# BELLUNA

## Annual Report 2021

For the year ended March 31, 2021


Belluna Co., Ltd.
Code:9997

## Profile

# A comprehensive mail order merchant company with an advanced database-centered business model

As a major player in Japan's mail order industry, Belluna possesses superior management resources that include a database of over 21 million customers in Japan cultivated in the General Mail Order business as well as related expertise and infrastructure. By utilizing these strengths to achieve a higher rate of growth and profitability, we are pursuing stable growth in the General Mail Order business, which includes online mail order sales, expansion of the Specialty Mail Order business, expansion and profit improvement in the Retail Store Sales business, and strengthening of the Property business toward a mature portfolio.

Belluna aims for the full realization of its "comprehensive mail order merchant company" business model so as to achieve a high rate of growth and profitability and is working to enhance corporate value by harnessing synergistic effects yielded by its multiple businesses.

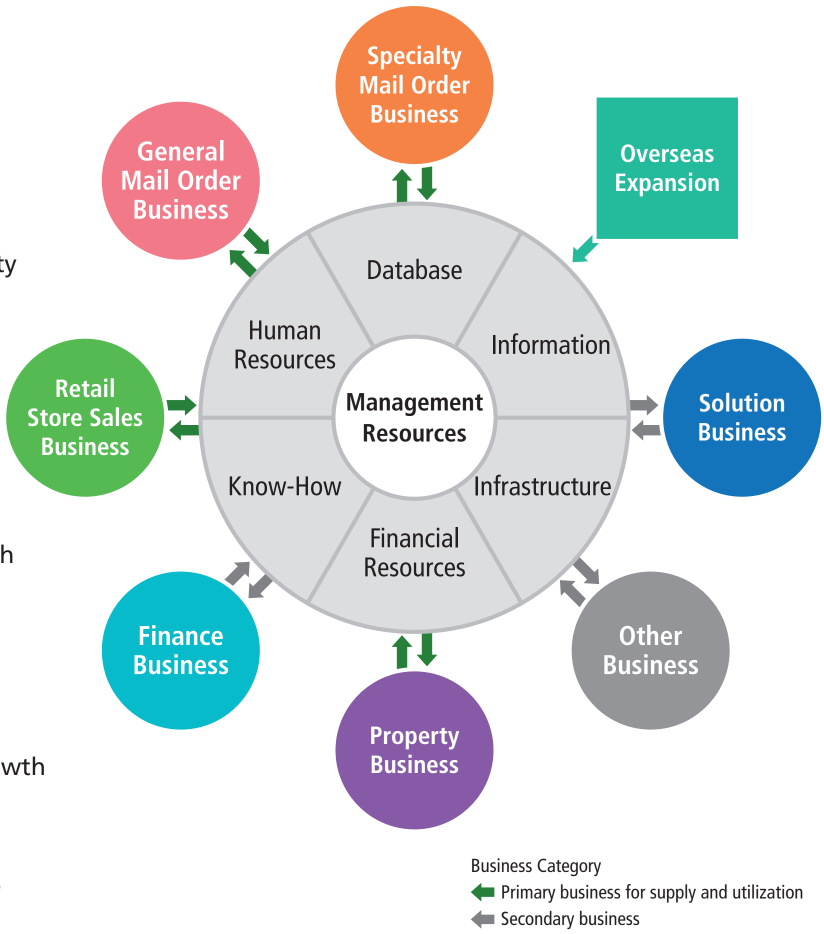
Looking ahead, based on our desire to "help improve the lifestyles and well-being of our customers," we will operate businesses that fulfill people's needs for food, clothing, lifestyle, and recreation.

## 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.

# Interview with the President

Kiyoshi Yasuno

**Kiyoshi Yasuno**
President and CEO

We would like to express our deepest sympathies to all those whose physical health and daily lives have been affected by the spread of COVID-19.

## Q.1 Could you give us a snapshot of the overview and business environment during the fiscal year under review?

The outlook for the Japanese economy continues to remain uncertain amid declining inbound demand and stagnant business activities in Japan and overseas against the backdrop of the global spread of COVID-19. The mail order industry experienced increased demand from a broad customer base as a result of lifestyle changes, including stay-at-home requests and social distancing due to the spread of COVID-19, in addition to market expansion resulting from e-commerce, and continued to see increased usage.

Consolidated net sales in the fiscal year under review increased 14.8% year on year to ¥206,499 million, and operating income increased 52.6% year on year to ¥15,734 million. Ordinary income increased 62.8% to ¥16,872 million, mainly as a result of an increase in subsidy income and lower fees associated with fund procurement than for the same period in the previous year. Profit attributable

## We achieved record highs in net sales, operating income, ordinary income, and net income. We aim to achieve our goals for the final year of our 4th Business Plan without fail.

to owners of parent increased 88.3% year on year to ¥11,036 million, mainly as a result of gain on sales of non-current assets.

Regarding Belluna's financial position, liabilities rose ¥6,377 million compared to the figure at March 31, 2020, to ¥126,980 million. This was mainly due to increases of ¥4,025 million in trade notes and accounts payable and ¥3,758 in income taxes payable. Total assets, however, increased ¥17,083 million to ¥240,211 million. As a result, net assets increased ¥10,706 million to ¥113,231 million, and the shareholders' equity ratio stood at 46.9%.

### Q.2 What can you tell us about Belluna's initiatives and outlook for operating performance in fiscal 2022?

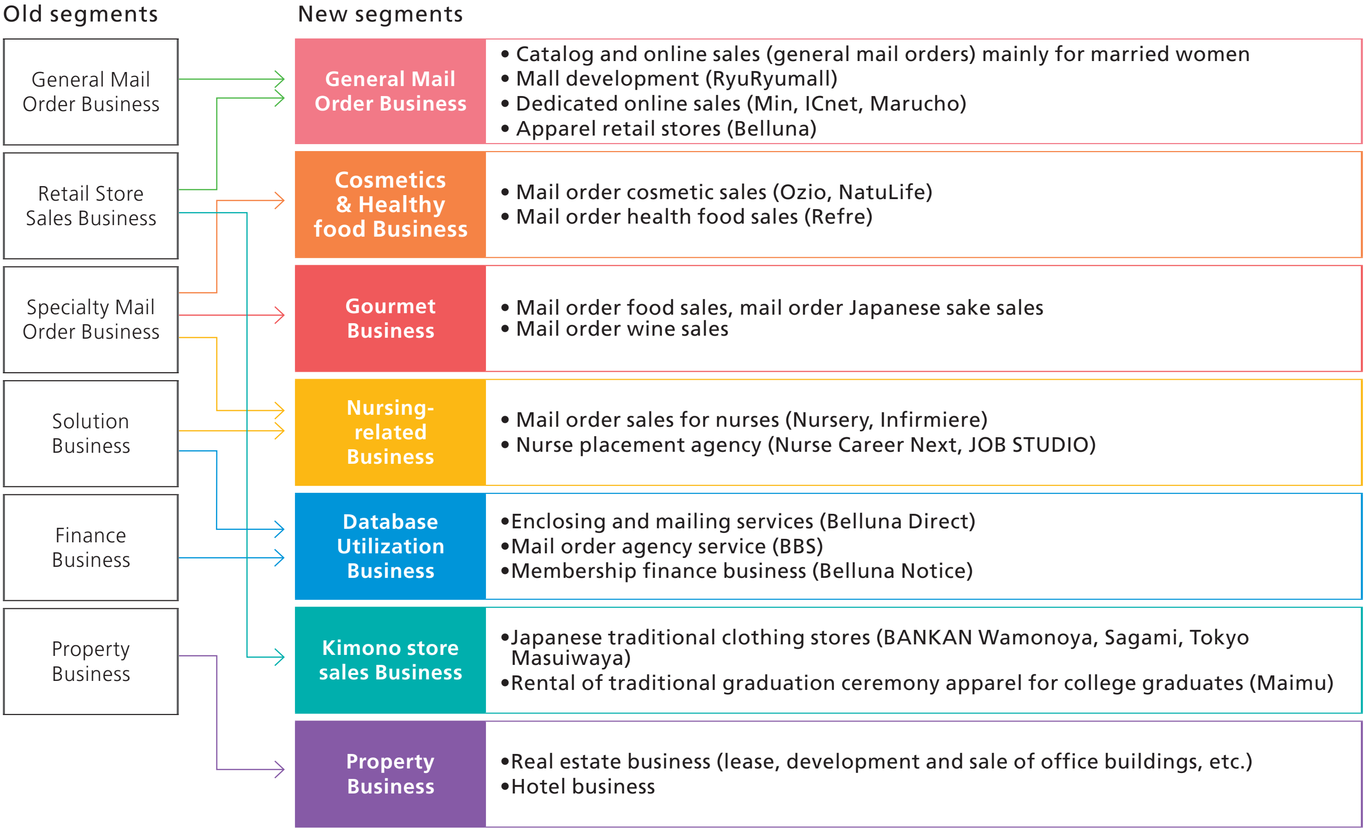
The outlook for the Japanese economy remains uncertain due to the persistent threat of the further spread of COVID-19 infections and concerns over economic activities remaining stagnant for a prolonged period, despite growing expectations over the effect of COVID-19 vaccines. At the Belluna Group, we see changes in consumer demand as an opportunity, mainly in the Mail Order Business, and will continue to introduce new products and services and strengthen sales promotions with the aim of increasing customer numbers and realizing business growth by creating customer satisfaction. In addition, in the Kimono-related Business and the Property Business, we will operate in accordance with policies and measures implemented by government agencies to prevent the spread of COVID-19, and endeavor to operate our business with an emphasis on profitability.

For the fiscal year ending March 31, 2022, we expect to achieve net sales of ¥246.0 billion, operating income of ¥17.5 billion, ordinary income of ¥18.2 billion and profit attributable to owners of parent of ¥12.5 billion.

Current forecasts involve potential risks and uncertainties, and while they incorporate the amount of financial impact predictable as of this document's release as well as current conditions of the Group's operations, actual results may differ from these forecasts. Any changes to our forecasts will be promptly announced going forward. We appreciate shareholders' ongoing understanding and support for the Belluna Group.

## Changes in segments

Our business segments will be reorganized as of the fiscal year ending March 31, 2022.




## 5th Business Plan (from April 1, 2022 to March 31, 2025)

Effective the fiscal year ending March 31, 2022, we will reorganize our business segments and shift to new segments based on products and services with the aim of clarifying the business content and progress of each segment.

The new segments consists of eight segments, which are the General Mail Order business, the Cosmetics and Health Food business, the Gourmet business, the Nursing-related business, the Database Utilization business, the Kimono-related business, the Property business, and Other business.

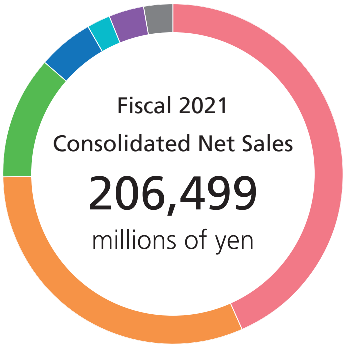
Our medium- to long-term policy is to "aim for our maturation as a mail order general trading company with a benchmark of ¥300 billion in net sales and ¥30 billion in operating income." Under the 5th Business Plan, we will promote the maturation of portfolio management that strengthens each of our businesses and demonstrates synergic effects, aim to achieve the goals for each segment, and move forward with a focus on promoting SNS and other online business, strengthening the training of practical human resources, and promoting M&A targeting synergic effects.

(billions of yen)

| | 5th Business Plan | | |
|---|---|---|---|
| **Net sales** | Plan for the fiscal year ending March 31, 2023 | Plan for the fiscal year ending March 31, 2024 | Plan for the fiscal year ending March 31, 2025 |
| General Mail Order Business | 133.13 | 141.75 | 151.47 |
| Cosmetics & Healthy food Business | 20.63 | 23.03 | 25.63 |
| Gourmet Business | 30.38 | 34.70 | 36.98 |
| Nursing-related Business | 16.94 | 18.17 | 19.70 |
| Database Utilization Business | 15.02 | 16.87 | 18.98 |
| Kimono store sales Business | 27.72 | 30.37 | 33.51 |
| Property Business | 15.71 | 21.58 | 21.91 |
| Other Business + Adjustments | 0.47 | 3.55 | 1.83 |
| **Total** | **260.00** | **290.00** | **310.00** |

| **Operating income** | | | |
|---|---|---|---|
| General Mail Order Business | 6.72 | 7.32 | 8.12 |
| Cosmetics & Healthy food Business | 2.14 | 2.34 | 2.60 |
| Gourmet Business | 2.11 | 2.33 | 2.65 |
| Nursing-related Business | 1.76 | 1.98 | 2.20 |
| Database Utilization Business | 4.98 | 5.41 | 5.86 |
| Kimono store sales Business | 1.20 | 1.74 | 2.12 |
| Property Business | 1.35 | 3.67 | 4.02 |
| Other Business + Adjustments | (0.24) | 0.19 | 0.43 |
| **Total** | **20.00** | **25.00** | **28.00** |

# Review of Business Operations




| | |
|---|---|
| General Mail Order Business | 43.4% |
| Specialty Mail Order Business | 31.4% |
| Retail Store Sales Business | 11.8% |
| Solution Business | 5.2% |
| Finance Business | 2.2% |
| Property Business | 3.4% |
| Other Business | 2.6% |

## General Mail Order Business

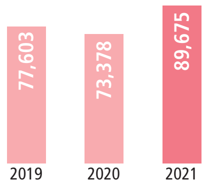
### Business Outline

The Company and its subsidiaries engage in mail order sales of daily life-related merchandise and related services through various media including catalogs and the Internet. The main products are apparel, sundry goods, home furnishings and other household goods, and everyday necessities and hobby articles. Min Co., Ltd., ICnet Co., Ltd. and other subsidiaries operate the general mail order business.

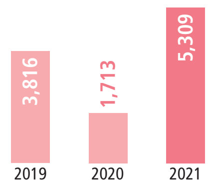
### Overview

In the General Mail Order business, segment net sales increased 22.2% compared with the previous fiscal year to ¥89,675 million and segment (operating) income increased 209.9% to ¥5,309 million, mainly as a result of aggressive advertising in addition to rising mail order demand, including nest-dweller consumption mainly for sundry goods and homeware, partly due to the spread of COVID-19.

**Net Sales**
(millions of yen)




**Segment Income**
(millions of yen)

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2


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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 *GeeRA* offers fashion items for young women in their 20s.

