



BELLUNA

Annual Report 2023

For the year ended March 31, 2023

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 23 million customers in Japan cultivated in the Apparel & Goods 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 Apparel & Goods 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.

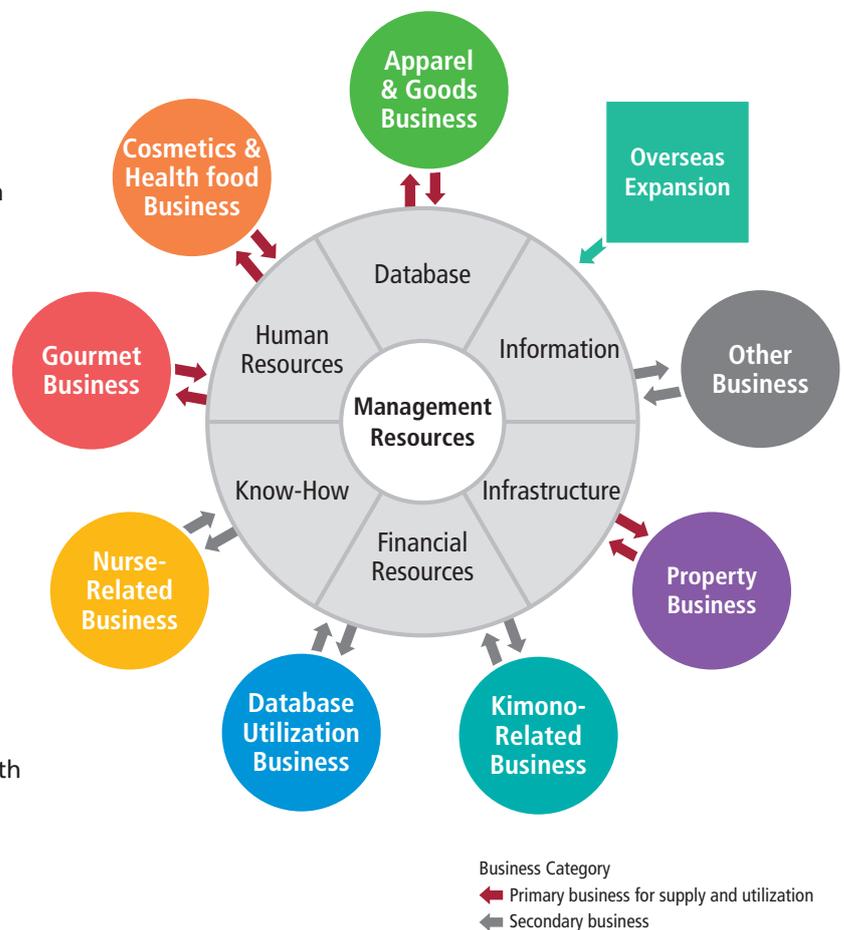
Looking ahead, based on our desire to "help improve the lifestyles and well-being of our customers," we will operate businesses that fulfill people's needs for food, clothing, lifestyle, and recreation.

Business Model

1. Building a stable earnings platform in our Database Utilization businesses, which include specialty mail order and commission-type businesses, by leveraging the customer database cultivated in our Apparel & Goods 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.





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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

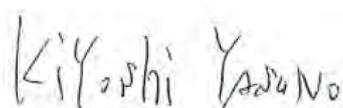


Q.1 Could you give us a snapshot of the overview and business environment during the fiscal year under review?

The Japanese economy showed a recovery trend in consumer activity due to the decrease in COVID-19 infections in Japan and the easing of the movement restrictions. Meanwhile, the outlook is uncertain as prices are rising due to the rapid depreciation of the

yen and the surge in resource prices caused by the Russia and Ukraine situation. With regard to personal consumption in Japan, even though there is some impact on inflation, consumer spending is constantly recovering due to more customers spending money outside. For the mail order industry, despite the less effect on the stay-at-home requests and social distancing due to the spread of COVID-19, the demand for mail orders from customers of all ages continues to grow.

We aim to create customer satisfaction and achieve business growth by viewing changes in customer demand as opportunities and promoting the introduction of new products and services that respond to changes in the external environment.



Kiyoshi Yasuno
President and CEO

The Belluna Group engaged in measures to expand and strengthen each of its eight segments—the Apparel & Goods Business, Cosmetics & Health food Business, Gourmet Business, Nurse-Related Business, Database Utilization Business, Kimono-Related Business, Property Business, and Other Business—and bring its portfolio-based management to maturity to realize synergies. As a result, consolidated net sales for fiscal 2023 decreased 3.5% year on year to ¥212,376 million, and operating income decreased 18.9%

year on year to ¥11,217 million. Ordinary income decreased 14.3% year on year to ¥12,459 million as a result of lower fees associated with fund procurement compared with the same period in the previous fiscal year. In addition, profit attributable to owners of parent decreased 27.3% year on year to ¥7,417 million, partly due to a decrease in gain on sales of investment securities.

Q.2 What can you tell us about Belluna's initiatives and outlook for operating performance in fiscal 2024?

The outlook for the Japanese economy is uncertain due to unstable international conditions, including soaring global resource prices and monetary tightening in Europe and the United States, while COVID-19 infections are decreasing in Japan and consumer activity is on a recovery trend due to the easing of movement restrictions. With regard to personal consumption in Japan, even though there is some impact on inflation, consumer spending is gradually recovering due to more customers spending money outside. In the mail order industry, stay-at-home requests and social distancing due to the spread of COVID-19 have less effect on our business, but the demand for mail orders from customers of all ages continues to grow today. There is also a trend of rising product costs in the Mail Order Business due to soaring raw materials prices and ocean freight charges.

Under these circumstances, seeing changes in consumer demand as an opportunity, mainly in the Mail Order Business, the Belluna Group continue to launch products and services that generate new value with the aim of increasing customer numbers and realizing business growth by creating new customer

satisfaction. In addition, in the Kimono-Related Business and the Property Business, we will aim to secure business growth and profits by developing and implementing new services and ways to attract customers in response to changes in the external environment such as easing of movement restrictions for both Japan and overseas, and recovery in inbound demand.

For the fiscal year ending March 31, 2024, we expect to achieve net sales of ¥219.0 billion, operating income of ¥14.0 billion, ordinary income of ¥14.7 billion and profit attributable to owners of parent of ¥9.4 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.

Review of Business Operations

Apparel & Goods Business	41.6%
Cosmetics & Health food Business	7.6%
Gourmet Business	15.2%
Nurse-Related Business	6.6%
Database Utilization Business	7.4%
Kimono-Related Business	11.2%
Property Business	9.4%
Other Business	1.6%



Apparel & Goods Business

Business Outline

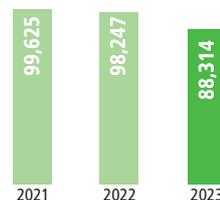
The Company and its subsidiaries engage in mail order sales of daily life-related merchandise and related services through various media including catalogs and the Internet. The main products are apparel, sundry goods, home furnishings and other household goods, and everyday necessities and hobby articles.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

Overview

In the mail order business, the response from existing customers weakened due to the dissipating impact of the spread of COVID-19 from the first quarter of the fiscal year. In addition, because of the rapid depreciation of the yen, soaring raw materials prices, and soaring material prices, we have reviewed the product prices and curbed the number of issued papers from the third quarter, as the Group prioritized ensuring profitability in its business operations. For apparel retail stores, the number of customers visiting stores was recovering from the first quarter, but due to the impact of product price revisions, the number of customers visiting stores and responses weakened from the third quarter. As a result, for the fiscal year under review, segment net sales decreased 10.1% compared with the previous fiscal year to ¥88,314 million and segment (operating) income decreased 55.5% to ¥930 million.

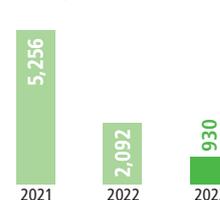
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Outlook

In fiscal 2024, we aim to achieve segment net sales of ¥78,921 million (down 10.6% year on year) and segment (operating) income of ¥370 million (down ¥561 million). We will conduct business operations with a priority on securing profitability, such as by setting well-balanced prices for each product, even in an environment where the prices of raw materials and resources continue to rise.



Cosmetics & Health food Business

Business Outline

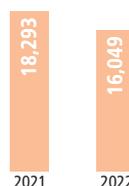
The Company's subsidiaries Ozio Co., Ltd. and Refre Co., Ltd. engage in the sale of Cosmetics & Health food items, respectively.

Overview

In the cosmetic sales business, sales decreased due to the difficult situations resulting from the spread of COVID-19 in Taiwan and the decrease in new customer acquisition for Japan in the first and second quarters of the fiscal year. Additionally, advertising expenses increased due to television commercials and other initiatives. In the mail order health food sales business, although we strengthened the new customer acquisition, sales results for existing customers declined, and resulted in a decline in the overall sales for this business. As a result, segment net sales fell by 7.8% year on year to ¥14,792 million and segment (operating) income declined 67.8% to ¥588 million.

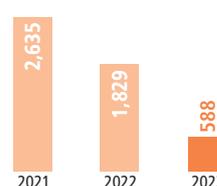
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Outlook

In fiscal 2024, we aim to achieve segment net sales of ¥15,800 million (up 6.8% year on year) and segment (operating) income of ¥808 million (up ¥219 million). We will boost the improvement of creativity of online advertising, strengthen marketing activities, etc., and focus on creating new winning patterns.



Gourmet Business

Business Outline

The Company engages in the sale of items such as food, Japanese sake, and wine.

Overview

Although the response from existing customers weakened as the effect of the spread of COVID-19 dissipated, sales for the gourmet business increased because of the expansion in sales of New Year's cuisine and the expansion of new customer acquisition from online advertising. Also, advertising expenses increased due to the expansion of new customer acquisition. As a result, segment net sales increased 7.3% compared with the previous fiscal year to ¥32,306 million, while segment (operating) income decreased 22.3% to ¥1,763 million.

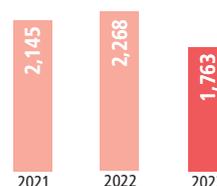
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Outlook

In fiscal 2024, we aim to achieve segment net sales of ¥34,648 million (up 7.2% year on year) and segment (operating) income of ¥1,847 million (up ¥83 million). We expect increases in net sales and income as we respond to rising costs and materials prices and work on strengthening online communication and increasing the value of our products.



Nurse- Related Business

Business Outline

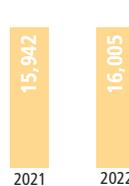
The Company's subsidiaries NurseStage Co., Ltd. and JOBSTUDIO PTE. LTD. engage in mail order sales targeting nurses and the personnel placement business for nurses, respectively.

Overview

The Group engaged in aggressive advertising through television commercials, etc. in the first quarter of the fiscal year, but demand shrank for medical sundry goods and consumables such as masks and pulse oximeter, which were subject to special procurement demand in the same period of the previous fiscal year, as the effect of the spread of COVID-19 dissipated. As the response from existing customers were weakening, we have curbed the amount of issued print media from the fourth quarter. As a result, segment net sales decreased 12.1% compared with the previous fiscal year to ¥14,076 million, and segment (operating) income decreased 76.8% to ¥237 million.

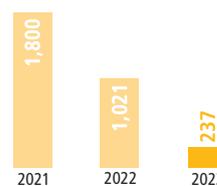
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Outlook

In fiscal 2024, we aim to achieve segment net sales of ¥13,441 million (down 4.5% year on year) and segment (operating) income of ¥702 million (up ¥465 million). We will work to optimize the issuance of catalogs to improve profitability, along with taking initiatives to acquire online users.



Database Utilization Business

Business Outline

The Company and its subsidiaries engage in commission-type businesses that outsource to the Company. These include enclosing and mailing services and direct-marketing outsourcing services. The subsidiary Sunstage Co., Ltd. engages in the finance business for customers mainly in the mail order business. BGL and Label engage in the third party logistics business.

Overview

Sales for enclosing and mailing services declined due to the impact of weakening growth in the Apparel & Goods business. In the finance business, revenue increased due to the expansion of new customer acquisition. As a result, segment net sales increased 3.1% compared with the previous fiscal year to ¥15,752 million, and segment (operating) income increased 0.2% to ¥5,700 million.

Net Sales

(millions of yen)



Segment Income

(millions of yen)



Outlook

In fiscal 2024, we aim to achieve segment net sales of ¥16,454 million (up 4.5% year on year) and segment (operating) income of ¥5,324 million (down ¥377 million). We will continue to acquire new customers and achieve further growth.



Kimono-Related Business

Business Outline

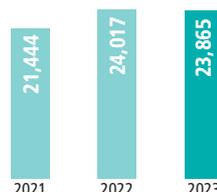
The Company's subsidiaries such as BANKAN Wamonoya Co., Ltd., Sagami Co., Ltd., and Tokyo Masuiwaya Co., Ltd. operate the retail store sales business for merchandise related Kimono. Maimu Co., Ltd. engages in clothing rental business mainly in hakama, traditional Japanese divided skirts, for university students attending their graduation ceremony.

Overview

In the clothing rental business, sales increased because of the expansion in rentals of traditional graduation ceremony apparel for college graduates. In the traditional clothing sales business, the number of customers visiting stores was recovering from the first quarter, but the number of customers visiting stores weakened from the third quarter. In addition, the structural reforms at Sagami Co., Ltd. and Tokyo Masuiwaya Co., Ltd. was effective and improved profitability. As a result, segment net sales decreased 0.6% compared with the previous fiscal year to ¥23,865 million, and segment (operating) income increased 109.7% to ¥1,246 million.

