

(Translation)

December 21, 2001

Dear Sirs:

Name of Company:	BELLUNA CO., LTD.
Representative Director/President:	Kiyoshi Yasuno
Code No.:	9997

Notice of Consolidation of a Subsidiary
and Revision of Forecast of Operating Results as a result of Business
Transfer

BELLUNA CO., LTD. (the “Company”) herewith notifies that as of January 1, 2002 it decided to consolidate Friendly Co., Ltd. (the “Subsidiary”) and that the forecast of operating results is revised as a result of the business transfer, as set forth below. The Subsidiary was formerly known as Kabushiki Kaisha Gurume Chokusonbin but it changed its name to the present one after it purchased the business of Friendly Co., Ltd. (the “Seller”), in accordance with the substituted approval order (*daitai kyoka*) granted by Maebashi District Court on December 21, 2001 in lieu of the Seller’s shareholders’ approval, pursuant to the Civil Rehabilitation Law, under which the Seller had previously filed for the protection.

1. Reasons for the Business Transfer and Consolidation of the Subsidiary

(1) Reason for the Business Transfer

Friendly Co., Ltd., the transferor of the business, is a medium-sized mail-order company, whose business strength lies in Men’s wear, and arts and crafts, and which has the wholesale department with joint business plans with department stores. Given that, we drew a conclusion that the acquisition of the Subsidiary would enable us to enhance our business opportunities with the synergy effects as a result of the integration with the Subsidiary.

(2) Reason for Consolidation

Because of the expansion of the business as a result of the business transfer, it has become crucial to consolidate the Subsidiary so as to enable to make proper and accurate judgment on the financial conditions and business performances of the Company group as a whole.

2. Description of the Business Transfer

(1) Business Description of Friendly Co., Ltd. (Business Seller)

Mail order business

(2) Brief Description of Friendly Co., Ltd. (Business Seller)

Company Name	Friendly Co., Ltd.
Representative Director	Yuji Nagumo
Head Office	Shin-Maebashi-cho 1-35, Maebashi-shi, Gunma
Date of Incorporation	September 18, 1969
Number of Employees	170 (as of September 31, 2001)
Amount of Share Capital	JPY1,026,000,000
Major shareholders	Harumi Ishida (43.1%), Yuji Nagumo (14.3%), ESOP (11.1%)
Pre-Existing Relationship with the Company	None

(3) Operating Results of Friendly Co., Ltd. (Business Seller) for the period ending on May, 2001 (in million yen)

	Friendly Co., Ltd.	BELLUNA CO., LTD. As of March 2001	Ratio
Net Sales	28,048	72,970	38.4%
Gross Profit	16,339	39,900	40.9%
Operating Income	-5,608	7,380	-%
Ordinary Income	-5,540	7,303	-%

(4) Items and Amounts of the Transferred Assets and Liabilities (as of November 28, 2001)

Assets		Liabilities	
Item	Book Value (in million yen)	Item	Book Value
Merchandises	390		
Goodwill	-		
Real Property (Head Office)	1,154		
Total	1,544	Total	

(5) Purchase Price and Method of Payment

It is scheduled that the payment for 20% of the book value of merchandises will be made on December 31, 2001 and that for goodwill in the amount of JPY100,000,000 will be made on the effective date of the business transfer. With regard to the real property, the amount has not been determined yet because it is still under negotiation with the mortgagers, and it may not be transferred depending on the price.

3. Summary of Consolidated Subsidiary (Friendly Co., Ltd. (formerly, Kabushiki Kaisha Gurume Chokusobin))

Company Name	Friendly Co., Ltd.
Representative Director	Kiyoshi Yasuno
Head Office	4-2, Miyamoto-cho, Ageo-shi, Saitama
Date of Incorporation	January 30, 1995
Main Business	Businesses incidental to direct delivery services from places of production
Fiscal Year	March
Number of Employees	1
Principal Place of Business	Sapporo-shi, Hokkaido
Amount of Share Capital	JPY10,000,000 (scheduled to increase up to JPY50,000,000)
Outstanding Issued Shares	200
Major Shareholder and Investment Ratio	100% held by BELLUNA CO., LTD.

4. Time Schedule

November 28, 2001

Friendly Co., Ltd.(formerly, Kabushiki Kaisha Gurume Chokusobin (unconsolidated subsidiary)), entered into the business transfer agreement.

December 21, 2001

The approval of the business transfer (*Daitai-Kyoka-Kettei*) was ordered by the Maebashi District Court. (However, its effectiveness may be lost, unless the final approval and permission is granted by the relevant governmental agency, and the court order might be cancelled if a claim objecting to the order is submitted during one week-period immediately following the order by a disgruntled shareholder and such claim is accepted by the court.)

January 1, 2002

(Scheduled) effective date of the business transfer

5. Revision of Projected Earnings for the period ending on March, 2002 (April 1, 2001 to March 31,2002)

Expected consolidated results (in million yen)

	Net Sales	Ordinary Profits	Net Profits
Previously announced forecasts (A) (as of November 22, 2001)	88,780 (0)	8,710 (0)	5,080 (0)
Revised Forecasts (B)	91,780 (3,000)	8,710 (0)	5,080 (0)
Increase / Decrease (A-B)	3,000 (3,000)	0 (0)	0 (0)
Ratio of Increase/ Decrease	3.4%	0 (0)%	0 (0)%
Previous Results (for the year ended March 2001)	77,215	7,391	4,163

Notes:

1. Figures in parenthesis are expected results including the newly consolidated subsidiary.
2. Outlook for the next fiscal year shall be disclosed in the expected results of the consolidated settlements of account of the company as of the end of the current term.