

# CORPORATE PRESENTATION (Fiscal Year Ended March 31, 2016)



▲  
**BELLUNA** -  
a clothing store for  
middle-aged women



▲  
Main catalog  
**BELLUNA**



▲  
**BELLUNA Net** -  
A mail order website



▲  
Urabandai Lake Resort

**ベルーナ**

Friday, May 20, 2016

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2. Review of Management Policy P.12
3. Management Policies and Initiatives  
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# 1. Financial Highlights

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1. Financial overview
2. Financial summary
3. Profitability by segment
4. Analysis of increases and decreases in sales
5. Analysis of increases and decreases in operating income
6. Balance sheet
7. Statement of cash flows
8. Plan for FY2016

# **Operating income rose 31.2% YoY, driven by the general mail order business.**

- Net sales increased 9.2% due to the expansion of the retail store business and contribution by the hotel business.
- Operating income rose 31.2%, partially due to improved revenue in the general mail order business.
- Net income decreased 44.6%, partially as a result of loss attributable to exchange rate fluctuations.

## 1-2. Financial summary

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Net sales and operating income were almost in line with the plan. On the other hand, ordinary income and net income fell short of the plan, partially due to foreign exchange-related profit that turned negative.

Unit: Billion Yen

Consolidated	FY2014	FY2015				FY2016
	Actual	vs. Plan*	Actual	vs. Plan*	YoY Change	Plan
Net Sales	120.69	130.00	131.74	1.3%	9.2%	140.00
Cost of Sales	53.53	55.20	59.24	7.3%	10.7%	61.60
Selling, General & Administrative Expenses	60.78	65.58	64.13	-2.2%	5.5%	67.40
Operating Income	6.38	8.50	8.37	-1.6%	31.2%	11.00
Non-operating Income and Expenses	3.68	1.70	-1.26	-174.2%	-134.3%	0.00
(Exchange rate-related gains and losses)	(2.72)	—	(-1.95)	—	—	—
Ordinary Income	10.05	10.20	7.11	-30.3%	-29.3%	11.00
Current Net Income	6.39	6.75	3.54	-47.5%	-44.6%	7.00

\* The plan refers to the one announced on May 15, 2015.

# 1-3. Profitability by segment

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Net sales:

Sales increased in all businesses other than the solution business.

Operating income:

Operating income increased in all businesses other than the finance business. The general mail order business and solution business in particular contributed to the increase in income.

## Consolidated Sales and Operating Income by Segment

Unit: Billion Yen

	FY2015								
	General Mail Order	Specialty Mail Order	Retail Store Sales	Solution	Finance	Property	Other	Elimination or Corporate	Total
Net Sales	69.97	36.84	10.31	4.58	2.85	4.42	3.30	-0.53	131.74
YoY Change (%)	+1.1%	+15.0%	+40.2%	-2.7%	+8.9%	+104.6%	+6.8%	+8.7%	+9.2%
vs. Plan (%)	-0.8%	+3.1%	-7.6%	-7.5%	-2.3%	-28.0%	+2.1%	-88.6%	+1.3%
Operating Income	3.38	1.50	0.20	1.99	0.96	0.65	-0.13	-0.19	8.37
YoY Change (billion yen)	0.96	0.28	0.05	0.43	-0.03	0.17	0.15	-0.01	1.99
vs. Plan (billion yen)	0.68	-0.28	-0.22	0.24	-0.03	-0.37	-0.16	0.01	-0.13
Operating Income Ratio	4.8%	4.1%	2.0%	43.4%	33.7%	14.6%	-3.9%	35.6%	6.4%

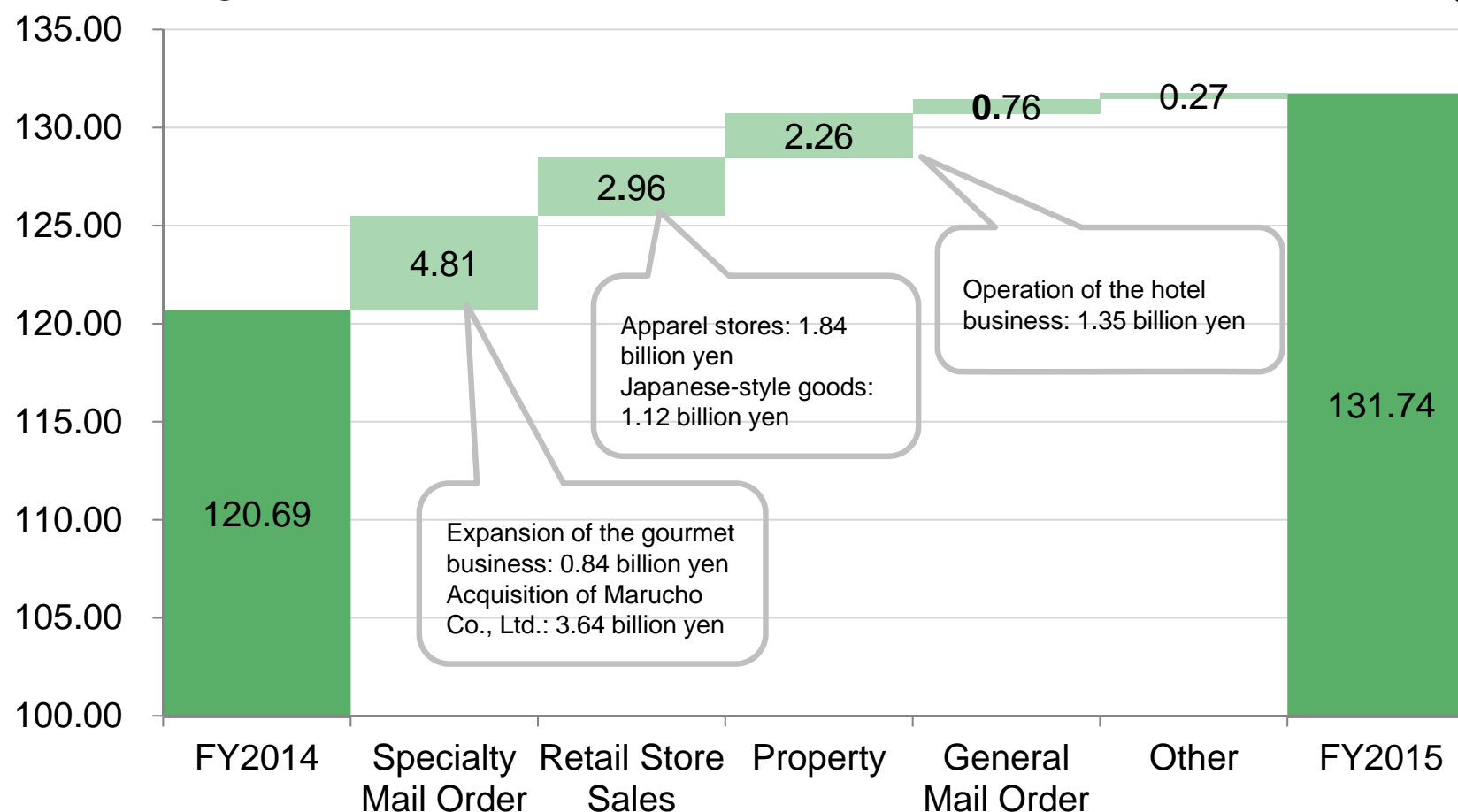
# 1-4. Analysis of increases and decreases in sales