Net Sales

(millions of yen)



Segment Income

(millions of yen)



Outlook

In fiscal 2024, we aim to achieve segment net sales of ¥24,578 million (up 3.0% year on year) and segment (operating) income of ¥1,506 million (up ¥260 million). We expect increases in net sales and income by strengthening our branding and the human resource development.



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., MIRIANDHOO MALDIVES RESORTS PVT. LTD., etc. engage in the hotel business.

Overview

In the hotel business, the decreased impact of movement restrictions within Japan promoted by the Japanese government immigration restrictions on foreigners compared to the same period of the previous fiscal year, and occupancy rates for newly-opened hotels that were built in the previous fiscal year have increased, which led this business to achieve a significant increase in sales and income. Meanwhile, there was a large-scale sale of overseas real state during the same period of the previous fiscal year, creating a significant decrease in both sales and profits. As a result, segment net sales increased 15.6% compared with the previous fiscal year to ¥19,986 million, and segment (operating) income increased 57.6% to ¥1,366 million.

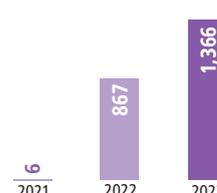
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Outlook

In fiscal 2024, we aim to achieve segment net sales of ¥31,280 million (up 56.5% year on year) and segment (operating) income of ¥3,605 million (up ¥2,239 million). We believe the hotel business will further accelerate this year because the movement restrictions have been eased for both Japan and overseas, and the inbound demand is recovering. We expect even higher increases in net sales and income by achieving low-cost operations while maintaining the service level.

Status of Employees

Percentage of female workers in managerial positions, percentage of male workers taking childcare leave and wage differences between male and female workers

i) The Company

As of March 31, 2023				
Percentage of female workers in managerial positions (%) (Note 1)	Percentage of male workers taking childcare leave (%) (Note2)	Wage differences between male and female workers (%) (Note 1)		
		All workers	Regular workers	Part-time and fixed-term workers
18.3	22.2	40.8	65.2	74.8

(Notes) 1. Calculated based on the provisions of "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).

2. Based on the provisions of "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991), the percentage of taking childcare leave, etc. was calculated based on Paragraph 71-4, Item 1 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25 of 1991).

ii) Consolidated subsidiaries

As of March 31, 2023					
Name	Percentage of female workers in managerial positions (%) (Note 1)	Percentage of male workers taking childcare leave (%) (Note 2)	Wage differences between male and female workers (%) (Note 1)		
			All workers	Regular workers	Part-time and fixed-term workers
BELLUNA communications Co., Ltd.	76.9	0.0	73.8	72.2	159.1
Granbellhotel Co., Ltd.	16.8	50.0	75.2	92.8	92.7
BANKAN Wamonoya Co., Ltd.	34.2	0.0	58.3	74.7	152.5
Sagami Co., Ltd.	7.8	20.0	46.9	55.5	61.5
Tokyo Masuiwaya Co., Ltd.	21.1	0.0	61.9	63.5	74.5
Maimu Co., Ltd.	26.3	0.0	39.3	66.9	72.8

(Notes) 1. Calculated based on the provisions of "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).

2. Based on the provisions of "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991), the percentage of taking childcare leave was calculated based on Paragraph 71-4, Item 1 of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25 of 1991).

Approach to and Initiatives for Sustainability

The Group's approach to and initiatives for sustainability are as follows.

Also, matters related to the future in the following text are based on the decisions made by the Group as of the end of the current consolidated fiscal year.

Since our founding in 1968, the Group has been following the philosophy "To contribute to our customers' lifestyle and happiness, by taking an international perspective to be the first company to provide a wide range of customers across the nation with an abundance of food, clothing, lifestyle and recreational products and services." While the Group has been working on social issues in Japan, we have achieved growth thanks to the support of many stakeholders such as customers, business partners, and employees.

Japan has been experiencing various changes in the social environment, such as the rising prices from the 1970s and women starting to enter the workforce in the late 1980s, and consumer needs have also changed along with the times. Even during these changes in Japan, the Group has achieved growth and continues its business today by responding to customer needs while updating our products and services, such as starting mail-order sales of household goods that can be paid in installments and catalog sales of women's clothing. Adapting to social issues is the Group's core value. Up to today and from now on, the Group will have the mission to contribute to resolving these issues.

(1) Governance

The Group has established the Sustainability Promotion Committee, our cross-functional examination and promotion team for activities related to the sustainability. The Sustainability Promotion Committee formulates basic policies required for the Group to achieve continuous growth and the Group to contribute to realizing a sustainable society. This team is established as an advisory board to the Board of Directors for making agreements and promoting activities to cross-functional teams.

(2) Strategies

Following the "Sustainability Declaration," the Group has identified material issues so that all members in the Group can work together to respond to the expectations and requests of stakeholders. To identify the material issues, we collected and organized the social issues that should be solved and the requests received by each stakeholder. After extracting a total of 123 items, we organized and categorized them into 25 issues. We analyzed the importance level for both stakeholders and operating companies and identified seven material issues for the Group's Apparel & Goods business, which has a particularly large social impact. The Group's initiatives are as follows.

Example of initiatives

	Category	Materiality	Example of specific initiatives
1	Society	Provide an abundance of food, clothing, lifestyle, and recreational to contribute to solving the problem of shopping refugees	Through our catalog mail-order business that provides safe and secure products, we will support all customers in Japan with an abundance of food, clothing, lifestyle, and recreational, and work to solve the problem of "shopping refugees."
2	Environment	Reduce product loss	We will take initiatives to minimize the product loss by using IT, such as accurately clarifying the consumer needs, adjust the amount of shipping and receiving, etc.
3	Environment	Reduce paper resources such as catalog paper	We will promote the appropriate distribution of catalogs and take measures such as making the paper thinner to reduce the overall amount of paper resources.
4	Environment	Reduce CO ₂ emissions at distribution centers, etc.	After we conduct a survey of CO ₂ emissions, we will take measures to reduce CO ₂ emissions by strengthening the energy management at distribution centers and other large facilities.
5	Society	Improve the work style for employees	We will provide employee satisfaction surveys to all employees, collect feedback about the work environment and job satisfaction, and take measures to improve the work style.
6	Environment	Consider making our original products sustainable	In addition to using materials such as organic cotton and recover blue, we are expanding our lineup of products that contribute to making society sustainable, from manufacturing to sales.
7	Governance	Raise awareness about the SDGs throughout the entire Group	In addition to providing study sessions for employees, we will explain the Group's thoughts and initiatives at the company-wide management policy presentation meeting to raise awareness of sustainability.

(3) Policy and strategies for developing human resources and improving the internal environment

The Group believes that the “employee’s growth leads to the company’s growth.” We seek employees who “approach challenges with a cheerful and positive attitude, to do whatever possible to proactively improve customer satisfaction and broaden their abilities, in order to always maintain the confidence of our customers” as the Group is working on developing human resources and encouraging active participation.

Developing strong human resources

The Group has the mindset of “experience develops employees” as we believe that growth is achieved through actual work in business activities. We are developing a training system (OFF-JT) which will have more features for the OJT, and we are also promoting self-development. For the OJT, we mainly focus on the employee’s motivation on developing themselves, and encourage them to take on challenges with the spirit of “1 win, 9 losses.” We actively delegate responsibility to young employees and create an environment where they can grow through their experiences of success and failure. In addition, we will promote internal rotation, so that many employees could get more experience and support them to become successful employees.

For the training system (OFF-JT), we do annual review training or training programs for managers and invite guests from other organizations to conduct programs that will help our employees gain knowledge. Also, we are developing the next generation, who will represent the company’s culture through a session with the Representative Director, who is the founder, as the speaker to share his experience, history, and philosophy since the company’s founding. In addition, to develop and strengthen human resources, we provide various measures and systems, such as qualification acquisition and online education, to support the self-development of employees.

Training contents for each level

	Level training	Selective training	All employees
Executives			
Managers			
Mid-level employees			
Young employees			
New employees			
Prospective employees			

Promoting the Active Participation of Diverse Human Resources

The Group promotes the active participation of diverse human resources and is working to create an environment where employees with different backgrounds, such as women, overseas human resources, and short-time workers such as part-time employees, can contribute to our business by leveraging their strengths. Many female employees work for The Group, from full-time to part-time, and they are currently active in many roles, including product planning, catalog production, call center tasks, website creation and management, etc. For part-time employees, if they are highly skilled and motivated, we actively promote them to become full-time or work for a managerial position. In addition, we are implementing a structure that allows employees to work by their individual work styles, such as shorter working hours and changes in working styles. The Group will continue developing an efficient work environment and creating opportunities for the active participation of diverse human resources.

Creating a work environment where employees get motivated and feel their growth

The Group strives to create a comfortable work environment and a culture where employees can express their feelings and opinions easily so that every employee can leverage their skills and achieve self-growth. At the same time as improving the operation quality and work efficiency, we have introduced the “Ganbaration System,” an award system that aims to improve the entire organization’s employee morale by raising the employees’ motivation level. The Group will praise and give awards to employees who achieved results in their jobs with the desire to achieve goals and grow themselves so that other departments can get inspired and improve employee morale.

(4) Risk management

The Group’s Sustainability Promotion Committee is leading the management of sustainability-related risks, including risks from climate change. The Sustainability Promotion Committee will mainly collect information and data regarding risks and comprehensively extract risks for each business activity item. Next, the Sustainability Promotion Committee identifies the material risks from the extracted risks and evaluates their importance level. Based on the identification and evaluation of risks according to the Sustainability Promotion Committee, policies and proposals such as the Group’s strategies and measures will be reported to the Board of Directors.

(5) Indicators and goals

Among the seven categories described in above “(2) Strategies,” the Group has set “Reduce CO₂ emissions” and “Improve the work style for employees” as the important themes, and the goals and results for these themes are as follows:

Initiatives towards creating an environment-friendly society and decarbonized society

Main strategy	Indicator	Goal (compared to FY2022)
Reduction of Scope 2 emissions	CO ₂ emission reduction rate (compared to FY2022)	Reduce by at least 50%

Scope 2: Indirect emissions from the use of electricity, heat, or steam supplied by other companies.

Improve the work style for employees

Main strategy	Indicator	Goal (comparing to FY2022)
Act on Promotion of Women’s Participation and Advancement in the Workplace	Ratio of female employees in managerial positions (Entire Group)	30% or higher
	Ratio of female employees in managerial positions (Belluna only)	30% or higher

Corporate Governance

The Company's basic approach to corporate governance is to establish a compliance structure and an efficient management structure to accelerate decision-making functions while increasing the fairness and transparency of management. To this end, Executive Officers are entrusted with the authority and responsibility of executing operations based on policies determined by the Board of Directors. The Company also has established the Compliance Committee, which includes the participation of outside experts, and by granting authority to this committee, the Company has built a structure under which the viewpoints of third parties are reflected in management judgments.

Corporate Governance Structure

Overview of Corporate Governance Structure

Within the framework of the Board of Directors and Audit & Supervisory Committee, the Company has adopted the executive office system for the purpose of speeding up decision-making and business execution. In addition, we have voluntarily established the Nomination & Remuneration Committee to strengthen independence, objectivity, and accountability in the nomination and compensation decisions of directors and other officers by the Board of Directors, and are improving the effectiveness of the corporate governance.

The Board of Directors is chaired by Kiyoshi Yasuno, President and CEO. The Board consists of eight members, with the other seven members being Directors Yuichiro Yasuno, Junko Shishido, Tomohiro Matsuda, Masayoshi Miyashita, and Outside Directors Hideki Yamagata, Yukimitsu Watabe, and Junko Hamamoto. The Board of Directors regularly holds meetings. It makes decisions on management objectives, management strategies and others and supervises the management and operations 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.

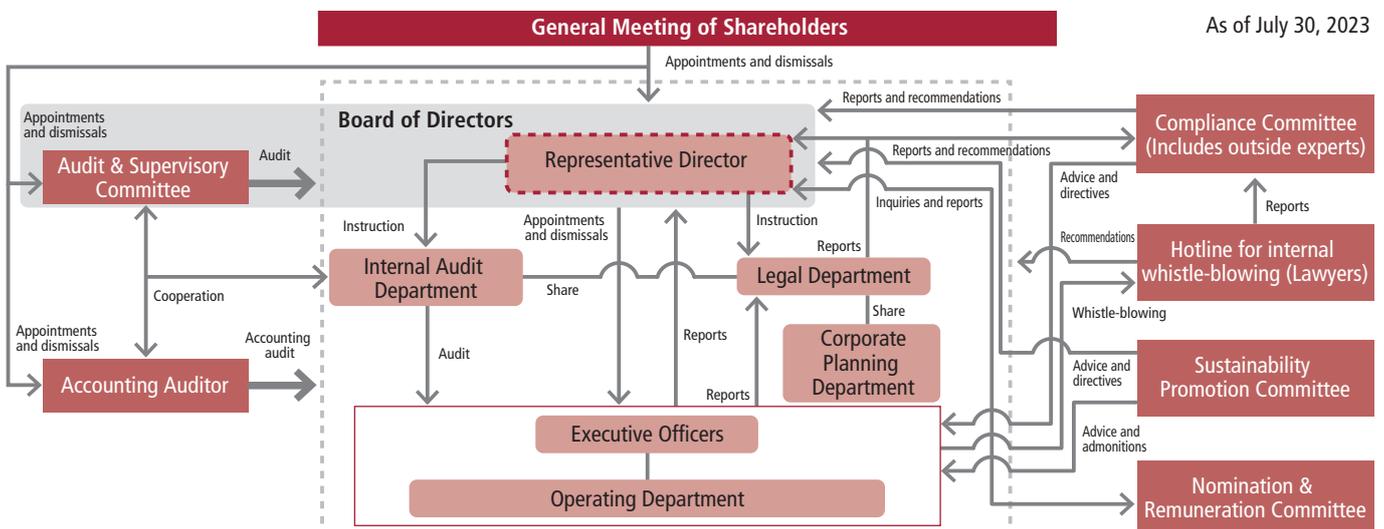
The Audit & Supervisory Committee is chaired by Outside Director Hideki Yamagata. The Committee consists of three members, with the other two members being Outside Directors Yukimitsu Watabe and Junko Hamamoto, and audits the status of corporate governance, management and operation, and the daily activities of management, including directors.