## Specialty Mail Order Business

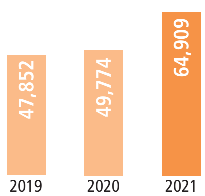
### Business Outline

The Company and its subsidiaries engage in mail order sales of single items such as food, cosmetics, and health food items, as well as sales of specialty merchandise focusing on specific customers. Refre Co., Ltd., Ozio Co., Ltd., NurseStage Co., Ltd., Marucho CO., LTD. and other subsidiaries operate the specialty mail order business.

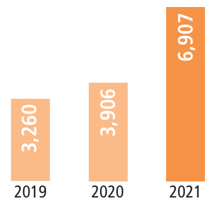
### Overview

The Specialty Mail Order business recorded a 30.4% year-on-year increase in segment net sales to ¥64,909 million due to favorable sales mainly in the mail order business for nurses and the gourmet and wine business, partly as a result of the spread of COVID-19. Segment (operating) income increased 76.8% to ¥6,907 million.

**Net Sales**
(millions of yen)




**Segment Income**
(millions of yen)

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6



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.


# Retail Store Sales Business

## Business Outline

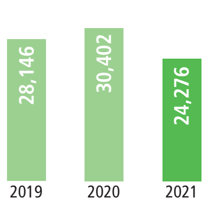
The Company and its subsidiaries engage in retail store sales of apparel and other merchandise related to Japanese traditional clothing. BANKAN Wamonoya Co., Ltd., Sagami Group Holdings Co., Ltd. operate the retail store sales business.

## Overview

In the Retail Store Sales business, segment net sales decreased 20.1% compared with the previous fiscal year to ¥24,276 million, while segment (operating) loss amounted to ¥1,612 million (compared with segment (operating) income of ¥310 million in the previous fiscal year) due to shortened operating hours and temporary closures as a result of policies by developers to prevent the spread of COVID-19.

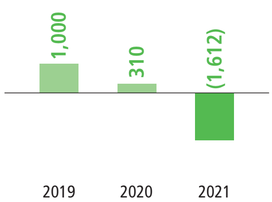
### Net Sales

(millions of yen)




### Segment Income

(millions of yen)




# Solution Business

## Business Outline

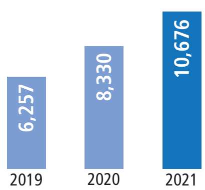
The Company and its subsidiaries engage in commission-type businesses that outsource to the Company. These include operations involving the insertion of other companies' direct mails, etc. into the Company's merchandise catalogs or merchandise that the Company delivers. The subsidiary NurseStage Co., Ltd. operates commission-type, personnel placement and temporary staffing businesses, and the subsidiary JOBSTUDIO PTE. LTD. operates personnel placement and temporary staffing businesses.

## Overview

The Solution business recorded a strong performance from both direct-marketing outsourcing services, and enclosing and mailing services, as well as the addition of JOBSTUDIO PTE. LTD. to the Group. Segment net sales increased 28.2% compared with the previous fiscal year to ¥10,676 million, and segment (operating) income increased 14.4% to ¥3,033 million.

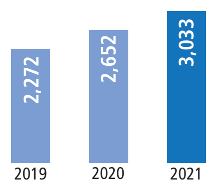
### Net Sales

(millions of yen)




### Segment Income

(millions of yen)




# Finance Business

## Business Outline

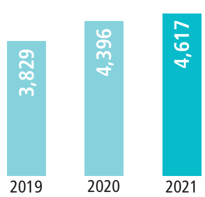
The Company's subsidiary Sunstage Co., Ltd. engages in consumer loan services for customers mainly in the mail order business.

## Overview

The Finance business recorded a 5.0% year-on-year increase in segment net sales to ¥4,617 million mainly due to curtailed advertising in light of the spread of COVID-19, in addition to a year-on-year increase in balance of trade loans in the domestic consumer finance business. Segment (operating) income increased 30.5% to ¥2,445 million.

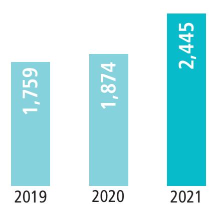
### Net Sales

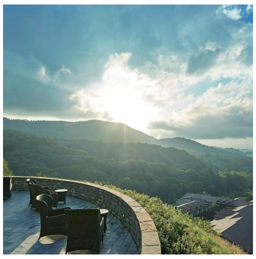
(millions of yen)




### Segment Income

(millions of yen)





# Property Business

## Business Outline

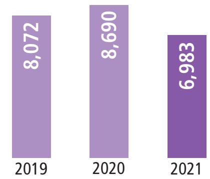
The Company and its subsidiaries engage in the renting, remodeling and development, of real estate. Texas Co., Ltd., California Co., Ltd., Ozio Co., Ltd. and other subsidiaries engage in the renting, remodeling and development of real estate, while Granbellhotel Co., Ltd. engages in hotel management.

## Overview

The Property business recorded segment net sales of ¥6,983 million, down 19.6% year on year, as the hotel business was affected by restrictions on movements within Japan and immigration restrictions on non-Japanese implemented by government agencies in order to prevent the spread of COVID-19. Segment (operating) income fell 99.0% to ¥6 million.

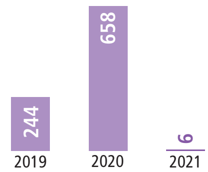
### Net Sales

(millions of yen)




### Segment Income

(millions of yen)




# Outlook

Effective the fiscal year ending March 31, 2022, we will reorganize our business segments and shift to new segments based on products and services with the aim of clarifying the business content and progress of each segment.

The new segments consists of eight segments, which are the General Mail Order business, the Cosmetics and Health Food business, the Gourmet business, the Nursing-related business, the Database Utilization business, the Kimono-related business, the Property business, and Other business.

The outlook for each business segment for the fiscal year ending March 31, 2022 is as follows.

## General Mail Order Business

In fiscal 2022, we aim to achieve segment net sales of ¥119,982 million (up 20.4% year on year) and segment (operating) income of ¥5,757 million (up ¥496 million). Backed by favorable new customer acquisition, we will develop our business with an emphasis on growth potential, positioning fiscal 2022 as a year to lay the groundwork for the 5th Business Plan.

## Cosmetics & Healthy food Business

In fiscal 2022, we aim to achieve segment net sales of ¥18,600 million (down 4.3% year on year) and segment (operating) income of ¥1,930 million (down ¥718 million). Although we will strive to accelerate new product development and product launches in fiscal 2022, sales are forecast to remain almost unchanged, partly due to restrictions on online advertising in Japan.

## Gourmet Business

In fiscal 2022, we aim to achieve segment net sales of ¥28,000 million (up 5.2% year on year) and segment (operating) income of ¥1,980 million (down ¥202 million). In the wine and Japanese sake business, we will further strengthen our No.1 position in the industry by improving quality, broadening product lineups, and enhancing its brands.

## Nursing-related Business

In fiscal 2022, we aim to achieve segment net sales of ¥15,753 million (up 6.6% year on year) and segment (operating) income of ¥1,490 million (down ¥278 million). In addition to achieving the stability of the mail order business targeting nurses, we will make a full-swing entry into the mail order business targeting caregivers with the aim of creating a winning business model. Utilizing JOBSTUDIO, a company we acquired, as a foothold for business expansion, we will strive to expand merchandise sales.

## Database Utilization Business

In fiscal 2022, we aim to achieve segment net sales of ¥14,324 million (up 0.9% year on year) and segment (operating) income of ¥4,943 million (down ¥564 million). In the finance business, we aim to increase the balance and enhance our growth potential as COVID-19 becomes contained. We aim to steadily grow the enclosing and mailing business in line with an increase in mail order customers. In our commission-type businesses, we will develop new customers and expand our infrastructure.

## Kimono store sales Business

In fiscal 2022, we aim to achieve segment net sales of ¥25,676 million (up 19.7% year on year) and segment (operating) income of ¥355 million (up ¥1,418 million). We aim to return to profitability in fiscal 2022 by steadily integrating the BANKAN Wamonoya business model throughout the Group.

## Property Business

In fiscal 2022, we aim to achieve segment net sales of ¥21,247 million (up 204.2% year on year) and segment (operating) income of ¥1,655 million (up ¥1,648 million). While we expect impacts of the spread of COVID-19 and costs for opening five hotels in fiscal 2022, we anticipate the sale of overseas real estate.

# 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 2021, the Board of Directors consisted of eleven 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 manager of corporate planning department and features the participation of outside experts. The Compliance Committee provides advice to the Board of Directors and the Representative Director and possesses the authority to order improvements or suspensions of operations at operating divisions.

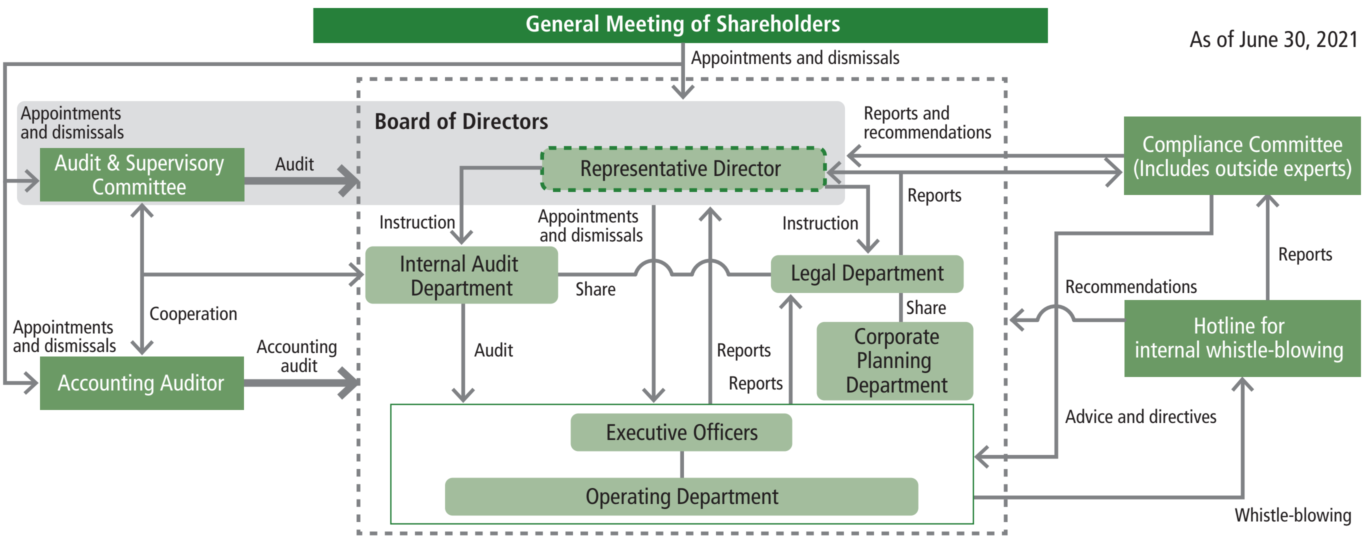
### Compliance Promotion Structure

The Company maintains the Internal Audit Department under the direct control of the Representative Director. This department is charged with auditing and ensuring the appropriateness and effectiveness of Company-wide administrative systems and the execution of operations. The Internal Audit Department coordinates with members of the Audit Committee in the monitoring of all areas of operation. The Internal Audit, Legal and Corporate Planning departments share information and cooperate in order to rapidly identify and solve problems as well as reduce risk.

Beyond these measures, the Company revised rules for sharing important information and strengthened standards for submitting reports with the purpose of bolstering its information gathering system. In addition, to ensure anonymity the Company established an external hotline as part of its internal whistle-blowing system. Through this and other measures, the Company is upgrading operational flow to ensure the improved functioning of the system. In addition, the Company strives to improve the effectiveness of its compliance structure through such measures as ongoing employee training and education.

## Corporate Governance System

As of June 30, 2021



# 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 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2021 |
| **For the year:** | | | | | | | |
| Net sales | 131,742 | 146,083 | 161,673 | 177,648 | 179,948 | **206,499** | **1,865,393** |
| Cost of sales | 59,241 | 64,306 | 71,774 | 76,275 | 74,908 | **84,935** | **767,254** |
| Gross profit—net | 72,500 | 81,762 | 89,897 | 101,364 | 105,062 | **121,564** | **1,098,139** |
| Selling, general and administrative expenses | 64,134 | 70,880 | 76,889 | 89,359 | 94,751 | **105,821** | **955,926** |
| Operating income | 8,366 | 10,882 | 13,008 | 12,005 | 10,311 | **15,734** | **142,132** |
| Income before income taxes and minority interests | 6,026 | 9,773 | 13,734 | 15,468 | 9,557 | **17,743** | **160,280** |
| Net income | 3,544 | 5,802 | 9,665 | 10,343 | 5,862 | **11,036** | **99,693** |
| Capital investment | 7,366 | 8,635 | 15,704 | 7,511 | 10,360 | **8,750** | **79,042** |
| Depreciation | 2,481 | 2,655 | 2,495 | 2,765 | 3,151 | **3,321** | **30,000** |
| **At year-end:** | | | | | | | |
| Current assets | 74,189 | 84,792 | 89,989 | 99,244 | 103,683 | **115,534** | **1,043,668** |
| Property, plant and equipment | 59,459 | 64,258 | 75,549 | 83,204 | 88,651 | **92,558** | **836,116** |
| Total assets | 161,055 | 179,024 | 195,946 | 213,786 | 223,128 | **240,211** | **2,169,928** |
| Current liabilities | 37,428 | 40,352 | 42,331 | 53,463 | 50,135 | **55,645** | **502,665** |
| Long-term liabilities | 42,981 | 50,898 | 60,556 | 59,790 | 70,467 | **71,334** | **644,390** |
| Total liabilities | 80,409 | 91,251 | 102,888 | 113,253 | 120,602 | **126,980** | **1,147,064** |
| Net assets | 80,646 | 87,773 | 93,058 | 100,533 | 102,525 | **113,231** | **1,022,864** |
| Number of shares issued (thousands) | 113,184 | 97,236 | 97,236 | 97,244 | 97,244 | **97,244** | |
| Number of employees | 1,377 | 1,708 | 1,742 | 3,134 | 3,297 | **3,320** | |
| | Yen | | | | | | U.S. dollars [2] |
| **Per share data:** | | | | | | | |
| Net income per share | 36.45 | 59.68 | 99.41 | 106.39 | 60.62 | **114.17** | **1.03** |
| Shareholders' equity per share [3] | 824.56 | 872.86 | 949.70 | 1,028.56 | 1,054.14 | **1,164.97** | **10.52** |
| Cash dividends per share | 12.5 | 12.5 | 12.5 | 15.0 | 16.0 | **16.5** | **0.15** |
| | Percentage (%) | | | | | | |
| **Financial ratios:** | | | | | | | |
| Operating income margin | 6.4 | 7.4 | 8.0 | 6.8 | 5.7 | **7.6** | |
| Net income margin | 2.7 | 4.0 | 6.0 | 5.8 | 3.3 | **5.3** | |
| Return on equity (ROE) [4] | 4.4 | 7.0 | 10.9 | 10.8 | 5.8 | **10.3** | |
| Return on assets (ROA) [5] | 5.8 | 6.8 | 7.3 | 6.1 | 4.9 | **7.1** | |
| Shareholders' equity ratio [4] | 49.8 | 47.4 | 47.1 | 46.7 | 45.7 | **46.9** | |

Notes: 1. The U.S. dollar amounts have been translated from yen, for the convenience of the reader, at the rate of ¥110.70=US$1.00, theapproximate rate on the Tokyo foreign exchange market on March 31, 2021.