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Net sales increased 9.2% overall, reflecting the addition of Marucho Co., Ltd., as well as increased sales mainly due to the expansion of the retail store business and operation of the hotel business.

Factors for change in sales

Unit: Billion Yen



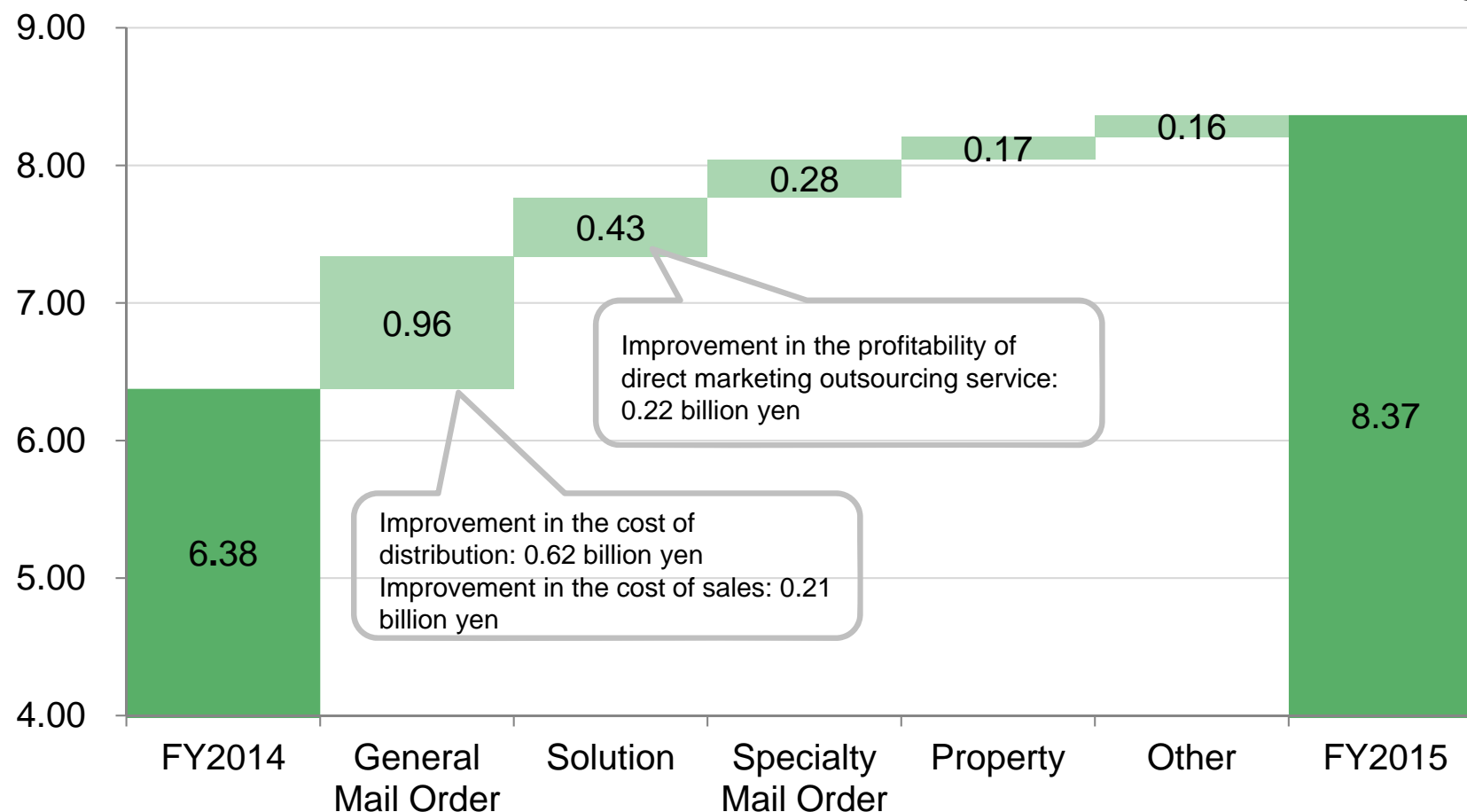
## 1-5. Analysis of increases and decreases in operating income

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Operating income increased in the general mail order business partially due to improvements in the distribution and sales costs, and operating income in the solution business rose thanks to improvements in the direct marketing outsourcing service, etc.

