BELLUNA

Annual Report 2020

For the year ended March 31, 2020

Belluna Co., Ltd.

Code:9997

Profile

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

As a major player in Japan's mail order industry, Belluna possesses superior management resources that include a database of over 19 million customers in Japan cultivated in the General Mail Order business as well as related expertise and infrastructure. By utilizing these strengths to achieve a higher rate of growth and profitability, we are pursuing stable growth in the General Mail Order business, which includes online mail order sales, expansion of the Specialty Mail Order business, expansion and profit improvement in the Retail Store Sales business, and strengthening of the Property business toward a mature portfolio.

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

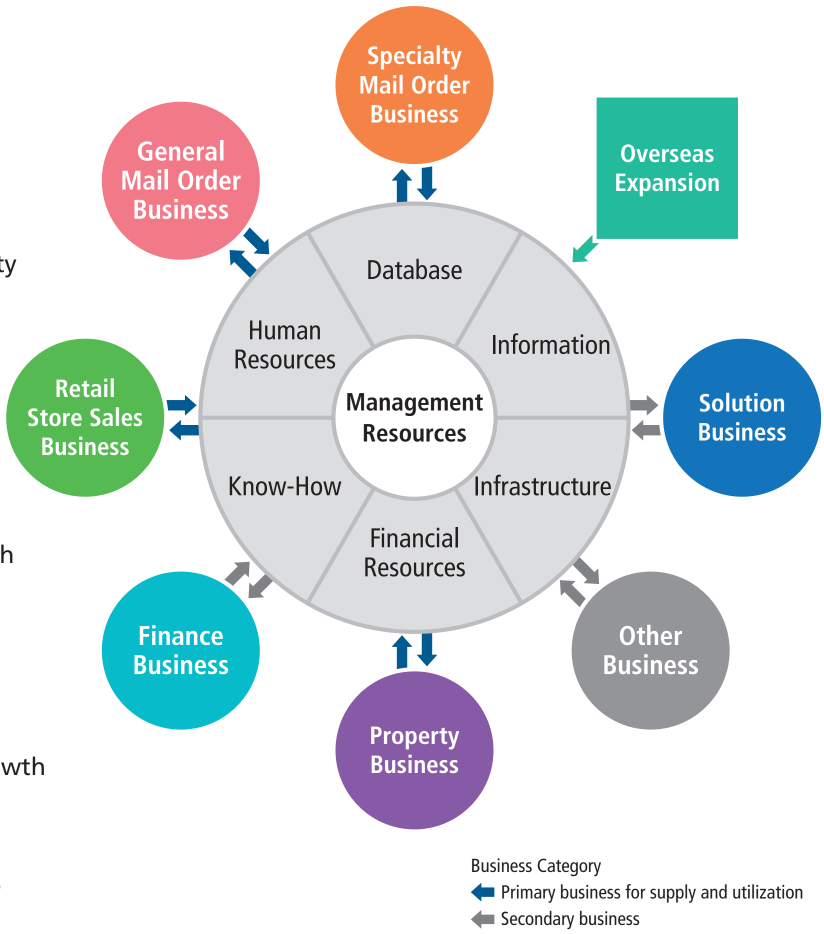
Looking ahead, based on our desire to "help improve the lifestyles and well-being of our customers," we will operate businesses that fulfill people's needs for food, clothing, lifestyle, and recreation.

Business Model

1. Building a stable earnings platform in our database-related businesses, which include specialty mail order and commission-type businesses, by leveraging the customer database cultivated in our General Mail Order Business.

2. Generating extra profit through our crop of new businesses, which include wholesale operations and Retail Store Sales Business operations.

3. Nurturing the buds of future growth by identifying and surmounting strategic challenges, including expansion into overseas markets.

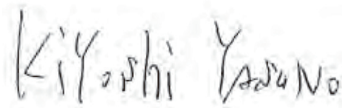


Contents

Forward-Looking Statements

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

We succeeded in growing sales in five segments, such as the Specialty Mail Order business, despite a persistently uncertain future outlook. We will continue to work steadily to strengthen our four main businesses under the 4th Business Plan.



Kiyoshi Yasuno
President and CEO

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

Although the Japanese economy continued in a moderate recovery trend, led by domestic demand, the future outlook became increasingly uncertain, as the global spread of COVID-19 led to a decrease in inbound demand and a slowdown in economic activity, in addition to trade friction between the United States and China, and rising geopolitical risks such as the situation in the Middle East.

Personal consumption within Japan has been dampened by stay-at-home requests due to the spread of COVID-19, in addition to the deterioration in consumer mindset resulting from the consumption tax hike and the impact of natural disasters, and it is expected to take some time for consumer demand to recover.

Although the mail order industry is continuing to experience market expansion due to e-commerce, it is suffering the impact of the present spread of COVID-19, in addition to irregular weather patterns and frequent natural disasters, which are affecting each product category differently.

Consolidated net sales in the fiscal year under review increased 1.3% year on year to ¥179,948 million. Operating income decreased 14.1% year on year to ¥10,311 million however, mainly as a result of limiting the number of catalogues, etc. issued, due to soaring paper costs, as well as the impact of including the results of Sagami Group Holdings Co., Ltd., which was acquired during the previous fiscal year, for the first quarter when expenses are incurred in advance, in the fiscal year under review. Losses were recorded from movements in foreign currency exchange rates, and ordinary income decreased 32.3% year on year to ¥10,365 million, while profit attributable to owners of parent decreased 43.3% year on year to ¥5,862 million.

Regarding Belluna's financial position, liabilities rose ¥7,349 million compared to the figure at March 31, 2019, to ¥120,602 million. This was mainly due to an increase of ¥10,435 million in long-term borrowings. Total assets, however, increased ¥9,341 million to ¥223,128 million. As a result, net assets increased ¥1,992 million to ¥102,525 million, and the shareholders' equity ratio stood at 45.7%.

Q.2 Can you tell us about the progress on the 4th Business Plan?

At the Belluna Group, we are currently engaged in our 4th Business Plan, spanning the period from the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2022. Under this plan, we aim to expand and strengthen our four main businesses, focusing on stable growth in the General Mail Order business, expanding the Specialty Mail Order business, expanding the Retail Store Sales business and improving its profitability, and strengthening the Property business.

During the fiscal year ended March 31, 2020, the Specialty Mail Order business achieved robust new customer acquisition and existing customer repeat rates, especially in the cosmetics business and wine business, and segment net sales increased 4.0% year on year to ¥49,774 million, and segment (operating) income increased 19.8% year on year to ¥3,906 million. Segment net sales in the Property business also increased, up 7.7% year on year to ¥8,690 million, with the contribution from hotels that began operation during the previous fiscal year, and segment (operating) income surged 168.7% to ¥658 million.

The Solution business recorded a strong performance from both direct-marketing outsourcing services, and enclosing and mailing services. Segment net sales increased 33.1% year on year to ¥8,330 million, and segment (operating) income increased 16.7% year on year to ¥2,652 million. In the Finance business, segment net sales increased 14.8% year on year to ¥4,396 million with a higher balance of trade loans in the domestic consumer finance business. Segment (operating) income also increased 6.5% to ¥1,874 million.

Segment net sales in the General Mail Order business decreased 5.4% year on year to ¥73,378 million however, and segment (operating) income decreased 55.1% to ¥1,713 million, mainly due to the impact of an increase in the price of paper used for catalogues. In the Retail Store Sales business, segment net sales increased 8.0% year on year to ¥30,402 million, but segment (operating) income dropped 68.9% to ¥310 million, mainly due to the inclusion of the results of Sagami Group Holdings Co., Ltd.

Other business recorded a 14.0% year-on-year decrease in segment net sales to ¥5,943 million, and segment (operating) loss of ¥392 million (segment (operating) income of ¥237 million in the previous fiscal year), mainly due to the impact on Maimu Co., Ltd., which is engaged in clothing rental, of an increase in cancellations associated with the wide-spread suspension of graduation ceremonies, as a result of the spread of COVID-19.

Q.3 What can you tell us about Belluna's initiatives and outlook for operating performance in fiscal 2021?

Harsh conditions are expected to persist in the Japanese economy, with increasing uncertainty regarding the future outlook as a result of the spread of COVID-19. At the Belluna Group, we will continue to work steadily to strengthen our four main businesses, in accordance with our management policy, aiming to further promote profitability and growth.

For the fiscal year ending March 31, 2021, we expect to achieve net sales of ¥175.0 billion, operating income of ¥7.0 billion, ordinary income of ¥7.8 billion and profit attributable to owners of parent of ¥5.2 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.

March 31, 2021 Budgets

Initiatives for the COVID-19 Crisis

The outlook for the business environment in which Belluna operates is anticipated to remain uncertain, due to the impact of the spread of COVID-19. We have incorporated the impact of COVID-19 into budgets for the fiscal year ending March 31, 2021, particularly in the first half of the fiscal year.

Specifically, for the first half of the fiscal year ending March 31, 2021, we anticipate net sales of ¥77.9 billion (down 9.7% year on year), and operating loss of ¥0.6 billion (down ¥4.46 billion compared to the amount of operating income in the same period of the previous fiscal year).

Results Forecast for the Fiscal Year Ending March 31, 2021

(billions of yen)

	Fiscal year ended March 31, 2020 (Actual)	Fiscal year ending March 31, 2021 (Forecast)	Increase (decrease)
Net sales	179.95	175.00	(2.8)%
Operating income	10.31	7.00	(32.1)%
Ordinary income	10.37	7.80	(24.8)%
Net income	5.86	5.20	(11.3)%

The General Mail Order business, Retail Store Sales business, and Property business will be particularly affected, and we expect net sales from these three segments to fall by ¥10.65 billion. On the other hand, the results in some segments will be unaffected, or may even be boosted by the crisis, due to factors such as nest-dweller demand. Net sales and income in the Specialty Mail Order business and Finance business in particular are anticipated to increase.

First Half Budgets for the Fiscal Year Ending March 31, 2021 for the Businesses Most Affected

General Mail Order Business

(billions of yen)

	Fiscal year ended March 31, 2020 (Actual)	Fiscal year ending March 31, 2021 (Forecast)	Increase (decrease)
Net sales	36.02	32.90	(8.7)%
Operating income	0.83	(1.04)	(18.8)%

Retail Store Sales Business

(billions of yen)

	Fiscal year ended March 31, 2020 (Actual)	Fiscal year ending March 31, 2021 (Forecast)	Increase (decrease)
Net sales	15.67	9.81	(37.40)%
Operating income	0.34	(2.49)	(28.3)%

Property Business

(billions of yen)

	Fiscal year ended March 31, 2020 (Actual)	Fiscal year ending March 31, 2021 (Forecast)	Increase (decrease)
Netsales	4.45	2.78	(37.60)%
Operating income	0.30	(0.35)	(6.5)%

Review of Business Operations

General Mail Order Business 40.8%

Specialty Mail Order Business 27.7%

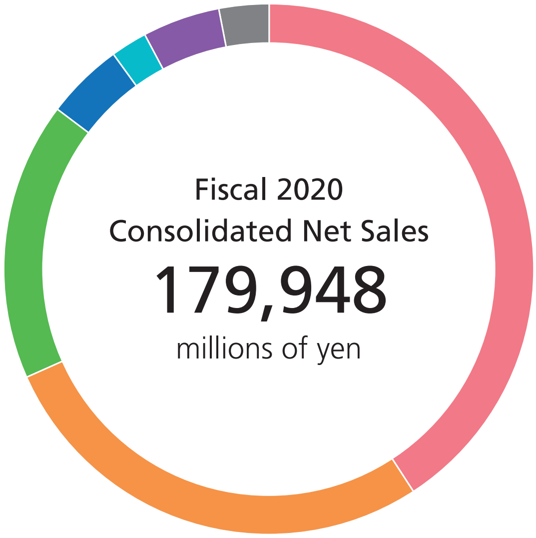
Retail Store Sales Business 16.9%

Solution Business 4.6%

Finance Business 2.4%

Property Business 4.8%

Other Business 2.8%



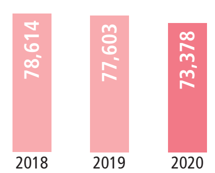
General Mail Order Business

Business Outline

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

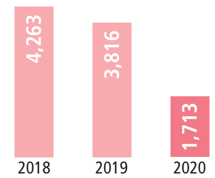
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Overview

In the General Mail Order business, segment net sales decreased 5.4% compared with the previous fiscal year to ¥73,378 million and segment (operating) income decreased 55.1% to¥1,713 million, mainly as a result of limiting the number of catalogues, etc. issued, due to soaring paper costs.

Outlook

In fiscal 2021, we aim to achieve segment net sales of ¥69,979 million (down 4.6% year on year) and segment (operating) loss of ¥115 million (down 106.7%). Although the business in fiscal 2021 is expected to be affected by the spread of COVID-19, we will lay the groundwork for sustainable growth by "strengthening Internet sales," as well as improving performance in the "Men's" and "Inner Garment" categories through the provision of products for various generations, and strengthening new customer acquisition.

1

2

3

4

1 *BELLUNA* is a general fashion catalog aimed at middle-aged women.

2 *LE FRANT* is a general fashion and sundry goods catalog aimed at middle-aged women.

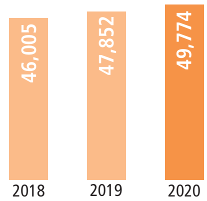
3 *Ranan* is a fashion catalog for women in their 40s.

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

Specialty Mail Order Business

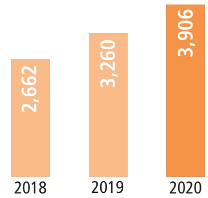
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Business Outline

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

Overview

The Specialty Mail Order business recorded a 4.0% year-on-year increase in segment net sales to¥49,774 million due to favorable sales mainly in the cosmetics business and wine business. Segment (operating) income increased 19.8% to¥3,906 million.