2. Net assets per share is presented as the line item Shareholders' equity per share. In the calculation of net assets per share, the

3. In the calculation of ROE and the Shareholders' equity ratio, the amount of net assets less minority interests is used as

4. ROA is the total of operating income and net interest and dividend income divided by average total assets.

# Financial Review

## Overview and Net Sales

In fiscal 2021, the outlook for the Japanese economy continued to remain uncertain amid declining inbound demand and stagnant business activities in Japan and overseas against the backdrop of the global spread of COVID-19. The downtrend in personal consumption in Japan is continuing as a result of stay-at-home requests, the curtailment and cancelation of events, and shortened operating hours at large-scale commercial facilities, in addition to the rise in the unemployment rate and the deterioration of the income environment due to the spread of COVID-19, and personal consumption is expected to take some time to recover. The mail order industry experienced increased demand from a broad customer base as a result of lifestyle changes, including stay-at-home requests and social distancing due to the spread of COVID-19, in addition to market expansion resulting from e-commerce, and the industry continued to see increased usage.

Under these conditions, the Belluna Group continued its measures to strengthen its four pillars of business (the general mail order business, the specialty mail order business, the retail store sales business, and the property business). As a result, consolidated net sales for fiscal 2021 increased 14.8% year on year to ¥206,499 million, and operating income increased 52.6% year on year to ¥15,734 million. Ordinary income increased 62.8% year on year to ¥16,872 million as a result of an increase in subsidy income and lower fees compared with the same period in the previous fiscal year. In addition, profit attributable to owners of parent increased 88.3% year on year to ¥11,036 million mainly due to the gain on sales of non-current assets.

## Net Sales and Earnings per Segment

In the General Mail Order business, segment net sales increased 22.2% compared with the previous fiscal year to ¥89,675 million and segment (operating) income increased 209.9% to ¥5,309 million, mainly as a result of aggressive advertising in addition to rising mail order demand, including nest-dweller consumption mainly for sundry goods and homeware, partly due to the spread of COVID-19.

The Specialty Mail Order business recorded a 30.4% year-on-year increase in segment net sales to ¥64,909 million due to favorable sales mainly in the mail order business for nurses and the gourmet and wine business, partly as a result of the spread of COVID-19. Segment (operating) income increased 76.8% to ¥6,907 million.

In the Retail Store Sales business, segment net sales decreased 20.1% compared with the previous fiscal year to ¥24,276 million, while segment (operating) loss amounted to ¥1,612 million (compared with segment (operating) income of ¥310 million in the previous fiscal year) due to shortened operating hours and temporary closures as a result of policies by developers to prevent the spread of COVID-19.

The Solution business recorded a strong performance from both direct-marketing outsourcing services, and enclosing and mailing services, as well as the addition of JOBSTUDIO PTE. LTD. to the Group. Segment net sales increased 28.2% compared with the previous fiscal year to ¥10,676 million, and segment (operating) income increased 14.4% to ¥3,033 million.

The Finance business recorded a 5.0% year-on-year increase in segment net sales to ¥4,617 million mainly due to curtailed advertising in light of the spread of COVID-19, in addition to a year-on-year increase in balance of trade loans in the domestic consumer finance business. Segment (operating) income increased 30.5% to ¥2,445 million.

The Property business recorded segment net sales of ¥6,983 million, down 19.6% year on year, as the hotel business was affected by restrictions on movements within Japan and immigration restrictions on non-Japanese implemented by government agencies in order to prevent the spread of COVID-19. Segment (operating) income fell 99.0% to ¥6 million.

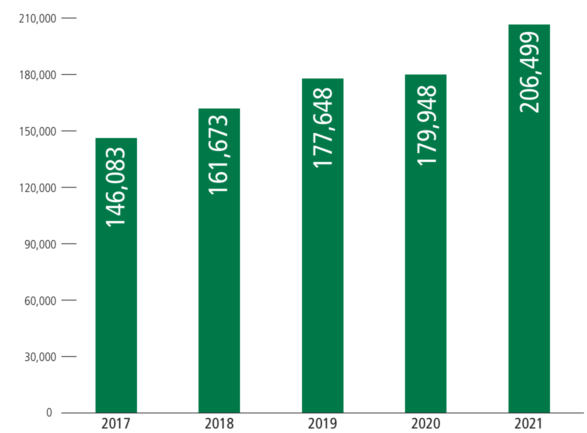
Other business recorded a 5.7% year-on-year increase in segment net sales to ¥6,281 million, and segment (operating) income of ¥73 million (segment (operating) loss of ¥392 million in the previous fiscal year), mainly due to the posting of profit by Maimu Co., Ltd., which is engaged in clothing rental, as a result of fewer cancellations related to the spread of COVID-19.

## Financial Condition

Total assets as of March 31, 2021 stood at ¥240,211 million, an increase of ¥17,083 million from the previous fiscal year-end. In particular, current assets rose ¥11,851 million to ¥115,534

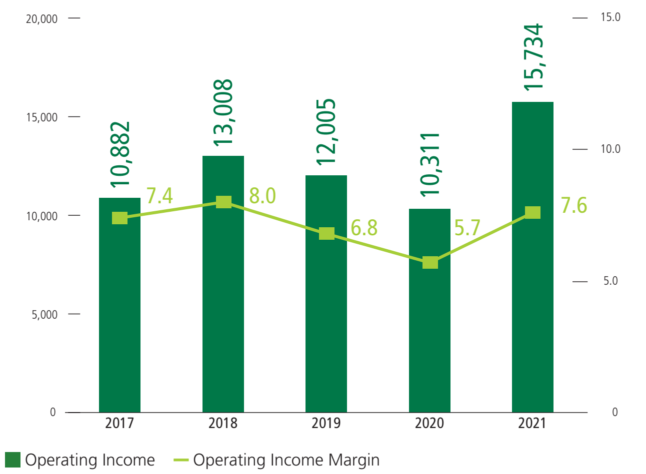
## Net Sales

(millions of yen)




## Operating Income and Operating Income Margin

(millions of yen) (%)



million, primarily reflecting increases of ¥7,990 million in cash and deposits, ¥1,096 million in merchandise and finished goods, and ¥1,772 million in other current assets. As of the end of the fiscal year, fixed assets stood at ¥124,677 million, an increase of ¥5,231 million. This was mainly due to increases of ¥6,334 million in construction in progress and ¥2,220 million in investment securities, outweighing a decrease of ¥1,027 million in buildings and structures.

Total liabilities increased by ¥6,377 million compared with the previous fiscal year-end to ¥126,980 million. Specifically, current liabilities increased by ¥5,510 million year on year to ¥55,645 million, primarily because of increases of ¥4,025 million in trade notes and accounts payable, ¥3,758 million in income taxes payable, and ¥3,301 million in accrued expenses, which outweighed a decrease of ¥6,137 million in short-term borrowings. Non-current liabilities increased by ¥866 million to ¥71,334 million year on year, mainly due to a ¥1,023 million increase in long-term borrowings.

Net assets as of March 31, 2021 totaled ¥113,231 million, a ¥10,706 million rise compared with the previous fiscal year-end. As a result, the shareholders' equity ratio was 46.9%.

## Cash Flows

Net cash provided by operating activities during the fiscal year under review was ¥20,772 million (¥6,624 million provided in the previous fiscal year). The main factors leading to the decrease were ¥1,092 million in inventories, ¥1,228 million in real estate for sale, and ¥3,403 million of income taxes paid, while the main factors leading to the increase were ¥17,743 million in profit before income taxes, ¥3,321 million of depreciation, and ¥3,719 million in trade payables.

Net cash used in investing activities during the fiscal year under review was ¥5,185 million (¥11,108 million used in the previous fiscal year). The main factors leading to the increase were ¥1,370 million of proceeds from withdrawal of time deposits, ¥2,253 million of proceeds from sales of property, plant and equipment, and ¥1,350 million of proceeds from sales of investment securities, while the main factor leading to the decrease was ¥7,827 million of payments for the acquisition of property, plant and equipment.

Net cash used in financing activities during the fiscal year under review was ¥6,996 million (¥5,712 million provided in the previous fiscal year). The main factor leading to the increase was a ¥7,732 million increase of proceeds from long-term borrowings, while the main factors leading to the decrease were a ¥6,328 million decrease in short-term borrowings, ¥6,493 million of repayments of long-term borrowings and ¥1,546 million of dividends paid.

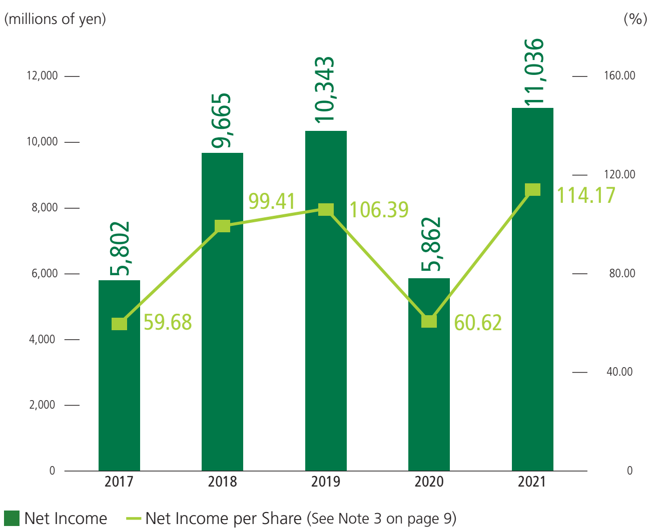
## Forecasts for Fiscal 2022

The outlook for the Japanese economy remains uncertain due to the continued threat of the spread of COVID-19 infections and concerns over prolonged stagnation of economic activities, despite growing expectations for vaccines to contain the pandemic. With regard to personal consumption in Japan, consumer mindset is expected to take some time to recover as the impact of the spread of COVID-19 is likely to continue for the time being. In the mail order industry, demand is expected to continue to grow due to changes in consumer lifestyles and purchasing patterns resulting from the spread of COVID-19.

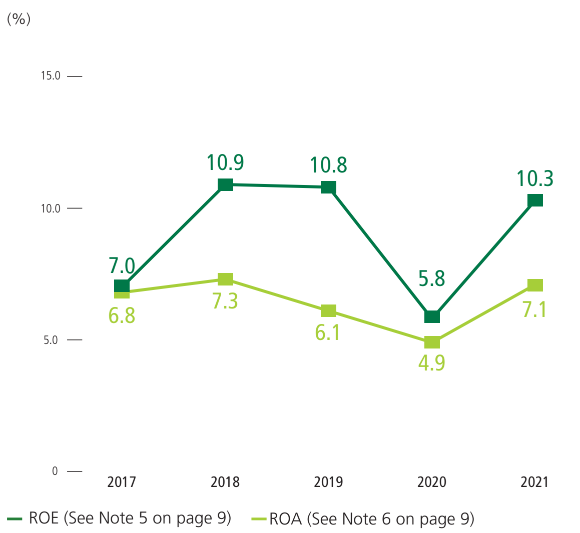
Against this backdrop, seeing changes in consumer demand as an opportunity, mainly in the General Mail Order business and the Specialty Mail Order business, the Belluna Group will continue to launch new products and services and strengthen sales promotions with the aim of increasing customer numbers and realizing business growth by creating customer satisfaction. In the Retail Store Sales business and the Property business, we will engage in business in accordance with the government agencies' policies and measures to prevent the spread of COVID-19. We will strive to operate our business with an emphasis on profitability.

Regarding the forecast for fiscal 2022, we anticipate net sales of ¥246,000 million, operating income of ¥17,500 million, ordinary income of ¥18,200 million, and profit attributable to owners of parent of ¥12,500 million. Current forecasts involve potential risks and uncertainties, and while they incorporate the amount of financial impact predictable as of this document's release as well as current conditions of the Group's operations, actual results may differ from these forecasts. Any changes to our forecasts will be promptly announced going forward.

## Net Income and Net Income per Share




## ROE and ROA



## Business Risks

### 1. Statutory Regulations and Litigation

The Belluna Group develops businesses in Japan and overseas and by doing so exposes itself to risks relating to a variety of statutory procedures, litigations, etc. by regulatory authorities. The Belluna Group has established internal control and administrative systems to promote strict compliance with such laws and regulations. However, in the event that certain laws and regulations are breached or the Group is forced to adhere to new obligations and incur cost burdens arising from regulatory revisions or the formulation of new regulations, the Group's reputation may suffer and the Group's operating performance and financial situation may be adversely affected. In addition, in the event that litigation likely to significantly affect operations or litigation with significant social impacts is brought and an unfavorable judgment is issued, 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.
In addition to strengthening compliance with relevant laws and regulations, the Belluna Group has established proprietary quality standards, and is engaged in enhancing product quality.

### 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 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.
The Belluna Group collects information on political, economic and other conditions in the overseas countries and regions in which it operates, and endeavors to mitigate or avoid risk.

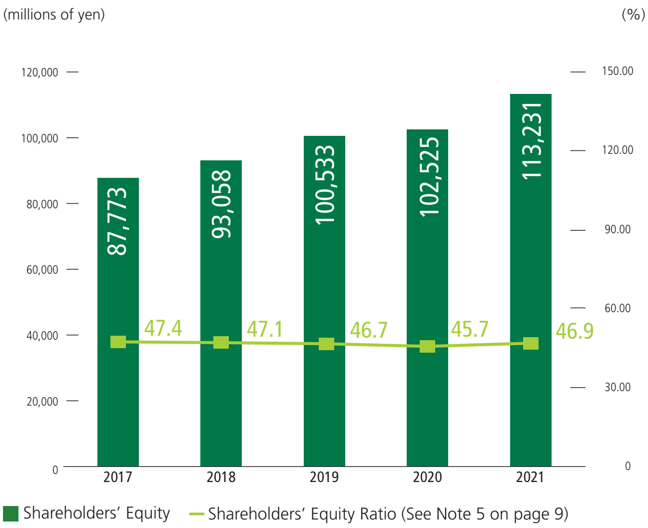
### 6. Risk from Fluctuations in Raw Material and Other Markets

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.
The Belluna Group endeavors to control purchasing price fluctuations, through measures such as securing multiple suppliers.

