

CORPORATE PRESENTATION (Fiscal Year Ended March 31, 2017)



▲
Mail order sales
to nurses

NURSERY



▲
Mail order sales
to nurses
infirmière



▲
BELLUNA Net -
A mail order website



▲
Main catalog
BELLUNA



▲
Mail order sales to adult
women *Ranan*

ベルーナ

Friday, May 26, 2017

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- 2. Management Policies and Initiatives P.12

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 FY March 2018

Net sales & ordinary income surpassed the plan; operating income almost in line with the plan

- Net sales increased 10.9% year on year with the help of the three main segments (General Mail Order, Specialty Mail Order and Retail Store Sales).
- Operating income rose 30.1% year on year due to the contribution of the Solution business in addition to the three main segments.
- Ordinary income increased 71.5% year on year after exchange rate-related gains turned positive.
- On the other hand, net income increased 63.7% year on year, despite an extraordinary loss causing us to fall short of the plan.

1-2. Financial summary

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Net sales: Up 10.9% year on year to surpass the plan

Operating income: Almost in line with the plan with the help of the General Mail Order business

Ordinary income: Well in excess of the plan after exchange rate-related gains turned positive

Unit: Billion Yen

Consolidated	FY March 2016	FY March 2017				FY March 2018
	Actual	Plan	Actual	vs. Plan	YoY Change	Plan
Net Sales	131.74	140.00	146.08	4.3%	10.9%	160.00
Cost of Sales	59.24	61.56	64.32	4.5%	8.6%	69.00
Selling, General & Administrative Expenses	64.13	67.44	70.88	5.1%	10.5%	78.00
Operating Income	8.37	11.00	10.88	-1.1%	30.1%	13.00
Non-operating Income and Expenses	-1.26	0.00	1.31	—	—	0.50
(Exchange rate-related gains and losses)	(-1.96)	—	(+0.42)	—	—	-
Ordinary income/ loss	7.11	11.00	12.19	10.8%	71.5%	13.50
Net income/ loss	3.54	7.00	5.80	-17.1%	63.7%	8.80

1-3. Profitability by segment

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Net sales: The three main segments led the sales growth. Without real estate sales, the Property business experienced a sales decline.

Operating income: In addition to the General Mail Order and Specialty Mail Order businesses, the Solution business contributed to the increase in the operating income.

Consolidated Net Sales and Operating Income by Segment

Unit: Billion Yen

	FY March 2017								
	General Mail Order	Specialty Mail Order	Retail Store Sales	Solution	Finance	Property	Others	Elimination or Corporate	Total
Net Sales	75.26	41.00	14.62	5.43	3.09	3.63	3.67	-0.62	146.08
YoY Change (%)	+7.6%	+11.3%	+41.8%	+18.6%	+8.4%	-17.8%	+11.1%	+16.5%	+10.9%
vs. Plan (%)	+2.3%	+1.5%	+14.5%	+8.6%	-0.2%	-32.5%	-0.5%	-84.4%	+4.3%
Operating Income	4.47	2.75	0.49	2.42	1.18	0.01	-0.15	-0.29	10.88
YoY Change (billion yen)	1.09	1.25	0.29	0.43	0.22	-0.64	-0.02	-0.10	2.52
vs. Plan (billion yen)	0.72	0.12	0.01	0.22	0.03	-1.06	-0.05	-0.11	-0.12
Operating Income Ratio	5.9%	6.7%	3.4%	44.5%	38.1%	0.3%	-4.0%	47.5%	7.4%

