BELLUNA

Annual Report 2024

For the year ended March 31, 2024

Belluna Co., Ltd.

Code:9997

Profile

Based on the advanced database we cultivated as a major player in the mail order industry, we will achieve high profitability and rates of growth

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.

To achieve higher profitability and growth rates by utilizing these strengths, the Company has classified its businesses into three groups.

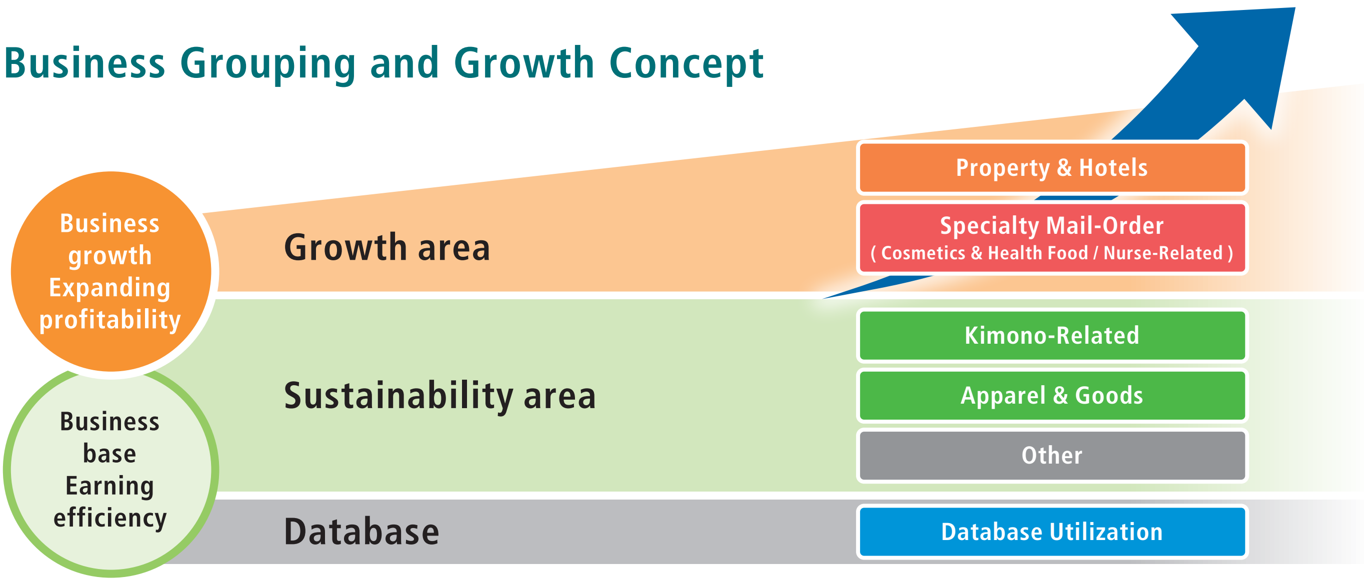
The first group is the businesses in the growth area, which aim to expand profitability and include the "Property Hotel Business" and the "Specialty Mail Order Business." This group focuses on expanding the growth and profitability of the Company and leads the Company's future growth.

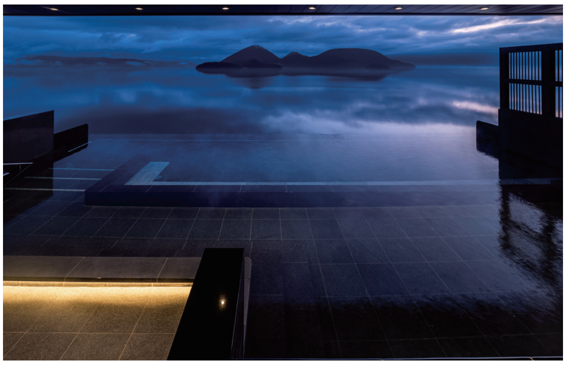
The second group is the businesses in the sustainability area, which aim to maximize earning efficiency and include the "Kimono-Related Business" and the "Apparel & Goods Business." This group focuses on stable profitability, continuity, and sociality by serving as a consumption infrastructure provider to offer social value.

The third group is the "Database Utilization Business," which support the base of the Company's businesses.

Based on our desire to "contribute to our customers' lifestyle and happiness," the Company will strive to further improve corporate value by optimally allocating management resources to the three business groups and meeting customers' needs for "food, clothing, lifestyle, and recreation."

Business Grouping and Growth Concept





Contents

Forward-Looking Statements

This annual report contains forward-looking statements that reflect Belluna Co., Ltd.'s current views and judgments with respect to current plans, strategies and beliefs. They are based upon currently available information, and do not constitute promises, commitments or guarantees. The forward-looking statements involve both real and potential risks and uncertainties that can cause actual events and results to differ materially from those anticipated in these statements. Risks that can cause actual results to differ materially from those stated or implied in the forward-looking statements and from historical events include, but are not limited to, future economic trends, competition in the industrial sector in which Belluna operates, market demand, rates of exchange, and other social, political and economic factors.

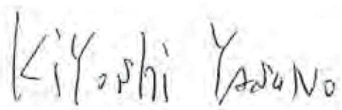
Interview with the President

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

The Japanese economy has been normalized by controlling COVID-19 infections, and consumer activities have become active due to more customers in Japan spending money outside and the recovery in inbound demand backed by the depreciation of the yen. Meanwhile, the outlook remains uncertain due to the prolonged deterioration of the situation outside of Japan, rising prices caused by high resource prices and the ongoing depreciation of the yen, and other factors.

Consolidated net sales for fiscal 2024 decreased 1.9% year on year to ¥208,298 million, operating income decreased 12.7% year on year to ¥9,787 million, and ordinary income decreased 5.0% year on year to ¥11,831 million. In addition, profit attributable

Although the outlook remains uncertain mainly due to the prolonged deterioration of the situation outside of Japan, soaring resource prices, and the ongoing depreciation of the yen, we will prioritize the growth in the Property Hotel business, centering on the hotel development, and in specialized business areas to promote stable expansion.



Kiyoshi Yasuno
President and CEO

to owners of parent decreased 21.3% year on year to ¥5,839 million partly due to impairment loss, despite an increase in gain on sales of investment securities from the previous fiscal year.

As for financial conditions, total assets increased ¥15,099 million from the end of the previous fiscal year to ¥300,691 million. This was mainly due to increases of ¥3,731 million in cash and deposits, ¥2,371 million in trade loans, and ¥21,557 million in buildings and structures.

Total liabilities increased ¥5,353 million from the end of the previous fiscal year to ¥164,509 million. This was mainly due to increases of ¥4,995 million in current portion of bonds payable, ¥13,101 million in long-term borrowings, and ¥2,114 million in lease obligations.

On the other hand, total net assets increased ¥9,745 million from the end of the previous fiscal year to ¥136,182 million. As a result, the shareholders' equity ratio was 45.0%.

Q.2 What can you tell us about Belluna's initiatives and outlook for operating performance in fiscal 2025?

The outlook for the Japanese economy is expected to continue its recovery trend and gradually recover with improvement in the employment and income environment. Inbound demand, in particular, is expected to remain strong for the time being, backed by the structural depreciation of the yen. On the other hand, the domestic consumption environment may remain depressed due to stagnation in consumer confidence caused by prolonged price hikes, the impact of geopolitical risks such as the situation in the Middle East and Ukraine, and uncertain macro trends such as exchange rates and interest rates due to the monetary policy of the Bank of Japan.

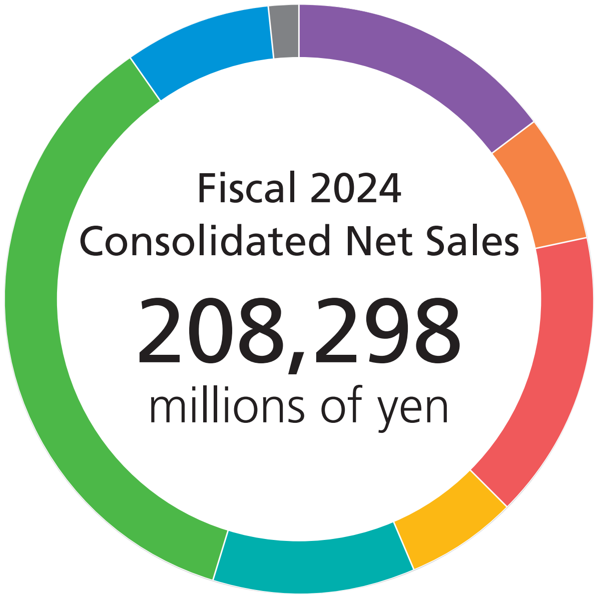
The Belluna Group also sees the further expansion of inbound demand as a good opportunity and will focus on the Property Hotel business, centering on the hotel development, as an important growth driver for the Group. In addition, we will prioritize the growth in specialized business areas such as the Cosmetics & Health food business, Gourmet business, and Nurse-Related business, which are less affected by consumer confidence, to promote stable expansion. In the Apparel & Goods business, we will aim to achieve profitability early in segment operating income by improving the business scale and efficiency through bringing the new customer acquisition back to an appropriate level and recovering the ratio of repeat customers.

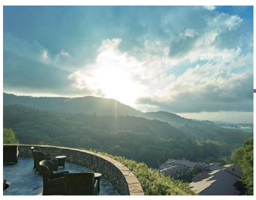
For the fiscal year ending March 31, 2025, we expect to achieve net sales of ¥217.0 billion, operating income of ¥11.5 billion, ordinary income of ¥12.5 billion, and profit attributable to owners of parent of ¥8.0 billion. Current forecasts involve potential risks and uncertainties, and while they incorporate 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

Property Business	14.8%
Cosmetics & Health food Business	7.1%
Gourmet Business	15.6%
Nurse-Related Business	6.2%
Kimono-Related Business	11.2%
Apparel & Goods Business	35.6%
Database Utilization Business	8.0%
Other Business	1.5%





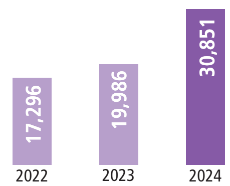
Property Business

Business Outline

The Company and its subsidiaries engage in the renting, remodeling and development of real estate, as well as power generation. 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.

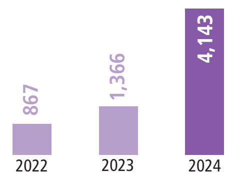
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Overview

In the hotel business, the occupancy rates and prices per guest room of existing hotels increased both in Japan and overseas, due to the recovery of travels within Japan, business travels, and inbound demand after the controlling of COVID-19 infections. In addition, newly opened hotels in Japan contributed to the operating results during the full year, leading to an increase in sales and income. As a result, segment net sales increased 54.4% compared with the previous fiscal year to ¥30,851 million, and segment (operating) income increased 203.2% to ¥4,143 million.