### 7. Overseas Business Development Risks

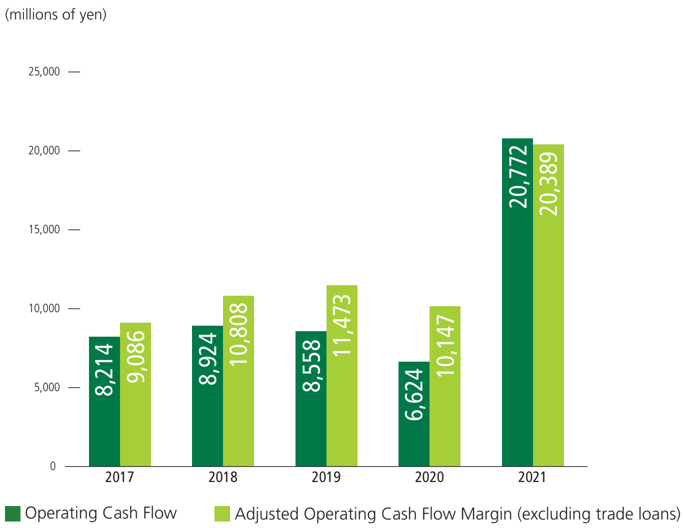
The Group has developed the property business in various countries overseas. When developing business overseas, factors such as changing political and economic circumstances, the

## Shareholders' Equity* and Shareholders' Equity Ratio




* Net assets less minority interests

## Operating Cash Flow and Adjusted Operating Cash Flow Margin



establishment and amendment of laws and regulations and various rules, terrorism and wars, and changes in regional working environments could impact the Belluna Group's overall operating performance and financial situation.
The Belluna Group collects information on political, economic and other conditions in the overseas countries and regions in which it operates, and endeavors to mitigate or avoid risk.

**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 the Belluna Group handles customers' personal information, the Group makes every effort to adhere strictly to the Act on the Protection of Personal Information 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.
In addition to maintaining systems that establish appropriate protection measures for personal information, in accordance with the provisions of the Act on the Protection of Personal Information, the Belluna Group has obtained PrivacyMark certification, and engages in appropriate information handling.

**10. System Risk**
Nearly all of the Belluna Group's business operations are computerized and the Group is taking steps to augment security and strengthen IT infrastructure by implementing a variety of measures. 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. 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.
In addition to working regularly to maintain the stable operation of systems, the Belluna Group has also implemented measures such as ensuring backups of important systems.

**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.
The Belluna Group manages performance for each property on a monthly basis. The Group has implemented systems to ensure swift response and improvement should a significant downturn in results occur.

**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.
The Belluna Group endeavors to ensure a stable financial structure through diversification of its methods of fund procurement, such as the issue of corporate bonds in addition to bank borrowings, as well as efficient funds management within the Group.

**14. Risk from M&As and Business Partnerships**
The Belluna Group has striven to strengthen Group businesses mainly through M&As and business partnerships. Though the Group works to avoid any and all risks relating to targeted companies, unrecognized liabilities may emerge after acquisition and results initially expected may not materialize. As a result, the Group's operating performance and financial situation may be adversely affected.

**15. Risks from Impairment Loss of Property, Plant and Equipment**
The Belluna Group has a large amount of property, plant and equipment mainly in the property business. In the event that future cash flow fails to generate profits sufficient to meet expectations due mainly to changes in the surrounding environment, the Group will be required to post impairment loss. As a result, the Group's operating performance and financial situation may be adversely affected.
The Belluna Group manages performance for each business department on a monthly basis. The Group has implemented systems to ensure swift response and improvement should a significant downturn in results occur.

**16. Risks from Changes in Customers' Preference**
The Belluna Group designs, develops and sells products and services by analyzing previous business results, market trends, and other elements in order to fulfill the preferences of its many customers. In the event that the Group fails to respond to changes in customer preferences, the Group will suffer decreased sales and excessive inventories, and thereby the Group's operating performance and financial situation may be adversely affected.

**17. Risks from the Spread of COVID-19**
The following businesses may experience a negative impact from the spread of COVID-19.
1) Retail Store Sales business (temporary closures due to government policy or the policy of developers, and a decrease in customers at open stores)
2) Hotel business (temporary closures due to government policy, and a decrease in guests at open hotels)

# 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, 2021 (with comparative figures for the previous year).

## Consolidated Balance Sheets

| | In millions of yen | | | |
|---|---|---|---|---|
| | | March 31, 2020 | | **March 31, 2021** |
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and deposits | | 22,788 | | **30,778** |
| Trade notes and accounts receivable | | 9,391 | | **10,242** |
| Trade loans | | 27,314 | | **26,892** |
| Marketable securities | | 486 | | **182** |
| Merchandise and finished goods | | 20,910 | | **22,006** |
| Raw materials and supplies | | 1,403 | | **1,410** |
| Real estate for sale | *2 | 3,385 | *2 | **3,385** |
| Real estate for sale in process | *2 | 8,591 | *2 | **9,519** |
| Other current assets | | 10,009 | | **11,782** |
| Allowance for doubtful accounts | | (598) | | **(665)** |
| Total current assets | | 103,683 | | **115,534** |
| **Fixed assets** | | | | |
| Property, plant and equipment | | | | |
| Buildings and structures | *2 | 49,569 | *2*3 | **49,893** |
| Accumulated depreciation | *1 | (20,385) | *1 | **(21,737)** |
| Buildings and structures (net) | | 29,183 | | **28,156** |
| Machinery and equipment | *2 | 9,955 | *2 | **9,963** |
| Accumulated depreciation | *1 | (1,976) | *1 | **(2,477)** |
| Machinery and equipment (net) | | 7,979 | | **7,486** |
| Furniture and fixtures | | 4,275 | | **4,548** |
| Accumulated depreciation | *1 | (2,505) | *1 | **(2,838)** |
| Furniture and fixtures (net) | | 1,770 | | **1,709** |
| Land | *2 | 43,849 | *2 | **43,038** |
| Leased assets | | 359 | | **391** |
| Accumulated depreciation | *1 | (213) | *1 | **(280)** |
| Leased assets (net) | | 145 | | **110** |
| Construction in progress | | 5,722 | | **12,056** |
| Total property, plant and equipment | | 88,651 | | **92,558** |
| Intangible fixed assets | | | | |
| Goodwill | | 2,689 | | **1,988** |
| Leased assets | | 576 | | **579** |
| Other | *2 | 8,561 | *2 | **8,337** |
| Total intangible fixed assets | | 11,827 | | **10,904** |
| Investments and other assets | | | | |
| Investment securities | *4 | 11,094 | *4 | **13,314** |
| Long-term lending | | 1,763 | | **1,770** |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | | 187 | | **221** |
| Deferred tax assets | | 1,897 | | **1,371** |
| Other assets | | 4,677 | | **5,166** |
| Allowance for doubtful accounts | | (653) | | **(631)** |
| Total investments and other assets | | 18,966 | | **21,213** |
| Total fixed assets | | 119,445 | | **124,677** |
| Total assets | | 223,128 | | **240,211** |

| | | In millions of yen | | |
|---|---|---|---|---|
| | | March 31, 2020 | | **March 31, 2021** |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Trade notes and accounts payable | | 18,225 | | **22,250** |
| Short-term borrowings | *2, *5 *6 | 12,046 | *2, *5 *6 | **5,909** |
| Accrued expenses | | 10,442 | | **13,743** |
| Lease obligations | | 322 | | **235** |
| Income taxes payable | | 1,148 | | **4,907** |
| Provision for bonuses | | 742 | | **883** |
| Provision for sales returns | | 71 | | **79** |
| Provision for point program | | 480 | | **549** |
| Other current liabilities | | 6,655 | | **7,085** |
| Total current liabilities | | 50,135 | | **55,645** |
| **Long-term liabilities** | | | | |
| Bonds payable | | 10,000 | | **10,000** |
| Long-term borrowings | *2, *5 *6 | 55,774 | *2, *5 *6 | **56,797** |
| Provision for loss on interest repayment | | 732 | | **584** |
| Lease obligations | | 407 | | **459** |
| Net defined benefit liability | | 249 | | **251** |
| Provision for retirement benefits for directors and audit and supervisory committee members | | 252 | | **249** |
| Asset retirement obligations | | 1,212 | | **1,150** |
| Provision for repairs | | 5 | | **35** |
| Other long-term liabilities | | 1,833 | | **1,806** |
| Total long-term liabilities | | 70,467 | | **71,334** |
| Total liabilities | | 120,602 | | **126,980** |
| **Net assets** | | | | |
| **Shareholders' equity** | | | | |
| Common stock | | 10,612 | | **10,612** |
| Capital surplus | | 10,954 | | **10,954** |
| Retained earnings | | 85,177 | | **94,667** |
| Treasury stock | | (491) | | **(481)** |
| Total shareholders' equity | | 106,253 | | **115,752** |
| **Accumulated other comprehensive income** | | | | |
| Valuation difference on available-for-sale securities | | 147 | | **1,975** |
| Revaluation reserve for land | | (7) | | **(7)** |
| Foreign currency translation adjustments | | (4,419) | | **(5,028)** |
| Remeasurements of defined benefit plans | | (83) | | **(72)** |
| Total accumulated other comprehensive income | | (4,363) | | **(3,132)** |
| **Non-controlling interests** | | 636 | | **611** |
| Total net assets | | 102,525 | | **113,231** |
| Total liabilities and net assets | | 223,128 | | **240,211** |

## Consolidated Statements of Income

In millions of yen

| | | Year ended March 31, 2020 | | Year ended March 31, 2021 |
|---|---|---|---|---|
| **Net sales** | | 179,948 | | **206,499** |
| **Cost of sales** | *1 | 74,908 | *1 | **84,935** |
| Gross profit | | 105,040 | | **121,564** |
| Reversal of provision for sales returns | | 94 | | **71** |
| Provision for sales returns | | 71 | | **79** |
| Gross profit—net | | 105,062 | | **121,556** |
| **Selling, general and administrative expenses** | *2 | 94,751 | *2 | **105,821** |
| Operating income | | 10,311 | | **15,734** |
| **Non-operating income** | | | | |
| Interest income | | 117 | | **59** |
| Dividend income | | 274 | | **547** |
| Rent income | | 36 | | **37** |
| Extinction of debt | | 34 | | **25** |
| Compensation received | | 82 | | **114** |
| Foreign exchange gains | | — | | **59** |
| Subsidy income | | 10 | | **371** |
| Gain on valuation of derivatives | | — | | **2** |
| Gain on investments in investment partnerships | | 118 | | **4** |
| Other | | 383 | | **394** |
| Total non-operating income | | 1,058 | | **1,616** |
| **Non-operating expenses** | | | | |
| Interest expense | | 187 | | **201** |
| Commission fee | | 452 | | **103** |
| Foreign exchange losses | | 155 | | **—** |
| Loss on valuation of derivatives | | 67 | | **—** |
| Depreciation | | 19 | | **21** |
| Loss on closing of stores | | 32 | | **81** |
| Other | | 87 | | **69** |
| Total non-operating expenses | | 1,004 | | **478** |
| Ordinary income | | 10,365 | | **16,872** |
| **Extraordinary gains** | | | | |
| Gain on sales of non-current assets | | — | *3 | **1,227** |
| Gain on sales of investment securities | | 224 | | **265** |
| Settlement received | | 88 | | **—** |
| Total extraordinary gains | | 312 | | **1,493** |
| **Extraordinary losses** | | | | |
| Loss on sale of non-current assets | | — | *4 | **17** |
| Loss on retirement of fixed assets | *5 | 67 | *5 | **17** |
| Impairment loss | *6 | 60 | *6 | **189** |
| Loss on valuation of investment securities | | 973 | | **—** |
| Loss on redemption of investment securities | | 19 | | **42** |
| Loss on valuation of shares of subsidiaries and associates | | — | | **244** |
| Loss on extinguishment of tie-in shares | | — | | **46** |
| Settlement package | | — | | **64** |
| Total extraordinary losses | | 1,121 | | **622** |
| Profit before income taxes | | 9,557 | | **17,743** |
| Income taxes—current | | 3,799 | | **6,999** |
| Income taxes—deferred | | (90) | | **(275)** |
| Total income taxes | | 3,709 | | **6,723** |
| Profit | | 5,848 | | **11,019** |
| Profit (loss) attributable to non-controlling interests | | (13) | | **(16)** |
| Profit attributable to owners of parent | | 5,862 | | **11,036** |

## Consolidated Statements of Comprehensive Income

| | In millions of yen | |
|---|---|---|
| | Year ended March 31, 2020 | **Year ended March 31, 2021** |
| **Profit** | 5,848 | **11,019** |
| **Other comprehensive income** | | |
| Valuation difference on available-for-sale securities | (525) | **1,827** |
| Revaluation reserve for land | 0 | **—** |
| Foreign currency translation adjustments | (1,473) | **(616)** |
| Remeasurements of defined benefit plans, net of tax | (22) | **11** |
| Total other comprehensive income | *1 (2,020) | *1 **1,223** |
| **Comprehensive income** | 3,827 | **12,242** |
| Comprehensive income attributable to owners of parent | 3,894 | **12,267** |
| Comprehensive income attributable to non-controlling interests | (67) | **(24)** |