Factors for change in operating income

Unit: Billion Yen





# 1-6. Balance sheet

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Assets rose, mainly reflecting increases in cash and deposits, real estate for sale in process, and tangible fixed assets. On the other hand, liabilities rose, partially due to increased interest bearing liabilities.

Unit: Billion Yen

	FY2014	FY2015	Change
Current Assets	69.86	74.19	4.33
Cash and deposits	17.24	19.48	2.24
Merchandise and finished goods	0.33	3.17	2.85
Fixed Assets	82.37	86.87	4.50
Tangible fixed assets	55.80	59.46	3.66
Investment securities	13.33	14.56	1.23
Total Assets	152.22	161.06	8.83
Liabilities	72.71	80.41	7.70
Notes and accounts payable - trade	6.63	7.88	1.25
Interest bearing liabilities	39.67	46.47	6.80
Net Assets	79.51	80.65	1.14
Retained earnings	66.12	68.45	2.33
[Shareholders' Equity Ratio]	[52.1%]	[49.8%]	[-2.3P]

# 1-7. Statement of cash flows

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Cash flows from operating activities remained at nearly the same level YoY. Cash flows from investing activities improved, reflecting a decrease YoY in the purchase of property, plant and equipment.

	FY2014	FY2015	
		Actual	YoY Change
<b>Cash flows from operating activities</b>	<b>9.09</b>	<b>9.18</b>	<b>0.09</b>
Income before income taxes	9.61	6.03	-3.59
Gain/loss on valuation of derivatives	-2.15	1.94	4.09
<b>Cash flows from investing activities</b>	<b>-20.19</b>	<b>-9.50</b>	<b>10.69</b>
Purchase of property, plant and equipment	-19.35	-5.26	14.08
Proceeds from sales of property, plant and equipment	3.00	0.07	-2.94
<b>Cash flows from financing activities</b>	<b>12.57</b>	<b>3.06</b>	<b>-9.51</b>
Change in short- and long-term borrowings	14.28	4.84	-9.44
Translation differences on cash	0.13	-0.60	-0.73
Increase in cash	1.60	2.14	0.54
Capital expenditure*1	20.17	7.31	-12.86
Depreciation & Amortization*2	2.51	2.49	-0.03

Unit: Billion Yen

\*1: Capital expenditure includes the amount of investment in intangible fixed assets such as software and leased assets.

\*2: Depreciation and amortization include the amount relating to the amortization of intangible assets and long-term prepaid expenses.

# 1-8. Plan for FY2016

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The degree of budget achievement has improved for net sales and operating income.

For FY2016, we aim to increase net sales by 6.3% YoY to 140 billion yen, and operating income by 31.5% YoY to 11 billion yen.

Unit: Billion Yen

Consolidated	FY2014		FY2015		FY2016	
	Plan	Actual	Plan	Actual	Plan	YoY Change
Net Sales	128.00	120.69	130.00	131.74	140.00	+6.3%
Operating Income	8.40	6.38	8.50	8.37	11.00	+31.5%
Ordinary Income	10.00	10.05	10.20	7.11	11.00	+54.8%
Net Income	7.00	6.39	6.75	3.54	7.00	+97.5%
Interest Bearing Liabilities	23.00~27.00	39.67	45.00~50.00	46.47	43.00~48.00	-7.5%~+3.3%
Net Assets	79.00	79.51	85.00	80.65	86.50	+7.3%
ROE	9.2%	8.4%	8.0%	4.4%	8.1%	3.7P

# 1-8. Plan for FY2016

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We will increase net sales with a focus on the four main businesses (general mail order, specialty mail order, retail store sales, and property). The same applies to operating income. The specialty mail order business will contribute significantly, especially because profitability is expected to improve in the mail order business for nurses.

## Budgets by Segment

Unit: Billion Yen

	FY2016								
	General Mail Order	Specialty Mail Order	Retail Store Sales	Solution	Finance	Property	Other	Elimination or Corporate	Total
Net Sales	73.60	40.40	12.77	5.00	3.10	5.38	3.69	-3.94	140.00
YoY Change (%)	+5.2%	+9.7%	+23.9%	+9.2%	+8.6%	+21.7%	+11.7%	+645.2%	+6.3%
Operating Income	3.75	2.63	0.48	2.20	1.15	1.07	-0.10	-0.18	11.00
YoY Change (billion yen)	0.37	1.13	0.28	0.21	0.19	0.42	0.03	0.01	2.63
Operating Income Ratio	5.1%	6.5%	3.8%	44.0%	37.1%	19.9%	-2.7%	4.6%	7.9%

## 2. Review of Management Policy

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## 2. Review of Management Policy

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Basic policy	Achievements
(i) Strengthen portfolio management	<ul style="list-style-type: none"><li>• General mail order business: Profitability improved as a result of investment in distribution</li><li>• Specialty mail order business: Signs of expansion as a result of the implementation of M&amp;A.</li></ul>
(ii) Facilitate growth of new businesses	<ul style="list-style-type: none"><li>• Apparel stores: Number of stores increased to 52 as a result of accelerated store openings.</li></ul>
(iii) Improve mail order infrastructure	<ul style="list-style-type: none"><li>• Yoshimi Logistics Center commenced operation in August 2014. The distribution cost ratio decreased significantly in the general mail order business.</li></ul>
(iv) Review shareholder returns	<ul style="list-style-type: none"><li>• The payment of dividends per share was increased from 7.5 yen to 12.5 yen in FY2013.</li><li>• Shareholder incentive programs were introduced in FY2015.</li></ul>

# 3. Management Policies and Initiatives

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1. Mail Order Business
2. Specialty Mail Order Business
3. Retail Store Sales
4. Property
5. Returns to shareholders

### 3. Management Policy – External Environment

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Our business plans respond to changes in the external environment (changes in the consumption environment and intensifying competition environment, etc.).