Outlook

In fiscal 2025, we aim to achieve segment net sales of ¥36,600 million (up 14.3% year on year) and segment (operating) income of ¥5,350 million (up ¥1,088 million). We see the further expansion of inbound demand as an opportunity and will focus on the hotel business as an important growth driver for the Group.

Cosmetics & Health food Business

Business Outline

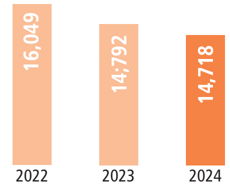
The Company's subsidiaries Ozio Co., Ltd. and Refre Co., Ltd. engage in the sale of cosmetics and health food items, respectively.

Overview

The cosmetics business achieved an increase in sales and income thanks to a favorable trend of new customer acquisition in the electronic commerce (EC) business in Japan for seasonal reasons and an expansion of wholesale sales in Japan. In the health food business, although sales decreased mainly due to a decrease in mail order subscribers, income increased thanks to the advertisement activities focusing on profitability. As a result, segment net sales fell by 0.5% year on year to ¥14,718 million, while segment (operating) income increased 57.5% to ¥926 million.

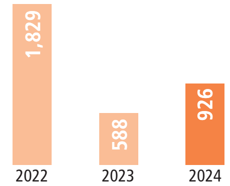
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Outlook

In fiscal 2025, we aim to achieve segment net sales of ¥14,834 million (up 0.8% year on year) and segment (operating) income of ¥998 million (up ¥72 million). We will work on expansion of markets in Japan, further development of overseas markets, and expansion of the wholesale business for drugstores, etc. in Japan in the cosmetics business.

Gourmet Business

Business Outline

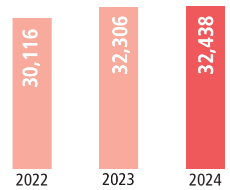
The Company engages in the sale of items such as food, Japanese sake, and wine.

Overview

In the gourmet mail order business, the growth rate of sales slowed down due to the effect of people's return to eating and drinking out as a result of the controlling of COVID-19 infections. In addition, purchasing costs increased due to the impact of depreciation of the yen and soaring raw material and material prices. We reviewed selling prices of some products but the cost rate deteriorated. As a result, segment net sales increased 0.4% compared with the previous fiscal year to ¥32,438 million, while segment (operating) income decreased 38.1% to ¥1,091 million.

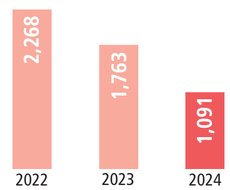
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Outlook

In fiscal 2025, we aim to achieve segment net sales of ¥32,895 million (up 1.4% year on year) and segment (operating) income of ¥1,134 million (up ¥42 million). While responding to rising costs and materials prices, we will work on enhancement of the value of our products, which is our strength, as well as improvement in the number of active customers, the ratio of repeat customers, and the life time value, by providing additional value such as information and contents.

Nurse- Related Business

Business Outline

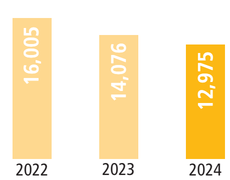
The Company's subsidiary NurseStage Co., Ltd. engages in mail order sales targeting nurses, and NurseStage Co., Ltd. and the Company's subsidiary JOBSTUDIO PTE. LTD. engage in the personnel placement business for nurses.

Overview

In the mail order business targeting nurses, we focused on profitability by curbing the number of paper media issued seasonally reviewing the frequency of the issuance, and other efforts. In addition, we put a focused effort to acquire orders from corporations, leading to an improving trend in the number of orders received. As a result, segment net sales decreased 7.8% compared with the previous fiscal year to ¥12,975 million, while segment (operating) income increased 102.7% to ¥481 million.

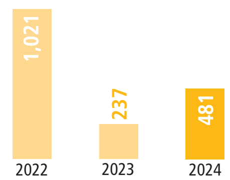
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Outlook

In fiscal 2025, we aim to achieve segment net sales of ¥13,260 million (up 2.2% year on year) and segment (operating) income of ¥515 million (up ¥34 million). We will work on improvement in profitability, over and above increasing sales. In addition, we will work on expansion of the business-to-business (B to B) business, which still has room for growth.

Kimono-Related Business

Business Outline

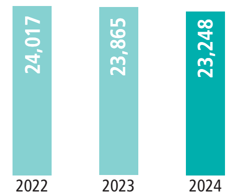
The Company's subsidiaries such as BANKAN Wamonoya Co., Ltd., Sagami Co., Ltd., and Tokyo Masuiwaya Co., Ltd. operate the retail store sales business for merchandise related to Kimono. Maimu Co., Ltd. engages in clothing rental business mainly in apparel.

Overview

In the traditional clothing sales business, sales decreased due to closing of non-profitable stores, a decrease in the number of customers visiting existing stores, and a fall in the amount per sale. Meanwhile, income increased thanks to the continued promotion of cost reduction. In the clothing rental business, sales and income increased because of the new initiatives such as expansion of events held to promote early reservation of traditional graduation ceremony apparel and photo-taking services in advance of ceremonies. As a result, segment net sales decreased 2.6% compared with the previous fiscal year to ¥23,248 million, and segment (operating) income increased 9.0% to ¥1,357 million.

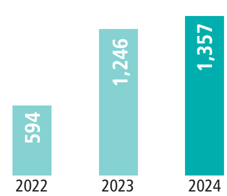
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Outlook

In fiscal 2025, we aim to achieve segment net sales of ¥23,594 million (up 1.5% year on year) and segment (operating) income of ¥1,390 million (up ¥32 million). We expect increases in net sales and income by working on the scrap and build of stores and strengthening the human resource development.

Apparel & Goods Business

Business Outline

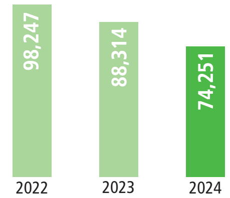
The Company and its subsidiaries engage in mail order sales of daily life-related merchandise and related services through various media including catalogs and the Internet. The main products are apparel, sundry goods, home furnishings and other household goods, and everyday necessities and hobby articles.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

Overview

In the apparel and goods mail order business, purchasing costs and costs for catalogs, pamphlets, and other print media increased due to the impact of depreciation of the yen and soaring raw material and material prices. To prioritize ensuring profitability, we reviewed the product prices and curbed the number of issued papers. Although the increase in product prices resulted in an increase in the amount per order, the slowing trend in the number of orders received exceeded such an increase. In addition, curbing of the number of issued papers resulted in fewer new customers and a declining trend in the number of active customers. As a result, for the fiscal year under review, segment net sales decreased 15.9% compared with the previous fiscal year to ¥74,251 million, and segment (operating) loss amounted to ¥2,992 million (segment (operating) income of ¥930 million in the previous fiscal year).

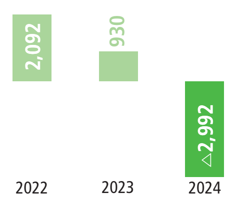
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Outlook

In fiscal 2025, we aim to achieve segment net sales of ¥77,826 million (up 4.8% year on year) and segment (operating) loss of ¥2,315 million (up ¥677 million). We will focus on setting well-balanced prices for each product and enhancement of the value of our products, to bring the new customer acquisition back to an appropriate level and also recover the ratio of repeat customers, and thereby to improve the business scale and efficiency.

Database Utilization Business

Business Outline

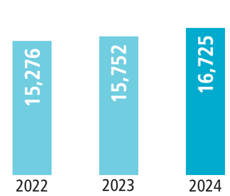
The Company and its subsidiaries engage in commission-type businesses that outsource to the Company. These include enclosing and mailing services and direct-marketing outsourcing services. The subsidiary Sunstage Co., Ltd. engages in the finance business for customers mainly in the mail order business.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

Overview

In the enclosing and mailing services, sales and income decreased due to the curbing of the number of issued papers and a decrease in the number of product shipments in the Apparel & Goods business, though acquisition of new clients and development of new services progressed smoothly. In the fulfillment outsourcing services, sales increased due to steady acquisition of new clients, while income decreased due to an increase in personnel expenses and other costs. In the finance business, sales and income increased thanks to steady acquisition of new customers, despite an increasing trend of default. As a result, segment net sales increased 6.2% compared with the previous fiscal year to ¥16,725 million, while segment (operating) income decreased 9.7% to ¥5,150 million.

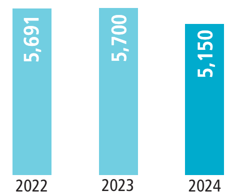
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Outlook

In fiscal 2025, we aim to achieve segment net sales of ¥16,543 million (down 1.1% year on year) and segment (operating) income of ¥5,004 million (down ¥146 million). We will continue to actively work on acquisition of new customers.

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, 2024

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
16.9	60.0	42.3	66.7	75.6

(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, 2024

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.	70.0	—	57.4	72.0	127.5
Granbellhotel Co., Ltd.	36.1	50.0	101.9	93.8	136.1
BANKAN Wamonoya Co., Ltd.	31.9	20.0	60.0	77.1	96.4
Sagami Co., Ltd.	7.3	—	63.8	59.5	57.5
Tokyo Masuiwaya Co., Ltd.	17.2	100.0	66.8	66.4	84.2
Maimu Co., Ltd.	26.3	—	33.8	71.3	4.2
Granbell Hokkaido Co., Ltd.	13.3	—	66.3	68.4	73.0
Sagami Group Holdings Co., Ltd.	0.0	—	58.2	74.2	57.6

(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).

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 the Sustainability Promotion Committee, our cross-functional examination and promotion team for activities related to the sustainability, in place. 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. By utilizing the committee as the central body, the Group will identify issues to be addressed and accelerate its activities to realize a sustainable society.