## Consolidated Statements of Changes in Net Assets

(In millions of yen)

| Year ended March 31, 2020 | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Valuation difference on available-for-sale securities | Revaluation reserve for land | Foreign currency translation adjustments | Remeasure-ments of defined benefit plans | Total accumulated other comprehensive income | Non-controlling interests | Total net assets |
| Balance at beginning of year | 10,612 | 10,954 | 80,816 | (167) | 102,215 | 672 | (7) | (2,988) | (61) | (2,385) | 703 | 100,533 |
| Changes during year: | | | | | | | | | | | | |
| Issuance of new shares | | | | | | | | | | | | |
| Dividends paid | | | (1,501) | | (1,501) | | | | | — | | (1,501) |
| Profit attributable to owners of parent | | | 5,862 | | 5,862 | | | | | — | | 5,862 |
| Purchase of treasury stock | | | | (323) | (323) | | | | | — | | (323) |
| Disposal of treasury stock | | | | | — | | | | | — | | — |
| Net changes of items other than shareholders' equity | | | | | — | (525) | 0 | (1,431) | (22) | (1,978) | (67) | (2,045) |
| Total changes of items during year | — | — | 4,360 | (323) | 4,037 | (525) | 0 | (1,431) | (22) | (1,978) | (67) | 1,992 |
| Balance at end of year | 10,612 | 10,954 | 85,177 | (491) | 106,253 | 147 | (7) | (4,419) | (83) | (4,363) | 636 | 102,525 |

(In millions of yen)

| Year ended March 31, 2021 | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Valuation difference on available-for-sale securities | Revaluation reserve for land | Foreign currency translation adjustments | Remeasure-ments of defined benefit plans | Total accumulated other comprehensive income | Non-controlling interests | Total net assets |
| Balance at beginning of year | 10,612 | 10,954 | 85,177 | (491) | 106,253 | 147 | (7) | (4,419) | (83) | (4,363) | 636 | 102,525 |
| Changes during year: | | | | | | | | | | | | |
| Issuance of new shares | | | | | | | | | | | | |
| Dividends paid | | | (1,546) | | (1,546) | | | | | — | | (1,546) |
| Profit attributable to owners of parent | | | 11,036 | | 11,036 | | | | | — | | 11,036 |
| Purchase of treasury stock | | | | (0) | (0) | | | | | — | | (0) |
| Disposal of treasury stock | | | | 10 | 10 | | | | | — | | 10 |
| Net changes of items other than shareholders' equity | | | | | — | 1,827 | | (608) | 11 | 1,231 | (24) | 1,206 |
| Total changes of items during year | — | — | 9,489 | 10 | 9,499 | 1,827 | — | (608) | 11 | 1,231 | (24) | 10,706 |
| Balance at end of year | 10,612 | 10,954 | 94,667 | (481) | 115,752 | 1,975 | (7) | (5,028) | (72) | (3,132) | 611 | 113,231 |

## Consolidated Statements of Cash Flows

| | | In millions of yen | | |
|---|---|---|---|---|
| | | Year ended March 31, 2020 | | **Year ended March 31, 2021** |
| **Cash flows from operating activities** | | | | |
| Profit before income taxes | | 9,557 | | **17,743** |
| Depreciation | | 3,151 | | **3,321** |
| Increase (decrease) in provision for sales returns | | (22) | | **8** |
| Impairment loss | | 60 | | **189** |
| Amortization of goodwill | | 611 | | **686** |
| Increase (decrease) in allowance for doubtful accounts | | 88 | | **38** |
| Increase (decrease) in provision for bonuses | | (15) | | **141** |
| Increase (decrease) in net defined benefit liability | | (19) | | **15** |
| Increase (decrease) in provision for retirement benefits for directors and audit and supervisory committee members | | (6) | | **(3)** |
| Increase (decrease) in provision for point program | | (12) | | **68** |
| Increase (decrease) in provision for loss on interest repayment | | 71 | | **(148)** |
| Increase (decrease) in provision for repairs | | 5 | | **29** |
| Interest and dividend income | | (392) | | **(607)** |
| Interest expense | | 187 | | **201** |
| Loss (gain) on valuation of derivatives | | 67 | | **(2)** |
| Loss (gain) on sales of investment securities | | (224) | | **(265)** |
| Loss (gain) on valuation of investment securities | | 973 | | **—** |
| Loss (gain) on redemption of investment securitiess | | 19 | | **42** |
| Loss on valuation of shares of subsidiaries and associates | | — | | **244** |
| Foreign exchange losses (gains) | | 245 | | **(79)** |
| Loss on retirement of fixed assets | | 67 | | **17** |
| Loss (gain) on sales of property, plant and equipment | | — | | **(1,210)** |
| Decrease (increase) in trade notes and accounts receivable | | 534 | | **(846)** |
| Decrease (increase) in trade loans | | (3,523) | | **383** |
| Decrease (increase) in inventories | | 185 | | **(1,092)** |
| Decrease (increase) in real estate for sale | | (2,238) | | **(1,288)** |
| Decrease (increase) in other current assets | | 527 | | **(1,705)** |
| Increase (decrease) in notes and accounts payable | | 926 | | **3,719** |
| Increase (decrease) in other current liabilities | | 672 | | **3,461** |
| Increase (decrease) in other long-term liabilities | | 54 | | **(57)** |
| Other | | 1,110 | | **676** |
| Sub-total | | 12,664 | | **23,682** |
| Interest and dividends received | | 386 | | **654** |
| Interest paid | | (186) | | **(200)** |
| Refund of income taxes | | 14 | | **39** |
| Income taxes paid | | (6,254) | | **(3,403)** |
| Net cash provided by operating activities | | 6,624 | | **20,772** |
| **Cash flows from investing activities** | | | | |
| Payments into time deposits | | (1,332) | | **(674)** |
| Proceeds from withdrawal of time deposits | | 1,500 | | **1,370** |
| Purchase of securities | | (195) | | **—** |
| Proceeds from sales of marketable securities | | 961 | | **—** |
| Acquisition of property, plant and equipment | | (9,438) | | **(7,827)** |
| Proceeds from sales of property, plant and equipment | | 0 | | **2,253** |
| Acquisition of intangible fixed assets | | (716) | | **(409)** |
| Acquisition of investment securities | | (2,978) | | **(522)** |
| Proceeds from sales of investment securities | | 2,531 | | **1,350** |
| Purchase of shares of subsidiaries | *2 | (1,220) | | **—** |
| Payments of loans receivable | | (55) | | **(60)** |
| Collection of loans receivable | | 21 | | **68** |
| Payments for guarantee deposits | | (245) | | **(676)** |
| Proceeds from collection of guarantee deposits | | 103 | | **141** |
| Payments of other investments | | (56) | | **(220)** |
| Collection of other investments | | 11 | | **19** |
| Net cash used in investing activities | | (11,108) | | **(5,185)** |
| **Cash flows from financing activities** | | | | |
| Net increase (decrease) in short-term borrowings | | 1,180 | | **(6,328)** |
| Proceeds from long-term borrowings | | 24,564 | | **7,732** |
| Repayments of long-term borrowings | | (17,734) | | **(6,493)** |
| Purchase of treasury stock | | (333) | | **(0)** |
| Dividends paid | | (1,501) | | **(1,546)** |
| Repayments of lease obligations | | (464) | | **(358)** |
| Net cash provided by financing activities | | 5,712 | | **(6,996)** |
| **Effect of exchange rate change on cash and cash equivalents** | | (286) | | **72** |
| **Net increase (decrease) in cash and cash equivalents** | | 941 | | **8,662** |
| **Cash and cash equivalents at beginning of year** | | 21,351 | | **22,292** |
| **Increase in cash and cash equivalents resulting from merger** | | — | | **3** |
| **Cash and cash equivalents at end of year** | *1 | 22,292 | *1 | **30,958** |

# Notes to Consolidated Financial Statements

## Basis for preparation of consolidated financial statements

**1. Scope of consolidation**

(1) Number of consolidated subsidiaries: 50 companies

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., Texas Co., Ltd., and NurseStage 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: 2
(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 BELLUNA CAPITAL, INC. and other ten consolidated subsidiaries end on December 31. The financial statements of the above consolidated subsidiaries as of the same date 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) 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 and accompanying facilities and structures acquired on or after April 1, 2016, the Company and domestic consolidated subsidiaries apply the straight-line method. For certain machinery and equipment, the straight-line method is applied.

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:
Finance lease transactions that do not transfer the ownership of the leased assets to the lessee:
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 consolidated fiscal 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 audit and supervisory committee members:
Provision for retirement benefits for directors and audit and supervisory committee members is provided at the amount to be paid at the year-end based on internal rules.

vii) Provision for repairs:
Provision for repairs is provided for the future expenditures required for repairs at the amount to be paid in the current fiscal year among the repair expense reasonably estimated based on repair plans.

(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:
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) Method and period of amortization of goodwill
Goodwill is amortized by the straight-line method over a period of 5 to 10 years.

(6) 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.

(7) Other significant accounting policies

i) Other significant accounting policies
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.

iii) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system
The Company and its domestic subsidiaries do not apply Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28 issued on February 16, 2018) to the transition to the group tax sharing system established under the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and items revised under the non-consolidated taxation system in connection with the transition to

the group tax sharing system, pursuant to the treatment as provided in Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39 issued on March 31, 2020), and instead apply the pre-amendment income tax provisions to the amount of deferred tax assets and deferred tax liabilities.

(Important accounting estimates)

1. Estimates for impairment of non-current assets

(1) Amounts recorded in the consolidated financial statements for the fiscal year under review

(In millions of yen)

| Item | Amount |
|---|---|
| Impairment loss | 189 |
| Property, plant and equipment | 92,558 |
| Intangible assets | 10,904 |

(2) Information regarding details of important accounting estimates pertaining to identified items

The Group has important assets in the General Mail Order business, the Retail Store Sales business, and the Property business, etc., and for asset groups that have been deemed to recognize impairment losses, the amount is reduced to the recoverable amount and recorded as an impairment loss. When understanding the signs of impairment, determining the recognition of impairment, and calculating the recoverable amount, the actual results are compared with past plans for each asset group, and considered based on the current business environment, market trends, and business plans, etc. In addition, for real estate properties, the net realizable value is estimated by referring to price estimates by experts and market prices such as publicly disclosed official prices and route prices, and used for consideration together with the recoverable amount. Rational determinations are made based on information and materials available at the time of the financial statements; however, due to uncertain future changes in economic conditions, such as the impact of COVID-19, it is possible that an additional impairment loss may arise in the consolidated financial statements from the next consolidated fiscal year.

2. Estimates for recoverability of deferred tax assets

(1) Amounts recorded in the consolidated financial statements for the fiscal year under review

(In millions of yen)

| Item | Amount |
|---|---|
| Deferred tax assets | 1,371 |

(2) Information regarding details of important accounting estimates pertaining to identified items

The Group records deferred tax assets in consideration of taxable income estimates and feasible tax planning based on future profit plans. When calculating the recoverable amount of deferred tax assets, we schedule the period of resolution of deductible temporary differences, and estimate taxable income prior to the addition or subtraction of temporary differences, etc. in the future estimable period based on the current business environment and market trends and the business plans that have been approved by the Board of Directors, and determine whether or not the future deductible temporary difference at the end of the period is sufficiently recoverable. In the event that it becomes necessary to revise the profit plan and taxable income due to uncertain future changes in economic conditions, such as the impact of COVID-19, this may have a significant impact on the amount of deferred tax assets and income taxes deferred that are recognized in the consolidated financial statements from the next consolidated fiscal year.

(Accounting standards issued but not yet applied)

* "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 31, 2020)
* "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 issued on March 26, 2021)

(1) Overview

These standards, etc. listed above are comprehensive accounting standards for revenue recognition. Revenue is to be recognized by applying the five steps below.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligation in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligation in the contract
Step 5: Recognize revenue when (or as) the entity satisfies the performance obligation

(2) Planned effective date for application

The Company plans to apply the above standards, etc. from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the above standards, etc. on financial statements
The Company is in the process of measuring the expected effects at the time of preparation of the current consolidated financial statements.

* "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued on July 4, 2019)
* "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31 issued on July 4, 2019)
* "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 issued on July 4, 2019)
* "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 issued on July 4, 2019)
* "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued on March 31, 2020)

(1) Overview
To improve comparability with international accounting standards, the "Accounting Standard for Fair Value Measurement" and the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter referred to as the "Fair Value Measurement Accounting Standard, etc.") have been developed, and guidance, etc. was set forth on how to measure fair value. Fair Value Measurement Accounting Standard, etc. will be applied in determining the fair value of the following items:
* Financial instruments set forth in the "Accounting Standard for Financial Instruments"
* Inventories held for trading purposes set forth in the "Accounting Standard for Measurement of Inventories"

In addition, the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been revised to set forth notes to the breakdown, etc. by the level of fair value of financial instruments.

(2) Planned effective date for application
The Company plans to apply the above standards, etc. from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the above standards, etc. on financial statements
The Company is in the process of measuring the expected effects at the time of preparation of the current consolidated financial statements.

(Changes in Presentation)
(Application of Accounting Standard for Disclosure of Accounting Estimates)
The Application of Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31 issued on March 31, 2020) has been applied to the consolidated financial statements as of the end of the fiscal year ending March 31, 2021, and the consolidated financial statements include notes on important accounting estimates.
However, in accordance with the transitional treatment stipulated in the proviso of Paragraph 11 of said accounting standard, details of the fiscal year ended March 31, 2020 are not stated in the notes.

## 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, 2020 | March 31, 2021 |
|---|---|---|
| Real estate for sale | 584 | 667 |
| Real estate for sale in process | 792 | 940 |
| Buildings and structures | 6,310 | 6,042 |
| Machinery and equipment | 6,890 | 6,473 |
| Land | 19,049 | 19,049 |
| Leasehold interests in land | 675 | 675 |
| Total | 34,302 | 33,849 |

Liabilities secured by the above are as follows.

(In millions of yen)

| | March 31, 2020 | March 31, 2021 |
|---|---|---|
| Short-term borrowings | 2,505 | 2,874 |
| Long-term borrowings | 39,196 | 42,233 |
| Total | 41,702 | 45,107 |

*3. For property, plant and equipment acquired in the consolidated fiscal year ended March 31, 2021, the reduction entry amount deducted from the acquisition price is ¥220 million for buildings and structures.

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

(In millions of yen)

| | March 31, 2020 | March 31, 2021 |
|---|---|---|
| Investment securities (stocks) | 725 | 491 |

*5. 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, 2020 and 2021 is summarized as follows:

(In millions of yen)

| | March 31, 2020 | March 31, 2021 |
|---|---|---|
| Total of the overdraft limit and lending commitments | 54,127 | 43,064 |
| Executed loans | 20,637 | 16,197 |
| Unexecuted balance | 33,490 | 26,867 |

*6. Restrictive financial covenants
Of the consolidated borrowings balance, up to ¥42,936 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.

