BELLUNA

Annual Report 2022

For the year ended March 31, 2022

Belluna Co., Ltd.

Code:9997

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 22 million customers in Japan cultivated in the Apparel & Goods business as well as related expertise and infrastructure. By utilizing these strengths to achieve a higher rate of growth and profitability, we are pursuing stable growth in the Apparel & Goods business, which includes online mail order sales, expansion of the Specialty Mail Order business, expansion and profit improvement in the Retail Store Sales business, and strengthening of the Property business toward a mature portfolio.

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

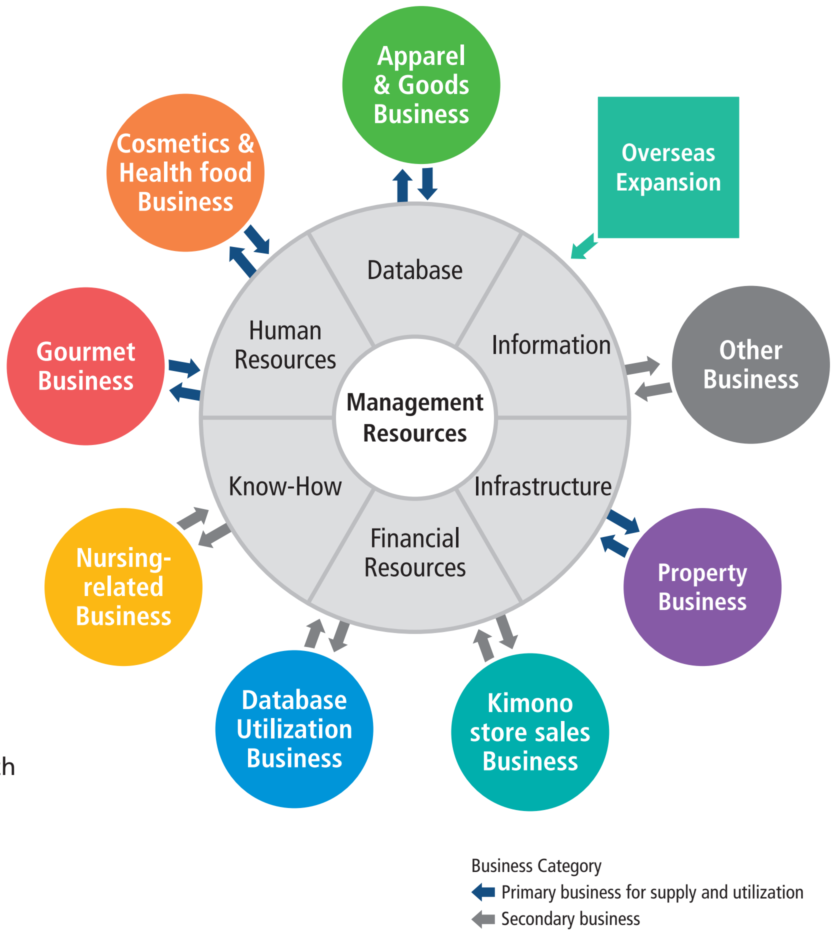
Looking ahead, based on our desire to "help improve the lifestyles and well-being of our customers," we will operate businesses that fulfill people's needs for food, clothing, lifestyle, and recreation.

Business Model

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

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

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



Contents

Forward-Looking Statements

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

Interview with the President

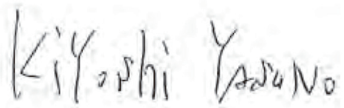
We would like to express our deepest sympathies to all those whose physical health and daily lives have been affected by the spread of COVID-19.

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

The Japanese economy continues to suffer from declining inbound demand and stagnant business activities in Japan and overseas against the backdrop of the global spread of COVID-19. A recovery in personal consumption demand was evident from October to December 2021, due to factors such as progressive vaccinations and a decline in the number of new cases of infection. However, case numbers rose from January 2022 onward due to the spread of the Omicron variant, and the outlook remains uncertain, with the implementation of priority measures to prevent the spread of the disease and a renewed downturn in consumption demand. Moreover, given the rise in the unemployment rate and the deterioration of the income environment, consumer demand is expected to take some time to recover. The mail order industry experienced increased demand from a broad customer base as a result of lifestyle changes, including stay-at-home requests and social distancing due to the spread of COVID-19, and the industry continued to see increased usage.

The Belluna Group engaged in measures to expand

We achieved record high net sales, and while operating income, ordinary income, and net income fell below the previous year’s levels, our results exceeded forecasts.



Kiyoshi Yasuno
President and CEO

and strengthen each of its eight segments—the Apparel & Furniture, Goods Business, Cosmetics and Health food Business, Gourmet Business, Nursing-related Business, Database Utilization Business, Kimono-related Business, Property Business, and Other Business —and bring its portfolio-based management to maturity to realize synergies. As a result, consolidated net sales for fiscal 2022 increased 6.6% year on year to ¥220,128 million, and operating income decreased 12.1% year on year to ¥13,827 million. Ordinary income decreased 13.8% year on year to ¥14,537 million as a result of higher fees associated with fund procurement compared with the same period in the previous fiscal year. In addition, profit attributable to owners of parent decreased 7.5% year on year to ¥10,204 million, partly due to a decrease in income taxes.

Regarding Belluna’s financial position, liabilities rose ¥8,154 million compared to the figure at March 31, 2021, to ¥135,134 million. This was mainly due to increases of ¥7,000 million in short-term borrowings and ¥3,844 million in long-term borrowings. Total assets, however, increased ¥13,966 million to ¥254,178 million. As a result, net assets increased ¥5,812 million to ¥119,044 million, and the shareholders’ equity ratio stood at 46.5%.

Q.2 What can you tell us about Belluna's initiatives and outlook for operating performance in fiscal 2023?

The outlook for the Japanese economy remains uncertain due to the continued threat of the spread of COVID-19 infections and concerns over prolonged stagnation of economic activities. With regard to personal consumption in Japan, consumption demand is expected to take some time to recover due to the rising prices of gasoline and food, among other items. In the mail order industry, demand is expected to continue to grow due to changes in consumer lifestyles and purchasing patterns resulting from the spread of COVID-19. There are also concerns over rising product costs in the mail order business due to soaring raw materials prices and ocean freight charges. At the Belluna Group, we see changes in consumer demand as an opportunity, mainly in the Mail Order Business, and will continue to launch products and services that generate new value with the aim of increasing customer numbers and realizing business growth by creating new customer satisfaction. In addition, in the Kimono-related Business and the Property Business, we will operate in accordance with policies and measures to prevent the spread of COVID-19. We will aim to secure business growth and profits by developing and implementing new services and ways to attract customers in response to changes in the external environment.

For the fiscal year ending March 31, 2023, we expect to achieve net sales of ¥219.0 billion, operating income of ¥15.0 billion, ordinary income of ¥15.7 billion and profit attributable to owners of parent of ¥10.6 billion.

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

Review of Business Operations

Apparel & Goods Business 44.6%

Cosmetics & Health food Business 7.3%

Gourmet Business 13.7%

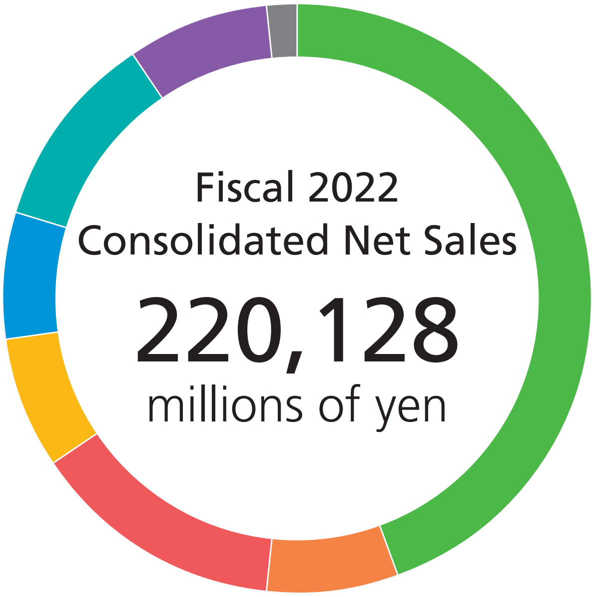
Nursing- related Business 7.3%

Database Utilization Business 6.9%

Kimono store sales Business 10.9%

Property Business 7.9%

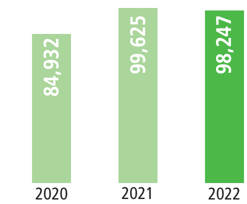
Other Business 1.4%



Apparel & Goods Business

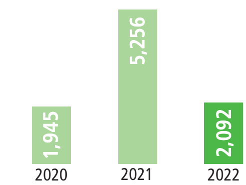
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Business Outline

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

Overview

The Group engaged in aggressive advertising during the first quarter and second quarters of the fiscal year, but profitability declined due to a weaker response from existing customers compared to the previous fiscal year, partly due to the dissipating impact of the spread of COVID-19. This weakening in the response from existing customers continued during the third and fourth quarters of the fiscal year, but the Group undertook measures such as curbing advertising expenses to prioritize ensuring profitability in its business operations. Although net sales and income for the third and fourth quarters of the fiscal year both declined year on year, the decline in profit was far less significant than during the first half of the fiscal year. As a result, for the fiscal year under review, segment net sales decreased 1.4% compared with the previous fiscal year to ¥98,247 million and segment (operating) income decreased 60.2% to ¥2,092 million.

Outlook

In fiscal 2023, we aim to achieve segment net sales of ¥90,066 million (down 8.3% year on year) and segment (operating) income of ¥1,604 million (down ¥488 million). We will proceed to lay the groundwork for a return to growth, including measures to promote branding and strengthen men's products and consumer electronics.

Cosmetics & Health food Business

Business Outline

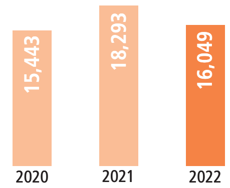
The Company's subsidiaries Refre Co., Ltd., and Ozio Co., Ltd. engage in the sale of health food items and cosmetics, respectively.

Overview

In the cosmetic sales business, weakening growth due to the spread of COVID-19 in Taiwan from the second quarter of the fiscal year was compounded by an increase in advertising expenses during the third and fourth quarters of the fiscal year, due to the launch of television commercials within Japan from October onward. The mail order health food sales business witnessed a weaker response from new customers, and the decline in net sales and income continued. As a result, for the fiscal year under review, segment net sales fell by 12.3% year on year to ¥16,049 million and segment (operating) income declined 30.6% to ¥1,829 million.

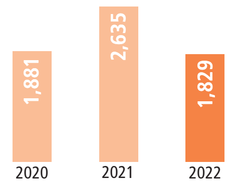
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Outlook

In fiscal 2023, we aim to achieve segment net sales of ¥15,158 million (down 5.6% year on year) and segment (operating) income of ¥1,350 million (down ¥480 million). We will focus on creating new winning patterns for products and sales promotions. For cosmetics, we will also concentrate on wholesaling to storefronts.

Gourmet Business

Business Outline

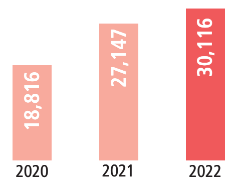
The Company engages in the sale of items such as food, Japanese sake, and wine.