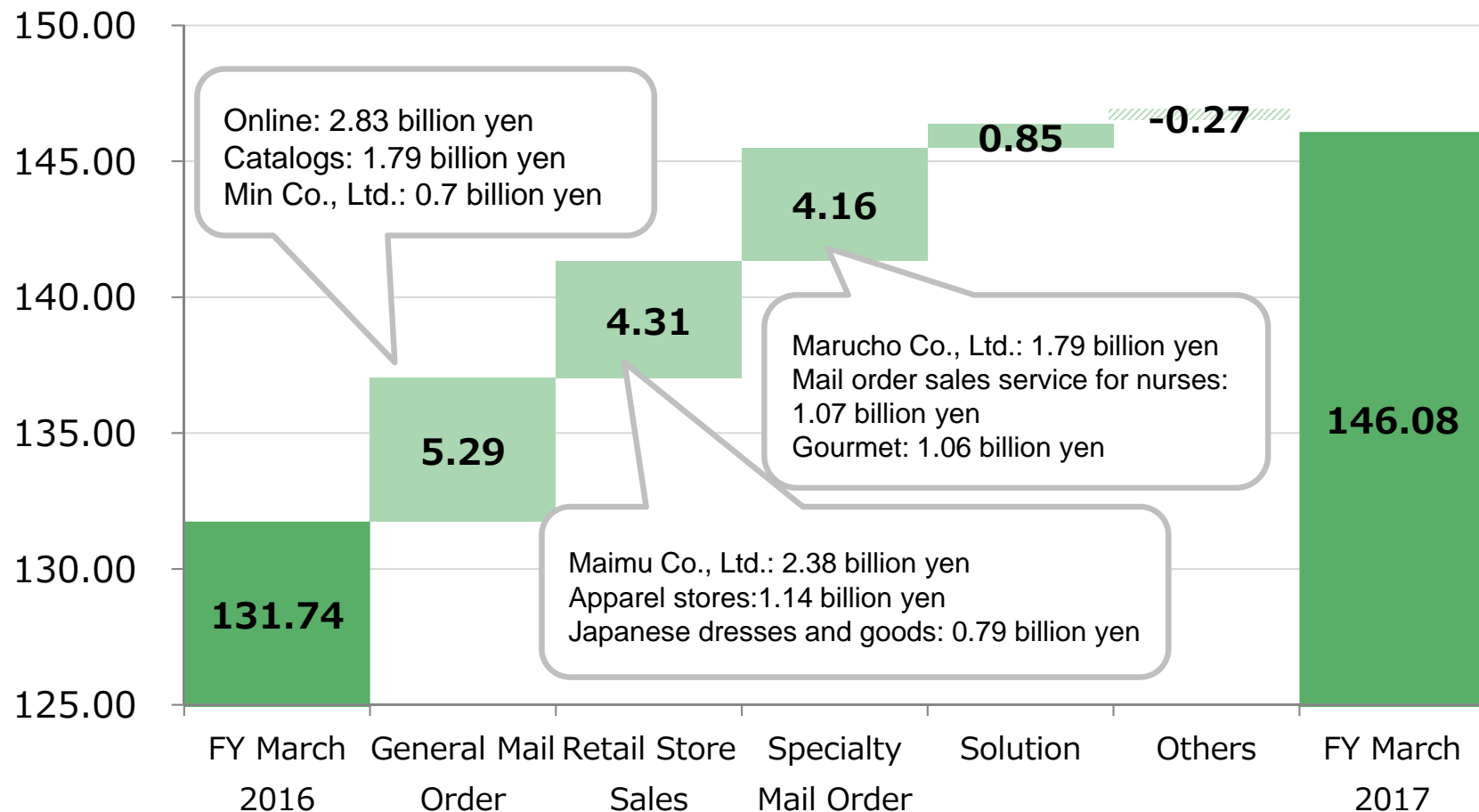
1-4. Analysis of increases and decreases in sales

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In addition to healthy online sales and mail order sales to nurses, Maimu, Marucho and other newly acquired companies contributed to sales growth, while the three main businesses acted as growth engines.