(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 are supporting all customers in Japan with an abundance of food, clothing, lifestyle, and recreational, and working to solve the problem of "shopping refugees."
2	Environment	Reduce product loss	We are promoting initiatives to minimize the product loss by using IT, such as accurately clarifying the consumer needs, adjusting the amount of shipping and receiving, etc.
3	Environment	Reduce paper resources such as catalog paper	We are promoting the appropriate distribution of catalogs and taking 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 conducted a survey of CO_2 emissions, we are taking 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 are providing employee satisfaction surveys to all employees, collecting feedback about the work environment and job satisfaction, and taking 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 are explaining 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

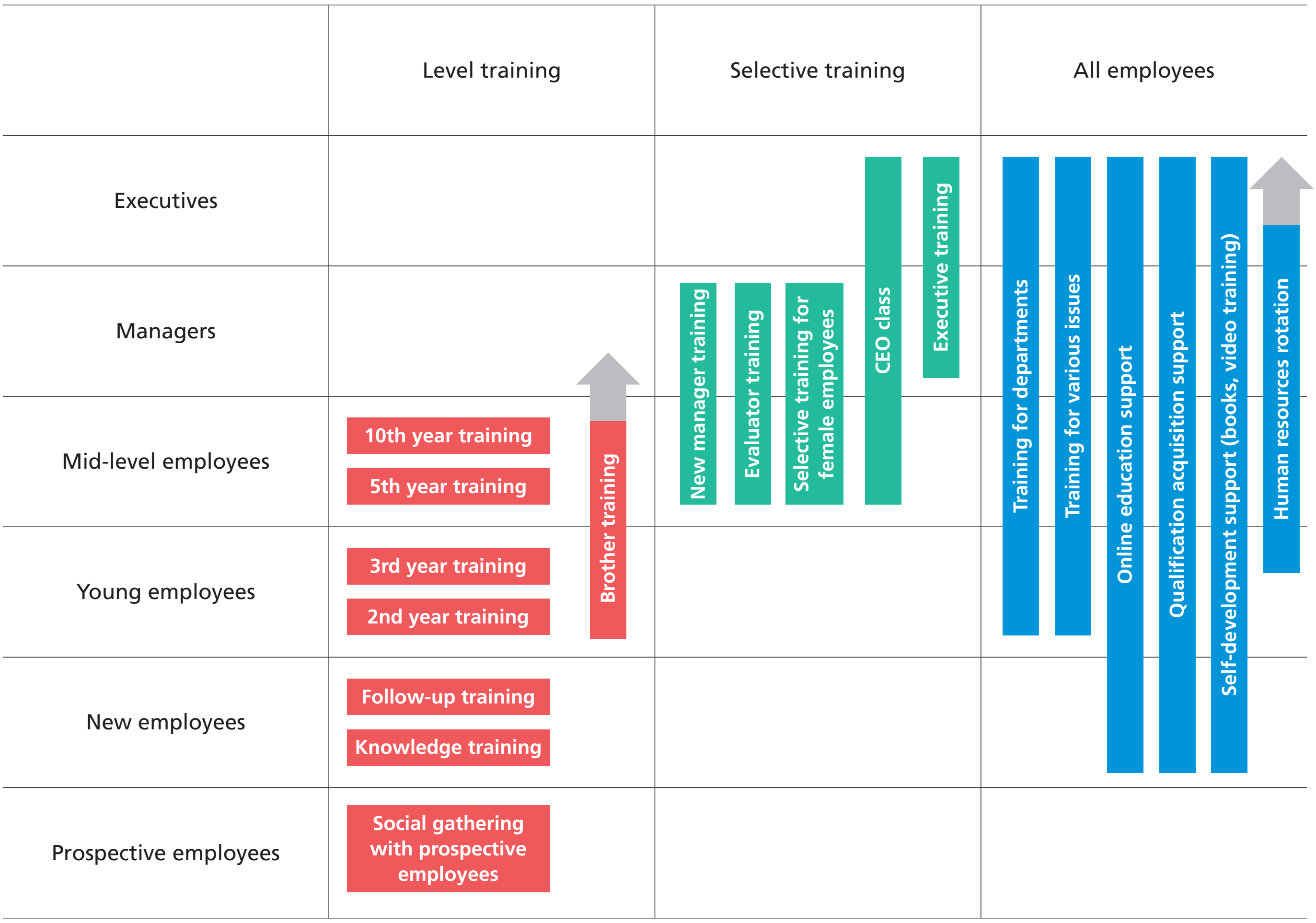
The Group believes that the "employee's growth leads to the company's growth." We seek employees who "approach challenges with a cheerful and positive attitude, to do whatever possible to proactively improve customer satisfaction and broaden their abilities, in order to always maintain the confidence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

<u>Developing strong human resources</u>

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



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 CO_2 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)	Result (compared to FY2022)
Reduction of Scope 2 emissions	CO_2 emission reduction rate (compared to FY2022)	Reduce by at least 50%	7.4% increase

Scope 2: Indirect emissions from the use of electricity, heat, or steam supplied by other companies (emissions by Belluna Co., Ltd.).
The Group currently calculates the emissions mainly in the Apparel & Goods business based on its material issues.

Improve the work style for employees

Main strategy	Indicator	Goal (compared to FY2022)	Result (compared to FY2022)
Act on the Promotion of Women's Active Engagement in Professional Life	Ratio of female employees in managerial positions (Entire Group*)	30% or higher	1.1% decrease
	Ratio of female employees in managerial positions (Belluna only)	30% or higher	1.4% decrease

* Those companies which are applicable based on "Act on the Promotion of Women's Active Engagement in Professional Life" are included in the calculation.

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.

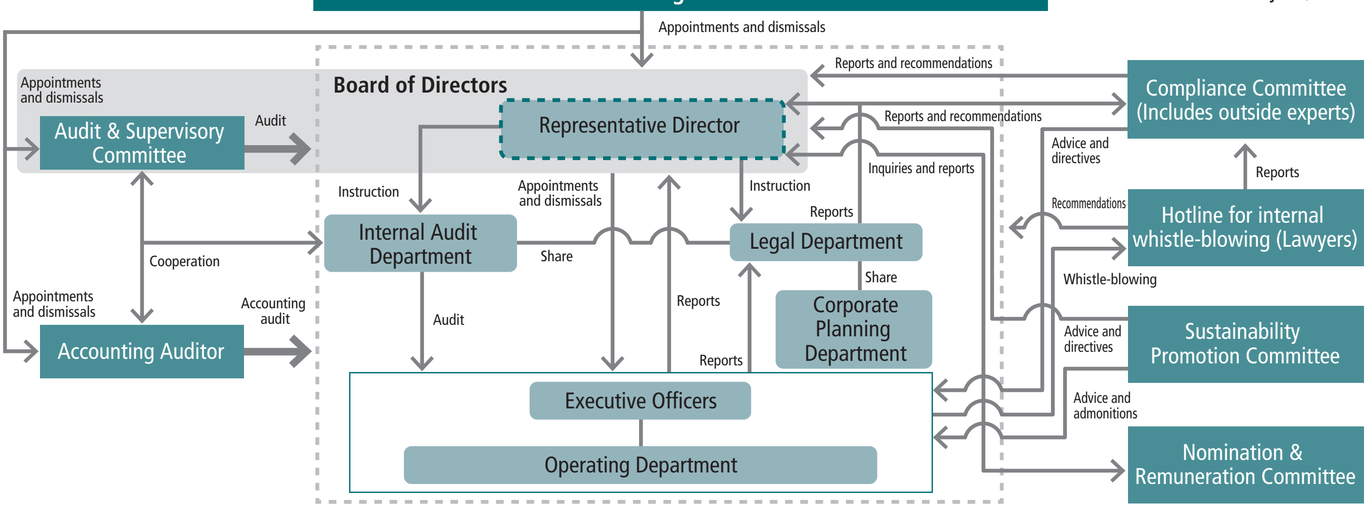
The Nomination & Remuneration Committee is chaired by Outside Director Junko Hamamoto. The Committee consists of three members, with the other two members being Outside Directors Hideki Yamagata and Yukimitsu Watabe. The General Affairs Department serves as the secretariat. The secretariat presents the 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

As of July 30, 2024



Financial Section

Six-Year Financial Summary

Belluna Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	2019	2020	2021	2022	2023	2024	2024
	Millions of yen						Thousands of U.S. dollars [1]
For the year:							
Net sales	177,648	179,948	206,499	220,128	212,376	**208,298**	**1,375,722**
Cost of sales	76,275	74,908	84,935	90,822	86,674	**81,953**	**541,265**
Gross profit—net	101,364	105,062	121,564	129,305	125,701	**126,345**	**834,456**
Selling, general and administrative expenses	89,359	94,751	105,821	115,478	114,484	**116,557**	**769,810**
Operating income	12,005	10,311	15,734	13,827	11,217	**9,787**	**64,639**
Income before income taxes and minority interests	15,468	9,557	17,743	15,313	11,953	**9,772**	**64,540**
Net income	10,343	5,862	11,036	10,204	7,417	**5,839**	**38,564**
Capital investment	7,511	10,360	8,750	17,221	30,596	**16,932**	**111,829**
Depreciation	2,765	3,151	3,321	3,655	3,792	**5,435**	**35,896**
At year-end:							
Current assets	99,244	103,683	115,534	118,133	122,664	**129,961**	**858,338**
Property, plant and equipment	83,204	88,651	92,558	103,342	129,495	**136,909**	**904,227**
Total assets	213,786	223,128	240,211	254,178	285,592	**300,691**	**1,985,939**
Current liabilities	53,463	50,135	55,645	64,904	64,587	**59,206**	**391,031**
Long-term liabilities	59,790	70,467	71,334	70,229	94,568	**105,302**	**695,476**
Total liabilities	113,253	120,602	126,980	135,134	159,155	**164,509**	**1,086,513**
Net assets	100,533	102,525	113,231	119,044	126,436	**136,182**	**899,425**
Number of shares issued (thousands)	97,244	97,244	97,244	97,244	97,244	**97,244**	
Number of employees	3,134	3,297	3,320	3,444	3,579	**3,825**	
	Yen						U.S. dollars [2]
Per share data:							
Net income per share	106.39	60.62	114.17	105.55	76.71	**60.39**	**0.40**
Shareholders' equity per share [2]	1,028.56	1,054.14	1,164.97	1,223.24	1,297.92	**1,398.07**	**9.23**
Cash dividends per share	15.0	16.0	16.5	19.00	20.00	**20.50**	**0.14**
	Percentage (%)						
Financial ratios:							
Operating income margin	6.8	5.7	7.6	6.3	5.3	**4.7**	
Net income margin	5.8	3.3	5.3	4.6	3.5	**2.8**	
Return on equity (ROE) [3]	10.8	5.8	10.3	8.8	6.1	**4.5**	
Return on assets (ROA) [4]	6.1	4.9	7.1	5.8	4.3	**3.7**	
Shareholders' equity ratio [3]	46.7	45.7	46.9	46.5	43.9	**45.0**	

Notes: 1. The U.S. dollar amounts have been translated from yen, for the convenience of the reader, at the rate of ¥151.41=US$1.00, the approximate rate on the Tokyo foreign exchange market on March 31, 2024.
2. Net assets per share is presented as the line item Shareholders' equity per share. In the calculation of net assets per share, the amount of net assets less minority interests is used.
3. In the calculation of ROE and the Shareholders' equity ratio, the amount of net assets less minority interests is used as shareholders' equity.
4. ROA is the total of operating income and net interest and dividend income divided by average total assets.

Financial Review

Overview and Net Sales

In fiscal 2024, the Japanese economy has been normalized by controlling COVID-19 infections, and consumer activities have become active due to more customers in Japan spending money outside and the recovery in inbound demand backed by the depreciation of the yen. Meanwhile, the outlook remains uncertain due to the prolonged deterioration of the situation outside of Japan, rising prices caused by high resource prices and the ongoing depreciation of the yen, and other factors.