7. Joint and several liability on guarantee
The Company provides a joint and several guarantee as follows:

(In millions of yen)

| | March 31, 2020 | March 31, 2021 |
|---|---|---|
| Shurei Co., Ltd. (Note) | 145 | 118 |

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, 2020 | Year ended March 31, 2021 |
|---|---|---|
| | 924 | 467 |

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

(In millions of yen)

| | Year ended March 31, 2020 | Year ended March 31, 2021 |
|---|---|---|
| Freightage and packing expenses | 11,757 | 14,385 |
| Advertising expenses | 23,175 | 27,998 |
| Sales promotion expenses | 3,600 | 4,889 |
| Provision of allowance for doubtful accounts | 755 | 692 |
| Provision for point program | 470 | 524 |
| Provision for loss on interest repayment | 348 | 299 |
| Salaries and allowances | 16,072 | 17,207 |
| Provision for bonuses | 750 | 855 |
| Provision for repairs | 5 | 29 |
| Retirement benefit expenses | 291 | 251 |
| Communication expenses | 7,331 | 7,689 |
| Commission fee | 13,814 | 15,641 |

*3. Breakdown of gain on sales of non-current assets is as follows:

(In millions of yen)

| | Year ended March 31, 2020 | Year ended March 31, 2021 |
|---|---|---|
| Buildings and structures | — | 17 |
| Machinery and equipment | — | 0 |
| Furniture and fixtures | — | 14 |
| Land | — | 1,194 |
| Total | — | 1,227 |

*4. Breakdown of loss on sales of non-current assets is as follows:

(In millions of yen)

| | Year ended March 31, 2020 | Year ended March 31, 2021 |
|---|---|---|
| Land | — | 17 |

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

(In millions of yen)

| | Year ended March 31, 2020 | Year ended March 31, 2021 |
|---|---|---|
| Buildings and structures | 56 | — |
| Machinery and equipment | 2 | 4 |
| Furniture and fixtures | 0 | 0 |
| Software | 7 | 13 |
| Total | 67 | 17 |

*6. Impairment loss

*For the year ended March 31, 2020*

| Usage | Type | Location |
|---|---|---|
| Assets for business | Buildings and structures, furniture and fixtures, other (investments) | Saitama-shi, Saitama Prefecture |
| Assets for business | Buildings, furniture and fixtures | Shibuya-ku, Tokyo, etc. |

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

(Process through which impairment loss was recognized)
In the year ended March 31, 2020, with respect to assets for business, the recoverable amounts of the relevant assets are measured by value in use based on a review by the above grouping. Because negative future cash flows are anticipated, an impairment loss is recognized.

(Components of amounts of impairment loss by type of fixed assets)
Amounts of components of impairment loss are as follows: ¥53 million of buildings and structures, ¥6 million of furniture and fixtures, and ¥1 million of other (investments).

(Method for calculating the recoverable amounts)
The recoverable amounts of the relevant assets are measured by value in use. Because negative future cash flows are anticipated, value in use is assessed at zero.

*For the year ended March 31, 2021*

| Usage | Type | Location |
|---|---|---|
| Assets for business | Buildings and structures, etc. | Tsurumi-ku, Osaka-shi, Osaka Prefec-ture, etc. |
| Assets for business | Buildings and structures, etc. | Shibuya-ku, Tokyo, etc. |
| Assets for business | Other (intangible assets), etc. | Ageo-shi, Saitama Prefecture |

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

(Process through which impairment loss was recognized)
In the year ended March 31, 2021, with respect to assets for business, the recoverable amounts of the relevant assets are measured by value in use based on a review by the above grouping. Because negative future cash flows are anticipated, an impairment loss is recognized.

(Components of amounts of impairment loss by type of fixed assets)
Amounts of components of impairment loss are as follows: ¥148 million of buildings and structures, ¥28 million of furniture and fixtures, ¥4 million of other (intangible assets), and ¥7 million of other (investments).

(Method for calculating the recoverable amounts)
The recoverable amounts of the relevant assets are measured by value in use. Because negative future cash flows are anticipated, value in use is assessed at 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, 2020 | Year ended March 31, 2021 |
|---|---|---|
| Valuation difference on available-for-sale securities: | | |
| Gains (losses) incurred during the year | (974) | 2,899 |
| Reclassification adjustment to net income | 176 | (223) |
| Amount before tax effect | (798) | 2,675 |
| Tax effect | 273 | (847) |
| Valuation difference on available-for-sale securities | (525) | 1,827 |
| Revaluation reserve for land: | | |
| Tax effect | 0 | — |
| Revaluation reserve for land | 0 | — |
| Foreign currency translation adjustments: | | |
| Gains (losses) incurred during the year | (1,473) | (616) |
| Reclassification adjustment to net income | — | — |
| Foreign currency translation adjustments | (1,473) | (616) |
| Remeasurements of defined benefit plans, net of tax: | | |
| Gains (losses) incurred during the year | (66) | (29) |
| Reclassification adjustment to net income | 34 | 42 |
| Amount before tax effect | (31) | 13 |
| Tax effect | 9 | (1) |
| Remeasurements of defined benefit plans, net of tax | (22) | 11 |
| Total other comprehensive income | (2,020) | 1,223 |

## Notes to the Consolidated Statements of Changes in Net Assets

*Year ended March 31, 2020*

1. Class 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 | 97,244 | — | — | 97,244 |
| Total | 97,244 | — | — | 97,244 |
| Treasury stock: | | | | |
| Common stock | 186 | 415 | 14 | 587 |
| Total | 186 | 415 | 14 | 587 |

Note: The increase of 414 thousand shares of treasury stock (common stock) resulted from the acquisition of treasury stock pursuant to a resolution of the Board of Directors meeting. In addition, the increase of 0 thousand shares of treasury stock (common stock) resulted from the purchase of less-than-a-unit shares.
The decrease of 14 thousand shares of treasury stock (common stock) resulted from disposal of treasury stock as restricted stock compensation.

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, 2019 | Common stock | 727 | 7.50 | March 31, 2019 | June 27, 2019 |
| Board of Directors' meeting on October 30, 2019 | Common stock | 773 | 8.00 | September 30, 2019 | December 4, 2019 |

(2) Dividends with a record date during the year ended March 31, 2020, 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 25, 2020 | Common stock | 773 | Retained earnings | 8.00 | March 31, 2020 | June 26, 2020 |

*Year ended March 31, 2021*

1. Class 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 | 97,244 | — | — | 97,244 |
| Total | 97,244 | — | — | 97,244 |
| Treasury stock: | | | | |
| Common stock | 587 | 0 | 16 | 571 |
| Total | 587 | 0 | 16 | 571 |

Note: The increase of 0 thousand shares of treasury stock (common stock) resulted from the purchase of less-than-a-unit shares.
The decrease of 16 thousand shares of treasury stock (common stock) resulted from disposal of treasury stock as restricted stock compensation.

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 25, 2020 | Common stock | 773 | 8.00 | March 31, 2020 | June 26, 2020 |
| Board of Directors' meeting on October 30, 2020 | Common stock | 773 | 8.00 | September 30, 2020 | December 4, 2020 |

(2) Dividends with a record date during the year ended March 31, 2021, 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 25, 2021 | Common stock | 821 | Retained earnings | 8.50 | March 31, 2021 | June 28, 2021 |

## Notes to the Consolidated Statements of Cash Flows

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

(In millions of yen)

| | March 31, 2020 | March 31, 2021 |
|---|---|---|
| Cash and deposits | 22,788 | 30,778 |
| Time deposits with original matur-ities of more than three months | (671) | — |
| MMFs, etc. included in marketable securities | 175 | 180 |
| Cash and cash equivalents | 22,292 | 30,958 |

*2. Major components of assets and liabilities of the subsidiaries newly consolidated through share acquisition

*Year ended March 31, 2020*

Presentation of this information is omitted as it is immaterial.

*Year ended March 31, 2021*

None applicable.

## Notes Regarding Lease Transactions

**1. Finance lease transactions**

(As lessee)

Finance lease transactions that do not transfer the ownership of the leased assets to the lessee:

1. Description of 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 "Basis for preparation of consolidated financial statements" 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, 2020 | March 31, 2021 |
|---|---|---|
| Due within one year | 107 | 204 |
| Due over one year | — | 903 |
| Total | 107 | 1,107 |

## 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. 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.

(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, 2020*

(In millions of yen)

| | Balance sheet carrying amount | Fair value | Unrealized gain (loss) |
|---|---|---|---|
| (1) Cash and deposits | 22,788 | 22,788 | — |
| (2) Trade notes and accounts receivable | 9,391 | | |
| Allowance for doubtful accounts (*1) | (289) | | |
| | 9,102 | 9,102 | — |
| (3) Trade loans | 27,314 | | |
| Allowance for doubtful accounts (*1) | (309) | | |
| | 27,005 | 27,389 | 384 |
| (4) Marketable securities and investment securities | | | |
| Available-for-sale securities | 7,842 | 7,842 | — |
| Assets total | 66,738 | 67,123 | 384 |
| (1) Trade notes and accounts payable | 18,225 | 18,225 | — |
| (2) Short-term borrowings | 12,046 | 12,046 | — |
| (3) Long-term borrowings | 55,774 | 55,764 | (10) |
| (4) Bonds payable | 10,000 | 9,832 | (167) |
| Liabilities total | 96,046 | 95,868 | (177) |
| Derivative transactions (*2) | (2) | (2) | — |

(*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, 2021*

(In millions of yen)

| | Balance sheet carrying amount | Fair value | Unrealized gain (loss) |
|---|---|---|---|
| (1) Cash and deposits | 30,778 | 30,778 | — |
| (2) Trade notes and accounts receivable | 10,242 | | |
| Allowance for doubtful accounts (*) | (267) | | |
| | 9,974 | 9,974 | — |
| (3) Trade loans | 26,892 | | |
| Allowance for doubtful accounts (*) | (398) | | |
| | 26,494 | 26,903 | 408 |
| (4) Marketable securities and investment securities | | | |
| Available-for-sale securities | 10,188 | 10,188 | — |
| Assets total | 67,462 | 67,870 | 408 |
| (1) Trade notes and accounts payable | 22,250 | 22,250 | — |
| (2) Short-term borrowings | 5,909 | 5,909 | — |
| (3) Long-term borrowings | 56,797 | 56,784 | (13) |
| (4) Bonds payable | 10,000 | 9,905 | (94) |
| Liabilities total | 94,957 | 94,849 | (107) |
| Derivative transactions | — | — | — |

(*) Allowances for doubtful accounts recognized on each of trade notes and accounts receivable and trade loans are deducted.

**[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 fixed interest rates are calculated by discounting the aggregate values of principal and interest using an interest rate to be applied when the same type of borrowings is newly made. Meanwhile, 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.

(4) Bonds payable
The fair values of bonds payable are determined based on the prices offered by financial institutions.

**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, 2020 | March 31, 2021 |
|---|---|---|
| Unlisted equity securities | 2,019 | 1,703 |
| Unlisted debt securities | 105 | 105 |
| Investments in partnerships for investment business | 1,614 | 1,499 |

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, 2020*

(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 | 22,788 | — | — | — | — | — |
| Trade notes and accounts receivable | 9,391 | — | — | — | — | — |
| Trade loans | 8,130 | 8,023 | 6,338 | 4,253 | 567 | 1 |
| Marketable securities and investment securities: | | | | | | |
| Available-for-sale securities with contractual maturities: | | | | | | |
| (1) National and local government bonds | 74 | — | — | — | — | — |
| (2) Corporate bonds | 63 | — | — | — | 120 | 105 |
| (3) Other | 310 | 304 | — | — | 373 | 1,524 |
| Total | 40,759 | 8,327 | 6,891 | 4,253 | 1,062 | 1,630 |

*As of March 31, 2021*

(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 | 30,778 | — | — | — | — | — |
| Trade notes and accounts receivable | 10,242 | — | — | — | — | — |
| Trade loans | 8,193 | 7,790 | 6,151 | 4,210 | 546 | 1 |
| Marketable securities and investment securities: | | | | | | |
| Available-for-sale securities with contractual maturities: | | | | | | |
| (1) National and local government bonds | — | — | — | — | — | — |
| (2) Corporate bonds | 2 | — | — | 131 | — | 105 |
| (3) Other | 302 | 496 | — | 306 | 1,140 | 1,874 |
| Total | 49,518 | 8,286 | 6,151 | 4,647 | 1,686 | 1,980 |

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

*As of March 31, 2020*

(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 | 6,352 | — | — | — | — | — |
| Long-term borrowings | 5,694 | 6,323 | 5,174 | 6,115 | 6,133 | 32,025 |
| Total | 12,046 | 6,323 | 5,174 | 6,115 | 6,133 | 32,025 |

*As of March 31, 2021*

(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 | 23 | — | — | — | — | — |
| Long-term borrowings | 5,886 | 5,656 | 5,840 | 6,161 | 13,558 | 25,580 |
| Total | 5,909 | 5,656 | 5,840 | 6,161 | 13,558 | 25,580 |

## Notes Regarding Securities

### 1. Available-for-sale securities

*As of March 31, 2020*

(In millions of yen)

| | Type of securities | Balance sheet carrying amount | Acquisition cost | Unrealized gain (loss) |
|---|---|---|---|---|
| Securities with balance sheet carrying amount exceeding the acquisition cost | (1) Equity securities | 1,874 | 1,189 | 684 |
| | (2) Debt securities: | | | |
| | 1. National and local government bonds | — | — | — |
| | 2. Corporate bonds | 133 | 122 | 10 |
| | 3. Other bonds | — | — | — |
| | (3) Other | 1,514 | 879 | 635 |
| | Subtotal | 3,522 | 2,190 | 1,331 |
| Securities with balance sheet carrying amount not exceeding the acquisition cost | (1) Equity securities | 1,966 | 2,995 | (1,028) |
| | (2) Debt securities: | | | |
| | 1. National and local government bonds | — | — | — |
| | 2. Corporate bonds | 134 | 199 | (64) |
| | 3. Other bonds | — | — | — |
| | (3) Other | 2,219 | 2,609 | (389) |
| | Subtotal | 4,320 | 5,803 | (1,483) |
| Total | | 7,842 | 7,994 | (151) |

*As of March 31, 2021*

(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 | 3,378 | 1,756 | 1,621 |
| | (2) Debt securities: | | | |
| | 1. National and local government bonds | — | — | — |
| | 2. Corporate bonds | 131 | 115 | 16 |
| | 3. Other bonds | — | — | — |
| | (3) Other | 4,354 | 2,732 | 1,621 |
| | Subtotal | 7,864 | 4,604 | 3,259 |
| Securities with balance sheet carrying amount not exceeding the acquisition cost | (1) Equity securities | 1,506 | 1,830 | (324) |
| | (2) Debt securities: | | | |
| | 1. National and local government bonds | — | — | — |
| | 2. Corporate bonds | 8 | 8 | — |
| | 3. Other bonds | — | — | — |
| | (3) Other | 809 | 853 | (43) |
| | Subtotal | 2,324 | 2,692 | (368) |
| Total | | 10,188 | 7,297 | 2,891 |

### 2. Available-for-sale securities sold during the fiscal year

*Year ended March 31, 2020*

(In millions of yen)

| Type of securities | Proceeds of sales | Gain on sales | Loss on sales |
|---|---|---|---|
| (1) Equity securities | 515 | 29 | 22 |
| (2) Debt securities | — | — | — |
| (3) Other | 525 | 217 | — |
| Total | 1,040 | 246 | 22 |

*Year ended March 31, 2021*

(In millions of yen)

| Type of securities | Proceeds of sales | Gain on sales | Loss on sales |
|---|---|---|---|
| (1) Equity securities | 487 | 146 | — |
| (2) Debt securities | — | — | — |
| (3) Other | 200 | 119 | — |
| Total | 687 | 265 | — |

### 3. Securities for which impairment loss was recorded

In the fiscal year ended March 31, 2020, the Company recorded ¥973 million as impairment of value with respect to securities (¥400 million as impairment of value of equity securities with fair market value within "available-for-sale securities" and ¥573 million as impairment of value of equity securities without fair market value).