Factors for change in net sales

Unit: Billion Yen

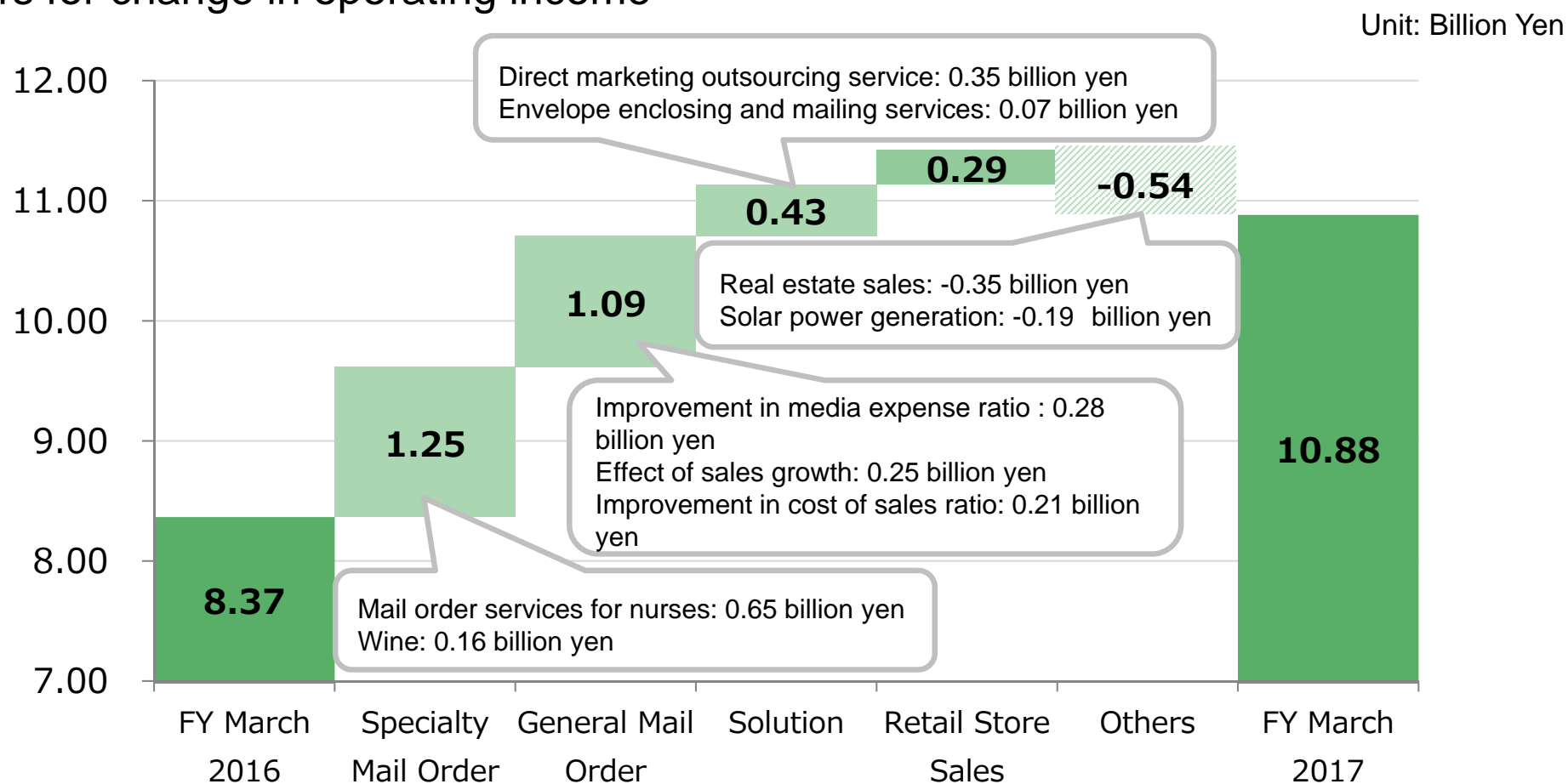


1-5. Analysis of increases and decreases in operating income

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Contributors to income growth include the mail order sales service for nurses in the Specialty Mail Order business, improvements in media expenses ratio and a sales increase in the General Mail Order business and the direct marketing outsourcing service in the Solution business.

Factors for change in operating income



1-6. Balance sheet

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Assets rose, mainly reflecting increases in real estate for sale in process and tangible fixed assets. Accordingly, liabilities rose, partially due to increased interest bearing liabilities.

