries without changes in the scope of consolidation are stated under "Net cash provided by (used in) financing activities." On the other hand, cash flows related to costs resulting from the acquisition of shares of subsidiaries with changes in the scope of consolidation or to expenses associated with the acquisition or sales of shares of subsidiaries without changes in the scope of consolidation are stated under "Net cash provided by (used in) operating activities."

New Accounting Standards Not Adopted As Yet

- "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 issued on March 28, 2016)

(1) Summary

With respect to the treatment of recoverability of deferred tax assets, a framework shown in "the auditing treatment on determining the recoverability of deferred tax assets" (the JICPA Audit Committee Report No. 66), a treatment that classifies companies into five categories and estimates the amount of deferred tax assets according to the classification is basically observed as before, and the treatments listed below are revised as necessary.

i. The treatment of companies that do not meet any of the requirements for (Classification l) through (Classification 5)
ii. The requirements for (Classification 2) and (Classification 3)
iii. The treatment of deductible temporary differences not schedulable at companies that fall under (Classification 2)
iv. The treatment of a reasonably estimable period for taxable income before reflecting deductible temporary differences, etc. at companies that fall under (Classification 3)
v. The treatment to be applied when any company that meets the requirements for (Classification 4) also falls under (Classification 2) or (Classification 3)

(2) Scheduled application date

The revised accounting standards will be applied from the beginning of the fiscal year ending March 31, 2017.

(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.

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, 2015	March 31, 2016
Buildings and structures	—	6,761
Land	9,532	12,618
Total	9,532	19,380

Liabilities secured by the above are as follows.

(In millions of yen)

	March 31, 2015	March 31, 2016
Short-term borrowings	—	1,798
Long-term borrowings	9,500	33,353
Total	9,500	35,151

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

(In millions of yen)

	March 31, 2015	March 31, 2016
Investment securities (stocks)	596	605

*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, 2015 and 2016 is summarized as follows:

(In millions of yen)

	March 31, 2015	March 31, 2016
Total of the overdraft limit and lending commitments	12,250	13,410
Executed loans	2,250	5,050
Unexecuted balance	10,000	8,360

*5. Restrictive financial covenants

Of the consolidated borrowings balance, up to ¥25,651 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, 2015	March 31, 2016
Shurei Co., Ltd. (Note)	282	254

Note: 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, 2015	Year ended March 31, 2016
	695	457

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

(In millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Freightage and packing expenses	8,951	8,746
Advertising expenses	16,178	17,661
Sales promotion expenses	2,675	3,096
Provision of allowance for doubtful accounts	525	495
Provision for point program	641	592
Provision for loss on interest repayment	447	419
Salaries and allowances	9,297	9,640
Provision for bonuses	546	532
Provision for retirement benefits for directors and corporate auditors	9	10
Retirement benefit expenses	31	51
Communication expenses	6,352	6,111
Commission fee	6,902	7,672

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

(In millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Buildings and structures	55	311
Machinery and equipment	13	—
Furniture and fixtures	22	1
Software	5	—
Total	98	312

*4. Impairment loss

For the year ended March 31, 2015

The Group recorded impairment losses on the following asset groups.

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 (¥13 million).

(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.

For the year ended March 31, 2016
The Group recorded impairment losses on the following asset groups in the year ended March 31, 2016.

Usage	Type	Location
Assets for business	Buildings and structures, furniture and fixtures	Kawasaki-shi, Kanagawa Prefecture
Assets for business	Buildings and structures, furniture and fixtures	Hikone-shi, Shiga Prefecture
Assets for business	Buildings and structures, furniture and fixtures	Obu-shi, Aichi Prefecture
Assets for business	Buildings and structures, furniture and fixtures	Himeji-shi, Hyogo Prefecture

(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, 2016, 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 (¥14 million).

(Components of amounts of impairment loss by type of fixed assets)
Amounts of components of impairment loss are as follows: ¥10 million of buildings and structures and ¥3 million of furniture and fixtures.

(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.