In the fiscal year ended March 31, 2021, none is applicable.

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

**Derivative transactions to which hedge accounting is not applied**

(1) Currency-related derivatives:

*As of March 31, 2020*

(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:<br>Buy<br>US dollars | 617 | — | (2) | (2) |
| Total | | 617 | — | (2) | (2) |

Note: Calculation method of fair value:
Fair values are determined based on the prices offered by financial institutions.

*As of March 31, 2021*

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, 2020 and 2021 (excluding the portion of the plans to which the short-cut method is applied):

(In millions of yen)

| | Year ended March 31, 2020 | Year ended March 31, 2021 |
|---|---|---|
| Balance of retirement benefit obligation at beginning of year | 1,909 | 1,953 |
| Service cost | 123 | 115 |
| Interest cost | 8 | 9 |
| Actuarial gains and losses | (30) | 94 |
| Benefits paid | (62) | (88) |
| Other | 3 | — |
| Balance of retirement benefit obligation at end of year | 1,953 | 2,084 |

(2) Changes in plan assets for the years ended March 31, 2020 and 2021 (excluding the plans to which the short-cut method is applied):

(In millions of yen)

| | Year ended March 31, 2020 | Year ended March 31, 2021 |
|---|---|---|
| Balance of plan assets at beginning of year | 1,685 | 1,705 |
| Expected return on plan assets | 34 | 36 |
| Actuarial gains and losses | (113) | 65 |
| Contribution from the employer | 130 | 86 |
| Benefits paid | (31) | (67) |
| Balance of plan assets at end of year | 1,705 | 1,825 |

(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, 2020 | Year ended March 31, 2021 |
|---|---|---|
| Balance of liability for retirement benefits at beginning of year | 12 | 1 |
| Retirement benefit costs | 8 | (3) |
| Retirement benefits paid | (10) | (0) |
| Contribution to the plans | (9) | (5) |
| Balance of liability for retirement benefits at end of year | 1 | (8) |

(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, 2020 | Year ended March 31, 2021 |
|---|---|---|
| Funded retirement benefit obligation | 1,997 | 2,133 |
| Plan assets | (1,763) | (1,898) |
| | 234 | 235 |
| Unfunded retirement benefit obligation | 14 | 15 |
| Net liability (asset) recorded in the consolidated balance sheet | 249 | 251 |
| Defined benefit liability | 249 | 251 |
| Net liability (asset) recorded in the consolidated balance sheet | 249 | 251 |

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, 2020 and 2021:

(In millions of yen)

| | Year ended March 31, 2020 | Year ended March 31, 2021 |
|---|---|---|
| Service cost | 123 | 115 |
| Interest cost | 8 | 9 |
| Expected return on plan assets | (34) | (36) |
| Amortization of actuarial gains and losses | 55 | 43 |
| Retirement benefit costs calculated by short-cut method | 8 | (3) |
| Retirement benefit costs on defined benefit plans | 161 | 128 |

(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, 2020 | Year ended March 31, 2021 |
|---|---|---|
| Actuarial gains and losses | (31) | 13 |

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

(In millions of yen)

| | March 31, 2020 | March 31, 2021 |
|---|---|---|
| Unrecognized actuarial gains and losses | 120 | 106 |

(8) Plan assets:

1. Main components of plan assets:

   Plan assets consisted of the following portfolio categories:

(% of total plan assets)

| | March 31, 2020 | March 31, 2021 |
|---|---|---|
| Debt securities | 22.1 | 12.0 |
| Equity securities | 6.3 | 19.4 |
| General accounts | 51.2 | 49.0 |
| Cash and deposits | 10.4 | 9.5 |
| Other | 10.0 | 10.1 |
| 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, 2020 and 2021 are as follows:

(% of total plan assets)

| | Year ended March 31, 2020 | Year ended March 31, 2021 |
|---|---|---|
| Discount rate | 0.50 - 0.51 | 0.50 - 0.51 |
| Long-term expected rate of return on plan assets | 2.00 - 2.08 | 2.00 - 2.23 |
| Expected rate of salary increase | 0.86 - 1.44 | 0.86 - 1.38 |

**3. Defined contribution plans**

The amounts of the required contribution to the defined contribution plans of consolidated subsidiaries for the years ended March 31, 2020 and 2021 were ¥129 million and ¥123 million, respectively.

## Notes Regarding Deferred Income Taxes

### 1. Significant components of deferred tax assets and liabilities

(In millions of yen)

| | March 31, 2020 | March 31, 2021 |
|---|---|---|
| Deferred tax assets: | | |
| Excess provision for bonuses | 272 | 325 |
| Excess allowance for doubtful accounts | 214 | 200 |
| Excess provision for sales returns | 22 | 24 |
| Excess provision for point program | 146 | 167 |
| Excess provision for loss on interest repayment | 250 | 200 |
| Bad debt expenses | 55 | 63 |
| Loss on valuation of investment securities | 495 | 579 |
| Defined benefit liability | 50 | 48 |
| Loss on valuation of real estate for sale | 55 | 65 |
| Excess impairment loss of fixed assets | 660 | 639 |
| Tax loss carried forward (Note) | 1,471 | 1,512 |
| Other | 1,029 | 1,445 |
| Deferred tax asset subtotal | 4,724 | 5,272 |
| Valuation allowance on tax loss carried forward (Note) | (1,254) | (1,416) |
| Valuation allowance on total of deductible temporary differences | (1,042) | (1,229) |
| Valuation allowance subtotal | (2,296) | (2,645) |
| Deferred tax assets total | 2,428 | 2,627 |
| Deferred tax liabilities: | | |
| Valuation difference on available-for-sale securities | (18) | (855) |
| Reserve for special depreciation | (53) | (17) |
| Asset retirement expense | (152) | (150) |
| Valuation difference on land of consolidated subsidi-aries | (456) | (442) |
| Other | (234) | (216) |
| Deferred tax liabilities total | (913) | (1,682) |
| Net deferred tax assets (liabilities) | 1,514 | 945 |

Note: Amount of tax loss carried forward and related deferred tax assets by the expiry date

### *As of March 31, 2020*

(In millions of yen)

| | Within 1 year | Over 1 year to 2 years | Over 2 years to 3 years | Over 3 years to 4 years | Over 4 years to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| Tax loss carried forward (a) | 125 | 104 | 99 | 292 | 314 | 535 | 1,471 |
| Valuation allowance | (125) | (104) | (99) | (286) | (250) | (388) | (1,254) |
| Deferred tax assets | — | — | — | 5 | 63 | 147 | (b) 216 |

(a) Tax loss carried forward is shown as an amount multiplied by the statutory tax rate.
(b) The Company recorded deferred tax assets of ¥216 million for a tax loss carried forward of ¥1,471 million (an amount multiplied by the statutory tax rate). The deferred tax assets of ¥216 million were recognized for some portion of the balance of a tax loss carried forward (an amount multiplied by the statutory tax rate) of ¥1,471 million in consolidated subsidiaries. We believe that the amount will be recoverable in consideration of the estimated future taxable income attributable to future earning power.

*As of March 31, 2021*

(In millions of yen)

| | Within 1 year | Over 1 year to 2 years | Over 2 years to 3 years | Over 3 years to 4 years | Over 4 years to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| Tax loss carried forward (a) | 199 | 96 | 275 | 179 | 89 | 671 | 1,512 |
| Valuation al-lowance | (199) | (96) | (275) | (179) | (72) | (592) | (1,416) |
| Deferred tax as-sets | — | — | — | — | 16 | 78 | (b) 95 |

(a) Tax loss carried forward is shown as an amount multiplied by the statutory tax rate.
(b) The Company recorded deferred tax assets of ¥95 million for a tax loss carried forward of ¥1,512 million (an amount multiplied by the statutory tax rate). The deferred tax assets of ¥95 million were recognized for some portion of the balance of a tax loss carried forward (an amount multiplied by the statutory tax rate) of ¥1,512 million in consolidated subsidiaries. We believe that the amount will be recoverable in consideration of the estimated future taxable income attributable to future earning power.

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

| | March 31, 2020 | March 31, 2021 |
|---|---|---|
| Statutory tax rate: | 30.5% | 30.5% |
| Items, including entertainment expenses, not eter-nally deductible for tax purposes | 0.3 | 1.3 |
| Items, including dividends received, not eternally inclusive of gross revenue for tax purposes | (0.1) | (0.3) |
| Equal installments of inhabitant taxes | 0.9 | 0.5 |
| Tax rate difference of subsidiaries | 3.1 | 1.6 |
| Valuation allowance change | 3.8 | 2.9 |
| Changes in deferred tax assets and liabilities due to tax rate revision | (0.0) | (0.2) |
| Income taxes for prior years | 0.0 | 0.6 |
| Other | 0.4 | 1.1 |
| Effective tax rate | 38.8% | 37.9% |

## 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 8 to 50 years, depending on the useful life of each relevant building or facility, and using a discount rate between 0.00% to 2.30%.

(3) Increase or decrease in total amount of relevant asset retirement obligations:

(In millions of yen)

| | Year ended March 31, 2020 | Year ended March 31, 2021 |
|---|---|---|
| Balance at beginning of the year | 924 | 1,215 |
| Adjustment due to passage of time | 10 | 11 |
| Other increase (decrease) | 280 | (53) |
| Balance at the end of the year | 1,215 | 1,173 |

## 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, 2020 and 2021 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, 2020 | Year ended March 31, 2021 |
|---|---|---|
| Rental property: | | |
| Balance sheet carrying amount: | | |
| Balance at the beginning of the year | 30,905 | 21,152 |
| Increase (decrease) during the year | (9,752) | 285 |
| Balance at the end of the year | 21,152 | 21,437 |
| Fair value at the end of the year | 25,035 | 24,564 |
| Property that includes a portion used as rental property: | | |
| Balance sheet carrying amount: | | |
| Balance at the beginning of the year | 390 | 386 |
| Increase (decrease) during the year | (4) | (3) |
| Balance at the end of the year | 386 | 382 |
| Fair value at the end of the year | 198 | 194 |

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, 2020 was caused primarily by the acquisition of rental properties (¥99 million). The decrease in rental property during the year ended March 31, 2020 was caused mainly by transfer from rental land to in-house use (¥9,532 million). The increase in rental property during the year ended March 31, 2021 was caused mainly by the acquisition of rental properties (¥601 million). The decrease in rental property during the year ended March 31, 2021 was caused mainly by depreciation (¥315 million).
3. The above carrying amounts in the year ended March 31, 2020 include asset retirement obligations of ¥22 million, while the above carrying amounts in the year ended March 31, 2021 include asset retirement obligations of ¥21 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, 2020 | Year ended March 31, 2021 |
|---|---|---|
| Rental property: | | |
| Rental income | 1,869 | 1,812 |
| Rental expenses | 680 | 655 |
| Difference | 1,189 | 1,156 |
| Property that includes a portion used as rental property: | | |
| Rental income | 16 | 18 |
| Rental expenses | 8 | 4 |
| Difference | 8 | 13 |

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. Personnel placement and temporary staffing business, etc. |
| (5) Finance: | consumer loan services. |
| (6) Property: | rental of real estate, remodeling and development of real estate, hotel business, etc. |
| (7) Other: | clothing rental, 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 "Basis for preparation of consolidated financial statements."

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

*Year ended March 31, 2020*

(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 | 72,916 | 49,652 | 30,402 | 8,166 | 4,396 | 8,585 | 5,827 | — | 179,948 |
| Inter-segment sales or transfers | 462 | 121 | — | 163 | — | 104 | 115 | (968) | — |
| Total | 73,378 | 49,774 | 30,402 | 8,330 | 4,396 | 8,690 | 5,943 | (968) | 179,948 |
| Segment income (loss) | 1,713 | 3,906 | 310 | 2,652 | 1,874 | 658 | (392) | (410) | 10,311 |
| Segment assets | 56,567 | 24,481 | 16,299 | 6,292 | 28,984 | 80,336 | 7,090 | 3,076 | 223,128 |
| Other items: | | | | | | | | | |
| Depreciation (Note 3) | 1,147 | 402 | 366 | 96 | 33 | 1,003 | 128 | — | 3,178 |
| Amortization of goodwill | — | — | — | — | — | — | — | 611 | 611 |
| Increase in property, plant and equipment and intangible fixed assets (Note 3) | 548 | 369 | 606 | 7 | 48 | 8,803 | 118 | 1,008 | 11,510 |

Notes: 1. Amounts of adjustments are as follows:
(1) Adjustments in segment income (loss) represent ¥200 million from inter-segment elimination minus ¥611 million for amortization of goodwill.
(2) Adjustments in segment assets include ¥386 million for the Company's employee welfare facilities and ¥2,689 million as the year-end balance of goodwill.
2. Segment income 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.