#### External environments

- Intensifying competition
- Exchange rate fluctuations
- Internet-based society

#### Internal environments

- Maturity of portfolio management
- Change in operational structures
- Improvement of business foundations

Change in operational structures (factors that make growth and improved profitability likely)

1. Improvement in the skills of staff members
2. Most of the main staff members are in their thirties.
3. Members' awareness and interest have raised in terms of profit and loss, desire for growth, and profitability.
4. The growth foundation for the four main businesses has been established.

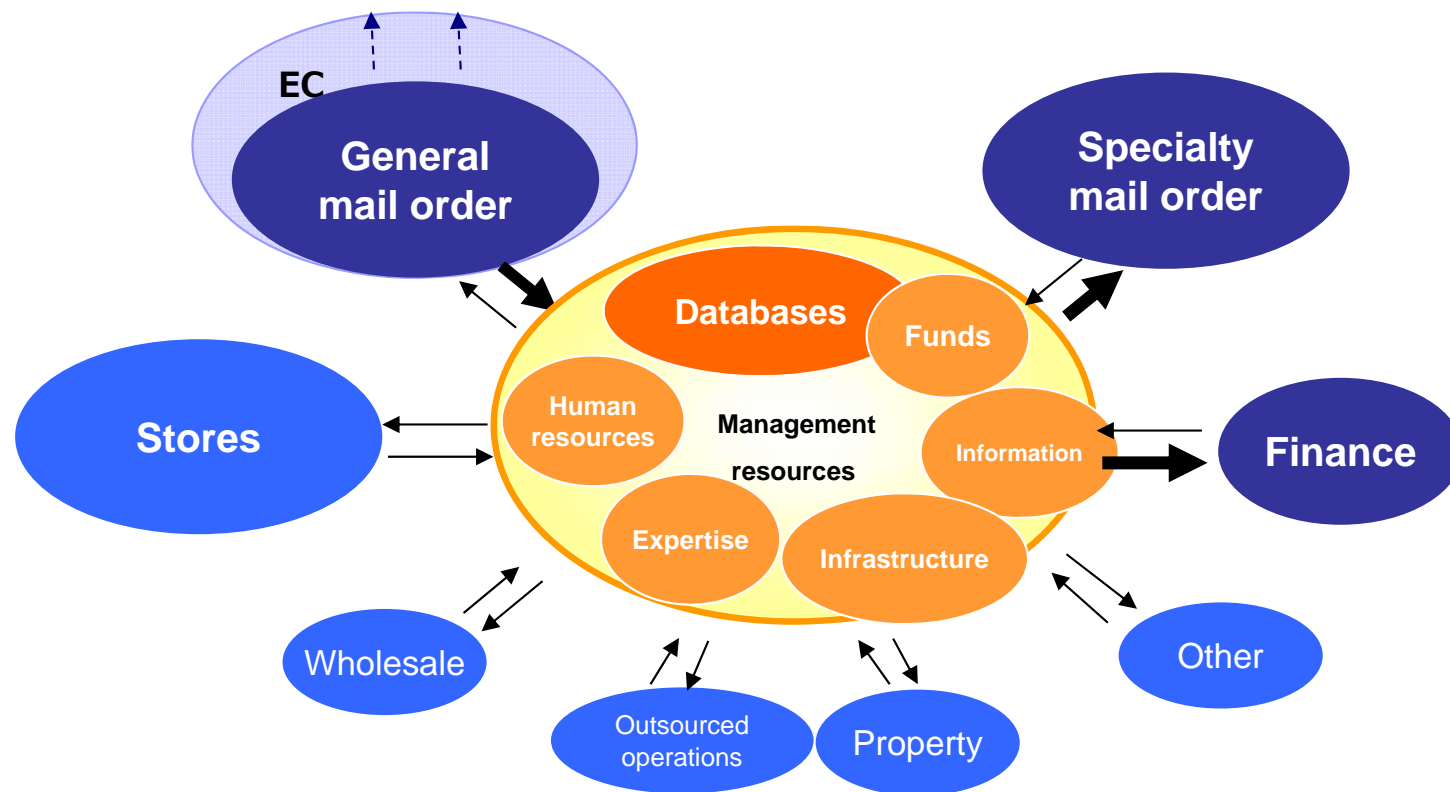


### 3. Management Policy – Business Models

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**Portfolio management ⇒ We aim to become a mail order general trading firm.**

- (i) Use of databases
- (ii) Businesses related to the use of databases.



## The 3rd Business Plan

(FY2016 through FY2018)

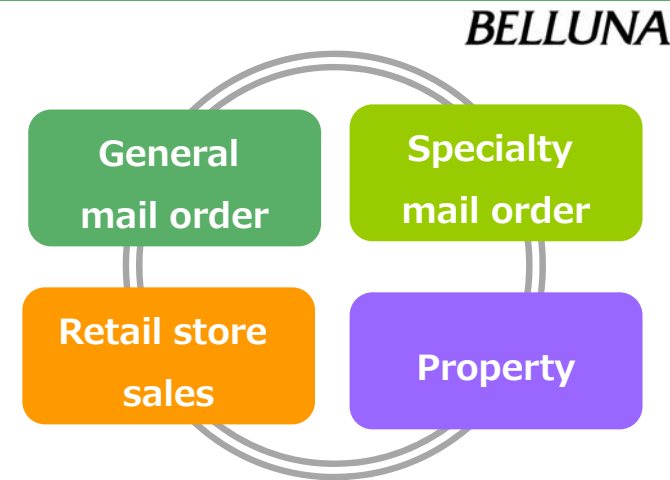
Goals for the final fiscal year

- Net sales **160.0 billion yen**  
(Average growth per year 6.9%)
- Operating income **16.0 billion yen**  
(Average growth per year 20.6%)
- ROE **At least 8%**

### 3. Management Policy – Strengthen four businesses

## Expansion of four main businesses

1. Expand the **general mail order business** in a stable manner.
2. Expand the **specialty mail order business**.
3. Expand the **retail store sales business** by launching new stores.
4. Strengthen the **property business** to bring about the maturity of the portfolios.