The Nomination & Remuneration Committee is chaired by Outside Director Junko Hamamoto. The Committee consists of three members, with the other two members being Outside Directors Hideki Yamagata and Yukimitsu Watabe. The General Affairs Department serves as the secretariat. The secretariat presents the Company's management situation, appropriate agenda items, and decision-making materials and strives to facilitate active deliberations.

Members of each organization are as follows (© indicates chairman):

Position	Name	Board of Directors	Audit & Supervisory Committee	Nomination & Remuneration Committee
President and CEO	Kiyoshi Yasuno	©		
Director	Yuichiro Yasuno	○		
Director	Junko Shishido	○		
Director	Tomohiro Matsuda	○		
Director	Masayoshi Miyashita	○		
Outside Director	Hideki Yamagata	○	©	○
Outside Director	Yukimitsu Watabe	○	○	○
Outside Director	Junko Hamamoto	○	○	©

Corporate Governance System



Financial Review

Overview and Net Sales

In fiscal 2023, the Japanese economy showed a recovery trend in consumer activity due to the decrease in COVID-19 infections in Japan and the easing of the movement restrictions. Meanwhile, the outlook is uncertain as prices are rising due to the rapid depreciation of the yen and the surge in resource prices caused by the Russia and Ukraine situation. With regard to personal consumption in Japan, even though there is some impact on inflation, consumer spending is gradually recovering due to more customers spending money outside. For the mail order industry, despite the less effect on the stay-at-home requests and social distancing due to the spread of COVID-19, the demand for mail orders from customers of all ages continues to grow today.

Under these conditions, the Belluna Group engaged in measures to expand and strengthen each of its eight segments—Apparel & Goods business, Cosmetics & Health food business, Gourmet business, Nurse-Related business, Database Utilization business, Kimono-Related business, Property business, and Other business—and bring its portfolio-based management to maturity to realize synergies. As a result, consolidated net sales for fiscal 2023 decreased 3.5% year on year to ¥212,376 million, and operating income decreased 18.9% year on year to ¥11,217 million. Ordinary income decreased 14.3% year on year to ¥12,459 million as a result of lower fees associated with fund procurement compared with the same period in the previous fiscal year. In addition, profit attributable to owners of parent decreased 27.3% year on year to ¥7,417 million, partly due to a decrease in gain on sales of investment securities.

Net Sales and Earnings per Segment

In the mail order business, the response from existing customers weakened due to the dissipating impact of the spread of COVID-19 from the first quarter of the fiscal year. In addition, because of the rapid depreciation of the yen, soaring raw materials prices, and soaring material prices, we have reviewed the product prices and curbed the number of issued papers from the third quarter, as the Group prioritized ensuring profitability in its business operations. For apparel retail stores, the number of customers visiting stores was recovering from the first quarter, but due to the impact of product price revisions, the number of customers visiting stores and responses weakened from the third quarter. As a result, for the fiscal year under review, segment net sales decreased 10.1% compared with the previous fiscal year to ¥88,314 million and segment (operating) income decreased 55.5% to ¥930 million.

In the cosmetic sales business, sales decreased due to the difficult situations resulting from the spread of COVID-19 in Taiwan and the decrease in new customer acquisition for Japan in the first and second quarters of the fiscal year. Additionally, advertising expenses increased due to television commercials and other initiatives. In the mail order

health food sales business, although we strengthened the new customer acquisition, sales results for existing customers declined, and resulted in a decline in the overall sales for this business. As a result, segment net sales fell by 7.8% year on year to ¥14,792 million and segment (operating) income declined 67.8% to ¥588 million.

Although the response from existing customers weakened as the effect of the spread of COVID-19 dissipated, sales for the gourmet business increased because of the expansion in sales of New Year's cuisine and the expansion of new customer acquisition from online advertising. Also, advertising expenses increased due to the expansion of new customer acquisition. As a result, segment net sales increased 7.3% compared with the previous fiscal year to ¥32,306 million, while segment (operating) income decreased 22.3% to ¥1,763 million.

The Group engaged in aggressive advertising through television commercials, etc. in the first quarter of the fiscal year, but demand shrank for medical sundry goods and consumables such as masks and pulse oximeter, which were subject to special procurement demand in the same period of the previous fiscal year, as the effect of the spread of COVID-19 dissipated. As the response from existing customers were weakening, we have curbed the amount of issued print media from the fourth quarter. As a result, segment net sales decreased 12.1% compared with the previous fiscal year to ¥14,076 million, and segment (operating) income decreased 76.8% to ¥237 million.

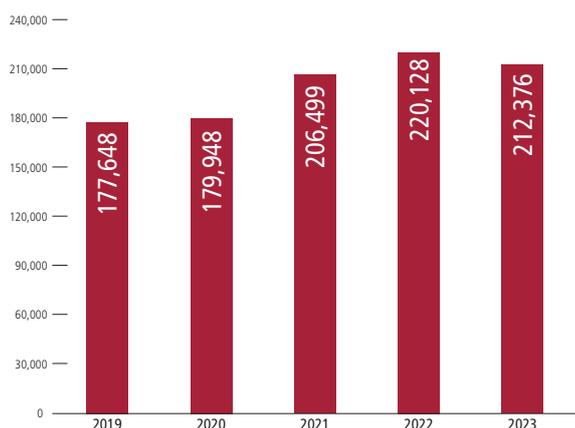
Sales for enclosing and mailing services declined due to the impact of weakening growth in the Apparel & Goods business. In the finance business, revenue increased due to the expansion of new customer acquisition. As a result, segment net sales increased 3.1% compared with the previous fiscal year to ¥15,752 million, and segment (operating) income increased 0.2% to ¥5,700 million.

In the clothing rental business, sales increased because of the expansion in rentals of traditional graduation ceremony apparel for college graduates. In the traditional clothing sales business, the number of customers visiting stores was recovering from the first quarter, but the number of customers visiting stores weakened from the third quarter. In addition, the structural reforms at Sagami Co., Ltd. and Tokyo Masuiwaya Co., Ltd. was effective and improved profitability. As a result, segment net sales decreased 0.6% compared with the previous fiscal year to ¥23,865 million, and segment (operating) income increased 109.7% to ¥1,246 million.

In the hotel business, the decreased impact of movement restrictions within Japan promoted by the Japanese government immigration restrictions on foreigners compared to the same period of the previous fiscal year, and occupancy rates for newly-opened hotels that were built in the previous fiscal year have increased, which led this business to achieve a significant increase in sales and income. Meanwhile, there was a large-scale sale of overseas real state during the same period of the previous fiscal year, creating a significant decrease in both sales and profits. As a result, segment net sales increased 15.6% compared with

Net Sales

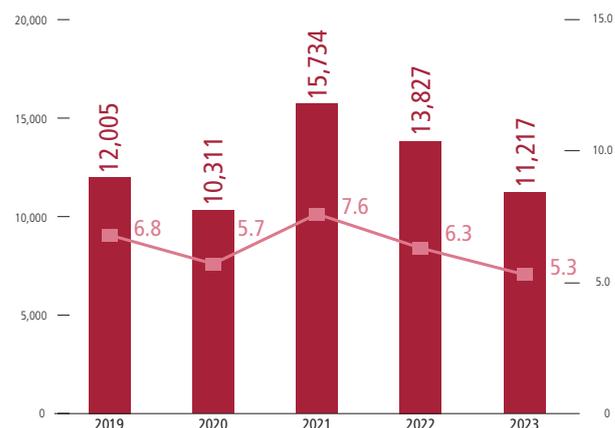
(millions of yen)



Operating Income and Operating Income Margin

(millions of yen)

(%)



■ Operating Income — Operating Income Margin

the previous fiscal year to ¥19,986 million, and segment (operating) income increased 57.6% to ¥1,366 million.

Revenues from businesses such as the restaurant business and accommodation booking business increased significantly as the effect of the spread of COVID-19 became less significant. By contrast, the apparel wholesale business struggled. As a result, segment net sales increased 3.2% compared with the previous fiscal year to ¥4,149 million, and segment (operating) loss amounted to ¥92 million (segment (operating) loss of ¥99 million in the previous fiscal year).

Financial Condition

Total assets as of March 31, 2023 stood at ¥285,592 million, an increase of ¥31,413 million from the previous fiscal year-end. In particular, current assets rose ¥4,530 million to ¥122,664 million, primarily reflecting increases of ¥3,519 million in cash and deposits, ¥1,934 million in trade loans, ¥1,730 million in merchandise and finished goods, and ¥2,409 million in real estate for sale, which outweighed a decrease of ¥4,133 million in real estate for sale in process. As of the end of the fiscal year, fixed assets stood at ¥162,928 million, an increase of ¥26,883 million. This was mainly due to increases of ¥9,394 million in buildings and structures and ¥16,223 million in construction in progress.

Total liabilities increased by ¥24,021 million compared with the previous fiscal year-end to ¥159,155 million. Specifically, current liabilities decreased by ¥316 million year on year to ¥64,587 million, primarily because of decreases of ¥8,580 million in trade notes and accounts payable, ¥1,682 million in contract liabilities, and ¥4,980 million in current portion of bonds payable, which outweighed increases of ¥5,442 million in electronically recorded obligations - operating, ¥7,416 million in short-term borrowings, and ¥1,694 million in accrued expenses. Non-current liabilities increased by ¥24,338 million year on year to ¥94,568 million, mainly due to a ¥24,819 million increase in long-term borrowings.

Cash Flows

The outstanding balance of cash and cash equivalents at the end of the fiscal year under review increased by ¥2,259 million to ¥31,828 million from the end of the previous fiscal year, on a consolidated basis.

Net cash provided by operating activities during the fiscal year under review was ¥8,241 million (¥7,154 million provided in the previous fiscal year). The main factors leading to the increase were ¥11,953 million in profit before income taxes, ¥3,792 million of depreciation, and ¥2,089 million in decrease in real estate for sale, while the main factors leading to the decrease were an increase of ¥1,960 million in trade loans, an increase of ¥1,927 million in inventories, a decrease of ¥2,408 million in notes and accounts payable, a decrease of ¥1,172 million in other current liabilities, and ¥4,880 million of income taxes paid.

Net cash used in investing activities during the fiscal year under

review was ¥29,924 million (¥17,033 million used in the previous fiscal year). The main factors leading to the decrease were ¥28,179 million of payments for the acquisition of property, plant and equipment, and ¥1,826 million of acquisition of intangible fixed assets.

Net cash provided by financing activities during the fiscal year under review was ¥23,527 million (¥8,652 million provided in the previous fiscal year). The main factors leading to the increase were a ¥3,849 million increase in short-term borrowings and a ¥33,342 million increase of proceeds from long-term borrowings, while the main factors leading to the decrease were ¥6,605 million of repayments of long-term borrowings, ¥5,010 million in redemption of bonds, and ¥1,885 million of dividends paid.

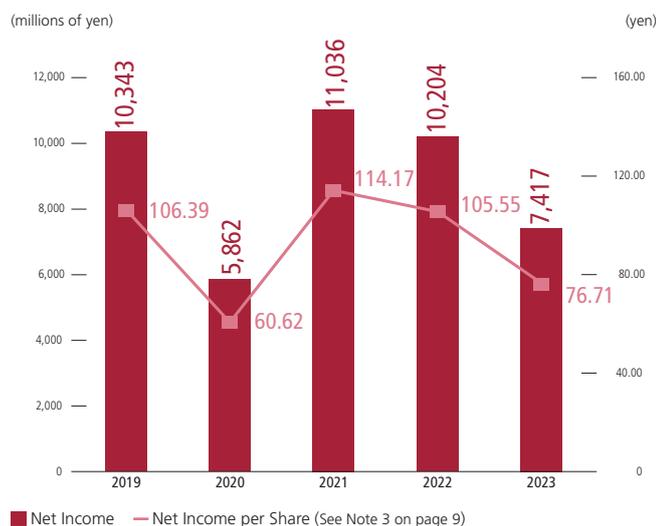
Forecasts for Fiscal 2024

The outlook for the Japanese economy is uncertain due to unstable international conditions, including soaring global resource prices and monetary tightening in Europe and the United States, while COVID-19 infections are decreasing in Japan and consumer activity is on a recovery trend due to the easing of movement restrictions. With regard to personal consumption in Japan, even though there is some impact on inflation, consumer spending is gradually recovering due to more customers spending money outside. In the mail order industry, despite the less effect on the stay-at-home requests and social distancing due to the spread of COVID-19, the demand for mail orders from customers of all ages continues to grow. There is also a trend of rising product costs in the mail order business due to soaring raw materials prices and ocean freight charges.