Overview

Sales of traditional New Year's cuisine were robust during the third quarter of the fiscal year, in addition to the continuation of aggressive advertising from the previous fiscal year, with an increase in the number of active customers. However, the response from existing customers continued to weaken compared to the previous fiscal year as the effect of the spread of COVID-19 dissipated. As a result, for the fiscal year under review, segment net sales increased 10.9% compared with the previous fiscal year to ¥30,116 million, while segment (operating) income increased 5.7% to ¥2,268 million.

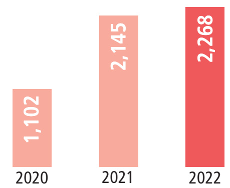
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Outlook

In fiscal 2023, we aim to achieve segment net sales of ¥32,790 million (up 8.9% year on year) and segment (operating) income of ¥2,261 million (down ¥7 million). We anticipate the current trend of increasing net sales to continue as we respond to rising costs and materials prices.

Nursing- related Business

Business Outline

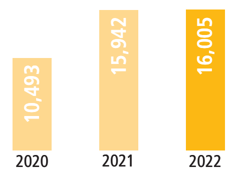
The Company's subsidiaries NurseStage Co., Ltd. and JOBSTUDIO PTE. LTD. engage in mail order sales targeting nurses and the personnel placement business for nurses.

Overview

The Group engaged in aggressive advertising through television commercials, etc., but demand shrank for medical sundry goods and consumables such as masks and pulse oximeter, which were subject to special procurement demand in the same period of the previous fiscal year, as the effect of the spread of COVID-19 dissipated. As a result, for the fiscal year under review, segment net sales increased 0.4% compared with the previous fiscal year to ¥16,005 million, and segment (operating) income decreased 43.3% to ¥1,021 million.

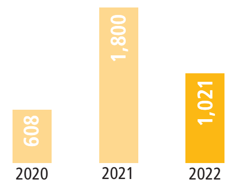
Net Sales

(millions of yen)



Segment Income

(millions of yen)



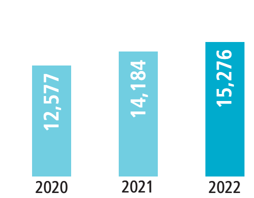
Outlook

In fiscal 2023, we aim to achieve segment net sales of ¥15,735 million (down 1.7% year on year) and segment (operating) income of ¥1,217 million (up ¥195 million). We will engage in profit-focused management. In addition to the existing B2C model, we will strengthen and expand online and offline B2B development for hospitals and clinics, aiming to capture corporate demand.

Database Utilization Business

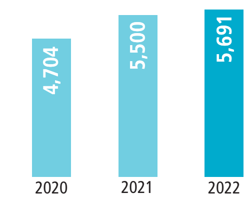
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Business Outline

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

Overview

Sales increased for direct-marketing outsourcing services, with the steady acquisition of new trading partners. Sales for enclosing and mailing services declined during the third and fourth quarters of the fiscal year due to the impact of weakening growth in the Apparel and Goods Business, and full-year sales increased. In the finance business, the efficiency of new customer acquisition continued to decline due to the spread of COVID-19. As a result, for the fiscal year under review, segment net sales increased 7.7% compared with the previous fiscal year to ¥15,276 million, and segment (operating) income increased 3.5% to ¥5,691 million.

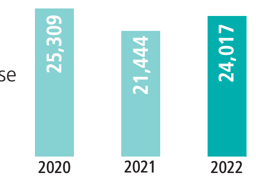
Outlook

In fiscal 2023, we aim to achieve segment net sales of ¥15,619 million (up 2.2% year on year) and segment (operating) income of ¥5,752 million (up ¥61 million). In the finance business, we aim to increase the balance and enhance our growth potential as COVID-19 becomes contained. We anticipate steadily profitability in the enclosing and mailing business, and we will develop new customers in the commission-type businesses.

Kimono store sales Business

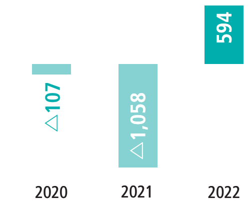
Net Sales

(millions of yen)



Segment Income

(millions of yen)



Business Outline

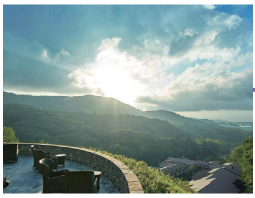
The Company's subsidiaries such as BANKAN Wamonoya Co., Ltd. and Sagami Group Holdings Co., Ltd. operate the retail store sales business for merchandise related to Japanese traditional clothing. Maimu Co., Ltd. engages in clothing rental business mainly in apparel.

Overview

The impact of shortened operating hours and temporary closures, a result of policies by developers to prevent the spread of COVID-19, was felt during the first and second quarters of the fiscal year, although to a lesser extent than in the same period of the previous fiscal year. Sales and income grew during the third and fourth quarters of the fiscal year as the Group managed to achieve both an increase in the value of orders received and an improvement in profitability, partly due to an improvement in average per-store order efficiency and cost reduction measures. As a result, for the fiscal year under review, segment net sales increased 12.0% compared with the previous fiscal year to ¥24,017 million, and segment (operating) income amounted to ¥594 million (compared with segment (operating) loss of ¥1,058 million in the previous fiscal year).

Outlook

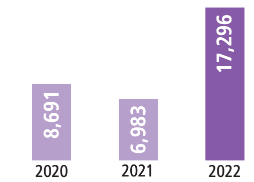
In fiscal 2023, we aim to achieve segment net sales of ¥25,234 million (up 5.1% year on year) and segment (operating) income of ¥1,271 million (up ¥676 million). We completed the restructuring of Sagami and Tokyo Masuiwaya in fiscal 2022, and anticipate a return to profit in fiscal 2023.



Property Business

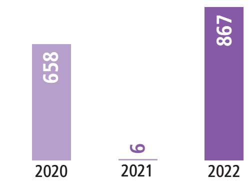
Net Sales

(millions of yen)



Segment Income

(millions of yen)



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. and MIRIANDHOO MALDIVES RESORTS PVT. LTD. engage in hotel management.

Overview

The hotel business enjoyed an amelioration in negative factors compared to the previous fiscal year, with the dissipation of the impact of the spread of COVID-19. However, a decline in occupancy rates for existing hotels in the third quarter due to the absence of the Go To Travel campaign, which had been implemented in the same period of the previous fiscal year, in addition to up-front expenses for newly-opened hotels, led to a steep rise in sales and fall in income in the hotel business. By contrast, the real estate development and sale business recorded the effects of a substantial increase in sales and income due to the sale of real estate overseas. As a result, for the fiscal year under review, segment net sales increased 147.7% compared with the previous fiscal year to ¥17,296 million, and segment (operating) income increased 13,102.5% to ¥867 million.

Outlook

In fiscal 2023, we aim to achieve segment net sales of ¥20,232 million (up 17.0% year on year) and segment (operating) income of ¥2,006 million (up ¥1,139 million). We expect increases in net sales and income by attracting more guests in the hotel business.

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 2022, the Board of Directors consisted of eleven directors, makes decisions on management objectives and management strategy, etc., and supervises the management and operation of directors. The Board of Directors actively requests members of the Audit & Supervisory Committee to express opinions about resolutions on matters set forth in laws and regulations and the Articles of Incorporation, the status of management and operation, and other important managerial matters. In this manner, the Board of Directors releases reports and deliberates and adopts resolutions while securing fair and objective decisions.

Audit & Supervisory Committee

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

Executive Officer System

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

Compliance

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

Compliance Committee

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

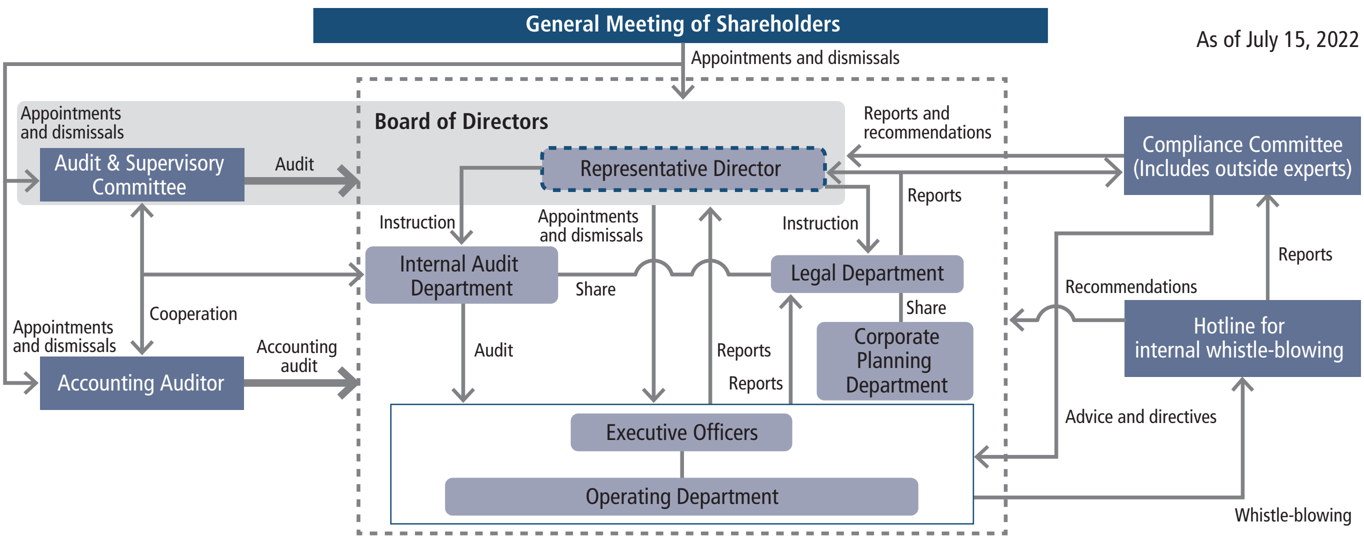
Compliance Promotion Structure

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

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

Corporate Governance System

As of July 15, 2022



Financial Section

Six-Year Financial Summary

Belluna Co., Ltd. and Consolidated Subsidiaries

Years ended March 31	2017	2018	2019	2020	2021	2022	2022
	Millions of yen						Thousands of U.S. dollars [1]
For the year:							
Net sales	146,083	161,673	177,648	179,948	206,499	**220,128**	**1,798,431**
Cost of sales	64,306	71,774	76,275	74,908	84,935	**90,822**	**742,010**
Gross profit—net	81,762	89,897	101,364	105,062	121,564	**129,305**	**1,056,413**
Selling, general and administrative expenses	70,880	76,889	89,359	94,751	105,821	**115,478**	**943,448**
Operating income	10,882	13,008	12,005	10,311	15,734	**13,827**	**112,966**
Income before income taxes and minority interests	9,773	13,734	15,468	9,557	17,743	**15,313**	**125,106**
Net income	5,802	9,665	10,343	5,862	11,036	**10,204**	**83,366**
Capital investment	8,635	15,704	7,511	10,360	8,750	**17,221**	**140,694**
Depreciation	2,655	2,495	2,765	3,151	3,321	**3,655**	**29,861**
At year-end:							
Current assets	84,792	89,989	99,244	103,683	115,534	**118,133**	**965,139**
Property, plant and equipment	64,258	75,549	83,204	88,651	92,558	**103,342**	**844,297**
Total assets	179,024	195,946	213,786	223,128	240,211	**254,178**	**2,076,618**
Current liabilities	40,352	42,331	53,463	50,135	55,645	**64,904**	**530,261**
Long-term liabilities	50,898	60,556	59,790	70,467	71,334	**70,229**	**573,766**
Total liabilities	91,251	102,888	113,253	120,602	126,980	**135,134**	**1,104,036**
Net assets	87,773	93,058	100,533	102,525	113,231	**119,044**	**972,582**
Number of shares issued (thousands)	97,236	97,236	97,244	97,244	97,244	**97,244**	
Number of employees	1,708	1,742	3,134	3,297	3,320	**3,444**	
	Yen						U.S. dollars [2]
Per share data:							
Net income per share	59.68	99.41	106.39	60.62	114.17	**105.55**	**0.86**
Shareholders' equity per share [2]	872.86	949.70	1,028.56	1,054.14	1,164.97	**1,223.24**	**9.99**
Cash dividends per share	12.5	12.5	15.0	16.0	16.5	**19.00**	**0.16**
	Percentage (%)						
Financial ratios:							
Operating income margin	7.4	8.0	6.8	5.7	7.6	**6.3**	
Net income margin	4.0	6.0	5.8	3.3	5.3	**4.6**	
Return on equity (ROE) [3]	7.0	10.9	10.8	5.8	10.3	**8.8**	
Return on assets (ROA) [4]	6.8	7.3	6.1	4.9	7.1	**5.8**	
Shareholders' equity ratio [3]	47.4	47.1	46.7	45.7	46.9	**46.5**	

Notes: 1. The U.S. dollar amounts have been translated from yen, for the convenience of the reader, at the rate of ¥122.40=US$1.00, the approximate rate on the Tokyo foreign exchange market on March 31, 2022.
2. Net assets per share is presented as the line item Shareholders' equity per share. In the calculation of net assets per share, the amount of net assets less minority interests is used.
3. In the calculation of ROE and the Shareholders' equity ratio, the amount of net assets less minority interests is used as shareholders' equity.
4. ROA is the total of operating income and net interest and dividend income divided by average total assets.