\*The finance business will be removed from the four main businesses, while the mail order business will be divided into two businesses – the general mail order business and the specialty mail order business. The change applies to the 3rd Business Plan.

## 3-1. Mail Order Business

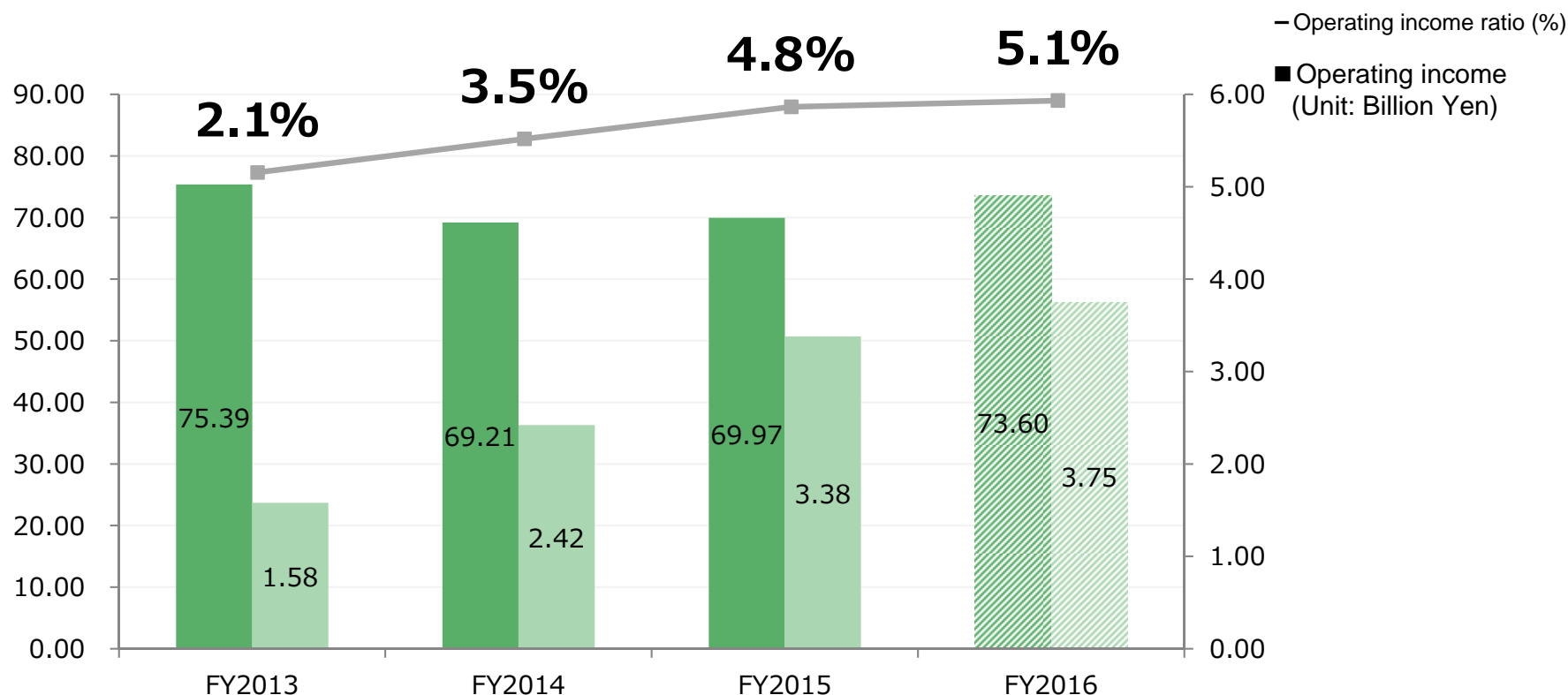
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### (1) Situation of the general mail order business

We have focused on improving profitability over the past three fiscal years. Going forward, we will work on growth based on the results.

1. Strengthen operations via the Internet.
2. Create synergy between catalog, Internet, and in-store operations.

■ Net Sales  
(Unit: Billion Yen)



# 3-1. Mail Order Business

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## (2) Growth of the general mail order business

### Strengthen Internet operations

(i) Improved website

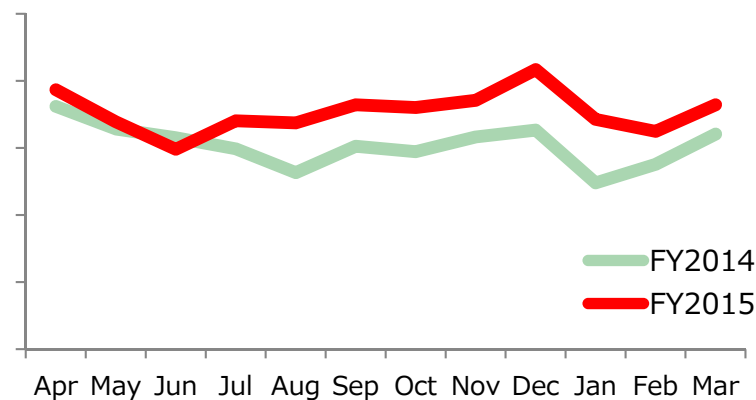
(ii) Improved ability to attract customers

(iii) Release of Internet-dedicated goods

Improve CVR  
(conversion rate)