Under these conditions, while the Apparel & Goods business struggled due to the impact of depreciation of the yen and soaring raw material and material prices, the Belluna Group focused on the following businesses: the hotel business in Japan which has been further accelerated by the expansion of inbound demand; the Cosmetics & Health food business and the Nurse-Related business which develop products aiming at differentiation from others; and the Database Utilization business which provides know-how and infrastructure of our mail order sales. As a result, consolidated net sales for fiscal 2024 decreased 1.9% year on year to ¥208,298 million, operating income decreased 12.7% year on year to ¥9,787 million, and ordinary income decreased 5.0% year on year to ¥11,831 million. In addition, profit attributable to owners of parent decreased 21.3% year on year to ¥5,839 million partly due to impairment loss, despite an increase in gain on sales of investment securities from the previous fiscal year.

Net Sales and Earnings per Segment

IIn the hotel business, the occupancy rates and prices per guest room of existing hotels increased both in Japan and overseas, due to the recovery of travels within Japan, business travels, and inbound demand after the controlling of COVID-19 infections. In addition, newly opened hotels in Japan contributed to the operating results during the full year, leading to an increase in sales and income. As a result, segment net sales increased 54.4% compared with the previous fiscal year to ¥30,851 million, and segment (operating) income increased 203.2% to ¥4,143 million.

In the apparel and goods mail order business, purchasing costs and costs for catalogs, pamphlets, and other print media increased due to the impact of depreciation of the yen and soaring raw material and material prices. To prioritize ensuring profitability, we reviewed the product prices and curbed the number of issued papers. Although the increase in product prices resulted in an increase in the amount per order, the slowing trend in the number of orders received exceeded such an increase. In addition, curbing of the number of issued papers resulted in fewer new customers and a declining trend in the number of active customers. As a result, for the fiscal year under review, segment net sales decreased 15.9% compared with the previous fiscal year to ¥74,251 million, and segment (operating) loss amounted to ¥2,992 million (segment (operating) income of ¥930 million in the previous fiscal year).

The cosmetics business achieved an increase in sales and income thanks to a favorable trend in new customer acquisition with the electronic commerce (EC) business in Japan for seasonal reasons and an expansion of wholesale sales in Japan. In the health food business, although sales decreased mainly due to a decrease in mail order subscribers, income increased thanks to the advertisement activities focusing on profitability. As a result, segment net sales fell by 0.5% year on year to ¥14,718 million, while segment (operating) income increased 57.5% to ¥926 million.

In the gourmet mail order business, the growth rate of sales slowed down due to the effect of people's return to eating and drinking out as a result of the controlling of COVID-19 infections. In addition, purchasing costs increased due to the impact of depreciation of the yen and soaring raw material and material prices. We reviewed selling prices of some products but the cost rate deteriorated. As a result, segment net sales increased 0.4% compared with the previous fiscal year to ¥32,438 million, while segment (operating) income decreased 38.1% to ¥1,091 million.

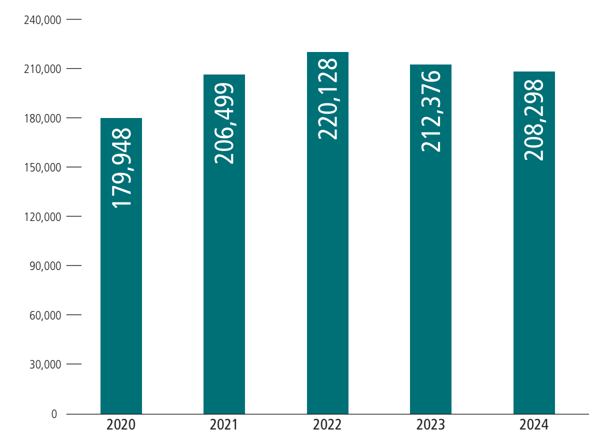
In the mail order business targeting nurses, we focused on profitability by curbing the number of paper media issued seasonally, reviewing the frequency of the issuance, and other efforts. In addition, we put a focused effort to acquire orders from corporations, leading to an improving trend in the number of orders received. As a result, segment net sales decreased 7.8% compared with the previous fiscal year to ¥12,975 million, while segment (operating) income increased 102.7% to ¥481 million.

In the enclosing and mailing services business, sales and income decreased due to the curbing of the number of issued papers and a decrease in the number of product shipments in the Apparel & Goods business, though acquisition of new clients and development of new services progressed smoothly. In the fulfillment outsourcing services, sales increased due to steady acquisition of new clients, while income decreased due to increases in personnel expenses and other costs.
In the finance business, sales and income increased thanks to steady acquisition of new customers, despite an increasing trend of default. As a result, segment net sales increased 6.2% compared with the previous fiscal year to ¥16,725 million, while segment (operating) income decreased 9.7% to ¥5,150 million.

In the traditional clothing sales business, sales decreased due to closing of non-profitable stores, a decrease in the number of customers visiting existing stores, and a fall in the amount per sale. Meanwhile, income increased thanks to the continued promotion of cost reduction. In the clothing rental business, sales and income increased because of the new initiatives such as expansion of events held to promote early reservation of traditional graduation ceremony apparel and photo-taking services in advance of ceremonies. As a result, segment net sales decreased 2.6% compared with the previous fiscal year to ¥23,248 million, and segment (operating) income increased 9.0% to ¥1,357 million.

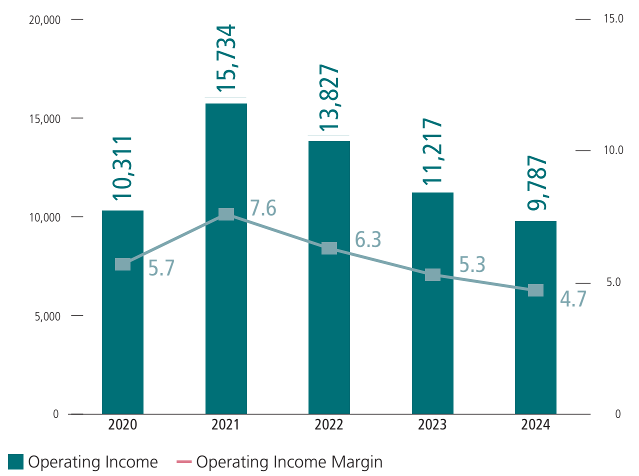
Net Sales

(millions of yen)



Operating Income and Operating Income Margin

(millions of yen) (%)



In the restaurant business, sales and income increased due to the recovery of demand for eating out after the controlling of COVID-19 infections and opening of new restaurants. In the apparel wholesale business, sales and income decreased due to continued restriction of business development by clients. As a result, segment net sales decreased 7.6% compared with the previous fiscal year to ¥3,833 million, and segment (operating) loss amounted to ¥152 million (segment (operating) loss of ¥92 million in the previous fiscal year).

Financial Condition

Total assets as of March 31, 2024 stood at ¥300,691 million, an increase of ¥15,099 million from the previous fiscal year-end. In particular, current assets rose ¥7,297 million to ¥129,961 million, primarily reflecting increases of ¥3,731 million in cash and deposits, ¥2,371 million in trade loans, and ¥3,259 million in other current assets, which outweighed a decrease of ¥2,300 million in merchandise and finished goods. As of the end of the fiscal year, fixed assets stood at ¥170,730 million, an increase of ¥7,801 million. This was mainly due to increases of ¥21,557 million in buildings and structures, ¥1,463 million in machinery and equipment, and ¥1,837 million in leased assets, which outweighed a decrease of ¥17,421 million in construction in progress.

Total liabilities increased by ¥5,353 million compared with the previous fiscal year-end to ¥164,509 million. Specifically, current liabilities decreased by ¥5,380 million year on year to ¥59,206 million, primarily because of decreases of ¥2,788 million in trade notes and accounts payable and ¥7,235 million in short-term borrowings, which outweighed an increase of ¥4,995 million in current portion of bonds payable. Long-term liabilities increased by ¥10,734 million year on year to ¥105,302 million, mainly due to increases of ¥13,101 million in long-term borrowings and ¥2,114 million in lease obligations, which outweighed a decrease of ¥5,015 million in bonds payable.

Cash Flows

The outstanding balance of cash and cash equivalents at the end of the fiscal year under review increased by ¥5,416 million to ¥37,245 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 ¥12,770 million (¥8,241 million provided in the previous fiscal year). The main factors leading to the increase were ¥9,772 million of profit before income taxes, ¥5,435 million of depreciation, ¥3,433 million of impairment loss of fixed assets, a decrease of ¥2,471 million in inventories, and a decrease of ¥1,016 million in real estate for sale, while the main factors leading to the decrease were an increase of ¥2,404 million in trade loans, a decrease of ¥2,243 million in notes and accounts payable, a decrease of ¥1,912 million in other current liabilities, and ¥3,832 million of income taxes paid.

Net cash used in investing activities during the fiscal year under review was ¥14,403 million (¥29,924 million used in the previous fiscal year). The main factors leading to the decrease were ¥15,653 million of payments for the acquisition of property, plant and equipment, ¥1,128 million of acquisition of intangible fixed assets, and ¥1,359 million of acquisition of investment securities, while the main factors leading to the increase included ¥3,761million of proceeds from sales of investment securities.

Net cash provided by financing activities during the fiscal year under review was ¥5,971 million (¥23,527 million provided in the previous fiscal year). The main factors leading to the increase were ¥25,307 million of proceeds from long-term borrowings and ¥2,737 million of proceeds from sale and leaseback transactions, while the main factors leading to the decrease were ¥9,000 million of net decrease in short-term borrowings, ¥10,753 million of repayments of long-term borrowings, and ¥1,958 million of dividends paid.

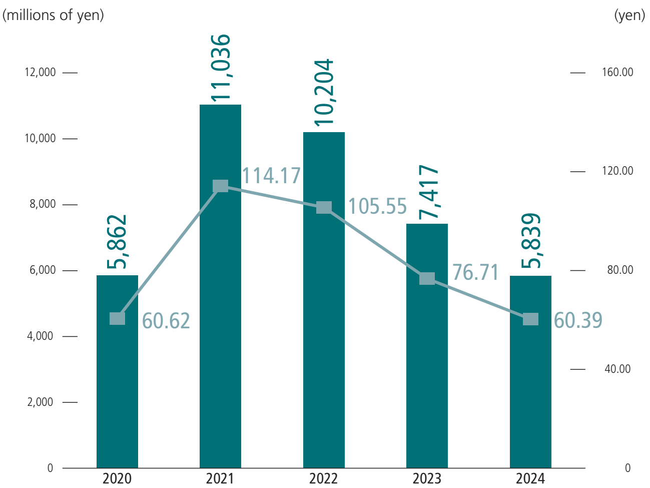
Forecasts for Fiscal 2025

The outlook for the Japanese economy is expected to continue its recovery trend and gradually recover with improvement in the employment and income environment. Inbound demand, in particular, is expected to remain strong for the time being, backed by the structural depreciation of the yen. On the other hand, the domestic consumption environment may remain depressed due to stagnation in consumer confidence caused by prolonged price hikes, the impact of geopolitical risks such as the situation in the Middle East and Ukraine, and uncertain macro trends such as exchange rates and interest rates due to the monetary policy of the Bank of Japan.