Outlook

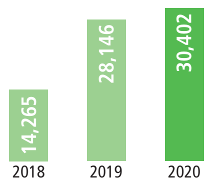
The Specialty Mail Order business plays an important role as an income-generating pillar of Belluna's business portfolio.
Segment net sales for fiscal 2021 are forecast to increase 6.7% year on year to ¥53,115 million, and segment (operating) income is forecast to rise 15.1% to ¥4,496 million.
We will achieve both our growth potential and profitability by refining our merchandise development capabilities and growing our share of the EC business in overall operations.
In the cosmetics business in particular, we are continuing to achieve increases in net sales and income in Taiwan, and we will proceed with expansion into other Asian countries.

1 ***Egao no Haregohan*** is a gourmet catalog. 2 ***My Wine CLUB*** is a wine catalog. 3 ***OZIO*** is a cosmetics catalog.
4 ***Refre*** is a health food catalog. 5 ***Nursery*** is a catalog for nursing-related clothing. 6 ***Infirmiere*** is a catalog for nursing-related clothing.

Retail Store Sales Business

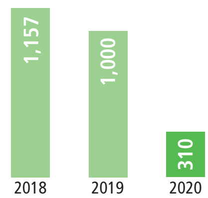
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Business Outline

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

Overview

In the Retail Store Sales business, segment net sales increased 8.0% compared with the previous fiscal year to ¥30,402 million, while segment (operating) income decreased 68.9% to ¥310 million mainly due to the impact of including the results of Sagami Group Holdings Co., Ltd., which was acquired during the previous fiscal year, for the first quarter when expenses are incurred in advance in the fiscal year under review.

Outlook

Segment net sales for fiscal 2021 are forecast to decrease 15.4% year on year to ¥25,723 million, and segment (operating) income is forecast to decline 733.4% to a loss of ¥1,969 million. Going forward, the business is expected to be affected by the spread of COVID-19. We will operate stores in accordance with the response policy adopted by the government and developers, with a focus on cost reduction.
In the medium term, BANKAN Wamonoya Co., Ltd. and Sagami Group Holdings Co., Ltd. will both derive synergy effects in the Japanese traditional clothing retail store business, and will aim to become No. 1 companies in the industry. In the apparel retail store business, we will work for steady growth, in pursuit of an operating income ratio of 10% or more in our existing retail stores.

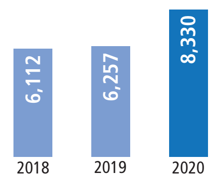
Solution Business

Business Outline

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

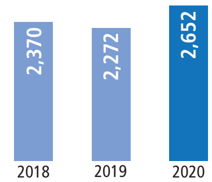
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Overview

The Solution business recorded a strong performance from both direct-marketing outsourcing services, and enclosing and mailing services. Segment net sales increased 33.1% compared with the previous fiscal year to ¥ 8,330 million, and segment (operating) income increased 16.7% to ¥ 2,652 million.

Outlook

Segment net sales for fiscal 2021 are forecast to increase 10.0% year on year to ¥9,163 million, and segment (operating) income is forecast to decrease 2.4% to ¥2,587 million. We will continue to pursue business scale expansion while securing profitability through cost control measures.

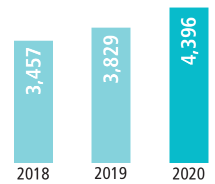
Finance Business

Business Outline

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

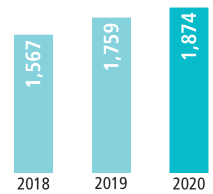
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Overview

The Finance business recorded a 14.8% year-on-year increase in segment net sales to ¥4,396 million, with a higher balance of trade loans in the domestic consumer finance business. Segment (operating) income also increased 6.5% to ¥1,874 million.

Outlook

We aim to continue expanding the balance of trade loans in fiscal 2021 with a focus on domestic consumer financing services, and forecast a 3.8% year on year rise in segment net sales to ¥4,562 million and a 19.4% rise in segment (operating) income to ¥2,237 million.

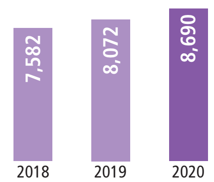
Property Business

Business Outline

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

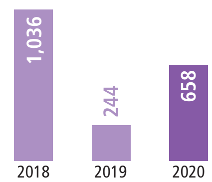
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Overview

The Property business recorded a 7.7% year-on-year increase in segment net sales to ¥8,690 million, with the contribution from hotels that began operation during the previous fiscal year, and segment (operating) income soared 168.7% to ¥658 million.

Outlook

In fiscal 2021 we will realize increased sales from the development business and the hotel business while earning stable rental income from the domestic leasing business. We will focus on profitability in our business operations, and engage in cost reductions. We plan a 12.3% year on year rise in segment net sales to ¥9,474 million and a 61.0% decrease in segment (operating) income to ¥266 million.

Corporate Governance

The Company transitioned into a board with audit committee structure in June 2015 in order to strengthen its auditing and supervising function for legal compliance and appropriateness of management and operation. Establishing multiple outside directors without engaging in management and operation enables the Company to separate supervision from management and operation, and thereby further reinforce the corporate governance. Through these measures, the Company achieves highly transparent management.

Governance System

Board of Directors

As of June 2020, the Board of Directors consisted of eleven directors, makes decisions on management objectives and management strategy, etc., and supervises the management and operation of directors. The Board of Directors actively requests members of the Audit & Supervisory Committee to express opinions about resolutions on matters set forth in laws and regulations and the Articles of Incorporation, the status of management and operation, and other important managerial matters. In this manner, the Board of Directors releases reports and deliberates and adopts resolutions while securing fair and objective decisions.

Audit & Supervisory Committee

The Audit & Supervisory Committee consists of three members (including two outside directors) and audits the status of corporate governance, management and operation, and the daily activities of management, including directors. Two of the outside directors are independent directors as stipulated by the Tokyo Stock Exchange. The Company aims to ensure a highly transparent management auditing system by utilizing the abundant experience and balanced viewpoints of outside directors. Moreover, it has been determined that the objective and neutral monitoring provided by the outside directors is sufficient to maintain system effectiveness in the area of management supervision functions.

Executive Officer System

The Company introduced an executive office system in April 2011 to clarify responsibility for executing operations and increase management efficiency. With the introduction of this system, the Company aims to achieve agile decision making and train the next crop of senior managers.

Compliance

In addition to the governance system, which focuses on management decision making, execution and supervision, the Company works to reinforce the maintenance and operation of the governance and risk management structures, including compliance, taking into account the increasing importance of compliance-related risk management in recent years.

Compliance Committee

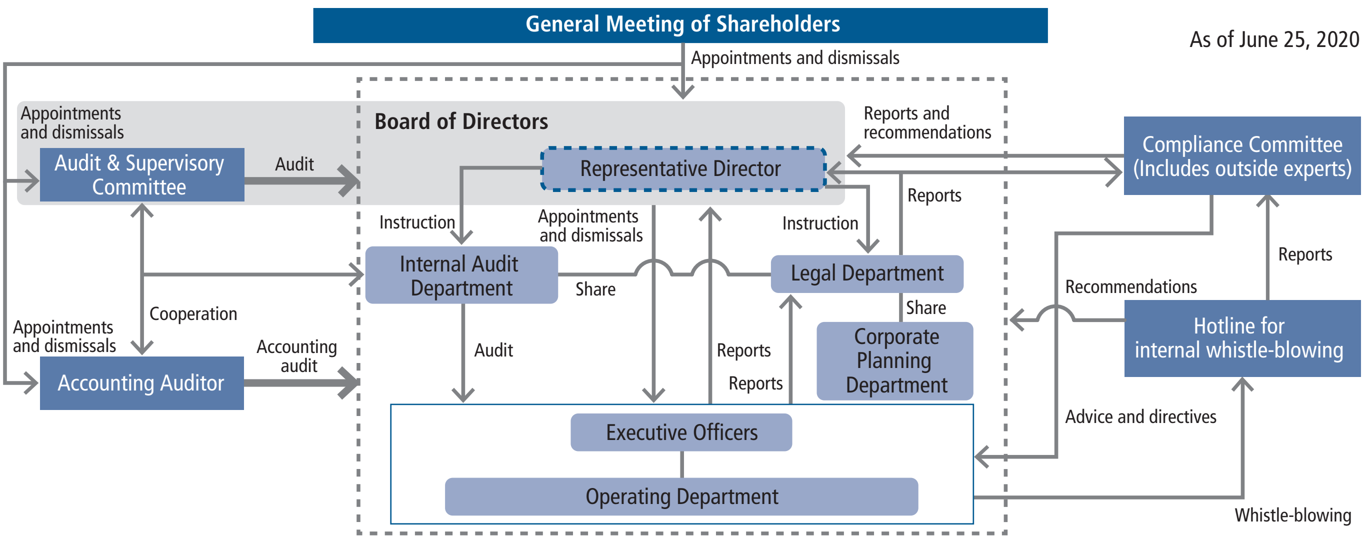
To reinforce its compliance structure, in September 2008 the Company established the Compliance Committee, which is chaired by the manager of corporate planning department and features the participation of outside experts. The Compliance Committee provides advice to the Board of Directors and the Representative Director and possesses the authority to order improvements or suspensions of operations at operating divisions.

Compliance Promotion Structure

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

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

Corporate Governance System



Financial Section

Six-Year Financial Summary

Belluna Co., Ltd. and Consolidated Subsidiaries

	Millions of yen [1]						Thousands of U.S. dollars [2]
Years ended March 31	2015	2016	2017	2018	2019	2020	2020
For the year:							
Net sales	120,689	131,742	146,083	161,673	177,648	**179,948**	**1,655,455**
Cost of sales	53,543	59,241	64,306	71,774	76,275	**74,908**	**689,126**
Gross profit—net	67,158	72,500	81,762	89,897	101,364	**105,062**	**966,532**
Selling, general and administrative expenses	60,782	64,134	70,880	76,889	89,359	**94,751**	**871,674**
Operating income	6,376	8,366	10,882	13,008	12,005	**10,311**	**94,857**
Income before income taxes and minority interests	9,612	6,026	9,773	13,734	15,468	**9,557**	**87,921**
Net income	6,394	3,544	5,802	9,665	10,343	**5,862**	**53,928**
Capital investment	20,171	7,366	8,635	15,704	7,511	**10,360**	**95,308**
Depreciation	2,506	2,481	2,655	2,495	2,765	**3,151**	**28,988**
At year-end:							
Current assets	69,855	74,189	84,792	89,989	99,244	**103,683**	**953,845**
Property, plant and equipment	55,804	59,459	64,258	75,549	83,204	**88,651**	**815,557**
Total assets	152,224	161,055	179,024	195,946	213,786	**223,128**	**2,052,695**
Current liabilities	36,516	37,428	40,352	42,331	53,463	**50,135**	**461,224**
Long-term liabilities	36,197	42,981	50,898	60,556	59,790	**70,467**	**648,270**
Total liabilities	72,713	80,409	91,251	102,888	113,253	**120,602**	**1,109,494**
Net assets	79,510	80,646	87,773	93,058	100,533	**102,525**	**943,192**
Number of shares issued (thousands)	113,184	113,184	97,236	97,236	97,244	**97,244**	
Number of employees	1,430	1,377	1,708	1,742	3,134	**3,297**	
	Yen						U.S. dollars [2]
Per share data:							
Net income per share	65.77	36.45	59.68	99.41	106.39	**60.62**	**0.56**
Shareholders' equity per share [3]	814.97	824.56	872.86	949.70	1,028.56	**1,054.14**	**9.70**
Cash dividends per share	12.5	12.5	12.5	12.5	15.0	**16.0**	**0.15**
	Percentage (%)						
Financial ratios:							
Operating income margin	5.3	6.4	7.4	8.0	6.8	**5.7**	
Net income margin	5.3	2.7	4.0	6.0	5.8	**3.3**	
Return on equity (ROE) [4]	8.4	4.4	7.0	10.9	10.8	**5.8**	
Return on assets (ROA) [5]	5.3	5.8	6.8	7.3	6.1	**4.9**	
Shareholders' equity ratio [4]	52.1	49.8	47.4	47.1	46.7	**45.7**	

Notes: 1. Amounts less than one million yen have been omitted. As a result, the total amounts in Japanese yen shown in the consolidated financial statements and notes to the consolidated financial statements do not necessarily agree with the sums of the individual amounts.
2. The U.S. dollar amounts have been translated from yen, for the convenience of the reader, at the rate of ¥108.70=US$1.00, the approximate rate on the Tokyo foreign exchange market on March 31, 2020.
3. 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.
4. In the calculation of ROE and the Shareholders' equity ratio, the amount of net assets less minority interests is used as shareholders' equity.
5. 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 2020, although the Japanese economy continued in a moderate recovery trend, led by domestic demand, the future outlook became increasingly uncertain, as the global spread of COVID-19 led to a decrease in inbound demand and a slowdown in economic activity, in addition to trade friction between the United States and China, and rising geopolitical risks such as the situation in the Middle-East. Personal consumption within Japan has been dampened by stay-at-home requests due to the spread of COVID-19, in addition to the deterioration in consumer mindset resulting from the consumption tax hike and the impact of a series of natural disasters, and it is expected to take some time for consumer demand to recover. Although the mail order industry is continuing to experience market expansion due to e-commerce (EC), it is suffering the impact of the present spread of COVID-19, in addition to irregular weather patterns and frequent natural disasters, which are affecting each product category differently.

Under these conditions, the Belluna Group continued its measures to strengthen its four pillars of business (the general mail order business, the specialty mail order business, the retail store sales business, and the property business).