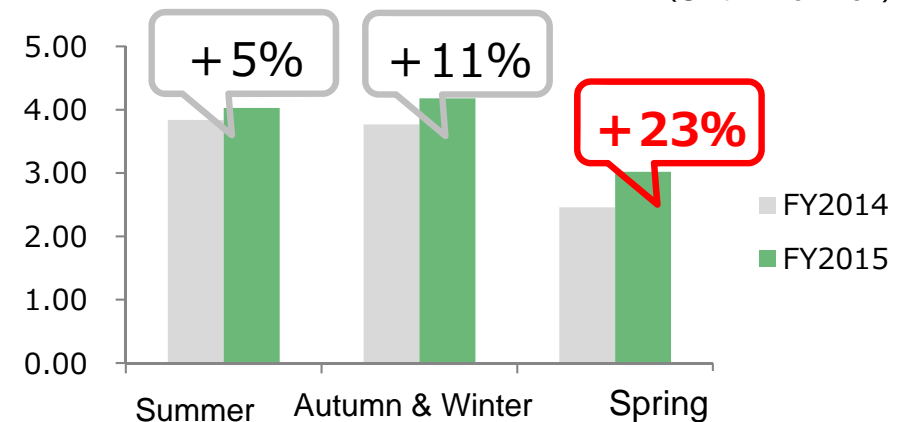
**Increase in online sales** up 23% in the spring season of 2016

CVR ( conversion rate )



Orders received by season

(Unit: Billion Yen)



<Note> Reflect orders received through the Internet only

## 3-1. Mail Order Business

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### (2) Growth of the general mail order business

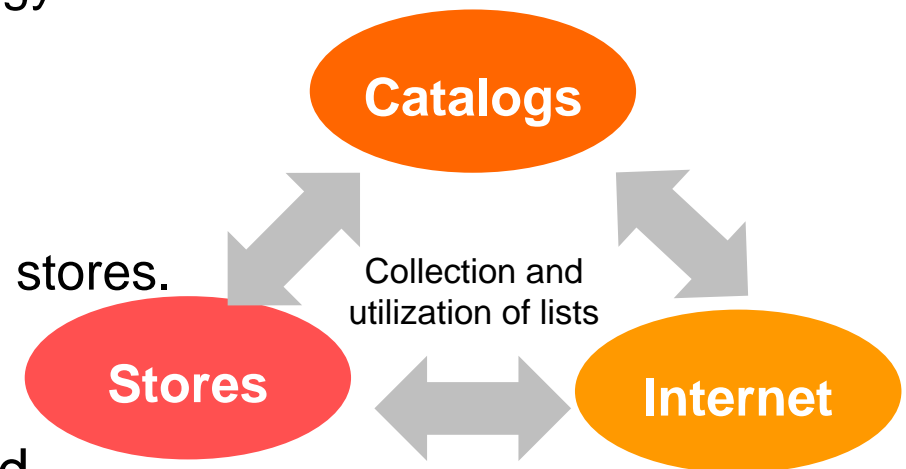
#### Synergy between catalog, Internet, and in-store operations

1. Efficiency is improved reciprocally (between catalogs, Internet and in-store operations) through synergy.

(1) Improved responses in mail ordering.

(2) Improved CVR in online operations.

(3) Contribution to an increase in sales in retail stores.



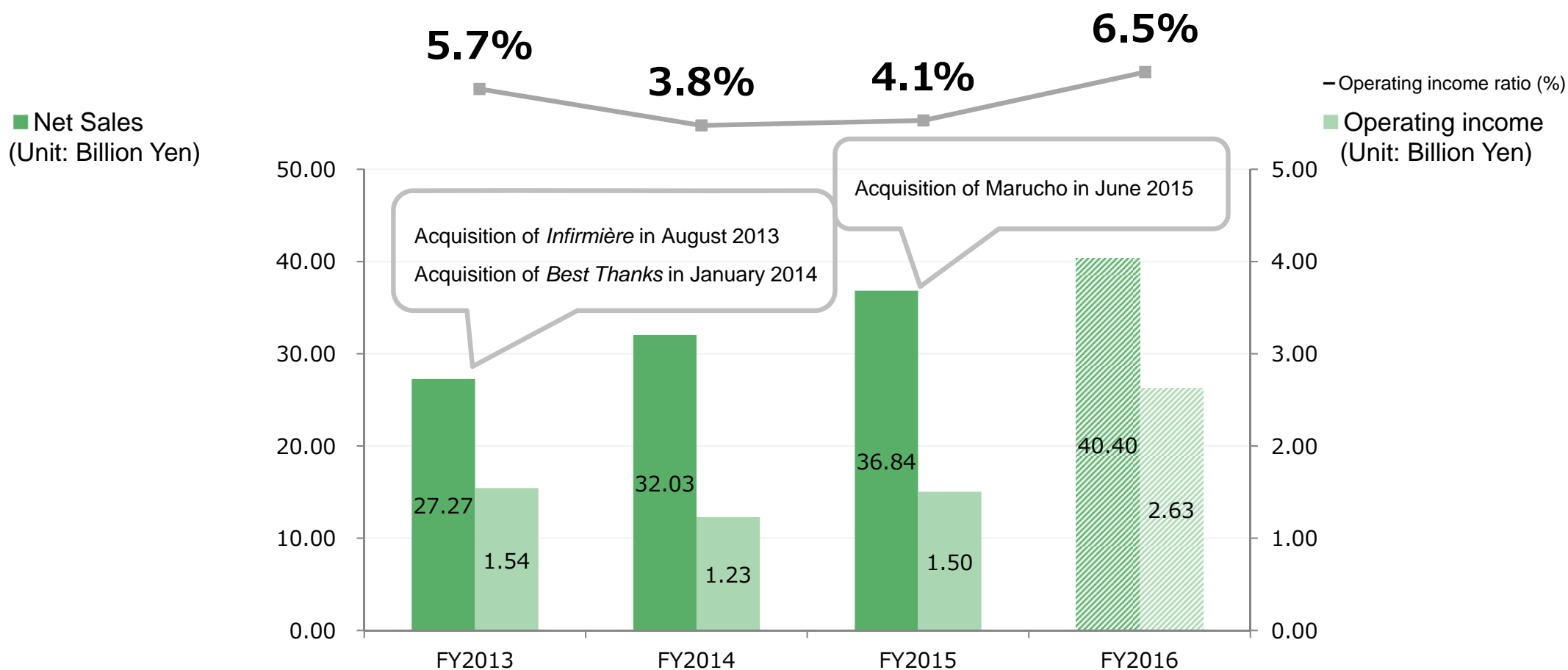
2. An effective use of television is expected.