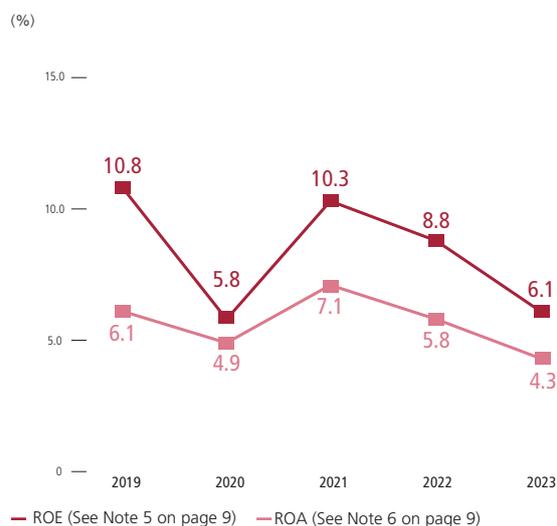
Against this backdrop, seeing changes in consumer demand as an opportunity, mainly in the mail order business, the Belluna Group will continue to launch products and services that generate new value with the aim of increasing customer numbers and realizing business growth by creating new customer satisfaction. In the Kimono-Related business and the Property business, we will aim to secure business growth and profits by developing and implementing new services and ways to attract customers in response to changes in the external environment such as easing of movement restrictions for both Japan and overseas, and recovery in inbound demand.

Regarding the forecast for fiscal 2024, we anticipate net sales of ¥219,000 million, operating income of ¥14,000 million, ordinary income of ¥14,700 million, and profit attributable to owners of parent of ¥9,400 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.

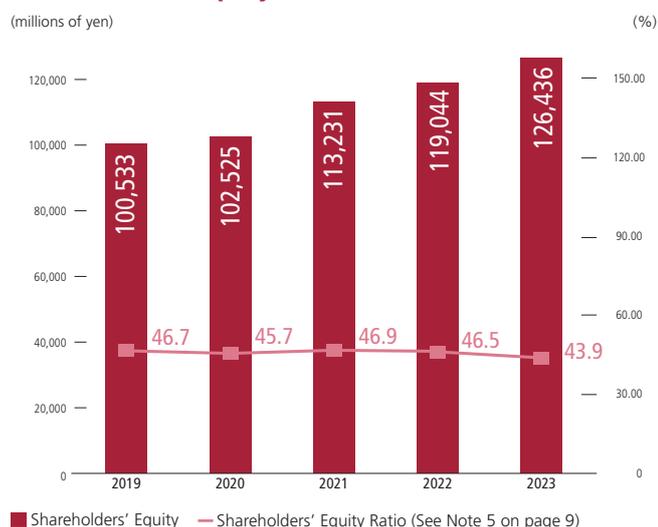
The Belluna Group collects information on political, economic and other conditions in the overseas countries and regions in which it operates, and endeavors to mitigate or avoid risk.

6. Risk from Fluctuations in Raw Material and Other Markets

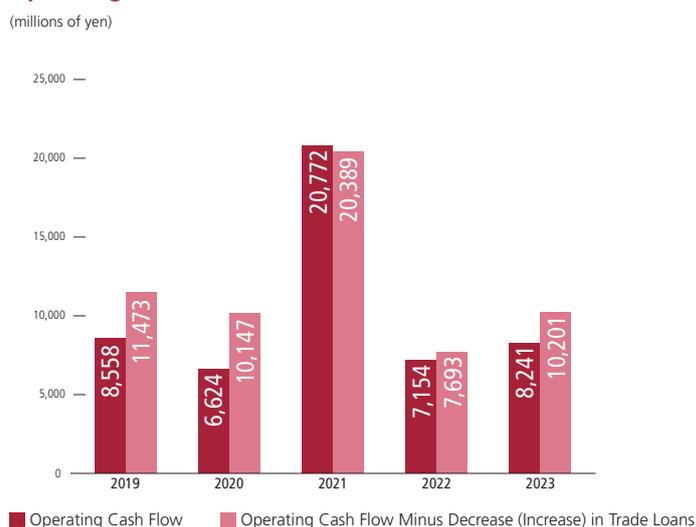
In the event that the market prices of such raw materials as pulp (which is used to produce catalogs and other items) exceed Group expectations or there is an increase in the cost of consigned dispatch services by carriers, mainly reflecting an increase in crude oil prices, the Group's operating performance and financial situation may be adversely affected.

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

Shareholders' Equity* and Shareholders' Equity Ratio



Operating Cash Flow and Operating Cash Flow - Decrease (Increase) in Trade Loans



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 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 re-expansion of COVID-19 or the emergence of infectious diseases

The performance of following businesses may be affected from the re-expansion of COVID-19 or the emergence of infectious diseases.

- 1) Kimono-Related business (temporary closures due to government policy or the policy of developers, and a decrease in customers at open stores)
- 2) Property business (temporary closures due to government policy and a decrease in guests at open hotels in the hotel business)

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, 2023 (with comparative figures for the previous year).

Consolidated Balance Sheets

	In millions of yen	
	March 31, 2022	March 31, 2023
Assets		
Current assets		
Cash and deposits	28,591	32,111
Notes receivable - trade	96	88
Accounts receivable - trade	10,570	10,309
Trade loans	27,443	29,378
Marketable securities	202	170
Merchandise and finished goods	26,667	28,397
Raw materials and supplies	1,294	1,530
Real estate for sale	*2 3,370	*2 5,780
Real estate for sale in process	*2 7,026	*2 2,893
Other current assets	13,596	12,817
Allowance for doubtful accounts	(727)	(811)
Total current assets	118,133	122,664
Fixed assets		
Property, plant and equipment		
Buildings and structures	*2 *3 56,828	*2 *3 67,560
Accumulated depreciation	*1 (22,310)	*1 (23,646)
Buildings and structures (net)	34,518	43,913
Machinery and equipment	*2 10,153	*2 10,350
Accumulated depreciation	*1 (3,042)	*1 (3,668)
Machinery and equipment (net)	7,111	6,681
Furniture and fixtures	4,660	*3 5,215
Accumulated depreciation	*1 (3,052)	*1 (3,417)
Furniture and fixtures (net)	1,608	1,797
Land	*2 46,083	*2 46,919
Leased assets	522	538
Accumulated depreciation	*1 (304)	*1 (382)
Leased assets (net)	217	156
Construction in progress	13,803	*2 30,027
Total property, plant and equipment	103,342	129,495
Intangible fixed assets		
Goodwill	1,979	1,487
Leased assets	545	352
Other	*2 7,753	*2 8,734
Total intangible fixed assets	10,278	10,574
Investments and other assets		
Investment securities	*4 13,637	*4 14,371
Long-term lending	1,890	1,812
Claims provable in bankruptcy, claims provable in rehabilitation and other	153	179
Deferred tax assets	1,616	1,396
Other assets	5,730	5,724
Allowance for doubtful accounts	(603)	(627)
Total investments and other assets	22,424	22,857
Total fixed assets	136,045	162,928
Total assets	254,178	285,592

In millions of yen

	March 31, 2022	March 31, 2023
Liabilities		
Current liabilities		
Trade notes and accounts payable	22,303	13,723
Electronically recorded obligations - operating	—	5,442
Accrued expenses	13,392	15,086
Short-term borrowings	*2*5*6 12,909	*2 *5 *6 20,326
Current portion of bonds payable	5,000	20
Lease obligations	260	239
Income taxes payable	2,042	1,875
Contract liabilities	5,439	3,756
Provision for bonuses	974	1,028
Provision for loss on store closings	—	13
Other current liabilities	2,583	3,074
Total current liabilities	64,904	64,587
Long-term liabilities		
Bonds payable	5,000	5,020
Long-term borrowings	*2 *5 *6 60,642	*2 *5 *6 85,462
Provision for loss on interest repayment	525	389
Lease obligations	509	273
Net defined benefit liability	212	160
Provision for retirement benefits for directors and audit and supervisory committee members	249	249
Asset retirement obligations	1,123	1,134
Provision for repairs	64	94
Other long-term liabilities	1,903	1,785
Total long-term liabilities	70,229	94,568
Total liabilities	135,134	159,155
Net assets		
Shareholders' equity		
Common stock	10,612	10,612
Capital surplus	10,951	10,951
Retained earnings	103,131	108,663
Treasury stock	(467)	(462)
Total shareholders' equity	124,228	129,765
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,373	1,702
Deferred gains or losses on hedges	(18)	106
Revaluation reserve for land	(7)	(7)
Foreign currency translation adjustments	(7,271)	(6,071)
Remeasurements of defined benefit plans	(35)	0
Total accumulated other comprehensive income	(5,959)	(4,268)
Non-controlling interests	775	940
Total net assets	119,044	126,436
Total liabilities and net assets	254,178	285,592

Consolidated Statements of Income

In millions of yen

	Year ended March 31, 2022	Year ended March 31, 2023
Net sales	*1 220,128	*1 212,376
Cost of sales	*2 90,822	*2 86,674
Gross profit—net	129,305	125,701
Selling, general and administrative expenses	*3 115,478	*3 114,484
Operating income	13,827	11,217
Non-operating income		
Interest income	49	103
Dividend income	421	301
Rent income	36	35
Extinction of debt	29	32
Compensation received	122	111
Foreign exchange gains	540	905
Subsidy income	408	353
Gain on investments in investment partnerships	104	72
Other	517	382
Total non-operating income	2,230	2,297
Non-operating expenses		
Interest expense	246	343
Commission fee	999	452
Depreciation	20	21
Loss on closing of stores	118	131
Provision for store closing loss	—	13
Other	135	92
Total non-operating expenses	1,519	1,055
Ordinary income	14,537	12,459
Extraordinary gains		
Gain on sales of non-current assets	*4 12	*4 11
Gain on sales of investment securities	1,537	18
Total extraordinary gains	1,550	29
Extraordinary losses		
Loss on sale of non-current assets	*5 403	—
Loss on retirement of fixed assets	*6 12	*6 317
Impairment loss	*7 213	*7 167
Loss on valuation of investment securities	139	—
Loss on valuation of securities	—	50
Settlement package	5	—
Total extraordinary losses	774	534
Profit before income taxes	15,313	11,953
Income taxes—current	4,996	4,503
Income taxes—deferred	50	(6)
Total income taxes	5,047	4,497
Profit	10,265	7,456
Profit attributable to non-controlling interests	60	39
Profit attributable to owners of parent	10,204	7,417

Consolidated Statements of Comprehensive Income

		In millions of yen	
		Year ended March 31, 2022	Year ended March 31, 2023
Profit		10,265	7,456
Other comprehensive income			
Valuation difference on available-for-sale securities		(601)	329
Revaluation reserve for land		(18)	124
Foreign currency translation adjustments		(2,304)	1,227
Remeasurements of defined benefit plans, net of tax		36	36
Total other comprehensive income		*1 (2,888)	*1 1,718
Comprehensive income		7,377	9,175
Comprehensive income attributable to owners of parent		7,377	9,108
Comprehensive income attributable to non-controlling interests		(0)	66

Consolidated Statements of Changes in Net Assets

(In millions of yen)													
Year ended March 31, 2022	Shareholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of year	10,612	10,954	94,667	(481)	115,752	1,975	—	(7)	(5,028)	(72)	(3,132)	611	113,231
Changes during year:													
Issuance of new shares													
Dividends paid			(1,740)		(1,740)								(1,740)
Profit attributable to owners of parent			10,204		10,204								10,204
Increase in consolidated subsidiaries - non-controlling interests												171	171
Purchase of treasury stock				(0)	(0)								(0)
Disposal of treasury stock		(2)		14	11								11
Capital increase of consolidated subsidiaries												5	5
Increase or decrease in equity due to capital reduction of consolidated subsidiary													
Net changes of items other than shareholders' equity						(601)	(18)		(2,243)	36	(2,827)	(13)	(2,840)
Total changes of items during year	—	(2)	8,464	14	8,476	(601)	(18)		(2,243)	36	(2,827)	164	5,812
Balance at end of year	10,612	10,951	103,131	(467)	124,228	1,373	(18)	(7)	(7,271)	(35)	(5,959)	775	119,044

(In millions of yen)													
Year ended March 31, 2023	Shareholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of year	10,612	10,954	103,131	(467)	124,228	1,373	(18)	(7)	(7,271)	(35)	(5,959)	775	119,044
Changes during year:													
Dividends paid			(1,885)		(1,885)								(1,885)
Profit attributable to owners of parent			7,417		7,417								7,417
Increase in consolidated subsidiaries - non-controlling interests												100	100
Purchase of treasury stock				(0)	(0)								(0)
Disposal of treasury stock		(0)		4	4								4
Capital increase of consolidated subsidiaries													
Increase or decrease in equity due to capital reduction of consolidated subsidiary													
Net changes of items other than shareholders' equity						329	124		1,200	36	1,691	65	1,757
Total changes of items during year	—	(0)	5,531	4	5,536	329	124		1,200	36	1,691	164	7,392
Balance at end of year	10,612	10,951	108,663	(462)	129,765	1,702	106	(7)	(6,071)	0	(4,268)	940	126,436

