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|  President & CEO Kiyoshi Yasuno | Belluna Co., Ltd. (9997) |
| |  |

Company Information

| | |
|-----------------|---|
| Market | TSE Prime |
| Industry | Retail (commerce) |
| President & CEO | Kiyoshi Yasuno |
| HQ Address | 4-2 Miyamoto-cho, Ageo-shi, Saitama |
| Year-end | End of March |
| Homepage | https://www.belluna.co.jp/en/ |

Stock Information

| Share Price | Number of Shares Issued | | Total Market Cap | ROE (Actual) | Trading Unit |
|-------------|-------------------------|------------|------------------|--------------|--------------|
| ¥789 | 97,244,472 shares | | ¥76,725 million | 4.5% | 100 shares |
| DPS (Est.) | Dividend Yield (Est.) | EPS (Est.) | PER (Est.) | BPS (Actual) | PBR (Actual) |
| ¥29.00 | 3.7% | ¥82.82 | 9.5x | ¥1,398.07 | 0.6x |

*The share price is the closing price on December 12. Each number is based on the results of the first half of the fiscal year ending March 2025. ROE and BPS are those as of the end of the previous fiscal year.

Earning Trends

| Fiscal Year | Net Sales | Operating Income | Ordinary Income | Net Income | EPS | DPS |
|-----------------------|-----------|------------------|-----------------|------------|--------|-------|
| March 2021 (Actual) | 206,499 | 15,734 | 16,872 | 11,036 | 114.17 | 16.50 |
| March 2022 (Actual) | 220,128 | 13,827 | 14,537 | 10,204 | 105.55 | 19.00 |
| March 2023 (Actual) | 212,376 | 11,217 | 12,459 | 7,417 | 76.71 | 20.00 |
| March 2024 (Actual) | 208,298 | 9,787 | 11,831 | 5,839 | 60.39 | 20.50 |
| March 2025 (Forecast) | 217,000 | 11,500 | 12,500 | 8,000 | 82.82 | 29.00 |

* Unit: Million yen, yen. Net income is profit attributable to owners of parent. Hereinafter the same shall apply.

This report outlines Belluna, the financial results for the first half of the fiscal year ending March 2025 etc.

Table of Contents

[Key Points](#)

[1. Company Overview](#)

[2. First Half of Fiscal Year ending March 2025 Earnings Results](#)

[3. Fiscal Year ending March 2025 Earnings Estimates](#)

[4. Measures for Realizing Management Conscious of Capital Cost and Share Price](#)

[5. Conclusions](#)

[<Reference: Regarding corporate governance>](#)

Key Points

- In the first half of the fiscal year ending March 2025, sales and operating income grew 1.1% and 15.3%, respectively, year on year. The Property Business contributed and the sales in the business of Apparel & Goods increased, offsetting the decline in sales of the business of Cosmetics and Health Foods and the business related to Kimono. In terms of profit, operating income margin rose year on year from 3.2% to 3.7%, as they curtailed the augmentation of SG&A expenses. As forecast by the company, they have raised the interim dividend by 4.25 yen/share year on year to 14.50 yen/share.
- There is no revision to the full-year forecast, which calls for a 4.2% year on year increase in sales and a 17.5% year on year rise in operating income in the fiscal year ending March 2025. The company views the further expansion of demand from foreign visitors to Japan as an opportunity and will focus on the Property Business, centered around hotel operation, as a key growth driver. In the Apparel & Goods Business, the company aims to make the business profitable by returning the number of prospective customers to an appropriate level and recovering repeat rate. There is no change to the dividend, either, so they plan to pay a year-end dividend of 14.50 yen/share.
- In the first half of the fiscal year, sales grew and operating income rose by double digits as the Property Business kept contributing. The progress rate of operating income in the Property Business toward the full-year forecast reached 87.6%, and the operating income is expected to exceed the full-year forecast significantly, as there are still many foreign visitors to Japan. The sales of the Property Business accounted for 17.3% of total sales in the first half (15.5% in the first half of the previous fiscal year). As the ratio of sales of the Property Business with a high profit margin increases, it contributes to profit further, so this business is expected to contribute to the medium-term profit growth trend. The Database Utilization Business, which also has a high profit margin, is projected to see decreases in sales and profit in the fiscal year ending March 2025. On the other hand, the loss in the business of Apparel & Goods augmented in the first half, which is an issue. In the second half of the fiscal year, the sales of heavy clothes will increase and there will be some profit, but it is forecast to be not enough to cover the loss in the first half. They hope to make this business profitable, by increasing new customers and streamlining business operations. In addition, the business of Cosmetics and Health Foods saw decreases in sales and profit in the first half of the current fiscal year, showing another issue to be addressed.
- At the beginning of the fiscal year, they announced initiatives for realizing business administration conscious of capital cost and stock price, and enriched shareholder return. PBR is much less than 1 and PER is low, so the stock of Belluna seems to be undervalued, when the trend of the rapidly growing Property Business is considered.

1. Company Overview

In the growth domain, they operate the businesses related to Property & Hotels, Cosmetics & Health Foods, Gourmets, and Nurses. In the sustainable domain, they operate the businesses related to Kimono and Apparel & Goods. Moreover, they expand the business related to Database Utilization. In the Mail Order Business, which has been the mainstay, stable profitability, growth potential, etc. are their strengths, as they target mainly women in their 40s and 50s. In recent years, they have been enhancing the Hotel Business. It also conducts M&A actively.

1-1 Corporate History

In 1968, Mr. Kiyoshi Yasuno, who is currently the representative director and president of the company, started the business of selling seals door-to-door under the name of “Yukado.” Then, starting with the mail-order sale of clothes, the company started dealing in food products, cosmetics, etc. While operating the Specialty Mail Order Business, the company has enriched its business portfolio, including the Finance Business, Property Business, Retail Store Sales Business, Solution Business, etc. targeted at mail-order customers. In March 2000, the company was listed on the first section of the Tokyo Stock Exchange. Belluna actively conducts M&As to fortify the business base. In April 2022, following the market reorganization, the company got listed on the Prime Market of TSE.

1-2 Management Philosophy

◎Management Philosophy

| | |
|--------------------------------|---|
| Origin of our business | To contribute to our customers’ lifestyle and happiness, by taking an international perspective to be the first company to provide a wide range of customers across the nation with an abundance of food, clothing, lifestyle and recreational products and services, with superior systems and planning for improved convenience, economy, fashion and assortment. |
| Ideal employees of our company | Our employees approach challenges with a cheerful and positive attitude, to do whatever possible to proactively improve customer satisfaction and broaden their abilities, in order to always maintain the confidence of our customers. |
| Ideal state of our company | We aim to develop overwhelming superiority as we compete with other companies in the areas of food, clothing, lifestyle and recreational goods and services, and with an image of stability, growth, continuity, and profitability to become an excellent company that attracts capable personnel and makes a contribution to society. |

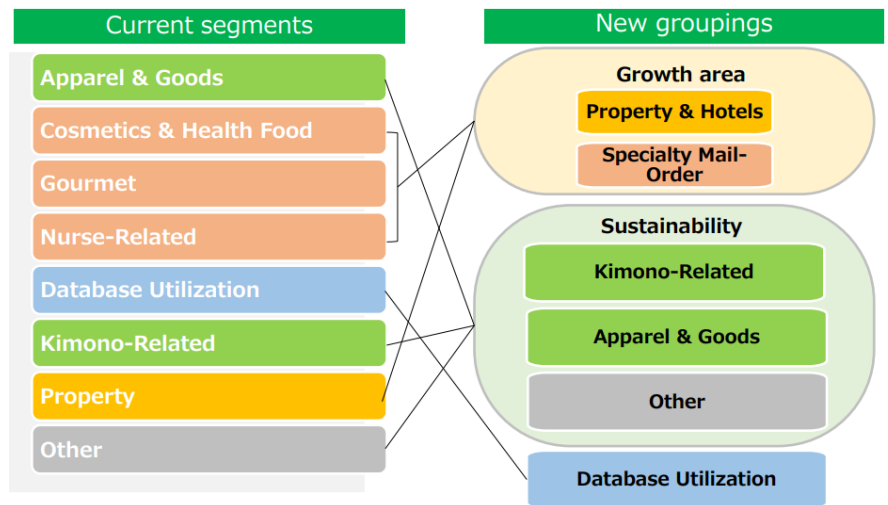
In addition, Belluna set “Basic Mind,” which describes the mindset of Belluna’s employees, and “Basic Action. “Basic Mind” is composed of “the awareness as a party involved,” “the awareness of profit,” “a sense of playing a game,” “positive thinking,” and “the willingness to grow,” while “Basic Action” is composed of “1. Collecting information,” “2. Case studies,” “3. Utilizing data,” “4. Testing theories,” “5. Use of others,” “6. Intellectual understanding,” “7. Discussion” and “8. Reporting, contacting, and consulting.” These are what the employees of Belluna should return to when facing a challenging problem. In addition, the company considered “CCBSKKKS” (C: Change, C: Challenge, B: Brushing up, S: Speed, K: (Kizuki) Awareness, K: (Kaizen) Improvement, K: (Kyakushikou / Kyakumichaku) Customers’ perspective and getting closer to customers, S: Case studies of SA class corporations) as a common factor in growing corporations and recognizes it as a milestone for its own growth.