Notes to the Consolidated Statements of Comprehensive Income

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

(In millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Valuation difference on available-for-sale securities:		
Gains (losses) incurred during the year	940	(1,774)
Reclassification adjustment to net income	(90)	678
Amount before tax effect	850	(1,095)
Tax effect	(237)	365
Valuation difference on available-for-sale securities	613	(729)
Foreign currency translation adjustments:		
Gains (losses) incurred during the year	(79)	(670)
Reclassification adjustment to net income	—	—
Foreign currency translation adjustments	(79)	(670)
Remeasurements of defined benefit plans, net of tax		
Gains (losses) incurred during the year	93	(34)
Reclassification adjustment to net income	(17)	(23)
Amount before tax effect	76	(58)
Tax effect	(23)	19
Remeasurements of defined benefit plans, net of tax	52	(39)
Total other comprehensive income	586	(1,439)

Notes to the Consolidated Statements of Changes in Net Assets

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)	15,945	0	—	15,946
Total	15,945	0	—	15,946

Note: The increase of 0 thousand shares of treasury stock (common stock) 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

For the year ended March 31, 2016

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 (Notes 1, 2)	15,946	0	0	15,947
Total	15,946	0	0	15,947

Notes: 1. The increase of 0 thousand shares of treasury stock (common stock) resulted from the purchase of less-than-a-unit shares.
2. The decrease of 0 thousand shares of treasury stock (common 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 26, 2015	Common stock	607	6.25	March 31, 2015	June 29, 2015
Board of Directors' meeting on October 29, 2015	Common stock	607	6.25	September 30, 2015	December 4, 2015

(2) Dividends with a record date during the year ended March 31, 2016, 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 28, 2016	Common stock	607	Retained earnings	6.25	March 31, 2016	June 29, 2016

Notes to the Consolidated Statements of Cash Flow

*1. Reconciliation between the fiscal year-end cash and cash equivalents in the consolidated statements of cash flows and cash and deposits in the consolidated balance sheets

(In millions of yen)

	March 31, 2015	March 31, 2016
Cash and deposits	17,242	19,478
Time deposits with original maturities of more than three months	(1,140)	(1,266)
MMFs, etc. included in marketable securities	—	27
Cash and cash equivalents	16,102	18,239

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 leased 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 leased 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-cancellable operating leases in operating lease transactions

(In millions of yen)

	March 31, 2015	March 31, 2016
Due within one year	257	680
Due over one year	1,137	1,316
Total	1,395	1,997

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, 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	54,710	54,932	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.

As of March 31, 2016

(In millions of yen)

	Balance sheet carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and deposits	19,478	19,478	—
(2) Trade notes and accounts receivable	9,279		
Allowance for doubtful accounts (*1)	(358)		
	8,921	8,921	—
(3) Trade loans	18,082		
Allowance for doubtful accounts (*1)	(736)		
	17,346	17,586	240
(4) Marketable securities and investment securities			
Held-to-maturity debt securities	329	361	32
Available-for-sale securities	9,409	9,409	—
	9,739	9,771	32
Assets total	55,484	55,757	272
(1) Trade notes and accounts payable	15,633	15,633	—
(2) Short-term borrowings	8,109	8,109	—
(3) Long-term borrowings	38,359	38,363	4
Liabilities total	62,102	62,106	4
Derivative transactions (*2)	(34)	(34)	—

(*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, 2015	March 31, 2016
Unlisted equity securities	1,903	3,632
Investments in partnerships for investment business	925	1,536

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, 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

As of March 31, 2016

(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	19,439	—	—	—	—	—
Trade notes and accounts receivable	9,279	—	—	—	—	—
Trade loans	5,547	5,509	4,076	2,605	341	1
Marketable securities and investment securities:						
Held-to-maturity debt securities:						
(1) National and local government bonds	—	—	—	—	—	—
(2) Corporate bonds	182	146	—	—	—	—
(3) Other	—	—	—	—	—	—
Available-for-sale securities with contractual maturities:						
(1) National and local government bonds	—	236	—	—	—	119
(2) Corporate bonds	—	428	440	107	—	82
(3) Other	173	511	100	1,392	361	1,212
Total	34,622	6,831	4,617	4,106	703	1,416

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

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	—	—	—	—	—
Long-term borrowings	5,422	14,515	4,439	4,016	4,430	4,592
Total	7,672	14,515	4,439	4,016	4,430	4,592

As of March 31, 2016

(In millions of yen)