Unit: Billion Yen

	As of March 31, 2016	As of March 31, 2017	Change
Current Assets	74.19	84.79	10.60
Cash and deposits	19.48	20.18	0.70
Real estate for sale in process	4.17	10.30	6.12
Fixed Assets	86.87	94.23	7.36
Tangible fixed assets	59.46	64.26	4.80
Intangible fixed assets	8.34	12.88	4.53
Total Assets	161.06	179.02	17.97
Liabilities	80.41	91.25	10.84
Notes and accounts payable - trade	15.63	17.74	2.11
Interest bearing liabilities	46.47	52.08	5.61
Net Assets	80.65	87.77	7.13
Retained earnings	68.45	63.36	-5.09
Treasury shares	-9.68	-0.00	9.68
[Shareholders' EquityRatio]	[49.8%]	[47.4%]	[-2.4P]

1-7. Statement of cash flows

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Cash flows were almost the same as those of the previous fiscal year.

Cash increased 11.8 billion yen.

	FY March 2016	FY March 2017		Unit: Billion Yen
		Actual	YoY Change	
Cash flows from operating activities	9.18	8.21	-0.96	
Income before income taxes	6.03	9.77	3.75	
Exchange rate-related gains and loss	3.10	0.11	-2.99	
Change in real estate for sale	-2.10	-4.64	-2.54	
Cash flows from investing activities	-9.50	-9.95	-0.45	
Purchase of tangible fixed assets	-5.26	-7.73	-2.47	
Purchase of intangible fixed assets	-1.28	-0.46	0.82	
Cash flows from financing activities	3.06	3.00	-0.06	
Change in short- and long-term borrowings	4.84	4.89	0.04	
Translation differences on cash	-0.60	-0.09	0.51	
Increase / decrease in cash	2.14	1.18	-0.96	

Capital expenditure^{*1}

8.45 billion yen

Depreciation & Amortization^{*2}

2.68 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 FY March 2018

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Net sales are expected to achieve the plan one year early. Although operating income is expected to fall short, ordinary income will be in line with the plan.

Unit: Billion Yen

Consolidated	FY March 2016		FY March 2017		FY March 2018	
	Plan	Actual	Plan	Actual	Plan	YoY Change
Net Sales	130.00	131.74	140.00	146.08	160.00	+9.5%
Operating Income	8.50	8.37	11.00	10.88	13.00	+19.5%
Ordinary Income	10.20	7.11	11.00	12.19	13.50	+10.8%
Net Income	6.75	3.54	7.00	5.80	8.80	+51.6%
Interest Bearing Liabilities	45.0~50.0	46.47	43.0~48.0	52.08	53.0~58.0	+1.8~11.4%
Net Assets	85.00	80.65	86.50	87.77	92.93	+5.9%
ROE	8.0%	4.4%	8.1%	7.0%	9.5%	2.5P

1-8. Plan for FY March 2018

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We will increase net sales with a focus on the four main businesses.

The operating income of the General Mail Order business is expected to decrease; however, the other three businesses will drive an increase in income.

Budgets by Segment

Unit: Billion Yen

	FY March 2018								Total
	General Mail Order	Specialty Mail Order	Retail Store Sales	Solution	Finance	Property	Others	Elimination or Corporate	
Net Sales	82.20	45.48	16.12	5.82	3.47	5.25	4.21	-2.55	160.00
YoY Change (%)	+9.2%	+10.9%	+10.3%	+7.2%	+12.2%	+44.5%	+14.7%	+314.1%	+9.5%
Operating Income	4.05	3.35	0.93	2.46	1.40	1.08	0.06	-0.33	13.00
YoY Change (billion yen)	-0.42	0.60	0.44	0.04	0.22	1.07	0.21	-0.04	2.12

2. 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

2. Management Policy ~ External Environment

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Our business plans respond to changes in the external environment (changes in the consumption environment and the Internet-based society).