1-3 Business Contents

(1) Segments

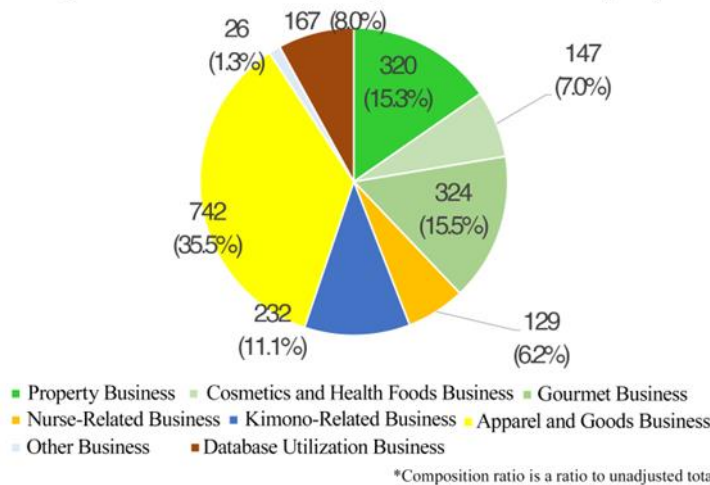
Until the fiscal year ended March 2024, their major segments were the “Mail Order Business,” the “Kimono-Related Business,” the “Property Business,” and “Other business.” Furthermore, the Mail Order Business was composed of the five businesses: the “Apparel & Goods Business,” the “Cosmetics & Health Foods Business,” the “Gourmet Business (including wine and sake),” the “Nurse-Related Business,” and the “Database Utilization Business.”

In the fiscal year ending March 2025, they grouped 8 segments into the “growth domain,” where they will pursue growth potential and profitability, and the “sustainable domain,” where they focus on stable profitability, continuity, and sociality. They aim to allocate managerial resources to them and operate the businesses in an optimal manner.



(Taken from the reference material of the company)

Sales composition by segment
(Term ended Mar. 2024; unit: 100million yen)



(Produced by Investment Bridge with reference to the earning results of FY 3/25 1H of Belluna.)

① Growth area

The growth area consists of four categories: "Property & Hotel Business," "Cosmetics & Health Foods Business," "Gourmet Business (including wine and sake)," and "Nurse-Related Business."

①-1. Property & Hotel Business

The company operates a real estate business that leases office buildings and commercial facilities and engages in value-added real estate revitalization and development, as well as a hotel business.



(Taken from the website of Belluna)

①-2. Cosmetics & Health Foods Business

◎ Cosmetics

Ozio Corporation, which handles cosmetics, offers two brands: "Ozio" and "Nachu Life." In addition, the company launched "Bab2," which is a brand targeted at young people in April 2023.



(Taken from the website of Belluna)

「Ozio」

The company offers cosmetics such as face wash, lotion, and milky lotion, and supplements that are designed to be safe. Its eggshell membrane beauty serum "Beauty Opener," which includes eggshell membrane, which is composed of 18 types of amino acids, collagen, hyaluronic acid, and other substances that provide elasticity, luster, and moisture, is the No. 1 selling product in Japan.

「Nachu Life」

Nachu-Life mainly offers all-in-one cosmetics. In particular, the company offers products made mainly from plant ingredients that are gentle on the skin. The sales volume of Royal Jelly Mocchiri Gel, an all-in-one cosmetic for aging skin, exceeded 13 million products. The company is cultivating the overseas market, including Taiwan, for Nachu life and OZIO, and plans to expand its business also in Hong Kong, Singapore, and China.

◎ Healthy Food Products

Refre, Inc., which deals in healthy food products and supplements, offers products that support users' health under the concept of "Tomorrow's Body, From Today."

The company carefully selects only the ingredients that have been verified in terms of origin, agricultural methods, data to prove safety, and nutritional analysis, and it conducts quality inspections many times after receiving raw materials.

They also conduct various analytical tests during the manufacturing process to thoroughly pursue product safety. In 2013, the company established the Refre Research Institute, which is working to improve product value, food safety, product quality assurance, and health hazard prevention through health food products.

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Gussurhythm of Refre



ROSE DRESS



YUME MI HATSU



Blueberry & Lutein α

(Taken from the website of Refre)

①-3 Gourmet Business (including wine and sake)

Gourmet Tomonokai, which deals in food and flowers, offers a nationwide selection of delicious foods, including prepared foods, marine products, sweets, and sake.

The company offers a variety of sales formats, including "hanpukai," in which products are delivered once a month; "single item" sales, in which customers can order what they want when they want it; and "gift" sales, in which products are delivered for mid-year gifts and Valentine's Day.

My Wine Club, a mail order service specializing in wine, offers a large selection of wines that are rare in Japan and imported directly from local markets. The variety, richness, and high quality of the products handled are well-received, and the company has been ranked No. 1 for 16 consecutive years (FY 2008-FY 2023) in a survey of domestic wine sales share. Sake (Japanese liquor) ranked first for the 8th consecutive year.



(Taken from the website of Belluna)

①-4 Nurse-Related Business

The company offers a full line of nurses' wear, shoes, and goods to fully support nurses in their daily lives.

The company is the No. 1 domestic sales leader in mail-order for nurses. The company has two brands: "Nursery," with its strength in reasonable prices, and "Anfamie," with its wide selection of products and collaboration with other companies' brands and has a dominant share in the mail-order market for nurses.

The company also offers "Nurse Career Next" and "JOB STUDIO," recruitment services for nurses.



(Taken from the website of Belluna)

② Sustainable Domain

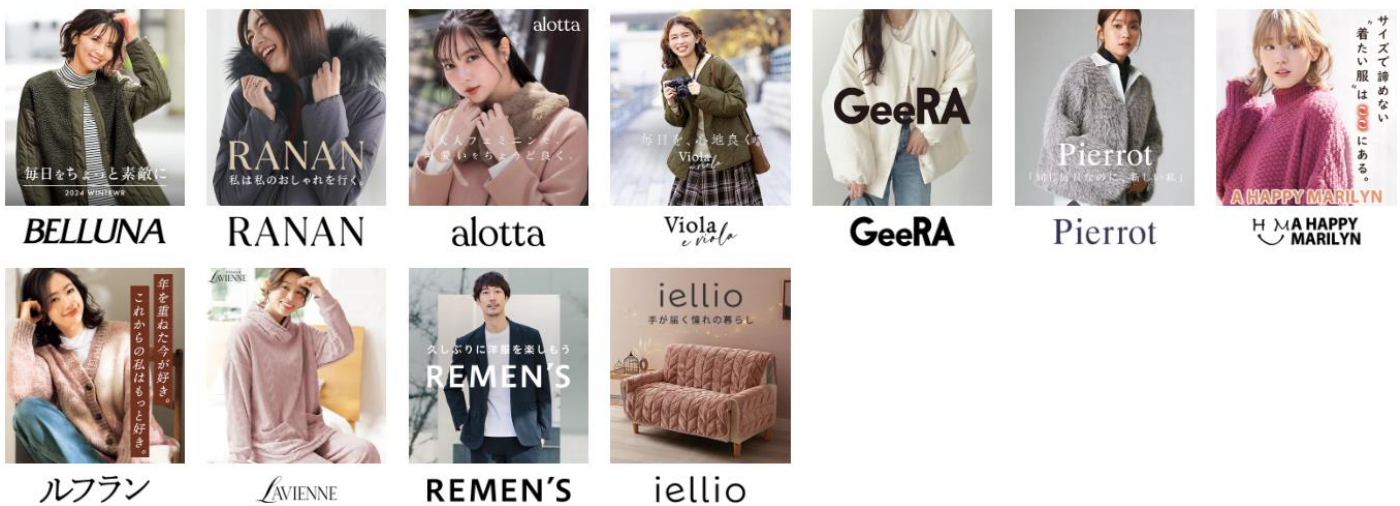
In the sustainable domain, they operate the three businesses: the “Apparel & Goods,” “Kimono-Related,” and “Other” businesses.

②-1 Apparel & Goods Business

◎ Outline

In addition to clothes, they provide a variety of products, including fashion items and interior goods, for each generation. In order to provide items of higher quality at reasonable prices, they have established the know-how to develop products utilizing data of over 23 million members and manage products efficiently. In addition to flyers and catalogs, the company is strengthening communication through web media such as those for PCs and smartphones.

(Store brand)



(Taken from the website of Belluna)

◎ Attributes of subscribers

The number of subscribers is over 23 million, and married women in their 40s or older account for about 80% of them. The subscribers aged 65 to 69 years, who are major married women, make up 39.9 % of the population of this age group in Japan, indicating an overwhelming market share.