Due	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term borrowings	5,050	—	—	—	—	—
Long-term borrowings	3,059	12,225	2,725	2,725	2,762	17,921
Total	8,109	12,225	2,725	2,725	2,762	17,921

Notes Regarding Securities

1. Marketable held-to-maturity debt securities

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)

As of March 31, 2016

(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	246	285	38
	(3) Other	—	—	—
	Subtotal	246	285	38
Securities with market value not exceeding balance sheet carrying amount	(1) National and local government bonds	—	—	—
	(2) Corporate bonds	82	76	(6)
	(3) Other	—	—	—
	Subtotal	82	76	(6)
Total		329	361	32

2. Available-for-sale securities

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	1,088
	(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

As of March 31, 2016

(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	2,552	1,660	891
	(2) Debt securities:			
	1. National and local government bonds	195	156	39
	2. Corporate bonds	—	—	—
	3. Other bonds	—	—	—
	(3) Other	1,774	976	797
	Subtotal	4,522	2,793	1,728
Securities with balance sheet carrying amount not exceeding the acquisition cost	(1) Equity securities	698	985	(286)
	(2) Debt securities:			
	1. National and local government bonds	159	301	(141)
	2. Corporate bonds	1,060	1,239	(178)
	3. Other bonds	748	892	(143)
	(3) Other	2,220	2,597	(377)
	Subtotal	4,886	6,015	(1,128)
Total		9,409	8,809	600

3. Marketable held-to-maturity debt securities sold during the fiscal year

(In millions of yen)

	For the year ended March 31, 2015			For the year ended March 31, 2016		
Type of securities	Cost of securities sold	Proceeds of sales	Gain/loss on sales	Cost of securities sold	Proceeds of sales	Gain/loss on sales
Corporate bonds	—	—	—	60	62	1

Reason for the sale

The Company sold the bonds because the issuer of the bonds requested for early redemption.

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

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

For the year ended March 31, 2016

(In millions of yen)

Type of securities	Proceeds of sales	Gain on sales	Loss on sales
(1) Equity securities	637	164	9
(2) Debt securities	391	—	5
(3) Other	1,869	13	60
Total	2,507	177	74

5. Securities for which impairment loss was recorded

In the fiscal year ended March 31, 2015, the Company recorded no impairment loss with respect to securities. In the fiscal year ended March 31, 2016, the Company recorded ¥300 million as impairment of value with respect to securities (¥66 million as impairment of value of equity securities with no fair market value, ¥24 million as impairment of value of equity securities with fair market value, and ¥208 million as impairment of value of corporate bonds with fair market value within “available-for-sale securities”).

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

Notes Regarding Derivatives

1. Derivative transactions to which hedge accounting is not applied

(1) Currency-related derivatives:

As of March 31, 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.

As of March 31, 2016

(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	17,961	12,358	20	20
	Euro	2,200	898	(56)	(56)
Total		20,161	13,257	(35)	(35)

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, 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.

As of March 31, 2016

(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	—	1	1
Total		300	—	1	1

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, 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 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, 2016

None applicable.

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 expenses, regarding their defined benefit corporate pension plans and lump-sum severance payment plans.

2. Defined benefit plans

(1) Changes in retirement benefit obligation for the years ended March 31, 2015 and 2016 (excluding the portion of the plans to which the short-cut method is applied):

(In millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Balance of retirement benefit obligation at beginning of year	957	922
Service cost	85	80
Interest cost	9	13
Actuarial gains and losses	(109)	14
Benefits paid	(20)	(32)
Other	—	9
Balance of retirement benefit obligation at end of year	922	1,008

(2) Changes in plan assets for the years ended March 31, 2015 and 2016 (excluding the plans to which the short-cut method is applied):

(In millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Balance of plan assets at beginning of year	796	908
Expected return on plan assets	28	32
Actuarial gains and losses	7	(29)
Contribution from the employer	96	100
Benefits paid	(20)	(32)
Balance of plan assets at end of year	908	979

(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, 2015	Year ended March 31, 2016
Balance of liability for retirement benefits at beginning of year	25	20
Retirement benefit costs	5	4
Retirement benefits paid	(0)	(5)
Contribution to the plans	(9)	(10)
Other	—	27
Balance of liability for retirement benefits at end of year	20	37