(1) Increased sales will reduce the sharing of burdens (between catalogs, Internet, and in-store operations)

## 3-2. Specialty Mail Order Business

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The business shows signs of expanding as a result of the M&A, in addition to the expansion of the gourmet business and mail order business for nurses. The use of acquired lists has contributed to the solution business. We also aim to improve profitability by enhancing the content of each business going forward.



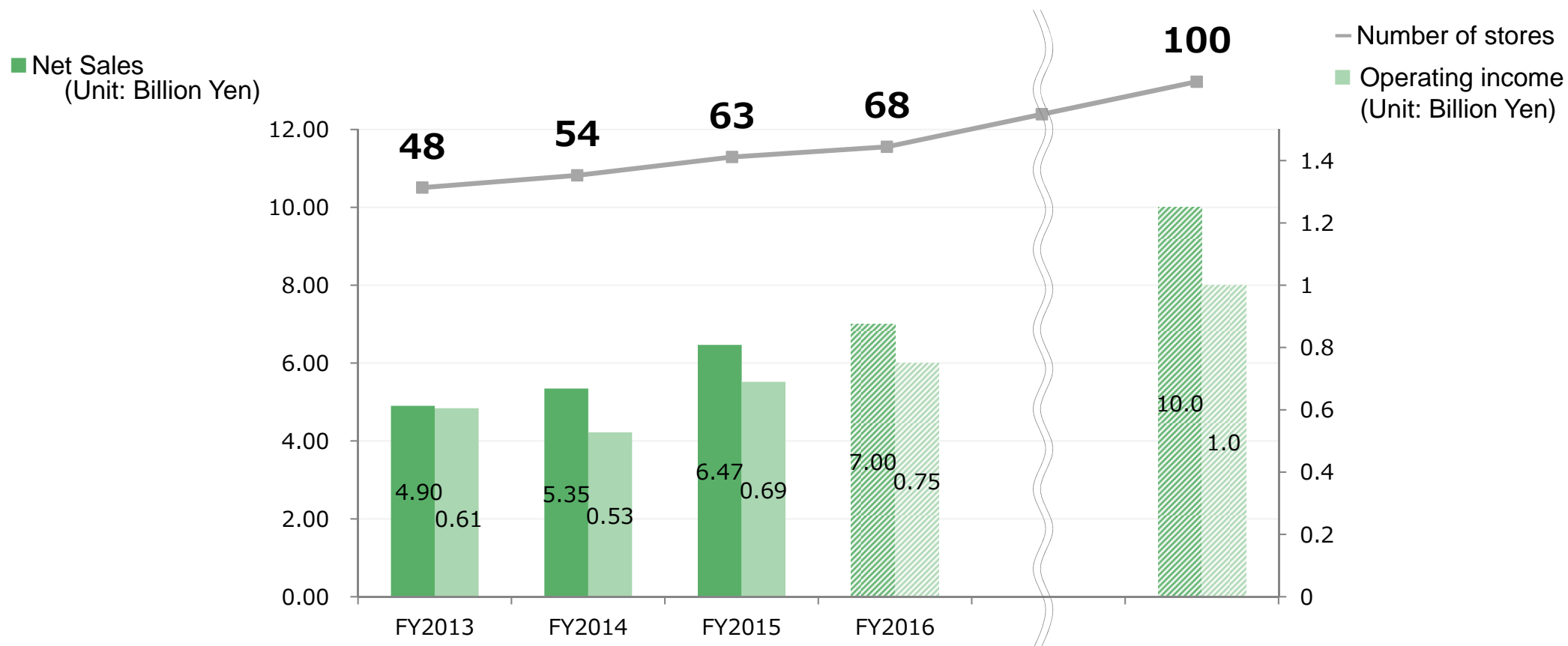
### 3-3. Retail Store Sales: Stores selling *kimono* and Japanese-style goods

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The number of stores climbed steadily.  
Both net sales and operating income increased.



Projected number of stores and net sales





### 3-3. Retail Store Sales:

#### Stores selling *kimono* and Japanese-style goods

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We conducted an M&A with a *kimono* rental company. Synergy is also expected. For the fiscal year ending March 31, 2018, we aim to achieve net sales of 10 billion yen and operating income of one billion yen through the sales and renting of Japanese-style goods.

Company name: Maimu Co., Ltd.

Address: 18-7, 5-chome, Ogikubo, Suginami-ku, Tokyo

Date established: June, 1959

Main businesses: Renting of costumes (*hakama* and other clothes for graduation and wedding ceremonies) and sales of other small items.

Acquisition date: May 20, 2016

Capital stock: 16 million yen



#### ■ Strengths

The company, which is involved deeply with the University Co-op, commands the top share of approximately 20% in the rental business of *hakama* for graduation ceremonies in Japan. The business is contributing as a stable source of revenue.