Characteristics of the Comprehensive Mail Order Business Membership

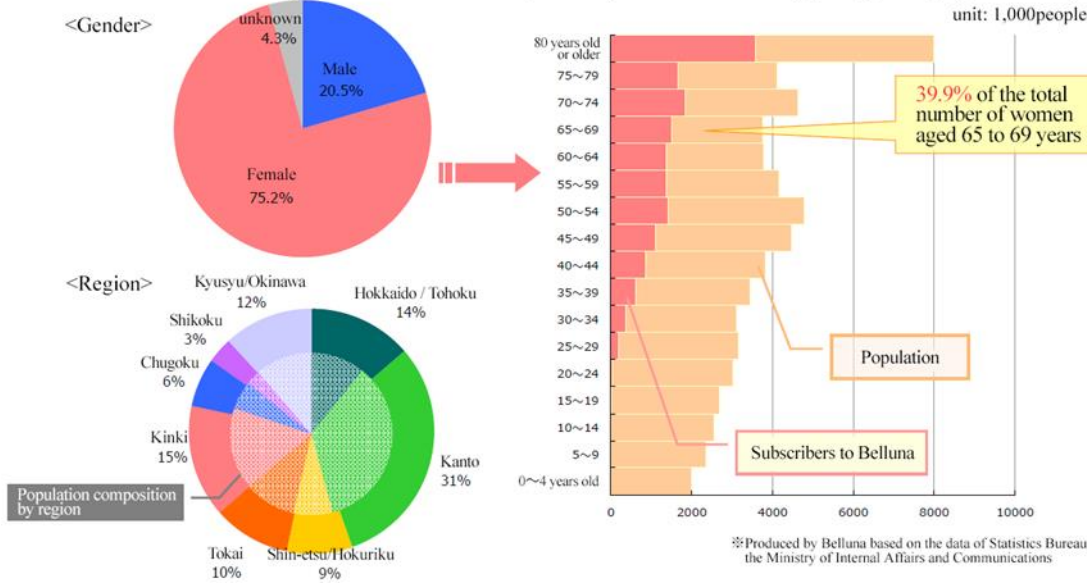
It also serves as a lifeline for the elderly and those in rural areas who have difficulty shopping.

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【Mail-Order of apparel and sundry goods】

Characteristics of subscribers (as of the end of Mar. 2024) <Comparison with the demographic pyramid (only for women)>



(Taken from the reference material of the company)

Belluna employs about 70 merchandisers and offers more fashionable products than leading supermarkets and women’s apparel shops. Particularly, designs focusing on hiding Mrs.’s figures which change with age are well-received by its user. In addition, the company offers a variety of unrivalled catalogs targeted at customers in their 50s to 70s. Accordingly, it won overwhelming support from married women.

◎Customer segments

Female customers have been grouped into some segments according to age. The company offers products tailored for the preferences and needs of each age group.

②-2 Kimono-Related Business

The company has opened stores selling kimonos and kimono-related products in shopping centers and malls. The company also rents hakama for graduation ceremonies for university students.



(Taken from the website of Belluna)

In addition to “BANKAN” and “Wamonoya,” Sagami Group Holdings Co., Ltd. was reorganized into a consolidated subsidiary in Jun. 2018.

Sagami Group Holdings runs stores under the two brand names “Sagami” and “Tokyo Masuiwaya.” They possess abundant knowledge and know-how about kimono culture and how to handle kimono, and excel in helping customers get dressed. It is also endeavoring to cultivate future customers among young women who do not currently own kimonos through promotional campaigns.

②-3 Other Business

Friendly Inc., which is a subsidiary of Belluna, operates the wholesale business targeted at department stores, co-ops, etc. by utilizing the know-how for planning products. It also operates insurance business.

③ Database Utilization Business

The company's business consists of enclosed package delivery services, mail-order agency services, and finance business.

Package delivery services

“Belluna Direct,” which utilizes the enormous customer database owned by Belluna, offers a service of enclosing sales promotion items, such as flyers and samples of client enterprises in products and catalogues. It is possible to narrow down target customers according to the needs of client companies. Accordingly, client companies can expect effective sales promotion.

Mail-order agency services

The company provides a series of functions, including Belluna's infrastructure and know-how, to companies engaged in mail-order sales.

The company handles stock at distribution warehouses, operates call centers, and sends products to customers in a comprehensive manner for clients. With this service, enterprises that plan to start Mail Order Business do not require their own infrastructure, and can swiftly provide products and services at low prices.

Finance Business

It is a consumer finance business utilizing the database cultivated in the Mail Order Business. This business is operated by Sunstage Co., Ltd., which is a subsidiary of Belluna. Since the company offers loans to mail-order users, it is characterized by the fact that many of its customers are women, who are the main targets of mail-order sales. Another strength of this business is its ability to provide credit using mail-order usage history. Compared with the paper media, the online media attracted new customers efficiently.



(Taken from the website of Belluna)

1-4 Characteristics and Strengths

① Customer database and know-how mainly for married women, which have been nurtured through the Mail Order Business for about 40 years

As mentioned in the section of business contents, about 80% of over 23 million subscribers of Belluna are married women in their 40s or older.

Belluna's female subscribers aged 65 to 69 years, who are dominant among married women, account for 39.9% of the population, 1 in 3 people of this age group in Japan.

The competitive customer database and know-how, which have been developed through the Mail Order Business for about 40 years, are significant features that contribute to the creation of corporate value. In the mail-order sale business, which is its mainstay, Belluna won strong support from married women by proposing products that can meet their needs based on the requests from customers, etc. grasped through sales and purchase activities and questionnaire surveys.

In the finance business, the company earn sales and profit stably by utilizing its database. In the Database Utilization Business, the company creates new business opportunities by offering its customer database, know-how, and infrastructure.

② Building a new successful business model and challenges

Within a corporate culture that values endeavors, Belluna is working to construct a new successful business model and establishing a track record rather than maintaining the status quo.

Currently, the growth of the hotel business is noteworthy. In the term ended March 2023, sales and profit grew considerably, as the effects of the restrictions on transportation in Japan and the restrictions on entry to Japan decreased and the improved occupancy rate of newly opened hotels in the previous fiscal year. Also in the term ended March 2024, it showed continued growth, thanks to the easing of restrictions on activities inside and outside Japan, the recovery of demand from foreign visitors to Japan, and the contribution of newly opened hotels and hotels acquired through M&A.

In particular, “Jozankei View Hotel,” which is a spa and resort hotel with 647 guest rooms (one of the largest in Hokkaido) acquired in May 2021 and opened in August after renovation, received many awards in Hokkaido, where customers from inside and outside Japan are expected to increase, so the company thinks that it will contribute to the business significantly.

③ Stable profitability and growth potential based on portfolio management

Another characteristic of Belluna is the business model called “portfolio management,” which actualizes stable growth potential and profitability by conducting business in a multifaceted manner while utilizing its managerial resources nurtured through the Mail Order Business.

Based on this business model, the company disperses the risks of changes in social situations and economic trends, allows each business to exert its strengths as a mainstay, brings out the synergy among businesses, and actualizes stable profitability and growth potential.

1-5 Sustainability

The company enhanced the initiatives for completing major (material) missions. The company plans to help realize a sustainable society by improving the value of the corporate group, reducing environmental burdens, and offering value to society.

In addition, it set seven major measures to be conducted, and executes sustainability-related measures.

① Contribute to solving the so-called shopping refugee problem by providing richer services that improve the clothing, food, shelter and recreation condition

| | Population | Registered members of Belluna | Ratio |
|-------------------------|----------------------|-------------------------------|-------|
| Nationwide | 125.0 million people | 29.0 million people | 23.2% |
| Lightly-populated areas | 9.6 million people | 2.9 million people | 30.8% |

② Reduce product waste

Disposal rate *General mail order business only

③ Save paper resources such as paper used for catalogs

Changes in number of DM deliveries as a percentage of sales

④ Facilitate the reduction of CO2 emissions at the logistics center, etc.