(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, 2015	Year ended March 31, 2016
Funded retirement benefit obligation	975	1,054
Plan assets	(940)	(1,024)
	34	30
Unfunded retirement benefit obligation	—	35
Net liability (asset) recorded in the consolidated balance sheet	34	65
Defined benefit liability	34	65
Defined benefit assets	—	—
Net liability (asset) recorded in the consolidated balance sheet	34	65

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, 2015 and 2016:

(In millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Service cost	85	80
Interest cost	9	13
Expected return on plan assets	(28)	(32)
Amortization of actuarial gains and losses	(28)	(14)
Amortization of past service costs	(12)	—
Retirement benefit costs calculated by short-cut method	5	4
Retirement benefit costs on defined benefit plans	31	51

(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, 2015	Year ended March 31, 2016
Past service costs	(12)	—
Actuarial gains and losses	88	(58)
Total	76	(58)

(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)

	Year ended March 31, 2015	Year ended March 31, 2016
Unrecognized past service costs	—	—
Unrecognized actuarial gains and losses	(90)	(32)
Total	(90)	(32)

(8) Plan assets:

1. Main components of plan assets:

   Plan assets consisted of the following portfolio categories:

(% of total plan assets)

	Year ended March 31, 2015	Year ended March 31, 2016
Debt securities	14.1%	19.0%
Equity securities	22.4	15.1
General accounts	56.3	56.9
Cash and deposits	6.9	8.6
Other	0.3	0.4
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, 2015 and 2016 are as follows (presented on a weighted-average basis):

	Year ended March 31, 2015	Year ended March 31, 2016
Discount rate	1.06%	0.55%
Long-term expected rate of return on plan assets	3.62	3.54
Expected rate of salary increase	1.68	1.56

Notes Regarding Deferred Income Taxes

1. Significant components of deferred tax assets and liabilities

(In millions of yen)

	March 31, 2015	March 31, 2016
Deferred tax assets:		
Excess provision for bonuses	198	210
Excess allowance for doubtful accounts	138	264
Excess provision for sales returns	21	20
Excess provision for point program	213	184
Excess provision for loss on interest repayment	384	360
Bad debt expenses	45	44
Loss on valuation of investment securities	3	94
Defined benefit liability	11	34
Loss on valuation of real estate for sale	8	13
Excess impairment loss of fixed assets	318	389
Loss on transfer of receivables	256	243
Loss carried forward	448	545
Asset adjustment account	1,266	872
Other	623	574
Deferred tax assets subtotal	3,938	3,854
Valuation allowance	(1,534)	(1,523)
Deferred tax assets total	2,404	2,330
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(620)	(258)
Liability adjustment account	(124)	(79)
Reserve for special depreciation	(244)	(195)
Asset retirement expense	(62)	(66)
Other	(53)	(89)
Deferred tax liabilities total	(1,104)	(691)
Net deferred tax assets (liabilities)	1,299	1,639

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

	March 31, 2015	March 31, 2016
Statutory tax rate:	—	32.8%
Items, including entertainment expenses, not eternally deductible for tax purposes	—	0.1
Items, including dividends received, not eternally inclusive of gross revenue for tax purposes	—	(0.1)
Equal installments of inhabitant taxes	—	0.9
Tax rate difference of subsidiaries	—	2.6
Valuation allowance change	—	3.9
Changes in deferred tax assets and liabilities due to tax rate revision	—	0.8
Income taxes for prior years	—	0.8
Other	—	(0.1)
Effective tax rate	—	41.7%

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 29, 2016, the Law to Amend Part of the Income Tax Law, etc. (Law No. 15 of 2016) and the Law to Amend Part of the Local Tax Law, etc. (Law No. 13 of 2016) were enacted at the Diet session, whereby the corporate income tax rate, etc. was reduced from the fiscal year beginning on or after April 1, 2016. Accordingly, the statutory tax rate to be used in computing deferred tax assets and liabilities has been reduced from the previous 32.0% to 30.6% for the temporary differences estimated to be expired in the years beginning on April 1, 2016 and to 30.4% for the temporary differences estimated to be expired in the years beginning on April 1, 2018.