External environment

- Change in consumer sentiment
- Internet-based society
- Change in distribution environment

Internal environment

- Growth of the Internet
- Change in operational structures
- Improvement of business foundations

2. Management Policy – Business Models

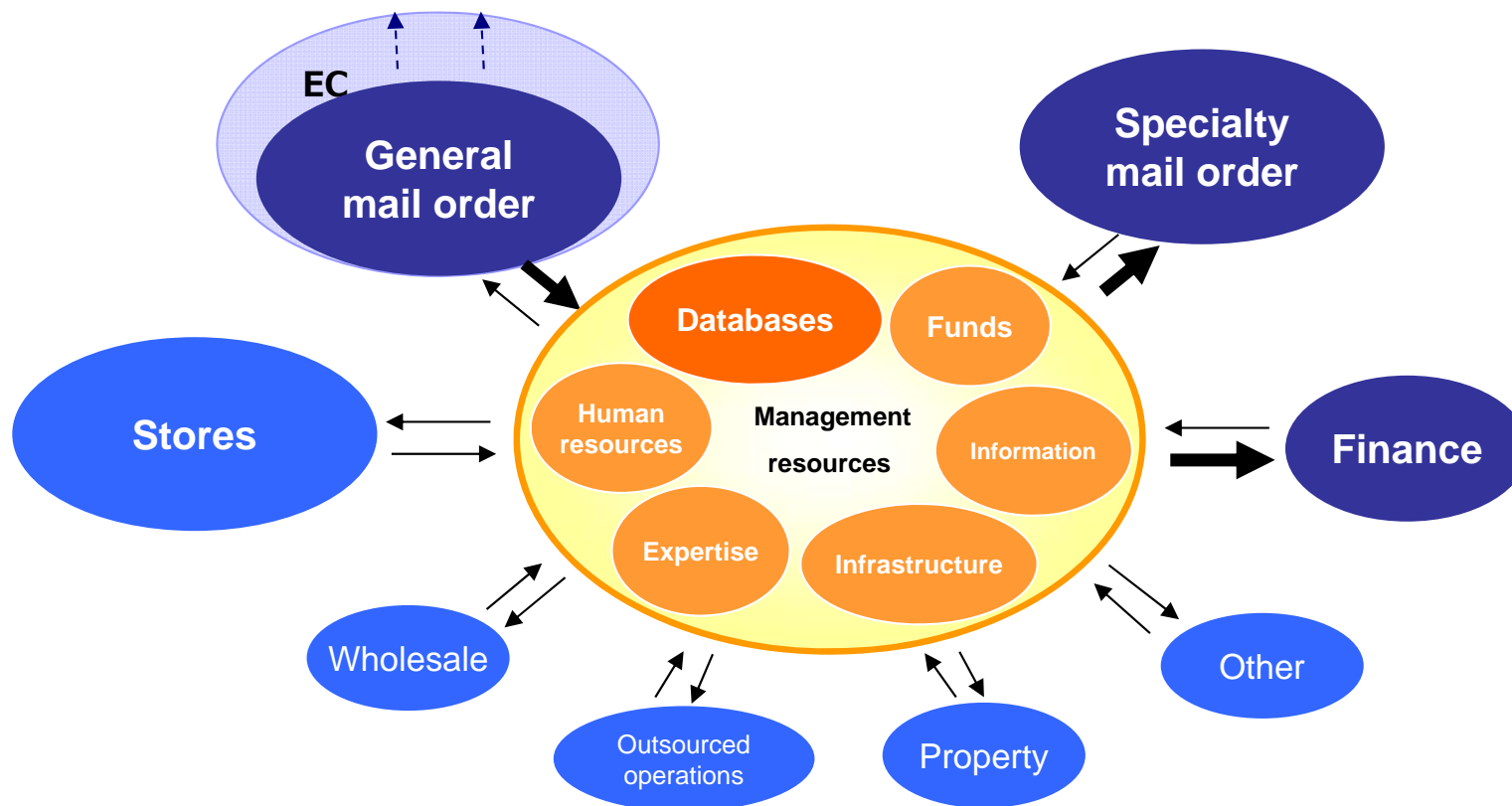
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Portfolio management

⇒ We aim to become a “mail order general trading firm”.