Yoshimi Logistics Center

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⑤ Improve employees' workstyles



Mother's workplace tour

⑥ Study methods to make original products sustainable



⑦ Develop the awareness of SDG contribution across the Group

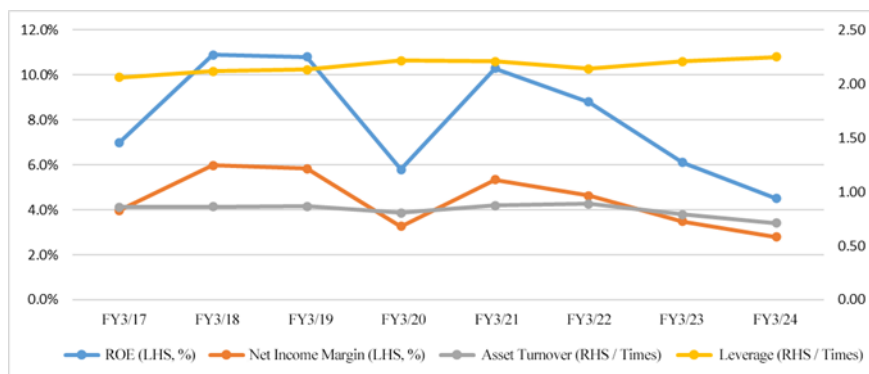


32

(Taken from the reference material of the company)

1-6 ROE analysis

| | FY 3/17 | FY 3/18 | FY 3/19 | FY 3/20 | FY 3/21 | FY 3/22 | FY 3/23 | FY 3/24 |
|------------------------------|------------|-------------|-------------|------------|-------------|------------|------------|------------|
| ROE (%) | 7.0 | 10.9 | 10.8 | 5.8 | 10.3 | 8.8 | 6.1 | 4.5 |
| Net Income Margin (%) | 3.97 | 5.98 | 5.82 | 3.26 | 5.34 | 4.64 | 3.49 | 2.80 |
| Total Asset Turnover (times) | 0.86 | 0.86 | 0.87 | 0.81 | 0.87 | 0.89 | 0.79 | 0.71 |
| Leverage (times) | 2.06 | 2.12 | 2.13 | 2.22 | 2.21 | 2.14 | 2.21 | 2.25 |



*This figure is created by Investment Bridge Co., Ltd. based on disclosed materials.

The company targets ROE of 8.0% for the fiscal year ending March 31, 2025, the final year of its fifth management plan.

2. First Half of Fiscal Year ending March 2025 Earnings Results

2-1 Consolidated Business Results

| | FY 3/24 1H | Ratio to sales | FY 3/25 1H | Ratio to sales | YoY | Compared to forecast |
|----------------------|------------|----------------|------------|----------------|--------|----------------------|
| Sales | 96,105 | 100.0% | 97,127 | 100.0% | +1.1% | -0.9% |
| Gross profit | 58,935 | 61.3% | 59,714 | 61.5% | +1.3% | - |
| SG&A expenses | 55,839 | 58.1% | 56,114 | 57.8% | +0.5% | - |
| Operating income | 3,095 | 3.2% | 3,570 | 3.7% | +15.3% | +2.0% |
| Ordinary income | 4,325 | 4.5% | 4,143 | 4.3% | -4.2% | +3.6% |
| Quarterly net income | 3,263 | 3.4% | 2,565 | 2.6% | -21.4% | -8.4% |

*Unit: Million yen. Quarterly net income is quarterly net income attributable to owners of parent.

Sales and operating income grew.

Sales grew 1.1% year on year to 97.1 billion yen. The sales of the Property Business increased 12.1% year on year, and the sales of the core businesses, including the Apparel & Goods and Data Utilization Businesses, grew, offsetting the declines in sales of the Cosmetics & Health Foods Business and the Kimono-Related Business.

Operating income rose 15.3% year on year to 3.57 billion yen. Gross profit margin rose 0.2 points, and operating income margin increased year on year from 3.2% to 3.7%, thanks to the curtailment of the augmentation of SG&A expenses. Regarding non-operating performance, exchange gain decreased, interest paid increased, and ordinary income declined 4.2% year on year to 4.14 billion yen. Quarterly net income decreased 21.4% year on year to 2.56 billion yen, due to the drop in gain on sale of securities.

As forecast by the company, they have raised the interim dividend by 4.25 yen/share year on year to 14.50 yen/share.

Quarterly transition of sales and operating income (unit:million yen)



BRIDGE REPORT

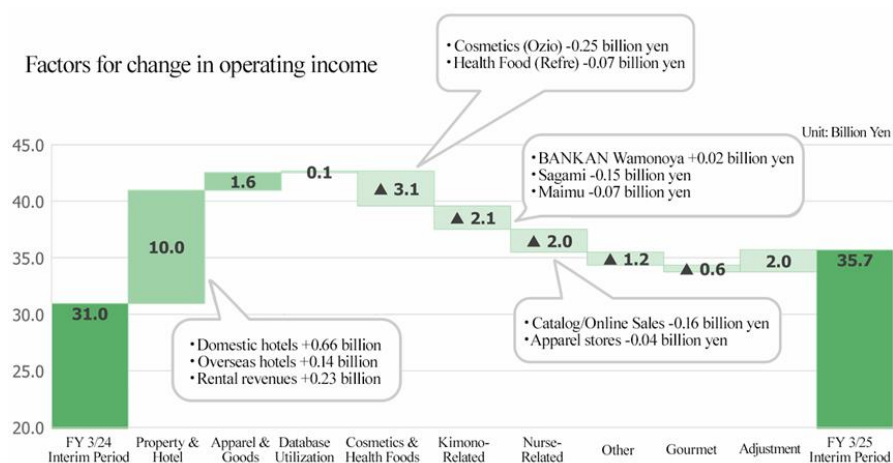
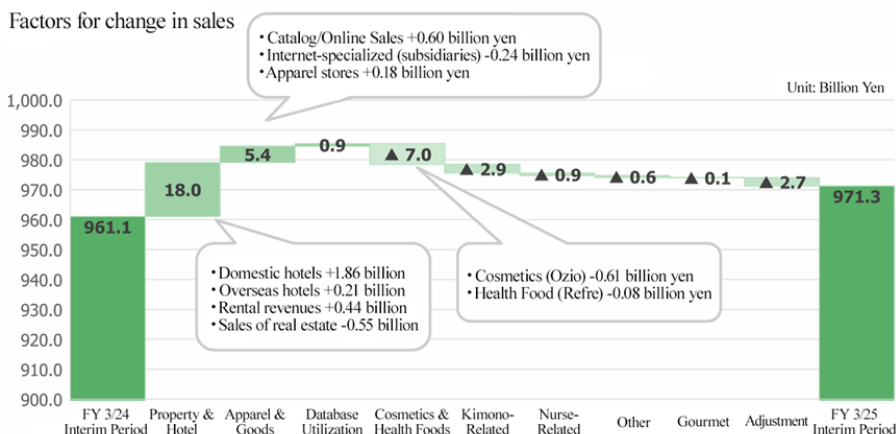


2-2 Trend of each segment

| | FY 3/24 1H | Composition Ratio | FY 3/25 1H | Composition Ratio | YoY |
|-----------------------------------|------------|-------------------|------------|-------------------|--------|
| Sales | | | | | |
| Property & Hotel Business | 14,845 | 15.4% | 16,649 | 17.1% | +12.1% |
| Cosmetics & Health Foods Business | 7,446 | 7.7% | 6,751 | 7.0% | -9.3% |
| Gourmet Business | 12,705 | 13.2% | 12,692 | 13.1% | -0.1% |
| Nurse-Related Business | 6,730 | 7.0% | 6,641 | 6.8% | -1.3% |
| Total in the Growth Domain | 41,726 | 43.4% | 42,733 | 44.0% | +2.4% |
| Kimono-Related Business | 10,395 | 10.8% | 10,107 | 10.4% | -2.8% |
| Apparel & Goods Business | 34,822 | 36.2% | 35,366 | 36.4% | +1.6% |
| Other Business | 1,330 | 1.4% | 1,270 | 1.3% | -4.5% |
| Total in the Sustainable Domain | 46,547 | 48.4% | 46,743 | 48.1% | +0.4% |
| Database Utilization Business | 8,204 | 8.5% | 8,293 | 8.5% | +1.1% |
| Adjustment | -376 | - | -646 | - | - |
| Total | 96,105 | 100.0% | 97,127 | 100.0% | +1.1% |
| Operating income | | | | | |
| Property & Hotel Business | 1,791 | 12.1% | 2,793 | 16.8% | +55.9% |
| Cosmetics & Health Foods Business | 405 | 5.4% | 98 | 1.5% | -75.7% |
| Gourmet Business | -99 | - | 56 | 0.4% | - |
| Nurse-Related Business | 374 | 5.6% | 314 | 4.7% | -16.0% |
| Total in the Growth Domain | 2,471 | 5.9% | 3,261 | 7.6% | +32.0% |
| Kimono-Related Business | -193 | - | -399 | - | - |
| Apparel & Goods Business | -1,340 | - | -1,543 | - | - |
| Other Business | -183 | - | -299 | - | - |
| Total in the Sustainable Domain | -1,716 | - | -2,241 | - | - |
| Database Utilization Business | 2,547 | 31.0% | 2,559 | 30.9% | +0.5% |
| Adjustments | -205 | - | -10 | - | - |
| Total | 3,095 | 3.2% | 3,570 | 3.7% | +15.3% |

*Unit: Million yen. The composition ratio of income means the ratio of income to sales.

Analysis of increases and decreases in sales and operating income



(Taken from the reference material of the company)

◎ Property & Hotel Business

Sales increased, and profit grew considerably.