As a result, the amount of net deferred tax assets (after subtracting the amount of deferred tax liabilities) decreased by¥35 million, while income taxes-deferred increased by¥48 million and valuation difference on available-for-sale securities increased by¥13 million.

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, 2015	Year ended March 31, 2016
Balance at beginning of the year	465	494
Increase due to acquisition of property, plant and equipment	22	2
Adjustment due to passage of time	9	9
Other increase (decrease)	(3)	(1)
Balance at the end of the year	494	505

Notes Regarding Investment and Rental Property

The Company and a certain number 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, 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, 2015 and 2016 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, 2015	Year ended March 31, 2016
Rental property:		
Balance sheet carrying amount:		
Balance at the beginning of the year	8,719	23,252
Increase (decrease) during the year	14,532	832
Balance at the end of the year	23,252	24,085
Fair value at the end of the year	24,452	26,090
Property that includes a portion used as rental property:		
Balance sheet carrying amount:		
Balance at the beginning of the year	1,494	411
Increase (decrease) during the year	(1,082)	(5)
Balance at the end of the year	411	405
Fair value at the end of the year	219	215

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, 2015 was caused primarily 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). The increase in rental property during the year ended March 31, 2016 was caused mainly by the acquisition of rental office buildings (including land) (¥1,205 million).

3. The above carrying amounts in the year ended March 31, 2015 include asset retirement obligations (¥28 million), while the above carrying amounts in the year ended March 31, 2016 include asset retirement obligations (¥29 million).

4. The fair values of the major properties at the end of the fiscal year under review 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, 2015	Year ended March 31, 2016
Rental property:		
Rental income	1,172	1,425
Rental expenses	686	750
Difference	485	674
Other (Gain/loss on sales)	—	303
Property that includes a portion used as rental property:		
Rental income	11	12
Rental expenses	3	2
Difference	8	9

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. 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, 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.

For the year ended March 31, 2016

(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	69,831	36,823	10,307	4,253	2,853	4,400	3,272	—	131,742
Inter-segment sales or transfers	133	18	—	324	—	19	32	(528)	—
Total	69,965	36,842	10,307	4,578	2,853	4,419	3,304	(528)	131,742
Segment income (loss)	3,381	1,504	201	1,987	961	645	(127)	(188)	8,366
Segment assets	61,410	21,667	5,390	5,474	19,115	40,335	4,024	3,636	161,055
Other items:									
Depreciation (Note 3)	1,294	505	213	123	48	329	89	—	2,603
Amortization of goodwill	—	—	—	—	—	—	—	448	448
Increase in property, plant and equipment and intangible fixed assets (Note 3)	783	442	533	11	48	5,595	173	78	7,665

Notes: 1. Amounts of adjustments are as follows:
(1) Adjustments in segment income (loss) represent ¥260 million from inter-segment elimination minus ¥448 million for amortization of goodwill.
(2) Adjustments in segment assets include ¥405 million for the Company's employee welfare facilities and ¥3,231 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, 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.

For the year ended March 31, 2016

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, 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

For the year ended March 31, 2016

(In millions of yen)

	General mail order	Specialty mail order	Retail store sales	Solution	Finance	Property	Other	Companywide/ Elimination	Total
Impairment loss	—	—	14	—	—	—	—	—	14

[Amortization and unamortized balance of goodwill by reportable segment]

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

For the year ended March 31, 2016

(In millions of yen)

	General mail order	Specialty mail order	Retail store sales	Solution	Finance	Property	Other	Companywide/ Elimination	Total
Amortization for the year	—	—	—	—	—	—	—	448	448
Unamortized balance at end of the year	—	—	—	—	—	—	—	3,231	3,231

[Gain on bargain purchase by reportable segment]

For the year ended March 31, 2015

None applicable.

For the year ended March 31, 2016

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, 2015

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party: Interlocking directors or corporate auditors	Relationship with related party: Business relation	Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
Corporations, etc., where a majority of voting rights is held by directors and their close family members	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.

For the year ended March 31, 2016

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party: Interlocking directors or corporate auditors	Relationship with related party: Business relation	Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
Corporations, etc., where a majority of voting rights is held by directors and their close family members	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)	48	Other current assets	13
								Intermediation of premiums (Note 4)	99	Other current assets	32

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:
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, 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.