As a result, consolidated net sales for fiscal 2020 increased 1.3% year on year to ¥179,948 million. Operating income decreased 14.1% year on year to ¥10,311 million however, mainly as a result of increasing paper prices for catalogues, as well as the impact of including the results of Sagami Group Holdings Co., Ltd., which was acquired during the previous fiscal year, for the first quarter when expenses are incurred in advance in the fiscal year under review. Losses were recorded from movements in foreign currency exchange rates, where gains were recorded in the previous fiscal year, and ordinary income decreased 32.3% year on year to ¥10,365 million, while profit attributable to owners of parent decreased 43.3% year on year to ¥5,862 million.

Net Sales and Earnings per Segment

In the General Mail Order business, segment net sales decreased 5.4% compared with the previous fiscal year to ¥73,378 million and segment (operating) income decreased 55.1% to¥1,713 million, mainly as a result of limiting the number of catalogues, etc. issued, due to soaring paper costs.

The Specialty Mail Order business recorded a 4.0% year-on-year increase in segment net sales to¥49,774 million due to favorable sales mainly in the cosmetics business and wine business. Segment (operating) income increased 19.8% to¥3,906 million.

In the Retail Store Sales business, segment net sales increased 8.0% compared with the previous fiscal year to ¥30,402 million, while segment (operating) income decreased 68.9% to ¥310 million mainly due to the impact of including the results of Sagami Group Holdings Co., Ltd., which was acquired during the previous fiscal year, for the first quarter when expenses are incurred in advance in the fiscal year under review.

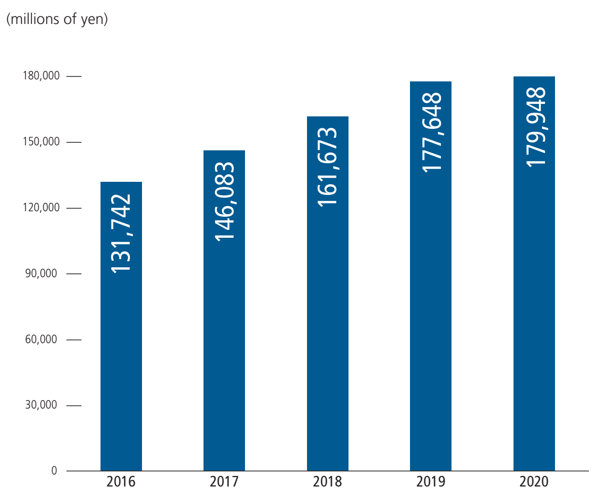
The Solution business recorded a strong performance from both direct-marketing outsourcing services, and enclosing and mailing services. Segment net sales increased 33.1% compared with the previous fiscal year to ¥ 8,330 million, and segment (operating) income increased 16.7% to ¥ 2,652 million.

The Finance business recorded a 14.8% year-on-year increase in segment net sales to ¥4,396 million, with a higher balance of trade loans in the domestic consumer finance business. Segment (operating) income also increased 6.5% to ¥1,874 million.

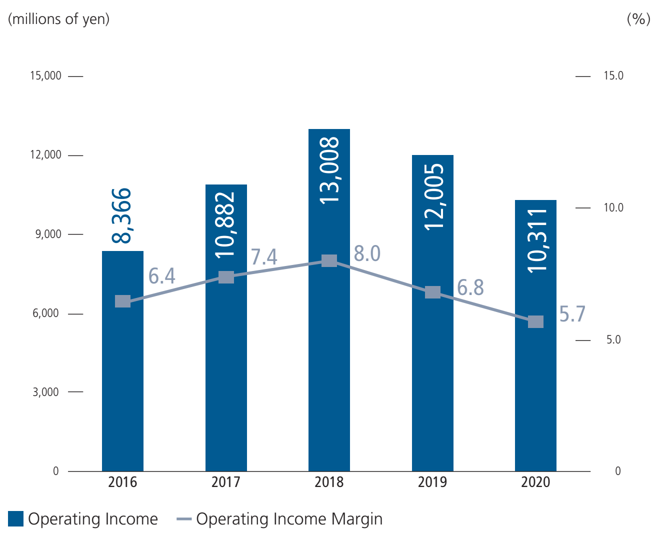
The Property business recorded a 7.7% year-on-year increase in segment net sales to ¥8,690 million, with the contribution from hotels that began operation during the previous fiscal year, and segment (operating) income soared 168.7% to ¥658 million.

Other business recorded a 14.0% year-on-year decrease in segment net sales to ¥5,943 million, and segment (operating) loss of ¥392 million (segment (operating) income of ¥237 million in the previous fiscal year), mainly due to the impact on Maimu Co., Ltd., which is engaged in clothing rental, of an increase in cancellations associated with the wide-spread suspension of graduation ceremonies, as a result of the spread of COVID-19.

Net Sales



Operating Income and Operating Income Margin



Financial Condition

Total assets as of March 31, 2020 stood at ¥223,128 million, an increase of ¥9,341 million from the previous fiscal year-end. In particular, current assets rose ¥4,438 million to ¥103,683 million, primarily reflecting increases of¥3,532 million in trade loans, and¥1,928 million in real estate for sale in process. As of the end of the fiscal year, fixed assets stood at ¥119,445 million, an increase of ¥4,903 million. This was mainly due to increases of ¥7,244 million in machinery and equipment, which outweighed decreases of¥2,698 million in construction in progress and¥1,333 million in investment securities.

Total liabilities increased by ¥7,349 million compared with the previous fiscal year-end to ¥120,602 million. Specifically, current liabilities decreased by ¥3,327 million year on year to ¥50,135 million, primarily because of a ¥2,321 million decrease in short-term borrowings, and a¥2,503 million decrease in income taxes payable, which outweighed a¥1,132 million increase in trade notes and accounts payable. Long-term liabilities increased by ¥10,677 million to ¥70,467 million year on year, mainly due to a¥10,435 million increase in long-term borrowings.

Net assets as of March 31, 2020 totaled ¥102,525 million, a ¥1,992 million rise compared with the previous fiscal year-end. As a result, the shareholders' equity ratio was 45.7%.

Cash Flows

Net cash provided by operating activities during the fiscal year under review was ¥6,624 million (¥8,558 million provided in the previous fiscal year). The main factors leading to the increase were¥9,557 million of profit before income taxes,¥3,151 million of depreciation, and¥1,110 million in other, while the main factors leading to the decrease were a¥3,523 million increase in trade loans, a¥2,238 million increase in real estate for sale, and¥6,254 million of income taxes paid.

Net cash used in investing activities during the fiscal year under review was ¥11,108 million (¥12,724 million used in the previous fiscal year). The main factors leading to the increase were¥1,500 million of proceeds from withdrawal of time deposits and¥2,531 million of proceeds from sales of investment securities, while the main factors leading to the decrease were¥1,332 million of payments into time deposits,¥9,438 million of payments for the acquisition of property, plant and equipment,¥2,978 million of payments for the acquisition of investment securities, and¥1,220 million of payments for the purchase of shares of subsidiaries.

Net cash provided by financing activities during the fiscal year under review was ¥5,712 million (¥3,577 million provided in the previous fiscal year). The main factors leading to the increase were a¥1,180 million increase in short-term borrowings and¥24,564 million of proceeds from long-term borrowings, while the main factors leading to the decrease were¥17,734 million of repayments of long-term borrowings and¥1,501 million of dividends paid.

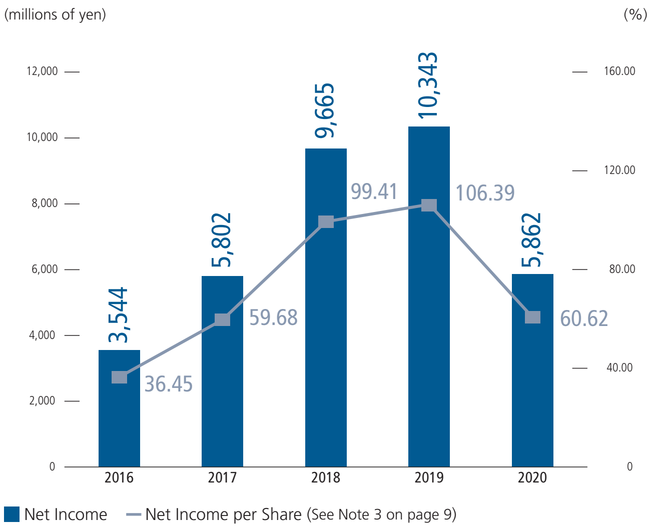
Forecasts for Fiscal 2021

Harsh conditions are expected to persist in the Japanese economy, with increasing uncertainty regarding the future outlook due to concerns over a prolonged slowdown in economic activities as a result of the spread of COVID-19.

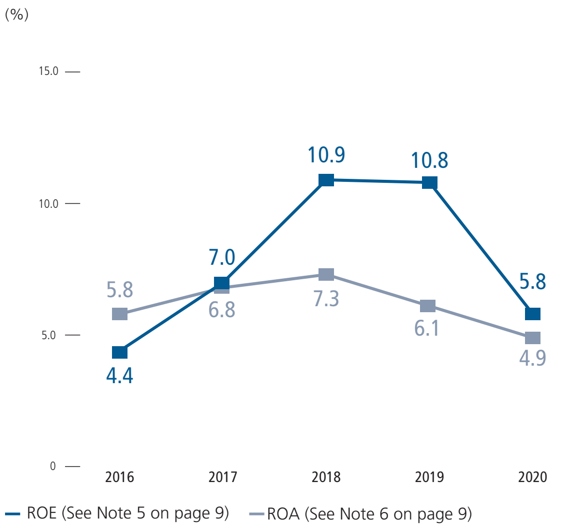
Against this backdrop, at the Belluna Group, we will continue to work steadily to strengthen our four main businesses, in accordance with our management policy, aiming to further promote profitability and growth.

Regarding the forecast for fiscal 2021, we anticipate net sales of ¥175,000 million, operating income of ¥7,000 million, ordinary income of ¥7,800 million, and profit attributable to owners of parent of ¥5,200 million. Current forecasts involve potential risks and uncertainties, and while they incorporate the amount of financial impact predictable as of this document's release as well as current conditions of the Group's operations, actual results may differ from these forecasts. Any changes to our forecasts will be promptly announced going forward.

Net Income and Net Income per Share



ROE and ROA



Business Risks

1. Statutory Regulations and Litigation

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

2. Product Safety

Having established its own quality control standards, the Belluna Group works to increase the quality of the products it offers. However, in the event that future safety-related problems occur with regard to products it sells, the Group's operating performance and financial situation may be adversely affected due to damage caused to its reputation and the costs incurred in addressing such issues. Furthermore, in the event that a serious accident connected to products handled by the Group occurs, its operating performance and financial situation could be negatively impacted given the possible costs that would be incurred for correcting any mishap associated with those products.
In addition to strengthening compliance with relevant laws and regulations, the Belluna Group has established proprietary quality standards, and is engaged in enhancing product quality.

3. Climate and Seasonal Risks

Although the Belluna Group formulates sales plans based on seasonal product trends, inclement weather, including cool summers, warm winters and extended periods of heavy rain, may place downward pressure on sales activities and cause additional problems such as excess inventories. As a result, the Group's operating performance and financial situation may be negatively affected.

4. Natural Disaster Risks

In the event of a natural disaster, order processing, product delivery and purchasing, credit control and other operations may be significantly impacted. In order to minimize such impact, the Group has increased the earthquake resistance of its information systems as well as dispersed its fulfillment service centers, including call and distribution centers. However, Belluna's operations may be disrupted, wholly or in part, or may be impacted by a major disaster in the event that social infrastructure is significantly damaged, there is an outbreak of disease or the Group's facilities are damaged. As a result, the Group's operating performance and financial situation may be adversely affected.

5. Risks from Changes in the Political and Economic Situation of Producing Countries

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

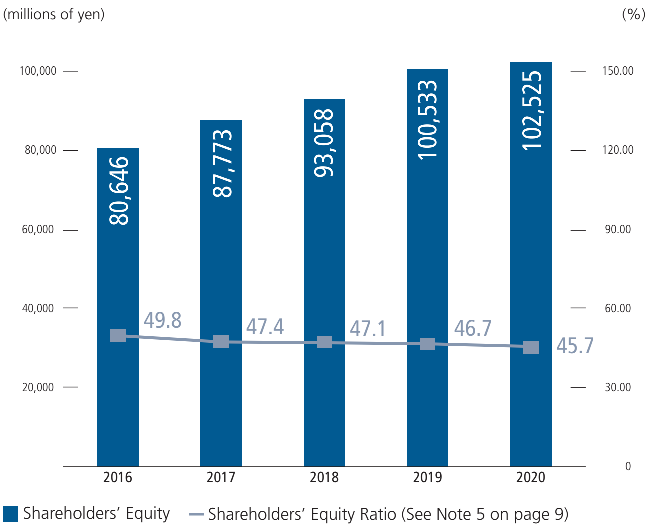
6. Risk from Fluctuations in Raw Material and Other Markets

In the event that the market prices of such raw materials as pulp (which is used to produce catalogs and other items) exceeds Group expectations or there is an increase in the cost of consigned dispatch services by carriers, mainly reflecting an increase in crude oil prices, the Group's operating performance and financial situation may be adversely affected.
The Belluna Group endeavors to control purchasing price fluctuations, through measures such as securing multiple suppliers.