The Belluna Group also sees the further expansion of inbound demand as a good opportunity and will focus on the Property business, centering on the hotel development, as an important growth driver for the Group. In addition, we will prioritize the growth in specialized business areas such as the Cosmetics & Health food business, Gourmet business, and Nurse-Related business, which are less affected by consumer confidence, to promote stable expansion. In the Apparel & Goods business, we will aim to achieve profitability early in segment operating income by improving the business scale and efficiency through bringing the new customer acquisition back to an appropriate level and also recovering the ratio of repeat customers.

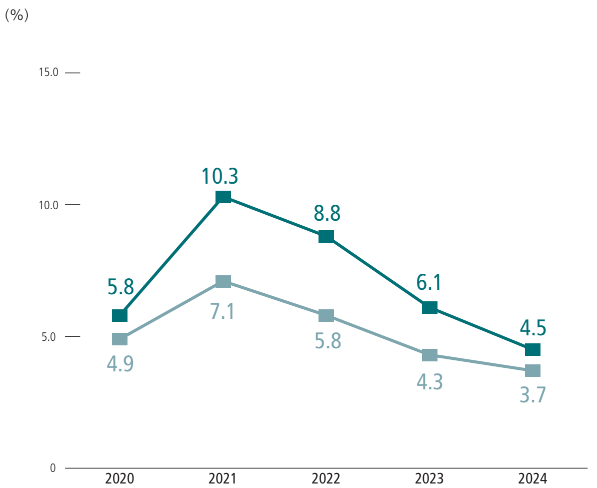
For the fiscal year ending March 31, 2025, we expect to achieve net sales of ¥217,000 million, operating income of ¥11,500 million, ordinary income of ¥12,500 million, and profit attributable to owners of parent of ¥8,000 million. Current forecasts involve potential risks and uncertainties, and while 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



Net Income — Net Income per Share (See Note 3 on page 9)

ROE and ROA



— ROE (See Note 5 on page 9) — ROA (See Note 6 on page 9)

Business Risks

Of the matters related to the status of business operations and financial conditions described in the Annual Securities Report, the major risks recognized by management as having significant effect on the financial situation, operating performance, and cash flows of the consolidated companies are as follows. Based on the understanding of the possibility of occurrence of these risks, the Company will strive to avoid the occurrence of these risks and address them should they occur.
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.

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, and any costs are incurred for correcting mishaps associated with those products, the Group's operating performance and financial situation could be negatively impacted.
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

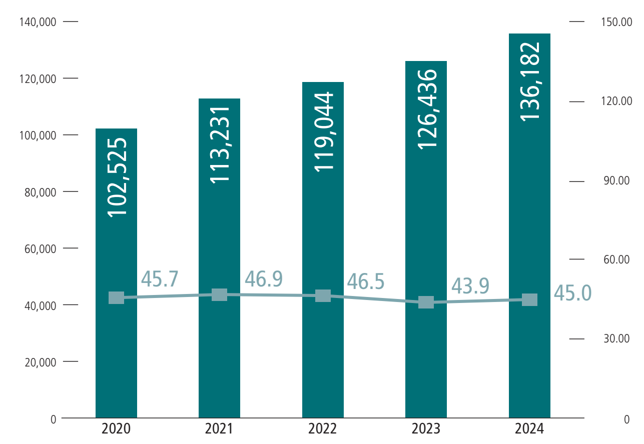
The Belluna Group procures the majority of its products overseas, particularly from China, in an effort to produce competitive products and to reduce manufacturing costs. Any occurrence of events, such as changes in political and economic circumstances, unforeseen amendments to laws and regulations, a shortage in labor supply, terrorism and wars, strikes, demonstrations, and natural disasters in the producing countries could result in the Group's operating performance and financial situation being negatively affected.
The Belluna Group collects information on political, economic and other conditions in the overseas countries and regions in which it operates, and endeavors to mitigate or avoid risk.

6. Risk from Fluctuations in Raw Material and Other Markets

In the event that the market prices of such raw materials as pulp (which is used to produce catalogs and other items) 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.

Shareholders' Equity* and Shareholders' Equity Ratio

(millions of yen) (%)

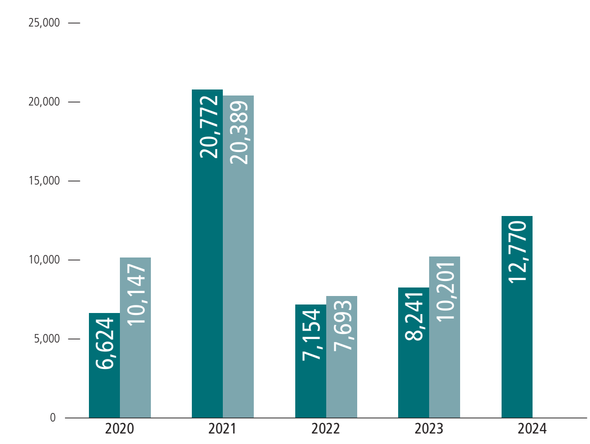


■ Shareholders' Equity — Shareholders' Equity Ratio (See Note 5 on page 9)

* Net assets less minority interests

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

(millions of yen)



■ Operating Cash Flow ■ Operating Cash Flow Minus Decrease (Increase) in Trade Loans

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

7. Overseas Business Development Risks

The Group has developed the property business in various countries overseas. Any occurrence of events, such as changes in political and economic circumstances, unforeseen amendments to laws and regulations, a shortage in labor supply, terrorism and wars, strikes, demonstrations, and natural disasters in the countries and regions in which the Group develops its overseas business 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 costs in addressing such issues, which may lead to 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, malfunctions or other issues 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 in addressing such issues 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 liquid 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 of any failure to repay such a claimed amount, 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 direct fund procurement in addition to bank borrowings, as well as efficient funds management within the Group.

14. Risk from M&As

The Belluna Group has striven to strengthen Group businesses mainly through M&As. 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 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 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 emergence of infectious diseases

In the event that a widespread infectious disease emerges and behavioral and travel restrictions are issued, the Group may suffer a significant decrease in hotel guests and shop visitors, and thereby the Group's operating performance and financial situation may be adversely affected.

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, 2024 (with comparative figures for the previous year).

Consolidated Balance Sheets

	In millions of yen			
		March 31, 2023		**March 31, 2024**
Assets				
Current assets				
Cash and deposits		32,111		**35,842**
Notes receivable - trade		88		**67**
Accounts receivable - trade		10,309		**10,502**
Trade loans		29,378		**31,750**
Marketable securities		170		**695**
Merchandise and finished goods		28,397		**26,097**
Raw materials and supplies		1,530		**1,487**
Real estate for sale	*2	5,780		**5,129**
Real estate for sale in process	*2	2,893	*2	**3,205**
Other current assets		12,817		**16,076**
Allowance for doubtful accounts		(811)		**(892)**
Total current assets		122,664		**129,961**
Fixed assets				
Property, plant and equipment				
Buildings and structures	*2 *3	67,560	*2 *3	**91,405**
Accumulated depreciation	*1	(23,646)	*1	**(25,935)**
Buildings and structures (net)		43,913		**65,470**
Machinery and equipment	*2	10,350	*2	**12,527**
Accumulated depreciation	*1	(3,668)	*1	**(4,381)**
Machinery and equipment (net)		6,681		**8,145**
Furniture and fixtures	*3	5,215	*3	**6,070**
Accumulated depreciation	*1	(3,417)	*1	**(4,115)**
Furniture and fixtures (net)		1,797		**1,954**
Land	*2	46,919	*2	**46,739**
Leased assets		538		**2,660**
Accumulated depreciation	*1	(382)	*1	**(667)**
Leased assets (net)		156		**1,993**
Construction in progress	*2	30,027		**12,605**
Total property, plant and equipment		129,495		**136,909**
Intangible fixed assets				
Goodwill		1,487		**1,044**
Leased assets		352		**799**
Other	*2	8,734	*2	**9,049**
Total intangible fixed assets		10,574		**10,893**
Investments and other assets				
Investment securities	*4	14,371	*4	**14,614**
Long-term lending		1,812		**1,998**
Claims provable in bankruptcy, claims provable in rehabilitation and other		179		**211**
Deferred tax assets		1,396		**598**
Other assets		5,724		**6,209**
Allowance for doubtful accounts		(627)		**(705)**
Total investments and other assets		22,857		**22,927**
Total fixed assets		162,928		**170,730**
Total assets		285,592		**300,691**

		In millions of yen		
		March 31, 2023		**March 31, 2024**
Liabilities				
Current liabilities				
Trade notes and accounts payable		13,723		**10,934**
Electronically recorded obligations - operating		5,442		**5,682**
Accrued expenses		15,086		**14,631**
Short-term borrowings	*2 *5 *6	20,326	*2 *5 *6	**13,090**
Current portion of bonds payable		20		**5,015**
Lease obligations		239		**489**
Income taxes payable		1,875		**2,210**
Contract liabilities		3,756		**3,557**
Provision for bonuses		1,028		**1,058**
Provision for loss on store closings		13		**—**
Other current liabilities		3,074		**2,536**
Total current liabilities		64,587		**59,206**
Long-term liabilities				
Bonds payable		5,020		**5**
Long-term borrowings	*2 *5 *6	85,462	*2 *5 *6	**98,563**
Provision for loss on interest repayment		389		**335**
Lease obligations		273		**2,387**
Net defined benefit liability		160		**331**
Provision for retirement benefits for directors and audit and supervisory committee members		249		**249**
Asset retirement obligations		1,134		**1,076**
Provision for repairs		94		**117**
Other long-term liabilities		1,785		**2,236**
Total long-term liabilities		94,568		**105,302**
Total liabilities		159,155		**164,509**
Net assets				
Shareholders’ equity				
Common stock		10,612		**10,612**
Capital surplus		10,951		**10,950**
Retained earnings		108,663		**112,545**
Treasury stock		(462)		**(455)**
Total shareholders’ equity		129,765		**133,652**
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		1,702		**3,028**
Deferred gains or losses on hedges		106		**496**
Revaluation reserve for land		(7)		**(7)**
Foreign currency translation adjustments		(6,071)		**(1,979)**
Remeasurements of defined benefit plans		0		**1**
Total accumulated other comprehensive income		(4,268)		**1,539**
Non-controlling interests		940		**990**
Total net assets		126,436		**136,182**
Total liabilities and net assets		285,592		**300,691**