Consolidated Statements of Cash Flows

In millions of yen

	Year ended March 31, 2022	Year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	15,313	11,953
Depreciation	3,655	3,792
Impairment loss	213	167
Amortization of goodwill	704	766
Increase (decrease) in allowance for doubtful accounts	(2)	98
Increase (decrease) in provision for bonuses	82	54
Increase (decrease) in net defined benefit liability	16	6
Increase (decrease) in provision for loss on interest repayment	(59)	(136)
Increase (decrease) in provision for repairs	29	29
Increase (decrease) in provision for loss on store closings	—	13
Interest and dividend income	(470)	(404)
Interest expense	246	343
Loss (gain) on sales of investment securities	(1,537)	(18)
Loss (gain) on valuation of investment securities	139	—
Loss (gain) on valuation of securities	—	50
Foreign exchange losses (gains)	(299)	(220)
Loss on retirement of fixed assets	12	317
Loss (gain) on sales of property, plant and equipment	390	(11)
Decrease (increase) in trade notes and accounts receivable	(247)	453
Decrease (increase) in trade loans	(539)	(1,960)
Decrease (increase) in inventories	(4,157)	(1,927)
Decrease (increase) in real estate for sale	1,785	2,089
Decrease (increase) in other current assets	(1,390)	103
Increase (decrease) in notes and accounts payable	(138)	(2,408)
Increase (decrease) in other current liabilities	946	(1,172)
Increase (decrease) in other long-term liabilities	163	(97)
Other	(119)	1,121
Sub-total	14,736	13,005
Interest and dividends received	470	400
Interest paid	(245)	(345)
Refund of income taxes	25	61
Income taxes paid	(7,832)	(4,880)
Net cash provided by operating activities	7,154	8,241
Cash flows from investing activities		
Payments into time deposits	—	(400)
Proceeds from sale of securities	—	8
Acquisition of property, plant and equipment	(15,800)	(28,179)
Proceeds from sales of property, plant and equipment	408	55
Acquisition of intangible fixed assets	(828)	(1,826)
Acquisition of investment securities	(3,430)	(897)
Proceeds from sales of investment securities	3,634	624
Purchase of shares of subsidiaries	*2 (626)	—
Payments of loans receivable	(30)	(16)
Collection of loans receivable	23	231
Payments for guarantee deposits	(726)	(134)
Proceeds from collection of guarantee deposits	121	257
Payments of other investments	(222)	(453)
Collection of other investments	58	7
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 385	*2 800
Net cash used in investing activities	(17,033)	(29,924)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	6,200	3,849
Proceeds from long-term borrowings	10,234	33,342
Repayments of long-term borrowings	(5,832)	(6,605)
Redemption of bonds	(0)	(5,010)
Purchase of treasury stock	(0)	(0)
Dividends paid	(1,740)	(1,885)
Proceeds from share issuance to non-controlling shareholders	56	100
Dividends paid to non-controlling interests	(12)	(0)
Repayments of lease obligations	(251)	(252)
Other, net	(1)	(1)
Net cash provided by financing activities	8,652	23,527
Effect of exchange rate change on cash and cash equivalents	(162)	414
Net increase (decrease) in cash and cash equivalents	(1,389)	2,259
Cash and cash equivalents at beginning of year	30,958	29,569
Cash and cash equivalents at end of year	*1 29,569	*1 31,828

Notes to Consolidated Financial Statements

Basis for preparation of consolidated financial statements

1. Scope of consolidation

- (1) Number of consolidated subsidiaries: 57 companies
From the fiscal year under review, Label Co., Ltd., Label Logistics Co., Ltd., and R&M Co., Ltd. have been newly included in the scope of consolidation due to the acquisition of shares, Mogami Geo-Energy LLC has been newly included in the scope of consolidation due to the acquisition of equity in investment. Additionally, LABB CAPITAL LLC has been excluded from the scope of consolidation due to the completion of liquidation. The statements of income are consolidated until the completion of liquidation.

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: 1
(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 eleven other consolidated subsidiaries end on December 31. The financial statements of the above consolidated subsidiaries as of their financial closing dates 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.

However, 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 apart from shares, etc. without market prices:
Available-for-sale securities apart from shares, etc. without market prices 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.
Shares, etc. without market prices:
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:
These securities are carried to reflect the net amount attributable to the equity interest, based on the latest available financial information as stipulated in the partnership agreements.
 - ii) Derivatives:
Derivatives are carried at fair value.
 - iii) Inventories:
 - (a) 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).
 - (b) Raw materials and supplies:
Raw materials and supplies are stated at the latest purchase price.
 - (c) 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).
 - (d) 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 collectability.
 - 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 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.
 - iv) 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.
 - v) 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) Standards for the recognition of significant revenue and expenses
- i) Mail order (Apparel & Goods business, Cosmetics & Health food business, Gourmet business, Nurse-Related business)
In this business, the Group mainly engages in catalog and online sales and mail order sales through media such as newspaper advertisements and television. The main products include apparel, sundry goods, home furnishings and other household goods in the Apparel & Goods business, Cosmetics & Health food items in the Cosmetics & Health food business, food, Japanese sake and wine in the Gourmet business, and products for nurses in the Nurse-Related business. When selling these products, we determine that the control of the product will transfer to the customer upon delivery, but since the period from the shipment to delivery is considered the regular period, we apply the alternative treatment regarding materiality, etc. and recognize the revenue at the time of shipment.
 - ii) Database Utilization business
In this business, the Group mainly engages in providing services enclosing pamphlets and other catalogs, product mailing services, and direct-marketing outsourcing services (receiving orders, logistics services, catalog mailing services) for external business operators, and finance business for individuals. For services for external business operators, revenue is recognized when the provision of services under the contract is completed. In the finance business, revenue is recognized over time.
 - iii) Kimono-Related business
In this business, the Group mainly engages in the sale and rental of Japanese traditional clothing. Revenue from the sale and rental of products is recognized when the product is delivered to the customer.
 - iv) Property business
In this business, the Group mainly provides accommodation services and ancillary services at hotels, and engages in real estate leasing and redevelopment. Revenue from the provision of accommodation services and ancillary services at hotels is recognized when the accommodation services are provided. Revenue from real estate leasing is recognized over the contractual term of the lease. Revenue from the redevelopment business is recognized when ownership of the property is transferred to the buyer.
- (8) Significant hedge accounting methods

- i) Hedge accounting methods
The Company applies deferred hedge accounting, in principle.
 - ii) Hedging instruments and hedged items
The Company applies hedge accounting for the following hedging instruments and hedged items.
Hedging instruments: foreign currency forward contracts
Hedged items: planned foreign currency-denominated transactions
 - iii) Hedging policy
The Company engages in hedging transactions within the scope necessary to mitigate currency exchange rate fluctuation risk.
 - iv) Method of assessing hedge effectiveness
Since currency forward contracts in the same currency are applied to forecasted transactions, the correlation with subsequent changes in foreign exchange rates is fully ensured. Therefore, the evaluation concerning the effectiveness is omitted.
- (9) Other significant accounting policies
Accounting treatment of nondeductible consumption taxes, etc.
Nondeductible consumption and local consumption taxes on assets are expensed in the fiscal year in which they arise.

(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	March 31, 2022	March 31, 2023
Impairment loss	213	167
Property, plant and equipment	103,342	129,495
Intangible assets	10,278	10,574

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

The Group has important assets in the Apparel & Goods business, the Nurse-Related business, the Kimono-Related business, and the Property business, etc., and for asset groups that are continuing to result in negative net income from operating activities, 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	March 31, 2022	March 31, 2023
Deferred tax assets	1,616	1,396

(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 determine the amount rationally based on the details and materials available at the time of year-end closing. However, 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.

(Changes in accounting policies)

The Group has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31 issued on June 17, 2021; hereinafter "Implementation Guidance on Fair Value Measurement Standard") from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Implementation Guidance on Fair Value Measurement Standard in accordance with the transitional treatment provided in Paragraph 27-2 of the Implementation Guidance on Fair Value Measurement Standard. This change will not affect the consolidated financial statements.

For notes regarding investment trusts in a breakdown of financial instruments based on the level of fair value in the Notes Regarding Financial Instruments, notes on the previous consolidated fiscal year are omitted in accordance with Paragraph 27-3 of the Implementation Guidance on Fair Value Measurement Standard.

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, 2022	March 31, 2023
Real estate for sale	1,878	743
Real estate for sale in process	1,216	2,893
Buildings and structures	12,810	18,536
Machinery and equipment	6,056	5,639
Land	22,400	23,294
Construction in progress	—	11,833
Intangible assets (leasehold interests in land)	675	675
Total	45,038	63,616

Liabilities secured by the above are as follows.

(In millions of yen)

	March 31, 2022	March 31, 2023
Short-term borrowings	6,033	5,666
Long-term borrowings	44,429	70,152
Total	50,462	75,819

*3. Reduction entry amount

The reduction entry amount deducted from the acquisition price of property, plant and equipment due to national treasury subsidies, etc., and the details thereof, are as follows:

(In millions of yen)

	March 31, 2022	March 31, 2023
Reduction entry amount	220	340
(of which, buildings and structures)	220	339
(of which, tools, furniture and fixtures)	—	0

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

(In millions of yen)

	March 31, 2022	March 31, 2023
Investment securities (stocks)	734	797

*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, 2022 and 2023 is summarized as follows:

(In millions of yen)

	March 31, 2022	March 31, 2023
Total of the overdraft limit and lending commitments	72,436	79,449
Executed loans	23,001	54,501
Unexecuted balance	49,435	24,947

*6. Restrictive financial covenants

Of the consolidated borrowings balance, up to ¥59,644 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, 2022	March 31, 2023
Shurei Co., Ltd. (Note)	91	63

Note: The Company provides a joint and several guarantee for the borrowings from financial institutions.

Notes to the Consolidated Statements of Income

*1. Revenue from contracts with customers

The Company does not present revenue from contracts with customers separately from other revenue. The amount of revenue from contracts with customers is shown under "Segment Information, etc. 3. Segment sales, segment income or loss, segment assets, segment liabilities and other material items, and revenue breakdown" in the notes to the consolidated financial statements.

*2. 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, 2022	Year ended March 31, 2023
	519	869

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

(In millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Freightage and packing expenses	15,987	15,475
Advertising expenses	29,737	29,049
Sales promotion expenses	4,531	4,033
Provision of allowance for doubtful accounts	742	802
Provision for loss on interest repayment	415	351
Salaries and allowances	19,714	20,290
Provision for bonuses	937	1,048
Provision for repairs	29	29
Retirement benefit expenses	249	216
Communication expenses	8,016	7,527
Commission fee	15,878	15,084

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

(In millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Machinery and equipment	—	0
Furniture and fixtures	—	5
Land	12	6
Intangible assets (other)	—	0
Total	12	11

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

(In millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Buildings and structures	154	—
Machinery and equipment	0	—
Tools, furniture and fixtures	2	—
Land	246	—
Total	403	—

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

(In millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Buildings and structures	10	258
Tools, furniture and fixtures	1	27
Intangible assets (other)	—	31
Total	12	317

*7. Impairment loss

For the year ended March 31, 2022

Usage	Type	Location
Assets for business	Buildings and structures, furniture and fixtures, investments and other assets (other) etc.	Kawagoe-shi, Saitama Prefecture, etc.
Assets for business	Buildings and structures, furniture and fixtures, investments and other assets (other) etc.	Yokohama-shi, Kanagawa Prefecture, etc.
Assets for business	Buildings and structures, furniture and fixtures, etc.	Chuo-ku, Tokyo

(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, 2022, 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: ¥200 million of buildings and structures, ¥11 million of furniture and fixtures, and ¥2 million of investments and other assets (other).

(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, 2023

Usage	Type	Location
Assets for business	Buildings and structures, furniture and fixtures, investments and other assets (other), etc.	Joyo-shi, Kyoto Prefecture, etc.
Assets for business	Buildings and structures, furniture and fixtures, etc.	Hiroshima-shi, Hiroshima Prefecture, etc.
Assets for business	Buildings and structures, furniture and fixtures, investments and other assets (other), etc.	Yokohama-shi, Kanagawa Prefecture, etc.
Assets for business	Buildings and structures, furniture and fixtures, intangible assets (other)	Chuo-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, 2023, 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: ¥156 million of buildings and structures, ¥7 million of furniture and fixtures, ¥1 million of intangible assets (other), and ¥2 million of investments and other assets (other).

(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, 2022	Year ended March 31, 2023
Valuation difference on available-for-sale securities:		
Gains (losses) incurred during the year	589	453
Reclassification adjustment to net income	(1,422)	29
Amount before tax effect	(833)	482
Tax effect	231	(153)
Valuation difference on available-for-sale securities	(601)	329
Deferred gains or losses on hedges:		
Gains (losses) incurred during the year	(26)	178
Reclassification adjustment to net income	—	1
Amount before tax effect	(26)	179
Tax effect	8	(54)
Deferred gains or losses on hedges	(18)	124
Foreign currency translation adjustments:		
Gains (losses) incurred during the year	(2,304)	1,277
Reclassification adjustment to net income	—	—
Foreign currency translation adjustments	(2,304)	1,277
Remeasurements of defined benefit plans, net of tax:		
Gains (losses) incurred during the year	18	27
Reclassification adjustment to net income	36	25
Amount before tax effect	55	52
Tax effect	(19)	(15)
Remeasurements of defined benefit plans, net of tax	36	36
Total other comprehensive income	(2,888)	1,718

Notes to the Consolidated Statements of Changes in Net Assets

Year ended March 31, 2022

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	571	0	12	559
Total	571	0	12	559

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 12 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, 2021	Common stock	821	8.50	March 31, 2021	June 28, 2021
Board of Directors' meeting on October 29, 2021	Common stock	918	9.50	September 30, 2021	December 3, 2021

(2) Dividends with a record date during the year ended March 31, 2022, payable in the following fiscal year:

Resolution adopted	Class of shares	Aggregate amount (millions of yen)	Source of dividends	Amount per share (yen)	Record date	Effective date
Shareholders' meeting on June 28, 2022	Common stock	918	Retained earnings	9.50	March 31, 2022	June 29, 2022

Year ended March 31, 2023

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	559	0	5	554
Total	559	0	5	554

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 5 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 28, 2022	Common stock	918	9.50	March 31, 2022	June 29, 2022
Board of Directors' meeting on October 31, 2022	Common stock	966	10.00	September 30, 2022	December 2, 2022

(2) Dividends with a record date during the year ended March 31, 2023, payable in the following fiscal year:

Resolution adopted	Class of shares	Aggregate amount	Source of dividends	Amount per share (yen)	Record date	Effective date
Shareholders' meeting on June 28, 2023	Common stock	966	Retained earnings	10.00	March 31, 2023	June 29, 2023

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, 2022	March 31, 2023
Cash and deposits	28,591	32,111
MMFs, etc. included in marketable securities	200	118
Securities account deposits	777	—
Fixed deposit with a deposit term exceeding 3 months	—	(400)
Cash and cash equivalents	29,569	31,828

- *2. Major components of assets and liabilities of the subsidiaries newly consolidated through acquisition of shares, etc.