(i) Use of databases

(ii) Businesses related to the use of databases.



2. Management Policy - The 3rd Business Plan

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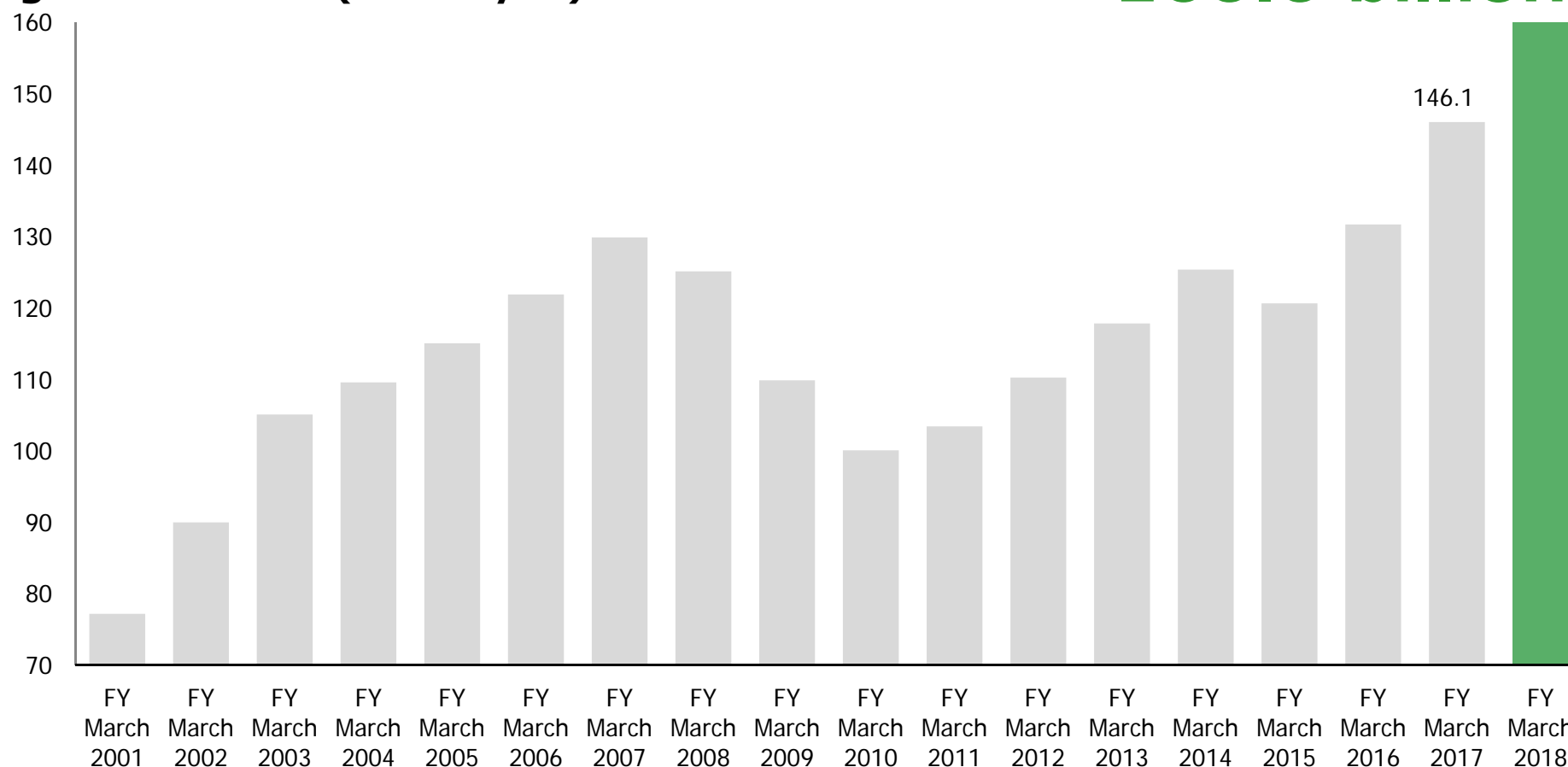
The 3rd Business Plan

FY March 2019: net sales of 160.0 billion yen, operating income of 16.0 billion yen and ROE of at least 8% to be secured.