For the year ended March 31, 2016

None applicable.

(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, 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				
Corporations, etc., where a majority of voting rights is held by directors and their close family members	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.

For the year ended March 31, 2016

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				
Corporations, etc., where a majority of voting rights is held by directors and their close family members	Friend Stage Co., Ltd. (Note 2)	Ageo, Saitama	50	Seal stamp sales, etc.	34.4% (owned, directly)	1	Consignment of business activities	Guarantee deposits of hotel facilities (Note 3)	330	Investments and other assets	500
								Rent of hotel facilities (Note 4)	222	Other current assets	—
								Commission on consignment (Note 5)	15	Other current assets	2

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 of hotel facilities were determined with due consideration of the trading market prices and other factors.
4. Terms and conditions of the transaction and the policy for determination thereof:
Rent of hotel facilities was determined in reference to the assessed value provided by real estate assessors.
5. Terms and conditions of the transaction and the policy for determination thereof:
Commission on consignment was determined upon mutual consultation between both parties with due consideration of the contents of business activities.

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

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.

For the year ended March 31, 2016

None applicable.

Per Share Information

(In yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Net assets per share	814.97	824.56
Basic net income per share	65.77	36.45
Diluted net income per share	—	—

Notes: 1. Amounts of diluted earnings per share are not provided in the above, because there were no dilutive shares.
2. Basis for the calculation of Net income per share is as follows:

	Year ended March 31, 2015	Year ended March 31, 2016
Net income per share:		
Profit attributable to owners of parent (millions of yen):	6,394	3,544
Amount not attributable to holders of common stock (millions of yen)	—	—
Profit attributable to owners of parent relating to common stock (millions of yen)	6,394	3,544
Average number of shares of common stock during the year (thousands of shares)	97,238	97,237

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, 2015	Ending balance on March 31, 2016		
Short-term borrowings	2,250	5,050	0.32%	—
Current portion of long-term borrowings (due within 1 year)	5,422	3,059	0.25	—
Current portion of lease obligations (due within 1 year)	548	680	1.28	—
Long-term borrowings (except current portion)	31,995	38,359	0.25	From 2017 to 2025
Lease obligations (except current portion)	1,162	1,316	1.28	From 2017 to 2021
Total	41,378	48,466	—	—

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	12,225	2,725	2,725	2,762
Lease obligations	527	394	272	120

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, 2016, 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, 2016:

(In millions of yen)

(Cumulative period)	First quarter ended June 30, 2015	Second quarter ended September 30, 2015	Third quarter ended December 31, 2015	Year ended March 31, 2016
Net sales	34,044	62,158	100,928	131,742
Profit before income taxes	2,401	3,060	7,141	6,026
Profit attributable to owners of parent	1,567	1,855	4,590	3,544
Net income per share (in yen)	16.12	19.08	47.21	36.45

(In yen)

(Accounting period)	First quarter ended June 30, 2015	Second quarter ended September 30, 2015	Third quarter ended December 31, 2015	Fourth quarter ended March 31, 2016
Basic earnings (loss) per share	16.12	2.96	28.13	(10.77)

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

None in particular to be remarked.

Corporate Data (as of March 31, 2016)

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
1,377

Directors and Corporate Auditors
(as of June 28, 2016)

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 Wamonoya Co., Ltd.
El Dorado Co., Ltd.
Nursery Co., Ltd.
Texas Co., Ltd.
Infirmiere Co., Ltd.
Best Thanks Co., Ltd.
Nekomahotel Co., Ltd.
Marucho Co., Ltd.
INYA CAPITAL PTE LTD (Singapore)
Others

Investor Information (as of March 31, 2016)

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

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

Number of Shareholders
7,982

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)	9.6%
Japan Trustee Services Bank, Ltd. (Trust Account)	4.1%
Kimi Yasuno	3.4%
Sumitomo Mitsui Banking Corporation	2.3%
The Nomura Trust and Banking Co., Ltd.	2.0%
Belluna Mutual Benefit Society	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%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1.4%

* In addition to the above, Belluna retains 15,947 thousand treasury shares.

For Further Information
URL: http://www.belluna.co.jp/en/
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://www.belluna.co.jp/en/irinfo/library/annual/

BELLUNA

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