Year ended March 31, 2022

Presentation of this information is omitted as it is immaterial.

Year ended March 31, 2023

Presentation of this information is omitted as it is immaterial.

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:

- i) Description of leased assets
 - (a) Tangible fixed assets (property, plant and equipment):
Mainly furniture and fixtures in use by the Apparel & Goods business and the Gourmet business.
 - (b) Intangible fixed assets:
Software.
- ii) 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, 2022	March 31, 2023
Due within one year	204	204
Due over one year	698	494
Total	903	698

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), electronically recorded obligations - operating, 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:

Variable factors are taken into consideration in the calculation of fair values of financial instruments 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:

As of March 31, 2022

	(In millions of yen)		
	Balance sheet carrying amount	Fair value	Unrealized gain (loss)
(1) Trade loans	27,443		
Allowance for doubtful accounts (*4)	(468)		
	26,975	27,418	442
(2) Marketable securities and investment securities			
Available-for-sale securities	9,993	9,993	—
Assets total	36,969	37,411	442
(1) Long-term borrowings	60,642	60,598	(43)
(2) Current portion of bonds payable	5,000	4,986	(13)
(3) Bonds payable	5,000	4,953	(46)
Liabilities total	70,642	70,538	(103)
Derivative transactions (*5)	(26)	(26)	—

(*1) Cash and deposits have been omitted because they are cash-based and their fair values approximate book values, reflecting the short-term maturity nature of deposits.

(*2) Notes receivable - trade, accounts receivable - trade, trade notes and accounts payable, and short-term borrowings have been omitted because their fair values approximate book values reflective of their short-term settlement nature.

(*3) Shares, etc. without market prices are not included in "(2) Marketable securities and investment securities." The amounts of these financial instruments recorded on the consolidated balance sheets are as follows:

(In millions of yen)	
Category	March 31, 2022
Unlisted equity securities	1,746
Unlisted debt securities	—
Investments in partnerships for investment business	2,100

Fair value of investments in partnerships for investment business are not disclosed in accordance with Paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31 issued on July 4, 2019).

(*4) Allowances for doubtful accounts recognized on trade loans are deducted.

(*5) Receivables and payables incurred by derivative transactions are presented in net amounts. Net payables are presented in parenthesis.

As of March 31, 2023

	(In millions of yen)		
	Balance sheet carrying amount	Fair value	Unrealized gain (loss)
(1) Trade loans	29,378		
Allowance for doubtful accounts (*4)	(505)		
	28,873	29,365	491
(2) Marketable securities and investment securities			
Available-for-sale securities	10,365	10,365	—
Assets total	39,239	39,730	491
(1) Long-term borrowings	85,462	85,408	(53)
(2) Current portion of bonds payable	20	20	—
(3) Bonds payable	5,020	4,996	(23)
Liabilities total	90,502	90,424	(77)
Derivative transactions (*5)	153	153	—

- (*1) Cash and deposits have been omitted because they are cash-based and their fair values approximate book values, reflecting the short-term maturity nature of deposits.
- (*2) Notes receivable - trade, accounts receivable - trade, trade notes and accounts payable, electronically recorded obligations – operating, and short-term borrowings have been omitted because their fair values approximate book values reflective of their short-term settlement nature.
- (*3) Shares, etc. without market prices are not included in “(2) Marketable securities and investment securities.” The amounts of these financial instruments recorded on the consolidated balance sheets are as follows:

(In millions of yen)	
Category	March 31, 2023
Unlisted equity securities	1,959
Unlisted debt securities	—
Investments in partnerships for investment business	2,216

Fair value of investments in partnerships for investment business are not disclosed in accordance with Paragraph 24-16 of the Implementation Guidance on Fair Value Measurement Standard.

- (*4) Allowances for doubtful accounts recognized on trade loans are deducted.
- (*5) Receivables and payables incurred by derivative transactions are presented in net amounts. Net payables are presented in parenthesis.

[Note 1] Redemption schedule subsequent to fiscal year-end of financial assets and securities with contractual maturities:

As of March 31, 2022

(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	28,591	—	—	—	—	—
Notes receivable - trade	96	—	—	—	—	—
Accounts receivable - trade	10,570	—	—	—	—	—
Trade loans	8,344	7,956	6,230	4,291	588	32
Marketable securities and investment securities:						
Available-for-sale securities with contractual maturities:						
(1) National and local government bonds	—	—	—	—	—	—
(2) Corporate bonds	2	82	134	—	105	659
(3) Other	—	100	340	1,113	795	1,829
Total	47,605	8,138	6,705	5,404	1,489	2,521

As of March 31, 2023

(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	32,111	—	—	—	—	—
Notes receivable - trade	88	—	—	—	—	—
Accounts receivable - trade	10,309	—	—	—	—	—
Trade loans	8,879	8,461	6,708	4,614	700	14
Marketable securities and investment securities:						
Available-for-sale securities with contractual maturities:						
(1) National and local government bonds	—	—	—	—	—	—
(2) Corporate bonds	51	138	—	186	—	671
(3) Other	100	335	1,084	725	999	902
Total	51,539	8,935	7,792	5,526	1,700	1,588

[Note 2] Repayment schedule subsequent to fiscal year-end of bonds payable, long-term borrowings, lease obligations, and other interest-bearing liabilities:

As stated in "Bonds" and "Borrowings" under "Supplementary Schedules" herein.

3. Breakdown of financial instruments by level of fair value

The fair value of financial instruments is classified into the following three levels based on the observability and significance of the inputs used to calculate fair value.

Level 1 fair value: Fair value measured using observable inputs that are market prices formed in active markets for the assets or liabilities for which fair value is to be calculated

Level 2 fair value: Fair value measured using observable inputs other than those used to calculate Level 1 fair value

Level 3 fair value: Fair value measured using unobservable inputs

When multiple inputs that may have a material impact on the calculation of fair value are used, the calculated fair value is classified at the lowest level of the inputs used.

(1) Financial instruments carried on the consolidated balance sheets at fair value

As of March 31, 2022

(In millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Available-for-sale securities				
Equity securities	4,672	—	—	4,672
Debt securities	—	989	—	989
Other	4,130	200	—	4,331
Assets total	8,803	1,190	—	9,993
Derivative transactions				
Currency-related	—	—	(26)	(26)
Derivative transactions total	—	—	(26)	(26)

As of March 31, 2023

(In millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Available-for-sale securities				
Equity securities	5,535	—	—	5,535
Debt securities	—	1,054	—	1,054
Other	3,657	118	—	3,776
Assets total	9,192	1,172	—	10,365
Derivative transactions				
Currency-related	—	153	—	153
Derivative transactions total	—	153	—	153

(2) Financial instruments apart from those carried on the consolidated balance sheets at fair value
As of March 31, 2022

(In millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Trade loans	—	27,418	—	27,418
Assets total	—	27,418	—	27,418
Long-term borrowings	—	60,598	—	60,598
Current portion of bonds payable	—	4,986	—	4,986
Bonds payable	—	4,953	—	4,953
Liabilities total	—	70,538	—	70,538

As of March 31, 2023

(In millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Trade loans	—	29,365	—	29,365
Assets total	—	29,365	—	29,365
Long-term borrowings	—	85,408	—	85,408
Current portion of bonds payable	—	20	—	20
Bonds payable	—	4,996	—	4,996
Liabilities total	—	90,424	—	90,424

(Note) Explanation of the valuation techniques and inputs used to calculate fair value

Marketable securities and investment securities

Equity securities included in investment securities are valued using market prices. Because they are traded in active markets, their fair value is classified as Level 1.

For investment trusts, the fair value of listed investment trusts, etc. that are traded in active markets is classified as Level 1. Investment trusts that are not traded in active markets but are bought and sold over-the-counter by securities companies, etc. are valued using the prices published by securities companies. The fair value of these investment trusts is classified as Level 2.

Derivative transactions

Derivative transactions are currency-related transactions (currency forward contracts) and are calculated by the price quoted by the financial institution. The main inputs used in valuation techniques are foreign exchange rates, volatility, etc. If unobservable inputs are not used, or the impact is immaterial, they are classified as Level 2 fair value.

Trade loans

The fair value of trade loans is measured based on future cash flow, the interest rate on Japanese government bonds, and the contractual interest rate, categorized by the term of the loan and credit risk from the perspective of credit management. The fair value of trade loans is classified as Level 2 fair value.

Bonds payable and current portion of bonds payable

The fair value of bonds payable is measured using observable inputs provided by financial institutions, and is classified as Level 2.

Long-term borrowings

The fair value of long-term borrowings is calculated based on the sum of principal and interest amounts, and an interest rate that reflects the remaining term of the liability and credit risk, and is classified as Level 2 fair value.

Notes Regarding Securities

1. Available-for-sale securities

As of March 31, 2022

(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	3,174	1,853	1,320
	(2) Debt securities:			
	1. National and local government bonds	—	—	—
	2. Corporate bonds	793	756	37
	3. Other bonds	—	—	—
	(3) Other	3,177	2,039	1,137
	Subtotal	7,145	4,649	2,496
Securities with balance sheet carrying amount not exceeding the acquisition cost	(1) Equity securities	1,498	1,867	(369)
	(2) Debt securities:			
	1. National and local government bonds	—	—	—
	2. Corporate bonds	90	108	(17)
	3. Other bonds	105	105	—
	(3) Other	1,153	1,289	(135)
	Subtotal	2,847	3,370	(522)
Total		9,993	8,019	1,973

As of March 31, 2023

(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	5,107	2,983	2,124
	(2) Debt securities:			
	1. National and local government bonds	—	—	—
	2. Corporate bonds	461	406	54
	3. Other bonds	—	—	—
	(3) Other	2,335	1,435	900
	Subtotal	7,904	4,825	3,078
Securities with balance sheet carrying amount not exceeding the acquisition cost	(1) Equity securities	427	566	(139)
	(2) Debt securities:			
	1. National and local government bonds	—	—	—
	2. Corporate bonds	488	572	(84)
	3. Other bonds	105	105	—
	(3) Other	1,440	1,804	(363)
	Subtotal	2,461	3,048	(587)
Total		10,365	7,873	2,491

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

Year ended March 31, 2022

(In millions of yen)			
Type of securities	Proceeds of sales	Gain on sales	Loss on sales
(1) Equity securities	1,770	948	29
(2) Debt securities	—	—	—
(3) Other	1,394	618	—
Total	3,165	1,567	29

Year ended March 31, 2023

(In millions of yen)			
Type of securities	Proceeds of sales	Gain on sales	Loss on sales
(1) Equity securities	344	29	11
(2) Debt securities	—	—	—
(3) Other	112	8	—
Total	456	37	11

3. Securities for which impairment loss was recorded

In the fiscal year ended March 31, 2022, the Company recorded ¥139 million as impairment of value with respect to securities (¥84 million as impairment of value of equity securities with fair market value within “available-for-sale securities” and ¥55 million as impairment of value of equity securities without fair market value).

In the fiscal year ended March 31, 2023, the Company recorded ¥50 million as impairment of value with respect to securities (¥50 million as impairment of value of bonds with fair market value within “available-for-sale securities”).

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

Notes Regarding Derivatives

1. Derivative transactions to which hedge accounting is not applied

Currency-related derivatives:

As of March 31, 2022

None applicable.

As of March 31, 2023

None applicable.