*Year ended March 31, 2021*

(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 | 89,213 | 64,814 | 24,273 | 10,523 | 4,617 | 6,875 | 6,181 | — | 206,499 |
| Inter-segment sales or transfers | 462 | 94 | 3 | 153 | — | 108 | 99 | (920) | — |
| Total | 89,675 | 64,909 | 24,276 | 10,676 | 4,617 | 6,983 | 6,281 | (920) | 206,499 |
| Segment income (loss) | 5,309 | 6,907 | (1,612) | 3,033 | 2,445 | 6 | 73 | (429) | 15,734 |
| Segment assets | 64,358 | 28,689 | 13,528 | 7,385 | 28,700 | 88,976 | 6,201 | 2,371 | 240,211 |
| Other items: | | | | | | | | | |
| Depreciation (Note 3) | 1,078 | 402 | 352 | 100 | 37 | 1,292 | 95 | — | 3,361 |
| Amortization of goodwill | — | — | — | — | — | — | — | 686 | 686 |
| Increase in property, plant and equipment and intangible fixed assets (Note 3) | 762 | 275 | 264 | 136 | 29 | 6,968 | 301 | — | 8,738 |

Notes: 1. Amounts of adjustments are as follows:
(1) Adjustments in segment income (loss) represent ¥256 million from inter-segment elimination minus ¥686 million for amortization of goodwill.
(2) Adjustments in segment assets include ¥382 million for the Company's employee welfare facilities and ¥1,988 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]**

*Year ended March 31, 2020*

**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:

(In millions of yen)

| Japan | Other | Total |
|---|---|---|
| 75,412 | 13,239 | 88,651 |

**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.

*Year ended March 31, 2021*

**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:

(In millions of yen)

| Japan | Other | Total |
|---|---|---|
| 79,029 | 13,529 | 92,558 |

**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]**

*Year ended March 31, 2020*

(In millions of yen)

| | General mail order | Specialty mail order | Retail store sales | Solution | Finance | Property | Other | Companywide/ Elimination | Total |
|---|---|---|---|---|---|---|---|---|---|
| Impairment loss | — | — | 60 | — | — | — | — | — | 60 |

*Year ended March 31, 2021*

(In millions of yen)

| | General mail order | Specialty mail order | Retail store sales | Solution | Finance | Property | Other | Company-wide/ Elimination | Total |
|---|---|---|---|---|---|---|---|---|---|
| Impairment loss | — | — | 184 | — | — | — | 4 | — | 189 |

**[Amortization and unamortized balance of goodwill by reportable segment]**

*Year ended March 31, 2020*

(In millions of yen)

| | General mail order | Specialty mail order | Retail store sales | Solution | Finance | Property | Other | Companywide/ Elimination | Total |
|---|---|---|---|---|---|---|---|---|---|
| Amortization for the year | — | — | — | — | — | — | — | 611 | 611 |
| Unamortized balance at end of the year | — | — | — | — | — | — | — | 2,689 | 2,689 |

*Year ended March 31, 2021*

(In millions of yen)

| | General mail order | Specialty mail order | Retail store sales | Solution | Finance | Property | Other | Company-wide/ Elimination | Total |
|---|---|---|---|---|---|---|---|---|---|
| Amortization for the year | — | — | — | — | — | — | — | 686 | 686 |
| Unamortized balance at end of the year | — | — | — | — | — | — | — | 1,988 | 1,988 |

## 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:

*Year ended March 31, 2020*

| 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) |
|---|---|---|---|---|---|---|---|---|---|---|
| Other affiliated companies (including a parent company of such other affiliated companies) | Friend Stage Co., Ltd. (Note 2) | Ageo, Saitama | 50 | Seal stamp sales, etc. | 35.1% (owned, indirectly) | Interlocking directors or audit and supervisory committee members | Rendering of services (Note 3) | 44 | Other current assets | 10 |
| | | | | | | | Intermediation of premiums (Note 4) | 95 | Other current assets | 29 |

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:
Rendering of services is determined through mutual consultations between both parties with due consideration of the content of 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.

*Year ended March 31, 2021*

| 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) |
|---|---|---|---|---|---|---|---|---|---|---|
| Other affiliated companies (including a parent company of such other affiliated companies) | Friend Stage Co., Ltd. (Note 2) | Ageo, Saitama | 50 | Seal stamp sales, etc. | 35.1% (owned, indirectly) | Interlocking directors or audit and su-pervisory committee members | Rendering of services (Note 3) | 46 | Other current assets | 3 |
| | | | | | | | Intermediation of premiums (Note 4) | 108 | Other current assets | 3 |

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:
Rendering of services is determined through mutual consultations between both parties with due consideration of the content of 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.

(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:

### *Year ended March 31, 2020*

| 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) |
|---|---|---|---|---|---|---|---|---|---|---|
| Other affiliated companies (including a parent company of such other affiliated companies) | Friend Stage Co., Ltd. (Note 2) | Ageo, Saitama | 50 | Seal stamp sales, etc. | 35.1% (owned, indirectly) | Interlocking directors or audit and supervisory committee members | Guarantee deposits of hotel facilities (Note 3) | 48 | Investments and other assets | 772 |
| | | | | | | | Rent of hotel facilities (Note 4) | 444 | — | — |
| | | | | | | | Advance payment for employees seconded from the Company (Note 5) | — | Other current assets | 21 |

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:
An amount equivalent to personnel expenses relating to employees seconded from the Company was paid in advance in accordance with a secondment agreement.

### *Year ended March 31, 2021*

| 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) |
|---|---|---|---|---|---|---|---|---|---|---|
| Other affiliated companies (including a parent company of such other affiliated companies) | Friend Stage Co., Ltd. (Note 2) | Ageo, Saitama | 50 | Seal stamp sales, etc. | 35.1% (owned, indirectly) | Interlocking directors or audit and supervisory committee members | Guarantee deposits of hotel facili-ties (Note 3) | 489 | Investments and other assets | 1,261 |
| | | | | | | | Rent of hotel facili-ties (Note 4) | 444 | — | — |
| | | | | | | | Advance payment for employees seconded from the Company (Note 5) | — | Other current assets | 21 |

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:
An amount equivalent to personnel expenses relating to employees seconded from the Company was paid in advance in accordance with a secondment agreement.

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

*Year ended March 31, 2020*

| 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) |
|---|---|---|---|---|---|---|---|---|---|---|
| Corporations, etc., where a majority of voting rights is held by directors and their close family members | Rivoyre Co., Ltd. | Minato-ku, Tokyo | 38 | Real estate renting, etc. | — | Interlocking directors or audit and supervisory committee members | Guarantee deposits of hotel facili-ties (Note 2) | — | Investments and other assets | 547 |
| | | | | | | | Rent of hotel facili-ties (Note 3) | 310 | — | — |
| | | | | | | | Payment for construction assistance fund re-ceivables (Note 4) | — | Long-term lending | 456 |

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:
Construction assistance fund receivables were determined upon negotiation based on an amount calculated pursuant to acquisition costs.

*Year ended March 31, 2021*

| 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) |
|---|---|---|---|---|---|---|---|---|---|---|
| Corporations, etc., where a majority of voting rights is held by directors and their close family members | Rivoyre Co., Ltd. | Minato-ku, Tokyo | 38 | Real estate renting, etc. | — | Interlocking directors or audit and supervisory committee members | Guarantee deposits of hotel facili-ties (Note 2) | — | Investments and other assets | 540 |
| | | | | | | | Rent of hotel facili-ties (Note 3) | 310 | — | — |
| | | | | | | | Payment for construction assistance fund re-ceivables (Note 4) | — | Long-term lending | 463 |

Notes: 1. Consumption taxes are not included in the above transaction amounts, but are included in the year-end balance.
2. 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.
3. 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.
4. Terms and conditions of the transaction and the policy for determination thereof:
Construction assistance fund receivables were determined upon negotiation based on an amount calculated pursuant to acquisition costs.

(c) 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:

*Year ended March 31, 2020*

| 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) |
|---|---|---|---|---|---|---|---|---|---|---|
| Subsidiary of other affiliated company | FSY101 Co., Ltd. (Note 2) | Shibuya-ku, Tokyo | 8 | Real estate renting, etc. | — | — | Guarantee deposits of hotel facilities (Note 3) | — | Investments and other assets | 15 |
| | | | | | | | Rent of hotel facilities (Note 4) | 18 | — | — |

Notes: 1. Consumption taxes are not included in the above transaction amounts, but are included in the year-end balance.
2. 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.
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.

*Year ended March 31, 2021*

| 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) |
|---|---|---|---|---|---|---|---|---|---|---|
| Subsidiary of other affiliated company | FSY101 Co., Ltd. (Note 2) | Shibuya-ku, Tokyo | 8 | Real es-tate rent-ing, etc. | — | — | Guarantee deposits of hotel facili-ties (Note 3) | — | Investments and other assets | 15 |
| | | | | | | | Rent of hotel facili-ties (Note 4) | 18 | — | — |

Notes: 1. Consumption taxes are not included in the above transaction amounts, but are included in the year-end balance.
2. 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.
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.

## Per Share Information

(In yen)

| | Year ended March 31, 2020 | Year ended March 31, 2021 |
|---|---|---|
| Net assets per share | 1,054.14 | 1,164.97 |
| Basic net income per share | 60.62 | 114.17 |
| Diluted net income per share | — | — |

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

| | Year ended March 31, 2020 | Year ended March 31, 2021 |
|---|---|---|
| Net income per share: | | |
| Profit attributable to owners of parent (millions of yen) | 5,862 | 11,036 |
| Amount not attributable to holders of common stock (millions of yen) | — | — |
| Profit attributable to owners of parent relating to com-mon stock (millions of yen) | 5,862 | 11,036 |
| Average number of shares of common stock during the year (thousands of shares) | 96,705 | 96,666 |

## Significant Subsequent Events

None applicable.

## Supplementary Schedules

### Bonds

| Company | Description | Date of issuance | In millions of yen | | Interest rate | Collateral | Redemption date |
|---|---|---|---|---|---|---|---|
| | | | Beginning balance on April 1, 2019 | Ending balance on March 31, 2020 | | | |
| Belluna Co., Ltd. | 3rd Series of Unsecured Bonds (with inter-bond pari passu clause) | October 19, 2017 | 5,000 | 5,000 | 0.33% | None | October 19, 2022 |
| Belluna Co., Ltd. | 4th Series of Unsecured Bonds (with inter-bond pari passu clause) | October 19, 2017 | 5,000 | 5,000 | 0.64% | None | October 18, 2024 |
| Total | — | — | 10,000 | 10,000 | — | — | — |

Note: The redemption schedule of bonds in the next 5 years is as follows:

(In millions of yen)

| Within 1 year | Over 1 year to 2 years | Over 2 years to 3 years | Over 3 years to 4 years | Over 4 years to 5 years |
|---|---|---|---|---|
| — | 5,000 | — | 5,000 | — |

### Borrowings

| | In millions of yen | | Average interest rate | Repayment date |
|---|---|---|---|---|
| | Beginning balance on April 1, 2020 | Ending balance on March 31, 2021 | | |
| Short-term borrowings | 6,352 | 23 | 0.16% | — |
| Current portion of long-term bor-rowings (due within 1 year) | 5,694 | 5,886 | 0.23 | — |
| Current portion of lease obliga-tions (due within 1 year) | 322 | 235 | 1.05 | — |
| Long-term borrowings (except cur-rent portion) | 55,774 | 56,797 | 0.23 | From 2024 to 2043 |
| Lease obligations (except current portion) | 407 | 459 | 1.05 | From 2022 to 2025 |
| Total | 68,550 | 63,402 | — | — |

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 bor-rowings | 5,656 | 5,840 | 6,161 | 13,558 |
| Lease obligations | 185 | 157 | 86 | 30 |

### 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, 2021, 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, 2021:

(In millions of yen)

| (Cumulative period) | First quarter ended June 30, 2020 | Second quarter ended September 30, 2020 | Third quarter ended December 31, 2020 | Year ended March 31, 2021 |
|---|---|---|---|---|
| Net sales | 48,534 | 91,139 | 154,145 | 206,499 |
| Profit before income taxes | 2,616 | 4,884 | 13,484 | 17,743 |
| Profit attributable to owners of parent | 1,492 | 2,923 | 8,620 | 11,036 |
| Net income per share (in yen) | 15.44 | 30.24 | 89.18 | 114.17 |

(In yen)

| (Accounting period) | First quarter ended June 30, 2020 | Second quarter ended September 30, 2020 | Third quarter ended December 31, 2020 | Fourth quarter ended March 31, 2021 |
|---|---|---|---|---|
| Basic earnings per share | 15.44 | 14.80 | 58.93 | 24.99 |

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

None in particular to be remarked.

# Corporate Data and Investor Information (As of March 31, 2021)

**Company Name**
Belluna Co., Ltd.

**Head Office**
4-2, Miyamoto-cho, Ageo, Saitama
362-8688, Japan
Tel: +81-48-771-7753

**Capital Stock**
¥10,612 million

**Established**
June 1977

**Number of Employees**
3,320

**Directors and Corporate Auditors** (As of June 25, 2020)
President and CEO:
Kiyoshi Yasuno

Directors and Executive Officers:
Yuichiro Yasuno
Junko Shishido
Tomohiro Matsuda
Masato Yamauchi
Ryogo Takahashi
Yasumasa Asanuma
Masayoshi Miyashita

Director and Audit and Supervisory Committee:
Yasuo Hagihara

Outside Directors (Independent Directors) 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.
NurseStage Co., Ltd.
Texas Co., Ltd.
Granbellhotel Co., Ltd.
Marucho Co., Ltd.
California Co., Ltd.
Maimu Co., Ltd.
Sagami Group Holdings Co., Ltd.
Others

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

**Number of Shares of Common Stock Issued**
97,244,472

**Number of Shareholders**
10,978

**Transfer Agent**
Mizuho Trust & Banking Co., Ltd.

**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: https://www.adrbnymellon.com

**Major Shareholders**

| Names | Percentage of total shares |
|---|---|
| Friend Stage Asset Management co.,ltd. | 35.0% |
| Kiyoshi Yasuno | 10.0% |
| BBH for Fidelity Low Price Stock Fund (Principal All Sector Subportfolio) | 6.5% |
| Custody Bank of Japan, Ltd. (Trust Account) | 4.9% |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 3.6% |
| Kimi Yasuno | 3.0% |
| Sumitomo Mitsui Banking Corporation | 2.3% |
| The Nomura Trust and Banking Co., Ltd. | 2.0% |
| Belluna Mutual Benefit Society | 1.7% |
| Mizuho Trust & Banking Co., Ltd<br>Trust & Custody Services Bank, Ltd., as trustee for Mizuho Bank, Ltd.<br>Retirement Benefit Trust Account re-entrusted | 1.5% |

* In addition to the above, Belluna retains 571,852 treasury shares.

**For Further Information**
URL: https://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:
**https://www.belluna.co.jp/en/irinfo/financial/**

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