Financial Review

Overview and Net Sales

In fiscal 2022, the Japanese economy continued to suffer from declining inbound demand and stagnant business activities in Japan and overseas against the backdrop of the global spread of COVID-19. A recovery in personal consumption demand was evident from October to December 2021, due to factors such as progressive vaccinations and a decline in the number of new cases of infection. However, case numbers rose from January 2022 onward due to the spread of the Omicron variant, and the outlook remains uncertain, with the implementation of priority measures to prevent the spread of the disease and a renewed downturn in consumption demand. Moreover, given the rise in the unemployment rate and the deterioration of the income environment, consumer demand is expected to take some time to recover. The mail order industry experienced increased demand from a broad customer base as a result of lifestyle changes, including stay-at-home requests and social distancing due to the spread of COVID-19, and the industry continued to see increased usage.

Under these conditions, the Belluna Group engaged in measures to expand and strengthen each of its eight segments—Apparel and Goods business, Cosmetics and Health food business, Gourmet business, Nursing-related business, Database Utilization business, Kimono-related business, Property business, and Other business—and bring its portfolio-based management to maturity to realize synergies. As a result, consolidated net sales for fiscal 2022 increased 6.6% year on year to ¥220,128 million, and operating income decreased 12.1% year on year to ¥13,827 million. Ordinary income decreased 13.8% year on year to ¥14,537 million as a result of higher fees associated with fund procurement compared with the same period in the previous fiscal year. In addition, profit attributable to owners of parent decreased 7.5% year on year to ¥10,204 million, partly due to a decrease in income taxes.

Net Sales and Earnings per Segment

The Group engaged in aggressive advertising during the first quarter and second quarters of the fiscal year, but profitability declined due to a weaker response from existing customers compared to the previous fiscal year, partly due to the dissipating impact of the spread of COVID-19. This weakening in the response from existing customers continued during the third and fourth quarters of the fiscal year, but the Group undertook measures such as curbing advertising expenses to prioritize ensuring profitability in its business operations. Although net sales and income for the third and fourth quarters of the fiscal year both declined year on year, the decline in profit was far less significant than during the first half of the fiscal year. As a result, for the fiscal year under review, segment net sales decreased 1.4% compared with the previous fiscal year to ¥98,247 million and segment (operating) income decreased 60.2% to ¥2,092 million.

In the cosmetic sales business, weakening growth due to the spread of COVID-19 in Taiwan from the second quarter of the fiscal year was compounded by an increase in advertising expenses during the third and fourth quarters of the fiscal year, due to the launch of television commercials within Japan from October onward. The mail order health food sales business witnessed a weaker response from new customers, and the decline in net sales and income continued. As a result, for the fiscal year under review, segment net sales fell by 12.3% year on year to ¥16,049 million and segment (operating) income declined 30.6% to ¥1,829 million.

Sales of traditional New Year's cuisine were robust during the third quarter of the fiscal year, in addition to the continuation of aggressive advertising from the previous fiscal year, with an increase in the number of active customers. However, the response from existing customers continued to weaken compared to the previous fiscal year as the effect of the spread of COVID-19 dissipated. As a result, for the fiscal year under review, segment net sales increased 10.9% compared with the previous fiscal year to ¥30,116 million, while segment (operating) income increased 5.7% to ¥2,268 million.

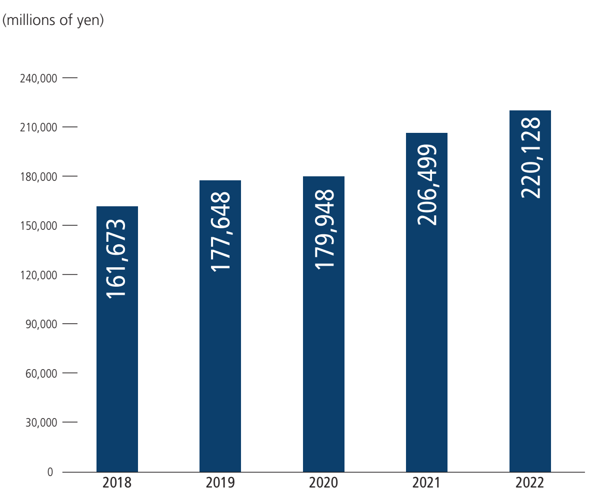
The Group engaged in aggressive advertising through television commercials, etc., but demand shrank for medical sundry goods and consumables such as masks and pulse oximeter, which were subject to special procurement demand in the same period of the previous fiscal year, as the effect of the spread of COVID-19 dissipated. As a result, for the fiscal year under review, segment net sales increased 0.4% compared with the previous fiscal year to ¥16,005 million, and segment (operating) income decreased 43.3% to ¥1,021 million.

Sales increased for direct-marketing outsourcing services, with the steady acquisition of new trading partners. Sales for enclosing and mailing services declined during the third and fourth quarters of the fiscal year due to the impact of weakening growth in the Apparel and Goods Business, and full-year sales increased. In the finance business, the efficiency of new customer acquisition continued to decline due to the spread of COVID-19. As a result, for the fiscal year under review, segment net sales increased 7.7% compared with the previous fiscal year to ¥15,276 million, and segment (operating) income increased 3.5% to ¥5,691 million.

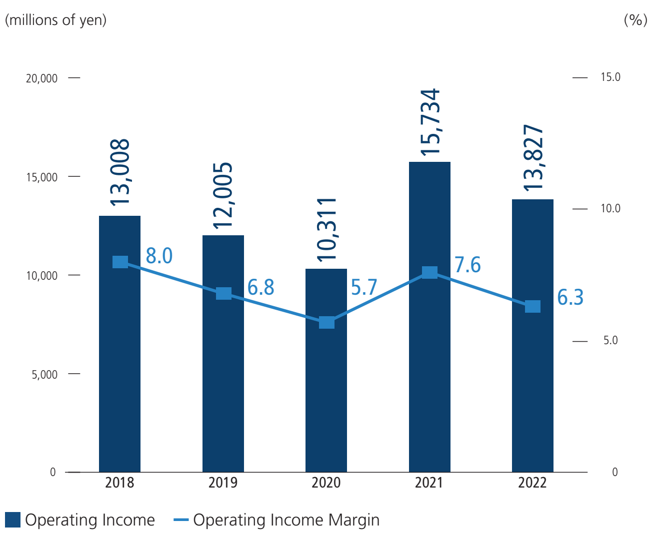
The impact of shortened operating hours and temporary closures, a result of policies by developers to prevent the spread of COVID-19, was felt during the first and second quarters of the fiscal year, although to a lesser extent than in the same period of the previous fiscal year. Sales and income grew during the third and fourth quarters of the fiscal year as the Group managed to achieve both an increase in the value of orders received and an improvement in profitability, partly due to an improvement in average per-store order efficiency and cost reduction measures. As a result, for the fiscal year under review, segment net sales increased 12.0% compared with the previous fiscal year to ¥24,017 million, and segment (operating) income amounted to ¥594 million (compared with segment (operating) loss of ¥1,058 million in the previous fiscal year).

The hotel business enjoyed an amelioration in negative factors compared to the previous fiscal year, with the dissipation of the impact of the spread of COVID-19. However, a decline in occupancy rates for existing hotels in the third quarter due to the absence of the Go To Travel campaign, which had been implemented in the same period

Net Sales



Operating Income and Operating Income Margin



of the previous fiscal year, in addition to up-front expenses for newly-opened hotels, led to a steep rise in sales and fall in income in the hotel business. By contrast, the real estate development and sale business recorded the effects of a substantial increase in sales and income due to the sale of real estate overseas. As a result, for the fiscal year under review, segment net sales increased 147.7% compared with the previous fiscal year to ¥17,296 million, and segment (operating) income increased 13,102.5% to ¥867 million.

Businesses such as the restaurant business and accommodation booking business struggled during the first and second quarters of the fiscal year due to the spread of COVID-19, but the impact was less significant than in the same period of the previous fiscal year. The accommodation booking business was affected by a substantial decline in the number of accommodation bookings in the third quarter of the fiscal year, due to the absence of the Go To Travel campaign, which had been implemented in the same period of the previous fiscal year. As a result, for the fiscal year under review, segment net sales decreased 4.4% compared with the previous fiscal year to ¥4,019 million, and segment (operating) loss amounted to ¥99 million (segment (operating) loss of ¥127 million in the previous fiscal year).

Financial Condition

Total assets as of March 31, 2022 stood at ¥254,178 million, an increase of ¥13,966 million from the previous fiscal year-end. In particular, current assets rose ¥2,598 million to ¥118,133 million, primarily reflecting increases of ¥4,660 million in merchandise and finished goods, and ¥1,814 million in other current assets, which outweighed decreases of ¥2,187 million in cash and deposits and ¥2,493 million in real estate for sale in process. As of the end of the fiscal year, fixed assets stood at ¥136,045 million, an increase of ¥11,368 million. This was mainly due to increases of ¥6,362 million in buildings and structures, ¥3,045 million in land, and ¥1,747 million in construction in progress.

Total liabilities increased by ¥8,154 million compared with the previous fiscal year-end to ¥135,134 million. Specifically, current liabilities increased by ¥9,258 million year on year to ¥64,904 million, primarily because of increases of ¥7,000 million in short-term borrowings and ¥5,000 million in current portion of bonds payable, which outweighed a decrease of ¥2,864 million in income taxes payable. Non-current liabilities decreased by ¥1,104 million year on year to ¥70,229 million, mainly due to a decrease of ¥5,000 million in bonds payable, which outweighed a ¥3,844 million increase in long-term borrowings.

Net assets as of March 31, 2022 totaled ¥119,044 million, a ¥5,812 million rise compared with the previous fiscal year-end. As a result, the shareholders' equity ratio was 46.5%.