We aim to achieve the sales target one fiscal year ahead of the plan.

Change in net sales (billion yen)

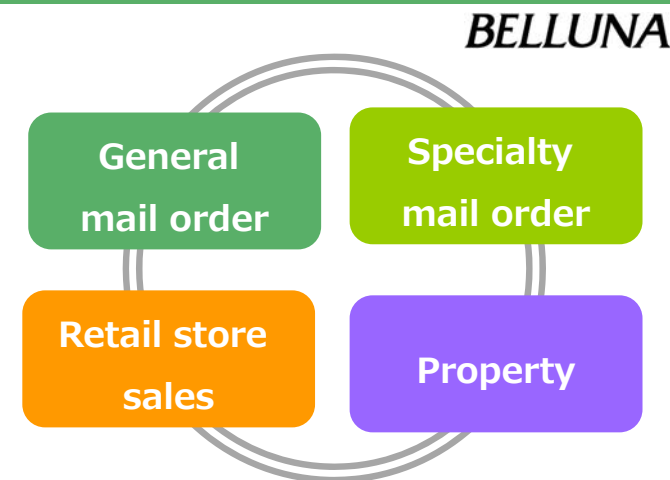
160.0 billion yen



2. 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 and improve its profitability.
4. Strengthen the **property business** to bring about the maturity of the portfolios.



2-1. Mail Order Business

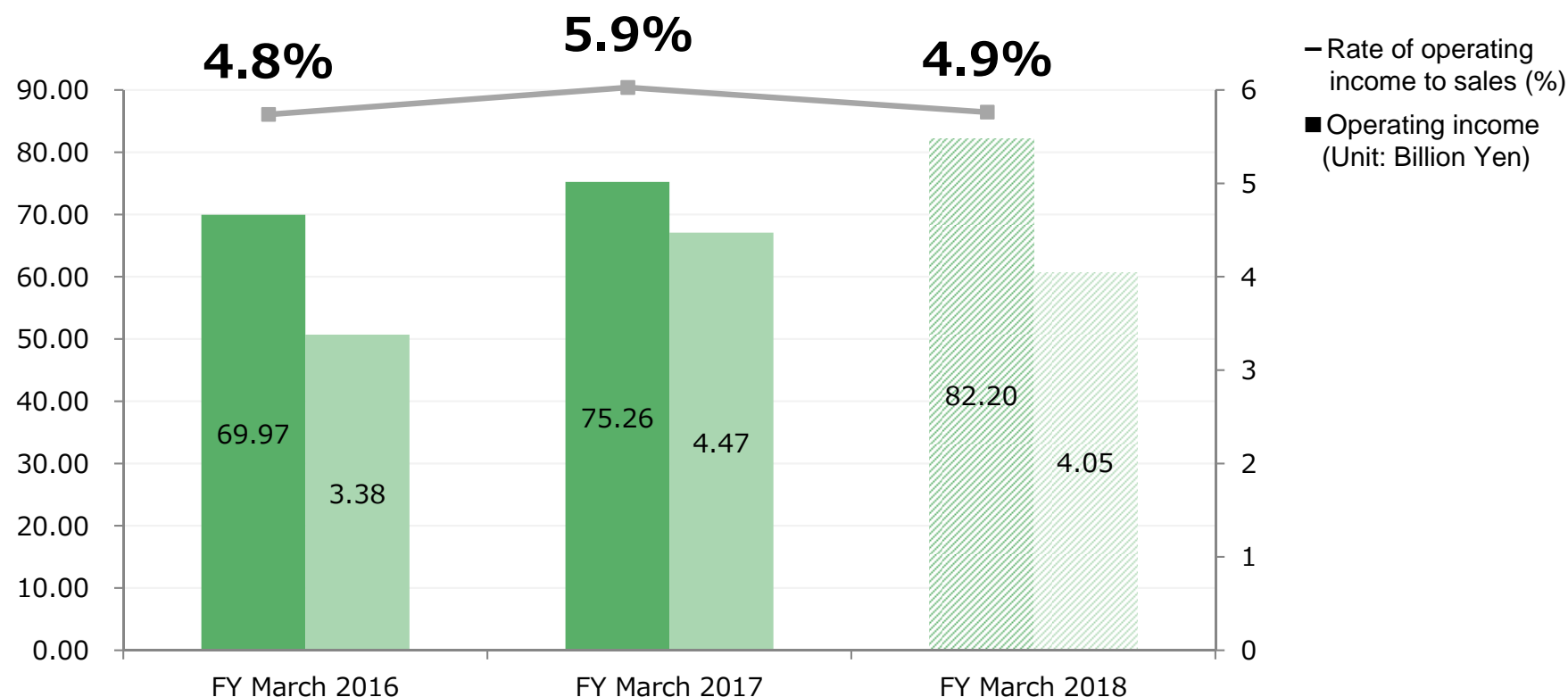
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(1) Situation of the general mail order business