Consolidated Statements of Income

In millions of yen

		Year ended March 31, 2023		Year ended March 31, 2024
Net sales	*1	212,376	*1	**208,298**
Cost of sales	*2	86,674	*2	**81,953**
Gross profit—net		125,701		**126,345**
Selling, general and administrative expenses	*3	114,484	*3	**116,557**
Operating income		11,217		**9,787**
Non-operating income				
Interest income		103		**257**
Dividend income		301		**793**
Rent income		35		**32**
Extinction of debt		32		**28**
Compensation received		111		**71**
Foreign exchange gains		905		**1,472**
Subsidy income		353		**85**
Gain on investments in investment partnerships		72		**—**
Other		382		**363**
Total non-operating income		2,297		**3,105**
Non-operating expenses				
Interest expense		343		**481**
Commission fee		452		**194**
Depreciation		21		**22**
Loss on closing of stores		131		**138**
Provision for store closing loss		13		**—**
Other		92		**224**
Total non-operating expenses		1,055		**1,061**
Ordinary income		12,459		**11,831**
Extraordinary gains				
Gain on sales of non-current assets	*4	11	*4	**15**
Gain on sales of investment securities		18		**1,369**
Gain on redemption of investment securities		—		**7**
Total extraordinary gains		29		**1,391**
Extraordinary losses				
Loss on retirement of fixed assets	*5	317	*5	**16**
Impairment loss	*6	167	*6	**3,433**
Loss on valuation of securities		50		**—**
Total extraordinary losses		534		**3,450**
Profit before income taxes		11,953		**9,772**
Income taxes—current		4,503		**3,874**
Income taxes—deferred		(6)		**180**
Total income taxes		4,497		**4,055**
Profit		7,456		**5,717**
Profit (loss) attributable to non-controlling interests		39		**(121)**
Profit attributable to owners of parent		7,417		**5,839**

Consolidated Statements of Comprehensive Income

In millions of yen

	Year ended March 31, 2023	Year ended March 31, 2024
Profit	7,456	**5,717**
Other comprehensive income		
Valuation difference on available-for-sale securities	329	**1,325**
Revaluation reserve for land	124	**389**
Foreign currency translation adjustments	1,227	**4,185**
Remeasurements of defined benefit plans, net of tax	36	**0**
Total other comprehensive income	*1 1,718	*1 **5,901**
Comprehensive income	9,175	**11,619**
Comprehensive income attributable to owners of parent	9,108	**11,647**
Comprehensive income attributable to non-controlling interests	66	**(28)**

Consolidated Statements of Changes in Net Assets

(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	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of year	10,612	10,951	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					—						—	(1)	(1)
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

(In millions of yen)

Year ended March 31, 2024	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	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of year	10,612	10,951	108,663	(462)	129,765	1,702	106	(7)	(6,071)	0	(4,268)	940	126,436
Changes during year:													
Dividends paid			(1,958)		(1,958)						—		(1,958)
Profit attributable to owners of parent			5,839		5,839						—		5,839
Increase in consolidated subsidiaries - non-controlling interests					—						—	—	—
Purchase of treasury stock				(0)	(0)						—		(0)
Disposal of treasury stock		(1)		7	6						—		6
Capital increase of consolidated subsidiaries					—						—	78	78
Increase or decrease in equity due to capital reduction of consolidated subsidiary					—						—	—	—
Net changes of items other than shareholders' equity					—	1,325	389	—	4,091	0	5,807	(28)	5,779
Total changes of items during year	—	(1)	3,881	7	3,887	1,325	389	—	4,091	0	5,807	50	9,745
Balance at end of year	10,612	10,950	112,545	(455)	133,652	3,028	496	(7)	(1,979)	1	1,539	990	136,182

Consolidated Statements of Cash Flows

		In millions of yen		
		Year ended March 31, 2023		**Year ended March 31, 2024**
Cash flows from operating activities				
Profit before income taxes		11,953		**9,772**
Depreciation		3,792		**5,435**
Impairment loss		167		**3,433**
Amortization of goodwill		766		**499**
Increase (decrease) in allowance for doubtful accounts		98		**100**
Increase (decrease) in provision for bonuses		54		**22**
Increase (decrease) in net defined benefit liability		6		**15**
Increase (decrease) in provision for loss on interest repayment		(136)		**(54)**
Increase (decrease) in provision for repairs		29		**23**
Increase (decrease) in provision for loss on store closings		13		**(13)**
Interest and dividend income		(404)		**(1,050)**
Interest expense		343		**481**
Loss (gain) on sales of investment securities		(18)		**(1,369)**
Foreign exchange losses (gains)		(220)		**(392)**
Loss on retirement of fixed assets		317		**16**
Loss (gain) on sales of property, plant and equipment		(11)		**(15)**
Decrease (increase) in trade notes and accounts receivable		453		**(111)**
Decrease (increase) in trade loans		(1,960)		**(2,404)**
Decrease (increase) in inventories		(1,927)		**2,471**
Decrease (increase) in real estate for sale		2,089		**1,016**
Decrease (increase) in other current assets		103		**128**
Increase (decrease) in notes and accounts payable		(2,408)		**(2,243)**
Increase (decrease) in other current liabilities		(1,172)		**(1,912)**
Increase (decrease) in other long-term liabilities		(97)		**219**
Other		1,121		**1,849**
Sub-total		13,005		**15,919**
Interest and dividends received		400		**1,041**
Interest paid		(345)		**(478)**
Refund of income taxes		61		**119**
Income taxes paid		(4,880)		**(3,832)**
Net cash provided by operating activities		8,241		**12,770**
Cash flows from investing activities				
Payments into time deposits		(400)		**—**
Proceeds from withdrawal of time deposits		—		**454**
Proceeds from sale of securities		8		**—**
Acquisition of property, plant and equipment		(28,179)		**(15,653)**
Proceeds from sales of property, plant and equipment		55		**16**
Acquisition of intangible fixed assets		(1,826)		**(1,128)**
Acquisition of investment securities		(897)		**(1,359)**
Proceeds from sales of investment securities		624		**3,761**
Purchase of shares of subsidiaries		—		**(5)**
Payments of loans receivable		(16)		**(245)**
Collection of loans receivable		231		**12**
Payments for guarantee deposits		(134)		**(203)**
Proceeds from collection of guarantee deposits		257		**156**
Payments of other investments		(453)		**(212)**
Collection of other investments		7		**4**
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	*2	800		**—**
Net cash used in investing activities		(29,924)		**(14,403)**
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		3,849		**(9,000)**
Proceeds from long-term borrowings		33,342		**25,307**
Repayments of long-term borrowings		(6,605)		**(10,753)**
Redemption of bonds		(5,010)		**(20)**
Purchase of treasury stock		(0)		**(0)**
Dividends paid		(1,885)		**(1,958)**
Proceeds from share issuance to non-controlling shareholders		100		**78**
Dividends paid to non-controlling interests		(0)		**—**
Repayments of lease obligations		(262)		**(421)**
Proceeds from sale and leaseback transactions		—		**2,737**
Other, net		(1)		**—**
Net cash provided by financing activities		23,527		**5,971**
Effect of exchange rate change on cash and cash equivalents		414		**1,077**
Net increase (decrease) in cash and cash equivalents		2,259		**5,416**
Cash and cash equivalents at beginning of year		29,569		**31,828**
Cash and cash equivalents at end of year	*1	31,828	*1	**37,245**

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, Granbell Hokkaido Co., Ltd. has been newly included in the scope of consolidation due to the acquisition of shares. Additionally, Nurse Stage Co. 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: 2

From the fiscal year under review, PALADIN EQUITY SB LLC has been newly included in the scope of the equity method application due to the acquisition of shares.

(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 ten 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 fixed assets (excluding leased assets):
The amortization of intangible fixed 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:
(a) Finance lease transactions that transfer the ownership of the leased assets to the lessee:
The depreciation method is the same as that applied for self-owned fixed assets.
(b) 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 1 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 and 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, as well as power generation. 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. As for the power generation business, the performance obligations are satisfied over a certain period of time and deemed to have been satisfied when generated power is supplied to a power company, and a certain amount of revenue is recognized over the certain period of time.

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

(In millions of yen)

Item	March 31, 2023	March 31, 2024
Impairment loss	167	3,433
Property, plant and equipment	129,495	136,909
Intangible fixed assets	10,574	10,893

(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, 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, 2023	March 31, 2024
Deferred tax assets	1,396	598

(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, 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.

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, 2023	March 31, 2024
Real estate for sale	743	—
Real estate for sale in process	2,893	3,205
Buildings and structures	18,536	27,685
Machinery and equipment	5,639	7,111
Land	23,294	23,401
Construction in progress	11,833	—
Intangible fixed assets (leasehold interests in land)	675	675
Total	63,616	62,079

Liabilities secured by the above are as follows.

(In millions of yen)

	March 31, 2023	March 31, 2024
Short-term borrowings	5,666	5,921
Long-term borrowings	70,152	74,842
Total	75,819	80,764

*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, 2023	March 31, 2024
Reduction entry amount	340	437
(of which, buildings and structures)	339	436
(of which, furniture and fixtures)	0	0

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

(In millions of yen)

	March 31, 2023	March 31, 2024
Investment securities (stocks)	797	1,651

*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, 2023 and 2024 is summarized as follows:

(In millions of yen)

	March 31, 2023	March 31, 2024
Total of the overdraft limit and lending commitments	79,449	36,761
Executed loans	54,501	12,067
Unexecuted balance	24,947	24,694

*6. Restrictive financial covenants
Of the consolidated borrowings balance, up to ¥69,794 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, 2023	March 31, 2024
Shurei Co., Ltd. (Note)	63	36

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, 2023	Year ended March 31, 2024
	869	998

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

(In millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Freightage and packing expenses	15,475	14,617
Advertising expenses	29,049	27,022
Sales promotion expenses	4,033	2,750
Provision of allowance for doubtful accounts	802	862
Provision for loss on interest repayment	351	281
Salaries and allowances	20,290	21,780
Provision for bonuses	1,048	1,084
Provision for repairs	29	29
Retirement benefit expenses	216	234
Communication expenses	7,527	6,508
Commission fee	15,084	17,428

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

(In millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Machinery and equipment	0	8
Furniture and fixtures	5	6
Land	6	—
Intangible fixed assets (other)	0	—
Total	11	15

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

(In millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Buildings and structures	258	14
Machinery and equipment	—	0
Furniture and fixtures	27	1
Intangible fixed assets (other)	31	—
Total	317	16

*6. Impairment loss

For the year ended March 31, 2023

Usage	Type	Location
Assets for business	Buildings and structures, furniture and fixtures, investments and other assets (other)	Joyo-shi, Kyoto Prefecture, etc.
Assets for business	Buildings and structures, furniture and fixtures	Hiroshima-shi, Hiroshima Prefecture, etc.
Assets for business	Buildings and structures, furniture and fixtures, investments and other assets (other)	Yokohama-shi, Kanagawa Prefecture, etc.
Assets for business	Buildings and structures, furniture and fixtures, intangible fixed 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 fixed 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.