Cash Flows

Net cash provided by operating activities during the fiscal year under review was ¥7,154 million (¥20,772 million provided in the previous fiscal year). The main factors leading to the increase were ¥15,313 million in profit before income taxes, ¥3,655 million of depreciation, and ¥1,785 million in decrease in real estate for sale, while the main factors leading to the decrease were an increase of ¥4,157 million in inventories and ¥7,832 million of income taxes paid.

Net cash used in investing activities during the fiscal year under review was ¥17,033 million (¥5,185 million used in the previous fiscal year). The main factor leading to the increase was ¥3,634 million of proceeds from sales of investment securities, while the main factors leading to the decrease were ¥15,800 million of payments for the acquisition of property, plant and equipment, and ¥3,430 million of acquisition of investment securities.

Net cash provided by financing activities during the fiscal year under review was ¥8,652 million (¥6,996 million used in the previous fiscal year). The main factors leading to the increase were a ¥6,200 million increase in short-term borrowings and a ¥10,234 million increase of proceeds from long-term borrowings, while the main factors leading to the decrease were ¥5,832 million of repayments of long-term borrowings and ¥1,740 million of dividends paid.

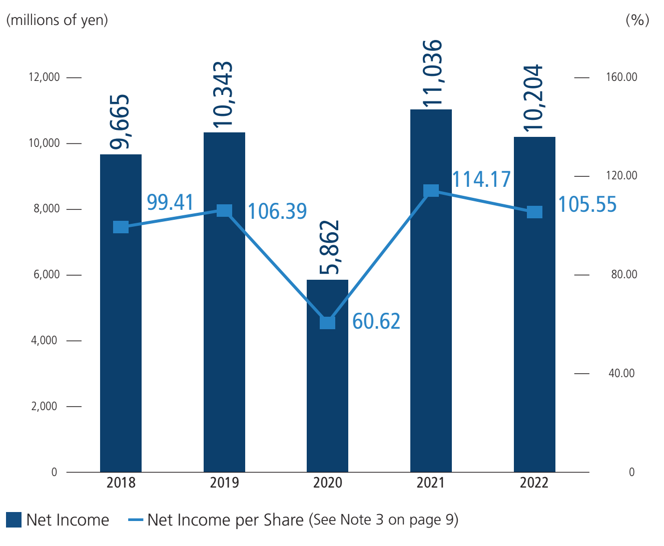
Forecasts for Fiscal 2023

The outlook for the Japanese economy remains uncertain due to the continued threat of the spread of COVID-19 infections and concerns over prolonged stagnation of economic activities. With regard to personal consumption in Japan, consumer mindset is expected to take some time to recover due to the rising prices of gasoline and food, among other items. In the mail order industry, demand is expected to continue to grow due to changes in consumer lifestyles and purchasing patterns resulting from the spread of COVID-19. There are also concerns over rising product costs in the mail order business due to soaring raw materials prices and ocean freight charges.

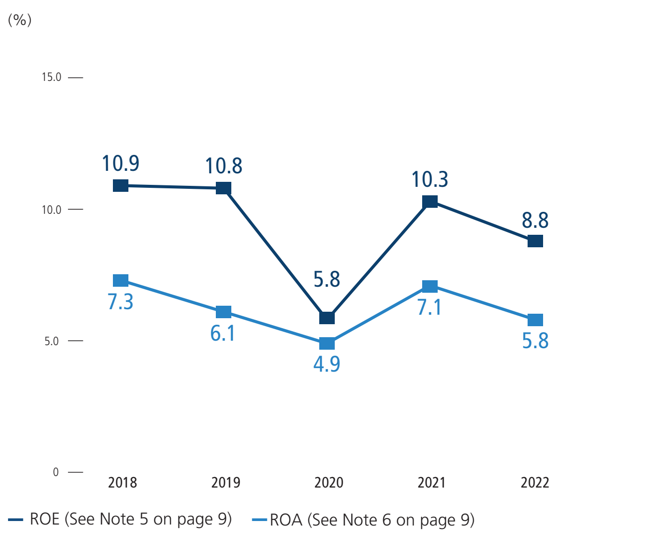
Against this backdrop, seeing changes in consumer demand as an opportunity, mainly in the mail order business, the Belluna Group will continue to launch products and services that generate new value with the aim of increasing customer numbers and realizing business growth by creating new customer satisfaction. In the Kimono-related business and the Property business, we will operate in accordance with policies and measures to prevent the spread of COVID-19. We will aim to secure business growth and profits by developing and implementing new services and ways to attract customers in response to changes in the external environment.

Regarding the forecast for fiscal 2023, we anticipate net sales of ¥219,000 million, operating income of ¥15,000 million, ordinary income of ¥15,700 million, and profit attributable to owners of parent of ¥10,600 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

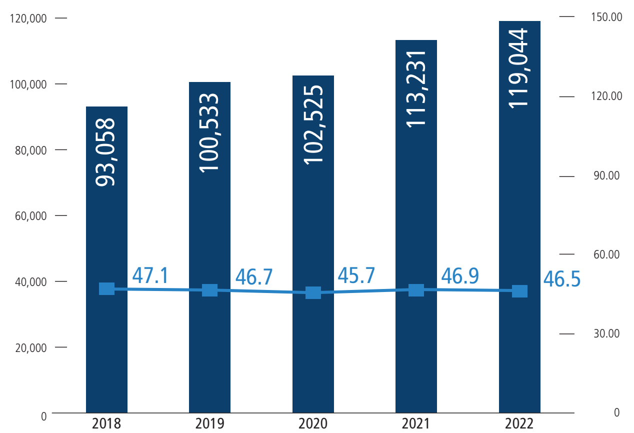
In the event that the market prices of such raw materials as pulp (which is used to produce catalogs and other items) exceed Group expectations or there is an increase in the cost of consigned dispatch services by carriers, mainly reflecting an increase in crude oil prices, the Group's operating performance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

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

(millions of yen) (%)

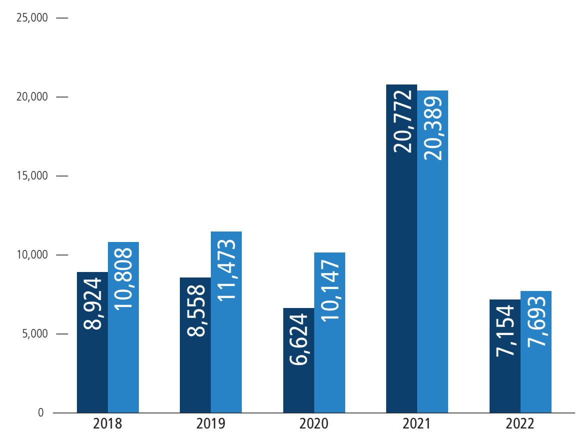


■ Shareholders' Equity — Shareholders' Equity Ratio (See Note 5 on page 9)

* Net assets less minority interests

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

(millions of yen)



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

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

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

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

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

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

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

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

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

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

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

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

Consolidated Financial Statements

The following is an English-language translation of the audited consolidated financial statements section of the Yukashoken Hokokusho (annual securities report), originally issued in Japanese, of Belluna Co., Ltd. and its consolidated subsidiaries for the year ended March 31, 2022 (with comparative figures for the previous year).

Consolidated Balance Sheets

		In millions of yen		
		March 31, 2021		**March 31, 2022**
Assets				
Current assets				
Cash and deposits		30,778		**28,591**
Trade notes and accounts receivable		10,242		**—**
Notes receivable - trade		—		**96**
Accounts receivable - trade		—		**10,570**
Trade loans		26,892		**27,443**
Marketable securities		182		**202**
Merchandise and finished goods		22,006		**26,667**
Raw materials and supplies		1,410		**1,294**
Real estate for sale	*2	3,385	*2	**3,370**
Real estate for sale in process	*2	9,519	*2	**7,026**
Other current assets		11,782		**13,596**
Allowance for doubtful accounts		(665)		**(727)**
Total current assets		115,534		**118,133**
Fixed assets				
Property, plant and equipment				
Buildings and structures	*2*3	49,893	*2*3	**56,828**
Accumulated depreciation	*1	(21,737)	*1	**(22,310)**
Buildings and structures (net)		28,156		**34,518**
Machinery and equipment	*2	9,963	*2	**10,153**
Accumulated depreciation	*1	(2,477)	*1	**(3,042)**
Machinery and equipment (net)		7,486		**7,111**
Furniture and fixtures		4,548		**4,660**
Accumulated depreciation	*1	(2,838)	*1	**(3,052)**
Furniture and fixtures (net)		1,709		**1,608**
Land	*2	43,038	*2	**46,083**
Leased assets		391		**522**
Accumulated depreciation	*1	(280)	*1	**(304)**
Leased assets (net)		110		**217**
Construction in progress		12,056		**13,803**
Total property, plant and equipment		92,558		**103,342**
Intangible fixed assets				
Goodwill		1,988		**1,979**
Leased assets		579		**545**
Other	*2	8,337	*2	**7,753**
Total intangible fixed assets		10,904		**10,278**
Investments and other assets				
Investment securities	*4	13,314	*4	**13,637**
Long-term lending		1,770		**1,890**
Claims provable in bankruptcy, claims provable in rehabilitation and other		221		**153**
Deferred tax assets		1,371		**1,616**
Other assets		5,166		**5,730**
Allowance for doubtful accounts		(631)		**(603)**
Total investments and other assets		21,213		**22,424**
Total fixed assets		124,677		**136,045**
Total assets		240,211		**254,178**

		In millions of yen		
		March 31, 2021		**March 31, 2022**
Liabilities				
Current liabilities				
Trade notes and accounts payable		22,250		**22,303**
Accrued expenses		13,743		**13,392**
Short-term borrowings	*2, *5 *6	5,909	*2, *5 *6	**12,909**
Current portion of bonds payable		—		**5,000**
Lease obligations		235		**260**
Income taxes payable		4,907		**2,042**
Contract liabilities		—		**5,439**
Provision for bonuses		883		**974**
Provision for sales returns		79		**—**
Provision for point program		549		**—**
Other current liabilities		7,085		**2,583**
Total current liabilities		55,645		**64,904**
Long-term liabilities				
Bonds payable		10,000		**5,000**
Long-term borrowings	*2, *5 *6	56,797	*2, *5 *6	**60,642**
Provision for loss on interest repayment		584		**525**
Lease obligations		459		**509**
Net defined benefit liability		251		**212**
Provision for retirement benefits for directors and audit and supervisory committee members		249		**249**
Asset retirement obligations		1,150		**1,123**
Provision for repairs		35		**64**
Other long-term liabilities		1,806		**1,903**
Total long-term liabilities		71,334		**70,229**
Total liabilities		126,980		**135,134**
Net assets				
Shareholders' equity				
Common stock		10,612		**10,612**
Capital surplus		10,954		**10,951**
Retained earnings		94,667		**103,131**
Treasury stock		(481)		**(467)**
Total shareholders' equity		115,752		**124,228**
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		1,975		**1,373**
Deferred gains or losses on hedges		—		**(18)**
Revaluation reserve for land		(7)		**(7)**
Foreign currency translation adjustments		(5,028)		**(7,271)**
Remeasurements of defined benefit plans		(72)		**(35)**
Total accumulated other comprehensive income		(3,132)		**(5,959)**
Non-controlling interests		611		**775**
Total net assets		113,231		**119,044**
Total liabilities and net assets		240,211		**254,178**