The sales and profit of the domestic hotel business increased significantly, thanks to the growth of demand for domestic travel and the demand from foreign visitors to Japan. The average daily rate of resort hotels in Japan increased, as the demand for domestic travel to hotels in Hokkaido was strong due to the unbearable heat and hotels were renovated. While competitors were struggling due to the shortage of manpower, they hired more non-Japanese people, who constitute the forte of the company, to keep occupancy rate high. Regarding Japanese urban hotels, average daily rate and occupancy rate increased, because they are located in areas popular among foreign visitors, such as Sapporo, Ginza, Kyoto, and Osaka. In the overseas hotel business, sales and profit increased, a large hotel in Colombo, the former capital of Sri Lanka, entered the third year after opening and has become known among people.

◎ Cosmetics & Health Foods Business

Sales and profit dropped.

In the Cosmetics & Health Foods Business, the number of new customers started increasing, but sales and profit declined, due to the decrease in sales of subscription boxes. In the Health Food Mail Order Business, sales and profit dropped, as they enhanced activities for reeling in new customers with mainly informercials, but did not reach the forecast.

◎ Gourmet Business

Sales declined slightly, but profit rose.

Computer costs augmented, as they upgraded their system for improving their service level. On the other hand, the ratio of expenses to sales improved through the rationalization of costs for advertisement, including the issuance of the media, and the revision of product prices, so sales declined, but profit grew.

BRIDGE REPORT**◎ Nurse-Related Business**

Sales and profit decreased.

In the Mail Order Business for nurses, procurement costs augmented because the yen weakened and the prices of raw materials rose steeply, so they revised product prices and reduced the circulation of the media in some sales channels while focusing on profitability, but sales and profit declined.

◎ Kimono-Related Business

Sales and profit dropped.

In the business of sale of traditional Japanese clothes, sales and profit decreased, due to the drop in the number of customers who have purchased a product in the past one year due to the closure of money-losing stores conducted from the previous fiscal year to the current fiscal year. BANKAN Wamonoya Co., Ltd. kept improving profitability through low-cost operations. In the costume rental business, the number of orders for rental of the hakama for commencement ceremonies increased significantly as competitors withdrew from this business, so related expenses augmented. Consequently, sales grew and profit declined.

◎ Apparel & Goods Business

Sales grew, but profit declined.

Procurement costs augmented due to the yen depreciation and the skyrocketing of raw material prices, so they curtailed advertisement costs. As they made product prices well-balanced and concentrated on the improvement in product competitiveness, response rate improved, the number of new customers and the number of customers who have purchased a product in the past one year increased.

◎ Other business

Sales and profit decreased.

In the apparel wholesale business, sales and profit decreased as client companies kept reducing operations and inventory was disposed of earlier than scheduled. In the travel agency business, sales grew, but profit dropped, as they actively advertised travel plans while prioritizing growth potential.

◎ Database Utilization Business

Sales and profit grew.

In the business of enclosure and distribution services, sales and profit grew, as the circulation of the media in the Mail Order Business for apparel and goods decreased, but the enhanced marketing targeted at existing clients paid off and new services were promoted. In the fulfillment service business, they increased new clients steadily, but the sales from existing clients decreased and personnel expenses augmented, so profit dropped. In the finance business, they increased new clients efficiently, so sales and profit grew.

BRIDGE REPORT

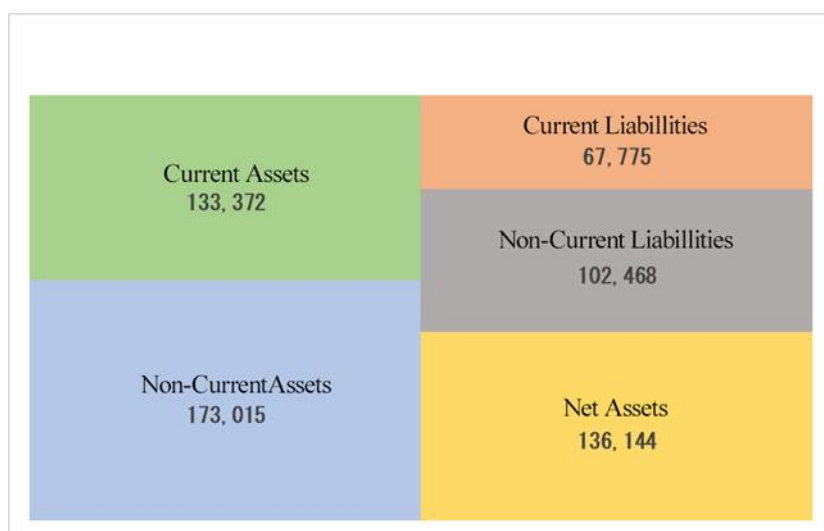


2-3 Financial Condition and Cash Flows

◎Main BS

| | End of March 2024 | End of September 2024 | Increase/ Decrease | | End of March 2024 | End of September 2024 | Increase/ Decrease |
|-------------------------------|----------------------|-----------------------------|-----------------------|-----------------------------------|----------------------|-----------------------------|-----------------------|
| Current assets | 129,961 | 133,372 | +3,411 | Current liabilities | 59,206 | 67,775 | +8,569 |
| Cash and deposits | 35,842 | 39,422 | +3,580 | Trade payables | 16,616 | 17,940 | +1,324 |
| Trade receivable | 10,570 | 9,902 | -668 | Short-term interest-bearing debts | 18,105 | 26,988 | +8,883 |
| Inventories | 27,584 | 30,327 | +2,743 | Noncurrent liabilities | 105,302 | 102,468 | -2,834 |
| Noncurrent assets | 170,730 | 173,015 | +2,285 | Long-term interest-bearing debts | 98,568 | 95,893 | -2,675 |
| Property, plant and equipment | 136,909 | 137,155 | +246 | Total liabilities | 164,509 | 170,243 | +5,734 |
| Intangible assets | 10,893 | 12,269 | +1,376 | Net assets | 136,182 | 136,144 | -38 |
| Investments and other assets | 22,927 | 23,589 | +662 | Retained earnings | 112,545 | 114,119 | +1,574 |
| Total assets | 300,691 | 306,387 | +5,696 | Total liabilities and net assets | 300,691 | 306,387 | +5,696 |

*Unit: Million yen. Electronically recorded payables are included in trade payables.



*This figure is created by Investment Bridge Co., Ltd. based on disclosed materials.

Total assets increased 5.6 billion yen from the end of the previous term to 306.3 billion yen, as cash and deposits, inventory assets, etc. rose. Total liabilities rose 5.7 billion yen from the end of the previous term to 170.2 billion yen mainly due to the increase in long-term interest-bearing debts. Net assets decreased slightly to 136.1 billion yen year on year, due to the decline in valuation difference on available-for-sale securities. As a result, capital-to-asset ratio decreased 0.9 points from the end of the previous term to 44.1%.

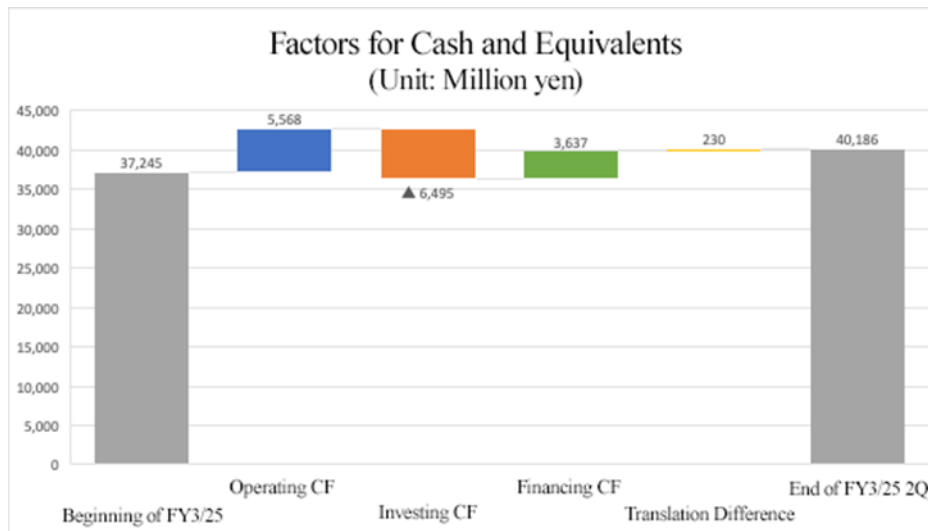
BRIDGE REPORT



◎Cash Flows

| | FY 3/24 1H | FY 3/25 1H | Increase/Decrease |
|-----------------------------|------------|------------|-------------------|
| Operating CF | 1,714 | 5,568 | +3,854 |
| Investing CF | -6,065 | -6,495 | -430 |
| Free CF | -4,351 | -927 | +3,424 |
| Financing CF | 5,184 | 3,637 | -1,547 |
| Balance of cash equivalents | 33,483 | 40,186 | +6,703 |

*Unit: Million yen



*This figure is created by Investment Bridge Co., Ltd. based on disclosed materials.

