

Summary of Financial Results for the First-half of the Fiscal Year Ending March 31, 2002 (Consolidated)

Company name: Belluna Co., Ltd.
 Stock code: 9997
 Stock Exchange listing: Tokyo Stock Exchange
 Company Domicile: Saitama Prefecture
 Contact: Takeo Shimano, Manager, Administration Division
 Tel: 048-771-7753
 Date of board meeting for approving interim financial results: November 22, 2001
 Parent company (Stock code)
 Parent company's capital interest in the Company: - %
 SEC accounting standards: The Company does not apply SEC accounting standards

1. Consolidated financial results for the half-year ended Sept. 2001 (From April 1, 2001 to September 30, 2001)

(1) Consolidated financial results

Rounded down to Million yen

	Sales		Operating income		Ordinary income	
	Million yen	YoY change (%)	Million yen	YoY change (%)	Million yen	YoY change (%)
Half-year ended Sept. 2001	39,135	16.3	3,381	15.8	3,383	18.6
Half-year ended Sept. 2000	33,652	-	2,921	-	2,853	-
Fiscal year ended Mar. 2001	77,215	-	7,581	-	7,391	-

	Net income		Net income per share, (basic)	Net income per share, (diluted)
	Million yen	%	Yen	Yen
Half-year ended Sept. 2001	1,791	8.7	91.53	91.49
Half-year ended Sept. 2000	1,648	-	91.52	91.43
Fiscal year ended Mar. 2001	4,163	-	232.33	232.18

Notes

1. Equity in earnings of unconsolidated subsidiaries

Half-year ended Sept. 2001:	None
Half-year ended Sept. 2000.:	None
Fiscal year ended March 2001	None
2. Average number of shares outstanding (consolidated)

Half-year ended Sept. 2001:	19,568,232 shares
Half-year ended Sept. 2000:	18,010,685 shares
Fiscal year ended March 2001:	17,918,829 shares
3. Changes in accounting principles applied: Yes
4. The percentages shown for sales, operating income, ordinary income, and net income for the half-year period represent changes from the corresponding half-year period of the previous year.
5. Stock splits: 1.2 for 1 on May 19, 2000, 1.1 for 1 on May 21, 2001.
 Earnings per share (interim) are calculated assuming that the stock split was effective at the beginning of the term.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
Half-year ended Sept.. 2001	68,241	29,648	43.4	1,515.14
Half-year ended Sept. 2000	59,618	26,053	43.7	1,456.48
Fiscal year ended Sept. 2001	69,893	28,315	40.5	1,591.70

Note 1:

Number of shares outstanding (consolidated) at the end of the period:

Half-year ended Sept. 2001: 19,568,205 shares

Half-year ended Sept. 2000: 17,887,761 shares

Fiscal year ended March 2001: 17,789,443 shares

(3) Consolidated cash flow position

Parentheses represents negative cash flows

	Net cash provided by (used in) operating activities	Net cash used in investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Half-year ended Sept. 2001	(1,226)	(1,084)	(917)	8,076
Half-year ended Sept. 2000	(234)	(1,433)	(1,342)	7,152
Fiscal year ended Sept. 2001	4,377	(4,239)	960	11,317

(4) Scope of Consolidation and Application of the Equity Method

Consolidated subsidiaries: 6

Unconsolidated subsidiaries accounted for by the equity method --

Affiliates accounted for by the equity method --

(5) Changes in Extent of Consolidation and Affiliates Accounted for Under the Equity Method

Consolidated subsidiaries:

New -

Excluded -

Affiliates accounted for under equity method:

New -

Excluded -

2. Forecast for the Fiscal Year ending March 2002 (From April 1, 2001 to March 31, 2002)

	Sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Full Year	88,780	8,710	5,080

Reference: Estimated net income per share for the fiscal year ending March 2002: ¥259.60

Corporate Group

The Belluna Group is made up of Belluna Co., Ltd. (the Company) and six consolidated subsidiaries (as of September 30, 2001). The group is engaged in catalog-based retail sales, the distribution of printed materials, direct sales of merchandise, financial services and other businesses. The group's business activities and the roles of the Company and its subsidiaries are as follows.

(1) Catalog Business

The Company sells a variety of household items through catalogs and conducts related businesses. Major merchandise categories are apparel, products for the home, personal care items, and hobby goods.

(2) *Hampukai* (Special Order Products)

The Company conducts direct sales through the distribution of pamphlets and other printed materials through mass media. The primary merchandise categories are food and gardening items.

(3) Direct sales of merchandise

Several subsidiaries are engaged exclusively in the direct sales of health food, cosmetics and other types of merchandise. These subsidiaries are Toyo Kanpo, OZIO Co., Ltd., Bell-net International Hong Kong Ltd., and B.N. International U.S.A., Inc.

(4) Financial Services

The Company conducts a consumer credit business that primarily involves the extension of credit to customers who purchase merchandise through a group company. Bell-net Finance Co., Ltd. extends credit to consumers in Hong Kong.