Consolidated Statements of Income

In millions of yen

		Year ended March 31, 2021		Year ended March 31, 2022
Net sales		206,499		**220,128**
Cost of sales	*1	84,935	*1	**90,822**
Gross profit		121,564		**129,305**
Reversal of provision for sales returns		71		**—**
Provision for sales returns		79		**—**
Gross profit—net		121,556		**129,305**
Selling, general and administrative expenses	*2	105,821	*2	**115,478**
Operating income		15,734		**13,827**
Non-operating income				
Interest income		59		**49**
Dividend income		547		**421**
Rent income		37		**36**
Extinction of debt		25		**29**
Compensation received		114		**122**
Foreign exchange gains		59		**540**
Subsidy income		371		**408**
Gain on valuation of derivatives		2		**—**
Gain on investments in investment partnerships		4		**104**
Other		394		**517**
Total non-operating income		1,616		**2,230**
Non-operating expenses				
Interest expense		201		**246**
Commission fee		103		**999**
Depreciation		21		**20**
Loss on closing of stores		81		**118**
Other		69		**135**
Total non-operating expenses		478		**1,519**
Ordinary income		16,872		**14,537**
Extraordinary gains				
Gain on sales of non-current assets	*3	1,227	*3	**12**
Gain on sales of investment securities		265		**1,537**
Total extraordinary gains		1,493		**1,550**
Extraordinary losses				
Loss on sale of non-current assets	*4	17	*4	**403**
Loss on retirement of fixed assets	*5	17	*5	**12**
Impairment loss	*6	189	*6	**213**
Loss on valuation of investment securities		—		**139**
Loss on redemption of investment securities		42		**—**
Loss on valuation of shares of subsidiaries and associates		244		**—**
Loss on extinguishment of tie-in shares		46		**—**
Settlement package		64		**5**
Total extraordinary losses		622		**774**
Profit before income taxes		17,743		**15,313**
Income taxes—current		6,999		**4,996**
Income taxes—deferred		(275)		**50**
Total income taxes		6,723		**5,047**
Profit		11,019		**10,265**
Profit (loss) attributable to non-controlling interests		(16)		**60**
Profit attributable to owners of parent		11,036		**10,204**

Consolidated Statements of Comprehensive Income

In millions of yen

	Year ended March 31, 2021	Year ended March 31, 2022
Profit	11,019	**10,265**
Other comprehensive income		
Valuation difference on available-for-sale securities	1,827	**(601)**
Revaluation reserve for land	—	**(18)**
Foreign currency translation adjustments	(616)	**(2,304)**
Remeasurements of defined benefit plans, net of tax	11	**36**
Total other comprehensive income	*1 1,223	*1 **(2,888)**
Comprehensive income	12,242	**7,377**
Comprehensive income attributable to owners of parent	12,267	**7,377**
Comprehensive income attributable to non-controlling interests	(24)	**(0)**

Consolidated Statements of Changes in Net Assets

(In millions of yen)

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

(In millions of yen)

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

Consolidated Statements of Cash Flows

	In millions of yen	
	Year ended March 31, 2021	**Year ended March 31, 2022**
Cash flows from operating activities		
Profit before income taxes	17,743	**15,313**
Depreciation	3,321	**3,655**
Increase (decrease) in provision for sales returns	8	**—**
Impairment loss	189	**213**
Amortization of goodwill	686	**704**
Increase (decrease) in allowance for doubtful accounts	38	**(2)**
Increase (decrease) in provision for bonuses	141	**82**
Increase (decrease) in net defined benefit liability	15	**16**
Increase (decrease) in provision for retirement benefits for directors and audit and supervisory committee members	(3)	**—**
Increase (decrease) in provision for point program	68	**—**
Increase (decrease) in provision for loss on interest repayment	(148)	**(59)**
Increase (decrease) in provision for repairs	29	**29**
Interest and dividend income	(607)	**(470)**
Interest expense	201	**246**
Loss (gain) on valuation of derivatives	(2)	**—**
Loss (gain) on sales of investment securities	(265)	**(1,537)**
Loss (gain) on valuation of investment securities	—	**139**
Loss (gain) on redemption of investment securitiess	42	**—**
Loss on valuation of shares of subsidiaries and associates	244	**—**
Foreign exchange losses (gains)	(79)	**(299)**
Loss on retirement of fixed assets	17	**12**
Loss (gain) on sales of property, plant and equipment	(1,210)	**390**
Decrease (increase) in trade notes and accounts receivable	(846)	**(247)**
Decrease (increase) in trade loans	383	**(539)**
Decrease (increase) in inventories	(1,092)	**(4,157)**
Decrease (increase) in real estate for sale	(1,288)	**1,785**
Decrease (increase) in other current assets	(1,705)	**(1,390)**
Increase (decrease) in notes and accounts payable	3,719	**(138)**
Increase (decrease) in other current liabilities	3,461	**946**
Increase (decrease) in other long-term liabilities	(57)	**163**
Other	676	**(119)**
Sub-total	23,682	**14,736**
Interest and dividends received	654	**470**
Interest paid	(200)	**(245)**
Refund of income taxes	39	**25**
Income taxes paid	(3,403)	**(7,832)**
Net cash provided by operating activities	20,772	**7,154**
Cash flows from investing activities		
Payments into time deposits	(674)	**—**
Proceeds from withdrawal of time deposits	1,370	**—**
Acquisition of property, plant and equipment	(7,827)	**(15,800)**
Proceeds from sales of property, plant and equipment	2,253	**408**
Acquisition of intangible fixed assets	(409)	**(828)**
Acquisition of investment securities	(522)	**(3,430)**
Proceeds from sales of investment securities	1,350	**3,634**
Purchase of shares of subsidiaries	—	**(626)**
Payments of loans receivable	(60)	**(30)**
Collection of loans receivable	68	**23**
Payments for guarantee deposits	(676)	**(726)**
Proceeds from collection of guarantee deposits	141	**121**
Payments of other investments	(220)	**(222)**
Collection of other investments	19	**58**
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	**385**
Net cash used in investing activities	(5,185)	**(17,033)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(6,328)	**6,200**
Proceeds from long-term borrowings	7,732	**10,234**
Repayments of long-term borrowings	(6,493)	**(5,832)**
Purchase of treasury stock	(0)	**(0)**
Dividends paid	(1,546)	**(1,740)**
Proceeds from share issuance to non-controlling shareholders	—	**56**
Dividends paid to non-controlling interests	—	**(12)**
Repayments of lease obligations	(358)	**(251)**
Other, net	—	**(1)**
Net cash provided by financing activities	(6,996)	**8,652**
Effect of exchange rate change on cash and cash equivalents	72	**(162)**
Net increase (decrease) in cash and cash equivalents	8,662	**(1,389)**
Cash and cash equivalents at beginning of year	22,292	**30,958**
Increase in cash and cash equivalents resulting from merger	3	**—**
Cash and cash equivalents at end of year	*1 30,958	*1 **29,569**

Notes to Consolidated Financial Statements

Basis for preparation of consolidated financial statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 54 companies

From the fiscal year under review, Select Co., Ltd. has been included in the scope of consolidation due to the acquisition of shares, BELLUNA BIMAC LLC and PASATERRA HOLDINGS EUCLID LLC have been included in the scope of consolidation due to establishment, and Belluna GF Logistics Co., Ltd., which was previously an affiliated company for which the equity method was applied, has been included in the scope of consolidation due to the acquisition of additional shares.

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 twelve other consolidated subsidiaries end on December 31. The financial statements of the above consolidated subsidiaries as of their financial closing dates are used as the basis for consolidation since the difference between their financial closing dates and the consolidated financial closing date does not exceed three months.

However, the necessary adjustments for consolidation have been made to reflect any significant transactions that occurred during the period between those companies' closing dates and the consolidated balance sheet date.

4. Significant accounting policies

(1) Valuation method of significant assets

i) Securities:

(a) Held-to-maturity debt securities:

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

(b) Available-for-sale securities:

Available-for-sale securities apart from shares, etc. without market prices:

Available-for-sale securities apart from shares, etc. without market prices are carried at their fair market value based on the market prices at the consolidated fiscal year-end, with any changes in unrealized gain or loss, net of the applicable income taxes, directly included in net assets. Cost of securities sold is calculated by the moving average method.

Shares, etc. without market prices:

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

Investments in limited liability investment business partnerships and similar partnerships, defined as a security under Article 2, Paragraph 2 of the Japanese Financial Instruments and Exchange Law:

These securities are carried to reflect the net amount attributable to the equity interest, based on the latest available financial information as stipulated in the partnership agreements.

ii) Derivatives:

Derivatives are carried at fair value.

iii) Inventories:

(a) Merchandise and finished goods:

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

(b) Raw materials and supplies:

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

(c) Real estate for sale:

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

(d) Real estate for sale in process:

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

(2) Method of depreciation and amortization

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

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

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

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

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

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

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

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

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

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

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

(4) Accounting method for retirement benefits:

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

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

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

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

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

(7) Standards for the recognition of significant revenue and expenses

i) Mail order business (Apparel and Goods business, Cosmetics and Health food business, Gourmet business, Nursing-related business)
In this business, the Group mainly engages in catalog and online sales and mail order sales through media such as newspaper advertisements and television. The main products include apparel, sundry goods, home furnishings and other household goods in the Apparel and Goods business, cosmetics and health food items in the Cosmetics and Health food business, food, Japanese sake and wine in the Gourmet business, and products for nurses in the Nursing-related business. Revenue from the sale of these products is recognized when the product is shipped to the customer.

ii) Database Utilization business
In this business, the Group mainly engages in providing services enclosing pamphlets and other catalogs, product mailing services, and direct-marketing outsourcing services (receiving orders, logistics services, catalog mailing services) for external business operators, and consumer finance business for individuals. For services for external business operators, revenue is recognized when the provision of services under the contract is completed. In the consumer finance business, revenue is recognized over time.

iii) Kimono-related business
In this business, the Group mainly engages in the sale and rental of Japanese traditional clothing. Revenue from the sale and rental of products is recognized when the product is delivered to the customer.

iv) Property business
In this business, the Group mainly provides accommodation services and ancillary services at hotels, and engages in real estate leasing and redevelopment. Revenue from the provision of accommodation services and ancillary services at hotels is recognized when the accommodation services are provided. Revenue from real estate leasing is recognized over the contractual term of the lease. Revenue from the redevelopment business is recognized when ownership of the property is transferred to the buyer.

(8) Significant hedge accounting methods

i) Hedge accounting methods
The Company applies deferred hedge accounting, in principle.

ii) Hedging instruments and hedged items
The Company applies hedge accounting for the following hedging instruments and hedged items.
Hedging instruments: foreign currency forward contracts
Hedged items: planned foreign currency-denominated transactions

iii) Hedging policy
The Company engages in hedging transactions within the scope necessary to mitigate currency exchange rate fluctuation risk.

iv) Method of assessing hedge effectiveness
Effectiveness is assessed by confirming that the probability of executing the planned foreign currency-denominated transaction is extremely high, based on a comprehensive evaluation of factors such as past transaction records, forecasts, etc.

(9) Other significant accounting policies

i) Accounting treatment of nondeductible consumption taxes, etc.
Nondeductible consumption and local consumption taxes on assets are expensed in the fiscal year in which they arise.

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 will transition from the consolidated taxation system to the group tax sharing system in the next fiscal year. However, they 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.

From the beginning of the next fiscal year, the Company and its domestic subsidiaries will apply “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42 issued on August 12, 2021), which stipulates the accounting and disclosure treatment for consumption and local consumption taxes and tax effect accounting upon the adoption of the group tax sharing system.