Operating cash flow increased and the deficit of free cash flow shrank significantly, thanks to the decrease in other current assets and the increase in accounts payable.

The cash inflow from financing activities dropped due to a decrease in income from long-term borrowings. The cash position improved.

3. Fiscal Year ending March 2025 Earnings Estimates

3-1 Full-year Earnings Estimates

| | FY 3/24 | Ratio to sales | FY 3/25 (Est.) | Ratio to sales | YoY |
|------------------|---------|----------------|----------------|----------------|--------|
| Sales | 208,298 | 100.0% | 217,000 | 100.0% | +4.2% |
| Operating income | 9,787 | 4.7% | 11,500 | 5.3% | +17.5% |
| Ordinary income | 11,831 | 5.7% | 12,500 | 5.8% | +5.6% |
| Net income | 5,839 | 2.8% | 8,000 | 3.7% | +37.0% |

*Unit: Million yen. The estimated values are those announced by the Company. Net income is profit attributable to owners of parent.

Sales are expected to increase 4.2% YoY and operating income 17.5% YoY in FY 3/25.

There is no revision to the full-year forecast, the company projects sales to rise 4.2% year on year to 217 billion yen, and operating income to increase 17.5% year on year to 11.5 billion yen in the fiscal year ending March 2025. The company views the further expansion of demand from foreign visitors to Japan as an opportunity and will focus on the Property Business, centered around hotel operation, as a key growth driver. Additionally, the company will prioritize stable growth in specialized business areas less affected by consumer sentiment, such as the Cosmetics & Health Foods Business, Gourmet Business, and

BRIDGE REPORT



Nurse-Related Business. In the Apparel & Goods Business, the company aims to return the number of prospective customers to an appropriate level and recover repeat rates to enhance business scale and efficiency, targeting early profitability. There is no revision to the year-end dividend, so they plan to pay 14.5 yen/share, up 4.25 yen/share from the previous fiscal year. For the full year, the dividend amount will increase 8.50 yen/share year on year to 29.00 yen/share. The forecast dividend payout ratio is 35.1%.

The following section describes the budget for each segment.

The Property & Hotel Business will be the main driver. Many businesses are expected to see increases in both sales and profit.

| | FY 3/24 | Ratio to sales | FY 3/25 (Est.) | Ratio to sales | YoY | |
|--------------------------------------|------------------------------------|----------------|----------------|----------------|--------|--------|
| Sales | | | | | | |
| Growth Domain | 921.4 | 44.2% | 975.9 | 45.0% | +5.9% | |
| Property & Hotel Business | Hotels | 262.8 | 12.6% | 307.3 | 14.2% | +16.9% |
| | Income, solar power | 57.3 | 2.8% | 58.7 | 2.7% | +2.4% |
| | Subtotal | 320.1 | 15.4% | 366.0 | 16.9% | +14.3% |
| Specialized Mail-Order Business | Cosmetics & Healthy Foods Business | 147.2 | 7.1% | 148.3 | 6.8% | +0.7% |
| | Gourmet Business | 324.4 | 15.6% | 328.9 | 15.2% | +1.4% |
| | Nurse -Related Business | 129.8 | 6.2% | 132.6 | 6.1% | +2.2% |
| | Subtotal | 601.3 | 28.9% | 609.9 | 28.1% | +1.4% |
| Sustainable Domain | 1,001.8 | 48.1% | 1,042.6 | 48.0% | +4.1% | |
| Kimono-Related Business | 232.5 | 11.2% | 235.9 | 10.9% | +1.5% | |
| Apparel & Goods Business | 742.5 | 35.6% | 778.3 | 35.9% | +4.8% | |
| Other Business | 26.8 | 1.3% | 28.4 | 1.3% | +6.0% | |
| Database Utilization Business | 167.3 | 8.0% | 165.4 | 7.6% | -1.1% | |
| Adjustments | -7.5 | - | -14.0 | - | - | |
| Total | 2,082.9 | 100.0% | 2,170.0 | 100.0% | +4.2% | |
| Operating Income | | | | | | |
| Growth Domain | 67.6 | 7.3% | 80.0 | 8.2% | +18.3% | |
| Property & Hotel Business | Hotels | 20.4 | 7.8% | 31.9 | 10.4% | +56.4% |
| | Income, solar power | 22.2 | 38.7% | 21.6 | 36.8% | -2.7% |
| | Subtotal | 42.6 | 13.3% | 53.5 | 14.6% | +25.5% |
| Specialized Mail-Order Business | Cosmetics & Healthy Foods Business | 9.3 | 6.3% | 10.0 | 6.7% | +7.5% |
| | Gourmet Business | 10.9 | 3.4% | 11.3 | 3.4% | +3.7% |
| | Nurse -Related Business | 4.8 | 3.7% | 5.1 | 3.8% | +6.3% |
| | Subtotal | 25.0 | 4.2% | 26.5 | 4.3% | +5.9% |
| Sustainable Domain | -19.1 | - | -11.8 | - | - | |
| Kimono -Related Business | 13.6 | 5.8% | 13.9 | 5.9% | +2.2% | |
| Apparel & Goods Business | -29.9 | - | -23.1 | - | - | |
| Other Business | -2.7 | - | -2.6 | - | - | |
| Database Utilization Business | 51.5 | 30.8% | 50.0 | 30.2% | -2.9% | |
| Adjustments | -2.2 | - | -3.2 | - | - | |
| Total | 97.9 | 4.7% | 115.0 | 5.3% | +17.5% | |

*Unit: 100 million yen. The composition ratio of income means the ratio of income to sales.

BRIDGE REPORT



3-2 Regarding Each Business

«3-2-1 Property & Hotel Business»

For fiscal year ending March 2025, the company aims for sales of 36.6 billion yen (up 14.3% year on year) and an operating income of 5.35 billion yen (up 25.5% year on year).

Thriving hotel 1: GINZA HOTEL by GRANBELL (102 guest rooms)

In the first half of the fiscal year, sales stood at 600 million yen, up 57.5% year on year, and operating income was 146 million yen, up about 14 times year on year.

Thriving hotel 2: Granbell Hotel Kyoto (105 guest rooms)

In the first half of the fiscal year, sales stood at 441 million yen, up 18.6% year on year, and operating income was 149 million yen, up 24.5% year on year.

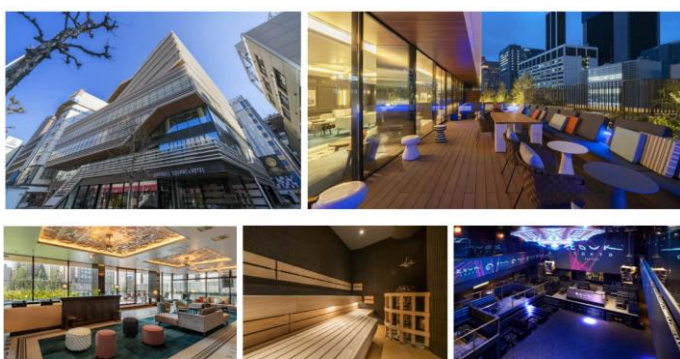
Thriving hotel 3: Granbell Hotel Susukino (300 guest rooms)

In the first half of the fiscal year, sales stood at 687 million yen, up 19.2% year on year, and operating income was 200 million yen, up 30.8% year on year.

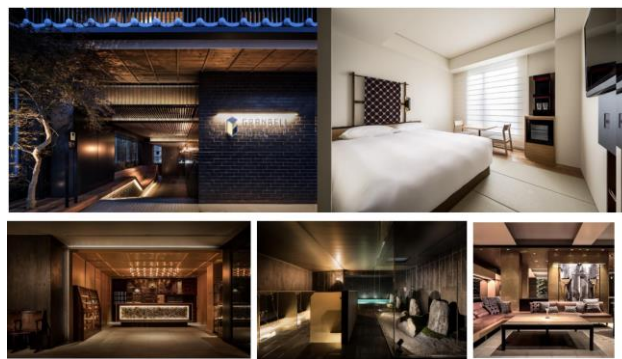
Thriving hotel 4: The LakeSuite Ko no Sumika, Toya Sunpalace Resort & Spa (404 guest rooms)

In the first half of the fiscal year, sales stood at 2,314 million yen, up 20.6% year on year, and operating income was 554 million yen, up 133.6% year on year.