For the year ended March 31, 2024

Usage	Type	Location
Assets for business	Buildings and structures, furniture and fixtures	Sakai-shi, Osaka Prefecture, etc.
Assets for business	Buildings and structures, furniture and fixtures	Sakaide-shi, Kagawa Prefecture, etc.
Assets for business	Buildings and structures, furniture and fixtures, intangible fixed assets (other)	Sendai-shi, Miyagi Prefecture, etc.
Assets for business	Construction in progress	Mogami-machi, Yamagata Prefecture

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

(Process through which impairment loss was recognized)
In the year ended March 31, 2024, 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.
For the geothermal power generation business operated by Mogami Geo-Energy LLC, a consolidated subsidiary of the Company, an impairment loss has been recognized since the company has not secured the planned amount of heat and its business outlook is uncertain.

(Components of amounts of impairment loss by type of fixed assets)
Amounts of components of impairment loss are as follows: ¥50 million of buildings and structures, ¥1 million of furniture and fixtures, ¥3,380 million of construction in progress, and ¥1 million of intangible fixed 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, 2023	Year ended March 31, 2024
Valuation difference on available-for-sale securities:		
Gains (losses) incurred during the year	453	3,285
Reclassification adjustment to net income	29	(1,363)
Amount before tax effect	482	1,921
Tax effect	(153)	(595)
Valuation difference on available-for-sale securities	329	1,325
Deferred gains or losses on hedges:		
Gains (losses) incurred during the year	178	512
Reclassification adjustment to net income	1	47
Amount before tax effect	179	559
Tax effect	(54)	(170)
Deferred gains or losses on hedges	124	389
Foreign currency translation adjustments:		
Gains (losses) incurred during the year	1,227	4,185
Reclassification adjustment to net income	—	—
Foreign currency translation adjustments	1,227	4,185
Remeasurements of defined benefit plans, net of tax:		
Gains (losses) incurred during the year	27	6
Reclassification adjustment to net income	25	(7)
Amount before tax effect	52	(0)
Tax effect	(15)	1
Remeasurements of defined benefit plans, net of tax	36	0
Total other comprehensive income	1,718	5,901

Notes to the Consolidated Statements of Changes in Net Assets

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 (Note)	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 (millions of yen)	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

Year ended March 31, 2024

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 (Note)	554	0	9	545
Total	554	0	9	545

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 9 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, 2023	Common stock	966	10.00	March 31, 2023	June 29, 2023
Board of Directors' meeting on October 31, 2023	Common stock	991	10.25	September 30, 2023	December 1, 2023

(2) Dividends with a record date during the year ended March 31, 2024, 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 26, 2024	Common stock	991	Retained earnings	10.25	March 31, 2024	June 27, 2024

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, 2023	March 31, 2024
Cash and deposits	32,111	35,842
MMFs, etc. included in marketable securities	118	540
Securities account deposits	—	862
Fixed deposit with a deposit term exceeding 3 months	(400)	—
Cash and cash equivalents	31,828	37,245

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

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 transfer the ownership of the leased assets to the lessee:

i) Description of leased assets
Tangible fixed assets (property, plant and equipment):
Mainly machinery and equipment in use by the Apparel & Goods business.

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.

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 machinery and equipment and 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, 2023	March 31, 2024
Due within one year	204	204
Due over one year	494	289
Total	698	494

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, 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.

As of March 31, 2024

(In millions of yen)

	Balance sheet carrying amount	Fair value	Unrealized gain (loss)
(1) Trade loans	31,750		
Allowance for doubtful accounts (*4)	(553)		
	31,197	31,773	576
(2) Marketable securities and investment securities			
Available-for-sale securities	11,479	11,479	—
Assets total	42,676	43,252	576
(1) Long-term borrowings	98,563	98,486	(76)
(2) Current portion of bonds payable	5,015	5,003	(12)
(3) Bonds payable	5	4	(0)
Liabilities total	103,583	103,494	(88)
Derivative transactions (*5)	713	713	—

(*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, 2024
Unlisted equity securities	2,233
Unlisted debt securities	—
Investments in partnerships for investment business	1,598

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, 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

As of March 31, 2024

(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	35,842	—	—	—	—	—
Notes receivable - trade	67	—	—	—	—	—
Accounts receivable - trade	10,502	—	—	—	—	—
Trade loans	9,695	8,976	7,257	5,099	714	6
Marketable securities and investment securities:						
Available-for-sale securities with contractual maturities:						
(1) National and local government bonds	—	—	—	—	—	—
(2) Corporate bonds	155	—	235	—	—	448
(3) Other	253	1,212	651	691	445	415
Total	56,516	10,188	8,144	5,791	1,159	870

[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, 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

As of March 31, 2024

(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	5,622	—	—	5,622
Debt securities	—	845	—	845
Other	4,470	540	—	5,011
Assets total	10,093	1,386	—	11,479
Derivative transactions				
Currency-related	—	713	—	713
Derivative transactions total	—	713	—	713

(2) Financial instruments apart from those carried on the consolidated balance sheets at fair value

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

As of March 31, 2024

(In millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Trade loans	—	31,773	—	31,773
Assets total	—	31,773	—	31,773
Long-term borrowings	—	98,486	—	98,486
Current portion of bonds payable	—	5,003	—	5,003
Bonds payable	—	4	—	4
Liabilities total	—	103,494	—	103,494

(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 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, 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

As of March 31, 2024

(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	5,396	2,257	3,138
	(2) Debt securities:			
	1. National and local government bonds	—	—	—
	2. Corporate bonds	732	591	140
	3. Other bonds	—	—	—
	(3) Other	4,026	2,702	1,324
	Subtotal	10,155	5,551	4,604
Securities with balance sheet carrying amount not exceeding the acquisition cost	(1) Equity securities	226	279	(53)
	(2) Debt securities:			
	1. National and local government bonds	—	—	—
	2. Corporate bonds	8	8	—
	3. Other bonds	105	105	—
	(3) Other	984	1,039	(54)
	Subtotal	1,324	1,432	(107)
Total		11,479	6,983	4,496

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

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

Year ended March 31, 2024

(In millions of yen)

Type of securities	Proceeds of sales	Gain on sales	Loss on sales
(1) Equity securities	3,049	1,438	68
(2) Debt securities	—	—	—
(3) Other	—	—	—
Total	3,049	1,438	68

3. Securities for which impairment loss was recorded

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”).

In the fiscal year ended March 31, 2024, the Company recorded ¥0 million as impairment of value with respect to securities (¥0 million as impairment of value of equity securities without 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, 2023

None applicable.

As of March 31, 2024

None applicable.

2. Derivative transactions to which hedge accounting is applied

Currency-related derivatives:

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

As of March 31, 2024

(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	3,648	2,533	320
	Euros	Accounts payable - trade	2,172	—	368
	Currency options:				
	Calls				
	Euros	Accounts payable - trade	1,285	1,285	110
	Puts				
	Euros	Accounts payable - trade	852	—	(86)
Total			7,957	3,818	713

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 defined benefit liability and retirement benefit costs, 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, 2023 and 2024 (excluding the portion of the plans to which the short-cut method is applied):

(In millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Balance of retirement benefit obligation at beginning of year	2,093	1,966
Service cost	132	124
Interest cost	13	20
Actuarial gains and losses	(146)	113
Benefits paid	(124)	(144)
Other	(1)	36
Balance of retirement benefit obligation at end of year	1,966	2,117

(2) Changes in plan assets for the years ended March 31, 2023 and 2024 (excluding the plans to which the short-cut method is applied):

(In millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Balance of plan assets at beginning of year	1,876	1,811
Expected return on plan assets	60	31
Actuarial gains and losses	(112)	134
Contribution from the employer	83	79
Benefits paid	(97)	(106)
Other	0	0
Balance of plan assets at end of year	1,811	1,950

(3) Changes in defined benefit liability under the plans to which the short-cut method is applied:

(In millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Balance of defined benefit liability at beginning of year	(4)	5
Retirement benefit costs	18	15
Contribution to the plans	(7)	(6)
Increase due to change in the scope of consolidation	—	149
Balance of defined benefit liability at end of year	5	163

(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, 2023	Year ended March 31, 2023
Funded retirement benefit obligation	2,027	2,186
Plan assets	(1,883)	(2,031)
	143	155
Unfunded retirement benefit obligation	17	175
Net liability (asset) recorded in the consolidated balance sheet	160	331
Defined benefit liability	160	352
Defined benefit assets	—	(21)
Net liability (asset) recorded in the consolidated balance sheet	160	331

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, 2023 and 2024:

(In millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Service cost	132	124
Interest cost	13	20
Expected return on plan assets	(60)	(31)
Amortization of actuarial gains and losses	22	19
Retirement benefit costs calculated by short-cut method	18	15
Retirement benefit costs on defined benefit plans	125	148

(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, 2023	Year ended March 31, 2024
Actuarial gains and losses	52	(0)

(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, 2023	March 31, 2024
Unrecognized actuarial gains and losses	(1)	(0)

(8) Plan assets:

i) Main components of plan assets:

Plan assets consisted of the following portfolio categories:

(% of total plan assets)

	March 31, 2023	March 31, 2024
Debt securities	29.0	34.1
Equity securities	23.4	32.4
General accounts	16.3	16.3
Cash and deposits	5.4	0.5
Other	25.9	16.7
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, 2023 and 2024 are as follows:

(% of total plan assets)

	Year ended March 31, 2023	Year ended March 31, 2024
Discount rate	0.50 – 0.68	0.50 – 1.18
Long-term expected rate of return on plan assets	2.00 – 3.54	1.71 – 2.00
Expected rate of salary increase	0.80 – 1.16	0.80 – 1.12

3. Defined contribution plans

The amounts of the required contribution to the defined contribution plans of consolidated subsidiaries for the years ended March 31, 2023 and 2024 were ¥90 million and ¥92 million, respectively.

Notes Regarding Deferred Income Taxes

1. Significant components of deferred tax assets and liabilities

(In millions of yen)

	March 31, 2023	March 31, 2024
Deferred tax assets:		
Excess provision for bonuses	375	378
Excess allowance for doubtful accounts	199	203
Contract liabilities	176	161
Excess provision for loss on interest repayment	133	102
Provision for loss on store closings	4	—
Bad debt expenses	93	97
Loss on valuation of investment securities	603	408
Defined benefit liability	58	127
Loss on valuation of real estate for sale	87	99
Excess impairment loss of fixed assets	542	477
Tax loss carried forward (Note)	1,643	1,277
Other	1,393	1,424
Deferred tax asset subtotal	5,313	4,757
Valuation allowance on tax loss carried forward (Note)	(1,596)	(1,168)
Valuation allowance on total of deductible temporary differences	(1,210)	(1,280)
Valuation allowance subtotal	(2,807)	(2,449)
Deferred tax assets total	2,505	2,307
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(789)	(1,386)
Asset retirement expense	(130)	(122)
Valuation difference on land of consolidated subsidiaries	(320)	(401)
Other	(178)	(349)
Deferred tax liabilities total	(1,430)	(2,260)
Net deferred tax assets (liabilities)	1,074	47

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

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.