7. Overseas Business Development Risks

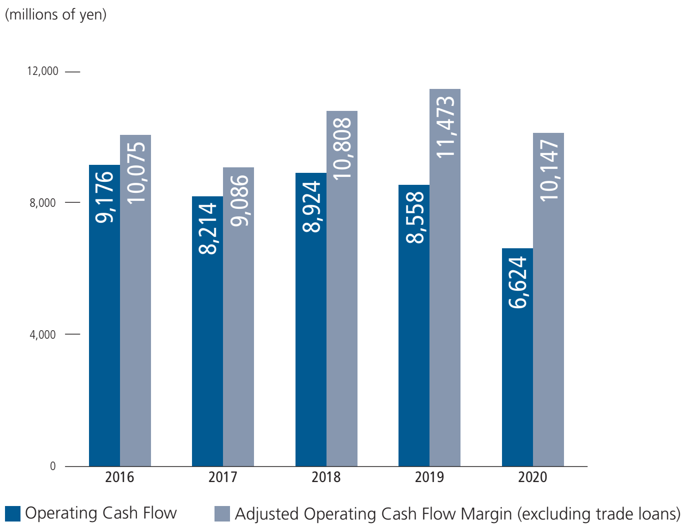
The Group has developed the property business in various countries overseas. When developing business overseas, factors such as changing political and economic circumstances, the

Shareholders' Equity* and Shareholders' Equity Ratio



* Net assets less minority interests

Operating Cash Flow and Adjusted Operating Cash Flow Margin



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

8. Foreign Exchange Risks
In the natural course of its business activities, the Belluna Group imports certain products for which payment is denominated in foreign currencies. In an effort to minimize the risk from foreign exchange rate fluctuations, the Group enters into forward foreign exchange rate contracts. Despite these initiatives, a substantial movement in foreign exchange rates could affect the Group's operating performance and financial situation.

9. Personal Information Leakage Risks
As the Belluna Group handles customers' personal information, the Group makes every effort to adhere strictly to the Act on the Protection of Personal Information while strengthening the control systems within Group companies and contractors we outsource to in order to prevent the unauthorized outflow of information. If, however, any such information should be leaked, the Group may incur significant damage to its reputation and deterioration in its operating performance and financial situation.
In addition to maintaining systems that establish appropriate protection measures for personal information, in accordance with the provisions of the Act on the Protection of Personal Information, the Belluna Group has obtained PrivacyMark certification, and engages in appropriate information handling.

10. System Risk
Nearly all of the Belluna Group's business operations are computerized and the Group is taking steps to augment security and strengthen IT infrastructure by implementing a variety of measures. However, despite the use of every conceivable state-of-the-art measure available at the time, the possibility exists that Belluna will incur a loss caused by system disruptions and malfunctions related to unauthorized access and the infiltration of computer viruses from outside the Group. Should an extended computer malfunction arise, Belluna could incur significant costs up to the time of full recovery, placing downward pressure on the Group's operating performance and financial situation.
In addition to working regularly to maintain the stable operation of systems, the Belluna Group has also implemented measures such as ensuring backups of important systems.

11. Real Estate Market Trend Risks
The Property business is susceptible to the influence of such economic conditions as economic trends, land price fluctuations and changes in the overall financial environment. Such factors could have an impact on the Belluna Group's operating performance and financial condition.
The Belluna Group manages performance for each property on a monthly basis. The Group has implemented systems to ensure swift response and improvement should a significant downturn in results occur.

12. Risk from Fluctuations in Marketable Security Prices
The Belluna Group possesses marketable securities. In the case of a major drop in market prices of these securities, losses related to marketable securities held and valuation losses may be incurred. As a result, the Group's operating performance and financial situation may be adversely affected.

13. Financial Risks
The Belluna Group has concluded commitment contracts and other agreements containing financial covenants that require it to ensure that the level of net assets stated on its year-end consolidated balance sheets remains at least at 75% when compared with the sum total of net assets recorded at the end of the previous fiscal year. Any infringement of such financial covenants may result in the issuance of a claim to repay the borrowed funds in advance. In the event that such a breach occurs, the ensuing loss of term profits could potentially impact the operating performance and financial situation of the Belluna Group. In event that Belluna's credit rating is lowered, fund procurement costs will increase, while the ability to obtain funds in both public and private bonds markets will decrease. As a result, the Group's operating performance and financial situation may be adversely affected.
The Belluna Group endeavors to ensure a stable financial structure through diversification of its methods of fund procurement, such as the issue of corporate bonds in addition to bank borrowings, as well as efficient funds management within the Group.

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

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

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

17. Risks from the Spread of COVID-19
The following business segments may experience a negative impact from the spread of COVID-19.
1) General Mail Order business (decreased response from existing customers, especially for outside wear)
2) Retail Store Sales business (temporary closures due to government policy or the policy of developers, and a decrease in customers at open stores)
3) Hotel business (temporary closures due to government policy, and a decrease in guests at open hotels)

Consolidated Financial Statements

The following is an English-language translation of the audited consolidated financial statements section of the Yukashoken Hokokusho (annual securities report), originally issued in Japanese, of Belluna Co., Ltd. and its consolidated subsidiaries for the year ended March 31, 2020 (with comparative figures for the previous year).

Consolidated Balance Sheets

		In millions of yen		
		March 31, 2019		**March 31, 2020**
Assets				
Current assets				
Cash and deposits		22,071		**22,788**
Trade notes and accounts receivable		9,739		**9,391**
Trade loans		23,781		**27,314**
Marketable securities		1,197		**486**
Merchandise and finished goods		20,855		**20,910**
Raw materials and supplies		1,464		**1,403**
Real estate for sale	*2	3,418	*2	**3,385**
Real estate for sale in process	*2	6,662	*2	**8,591**
Other current assets		10,597		**10,009**
Allowance for doubtful accounts		(544)		**(598)**
Total current assets		99,244		**103,683**
Fixed assets				
Property, plant and equipment				
Buildings and structures	*2	47,966	*2	**49,569**
Accumulated depreciation	*1	(19,006)	*1	**(20,385)**
Buildings and structures (net)		28,960		**29,183**
Machinery and equipment		2,497		**9,955**
Accumulated depreciation	*1	(1,762)	*1	**(1,976)**
Machinery and equipment (net)		735		**7,979**
Furniture and fixtures		3,444		**4,275**
Accumulated depreciation	*1	(2,217)	*1	**(2,505)**
Furniture and fixtures (net)		1,226		**1,770**
Land	*2	43,646	*2	**43,849**
Leased assets		670		**359**
Accumulated depreciation	*1	(455)	*1	**(213)**
Leased assets (net)		215		**145**
Construction in progress		8,420		**5,722**
Total property, plant and equipment		83,204		**88,651**
Intangible fixed assets				
Goodwill		2,293		**2,689**
Leased assets		596		**576**
Other		8,364		**8,561**
Total intangible fixed assets		11,253		**11,827**
Investments and other assets				
Investment securities	*3	12,428	*3	**11,094**
Long-term lending		1,799		**1,763**
Claims provable in bankruptcy, claims provable in rehabilitation and other		206		**187**
Deferred tax assets		1,585		**1,897**
Other assets		4,689		**4,677**
Allowance for doubtful accounts		(626)		**(653)**
Total investments and other assets		20,084		**18,966**
Total fixed assets		114,542		**119,445**
Total assets		213,786		**223,128**

In millions of yen

		March 31, 2019		March 31, 2020
Liabilities				
Current liabilities				
Trade notes and accounts payable		17,093		**18,225**
Short-term borrowings	*2, *4, *5	14,368	*2, *4, *5	**12,046**
Accrued expenses		10,043		**10,442**
Lease obligations		406		**322**
Income taxes payable		3,652		**1,148**
Provision for bonuses		757		**742**
Provision for sales returns		94		**71**
Provision for point program		492		**480**
Other current liabilities		6,554		**6,655**
Total current liabilities		53,463		**50,135**
Long-term liabilities				
Bonds payable		10,000		**10,000**
Long-term borrowings	*2, *4, *5	45,339	*2, *4, *5	**55,774**
Provision for loss on interest repayment		661		**732**
Lease obligations		425		**407**
Net defined benefit liability		236		**249**
Provision for retirement benefits for directors and audit and supervisory committee members		258		**252**
Asset retirement obligations		914		**1,212**
Provision for repairs		—		**5**
Other long-term liabilities		1,955		**1,833**
Total long-term liabilities		59,790		**70,467**
Total liabilities		113,253		**120,602**
Net assets				
Shareholders' equity				
Common stock		10,612		**10,612**
Capital surplus		10,954		**10,954**
Retained earnings		80,816		**85,177**
Treasury stock		(167)		**(491)**
Total shareholders' equity		102,215		**106,253**
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		672		**147**
Revaluation reserve for land		(7)		**(7)**
Foreign currency translation adjustments		(2,988)		**(4,419)**
Remeasurements of defined benefit plans		(61)		**(83)**
Total accumulated other comprehensive income		(2,385)		**(4,363)**
Non-controlling interests		703		**636**
Total net assets		100,533		**102,525**
Total liabilities and net assets		213,786		**223,128**

Consolidated Statements of Income

In millions of yen

		Year ended March 31, 2019		Year ended March 31, 2020
Net sales		177,648		**179,948**
Cost of sales	*1	76,275	*1	**74,908**
Gross profit		101,372		**105,040**
Reversal of provision for sales returns		81		**94**
Provision for sales returns		88		**71**
Gross profit—net		101,364		**105,062**
Selling, general and administrative expenses	*2	89,359	*2	**94,751**
Operating income		12,005		**10,311**
Non-operating income				
Interest income		140		**117**
Dividend income		298		**274**
Rent income		36		**36**
Extinction of debt		33		**34**
Compensation received		108		**82**
Foreign exchange gains		876		**—**
Subsidy income		48		**10**
Gain on valuation of derivatives		1,355		**—**
Other		821		**501**
Total non-operating income		3,718		**1,058**
Non-operating expenses				
Interest expense		163		**187**
Commission fee		82		**452**
Foreign exchange losses		—		**155**
Loss on valuation of derivatives		—		**67**
Depreciation		93		**19**
Loss on closing of stores		12		**32**
Other		63		**87**
Total non-operating expenses		414		**1,004**
Ordinary income		15,309		**10,365**
Extraordinary gains				
Gain on sales of non-current assets	*3	9	*3	**—**
Gain on sales of investment securities		404		**224**
Settlement received		—		**88**
Total extraordinary gains		414		**312**
Extraordinary losses				
Loss on retirement of fixed assets	*4	121	*4	**67**
Impairment loss	*5	57	*5	**60**
Loss on valuation of investment securities		76		**973**
Loss on redemption of investment securities		—		**19**
Total extraordinary losses		255		**1,121**
Profit before income taxes		15,468		**9,557**
Income taxes—current		5,476		**3,799**
Income taxes—deferred		(308)		**(90)**
Total income taxes		5,167		**3,709**
Profit		10,300		**5,848**
Profit (loss) attributable to non-controlling interests		(43)		**(13)**
Profit attributable to owners of parent		10,343		**5,862**

Consolidated Statements of Comprehensive Income

In millions of yen

	Year ended March 31, 2019	**Year ended March 31, 2020**
Profit	10,300	**5,848**
Other comprehensive income		
Valuation difference on available-for-sale securities	(624)	**(525)**
Revaluation reserve for land	(7)	**0**
Foreign currency translation adjustments	(668)	**(1,473)**
Remeasurements of defined benefit plans, net of tax	(28)	**(22)**
Total other comprehensive income	*1 (1,329)	*1 **(2,020)**
Comprehensive income	8,971	**3,827**
Comprehensive income attributable to owners of parent	9,010	**3,894**
Comprehensive income attributable to non-controlling interests	(39)	**(67)**

Consolidated Statements of Changes in Net Assets

(In millions of yen)

Year ended March 31, 2019	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	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of year	10,607	10,958	71,809	(0)	93,374	1,295	—	(2,292)	(33)	(1,029)	713	93,058
Changes during year:												
Issuance of new shares	5	5			10					—		10
Dividends paid			(1,337)		(1,337)					—		(1,337)
Profit attributable to owners of parent			10,343		10,343					—		10,343
Purchase of treasury stock				(167)	(167)					—		(167)
Change in ownership interest of parent due to transactions with non-controlling interests		(9)			(9)					—		(9)
Net changes of items other than shareholders' equity					—	(623)	(7)	(696)	(28)	(1,355)	(10)	(1,366)
Total changes of items during year	5	(3)	9,006	(167)	8,841	(623)	(7)	(696)	(28)	(1,355)	(10)	7,475
Balance at end of year	10,612	10,954	80,816	(167)	102,215	672	(7)	(2,988)	(61)	(2,385)	703	100,533

(In millions of yen)

Year ended March 31, 2020	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	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	10,954	80,816	(167)	102,215	672	(7)	(2,988)	(61)	(2,385)	703	100,533
Changes during year:												
Issuance of new shares					—					—		—
Dividends paid			(1,501)		(1,501)					—		(1,501)
Profit attributable to owners of parent			5,862		5,862					—		5,862
Purchase of treasury stock				(323)	(323)					—		(323)
Change in ownership interest of parent due to transactions with non-controlling interests					—					—		—
Net changes of items other than shareholders' equity					—	(525)	0	(1,431)	(22)	(1,978)	(67)	(2,045)
Total changes of items during year	—	—	4,360	(323)	4,037	(525)	0	(1,431)	(22)	(1,978)	(67)	1,992
Balance at end of year	10,612	10,954	85,177	(491)	106,253	147	(7)	(4,419)	(83)	(4,363)	636	102,525