#### ■ Impact on financial results

	(Net sales)	(Operating income)
FY2015/6	1.89 billion yen	0.01 billion yen
FY2016/6 (forecast)	1.95 billion yen	0.02 billion yen

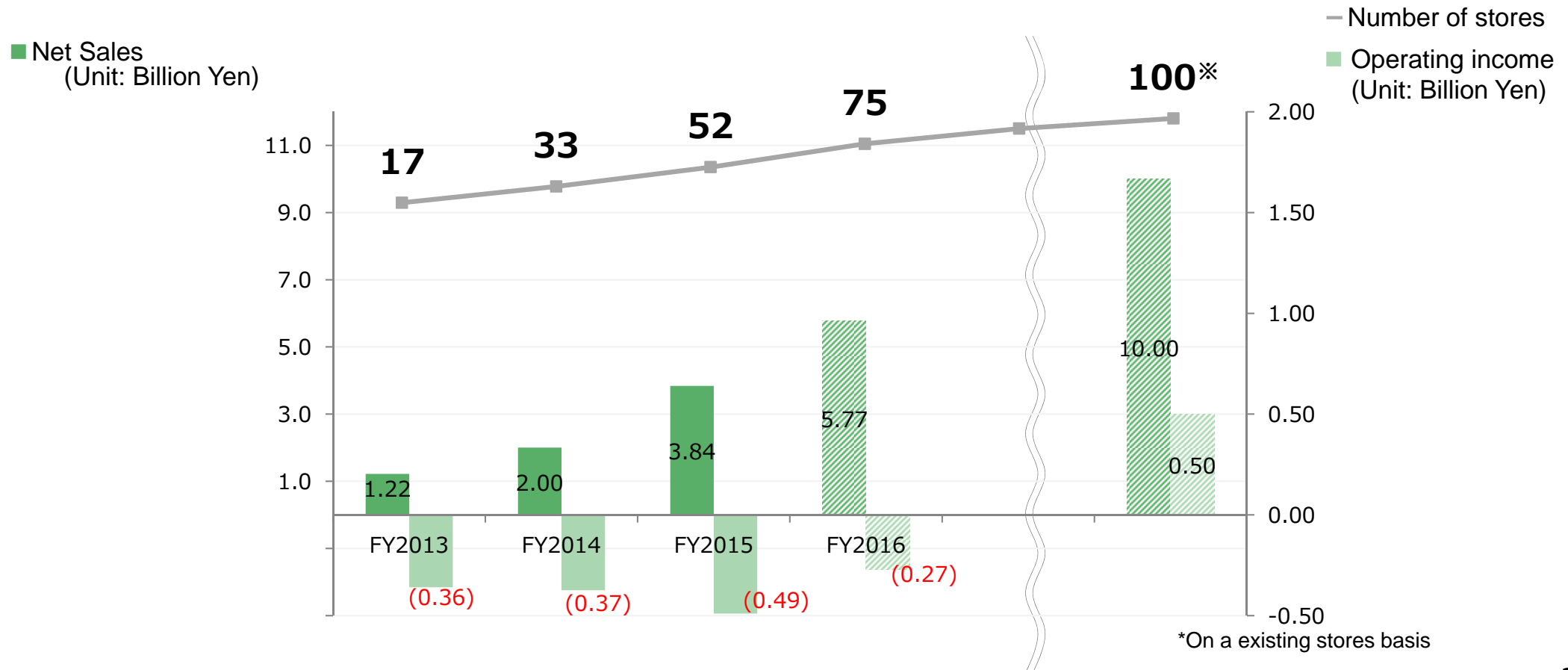
### 3-3. Retail Store Sales: Apparel stores

The number of stores, which increased to 52 as a result of accelerated store openings, is expected to grow to approximately 75 by March 31, 2017.

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Projected number of stores and net sales



## 3-4. Property

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**Successfully boosted revenue in the development and hotel businesses, while maintaining stable revenue from rental services.**

The hotel in Urabandai is expected to return to profitability in FY2016. A hotel will be opened in Karuizawa this summer.



Urabandai Lake Resort (Opened in October 2015 after renovation)

<Hotels currently newly developed>

1. Hamahigashima Resort in Okinawa
2. Urabandai Lake Resort  
(Former Urabandainekoma Hotel)



Le Grand Karuizawa (Scheduled to open in July 2016)

<Future plan>

1. Le Grand Karuizawa (City hotel/scheduled to open in July 2016)
2. Kyoto Granbell Hotel (City hotel/scheduled to open in June 2017)
3. Minami Karuizawa (Resort hotel/scheduled to open in August 2017)

## 3-5. Returns to shareholders

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### Stable dividend payments and the implementation of shareholder incentive programs

#### < Annual dividends >

	FY2013	FY2014	FY2015	FY2016 (plan)
EPS (yen)	72.12	65.77	36.45	71.99
Dividend (yen)	12.5	12.5	12.5	12.5

\* The above description is based on the figures revised retrospectively upon consideration of the impact of the stock split.

#### <Shareholder incentive program>

##### [Details]

	100 shares or more	500 shares or more	1,000 shares or more
Priority ticket for the general mail order business	For the value of 1,000 yen	For the value of 3,000 yen	For the value of 5,000 yen
Discount ticket for Urabandai Lake Resort	One pc	Two pcs	Four pcs

##### [Eligible shareholders]

Shareholders who own more than at least 100 shares of the Company at the end of March and September (Twice a year)

##### [Start date]

The program will be implemented, starting from shareholders who are eligible on March 31, 2016.

We will achieve the 3rd Business Plan ahead of schedule and work to mature further as a general mail order trading company.

## <Important notice>

This document is intended to provide information on the business results of the Company for the fiscal year ending March 31, 2016, and is not meant to solicit investments in securities issued by the Company. It is prepared based on the data available as of May 20, 2016. The opinions and forecasts described in this document reflect the judgments of the Company at the time this document was prepared. The Company neither warrants nor promises the accuracy or completeness of this information. It may be subject to change without prior notice going forward.

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