

December 8, 2005

Dear Sirs:

Name of Company: BELLUNA CO., LTD.  
Code No. 9997 1st Section of the Tokyo Stock Exchange

Notice of Warning from the Fair Trade Commission  
about the Act Against Unjustifiable Premiums and Misleading Representations

The Company received a warning on 07/Dec/05 from the Fair Trade Commissions to the doubt that the representation for the accessory “Mermaid Pearl”, which was introduced in our catalogue ‘Lefrant’ and leaflets, may interfere with the Act Against Unjustifiable Premiums and Misleading Representations. Our opinions about this warning are as follows.

1. On catalogues and leaflets, Mermaid Pearl was introduced with the specification that it was ‘KAI Pearl’ (similar with Majolica Pearl). Regarding some dictionaries and books about jewelry, KAI Pearl is a commonly used name for imitation or artificial pearl in Japan. Therefore, our understanding was not that our advertisement of Mermaid Pearl might be against the act.
2. However, the indications on our advertisement from the Fair Trade Commission are;
  - 1) mentioning as ‘Mermaid Pearl made in the South Seas, Australia’
  - 2) introducing as ‘the size of this pearl is 12mm, having more scarcity value’ and ‘this brightness is more than of real pearl’From their point of view, these introductions might make customers to misunderstand as real pearl, and mean that it would be much more excellent than original one.
3. After this indication, Mermaid Pearl is specified as artificial pearl on all advertisement. We take this warning very seriously and, in addition act upon our compliance mind in order not to disappoint the trust and confidence of customers.
4. The influence will be minor on the consolidated business results of this fiscal year.

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