Consolidated Statements of Cash Flows

	In millions of yen	
	Year ended March 31, 2019	**Year ended March 31, 2020**
Cash flows from operating activities		
Profit before income taxes	15,468	**9,557**
Depreciation	2,765	**3,151**
Increase (decrease) in provision for sales returns	7	**(22)**
Impairment loss	57	**60**
Amortization of goodwill	553	**611**
Increase (decrease) in allowance for doubtful accounts	(75)	**88**
Increase (decrease) in provision for bonuses	6	**(15)**
Increase (decrease) in net defined benefit liability	(40)	**(19)**
Increase (decrease) in provision for retirement benefits for directors and audit and supervisory committee members	—	**(6)**
Increase (decrease) in provision for point program	(68)	**(12)**
Increase (decrease) in provision for loss on interest repayment	(65)	**71**
Increase (decrease) in provision for repairs	—	**5**
Interest and dividend income	(438)	**(392)**
Interest expense	163	**187**
Loss (gain) on valuation of derivatives	(1,355)	**67**
Loss (gain) on sales of investment securities	(404)	**(224)**
Loss (gain) on valuation of investment securities	76	**973**
Loss (gain) on redemption of investment securitiess	—	**19**
Foreign exchange losses (gains)	22	**245**
Loss on retirement of fixed assets	121	**67**
Loss (gain) on sales of property, plant and equipment	(9)	**—**
Decrease (increase) in trade notes and accounts receivable	1,123	**534**
Decrease (increase) in trade loans	(2,914)	**(3,523)**
Decrease (increase) in inventories	(991)	**185**
Decrease (increase) in real estate for sale	(992)	**(2,238)**
Decrease (increase) in other current assets	(1,441)	**527**
Increase (decrease) in notes and accounts payable	(983)	**926**
Increase (decrease) in other current liabilities	2,751	**672**
Increase (decrease) in other long-term liabilities	(36)	**54**
Other	350	**1,110**
Sub-total	13,650	**12,664**
Interest and dividends received	429	**386**
Interest paid	(162)	**(186)**
Refund of income taxes	46	**14**
Income taxes paid	(5,405)	**(6,254)**
Net cash provided by operating activities	8,558	**6,624**
Cash flows from investing activities		
Payments into time deposits	(1,091)	**(1,332)**
Proceeds from withdrawal of time deposits	1,073	**1,500**
Purchase of securities	—	**(195)**
Proceeds from sales of marketable securities	236	**961**
Acquisition of property, plant and equipment	(6,141)	**(9,438)**
Proceeds from sales of property, plant and equipment	61	**0**
Acquisition of intangible fixed assets	(816)	**(716)**
Acquisition of investment securities	(1,554)	**(2,978)**
Proceeds from sales of investment securities	1,878	**2,531**
Purchase of shares of subsidiaries	(4,924)	**(1,220)**
Payments of loans receivable	(579)	**(55)**
Collection of loans receivable	2	**21**
Payments for guarantee deposits	(781)	**(245)**
Proceeds from collection of guarantee deposits	89	**103**
Payments of other investments	(182)	**(56)**
Collection of other investments	3	**11**
Net cash used in investing activities	(12,724)	**(11,108)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,219	**1,180**
Proceeds from long-term borrowings	9,312	**24,564**
Repayments of long-term borrowings	(4,344)	**(17,734)**
Proceeds from share issuance to non-controlling shareholders	11	**—**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(606)	**—**
Purchase of treasury stock	(167)	**(333)**
Dividends paid	(1,337)	**(1,501)**
Repayments of lease obligations	(508)	**(464)**
Other	(2)	**—**
Net cash provided by financing activities	3,577	**5,712**
Effect of exchange rate change on cash and cash equivalents	(88)	**(286)**
Net increase (decrease) in cash and cash equivalents	(677)	**941**
Cash and cash equivalents at beginning of year	22,028	**21,351**
Cash and cash equivalents at end of year	*1 21,351	*1 **22,292**

Notes to Consolidated Financial Statements

Basis for preparation of consolidated financial statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 50 companies

From the fiscal year ended March 31, 2020, the Company included ICnet Co., Ltd. and JOBSTUDIO PTE. LTD. into the scope of consolidation as a result of share acquisition, as well as newly established BELLUNA LOTUS LLC and Nurse Stage Co. into the scope of consolidation. In addition, the Company included JAPAN INYA INVESTMENT CO., LTD. into the scope of consolidation due to its increased importance.

Names of major consolidated subsidiaries:

Refre Co., Ltd., Ozio Co., Ltd., Friendly Co., Ltd., Sunstage Co., Ltd., BANKAN Wamonoya Co., Ltd., El Dorado Co., Ltd., Texas Co., Ltd., and NurseStage Co., Ltd.

(2) Names of major non-consolidated subsidiaries:

Human Resource Management Co., Ltd., etc.

Reason why the above subsidiaries are excluded from the scope of consolidation:

These non-consolidated subsidiaries are small in size, and their total assets, total net sales, total net income or loss (attributable to the equity interest) and total retained earnings (attributable to the equity interest) do not have a material effect on the consolidated financial statements of the Company. Therefore, they have been excluded from the scope of consolidation.

2. Application of equity method

(1) Number of non-consolidated subsidiaries accounted for by the equity method: None

(2) Number of affiliated companies for which the equity method is applied: 1

(3) Non-consolidated subsidiaries (Human Resource Management Co., Ltd., etc.) are excluded from the scope of the equity method application because they do not have a significant effect on the consolidated net income or loss, consolidated retained earnings, etc., of the Company, nor do they have materiality as a whole.

3. Accounting period of consolidated subsidiaries

The accounting periods of BELLUNA CAPITAL, INC. and other ten consolidated subsidiaries end on December 31. The financial statements of the above consolidated subsidiaries as of the same date are used as the basis for consolidation since the difference between their financial closing dates and the consolidated financial closing date does not exceed three months. The necessary adjustments for consolidation have been made to reflect any significant transactions that occurred during the period between those companies' closing dates and the consolidated balance sheet date.

4. Significant accounting policies

(1) Valuation method of significant assets

i) Securities:

(a) Held-to-maturity debt securities:

Held-to-maturity debt securities are amortized at cost (straight-line method).

(b) Available-for-sale securities:

Available-for-sale securities with available fair value:

Available-for-sale securities with available fair value are carried at their fair market value based on the market prices at the consolidated fiscal year-end, with any changes in unrealized gain or loss, net of the applicable income taxes, directly included in net assets. Cost of securities sold is calculated by the moving average method.

Available-for-sale securities with no available fair value:

These securities are carried at cost determined by the moving average method.

Investments in limited liability investment business partnerships and similar partnerships, defined as a security under Article 2, Paragraph 2 of the Japanese Financial Instruments and Exchange Law, reflect net income or loss attributable to the equity interest, based on the latest available financial information as stipulated in the partnership agreements.

ii) Derivatives:

Derivatives are stated at their fair value.

iii) Inventories:

Merchandise and finished goods:

Merchandise and finished goods are stated at cost determined by the moving average method (with the book value reduction method based on a decline in profitability for balance sheet carrying amounts).

Raw materials and supplies:

Raw materials and supplies are stated at the latest purchase price.

Real estate for sale:

Real estate for sale is stated at cost by the individual price method (with the book value reduction method based on a decline in profitability for balance sheet carrying amounts).

Real estate for sale in process:

Real estate for sale in process is stated at cost by the individual price method (with the book value reduction method based on a decline in profitability for balance sheet carrying amounts).

(2) Method of depreciation and amortization

i) Depreciation of property, plant and equipment (excluding leased assets):

For the depreciation of these properties, the Company and domestic consolidated subsidiaries apply the declining balance method, and overseas consolidated subsidiaries, the straight-line method.

For buildings (excluding accompanying facilities) acquired on or after April 1, 1998 and accompanying facilities and structures acquired on or after April 1, 2016, the Company and domestic consolidated subsidiaries apply the straight-line method. For certain machinery and equipment, the straight-line method is applied.

ii) Amortization of intangible assets (excluding leased assets):
The amortization of intangible assets is calculated by the straight-line method. Capitalized costs for computer software for internal use are amortized over the estimated useful life of said software (five years).

iii) Leased assets:
Finance lease transactions that do not transfer the ownership of the leased assets to the lessee:
The depreciation of leased assets is calculated by the straight-line method based on the assumption that the useful life equals to the lease term and the residual value equals to zero.

(3) Basis for the provision of significant allowances and reserves

i) Allowance for doubtful accounts:
Allowances for doubtful accounts are provided at amounts determined based on the historical default rates with respect to ordinary receivables, and allowances for specific doubtful receivables at estimated amounts considered to be uncollectible after reviewing individual collectibility.

ii) Provision for bonuses:
Provision for bonuses is provided based on the estimated amount to be paid to employees for the current fiscal year.

iii) Provision for sales returns:
Provision for sales returns is provided for the estimated loss on the sales returns to arise after the consolidated fiscal year-end, at an amount equivalent to the gross profit on sales returns estimated based on the historical rate of sales returns.

iv) Provision for point program:
Provision for point program is provided for the future expense caused by the consumption of points, and is an estimate of the future consumption amount calculated at the year-end based on the historical rate of consumption.

v) Provision for loss on interest repayment:
Provision for loss on interest repayment is provided for expected refund claims of interest on trade loans that exceed the upper limit of the interest rate prescribed under the Interest Rate Restriction Act.

vi) Provision for retirement benefits for directors and audit and supervisory committee members:
Provision for retirement benefits for directors and audit and supervisory committee members is provided at the amount to be paid at the year-end based on internal rules.

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

(4) Accounting method for retirement benefits:

i) Method of attributing projected benefits to periods:
Projected retirement benefits are attributed to periods through the current fiscal year-end on a straight-line basis in determining retirement benefit obligation.

ii) Treatment of actuarial gains and losses:
Actuarial gains and losses are amortized by the straight-line method in equal installments over a certain period (5 years), which falls within the average remaining years of service of employees when incurred. The amortization of such gains and losses begins in the year in which they arise.

iii) Application of short-cut method by small-scale companies:
Certain consolidated subsidiaries, in calculating retirement benefit liability and retirement benefit costs, apply a short-cut method in which the benefit amount payable for voluntary retirement is defined as the retirement benefit obligation.

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

(6) Cash and cash equivalents in the consolidated statements of cash flows
These consist of cash on hand, cash in banks that can be withdrawn on demand, and short-term investments that will become due within three months from the acquisition date and can easily be converted into cash with negligible risk of value change.

(7) Other significant accounting policies

i) Other significant accounting policies
Transactions subject to consumption and local consumption taxes are recorded at amounts exclusive of these taxes.

ii) Application of the consolidated taxation system:
The Company has applied the consolidated taxation system.

iii) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system
The Company and its domestic subsidiaries do not apply Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28 issued on February 16, 2018) to the transition to the group tax sharing system established under the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and items revised under the non-consolidated taxation system in connection with the transition to the group tax sharing system, pursuant to the treatment as provided in Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39 issued on March 31, 2020), and instead apply the pre-amendment income tax provisions to the amount of deferred tax assets and deferred tax liabilities.

(Accounting standards issued but not yet applied)
* "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 31, 2020)
* "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 issued on March 31, 2020)

(1) Overview
These standards, etc. listed above are comprehensive accounting standards for revenue recognition. Revenue is to be recognized by applying the five steps below.
Step 1: Identify the contract with a customer
Step 2: Identify the performance obligation in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligation in the contract
Step 5: Recognize revenue when (or as) the entity satisfies the performance obligation

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

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

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

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

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

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

* "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on March 31, 2020)

(1) Overview
The accounting standard aims to provide the outline of adopted accounting principles and procedures in case that provisions of related accounting standards, etc. are not evident.

(2) Planned effective date for application
The Company plans to apply the above standard from the end of the fiscal year ending March 31, 2021.

* "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31 issued on March 31, 2020)

(1) Overview
The accounting standard aims to disclose information that will facilitate the understanding of the users of the financial statements, regarding details of accounting estimates recorded in the financial statements for the current fiscal year that have the risk of significantly impacting the financial statements for the following fiscal year.

(2) Planned effective date for application
The Company plans to apply the above standard from the end of the fiscal year ending March 31, 2021.

(Changes in Presentation)
(Consolidated Statements of Income)
"Gain on investments in investment partnerships," which was included in "Other" under non-operating income in the fiscal year ended March 31, 2019, has been presented separately from the fiscal year ended March 31, 2020 due to its increased monetary importance.
The amount of "Gain on investments in investment partnerships" for the fiscal year ended March 31, 2019 was ¥76 million.

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, 2019	March 31, 2020
Real estate for sale	472	584
Real estate for sale in process	610	792
Buildings and structures	6,868	6,310
Machinery and equipment	—	6,890
Land	20,331	19,049
Leasehold interests in land	—	675
Total	28,283	34,302

Liabilities secured by the above are as follows.

(In millions of yen)

	March 31, 2019	March 31, 2020
Short-term borrowings	6,138	2,505
Long-term borrowings	29,454	39,196
Total	35,593	41,702

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

(In millions of yen)

	March 31, 2019	March 31, 2020
Investment securities (stocks)	653	725

*4. 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, 2019 and 2020 is summarized as follows:

(In millions of yen)

	March 31, 2019	March 31, 2020
Total of the overdraft limit and lending commitments	24,682	54,127
Executed loans	8,794	20,637
Unexecuted balance	15,887	33,490

*5. Restrictive financial covenants
Of the consolidated borrowings balance, up to ¥38,552 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.

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

(In millions of yen)

	March 31, 2019	March 31, 2020
Shurei Co., Ltd. (Note)	172	145

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

Notes to the Consolidated Statements of Income

*1. The amount of inventories on the balance sheet at the fiscal year-end is the amount after book value reduction to reflect a decline in profitability. The amount of loss on such revaluation of inventories included in the cost of sales is as follows:

(In millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
	950	924

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

(In millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Freightage and packing expenses	11,328	11,757
Advertising expenses	21,674	23,175
Sales promotion expenses	3,771	3,600
Provision of allowance for doubtful accounts	613	755
Provision for point program	483	470
Provision for loss on interest repayment	243	348
Salaries and allowances	15,165	16,072
Provision for bonuses	703	750
Provision for repairs	—	5
Retirement benefit expenses	229	291
Communication expenses	7,573	7,331
Commission fee	12,222	13,814

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

(In millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Buildings and structures	8	—
Machinery and equipment	0	—
Land	0	—
Total	9	—

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

(In millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Buildings and structures	111	56
Machinery and equipment	—	2
Furniture and fixtures	0	0
Software	0	7
Leasehold interests in land	6	—
Long-term prepaid expenses	3	—
Total	121	67

*5. Impairment loss

For the year ended March 31, 2019

Usage	Type	Location
Assets for business	Buildings and structures, furniture and fixtures	Yokohama-shi, Kanagawa Prefecture, etc.
Assets for business	Buildings and structures	Ina-shi, Nagano Prefecture, etc.
Assets for business	Buildings and structures, other (intangible fixed assets)	Kanazawa-shi, Ishikawa Prefecture, etc.
Assets for business	Other (intangible fixed assets)	Iruma-shi, Saitama Prefecture
Assets for business	Buildings and structures, furniture and fixtures	Hirakata-shi, Osaka Prefecture, etc.
Assets for business	Other (intangible fixed assets)	Osaka-shi, Osaka Prefecture
Assets for business	Buildings and structures, furniture and fixtures	Minato-ku, Tokyo

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

(Process through which impairment loss was recognized)
In the year ended March 31, 2019, 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: ¥47 million of buildings and structures, ¥6 million of furniture and fixtures, and ¥2 million of other (intangible fixed assets).