As of March 31, 2024

(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)	146	212	149	86	75	607	1,277
Valuation allowance	(146)	(212)	(149)	(86)	(74)	(500)	(1,168)
Deferred tax assets	—	—	—	—	1	107	(b) 108

(a) Tax loss carried forward is shown as an amount multiplied by the statutory tax rate.
(b) The Company recorded deferred tax assets of ¥108 million for a tax loss carried forward of ¥1,277 million (an amount multiplied by the statutory tax rate). The deferred tax assets of ¥108 million were recognized for some portion of the balance of a tax loss carried forward (an amount multiplied by the statutory tax rate) of ¥1,277 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, 2023	March 31, 2024
Statutory tax rate:	30.5%	30.5%
(Adjustments)		
Items, including entertainment expenses, not eternally deductible for tax purposes	1.5	1.2
Items, including dividends received, not eternally inclusive of gross revenue for tax purposes	(1.3)	(0.3)
Equal installments of inhabitant taxes	0.7	0.9
Tax rate difference of subsidiaries	1.8	2.4
Valuation allowance change	1.3	10.1
Changes in deferred tax assets and liabilities due to tax rate revision	(0.1)	0.1
Income taxes for prior years	1.3	(1.0)
Tax credit	—	(4.3)
Other	1.8	1.9
Effective tax rate	37.6%	41.4%

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 consolidated subsidiaries apply the group tax sharing system. In addition, the Company follows "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42 issued on August 12, 2021), and conducts 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 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 0.01% to 2.30%.

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

(In millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Balance at the beginning of the year	1,127	1,136
Increase from the acquisition of property, plant and equipment	21	24
Decrease from the sale of property, plant and equipment	—	(64)
Adjustment due to passage of time	10	10
Other increase (decrease)	(23)	(22)
Balance at the end of the year	1,136	1,085

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, 2023 and 2024 and the fair values of the rental property and the property that includes a portion used as rental property are as follows: 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, 2023	Year ended March 31, 2024
Rental property:		
Balance sheet carrying amount:		
Balance at the beginning of the year	21,506	17,472
Increase (decrease) during the year	(4,034)	75
Balance at the end of the year	17,472	17,547
Fair value at the end of the year	21,553	22,085
Property that includes a portion used as rental property:		
Balance sheet carrying amount:		
Balance at the beginning of the year	378	744
Increase (decrease) during the year	366	10,156
Balance at the end of the year	744	10,901
Fair value at the end of the year	589	11,042

Notes:
1. The above carrying amounts are the amounts after subtracting the accumulated depreciation and accumulated impairment loss from the acquisition costs.
2. In the above increase (decrease) of rental property, the increase in rental property during the year ended March 31, 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 property that includes a portion used as rental property (¥377 million), and depreciation (¥245 million). The increase in rental property during the year ended March 31, 2024 was caused mainly by the acquisition of rental properties (¥448 million) and change of use from property that includes a portion used as rental property (¥228 million). The decrease in rental property during the year ended March 31, 2024 was caused mainly by the change in use from rental property to property for sale (¥434 million) and depreciation (¥247 million).
3. The increase in property that includes a portion used as rental property during the year ended March 31, 2024 was caused mainly by the capital investments for development (¥10,834 million).
4. The above carrying amounts in the year ended March 31, 2023 include asset retirement obligations of ¥18 million, while the above carrying amounts in the year ended March 31, 2024 include asset retirement obligations of ¥17 million.
5. 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, 2023	Year ended March 31, 2024
Rental property:		
Rental income	1,651	1,626
Rental expenses	600	631
Difference	1,051	995
Property that includes a portion used as rental property:		
Rental income	39	80
Rental expenses	21	893
Difference	17	(812)

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 for providing services and business management. 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, 2024

(1) Balance of contract liabilities

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

For the year ended March 31, 2024

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, 2024
Contract liabilities (balance at beginning of year)	3,756
Contract liabilities (balance at end of year)	3,557

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), 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, and power generation business
viii)	Other business:	Wholesale businesses, management of golf courses, restaurant business, accommodation booking business, etc.

2. Basis of measuring the amounts of segment sales, segment income or loss, segment assets, segment liabilities and other material items

The basis of the accounting treatment for the reported operating segments is substantially the same as described herein under "Basis for preparation of consolidated financial statements."

Segment income represents operating income (before amortization of goodwill)-based amount.

Inter-segment revenues and transfer amounts are calculated based on the prevailing market value.

3. Segment sales, segment income or loss, segment assets, segment liabilities and other material items, and revenue breakdown

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	1,763	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.

Year ended March 31, 2024

(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	74,116	14,716	32,106	12,975	11,321	145,236	23,172	28,835	3,783	—	201,028
Revenue from contracts with customers	74,116	14,716	32,106	12,975	11,321	145,236	23,172	28,835	3,783	—	201,028
Other revenue	—	—	—	—	5,358	5,358	—	1,911	—	—	7,269
Sales to third parties	74,116	14,716	32,106	12,975	16,679	150,594	23,172	30,747	3,783	—	208,298
Inter-segment sales or transfers	134	1	332	0	46	515	75	104	50	(746)	—
Total	74,251	14,718	32,438	12,975	16,725	151,109	23,248	30,851	3,833	(746)	208,298
Segment income (loss)	(2,992)	926	1,091	481	5,150	4,657	1,357	4,143	(152)	(218)	9,787
Segment assets	81,088	8,299	14,991	8,143	41,368	153,890	12,670	128,874	3,838	1,416	300,691
Other items:											
Depreciation (Note 3)	1,850	112	275	116	260	2,615	146	2,682	77	—	5,521
Amortization of goodwill	—	—	—	—	—	—	—	—	—	499	499
Increase in property, plant and equipment and intangible fixed assets (Note 3)	3,715	45	1,352	69	256	5,438	300	10,953	258	13	16,964

Notes: 1. Amounts of adjustments are as follows:
(1) Adjustments in segment income (loss) represent ¥280 million from inter-segment elimination minus ¥499 million for amortization of goodwill.
(2) Adjustments in segment assets include ¥371 million for the Company's employee welfare facilities and ¥1,044 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, 2023

1. Information by products and services

Presentation of this information is omitted herein since similar information is provided in "Segment information."

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.

Year ended March 31, 2024

1. Information by products and services

Presentation of this information is omitted herein since similar information is provided in "Segment information."

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
121,983	14,925	136,909

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, 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

Year ended March 31, 2024

(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	39	—	—	—	—	39	13	3,380	—	—	3,433

[Amortization and unamortized balance of goodwill by reportable segment]

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

Year ended March 31, 2024

(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	—	—	—	—	—	—	—	—	—	499	499
Unamortized balance at end of the year	—	—	—	—	—	—	—	—	—	1,044	1,044

[Gain on bargain purchase by reportable segment]

Year ended March 31, 2023

None applicable.

Year ended March 31, 2024

None applicable.

Related Party Transactions

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, 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.

Year ended March 31, 2024

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)	59	Other current assets	6
							Intermediation of premiums (Note 3)	104	Other current assets	29

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, 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.

Year ended March 31, 2024

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)	1,191	—	—
							Rent of restaurants	12	—	—

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.
4. Terms and conditions of the transaction and the policy for determination thereof:
Rent of restaurants was determined with due consideration of the trading market prices and other factors.

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

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.

Year ended March 31, 2024

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)	112	Investments and other assets	634
							Rent of hotel facilities (Note 2)	310	—	—
							Payment for construction assistance fund receivables (Note 3)	—	Long-term lending	484
Directors and other officers	Kiyoshi Yasuno	—	—	President and CEO of the Company	3.0% (owned, directly)	Renting of hotel facilities	Rent of hotel facilities (Note 2)	79	—	—

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, 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 estate renting, 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, 2024

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 estate renting, 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, 2023	Year ended March 31, 2024
Net assets per share	1,297.92	1,398.07
Basic net income per share	76.71	60.39
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, 2023	Year ended March 31, 2024
Net income per share:		
Profit attributable to owners of parent (millions of yen)	7,417	5,839
Amount not attributable to holders of common stock (millions of yen)	—	—
Profit attributable to owners of parent relating to common stock (millions of yen)	7,417	5,839
Average number of shares of common stock during the year (thousands of shares)	96,688	96,696

Supplementary Schedules

Bonds

Company	Description	Date of issuance	In millions of yen		Interest rate	Collateral	Redemption date
			Beginning balance on April 1, 2023	Ending balance on March 31, 2024			
Belluna Co., Ltd.	4th Series of Unsecured Bonds (with inter-bond pari passu clause)	October 19, 2017	5,000	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	5 (5)	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	15 (10)	0.23%	None	April 30, 2025
Total	—	—	5,040	5,020 (5,015)	—	—	—

Notes: 1. Figures in parentheses in the "Ending balance on March 31, 2024" 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
5,015	5	—	—	—

Borrowings

	In millions of yen		Average interest rate	Repayment date
	Beginning balance on April 1, 2023	Ending balance on March 31, 2024		
Short-term borrowings	10,050	1,050	0.16%	—
Current portion of long-term borrowings (due within 1 year)	10,276	12,040	0.39	—
Current portion of lease obligations (due within 1 year)	239	489	1.57	—
Long-term borrowings (except current portion)	85,462	98,563	0.39	From 2025 to 2043
Lease obligations (except current portion)	273	2,387	1.57	From 2026 to 2028
Total	106,300	114,531	—	—

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	17,885	10,240	7,097	6,230
Lease obligations	453	356	1,577	—

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, 2024, 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, 2024:

(In millions of yen)

(Cumulative period)	First quarter ended June 30, 2023	Second quarter ended September 30, 2023	Third quarter ended December 31, 2023	Year ended March 31, 2024
Net sales	51,842	96,105	156,278	208,298
Profit before income taxes	2,215	4,985	7,578	9,772
Profit attributable to owners of parent	1,385	3,263	5,081	5,839
Net income per share (in yen)	14.33	33.75	52.55	60.39

(In yen)

(Accounting period)	First quarter ended June 30, 2023	Second quarter ended September 30, 2023	Third quarter ended December 31, 2023	Fourth quarter ended March 31, 2024
Basic earnings per share	14.33	19.43	18.79	7.84

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

None in particular to be remarked.

Corporate Data and Investor Information (As of March 31, 2024)

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
3,825

Directors and Corporate Auditors
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
55,348

Transfer Agent
Mizuho Trust & Banking Co., Ltd.

ADRs
Traded:
OTC (U.S.A.)

Ratio
1ADRs=1 Ordinary Share

Symbol
BLUNY

CUSIP
07986W102

Depositary
The Bank of New York Mellon
URL: https://www.adrbnymellon.com

Major Shareholders

Names	Percentage of total shares
Friend Stage Asset Management Co., Ltd.	42.8%
The Master Trust Bank of Japan, Ltd.	5.3%
Custody Bank of Japan, Ltd. Trust Account	3.9%
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	1.7%
Belluna Employee Stock Ownership Association	1.1%
DFA INTL SMALL CAP VALUE PORTFOLIO	0.8%

* In addition to the above, Belluna retains 545,429 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/