2. Derivative transactions to which hedge accounting is applied

Currency-related derivatives:

As of March 31, 2022

(In millions of yen)

Method of hedge accounting	Type of derivative transaction	Main item hedged	Contract amount, etc.	Portion of contract amount, etc. exceeding one year	Fair value
Principle method	Currency swaps:				
	Buy				
	US dollars	Accounts payable - trade	872	—	4
	Euros	Accounts payable - trade	3,997	2,516	(78)
	Currency options:				
	Calls				
US dollars	Accounts payable - trade	663	—	52	
Puts					
US dollars	Accounts payable - trade	1,376	—	(4)	
Total			6,910	2,516	(26)

As of March 31, 2023

(In millions of yen)

Method of hedge accounting	Type of derivative transaction	Main item hedged	Contract amount, etc.	Portion of contract amount, etc. exceeding one year	Fair value
Principle method	Currency swaps:				
	Buy				
	US dollars	Accounts payable - trade	4,164	2,082	(56)
	Euros	Accounts payable - trade	4,824	2,172	210
	Currency options:				
	Calls				
US dollars	Accounts payable - trade	—	—	—	
Puts					
US dollars	Accounts payable - trade	—	—	—	
Total			8,988	4,254	153

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, 2022 and 2023 (excluding the portion of the plans to which the short-cut method is applied):

(In millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Balance of retirement benefit obligation at beginning of year	2,084	2,093
Service cost	119	132
Interest cost	10	13
Actuarial gains and losses	(73)	(146)
Benefits paid	(47)	(124)
Other	—	(1)
Balance of retirement benefit obligation at end of year	2,093	(1,966)

- (2) Changes in plan assets for the years ended March 31, 2022 and 2023 (excluding the plans to which the short-cut method is applied):

(In millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Balance of plan assets at beginning of year	1,825	1,876
Expected return on plan assets	47	60
Actuarial gains and losses	(66)	(112)
Contribution from the employer	85	83
Benefits paid	(14)	(97)
Other	—	0
Balance of plan assets at end of year	1,876	1,811

- (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, 2022	Year ended March 31, 2023
Balance of liability for retirement benefits at beginning of year	(8)	(4)
Retirement benefit costs	9	18
Contribution to the plans	(6)	(7)
Balance of liability for retirement benefits at end of year	(4)	5

- (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 sheets:

(In millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Funded retirement benefit obligation	2,150	2,027
Plan assets	(1,955)	(1,883)
	194	143
Unfunded retirement benefit obligation	17	17
Net liability (asset) recorded in the consolidated balance sheet	212	160
Defined benefit liability	212	160
Net liability (asset) recorded in the consolidated balance sheet	212	160

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, 2022 and 2023:

(In millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Service cost	119	132
Interest cost	10	13
Expected return on plan assets	(47)	(60)
Amortization of actuarial gains and losses	48	22
Retirement benefit costs calculated by short-cut method	9	18
Retirement benefit costs on defined benefit plans	141	125

- (6) Remeasurements of defined benefit plans:

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

(In millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Actuarial gains and losses	55	52

- (7) Accumulated remeasurements of defined benefit plans:

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

(In millions of yen)

	March 31, 2022	March 31, 2023
Unrecognized actuarial gains and losses	51	(1)

- (8) Plan assets:

- i) Main components of plan assets:

Plan assets consisted of the following portfolio categories:

(% of total plan assets)

	March 31, 2022	March 31, 2023
Debt securities	31.6	29.0
Equity securities	24.5	23.4
General accounts	16.00	16.3
Cash and deposits	5.4	5.4
Other	22.5	25.9
Total	100.0	100.0

ii) 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, 2022 and 2023 are as follows:

	(% of total plan assets)	
	Year ended March 31, 2022	Year ended March 31, 2023
Discount rate	0.50 - 0.51	0.50 - 0.68
Long-term expected rate of return on plan assets	2.00 - 2.78	2.00 - 3.54
Expected rate of salary increase	0.68 - 1.30	0.80 - 1.16

3. Defined contribution plans

The amounts of the required contribution to the defined contribution plans of consolidated subsidiaries for the years ended March 31, 2022 and 2023 were ¥108 million and ¥90 million, respectively.

Notes Regarding Deferred Income Taxes

1. Significant components of deferred tax assets and liabilities

(In millions of yen)

	March 31, 2022	March 31, 2023
Deferred tax assets:		
Excess provision for bonuses	358	375
Excess allowance for doubtful accounts	253	199
Contract liabilities	198	176
Excess provision for loss on interest repayment	179	133
Provision for loss on store closings	—	4
Bad debt expenses	76	93
Loss on valuation of investment securities	620	603
Defined benefit liability	55	58
Loss on valuation of real estate for sale	76	87
Excess impairment loss of fixed assets	537	542
Tax loss carried forward (Note)	1,774	1,643
Other	1,303	1,393
Deferred tax asset subtotal	5,435	5,313
Valuation allowance on tax loss carried forward (Note)	(1,718)	(1,596)
Valuation allowance on total of deductible temporary differences	(1,208)	(1,210)
Valuation allowance subtotal	(2,926)	(2,807)
Deferred tax assets total	2,508	2,505
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(636)	(789)
Asset retirement expense	(129)	(130)
Valuation difference on land of consolidated subsidiaries	(329)	(320)
Other	(137)	(178)
Deferred tax liabilities total	(1,233)	(1,430)
Net deferred tax assets (liabilities)	1,274	1,074

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

As of March 31, 2022

(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)	97	375	185	126	141	848	1,774
Valuation allowance	(97)	(375)	(185)	(126)	(114)	(819)	(1,718)
Deferred tax assets	—	—	—	—	27	29	(b) 55

(a) Tax loss carried forward is shown as an amount multiplied by the statutory tax rate.

(b) The Company recorded deferred tax assets of ¥55 million for a tax loss carried forward of ¥1,774 million (an amount multiplied by the statutory tax rate). The deferred tax assets of ¥55 million were recognized for some portion of the balance of a tax loss carried forward (an amount multiplied by the statutory tax rate) of ¥1,774 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, 2023

(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)	332	202	132	114	60	801	1,643
Valuation allowance	(332)	(202)	(132)	(96)	(60)	(773)	(1,596)
Deferred tax assets	—	—	0	18	—	28	(b) 46

(a) Tax loss carried forward is shown as an amount multiplied by the statutory tax rate.

(b) The Company recorded deferred tax assets of ¥46 million for a tax loss carried forward of ¥1,643 million (an amount multiplied by the statutory tax rate). The deferred tax assets of ¥46 million were recognized for some portion of the balance of a tax loss carried forward (an amount multiplied by the statutory tax rate) of ¥1,643 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, 2022	March 31, 2023
Statutory tax rate:	30.5%	30.5%
Items, including entertainment expenses, not eternally deductible for tax purposes	1.1	1.5
Items, including dividends received, not eternally inclusive of gross revenue for tax purposes	(4.9)	(1.3)
Equal installments of inhabitant taxes	0.6	0.7
Tax rate difference of subsidiaries	0.5	1.8
Valuation allowance change	5.7	1.3
Changes in deferred tax assets and liabilities due to tax rate revision	(0.4)	(0.1)
Income taxes for prior years	(0.7)	1.3
Other	0.7	1.8
Effective tax rate	33.0%	37.6%

3. Accounting of the corporation tax and local corporation tax, or the accounting of the tax effect accounting related to these taxes

The Company and some of its domestic subsidiaries have applied the group tax sharing system from the fiscal year under review. In addition, the Company will follow “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42 issued on August 12, 2021), and conduct the accounting of the corporation tax and local corporation tax, or the accounting and disclosure of the tax effect accounting related to these taxes.

Notes Regarding Business Combination

Business combination through acquisition

(1) Outline of business combination

i) Name and main business of the acquired company:

Name	Mogami Geo-Energy LLC
Main business	Electric power business from geothermal power generation

ii) Main reason for the business combination:

By acquiring the equity interest of Mogami Geo-Energy LLC, the Company will expand the business with the addition to the current solar power generation business conducted in Saitama, Tochigi, and Gunma Prefectures as part of the global environment conservation activities. At the same time, the Company plans to promote the Group's renewable energy business.

iii) Date of the business combination:

March 30, 2023

iv) Legal form of the business combination:

Acquisition of equity in investment with cash consideration

v) Company name after the business combination:

Unchanged

vi) Percentage of shares with voting rights acquired:

Percentage of shares with voting rights owned immediately before the date of the business combination	—%
Percentage of shares with voting rights acquired as of the date of the business combination	94.9%
Percentage of shares with voting rights after the acquisition	94.9%

vii) Main reason for deciding the acquiring company:

Because the Company acquired equity in investment with cash consideration of Bellstage Co., Ltd., a consolidated subsidiary of the Company.

(2) Period for which the results of the acquired company are included in the consolidated financial statements

March 30, 2023 through March 31, 2023

(3) Acquisition cost and type of consideration for the acquired company

		(In millions of yen)
Consideration for acquisition	Cash and deposits	1,880
Acquisition cost		1,880

(4) Details and amount of major acquisition-related expenses

Acquisition-related expenses were not incurred.

(5) Amount, reason for recognition, and amortization method and period for goodwill incurred from the acquisition

Goodwill and negative goodwill were not incurred.

(6) The amounts and major components of assets acquired and liabilities assumed on the date of the business combination

		(In millions of yen)
Current assets		0
Fixed assets		—
Total assets		0
Current liabilities		0
Long-term liabilities		—
Total liabilities		0

(7) The estimated amounts of the impact of the business combination on the consolidated statements of income for the fiscal year under review when the business combination is assumed to have been completed on the first day of the fiscal year under review, and the method for calculation thereof

Presentation of this information is omitted herein since the estimated amounts have little materiality.

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, 2022	Year ended March 31, 2023
Balance at beginning of the year	1,173	1,127
Increase from the acquisition of property, plant, and equipment	—	21
Adjustment due to passage of time	11	10
Other increase (decrease)	(57)	(23)
Balance at the end of the year	1,127	1,136

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, 2022 and 2023 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, 2022	Year ended March 31, 2023
Rental property:		
Balance sheet carrying amount:		
Balance at the beginning of the year	21,437	21,506
Increase (decrease) during the year	68	(4,034)
Balance at the end of the year	21,506	17,472
Fair value at the end of the year	24,757	21,553
Property that includes a portion used as rental property:		
Balance sheet carrying amount:		
Balance at the beginning of the year	382	378
Increase (decrease) during the year	(3)	366
Balance at the end of the year	378	744
Fair value at the end of the year	190	589

- Notes:
- The above carrying amounts are the amounts after subtracting the accumulated depreciation and accumulated impairment loss from the acquisition costs.
 - In the above increase (decrease) of rental property, the increase in rental property during the year ended March 31, 2022 was caused mainly by the acquisition of rental properties (¥387 million). The decrease in rental property during the year ended March 31, 2022 was caused mainly by depreciation (¥318 million). The increase in rental property during the year ended March 31, 2023 was caused mainly by the acquisition of rental properties (¥87 million). The decrease in rental property during the year ended March 31, 2023 was caused mainly by the change in use from rental property to in-house property (¥3,465 million), change of use to real estate including parts used as real estate leasing, etc. (¥377 million), and depreciation (¥245 million).
 - The above carrying amounts in the year ended March 31, 2022 include asset retirement obligations of ¥19 million, while the above carrying amounts in the year ended March 31, 2023 include asset retirement obligations of ¥18 million.
 - 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, 2022	Year ended March 31, 2023
Rental property:		
Rental income	1,857	1,651
Rental expenses	665	600
Difference	1,191	1,051
Property that includes a portion used as rental property:		
Rental income	18	39
Rental expenses	2	21
Difference	15	17

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.

Notes Regarding Revenue Recognition

1. Breakdown of revenue from contracts with customers

A breakdown of revenue from contracts with customers is shown under “Segment Information, etc.”

2. Information fundamental for an understanding of revenue from contracts with customers

Information fundamental for an understanding of revenue is as presented in “Basis for preparation of consolidated financial statements 4. Significant accounting policies (7) Standards for the recognition of significant revenue and expenses.”

3. Information on the relationship between the fulfillment of performance obligations based on contracts with customers and cash flow arising from these contracts, and information on the amount and timing of revenue expected to be recognized from the next consolidated fiscal year from contracts existing as of March 31, 2023

(1) Balance of contract liabilities

For the year ended March 31, 2022

The balance of contract liabilities arising from contracts with customers at the beginning and the end of year is as follows:

	(In millions of yen)
	Year ended March 31, 2022
Contract liabilities (balance at beginning of year)	4,754
Contract liabilities (balance at end of year)	5,439

For the year ended March 31, 2023

The balance of contract liabilities arising from contracts with customers at the beginning and the end of year is as follows:

	(In millions of yen)
	Year ended March 31, 2023
Contract liabilities (balance at beginning of year)	5,439
Contract liabilities (balance at end of year)	3,756

The above are advances received prior to the fulfillment of performance obligation related to mail order and Kimono-Related business and are reversed when revenue is recorded as a result of the fulfillment of performance obligation. There is no regular payment deadline, as payment terms are different for each individual contract.

(2) Transaction price allocated to remaining performance obligations

Details about the remaining performance obligations are omitted as the Group has no significant transactions for which the initially expected term of the contract exceeds one year.

Moreover, there are no material amounts of consideration arising from contracts with customers that are not included in the transaction price.

Segment Information, etc.

[Segment information]

1. Outline of reportable segments

(1) Method used to determine 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 eight operating segments comprising the Apparel & Goods business, Cosmetics & Health Food business, Gourmet business, Nurse-Related business, Database Utilization business, Kimono-Related business, Property business, and Other business as reportable segments.

(2) Products and services belonging to each reportable segment

i) Apparel & Goods business:	Catalog and online sales (Apparel & Goods) mainly for married women, mall development (RyuRyumall), dedicated online sales (Min, ICnet, Marucho, Select), and apparel retail stores (Belluna)
ii) Cosmetics & Health Food business:	Mail order cosmetic sales (Ozio, NatuLife) and mail order health food sales (Refre)
iii) Gourmet business:	Mail order food sales, mail order Japanese sake sales, and mail order wine sales
iv) Nurse-Related business:	Mail order sales for nurses (Nursery, Infirmiere) and nurse placement agency (Nurse Career Next, JOB STUDIO)
v) Database Utilization business:	Enclosing and mailing services business (Belluna Direct), mail order agency service (BBS), and membership finance business (Belluna Notice), and third party logistics (BGL and Label)
vi) Kimono-Related business:	Japanese traditional clothing stores (BANKAN Wamonoya, Sagami, Tokyo Masuiwaya) and rental of traditional graduation ceremony apparel for college graduates (Maimu)
vii) Property business:	Real estate business (lease, development and sale of office buildings, etc.), hotel business, solar power generation business, and geothermal power generation business
viii) Other business:	Wholesale businesses, management of golf courses, restaurant business, accommodation booking business, etc.