(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, 2020

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

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

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

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

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

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, 2019	Year ended March 31, 2020
Valuation difference on available-for-sale securities:		
Gains (losses) incurred during the year	(565)	(974)
Reclassification adjustment to net income	(329)	176
Amount before tax effect	(895)	(798)
Tax effect	270	273
Valuation difference on available-for-sale securities	(624)	(525)
Revaluation reserve for land:		
Tax effect	(7)	0
Revaluation reserve for land	(7)	0
Foreign currency translation adjustments:		
Gains (losses) incurred during the year	(668)	(1,473)
Reclassification adjustment to net income	—	—
Foreign currency translation adjustments	(668)	(1,473)
Remeasurements of defined benefit plans, net of tax:		
Gains (losses) incurred during the year	(41)	(66)
Reclassification adjustment to net income	0	34
Amount before tax effect	(40)	(31)
Tax effect	12	9
Remeasurements of defined benefit plans, net of tax	(28)	(22)
Total other comprehensive income	(1,329)	(2,020)

Notes to the Consolidated Statements of Changes in Net Assets

Year ended March 31, 2019

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	97,236	8	—	97,244
Total	97,236	8	—	97,244
Treasury stock:				
Common stock	0	185	—	186
Total	0	185	—	186

Notes: 1. The total number of shares issued increased by 8 thousand shares due to the issuance of new shares as restricted stock compensation.
2. The increase of 185 thousand shares of treasury stock (common stock) resulted from the acquisition of treasury stock pursuant to a resolution of the Board of Directors meeting. In addition, the increase of 0 thousand shares of treasury stock (common stock) resulted from the purchase of less-than-a-unit shares.

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 27, 2018	Common stock	607	6.25	March 31, 2018	June 28, 2018
Board of Directors' meeting on October 30, 2018	Common stock	729	7.50	September 30, 2018	December 4, 2018

(2) Dividends with a record date during the year ended March 31, 2019, 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, 2019	Common stock	727	Retained earnings	7.50	March 31, 2019	June 27, 2019

Year ended March 31, 2020

1. Class and number of shares issued and in treasury

(In thousands of shares)

	Beginning of the year	Increase during the year	Decrease during the year	End of the year
Shares issued:				
Common stock	97,244	—	—	97,244
Total	97,244	—	—	97,244
Treasury stock:				
Common stock	186	415	14	587
Total	186	415	14	587

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

2. Dividends

(1) Dividends paid:

Resolution adopted	Class of shares	Aggregate amount (millions of yen)	Amount per share (yen)	Record date	Effective date
Shareholders' meeting on June 26, 2019	Common stock	727	7.50	March 31, 2019	June 27, 2019
Board of Directors' meeting on October 30, 2019	Common stock	773	8.00	September 30, 2019	December 4, 2019

(2) Dividends with a record date during the year ended March 31, 2020, payable in the following fiscal year:

Resolution adopted	Class of shares	Aggregate amount (millions of yen)	Source of dividends	Amount per share (yen)	Record date	Effective date
Shareholders' meeting on June 25, 2020	Common stock	773	Retained earnings	8.00	March 31, 2020	June 26, 2020

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, 2019	March 31, 2020
Cash and deposits	22,071	22,788
Time deposits with original maturities of more than three months	(896)	(671)
MMFs, etc. included in marketable securities	175	175
Cash and cash equivalents	21,351	22,292

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

Year ended March 31, 2019

Components of assets acquired and liabilities assumed at the time of consolidation of Sagami Group Holdings Co., Ltd. newly consolidated through share acquisition, and the relationship between the share acquisition cost for Sagami Group Holdings Co., Ltd. and net payment for share acquisition of Sagami Group Holdings Co., Ltd., are as follows:

(In millions of yen)

Current assets	4,284
Fixed assets	5,847
Goodwill	153
Current liabilities	(3,280)
Long-term liabilities	(1,080)
Non-controlling interests	(593)
Share acquisition cost	5,330
Cash and cash equivalents	(406)
Net payment for share acquisition	4,924

Year ended March 31, 2020

Presentation of this information is omitted as it is immaterial.

Notes Regarding Lease Transactions

1. Finance lease transactions

(As lessee)

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

1. Description of leased assets
   (a) Tangible fixed assets (property, plant and equipment):
   Mainly furniture and fixtures in use by the general mail order and specialty mail order businesses.
   (b) Intangible fixed assets:
   Software.
2. Depreciation method for leased assets:
   The depreciation method employed is as stated in "4. Significant accounting policies, item (2) Method of depreciation and amortization" under "Basis for preparation of consolidated financial statements" herein.

2. Operating lease transactions

(As lessee)

Future lease payments under non-cancellable operating leases in operating lease transactions

(In millions of yen)

	March 31, 2019	March 31, 2020
Due within one year	257	107
Due over one year	107	—
Total	364	107

Notes Regarding Financial Instruments

1. Status of financial instruments

(1) Policy for financial instruments:

In consideration of its business plan, the Company and its subsidiaries (collectively, the “Group”) raise necessary funds mainly through bank borrowings. Temporary cash surpluses, if any, are invested in low risk financial instruments. The Group uses derivatives mainly for the purpose of evading the currency exchange rate fluctuation risk associated with foreign currency-denominated trade payables, and does not engage in speculative transactions as its policy.

(2) Types of financial instruments, related risks and management thereof:

Trade receivables (trade notes and accounts receivable) as well as trade loans are exposed to customer credit risk. Belluna manages such risk by maintaining a credit line control based on its screening standards, along with controls of due dates and outstanding receivables balances. Marketable securities and investment securities are also exposed to the risk of market price fluctuations, against which the Group periodically monitors market price thereof and reports thereon to the representative director (president).

Trade payables (trade notes and accounts payable) and accrued expenses mostly have due dates within one year. They partly include those related to imports denominated in foreign currencies and, as such, they are exposed to the currency exchange rate fluctuation risk. Such risk is partly hedged by derivative transactions. Borrowings are used mainly for raising the funds necessary to carry out the business plan. The borrowings are exposed to the interest rate fluctuation risk.

Derivative transactions utilized by the Company include forward foreign currency exchange contracts and currency option and currency swap contracts for the purpose of hedging the exchange rate fluctuation risk. The Company’s derivative transactions are conducted in accordance with the Company’s derivative transaction control regulations, which stipulate such matters as transaction authorization and ceilings, whereby the transaction status, outstanding balances, etc., are periodically checked and confirmed.

(3) Supplementary explanation concerning fair values of financial instruments:

The fair values of financial instruments include, besides values based on the market price, rationally calculated values in cases where market price is not available. In the calculation of such values, variable factors are also taken into consideration and, therefore, the values calculated may change depending on the factors or assumptions employed.

2. Fair values of financial instruments

The balance sheet carrying amounts, fair values and unrealized gains/losses of the financial instruments are as presented below, provided, however, that financial instruments whose fair values are not readily determinable are excluded from these tables (see [Note 2] below.):

As of March 31, 2019

(In millions of yen)

	Balance sheet carrying amount	Fair value	Unrealized gain (loss)
(1) Cash and deposits	22,071	22,071	—
(2) Trade notes and accounts receivable	9,739		
Allowance for doubtful accounts (*1)	(299)		
	9,439	9,439	—
(3) Trade loans	23,781		
Allowance for doubtful accounts (*1)	(245)		
	23,536	23,837	300
(4) Marketable securities and investment securities			
Available-for-sale securities	9,458	9,458	—
Assets total	64,507	64,807	300
(1) Trade notes and accounts payable	17,093	17,093	—
(2) Short-term borrowings	14,368	14,368	—
(3) Long-term borrowings	45,339	45,337	(1)
(4) Bonds payable	10,000	10,030	30
Liabilities total	86,800	86,829	29
Derivative transactions (*2)	65	65	—

(*1) Allowances for doubtful accounts recognized on each of trade notes and accounts receivable and trade loans are deducted.
(*2) Receivables and payables incurred by derivative transactions are presented in net amounts. Net payables are presented in parenthesis.

As of March 31, 2020

(In millions of yen)

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

(*1) Allowances for doubtful accounts recognized on each of trade notes and accounts receivable and trade loans are deducted.
(*2) Receivables and payables incurred by derivative transactions are presented in net amounts. Net payables are presented in parenthesis.

[Note 1] Calculation methods of fair values of financial instruments and related information concerning marketable securities and derivative transactions:

Assets

(1) Cash and deposits and (2) Trade notes and accounts receivable:
These assets are recorded using book values because their fair values approximate book values, reflecting their short-term maturity nature.

(3) Trade loans:
The fair values of these items are calculated on the basis of present values obtained by discounting the estimated values of principal and interest to be received (such estimation is reflective of the collectibility checked category by category of receivables classified by the maturity dates) using the assumed interest rates deemed appropriate in the light of the interest rates for new lending and credit risks. With respect to those secured by collateral, however, the estimated bad debt amounts are calculated based on the estimated collectible amounts and, since their fair values approximate the amounts of balance sheet carrying amounts less the currently estimated bad debts amounts, such amounts are determined as fair values.

(4) Marketable securities and investment securities:
Of these securities, fair values of stocks are determined using the quoted stock exchange prices, while those of bonds are determined based on the quoted stock exchange prices or prices offered by the trading financial institutions. Fair values of investments in investment trusts are determined using the published base prices.
For the information regarding the securities classified by the purpose of holding, please see "Notes Regarding Securities" appearing later.

Liabilities

(1) Trade notes and accounts payable
These items are recorded using book values because their fair values approximate book values reflective of their short-term settlement nature.

(2) Short-term borrowings and (3) Long-term borrowings:
Borrowings bearing fixed interest rates are calculated by discounting the aggregate values of principal and interest using an interest rate to be applied when the same type of borrowings is newly made. Meanwhile, borrowings bearing variable interest rates (floating rate types) are recorded using book values because their fair values approximate book values as they quickly reflect market interest rates within a short period of time.

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

Derivative transactions

See "Notes Regarding Derivatives."

[Note 2] Financial instruments, fair values of which are not readily determinable:

(In millions of yen)

Category	March 31, 2019	March 31, 2020
Unlisted equity securities	2,221	2,019
Unlisted debt securities	105	105
Investments in partnerships for investment business	1,840	1,614

These instruments are not included in "(4) Marketable securities and investment securities," because there are no market quoted prices and it is thus considered difficult to identify their fair values.

[Note 3] Redemption schedule subsequent to fiscal year-end of financial assets and securities with contractual maturities:

The following information includes the securities, fair values of which are not readily determinable.

As of March 31, 2019

(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	21,951	—	—	—	—	—
Trade notes and accounts receivable	9,739	—	—	—	—	—
Trade loans	6,980	6,938	5,538	3,815	506	1
Marketable securities and investment securities:						
Available-for-sale securities with contractual maturities:						
(1) National and local government bonds	143	—	—	—	—	—
(2) Corporate bonds	887	—	—	—	—	218
(3) Other	475	352	304	972	—	1,285
Total	40,178	7,291	5,842	4,788	506	1,505

As of March 31, 2020

(In millions of yen)

Due	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Cash and deposits	22,788	—	—	—	—	—
Trade notes and accounts receivable	9,391	—	—	—	—	—
Trade loans	8,130	8,023	6,338	4,253	567	1
Marketable securities and investment securities:						
Available-for-sale securities with contractual maturities:						
(1) National and local government bonds	74	—	—	—	—	—
(2) Corporate bonds	63	—	—	—	120	105
(3) Other	310	304	—	—	373	1,524
Total	40,759	8,327	6,891	4,253	1,062	1,630

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

As of March 31, 2019

(In millions of yen)

Due	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term borrowings	5,105	—	—	—	—	—
Long-term borrowings	9,262	13,624	4,041	4,041	4,041	19,590
Total	14,368	13,624	4,041	4,041	4,041	19,590

As of March 31, 2020

(In millions of yen)

Due	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term borrowings	6,352	—	—	—	—	—
Long-term borrowings	5,694	6,323	5,174	6,115	6,133	32,025
Total	12,046	6,323	5,174	6,115	6,133	32,025

Notes Regarding Securities

1. Available-for-sale securities

As of March 31, 2019

(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	2,174	1,307	867
	(2) Debt securities:			
	1. National and local government bonds	—	—	—
	2. Corporate bonds	684	638	45
	3. Other bonds	—	—	—
	(3) Other	2,889	2,051	837
	Subtotal	5,748	3,997	1,751
Securities with balance sheet carrying amount not exceeding the acquisition cost	(1) Equity securities	1,785	2,391	(606)
	(2) Debt securities:			
	1. National and local government bonds	143	178	(34)
	2. Corporate bonds	316	333	(17)
	3. Other bonds	—	—	—
	(3) Other	1,465	1,559	(93)
	Subtotal	3,710	4,463	(752)
Total		9,458	8,460	998

As of March 31, 2020

(In millions of yen)

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

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

Year ended March 31, 2019

(In millions of yen)

Type of securities	Proceeds of sales	Gain on sales	Loss on sales
(1) Equity securities	1,575	405	0
(2) Debt securities	—	—	—
(3) Other	—	—	—
Total	1,575	405	0

Year ended March 31, 2020

(In millions of yen)

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

3. Securities for which impairment loss was recorded

In the fiscal year ended March 31, 2019, the Company recorded ¥76 million as impairment of value with respect to securities (¥76 million as impairment of value of equity securities with fair market value within "available-for-sale securities").