(Important accounting estimates)

1. Estimates for impairment of non-current assets

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

(In millions of yen)

Item	March 31, 2021	March 31, 2022
Impairment loss	189	213
Property, plant and equipment	92,558	103,342
Intangible assets	10,904	10,278

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

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

2. Estimates for recoverability of deferred tax assets

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

(In millions of yen)

Item	March 31, 2021	March 31, 2022
Deferred tax assets	1,371	1,616

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

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

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 31, 2020; hereinafter the "Revenue Recognition Standard") and other standards from the beginning of the fiscal year under review. The Company recognizes revenue when control of promised goods or services is transferred to the customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. Regarding the "provision for point program," the Company previously recorded a provision equal to the value of points expected to be used in the future, and accounted for additional provision for point program as part of selling, general and administrative expenses. Pursuant to the application of the Revenue Recognition Standard, the Company now identifies the points it has granted as performance obligations, and allocates transaction prices to them based on the independent selling price of the points, calculated with reference to factors such as the probability of them expiring unused. "Provision for point program," previously recorded under "current liabilities," is now included in "contract liabilities" under "current liabilities." The Company has also changed the way it accounts for sales returns. Instead of recording "provision for sales returns," it now recognizes revenue and cost of sales after deducting the amounts of revenue and cost of sales, respectively, attributable to expected merchandise and finished goods returns. "Provision for sales returns," previously recorded under "current liabilities" is now included in "other" under "current assets" and "other" under "current liabilities."

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the fiscal year under review, with the new accounting policy applied from the balance at beginning of year. However, the Company, applying the method provided for in Paragraph 86 of the Revenue Recognition Standard, does not apply the new accounting policy retrospectively to contracts where substantially all revenue has been recognized in accordance with the previous policy before the beginning of the fiscal year under review.

"Trade notes and accounts receivable," which were presented under "current assets" in the consolidated balance sheets for the previous fiscal year, have been included in "notes receivable - trade," "accounts receivable - trade," and "contract assets" from the fiscal year under review. "Other current liabilities," which was presented under "current liabilities," has been included in "contract liabilities" and "other" from the fiscal year under review. Results for the previous fiscal year have not been reclassified based on the new presentation method, in accordance with the transitional treatment prescribed under Paragraph 89-2 of the Revenue Recognition Standard.

As a result, on the consolidated balance sheets for the fiscal year under review, provision for sales returns and provision for point program were ¥64 million and ¥649 million, respectively, lower than without the application of the Revenue Recognition Standard, etc., while other under current assets, contract liabilities under current liabilities, and other were ¥49 million, ¥649 million, and ¥114 million, respectively, higher than without the application of the Revenue Recognition Standard, etc. On the consolidated statements of income for the fiscal year under review, net sales were ¥1,345 million lower, cost of sales was ¥25 million higher, and selling, general and administrative expenses were ¥1,370 million lower than without the application of the Revenue Recognition Standard, etc., but there was no effect on operating income, ordinary income, or profit before income taxes. There was also no effect on the balance of retained earnings at the beginning of the year.

"Notes Regarding Revenue Recognition" are not presented for the previous fiscal year, in accordance with the transitional treatment prescribed under Paragraph 89-3 of the Revenue Recognition Standard.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued on July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 issued on July 4, 2019). Information such as a breakdown of financial instruments based on the level of fair value is presented in the Notes Regarding Financial Instruments. However, notes on the previous consolidated fiscal year are omitted in accordance with the transitional treatment prescribed in Paragraph 7-4 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 issued on July 4, 2019).

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, 2021	March 31, 2022
Real estate for sale	667	1,878
Real estate for sale in process	940	1,216
Buildings and structures	6,042	12,810
Machinery and equipment	6,473	6,056
Land	19,049	22,400
Leasehold interests in land	675	675
Total	33,849	45,038

Liabilities secured by the above are as follows.

(In millions of yen)

	March 31, 2021	March 31, 2022
Short-term borrowings	2,874	6,033
Long-term borrowings	42,233	44,429
Total	45,107	50,462

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

(In millions of yen)

	March 31, 2021	March 31, 2022
Reduction entry amount (buildings and structures)	220	220

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

(In millions of yen)

	March 31, 2021	March 31, 2022
Investment securities (stocks)	491	734

*5. The Company maintains overdraft agreements and lending commitments with banks for the timely financing of working capital. The unexecuted balance granted under these facilities at March 31, 2021 and 2022 is summarized as follows:

(In millions of yen)

	March 31, 2021	March 31, 2022
Total of the overdraft limit and lending commitments	43,064	72,436
Executed loans	16,197	23,001
Unexecuted balance	26,867	49,435

*6. Restrictive financial covenants
Of the consolidated borrowings balance, up to ¥44,560 million was subject to restrictive financial covenants under relevant loan agreements, by which it is pledged, among others, that the net asset amount (on a consolidated basis) shall be maintained at the level of 75% or more of the net asset amount as of the end of the preceding fiscal year.

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

(In millions of yen)

	March 31, 2021	March 31, 2022
Shurei Co., Ltd. (Note)	118	91

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

Notes to the Consolidated Statements of Income

*1. Revenue from contracts with customers
The Company does not present revenue from contracts with customers separately from other revenue. The amount of revenue from contracts with customers is shown under "Notes Regarding Revenue Recognition 1. Breakdown of revenue from contracts with customers" in the notes to the consolidated financial statements.

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

(In millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
	467	519

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

(In millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Freightage and packing expenses	14,385	15,987
Advertising expenses	27,998	29,737
Sales promotion expenses	4,889	4,531
Provision of allowance for doubtful accounts	692	742
Provision for point program	524	—
Provision for loss on interest repayment	299	415
Salaries and allowances	17,207	19,714
Provision for bonuses	855	937
Provision for repairs	29	29
Retirement benefit expenses	251	249
Communication expenses	7,689	8,016
Commission fee	15,641	15,878

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

(In millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Buildings and structures	17	—
Machinery and equipment	0	—
Furniture and fixtures	14	12
Land	1,194	—
Total	1,227	12

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

(In millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Buildings and structures	—	154
Machinery and equipment	—	0
Furniture and fixtures	—	2
Land	17	246
Total	17	403

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

(In millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Buildings and structures	—	10
Machinery and equipment	4	—
Furniture and fixtures	0	1
Software	13	—
Total	17	12

*7. Impairment loss

For the year ended March 31, 2021

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

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

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

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

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

For the year ended March 31, 2022

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

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

(Process through which impairment loss was recognized)
In the year ended March 31, 2022, with respect to assets for business, the recoverable amounts of the relevant assets are measured by value in use based on a review by the above grouping. Because negative future cash flows are anticipated, an impairment loss is recognized.

(Components of amounts of impairment loss by type of fixed assets)
Amounts of components of impairment loss are as follows: ¥200 million of buildings and structures, ¥11 million of furniture and fixtures, and ¥2 million of 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, 2021	Year ended March 31, 2022
Valuation difference on available-for-sale securities:		
Gains (losses) incurred during the year	2,899	589
Reclassification adjustment to net income	(223)	(1,422)
Amount before tax effect	2,675	(833)
Tax effect	(847)	231
Valuation difference on available-for-sale securities	1,827	(601)
Deferred gains or losses on hedges:		
Gains (losses) incurred during the year	—	(26)
Reclassification adjustment to net income	—	—
Amount before tax effect		(26)
Tax effect		8
Deferred gains or losses on hedges	—	(18)
Foreign currency translation adjustments:		
Gains (losses) incurred during the year	(616)	(2,304)
Reclassification adjustment to net income	—	—
Foreign currency translation adjustments	(616)	(2,304)
Remeasurements of defined benefit plans, net of tax:		
Gains (losses) incurred during the year	(29)	18
Reclassification adjustment to net income	42	36
Amount before tax effect	13	55
Tax effect	(1)	(19)
Remeasurements of defined benefit plans, net of tax	11	36
Total other comprehensive income	1,223	(2,888)

Notes to the Consolidated Statements of Changes in Net Assets

Year ended March 31, 2021

1. Class and number of shares issued and in treasury

(In thousands of shares)

	Beginning of the year	Increase during the year	Decrease during the year	End of the year
Shares issued:				
Common stock	97,244	—	—	97,244
Total	97,244	—	—	97,244
Treasury stock:				
Common stock	587	0	16	571
Total	587	0	16	571

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

2. Dividends

(1) Dividends paid:

Resolution adopted	Class of shares	Aggregate amount (millions of yen)	Amount per share (yen)	Record date	Effective date
Shareholders' meeting on June 25, 2020	Common stock	773	8.00	March 31, 2020	June 26, 2020
Board of Directors' meeting on October 30, 2020	Common stock	773	8.00	September 30, 2020	December 4, 2020

(2) Dividends with a record date during the year ended March 31, 2021, payable in the following fiscal year:

Resolution adopted	Class of shares	Aggregate amount (millions of yen)	Source of dividends	Amount per share (yen)	Record date	Effective date
Shareholders' meeting on June 25, 2021	Common stock	821	Retained earnings	8.50	March 31, 2021	June 28, 2021

Year ended March 31, 2022

1. Class and number of shares issued and in treasury

(In thousands of shares)

	Beginning of the year	Increase during the year	Decrease during the year	End of the year
Shares issued:				
Common stock	97,244	—	—	97,244
Total	97,244	—	—	97,244
Treasury stock:				
Common stock	571	0	12	559
Total	571	0	12	559

Note: The increase of 0 thousand shares of treasury stock (common stock) resulted from the purchase of less-than-a-unit shares.
The decrease of 12 thousand shares of treasury stock (common stock) resulted from disposal of treasury stock as restricted stock compensation.

2. Dividends

(1) Dividends paid:

Resolution adopted	Class of shares	Aggregate amount (millions of yen)	Amount per share (yen)	Record date	Effective date
Shareholders' meeting on June 25, 2021	Common stock	821	8.50	March 31, 2021	June 28, 2021
Board of Directors' meeting on October 29, 2021	Common stock	918	9.50	September 30, 2021	December 3, 2021

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

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

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, 2021	March 31, 2022
Cash and deposits	30,778	28,591
MMFs, etc. included in marketable securities	180	200
Securities account deposits	—	777
Cash and cash equivalents	30,958	29,569

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

Year ended March 31, 2021

None applicable.

Year ended March 31, 2022

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 Apparel and Goods business and the Gourmet business.
   (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, 2021	March 31, 2022
Due within one year	204	204
Due over one year	903	698
Total	1,107	903

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:

Variable factors are taken into consideration in the calculation of fair values of financial instruments and, therefore, the values calculated may change depending on the factors or assumptions employed.

2. Fair values of financial instruments

The balance sheet carrying amounts, fair values and unrealized gains/losses of the financial instruments are as presented below:

As of March 31, 2021

(In millions of yen)

	Balance sheet carrying amount	Fair value	Unrealized gain (loss)
(1) Trade loans	26,892		
Allowance for doubtful accounts (*4)	(398)		
	26,494	26,903	408
(2) Marketable securities and investment securities			
Available-for-sale securities	10,188	10,188	—
Assets total	36,683	37,092	408
(1) Long-term borrowings	56,797	56,784	(13)
(2) Bonds payable	10,000	9,905	(94)
Liabilities total	66,797	66,689	(107)
Derivative transactions (*5)	—	—	—

(*1) Cash and deposits have been omitted because they are cash-based and their fair values approximate book values, reflecting the short-term maturity nature of deposits.
(*2) Notes receivable - trade, accounts receivable - trade, trade notes and accounts payable, and short-term borrowings have been omitted because their fair values approximate book values reflective of their short-term settlement nature.
(*3) Amounts of financial instruments for which fair value is not readily determinable, as recorded on the consolidated balance sheets:

(In millions of yen)

Category	March 31, 2021
Unlisted equity securities	1,703
Unlisted debt securities	105
Investments in partnerships for investment business	1,499

These instruments are not included in “(2) Marketable securities and investment securities,” because there are no market quoted prices and it is thus considered difficult to identify their fair values.
(*4) Allowances for doubtful accounts recognized on trade loans are deducted.
(*5) Receivables and payables incurred by derivative transactions are presented in net amounts. Net payables are presented in parenthesis.