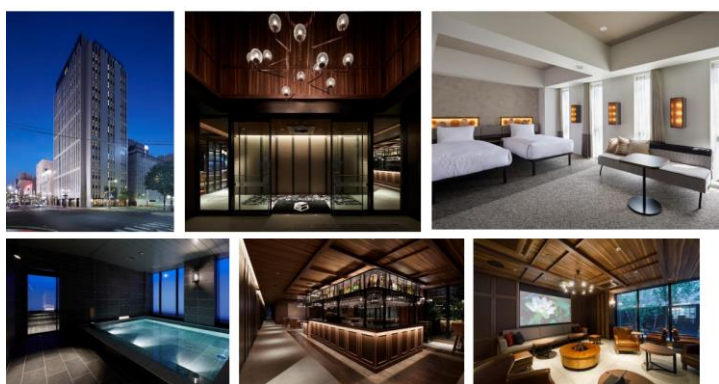
GINZA HOTEL by GRANBELL



Granbell Hotel Kyoto



Granbell Hotel Susukino



The LakeSuite Ko no Sumika, Toya Sunpalace Resort & Spa



(Taken from the reference material of the company)

BRIDGE REPORT



Hotels Scheduled to Open in FY 3/26:

■ SAPPORO HOTEL by GRANBELL: Scheduled to open in April 2025, 605 rooms



(Taken from the reference material of the company)

■ Otaru Granbell Hotel: Scheduled to open in July 2025, 159 rooms



(Taken from the reference material of the company)

Belluna Group Hotel List

| Ref | Area | Facility name | Number of guest rooms | FY March 2014 | FY March 2015 | FY March 2016 | FY March 2017 | FY March 2018 | FY March 2019 | FY March 2020 | FY March 2021 | FY March 2022 | FY March 2023 | FY March 2024 | Operation period |
|-----|-----------|--|-----------------------|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------------|
| 1 | Okinawa | Hotel Hamahigashima Resort | 29 | [Timeline bar from FY 2014 to FY 2024] | | | | | | | | | | | May-13 |
| 2 | Fukushima | Urabandai Lake Resort | 324 | [Timeline bar from FY 2016 to FY 2024] | | | | | | | | | | | Oct-15 |
| 3 | Nagano | Le Grand Kyu Karuizawa Hotel | 43 | [Timeline bar from FY 2017 to FY 2024] | | | | | | | | | | | Jul-16 |
| 4 | Kyoto | Kyoto Granbell Hotel | 105 | [Timeline bar from FY 2018 to FY 2024] | | | | | | | | | | | Jul-17 |
| 5 | Nagano | Le Grand Karuizawa Hotel & Resort | 58 | [Timeline bar from FY 2019 to FY 2024] | | | | | | | | | | | Jul-18 |
| 6 | Sri Lanka | Le Grand Galle Hotel | 48 | [Timeline bar from FY 2020 to FY 2024] | | | | | | | | | | | Jul-18 |
| 7 | Maldives | The Westin Maldives Miriandhoo Resort | 70 | [Timeline bar from FY 2020 to FY 2024] | | | | | | | | | | | Oct-18 |
| 8 | Hawaii | EWA Hotel | 92 | [Timeline bar from FY 2021 to FY 2024] | | | | | | | | | | | Apr-19 |
| 9 | Osaka | Umeda Holic Hotel | 117 | [Timeline bar from FY 2022 to FY 2024] | | | | | | | | | | | Apr-21 |
| 10 | Osaka | Osaka Granbell Hotel | 191 | [Timeline bar from FY 2022 to FY 2024] | | | | | | | | | | | Apr-21 |
| 11 | Hokkaido | Sapporo Granbell Hotel | 218 | [Timeline bar from FY 2022 to FY 2024] | | | | | | | | | | | Apr-21 |
| 12 | Hokkaido | Jozankei View Hotel | 647 | [Timeline bar from FY 2023 to FY 2024] | | | | | | | | | | | Aug-21 |
| 13 | Hokkaido | Susukino Granbell Hotel | 300 | [Timeline bar from FY 2023 to FY 2024] | | | | | | | | | | | Sep-21 |
| 14 | Sri Lanka | Granbell Hotel Colombo | 292 | [Timeline bar from FY 2023 to FY 2024] | | | | | | | | | | | Apr-22 |
| 15 | Kyoto | Kyoto Granbell Hotel hanareya | 13 | [Timeline bar from FY 2023 to FY 2024] | | | | | | | | | | | Nov-22 |
| 16 | Ginza | GINZA HOTEL by GRANBELL | 102 | [Timeline bar from FY 2023 to FY 2024] | | | | | | | | | | | Apr-23 |
| 17 | Hokkaido | Toya SunPalace, The LakeSuite KO no SUMIKA | 404 | [Timeline bar from FY 2023 to FY 2024] | | | | | | | | | | | Apr-23 |
| 18 | Hokkaido | NEW AKAN HOTEL | 366 | [Timeline bar from FY 2023 to FY 2024] | | | | | | | | | | | Apr-23 |
| 19 | Hokkaido | SAPPORO HOTEL by GRANBELL (tentative name) | 605 | [Timeline bar from FY 2023 to FY 2024] | | | | | | | | | | | April 2025 (plan) |
| 20 | Hokkaido | Otaru Granbell Hotel (tentative name) | 159 | [Timeline bar from FY 2023 to FY 2024] | | | | | | | | | | | July 2025 (plan) |
| | | Total | 4,183 | | | | | | | | | | | | |

(Taken from the reference material of the company)

From now on, they will build an annex to The LakeSuite Ko no Sumika, and make efforts to start new businesses of urban hotels and overseas hotels. With the aim of achieving sales of 50 billion yen in the hotel business, they will improve the value of existing facilities and operate new facilities.

<<3-2-2 Specialized Mail Order Business>>

For fiscal year ending March 2025, the company aims for sales of 60.99 billion yen (up 1.4% year on year) and an operating income of 2.65 billion yen (up 5.9% year on year).

【Cosmetics & Health Foods Business】

In the first half of the fiscal year ending March 2025, sales stood at 6,751 million yen, down 9.3% year on year, and operating income was 98 million yen, down 75.7% year on year.

Annual sales and annual operating income are expected to increase 0.7% and 7.5%, respectively, year on year.

•Overview and Characteristics of the Business

A leading company in anti-aging, addressing skin concerns for people in their 40s and beyond.

Strengths include the ability to collect customer reviews, a robust production network, and a fast-paced product development process.

The company aims to expand the domestic market while cultivating overseas markets.

Currently, operations are established in Taiwan, Hong Kong, and Singapore. The company plans to further expand into China, Malaysia, Vietnam, and Thailand to drive growth.

In addition to expanding mail-order sales, the company is focusing on increasing wholesale distribution to drugstores and other retail outlets.

【Gourmet Business (Gourmet)】

In the first half of the fiscal year ending March 2025, sales stood at 12,692 million yen, down 0.1% year on year, and operating income was 56 million yen (a loss of 99 million yen posted in the same period of the previous fiscal year).

Annual sales and annual operating income are expected to increase 1.4% and 3.7%, respectively, year on year.

•Overview and Characteristics of the Business

The company sells club memberships, individual food items, gifts such as mid-year and year-end gifts, osechi (New Year's dishes), flowers, and Japanese sake. Their product lineup is basic compared to competitors. Their strengths include the capability of providing individual products, including cost performance.

Has been **No.1 in Japanese sake mail-order sales for eight consecutive years.**

The unification of brand development and promotion across categories is insufficient. They focus on strengthening cross-business brand development.

By offering added value of information, content, etc. and providing entertainment with food in addition to the product competitiveness, which is their forte, they will strive to increase the fans of the brand and improve KPIs, such as the number of customers who have purchased a product in the past one year, repeat rate, and lifetime value (LTV).

【Gourmet Business (Wine)】

•Overview and Characteristics of the Business

Their strengths include the capability of proposing a variety of package deals for light wine drinkers and cost performance. They use a promotional method combining printed materials and e-commerce, characterized by low entry barriers and high repeat rates.

The company has been **No.1 in wine mail-order sales for 16 consecutive years.**

(1) In fiscal year ended March 2024, they sold 13 million bottles of wine.

(2) In addition to wine, they will handle whiskey, gin, and other products.

(3) Launched the high-end wine brand "ELEVIN" from the previous fiscal year, with sales of 200 million yen, and aim to expand its sales to around 1 billion yen.

The company's policy is to maintain and expand its overwhelming No.1 position in wine mail-order sales.

【Nurse-Related Business】

•Overview and Characteristics of the Business

Primarily a B2C business targeting nurses through mail-order.

The two brands, Anfamie and Nursery, occupy about 60% of the mail-order market share for nurses.

The company holds a dominant No.1 recognition.

As the growth of the nurse population slows, the company aims to expand profitability rather than just sales growth.

They aim to expand the B2B model with growth potential, and will form partnerships with companies for home nursing and nursing care facilities.

<<3-2-3 Apparel & Goods Business>>

In the fiscal year ending March 2025, they aim to achieve sales of 77.83 billion yen, up 4.8% year on year, and an operating loss of 2.31 billion yen (loss of 2.99 billion yen in the previous fiscal year).

<<3-2-4 Database Utilization Business>>

In the fiscal year ending March 2025, they aim to achieve sales of 16.54 billion yen, down 1.1% year on year, and an operating income of 5 billion yen, down 2.9% year on year.

1. Insertion and Accompanying Services

A service that sends clients' flyers along with catalogs and products. The number of catalogs issued is crucial, with many handled by other mail-order companies.