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

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

Notes Regarding Derivatives

Derivative transactions to which hedge accounting is not applied

(1) Currency-related derivatives:

As of March 31, 2019

(In millions of yen)

Category	Type of transaction	Contract amount	Over 1 year contract	Fair value	Unrealized gain (loss)
Transactions other than market transactions	Currency swaps: Buy US dollars	3,727	610	65	65
Total		3,727	610	65	65

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

As of March 31, 2020

(In millions of yen)

Category	Type of transaction	Contract amount	Over 1 year contract	Fair value	Unrealized gain (loss)
Transactions other than market transactions	Currency swaps: Buy US dollars	617	—	(2)	(2)
Total		617	—	(2)	(2)

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

Notes Regarding Retirement Benefits

1. Summary of retirement benefit plans

The Company and its consolidated subsidiaries maintain defined benefit corporate pension plans and lump-sum severance payment plans for employees as defined benefit plans.

Certain consolidated subsidiaries apply a short-cut method in calculating retirement benefit obligation and retirement benefit expenses, regarding their defined benefit corporate pension plans and lump-sum severance payment plans.

2. Defined benefit plans

(1) Changes in retirement benefit obligation for the years ended March 31, 2019 and 2020 (excluding the portion of the plans to which the short-cut method is applied):

(In millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Balance of retirement benefit obligation at beginning of year	1,188	1,909
Service cost	117	123
Interest cost	9	8
Actuarial gains and losses	35	(30)
Benefits paid	(49)	(62)
Increase (decrease) resulting from change in scope of consolidation	608	—
Other	—	3
Balance of retirement benefit obligation at end of year	1,909	1,953

(2) Changes in plan assets for the years ended March 31, 2019 and 2020 (excluding the plans to which the short-cut method is applied):

(In millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Balance of plan assets at beginning of year	1,173	1,685
Expected return on plan assets	30	34
Actuarial gains and losses	(17)	(113)
Contribution from the employer	130	130
Benefits paid	(36)	(31)
Increase (decrease) resulting from change in scope of consolidation	404	—
Balance of plan assets at end of year	1,685	1,705

(3) Changes in liability for retirement benefits under the plans to which the short-cut method is applied:

(In millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Balance of liability for retirement benefits at beginning of year	18	12
Retirement benefit costs	5	8
Retirement benefits paid	(1)	(10)
Contribution to the plans	(9)	(9)
Balance of liability for retirement benefits at end of year	12	1

(4) Reconciliation between the year-end balances of retirement benefit obligation and plan assets and the defined benefit liability and defined benefit assets recorded in the consolidated balance sheet:

(In millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Funded retirement benefit obligation	1,956	1,997
Plan assets	(1,744)	(1,763)
	212	234
Unfunded retirement benefit obligation	24	14
Net liability (asset) recorded in the consolidated balance sheet	236	249
Defined benefit liability	236	249
Net liability (asset) recorded in the consolidated balance sheet	236	249

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, 2019 and 2020:

(In millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Service cost	117	123
Interest cost	9	8
Expected return on plan assets	(30)	(34)
Amortization of actuarial gains and losses	9	55
Retirement benefit costs calculated by short-cut method	5	8
Retirement benefit costs on defined benefit plans	111	161

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

(In millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Actuarial gains and losses	(40)	(31)

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

(In millions of yen)

	March 31, 2019	March 31, 2020
Unrecognized actuarial gains and losses	88	120

(8) Plan assets:

1. Main components of plan assets:

   Plan assets consisted of the following portfolio categories:

(% of total plan assets)

	March 31, 2019	March 31, 2020
Debt securities	24.9%	22.1%
Equity securities	14.7	6.3
General accounts	49.9	51.2
Cash and deposits	9.3	10.4
Other	1.2	10.0
Total	100.0%	100.0%

2. Method of determining the expected rate of return on plan assets:

   The expected rate of return on plan assets is determined by considering the current and anticipated future portfolio of plan assets and long-term rates of return expected currently and in the future from a diversified range of plan assets managed.

(9) Assumptions in actuarial calculation:

Assumptions used in actuarial calculation at the end of the years ended March 31, 2019 and 2020 are as follows:

	Year ended March 31, 2019	Year ended March 31, 2020
Discount rate	0.46 - 0.50%	0.50 - 0.51%
Long-term expected rate of return on plan assets	2.00 - 2.04	2.00 - 2.08
Expected rate of salary increase	0.86 - 1.48	0.86 - 1.44

3. Defined contribution plans

The amounts of the required contribution to the defined contribution plans of consolidated subsidiaries for the years ended March 31, 2019 and 2020 were ¥118 million and ¥129 million, respectively.

Notes Regarding Deferred Income Taxes

1. Significant components of deferred tax assets and liabilities

(In millions of yen)

	March 31, 2019	March 31, 2020
Deferred tax assets:		
Excess provision for bonuses	278	272
Excess allowance for doubtful accounts	197	214
Excess provision for sales returns	29	22
Excess provision for point program	150	146
Excess provision for loss on interest repayment	226	250
Bad debt expenses	48	55
Loss on valuation of investment securities	232	495
Defined benefit liability	60	50
Loss on valuation of real estate for sale	44	55
Excess impairment loss of fixed assets	670	660
Tax loss carried forward (Note)	1,508	1,471
Other	1,174	1,029
Deferred tax assets subtotal	4,622	4,724
Valuation allowance on tax loss carried forward (Note)	(1,288)	(1,254)
Valuation allowance on total of deductible temporary differences	(1,067)	(1,042)
Valuation allowance subtotal	(2,356)	(2,296)
Deferred tax asset total	2,266	2,428
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(311)	(18)
Reserve for special depreciation	(88)	(53)
Asset retirement expense	(95)	(152)
Valuation difference on land of consolidated subsidiaries	(503)	(456)
Other	(230)	(234)
Deferred tax liabilities total	(1,228)	(913)
Net deferred tax assets (liabilities)	1,038	1,514

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

As of March 31, 2019

(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)	25	1	1	162	173	1,143	1,508
Valuation allowance	(25)	(1)	(1)	(162)	(173)	(924)	(1,288)
Deferred tax assets	0	—	—	—	—	218	(b) 219

(a) Tax loss carried forward is shown as an amount multiplied by the statutory tax rate.
(b) The Company recorded deferred tax assets of ¥219 million for a tax loss carried forward of ¥1,508 million (an amount multiplied by the staturoty tax rate). The deferred tax assets of ¥219 million were recognized for some portion of the balance of a tax loss carried forward (an amount multiplied by the statutory tax rate) of ¥1,508 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, 2020

(In millions of yen)

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

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

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

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

	March 31, 2019	March 31, 2020
Statutory tax rate:	30.5%	30.5%
Items, including entertainment expenses, not eternally deductible for tax purposes	0.1	0.3
Items, including dividends received, not eternally inclusive of gross revenue for tax purposes	(0.1)	(0.1)
Equal installments of inhabitant taxes	0.4	0.9
Tax rate difference of subsidiaries	2.4	3.1
Valuation allowance change	(0.2)	3.8
Changes in deferred tax assets and liabilities due to tax rate revision	(0.1)	(0.0)
Income taxes for prior years	0.4	0.0
Other	—	0.4
Effective tax rate	33.4%	38.8%

Notes Regarding Asset Retirement Obligations

Asset Retirement Obligations Recorded on Consolidated Balance Sheets

(1) Outline of relevant asset retirement obligations:
Part of the Belluna Group's facilities are leased or rented under lease or rental contracts with the landowners and, to reflect the obligations thereunder to restore the facilities to their original state at the time of evacuation, asset retirement obligations were recorded. In addition, asset retirement obligations were also recorded for the obligation to remove harmful substances used in certain buildings.

(2) Basis for calculation of the amount of relevant asset retirement obligations:
The amounts of asset retirement obligations were calculated by estimating the projected period of use of facilities to be 8 to 50 years, depending on the useful life of each relevant building or facility, and using a discount rate between 0.00% to 2.30%.

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

(In millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Balance at beginning of the year	523	924
Adjustment due to passage of time	10	10
Other increase (decrease)	389	280
Balance at the end of the year	924	1,215

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, 2019 and 2020 and the fair values of the rental property and the property that includes a portion used as rental property are as follows:

(In millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Rental property:		
Balance sheet carrying amount:		
Balance at the beginning of the year	29,505	30,905
Increase (decrease) during the year	1,400	(9,752)
Balance at the end of the year	30,905	21,152
Fair value at the end of the year	35,745	25,035
Property that includes a portion used as rental property:		
Balance sheet carrying amount:		
Balance at the beginning of the year	394	390
Increase (decrease) during the year	(4)	(4)
Balance at the end of the year	390	386
Fair value at the end of the year	201	198

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, 2019 was caused primarily by an increase in the number of newly consolidated subsidiaries (¥1,477 million) and the acquisition of rental office buildings (including land) (¥455 million). The decrease in rental property during the year ended March 31, 2019 was caused mainly by transfer from rental office buildings (including land) to real estate for sale (¥339 million). The increase in rental property during the year ended March 31, 2020 was caused mainly by the acquisition of rental properties (¥99 million). The decrease in rental property during the year ended March 31, 2020 was caused mainly by transfer from rental land to in-house use (¥9,532 million).

3. The above carrying amounts in the year ended March 31, 2019 include asset retirement obligations of ¥24 million, while the above carrying amounts in the year ended March 31, 2020 include asset retirement obligations of ¥22 million.

4. The fair values of the major properties at the end of the fiscal year under review are recorded at the amounts determined using real estate appraisal certificates provided by outside real estate assessors. However, in cases where it is deemed that no significant changes since the time of the acquisition from the third party or the time of the latest appraisal have occurred in the indices that are considered to properly reflect the formal appraisal value or market price, the fair values are recorded at the amounts adjusted using such appraised value or such indices. As for the properties that have little materiality, the fair values are recorded mainly at the amounts determined based on the indices that are considered to fairly reflect the formal appraisal value or market price.

Income and expenses related to the rental property and the property that includes a portion used as rental property were as follows:

(In millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Rental property:		
Rental income	1,861	1,869
Rental expenses	714	680
Difference	1,146	1,189
Other (Gain/loss on sales)	—	—
Property that includes a portion used as rental property:		
Rental income	15	16
Rental expenses	3	8
Difference	11	8

Note: Income from the property that includes a portion used as rental property does not include the revenue from renting the portion of the property used by the Company. Expenses incidental to the relevant property (such as depreciation, repairing expenses, taxes and public charges, and commission fees) are included in rental expenses.

Segment Information, etc.

[Segment information]

1. Outline of reportable segments

The Belluna Group's reportable segments consist of operating segments representing components of the entity, for each of which discrete financial information is available and periodic reviews are given by the Board of Directors in order to make decisions on the allocation of resources as well as to assess business performance.

The Belluna Group is aiming to become a comprehensive mail order merchant company that provides services addressing diversified customer needs through the effective use of management resources. The Group has identified seven operating segments comprising "general mail order," "specialty mail order," "retail store sales," "solution," "finance," "property" and "other" as reportable segments.

The principal business lines of the respective reportable segments are as follows:

(1) General mail order:	mail order sales of daily life-related merchandise, including clothing, household goods and furniture, and related services.
(2) Specialty mail order:	mail order sales of specialty single items, including food, cosmetics and supplements, and sales focusing on specific customers.
(3) Retail store sales:	retail store sales of casual clothing, Japanese clothing-related merchandise, etc.
(4) Solution:	commission-type businesses that outsource to the Company. These include operations involving the insertion of other companies' leaflets into the Company's merchandise catalogs or merchandise packages and their dispatching. Personnel placement and temporary staffing business, etc.
(5) Finance:	consumer loan services.
(6) Property:	rental of real estate, remodeling and development of real estate, hotel business, etc.
(7) Other:	clothing rental, wholesale businesses, management of golf courses, etc.

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

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

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

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

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

Year ended March 31, 2019

(In millions of yen)

	General mail order	Specialty mail order	Retail store sales	Solution	Finance	Property	Other	Adjustments (Note 1)	Consolidated carrying amount (Note 2)
Net sales:									
Sales to third parties	77,062	47,728	28,146	6,054	3,829	7,990	6,837	—	177,648
Inter-segment sales or transfers	541	124	—	203	—	82	74	(1,026)	—
Total	77,603	47,852	28,146	6,257	3,829	8,072	6,912	(1,026)	177,648
Segment income	3,816	3,260	1,000	2,272	1,759	244	237	(586)	12,005
Segment assets	61,261	22,729	15,616	5,746	25,082	74,982	5,684	2,684	213,786
Other items:									
Depreciation (Note 3)	1,273	313	321	112	59	591	117	—	2,788
Amortization of goodwill	—	—	—	—	—	—	—	553	553
Increase in property, plant and equipment and intangible fixed assets (Note 3)	705	544	495	19	18	5,645	82	153	7,665

Notes: 1. Amounts of adjustments are as follows:
(1) Adjustments in segment income represent minus ¥32 million from inter-segment elimination minus ¥553 million for amortization of goodwill.
(2) Adjustments in segment assets include ¥391 million for the Company's employee welfare facilities and ¥2,293 million as the year-end balance of goodwill.
2. Segment income has been reconciled with operating income in the consolidated financial statements.
3. Depreciation and increase in property, plant and equipment and intangible fixed assets include long-term prepaid expenses and amortization of such expenses.