As of March 31, 2022

(In millions of yen)

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

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

(In millions of yen)

Category	March 31, 2022
Unlisted equity securities	1,746
Unlisted debt securities	—
Investments in partnerships for investment business	2,100

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

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

As of March 31, 2021

(In millions of yen)

Due	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Cash and deposits	30,778	—	—	—	—	—
Trade notes and accounts receivable	10,242	—	—	—	—	—
Trade loans	8,193	7,790	6,151	4,210	546	1
Marketable securities and investment securities:						
Available-for-sale securities with contractual maturities:						
(1) National and local government bonds	—	—	—	—	—	—
(2) Corporate bonds	2	—	—	131	—	105
(3) Other	302	496	—	306	1,140	1,874
Total	49,518	8,286	6,151	4,647	1,686	1,980

As of March 31, 2022

(In millions of yen)

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

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

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

(3) Breakdown of financial instruments by level of fair value

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

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

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

Level 3 fair value: Fair value measured using unobservable inputs

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

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

As of March 31, 2021

(In millions of yen)

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

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

As of March 31, 2022

(In millions of yen)

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

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

Marketable securities and investment securities

Equity securities included in investment securities are valued using market prices. Because they are traded in active markets, their fair value is classified as Level 1. However, because debt securities are not traded in active markets, their fair value is classified as Level 2, even if it is measured using publicly-available market prices.

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

Derivative transactions

For over-the-counter transactions other than market transactions, fair value is measured using significant unobservable inputs such as interest rates, currency exchange rates, volatility, etc., and is classified as Level 3.

Trade loans

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

Bonds payable and current portion of bonds payable

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

Long-term borrowings

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

Notes Regarding Securities

1. Available-for-sale securities

As of March 31, 2021

(In millions of yen)

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

As of March 31, 2022

(In millions of yen)

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

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

Year ended March 31, 2021

(In millions of yen)

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

Year ended March 31, 2022

(In millions of yen)

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

3. Securities for which impairment loss was recorded

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

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

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

Notes Regarding Derivatives

1. Derivative transactions to which hedge accounting is not applied

Currency-related derivatives:

As of March 31, 2021

None applicable.

As of March 31, 2022

None applicable.

2. Derivative transactions to which hedge accounting is applied

Currency-related derivatives:

As of March 31, 2021

None applicable.

As of March 31, 2022

(In millions of yen)

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

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, 2021 and 2022 (excluding the portion of the plans to which the short-cut method is applied)

(In millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Balance of retirement benefit obligation at beginning of year	1,953	2,084
Service cost	115	119
Interest cost	9	10
Actuarial gains and losses	94	(73)
Benefits paid	(88)	(47)
Other	—	—
Balance of retirement benefit obligation at end of year	2,084	2,093

(2) Changes in plan assets for the years ended March 31, 2021 and 2022 (excluding the plans to which the short-cut method is applied):

(In millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Balance of plan assets at beginning of year	1,705	1,825
Expected return on plan assets	36	47
Actuarial gains and losses	65	(66)
Contribution from the employer	86	85
Benefits paid	(67)	(14)
Balance of plan assets at end of year	1,825	1,876

(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, 2021	Year ended March 31, 2022
Balance of liability for retirement benefits at beginning of year	1	(8)
Retirement benefit costs	(3)	9
Retirement benefits paid	(0)	—
Contribution to the plans	(5)	(6)
Balance of liability for retirement benefits at end of year	(8)	(4)

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

(In millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Funded retirement benefit obligation	2,133	2,150
Plan assets	(1,898)	(1,955)
	235	194
Unfunded retirement benefit obligation	15	17
Net liability (asset) recorded in the consolidated balance sheet	251	212
Defined benefit liability	251	212
Net liability (asset) recorded in the consolidated balance sheet	251	212

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, 2021 and 2022:

(In millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Service cost	115	119
Interest cost	9	10
Expected return on plan assets	(36)	(47)
Amortization of actuarial gains and losses	43	48
Retirement benefit costs calculated by short-cut method	(3)	9
Retirement benefit costs on defined benefit plans	128	141

(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, 2021	Year ended March 31, 2022
Actuarial gains and losses	13	55

(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, 2021	March 31, 2022
Unrecognized actuarial gains and losses	106	51

(8) Plan assets:

1. Main components of plan assets:
   Plan assets consisted of the following portfolio categories:

(% of total plan assets)

	March 31, 2021	March 31, 2022
Debt securities	12.0	31.6
Equity securities	19.4	24.5
General accounts	49.0	16.00
Cash and deposits	9.5	5.4
Other	10.1	22.5
Total	100.0	100.0

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

(9) Assumptions in actuarial calculation:
Assumptions used in actuarial calculation at the end of the years ended March 31, 2020 and 2021 are as follows:

(% of total plan assets)

	Year ended March 31, 2021	Year ended March 31, 2022
Discount rate	0.50 - 0.51	0.50 - 0.51
Long-term expected rate of return on plan assets	2.00 - 2.23	2.00 - 2.78
Expected rate of salary increase	0.86 - 1.38	0.68 - 1.30

3. Defined contribution plans

The amounts of the required contribution to the defined contribution plans of consolidated subsidiaries for the years ended March 31, 2021 and 2022 were ¥123 million and ¥108 million, respectively.

Notes Regarding Deferred Income Taxes

1. Significant components of deferred tax assets and liabilities

(In millions of yen)

	March 31, 2021	March 31, 2022
Deferred tax assets:		
Excess provision for bonuses	325	358
Excess allowance for doubtful accounts	200	253
Excess provision for sales returns	24	—
Excess provision for point program	167	—
Contract liabilities	—	198
Excess provision for loss on interest repayment	200	179
Bad debt expenses	63	76
Loss on valuation of investment securities	579	620
Defined benefit liability	48	55
Loss on valuation of real estate for sale	65	76
Excess impairment loss of fixed assets	639	537
Tax loss carried forward (Note)	1,512	1,774
Other	1,445	1,303
Deferred tax asset subtotal	5,272	5,435
Valuation allowance on tax loss carried forward (Note)	(1,416)	(1,718)
Valuation allowance on total of deductible temporary differences	(1,229)	(1,208)
Valuation allowance subtotal	(2,645)	(2,926)
Deferred tax assets total	2,627	2,508
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(855)	(636)
Reserve for special depreciation	(17)	—
Asset retirement expense	(150)	(129)
Valuation difference on land of consolidated subsidiaries	(442)	(329)
Other	(216)	(137)
Deferred tax liabilities total	(1,682)	(1,233)
Net deferred tax assets (liabilities)	945	1,274

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

As of March 31, 2021

(In millions of yen)

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

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

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

As of March 31, 2022

(In millions of yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Tax loss carried forward (a)	97	375	185	126	141	848	1,774
Valuation allowance	(97)	(375)	(185)	(126)	(114)	(819)	(1,718)
Deferred tax assets	—	—	—	—	27	29	(b) 55

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

(b) The Company recorded deferred tax assets of ¥55 million for a tax loss carried forward of ¥1,774 million (an amount multiplied by the statutory tax rate). The deferred tax assets of ¥55 million were recognized for some portion of the balance of a tax loss carried forward (an amount multiplied by the statutory tax rate) of ¥1,774 million in consolidated subsidiaries. We believe that the amount will be recoverable in consideration of the estimated future taxable income attributable to future earning power.

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

	March 31, 2021	March 31, 2022
Statutory tax rate:	30.5%	30.5%
Items, including entertainment expenses, not eternally deductible for tax purposes	1.3	1.1
Items, including dividends received, not eternally inclusive of gross revenue for tax purposes	(0.3)	(4.9)
Equal installments of inhabitant taxes	0.5	0.6
Tax rate difference of subsidiaries	1.6	0.5
Valuation allowance change	2.9	5.7
Changes in deferred tax assets and liabilities due to tax rate revision	(0.2)	(0.4)
Income taxes for prior years	0.6	(0.7)
Other	1.1	0.7
Effective tax rate	37.9%	33.0%

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, 2021	Year ended March 31, 2022
Balance at beginning of the year	1,215	1,173
Adjustment due to passage of time	11	11
Other increase (decrease)	(53)	(57)
Balance at the end of the year	1,173	1,127

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, 2021 and 2022 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, 2021	Year ended March 31, 2022
Rental property:		
Balance sheet carrying amount:		
Balance at the beginning of the year	21,152	21,437
Increase (decrease) during the year	285	68
Balance at the end of the year	21,437	21,506
Fair value at the end of the year	24,564	24,757
Property that includes a portion used as rental property:		
Balance sheet carrying amount:		
Balance at the beginning of the year	386	382
Increase (decrease) during the year	(3)	(3)
Balance at the end of the year	382	378
Fair value at the end of the year	194	190

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, 2021 was caused primarily by the acquisition of rental properties (¥601 million). The decrease in rental property during the year ended March 31, 2021 was caused mainly by depreciation (¥315 million). The increase in rental property during the year ended March 31, 2022 was caused mainly by the acquisition of rental properties (¥387 million). The decrease in rental property during the year ended March 31, 2022 was caused mainly by depreciation (¥318 million).
3. The above carrying amounts in the year ended March 31, 2021 include asset retirement obligations of ¥21 million, while the above carrying amounts in the year ended March 31, 2022 include asset retirement obligations of ¥19 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, 2021	Year ended March 31, 2022
Rental property:		
Rental income	1,812	1,857
Rental expenses	655	665
Difference	1,156	1,191
Property that includes a portion used as rental property:		
Rental income	18	18
Rental expenses	4	2
Difference	13	15

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

Notes Regarding Revenue Recognition

1. Breakdown of revenue from contracts with customers

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

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

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

3. Information on the relationship between the fulfillment of performance obligations based on contracts with customers and cash flow arising from these contracts, and information on the amount and timing of revenue expected to be recognized from the next consolidated fiscal year from contracts existing as of March 31, 2022

(1) Balance of contract liabilities

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

(In millions of yen)

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

Contract liabilities are mainly related to advances received from customers associated with products and services. Contract liabilities are reversed as revenue is recognized.

(2) Transaction price allocated to remaining performance obligations

Neither the Company nor its consolidated subsidiaries have any significant transactions in which the initially expected term of the contract with the customer exceeds one year.

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

Segment Information, etc.

[Segment information]

1. Outline of reportable segments

(1) Method used to determine reportable segments

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

The Belluna Group is aiming to become a comprehensive mail order merchant company that provides services addressing diversified customer needs through the effective use of management resources. The Group has identified eight operating segments comprising the Apparel and Goods business, Cosmetics and Health food business, Gourmet business, Nursing-related business, Database Utilization business, Kimono-related business, Property business, and Other business as reportable segments.

(2) Products and services belonging to each reportable segment

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

(3) Changes in reportable segments and related matters

From the fiscal year under review, the Belluna Group has reorganized its reportable segments and shifted to new segments based on products and services with the aim of clarifying the business content and progress of each segment. The previous classification into seven segments—the Apparel and Goods business, the Specialty Mail Order business, the Retail Store Sales business, the Solution business, the Finance business, the Property business, and Other business—has been changed to eight segments, which are the Apparel and Goods business, the Cosmetics and Health food business, the Gourmet business, the Nursing-related business, the Database Utilization business, the Kimono-related business, the Property business, and Other business. Segment information for the previous fiscal year has been prepared based on the new segment classification.