2. Task-undertaking Services

Business of undertaking logistics and call center operations. They can utilize surplus logistics centers and call centers.

3. Finance

They focused on acquiring senior customers with low default rates to differentiate from competitors, and this business is progressing as planned.

Acquisition of new customers through the Internet, which is more efficient than paper media, is performing well.

4. Measures for Realizing Management Conscious of Capital Cost and Share Price

【4-1 Improvement of Performance】

(1) To achieve the budgetary objectives for FY 3/25

【4-2 Management conscious of capital efficiency】

(1) Management with a focus on achieving an ROE of 10% or higher

(2) Scrapping businesses that are not expected to be profitable

(3) M&A of companies with synergy and future potential

【4-3 Enrichment of Shareholder Return】

(1) Clarification of the Return Policy

(2) Consideration of share buybacks aimed at improving capital efficiency

The company has positioned profit returns to shareholders through enhanced corporate value as one of its key priorities and has consistently provided continuous and stable dividends. In May, taking into account shareholder expectations, the company's business performance, and capital situation, the company clarified its shareholder return policy to further enhance shareholder returns as follows:

- To pay dividends with a target consolidated dividend payout ratio of 35%, with a minimum Dividend on Equity (DOE) of 1.5%.

<Dividend status>

| | Dividend per share (yen) | | | Dividend payout ratio | DOE |
|----------------|--------------------------|----------|--------------|-----------------------|-------|
| | End of 1H | Term-end | Annual Total | | |
| FY 3/23 | 10.00 | 10.00 | 20.00 | 26.1% | 1.49% |
| FY 3/24 | 10.25 | 10.25 | 20.50 | 33.9% | 1.48% |
| FY 3/25 (Est.) | 14.50 | 14.50 | 29.00 | 35.1% | - |

<Shareholder benefits>

| | 100 to 499 shares | 500 to 999 shares | 1,000 or more shares |
|--|-------------------|-------------------|----------------------|
| Mail-order special discount coupon Reward points usable on the Belluna network Gourmet, wine, and Japanese sake products | Worth 1,000 yen | Worth 3,000 yen | Worth 5,000 yen |
| 1000-yen special discount coupons usable at facilities operated or partnered with the Belluna Group | 2 coupons | 6 coupons | 10 coupons |

*The coupons can be used for a stay or dinner at a hotel (cannot be used for lunch or a one-day hot spring), dinner at a restaurant (cannot be used for lunch), and the fee for playing golf at Obatago Golf Club on Saturday or Sunday. There is a possibility that the special discount coupon will become unusable at some facilities.

- Consideration of share buybacks aimed at improving capital efficiency

【4-4 Expansion of Investor Dialogue】

(1) In addition to holding interim and year-end financial results briefings, the company will hold analyst briefings for financial results in 1Q and 3Q.

5. Conclusions

In the first half of the fiscal year, sales grew and operating income rose by double digits as the Property Business kept contributing. The progress rate of operating income in the Property Business toward the full-year forecast reached 87.6%, and the operating income is expected to exceed the full-year forecast significantly, as there are still many foreign visitors to Japan. The sales of the Property Business accounted for 17.3% of total sales in the first half (15.5% in the first half of the previous fiscal year). As the ratio of sales of the Property Business with a high profit margin increases, it contributes to profit further, so this business is expected to contribute to the medium-term profit growth trend. The Database Utilization Business, which also has a high profit margin, is projected to see decreases in sales and profit in the fiscal year ending March 2025. On the other hand, the loss in the business of Apparel & Goods augmented in the first half, which is an issue. In the second half of the fiscal year, the sales of heavy clothes will increase and there will be some profit, but it is forecast to be not enough to cover the loss in the first half. They hope to make this business profitable, by increasing new customers and streamlining business operations. In addition, the business of Cosmetics and Health Foods saw decreases in sales and profit in the first half of the current fiscal year, showing another issue to be addressed.

At the beginning of the fiscal year, they announced initiatives for realizing business administration conscious of capital cost and stock price, and enriched shareholder return. PBR is much less than 1 and PER is low, so the stock of Belluna seems to be undervalued, when the trend of the rapidly growing Property Business is considered.

<Reference: Regarding corporate governance>

◎Organization type, and the composition of directors and auditors

| | |
|---------------------------------|--|
| Organization type | Company with audit and supervisory committee |
| Directors | 8 directors, including 3 external ones |
| Audit and supervisory committee | 3 directors, including 3 external ones |

◎Corporate Governance Report

Last Update: June 28, 2024.

<Basic policy>

Our basic policy for corporate governance is to streamline business operation by allowing operating officers to have the authority and responsibility for their businesses under the policy determined by the board of directors and establish compliance systems and effective management systems by enhancing the fairness and transparency of business administration. In addition, we organized a compliance committee inviting outside intellectuals, granting it authority, so that a third party's viewpoint would be reflected in management decisions.

<Reason for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

Belluna follows all of the principles of the Corporate Governance Code.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

The following is based on the codes revised in June 2021.

| Principles | Disclosure content |
|---------------------------------|---|
| 《Principle 1-4》 | In order to foster good business relations with business partners and carry out business smoothly, we may hold their shares as requested by them. We judge whether or not to invest while comprehensively considering the benefits to our corporate group due to the strengthening of business relations, investment amounts, etc. The shares of our business partners owned by our corporate group are evaluated for each stock for their economic rationality, including the original purpose of share acquisition, as well as the current trading price and the trading details, and we may reduce such shares by selling them, taking into consideration the company's situation, when the significance of the shareholding becomes diluted as a result of the evaluation. As for the exercise of voting rights, we check whether proposed bills would degrade shareholder value, and consider the situations of target companies for investment, etc. |
| 《Supplementary Principle 2-4-1》 | The ratio of female employees in management positions: 16.9% (as of the end of March 2024) For core human resources, we strive to employ competent human resources regardless of gender, nationality, whether they are new hires or mid-career professionals. Information regarding our view on human resources development, empowerment of women, etc. are posted on our company website. Our view on human resources development https://www.belluna.co.jp/csr/employee/#emp01 We support women in taking active roles. https://www.belluna.co.jp/csr/employee/#emp02 |
| 《Basic principle 3-1》 | (i) Our management philosophy, business strategies, management plans, etc. are posted on our website and financial results briefing material. Management Philosophy: https://www.belluna.co.jp/company/policy/ Business Strategies: https://www.belluna.co.jp/irinfo/policy/manage/ (ii) Our basic policy on corporate governance is posted on our website and securities report. |

| | |
|-----------------------------------|---|
| | <p>Basic policy for corporate governance https://www.belluna.co.jp/irinfo/policy/governance/</p> <p>(iii) Directors' compensation shall be resolved based on the reports of the Nomination and Compensation Committee which is led by an independent outside director as a chairperson, and whose majority is comprised of outside directors, to the extent of the total remuneration amount for each Director approved at General Meetings of Shareholders, based on responsibilities and actual performance results of Directors except for Audit and Supervisory Committee members, taking into consideration the business scope and the economic situation. Further, for a Director who is also a member of the Audit and Supervisory Committee, compensation shall be resolved through consultation of Directors who are also members of the Audit and Supervisory Committee.</p> <p>(iv) For election of an Outside Director, decisions shall be made based on the criteria for independence of Outside Directors, and the criteria are posted on securities report. Moreover, for election of candidates for Directors, decisions shall be made comprehensively taking into account their excellent decision-making ability and business execution ability, and their insight with full commitment to the compliance with laws and regulations as well as corporate ethics. With regard to the policies and procedures for dismissal of a management executive, when a management executive is found not adequately fulfilling their functions, the reason for such dismissal will be explained to Outside Directors in advance of the Board of Directors meeting, and a resolution shall be made at the Board of Directors meeting after obtaining appropriate advice, which shall be proposed to the General Meeting of Shareholders.</p> <p>(v) The reason for election and dismissal of candidates for new appointment or candidates for Outside Directors will be disclosed in the Notice of Convocation of a General Meeting of Shareholders.</p> |
| 《 Supplementary Principle 3-1-③ 》 | <p>Under the management ethos of “enriching the food, clothing, shelter, and entertainment of customers,” our company aims to contribute to the improvement of lifestyles and happiness of customers through business activities.</p> <p>To do so, our corporate group established a “Sustainability Promotion Committee” as an organization for cross-sectoral discussions and promotion. From now on, centering around this committee, our company clarifies issues to be tackled and accelerates activities for realizing a sustainable society.</p> <p>The details of activities for sustainability and disclosures based on the recommendations of TCFD are disclosed in our website. https://www.belluna.co.jp/csr/environment03/</p> |
| 【Basic principle 5-1】 | <p>Our company actively accepts meeting requests from our shareholders and investors. On top of this, we hold semiannual results briefings, disclose material for the briefings, hold briefing sessions for individual investors and attend overseas conferences considering the shareholder composition.</p> |

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