Year ended March 31, 2020

(In millions of yen)

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

Notes: 1. Amounts of adjustments are as follows:
(1) Adjustments in segment income (loss) represent ¥200 million from inter-segment elimination minus ¥611 million for amortization of goodwill.
(2) Adjustments in segment assets include ¥386 million for the Company's employee welfare facilities and ¥2,689 million as the year-end balance of goodwill.
2. Segment income has been reconciled with operating income in the consolidated financial statements.
3. Depreciation and increase in property, plant and equipment and intangible fixed assets include long-term prepaid expenses and amortization of such expenses.

[Related information]

Year ended March 31, 2019

1. Information by products and services

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

2. Information by region

(1) Sales:

This information is not provided herein since sales to third parties in Japan represented more than 90% of the sales amount in the consolidated statement of income.

(2) Property, plant and equipment:

(In millions of yen)

Japan	Other	Total
73,646	9,557	83,204

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, 2020

1. Information by products and services

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

2. Information by region

(1) Sales:

This information is not provided herein since sales to third parties in Japan represented more than 90% of the sales amount in the consolidated statement of income.

(2) Property, plant and equipment:

(In millions of yen)

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

3. Information by major customers

This information is not provided herein since, of the sales to third parties, sales to no single customer accounted for 10% or more of the sales amount in the consolidated statement of income.

[Impairment loss of fixed assets by reportable segment]

Year ended March 31, 2019

(In millions of yen)

	General mail order	Specialty mail order	Retail store sales	Solution	Finance	Property	Other	Companywide/ Elimination	Total
Impairment loss	—	1	46	—	—	—	8	—	57

Year ended March 31, 2020

(In millions of yen)

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

[Amortization and unamortized balance of goodwill by reportable segment]

Year ended March 31, 2019

(In millions of yen)

	General mail order	Specialty mail order	Retail store sales	Solution	Finance	Property	Other	Companywide/ Elimination	Total
Amortization for the year	—	—	—	—	—	—	—	553	553
Unamortized balance at end of the year	—	—	—	—	—	—	—	2,293	2,293

Year ended March 31, 2020

(In millions of yen)

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

[Gain on bargain purchase by reportable segment]

Year ended March 31, 2019
None applicable.

Year ended March 31, 2020
None applicable.

Related Party Transactions

1. Transactions with related parties

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

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

Year ended March 31, 2019

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party	Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
Other affiliated companies (including a parent company of such other affiliated companies)	Friend Stage Co., Ltd. (Note 2)	Ageo, Saitama	50	Seal stamp sales, etc.	34.9% (owned, indirectly)	Interlocking directors or audit and supervisory committee members	Intermediation of premiums (Note 3)	73	Other current assets	16

Notes: 1. Consumption taxes are not included in the above transaction amounts, but are included in the year-end balance.
2. A majority of the voting rights of the above company is held by the Company's directors and their close family members.
3. Terms and conditions of the transaction and the policy for determination thereof:
Premiums were paid on the same conditions as ordinary premiums.

Year ended March 31, 2020

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party	Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
Other affiliated companies (including a parent company of such other affiliated companies)	Friend Stage Co., Ltd. (Note 2)	Ageo, Saitama	50	Seal stamp sales, etc.	35.1% (owned, indirectly)	Interlocking directors or audit and supervisory committee members	Rendering of services (Note 3)	44	Other current assets	10
							Intermediation of premiums (Note 4)	95	Other current assets	29

Notes: 1. Consumption taxes are not included in the above transaction amounts, but are included in the year-end balance.
2. A majority of the voting rights of the above company is held by the Company's directors and their close family members.
3. Terms and conditions of the transaction and the policy for determination thereof:
Rendering of services is determined through mutual consultations between both parties with due consideration of the content of business operations.
4. Terms and conditions of the transaction and the policy for determination thereof:
Premiums were paid on the same conditions as ordinary premiums.

(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, 2019

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party	Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
Other affiliated companies (including a parent company of such other affiliated companies)	Friend Stage Co., Ltd. (Note 2)	Ageo, Saitama	50	Seal stamp sales, etc.	34.9% (owned, indirectly)	Interlocking directors or audit and supervisory committee members	Guarantee deposits of hotel facilities (Note 3)	—	Investments and other assets	724
							Rent of hotel facilities (Note 4)	413	—	—
							Advance payment for employees seconded from the Company (Note 5)	—	Other current assets	18

Notes: 1. Consumption taxes are not included in the above transaction amounts, but are included in the year-end balance.
2. A majority of the voting rights of the above company is held by the Company's directors and their close family members.
3. Terms and conditions of the transaction and the policy for determination thereof:
Guarantee deposits of hotel facilities were determined with due consideration of the trading market prices and other factors.
4. Terms and conditions of the transaction and the policy for determination thereof:
Rent of hotel facilities was determined in reference to the assessed value provided by real estate assessors.
5. Terms and conditions of the transaction and the policy for determination thereof:
An amount equivalent to personnel expenses relating to employees seconded from the Company was paid in advance in accordance with a secondment agreement.

Year ended March 31, 2020

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party	Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
Other affiliated companies (including a parent company of such other affiliated companies)	Friend Stage Co., Ltd. (Note 2)	Ageo, Saitama	50	Seal stamp sales, etc.	35.1% (owned, indirectly)	Interlocking directors or audit and supervisory committee members	Guarantee deposits of hotel facilities (Note 3)	48	Investments and other assets	772
							Rent of hotel facilities (Note 4)	444	—	—
							Advance payment for employees seconded from the Company (Note 5)	—	Other current assets	21

Notes: 1. Consumption taxes are not included in the above transaction amounts, but are included in the year-end balance.
2. A majority of the voting rights of the above company is held by the Company's directors and their close family members.
3. Terms and conditions of the transaction and the policy for determination thereof:
Guarantee deposits of hotel facilities were determined with due consideration of the trading market prices and other factors.
4. Terms and conditions of the transaction and the policy for determination thereof:
Rent of hotel facilities was determined in reference to the assessed value provided by real estate assessors.
5. Terms and conditions of the transaction and the policy for determination thereof:
An amount equivalent to personnel expenses relating to employees seconded from the Company was paid in advance in accordance with a secondment agreement.

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

Year ended March 31, 2019

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. (Note 2)	Minato-ku, Tokyo	38	Real estate renting, etc.	—	Interlocking directors or audit and supervisory committee members	Guarantee deposits of hotel facilities (Note 3)	402	Investments and other assets	553
							Rent of hotel facilities (Note 4)	219	—	—
							Payment for construction assistance fund receivables (Note 5)	—	Long-term lending	449

Notes: 1. Consumption taxes are not included in the above transaction amounts, but are included in the year-end balance.
2. A majority of the voting rights of the above company is held by the Company's directors and their close family members.
3. Terms and conditions of the transaction and the policy for determination thereof:
Guarantee deposits of hotel facilities were determined with due consideration of the trading market prices and other factors.
4. Terms and conditions of the transaction and the policy for determination thereof:
Rent of hotel facilities was determined in reference to the assessed value provided by real estate assessors.
5. Terms and conditions of the transaction and the policy for determination thereof:
Construction assistance fund receivables were determined upon negotiation based on an amount calculated pursuant to acquisition costs.

Year ended March 31, 2020

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party	Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
Corporations, etc., where a majority of voting rights is held by directors and their close family members	Rivoyre Co., Ltd. (Note 2)	Minato-ku, Tokyo	38	Real estate renting, etc.	—	Interlocking directors or audit and supervisory committee members	Guarantee deposits of hotel facilities (Note 3)	—	Investments and other assets	547
							Rent of hotel facilities (Note 4)	310	—	—
							Payment for construction assistance fund receivables (Note 5)	—	Long-term lending	456

Notes: 1. Consumption taxes are not included in the above transaction amounts, but are included in the year-end balance.
2. A majority of the voting rights of the above company is held by the Company's directors and their close family members.
3. Terms and conditions of the transaction and the policy for determination thereof:
Guarantee deposits of hotel facilities were determined with due consideration of the trading market prices and other factors.
4. Terms and conditions of the transaction and the policy for determination thereof:
Rent of hotel facilities was determined in reference to the assessed value provided by real estate assessors.
5. Terms and conditions of the transaction and the policy for determination thereof:
Construction assistance fund receivables were determined upon negotiation based on an amount calculated pursuant to acquisition costs.

(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, 2019

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party	Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
Subsidiary of other affiliated company	FSY101 Co., Ltd. (Note 2)	Shibuya-ku, Tokyo	8	Real estate renting, etc.	—	—	Guarantee deposits of hotel facilities (Note 3)	—	Investments and other assets	15
							Rent of hotel facilities (Note 4)	18	—	—

Notes: 1. Consumption taxes are not included in the above transaction amounts, but are included in the year-end balance.
2. The above company is a subsidiary of the Company, a majority voting rights of which is held by the Company's directors and their close family members.
3. Terms and conditions of the transaction and the policy for determination thereof:
Guarantee deposits of hotel facilities were determined with due consideration of the trading market prices and other factors.
4. Terms and conditions of the transaction and the policy for determination thereof:
Rent of hotel facilities was determined in reference to the assessed value provided by real estate assessors.

Year ended March 31, 2020

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party	Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
Subsidiary of other affiliated company	FSY101 Co., Ltd. (Note 2)	Shibuya-ku, Tokyo	8	Real estate renting, etc.	—	—	Guarantee deposits of hotel facilities (Note 3)	—	Investments and other assets	15
							Rent of hotel facilities (Note 4)	18	—	—

Notes: 1. Consumption taxes are not included in the above transaction amounts, but are included in the year-end balance.
2. The above company is a subsidiary of the Company, a majority voting rights of which is held by the Company's directors and their close family members.
3. Terms and conditions of the transaction and the policy for determination thereof:
Guarantee deposits of hotel facilities were determined with due consideration of the trading market prices and other factors.
4. Terms and conditions of the transaction and the policy for determination thereof:
Rent of hotel facilities was determined in reference to the assessed value provided by real estate assessors.

Per Share Information

(In yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Net assets per share	1,028.56	1,054.14
Basic net income per share	106.39	60.62
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, 2019	Year ended March 31, 2020
Net income per share:		
Profit attributable to owners of parent (millions of yen)	10,343	5,862
Amount not attributable to holders of common stock (millions of yen)	—	—
Profit attributable to owners of parent relating to common stock (millions of yen)	10,343	5,862
Average number of shares of common stock during the year (thousands of shares)	97,229	96,705

Significant Subsequent Events

None applicable.

Supplementary Schedules

Bonds

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

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

(In millions of yen)

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

Borrowings

	In millions of yen		Average interest rate	Repayment date
	Beginning balance on April 1, 2019	Ending balance on March 31, 2020		
Short-term borrowings	5,105	6,352	0.17%	—
Current portion of long-term borrowings (due within 1 year)	9,262	5,694	0.21	—
Current portion of lease obligations (due within 1 year)	406	322	1.07	—
Long-term borrowings (except current portion)	45,339	55,774	0.21	From 2021 to 2043
Lease obligations (except current portion)	425	407	1.07	From 2021 to 2025
Total	60,539	68,550	—	—

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	6,323	5,174	6,115	6,133
Lease obligations	175	117	92	21

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, 2020, 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, 2020:

(In millions of yen)

(Cumulative period)	First quarter ended June 30, 2019	Second quarter ended September 30, 2019	Third quarter ended December 31, 2019	Year ended March 31, 2020
Net sales	46,155	86,222	137,578	179,948
Profit before income taxes	1,777	3,250	7,560	9,557
Profit attributable to owners of parent	1,113	1,678	4,594	5,862
Net income per share (in yen)	11.50	17.35	47.51	60.62

(In yen)

(Accounting period)	First quarter ended June 30, 2019	Second quarter ended September 30, 2019	Third quarter ended December 31, 2019	Fourth quarter ended March 31, 2020
Basic earnings per share	11.50	5.84	30.17	13.11

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

None in particular to be remarked.

Corporate Data and Investor Information (As of March 31, 2020)

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
3,297

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

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

Director and Audit and Supervisory Committee:
Yasuo Hagihara

Outside Directors (Independent Directors) and Audit and Supervisory Committee Member:
Yukimitsu Watabe
Hideki Yamagata

Consolidated Subsidiaries
Refre Co., Ltd.
Ozio Co., Ltd.
Friendly Co., Ltd.
Sunstage Co., Ltd.
BANKAN Wamonoya Co., Ltd.
El Dorado Co., Ltd.
NurseStage Co., Ltd.
Texas Co., Ltd.
Granbellhotel Co., Ltd.
Marucho Co., Ltd.
California Co., Ltd.
Maimu Co., Ltd.
Sagami Group Holdings Co., Ltd.
Others

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

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

Number of Shareholders
12,568

Transfer Agent
Mizuho Trust & Banking Co., Ltd.

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

Ratio
1 ADR = 1 share of common stock

Symbol
BLUNY

CUSIP
07986W102

Depositary
The Bank of New York Mellon
Tel: (212)-815-2042
U.S. Toll Free: 888-269-2377 (888-BNY-ADRS)
URL: https://www.adrbnymellon.com

Major Shareholders

Names	Percentage of total shares
Friend Stage Asset Management co.,ltd.	35.1%
Kiyoshi Yasuno	10.3%
BBH for Fidelity Low Price Stock Fund (Principal All Sector Subportfolio)	6.7%
Japan Trustee Services Bank, Ltd. (Trust Account)	5.3%
Kimi Yasuno	3.0%
The Master Trust Bank of Japan, Ltd. (Trust Account)	2.7%
Sumitomo Mitsui Banking Corporation	2.3%
The Nomura Trust and Banking Co., Ltd.	2.0%
Belluna Mutual Benefit Society	1.8%
Mizuho Trust & Banking Co., Ltd Trust & Custody Services Bank, Ltd., as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted	1.6%

* In addition to the above, Belluna retains 587,369 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/