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.

As stated in "Changes in accounting policies," the Company has applied the Revenue Recognition Standard, etc. beginning from the consolidated financial statements for the fiscal year under review. Pursuant to the change in the accounting treatment for revenue recognition, the Company has likewise changed the method used to calculate income or loss for operating segments.

Profit or loss calculated using the new method has been presented in segment information for the previous fiscal year.

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

Year ended March 31, 2021

(In millions of yen)

	Apparel and Goods	Cosmetics and Health food	Gourmet	Nursing-related	Database Utilization	Kimono-related	Property	Other	Adjustments (Note 1)	Consolidated carrying amount (Note 2)
Net sales:										
Sales to third parties	98,775	18,250	27,064	15,881	14,102	21,408	6,875	4,141	—	206,499
Inter-segment sales or transfers	849	43	83	60	82	35	108	65	(1,329)	—
Total	99,625	18,293	27,147	15,942	14,184	21,444	6,983	4,206	(1,329)	206,499
Segment income (loss)	5,256	2,635	2,145	1,800	5,500	(1,058)	6	(127)	(425)	15,734
Segment assets	69,457	7,846	11,087	8,110	35,115	13,091	88,976	4,155	2,371	240,211
Other items:										
Depreciation (Note 3)	1,239	104	147	138	136	223	1,292	79	—	3,361
Amortization of goodwill	—	—	—	—	—	—	—	—	686	686
Increase in property, plant and equipment and intangible fixed assets (Note 3)	832	58	153	63	165	216	6,968	278	—	8,738

Notes: 1. Amounts of adjustments are as follows:
(1) Adjustments in segment income (loss) represent ¥261 million from inter-segment elimination minus ¥686 million for amortization of goodwill.
(2) Adjustments in segment assets include ¥382 million for the Company's employee welfare facilities and ¥1,988 million as the year-end balance of goodwill.
2. Segment income (loss) has been reconciled with operating income in the consolidated financial statements.
3. Depreciation and increase in property, plant and equipment and intangible fixed assets include long-term prepaid expenses and amortization of such expenses.

Year ended March 31, 2022

(In millions of yen)

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

Notes: 1. Amounts of adjustments are as follows:
(1) Adjustments in segment income (loss) represent ¥266 million from inter-segment elimination minus ¥704 million for amortization of goodwill.
(2) Adjustments in segment assets include ¥379 million for the Company's employee welfare facilities and ¥1,979 million as the year-end balance of goodwill.
2. Segment income (loss) has been reconciled with operating income in the consolidated financial statements.
3. Depreciation and increase in property, plant and equipment and intangible fixed assets include long-term prepaid expenses and amortization of such expenses.

[Related information]

Year ended March 31, 2021

1. Information by products and services

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

2. Information by region

(1) Sales:

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

(2) Property, plant and equipment:

(In millions of yen)

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

3. Information by major customers

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

Year ended March 31, 2022

1. Information by products and services

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

2. Information by region

(1) Sales:

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

(2) Property, plant and equipment:

(In millions of yen)

Japan	Other	Total
90,121	13,221	103,342

3. Information by major customers

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

[Impairment loss of fixed assets by reportable segment]

Year ended March 31, 2021

(In millions of yen)

	Apparel and Goods	Cosmetics and Health food	Gourmet	Nursing-related	Database Utilization	Kimono-related	Property	Other	Companywide/ Elimination	Total
Impairment loss	47	—	—	—	—	137	—	4	—	189

Year ended March 31, 2022

(In millions of yen)

	Apparel and Goods	Cosmetics and Health food	Gourmet	Nursing-related	Database Utilization	Kimono-related	Property	Other	Companywide/ Elimination	Total
Impairment loss	176	—	—	—	—	37	—	—	—	213

[Amortization and unamortized balance of goodwill by reportable segment]

Year ended March 31, 2021

(In millions of yen)

	Apparel and Goods	Cosmetics and Health food	Gourmet	Nursing-related	Database Utilization	Kimono-related	Property	Other	Companywide/ Elimination	Total
Amortization for the year	—	—	—	—	—	—	—	—	686	686
Unamortized balance at end of the year	—	—	—	—	—	—	—	—	1,988	1,988

Year ended March 31, 2022

(In millions of yen)

	Apparel and Goods	Cosmetics and Health food	Gourmet	Nursing-related	Database Utilization	Kimono-related	Property	Other	Companywide/ Elimination	Total
Amortization for the year	—	—	—	—	—	—	—	—	704	704
Unamortized balance at end of the year	—	—	—	—	—	—	—	—	1,979	1,979

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, 2021

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party	Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
Other affiliated companies (including a parent company of such other affiliated companies)	Friend Stage Co., Ltd. (Note 2)	Ageo, Saitama	50	Seal stamp sales, etc.	35.1% (owned, indirectly)	Interlocking directors or audit and su-pervisory committee members	Rendering of services (Note 3)	46	Other current assets	3
							Intermediation of premiums (Note 4)	108	Other current assets	3

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

Year ended March 31, 2022

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party	Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
Other affiliated companies (including a parent company of such other affiliated companies)	Friend Stage Co., Ltd. (Note 2)	Ageo, Saitama	50	Seal stamp sales, etc.	42.8% (owned, indirectly)	Interlocking directors or audit and supervisory committee members	Rendering of services (Note 3)	41	Other current assets	3
							Intermediation of premiums (Note 4)	127	Other current assets	30

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, 2021

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party	Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
Other affiliated companies (including a parent company of such other affiliated companies)	Friend Stage Co., Ltd. (Note 2)	Ageo, Saitama	50	Seal stamp sales, etc.	35.1% (owned, indirectly)	Interlocking directors or audit and supervisory committee members	Guarantee deposits of hotel facili-ties (Note 3)	489	Investments and other assets	1,261
							Rent of hotel facili-ties (Note 4)	444	—	—
							Advance payment for employees seconded from the Company (Note 5)	—	Other current assets	21

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

Year ended March 31, 2022

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party	Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
Other affiliated companies (including a parent company of such other affiliated companies)	Friend Stage Co., Ltd. (Note 2)	Ageo, Saitama	50	Seal stamp sales, etc.	42.8% (owned, indirectly)	Interlocking directors or audit and supervisory committee members	Guarantee deposits of hotel facili-ties (Note 3)	511	Investments and other assets	1,772
							Rent of hotel facili-ties (Note 4)	1,035	—	—

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.

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

Year ended March 31, 2021

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party	Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
Corporations, etc., where a majority of voting rights is held by directors and their close family members	Rivoyre Co., Ltd.	Minato-ku, Tokyo	38	Real estate renting, etc.	—	Interlocking directors or audit and supervisory committee members	Guarantee deposits of hotel facili-ties (Note 2)	—	Investments and other assets	540
							Rent of hotel facili-ties (Note 3)	310	—	—
							Payment for construction assistance fund re-ceivables (Note 4)	—	Long-term lending	463

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

Year ended March 31, 2022

Attribution	Name	Address	Capital stock (millions of yen)	Business line	Percentage of voting rights owning (or owned)	Relationship with related party	Nature of transaction	Transaction amount (millions of yen)	Account title	Year-end balance (millions of yen)
Corporations, etc., where a majority of voting rights is held by directors and their close family members	Rivoyre Co., Ltd.	Minato-ku, Tokyo	38	Real estate renting, etc.	—	Interlocking directors or audit and supervisory committee members	Guarantee deposits of hotel facili-ties (Note 2)	—	Investments and other assets	534
							Rent of hotel facili-ties (Note 3)	310	—	—
							Payment for construction assistance fund re-ceivables (Note 4)	—	Long-term lending	470

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

(c) Companies, etc. having the same parent company as the Company filing consolidated financial statements and the subsidiaries, etc. of other affiliated companies of the Company filing consolidated financial statements:

Year ended March 31, 2021

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

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

Year ended March 31, 2022

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

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

Per Share Information

(In yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Net assets per share	1,164.97	1,223.24
Basic net income per share	114.17	105.55
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, 2021	Year ended March 31, 2022
Net income per share:		
Profit attributable to owners of parent (millions of yen)	11,036	10,204
Amount not attributable to holders of common stock (millions of yen)	—	—
Profit attributable to owners of parent relating to common stock (millions of yen)	11,036	10,204
Average number of shares of common stock during the year (thousands of shares)	96,666	96,680

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 (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 (5,000)	—	—	—

Notes: 1. Figures in parentheses in the "Ending balance on March 31, 2022" column represent the amounts due for redemption within one year.
2. The redemption schedule of bonds in the next 5 years is as follows:

(In millions of yen)

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

Borrowings

	In millions of yen		Average interest rate	Repayment date
	Beginning balance on April 1, 2021	Ending balance on March 31, 2022		
Short-term borrowings	23	6,200	0.18%	—
Current portion of long-term borrowings (due within 1 year)	5,886	6,709	0.28	—
Current portion of lease obligations (due within 1 year)	235	260	1.14	—
Long-term borrowings (except current portion)	56,797	60,642	0.28	From 2023 to 2043
Lease obligations (except current portion)	459	509	1.14	From 2023 to 2026
Total	63,402	74,320	—	—

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	7,971	7,373	13,747	4,910
Lease obligations	236	157	96	18

Schedule of asset retirement obligations

As the amount of asset retirement obligations fell within 1% of the total of liabilities and net assets at the beginning and the end of the fiscal year ended March 31, 2022, 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, 2022:

(In millions of yen)

(Cumulative period)	First quarter ended June 30, 2021	Second quarter ended September 30, 2021	Third quarter ended December 31, 2021	Year ended March 31, 2022
Net sales	58,926	105,808	168,627	220,128
Profit before income taxes	2,656	5,125	12,044	15,313
Profit attributable to owners of parent	1,663	3,210	7,745	10,204
Net income per share (in yen)	17.21	33.21	80.12	105.55

(In yen)

(Accounting period)	First quarter ended June 30, 2021	Second quarter ended September 30, 2021	Third quarter ended December 31, 2021	Fourth quarter ended March 31, 2022
Basic earnings per share	17.21	16.00	46.91	25.43

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

None in particular to be remarked.

Corporate Data and Investor Information (As of March 31, 2022)

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
3,444

Directors and Corporate Auditors (As of June 28, 2022)
President and CEO:
Kiyoshi Yasuno

Directors and Executive Officers:
Yuichiro Yasuno
Junko Shishido
Tomohiro Matsuda
Masayoshi Miyashita

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

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

Common Stock
Stock Exchange Listing:
Tokyo Stock Exchange, PRIME Section

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

Number of Shareholders
21,122

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.	42.8%
BBH for Fidelity Low Price Stock Fund (Principal All Sector Subportfolio)	6.3%
The Master Trust Bank of Japan, Ltd. (Trust Account)	5.9%
Custody Bank of Japan, Ltd. (Trust Account)	3.7%
Kiyoshi Yasuno	3.0%
Kimi Yasuno	3.0%
Sumitomo Mitsui Banking Corporation	2.3%
The Nomura Trust and Banking Co., Ltd.	2.0%
Mizuho Trust & Banking Co., Ltd Trust & Custody Services Bank, Ltd., as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted	1.5%
Belluna Mutual Benefit Society	1.5%

* In addition to the above, Belluna retains 559,217 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:zzz/www.belluna.co.jp/irinfo/