(3) Changes in reportable segments and related matters

From the fiscal year under review, the Belluna Group has changed the reportable segment's name formally known as "General Mail Order business" to "Apparel & Goods business." The name change of this segment will not affect the segment information.

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, and revenue breakdown

Year ended March 31, 2022

(In millions of yen)

	Mail Order						Kimono-Related	Property	Other	Adjustments (Note 1)	Consolidated carrying amount (Note 2)
	Apparel & Goods	Cosmetics & Health Food	Gourmet	Nurse-Related	Database Utilization	Subtotal					
Net sales:											
Goods transferred at a single point in time	97,799	16,048	30,008	16,002	10,407	170,265	23,929	15,368	3,947	—	213,510
Revenue from contracts with customers	97,799	16,048	30,008	16,002	10,407	170,265	23,929	15,368	3,947	—	213,510
Other revenue	—	—	—	—	4,796	4,796	—	1,821	—	—	6,617
Sales to third parties	97,799	16,048	30,008	16,002	15,203	175,062	23,929	17,189	3,947	—	220,128
Inter-segment sales or transfers	448	0	108	2	72	634	88	106	72	(901)	—
Total	98,247	16,049	30,116	16,005	15,276	175,696	24,017	17,296	4,019	(901)	220,128
Segment income (loss)	2,092	1,829	2,268	1,021	5,691	12,903	594	867	(99)	(437)	13,827
Segment assets	73,745	8,144	10,850	8,160	36,519	137,421	12,885	97,285	4,227	2,358	254,178
Other items:											
Depreciation (Note 3)	1,135	119	217	133	138	1,744	186	1,699	78	—	3,709
Amortization of goodwill	—	—	—	—	—	—	—	—	—	704	704
Increase in property, plant and equipment and intangible fixed assets (Note 3)	4,845	38	157	73	129	5,244	132	11,820	33	649	17,880

Notes: 1. Amounts of adjustments are as follows:

- (1) Adjustments in segment income (loss) represent ¥266 million from inter-segment elimination minus ¥704 million for amortization of goodwill.
- (2) Adjustments in segment assets include ¥379 million for the Company's employee welfare facilities and ¥1,979 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.

Year ended March 31, 2023

(In millions of yen)

	Mail Order						Kimono-Related	Property	Other	Adjustments (Note 1)	Consolidated carrying amount (Note 2)
	Apparel & Goods	Cosmetics & Health Food	Gourmet	Nurse-Related	Database Utilization	Subtotal					
Net sales:											
Goods transferred at a single point in time	88,047	14,790	32,043	14,064	10,684	159,631	23,772	18,030	4,084	—	205,518
Revenue from contracts with customers	88,047	14,790	32,043	14,064	10,684	159,631	23,772	18,030	4,084	—	205,518
Other revenue	—	—	—	—	4,978	4,978	—	1,878	—	—	6,857
Sales to third parties	88,047	14,790	32,043	14,064	15,663	164,609	23,772	19,909	4,084	—	212,376
Inter-segment sales or transfers	266	1	263	11	89	632	93	77	64	(867)	—
Total	88,314	14,792	32,306	14,076	15,752	165,242	23,865	19,986	4,149	(867)	212,376
Segment income (loss)	930	588	1,76	237	5,700	9,221	1,246	1,366	(92)	(523)	11,217
Segment assets	80,696	8,611	11,692	8,254	40,062	149,317	12,246	118,244	3,920	1,862	285,592
Other items:											
Depreciation (Note 3)	1,111	116	187	128	174	1,717	147	1,930	69	—	3,865
Amortization of goodwill	—	—	—	—	—	—	—	—	—	766	766
Increase in property, plant and equipment and intangible fixed assets (Note 3)	9,872	31	340	119	343	10,707	216	19,694	78	198	30,894

Notes: 1. Amounts of adjustments are as follows:

(1) Adjustments in segment income (loss) represent ¥243 million from inter-segment elimination minus ¥766 million for amortization of goodwill.

(2) Adjustments in segment assets include ¥375 million for the Company's employee welfare facilities and ¥1,487 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, 2022

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
90,121	13,221	103,342

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, 2023

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
116,111	13,384	129,495

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, 2022

(In millions of yen)

	Mail Order						Kimono-Related	Property	Other	Companywide/ Elimination	Total
	Apparel & Goods	Cosmetics & Health food	Gourmet	Nurse-Related	Database Utilization	Subtotal					
Impairment loss	176	—	—	—	—	176	37	—	—	—	213

Year ended March 31, 2023

(In millions of yen)

	Mail Order						Kimono-Related	Property	Other	Companywide/ Elimination	Total
	Apparel & Goods	Cosmetics & Health food	Gourmet	Nurse-Related	Database Utilization	Subtotal					
Impairment loss	113	—	—	25	—	138	28	—	—	—	167

[Amortization and unamortized balance of goodwill by reportable segment]

Year ended March 31, 2022

(In millions of yen)

	Mail Order						Kimono-Related	Property	Other	Companywide/ Elimination	Total
	Apparel & Goods	Cosmetics & Health food	Gourmet	Nurse-Related	Database Utilization	Subtotal					
Amortization for the year	—	—	—	—	—	—	—	—	—	704	704
Unamortized balance at end of the year	—	—	—	—	—	—	—	—	—	1,979	1,979

Year ended March 31, 2023

(In millions of yen)

	Mail Order						Kimono-Related	Property	Other	Companywide/ Elimination	Total
	Apparel & Goods	Cosmetics & Health food	Gourmet	Nurse-Related	Database Utilization	Subtotal					
Amortization for the year	—	—	—	—	—	—	—	—	—	766	766
Unamortized balance at end of the year	—	—	—	—	—	—	—	—	—	1,487	1,487

[Gain on bargain purchase by reportable segment]

Year ended March 31, 2022

None applicable.

Year ended March 31, 2023

None applicable.

Related Party Transactions

1. Transactions with related parties

(1) Transactions of the Company filing consolidated financial statements with related parties:

Parent company and major shareholders (limited to corporations, etc.) of the Company filing consolidated financial statements:

Year ended March 31, 2022

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 1)	Ageo, Saitama	50	Seal stamp sales, etc.	42.8% (owned, indirectly)	Interlocking directors or audit and supervisory committee members	Rendering of services (Note 2)	41	Other current assets	3
							Intermediation of premiums (Note 3)	127	Other current assets	30

Notes: 1. A majority of the voting rights of the above company is held by the Company's directors and their close family members.

2. Terms and conditions of the transaction and the policy for determination thereof:

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

3. 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, 2023

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 1)	Ageo, Saitama	50	Seal stamp sales, etc.	42.8% (owned, indirectly)	Interlocking directors or audit and supervisory committee members	Rendering of services (Note 2)	47	Other current assets	4
							Intermediation of premiums (Note 3)	130	Other current assets	34

Notes: 1. A majority of the voting rights of the above company is held by the Company's directors and their close family members.

2. Terms and conditions of the transaction and the policy for determination thereof:

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

3. 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, 2022

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 1)	Ageo, Saitama	50	Seal stamp sales, etc.	42.8% (owned, indirectly)	Interlocking directors or audit and supervisory committee members	Guarantee deposits of hotel facilities (Note 2)	511	Investments and other assets	1,772
							Rent of hotel facilities (Note 3)	1,035	—	—

- Notes: 1. A majority of the voting rights of the above company is held by the Company's directors and their close family members.
 2. Terms and conditions of the transaction and the policy for determination thereof:
 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.

Year ended March 31, 2023

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 1)	Ageo, Saitama	50	Seal stamp sales, etc.	42.8% (owned, indirectly)	Interlocking directors or audit and supervisory committee members	Guarantee deposits of hotel facilities (Note 2)	—	Investments and other assets	1,772
							Rent of hotel facilities (Note 3)	1,224	—	—

- Notes: 1. A majority of the voting rights of the above company is held by the Company's directors and their close family members.
 2. Terms and conditions of the transaction and the policy for determination thereof:
 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.

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

Year ended March 31, 2022

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 facilities (Note 1)	—	Investments and other assets	534
							Rent of hotel facilities (Note 2)	310	—	—
							Payment for construction assistance fund receivables (Note 3)	—	Long-term lending	470

- Notes: 1. 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.
 2. 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.
 3. 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, 2023

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 facilities (Note 1)	—	Investments and other assets	402
							Rent of hotel facilities (Note 2)	310	—	—
							Payment for construction assistance fund receivables (Note 3)	—	Long-term lending	477

- Notes: 1. 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.
2. 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.
3. 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, 2022

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 1)	Shibuya-ku, Tokyo	8	Real es-tate rent-ing, etc.	—	—	Guarantee deposits of hotel facilities (Note 2)	—	Investments and other assets	15
							Rent of hotel facilities (Note 3)	18	—	—

- Notes: 1. The above company is a subsidiary of the Company, a majority voting rights of which is held by the Company's directors and their close family members.
2. Terms and conditions of the transaction and the policy for determination thereof:
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.

Year ended March 31, 2023

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 1)	Shibuya-ku, Tokyo	8	Real es-tate rent-ing, etc.	—	—	Guarantee deposits of hotel facilities (Note 2)	—	Investments and other assets	15
							Rent of hotel facilities (Note 3)	18	—	—

- Notes: 1. The above company is a subsidiary of the Company, a majority voting rights of which is held by the Company's directors and their close family members.
2. Terms and conditions of the transaction and the policy for determination thereof:
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.

Per Share Information

(In yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Net assets per share	1,223.24	1,297.92
Basic net income per share	105.55	76.71
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, 2022	Year ended March 31, 2023
Net income per share:		
Profit attributable to owners of parent (millions of yen)	10,204	7,417
Amount not attributable to holders of common stock (millions of yen)	—	—
Profit attributable to owners of parent relating to common stock (millions of yen)	10,204	7,417
Average number of shares of common stock during the year (thousands of shares)	96,680	96,688

Supplementary Schedules

Bonds

Company	Description	Date of issuance	In millions of yen		Interest rate	Collateral	Redemption date
			Beginning balance on April 1, 2022	Ending balance on March 31, 2023			
Belluna Co., Ltd.	3rd Series of Unsecured Bonds (with inter-bond pari passu clause)	October 19, 2017	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
Label Co., Ltd.	1st Series of Private Placement Bonds with Bank Guarantee	May 10, 2019	—	15 (10)	0.39%	None	May 10, 2024
Label Co., Ltd.	2nd Series of Unsecured Bonds (The Chiba Bank, Ltd. guaranteed and qualified institutional investors only)	April 30, 2020	—	25 (10)	0.23%	None	April 30, 2025
Total	—	—	10,000	5,040 (20)	—	—	—

Notes: 1. Figures in parentheses in the "Ending balance on March 31, 2023" column represent the amounts due for redemption within one year.
2. 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
20	5,015	5	—	—

Borrowings

	In millions of yen		Average interest rate	Repayment date
	Beginning balance on April 1, 2022	Ending balance on March 31, 2023		
Short-term borrowings	6,200	10,050	0.17%	—
Current portion of long-term borrowings (due within 1 year)	6,709	10,276	0.34	—
Current portion of lease obligations (due within 1 year)	260	239	1.11	—
Long-term borrowings (except current portion)	60,642	85,462	0.34	From 2024 to 2043
Lease obligations (except current portion)	509	273	1.11	From 2024 to 2027
Total	74,320	106,300	—	—

Notes: 1. Average interest rate is the average during the year.

2. The repayment schedule of long-term borrowings and lease obligations (both except current portion) in the next 5 years is as follows:

	(In millions of yen)			
Due dates	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
Long-term borrowings	9,131	15,684	7,653	4,854
Lease obligations	157	96	18	—

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, 2023, 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, 2023:

(In millions of yen)

(Cumulative period)	First quarter ended June 30, 2022	Second quarter ended September 30, 2022	Third quarter ended December 31, 2022	Year ended March 31, 2023
Net sales	53,439	98,779	160,454	212,376
Profit before income taxes	2,365	4,574	8,531	11,953
Profit attributable to owners of parent	1,382	2,849	5,382	7,417
Net income per share (in yen)	14.30	29.47	55.67	76.71

(In yen)

(Accounting period)	First quarter ended June 30, 2022	Second quarter ended September 30, 2022	Third quarter ended December 31, 2022	Fourth quarter ended March 31, 2023
Basic earnings per share	14.30	15.17	26.20	21.04

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

None in particular to be remarked.

Corporate Data and Investor Information (As of March 31, 2023)

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

3,579

Directors and Corporate Auditors (As of June 28, 2023)

President and CEO:

Kiyoshi Yasuno

Directors and Executive Officers:

Yuichiro Yasuno
Junko Shishido
Tomohiro Matsuda
Masayoshi Miyashita

Outside Directors (Independent Directors) and Audit and Supervisory Committee Member:

Hideki Yamagata
Yukimitsu Watabe
Junko Hamamoto

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, PRIME Section

Number of Shares of Common Stock Issued

97,244,472

Number of Shareholders

27,063

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

Depository

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.	42.8%
BBH for Fidelity Low Price Stock Fund(Principal All Sector Subportfolio)	6.3%
The Master Trust Bank of Japan ,Ltd.	6.2%
Custody Bank of Japan, Ltd.Trust Account	3.3%
Kiyoshi Yasuno	3.0%
Kimi Yasuno	3.0%
Sumitomo Mitsui Banking Corporation	2.3%
The Nomura Trust and Banking Co., Ltd.	2.0%
Belluna Mutual Benefit Society	1.6%
Sumitomo Life Insurance Company	1.2%

* In addition to the above, Belluna retains 554,248 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/>