(5) Other Businesses

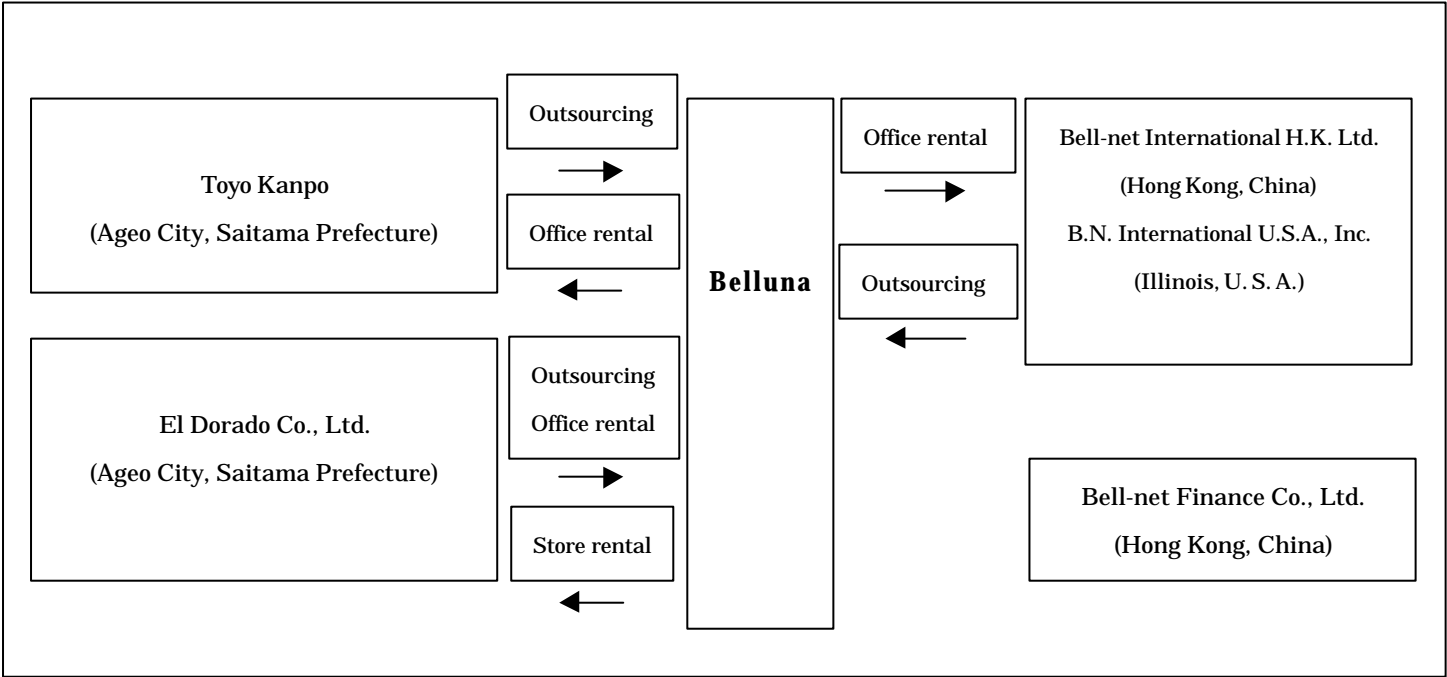
Other businesses mainly include the enclosure and mailing commissions (enclosing other companies' advertising materials when sending the Belluna Group products or catalogs), the Internet business and building leasing.

- Enclosure and mailing commissions: the Company
- Internet business: the Company
- Real estate rental: El Dorado Co., Ltd.

The Belluna Group



Parentheses: Location of group firms



Management Policies

(1) Fundamental management policy

The company's fundamental management philosophy is "to contribute to society through the provision of enriching products and services involving food, clothing and shelter in a manner that offers the best in convenience, value and style." The goal is to become an excellent company with balanced strength in stability, growth, continuity, and profitability. The company's fundamental management policy is to conduct its businesses in this manner for the purpose of meeting the expectations of shareholders and other investors.

(2) Fundamental policy for allocation of earnings

The company's fundamental policy is to maintain a stable dividend while setting the level of dividend payments based on a long-term view and the need to strengthen the group's operating base. The company has in the past returned earnings to shareholders through stock splits and stock repurchases. Returning earnings to shareholders will remain a central element of the group's management.

Retained earnings will be managed from a long-term view, primarily through investments, for the purpose of increasing corporate value.

(3) Medium- and long-term management strategy

By adhering to a fundamental policy of "prudent risk-taking," the Group's goal is to expand its business activities, including those outside Japan, to sustain growth in sales and earnings. To this end, the company implements a four-element strategy: developing different age group from existing targeted age group; conducting one-to-one marketing; remaining open to business alliances, mergers and acquisitions; and expanding in overseas markets. Based on these strategies, the group is seriously considering the assumption of the businesses of Friendly Co., Ltd., a company that has submitted an application to begin a bankruptcy restructuring.

(4) Management Issues

a. Business issues

The operating environment for the group (the Company and its consolidated subsidiaries) is likely to become even more difficult in the future. In response, management is taking the following actions to establish a base capable of consistently generating profits.

(1) In the catalog business, *Hampkai* (Special Order Products) and direct-sales businesses, the central issues are improving earnings by utilizing media more efficiently and making better use of customer data. Accordingly, the group is working to increase the number of active customers, primarily through mass media, enhance services offered to the preferred customers, and develop more products that are appealing to customers.

(2) In the financial services business, the central issue is increasing the volume of quality credit receivables to generate earnings. The goals here are to achieve a suitable rate of growth and attract new customers, both in a manner that addresses customers' needs. To accomplish this, the group is making its products and services more convenient for customers and creating an operating base capable of targeting regional and other specific market needs.

(3) Among other businesses, building a profitable operating base is the central issue in the Internet business. For the time being, the group plans to bolster profitability while maintaining the proper balance with the need to expand this business.

b. Financial issues

The group had a negative operating cash flow in the first half of the current fiscal year. However, the group believes there are presently no problems with regard to working capital because consolidated cash and cash equivalents at the end of the first half stood at ¥8,076 million.

To help ensure the efficient use of funds, the group in October 2001 established a commitment line.

Results of Operations

(1) Overview of Interim Period

a. Operating results

During the first half of the current fiscal year, the six-month period ended September 30, 2001, the Japanese economy weakened further as there were sharp declines in exports and manufacturing. Consumer spending remained soft due to a worsening in the unemployment picture and slowing growth in personal income. Collectively, these trends are keeping the economic outlook unclear.

In the retailing industry, there are concerns about deflationary forces. Although department store sales have improved somewhat, the slide in sales of other large-scale stores continues, as does the decline in unit sales prices.

In this environment, the catalog and mail order sales industry performed well due to growth at a number of medium-sized and smaller retailers that specialize in particular merchandise categories. However, intensifying competition is creating difficulties for the large, full-line companies.

To meet these challenges, Belluna focused on providing customers with merchandise that offers value and on enhancing services. Steps were also taken to improve the company's cost structure.

Due to these efforts, Belluna posted a year-on-year 16.3% increase in consolidated interim net sales to ¥39,135 million.

Earnings increased too. Compared with the first half of the previous fiscal year, operating income rose 15.8% to ¥3,381 million, recurring profit increased 18.6% to ¥3,383 million and net income was up 8.7% to ¥1,791 million.

Results by business segment are as follows.

Catalog Business

Apparel, personal care and hobby goods, and all other categories of catalog business posted higher sales. Most notable was the 20.8% sales increase recorded by products for the home. Overall, sales in this segment increased 14.2% to ¥29,268 million.

Hampkai (Special Order Products)

Sales posted solid growth in this segment, increasing ¥13.7% to ¥4,548 million. This performance was mainly attributable to growth in sales of wine and food.

Direct sales of merchandise

Sales continued to grow, mainly at overseas subsidiaries. Segment sales increased 39.8% to ¥2,461 million.

Financial Services.

Steady growth continued in the volume of loans to creditworthy customers. As a result, interest income rose 15.5% to ¥2,214 million.

Other Businesses

Broad-based initiatives to attract new clients supported growth in the handling and distribution of sales materials. As a result, segment sales increased 30.6% to ¥402 million.

b. Cash flows

	<i>Millions of yen</i>		
	Current interim consolidated accounting period	Previous interim consolidated accounting period	Change
Net cash used in operating activities	1,226	234	991
Net cash used in investing activities	1,084	1,433	349
Net cash used in financing activities	917	1,342	425
Effect of exchange rate changes on cash and cash equivalents	12	4	16
Net decrease in cash and cash equivalents	3,241	3,007	233
Cash and cash equivalents at the beginning of the period	11,317	10,170	1,147
Cash and cash equivalents at the end of the period	8,076	7,162	913

Note: indicates negative cash flow

Cash and cash equivalents at the end of the interim period were ¥8,076 million, ¥3,241 million less than at the end of the previous fiscal year. This was mainly attributable to a decline in trade payables and to capital expenditures.

Operating activities

Net cash used in operating activities was ¥1,226 million, ¥991 million more than in the first half of the previous fiscal year. Although there was an increase in income before taxes due to the higher sales, cash was used for a ¥1,212 million decline in trade payables and other items.

Investing activities

Investing activities decreased ¥349 million as there was a decline in the purchase of property and equipment. Major components of purchases of property and equipment were the construction of employee housing and the construction of a returned product-processing center (Ryoke Yamashita Clinic Center).

Financing activities

Net cash used in financing activities decreased ¥425 million. The decline was mainly due to the absence of stock repurchases during the period.

(2) Outlook for Fiscal Year

The outlook is for a further weakening of the economy as the impact of lackluster consumer spending is exacerbated by the effects of the global economic downturn in the wake of the U.S. terrorist attacks. Belluna and its subsidiaries will continue to place priority on the development of merchandise that offers customers even greater value and on further improvements in the quality of services. Through these initiatives, the company is forecasting net sales of ¥88,780 million, recurring profit of ¥8,710 million and net income of ¥5,080 million for the full fiscal year.