We have continued establishing the foundation for growth while working on increasing profitability. We will seek to achieve further growth focusing on the Internet business.

1. Strengthen operations via the Internet.
2. Create synergy between catalog, Internet, and in-store operations.
3. Ripple effect of sales via the Internet.

■ Net Sales
(Unit: Billion Yen)



— Rate of operating income to sales (%)
■ Operating income (Unit: Billion Yen)

2-1. Mail Order Business

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(2) Growth of the general mail order business

Strengthen Internet operations

Improvement of CVR
(conversion rates)



**Strengthening of
customer attraction**

- Improvement of the sites
- Improvement of the efficiency of customer attraction
- Introduction of products available exclusively via the Internet
- Start of sales via the Internet
- Link with TV commercials
- Implementation of coupon function

2-1. Mail Order Business

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(2) Growth of the general mail order business

**Strengthen operations via the Internet ~
expansion of Internet-dedicated goods**

Percentage of sales of Internet-dedicated goods

Actuals for FY2017

6%



Target for FY2018

12%

**Improve CVR through the substantial
expansion of Internet-dedicated goods**

2-1. Mail Order Business

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(2) Growth of the general mail order business

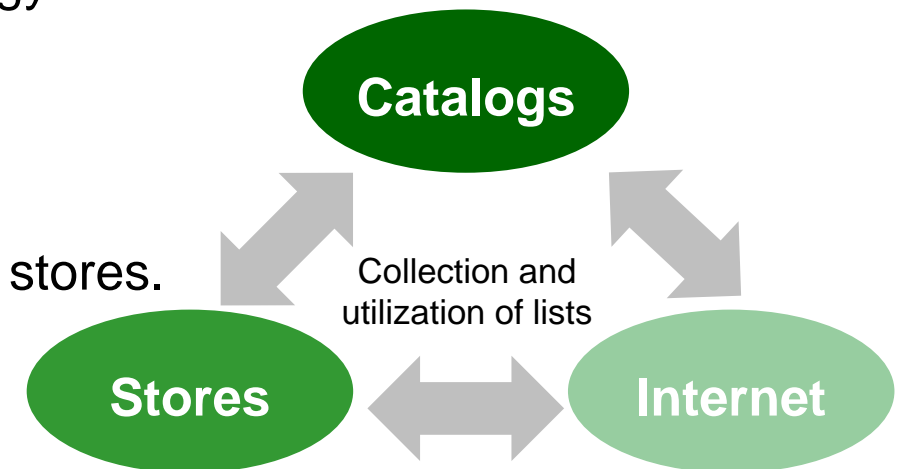
Synergy among catalog, Internet, and in-store operations

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

2-1. Mail Order Business

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(2) Growth of the general mail order business

Ripple effect of sales via the Internet

Issuing of catalogs
for sales



Sales via the Internet

Issuing of catalogs for
sales

Flexible utilization of commodity inventory by sales via the Internet will work well on:

- Acquisition of new customers
- Improvement in the cost rate of disposal
- Inventory turnover period in days

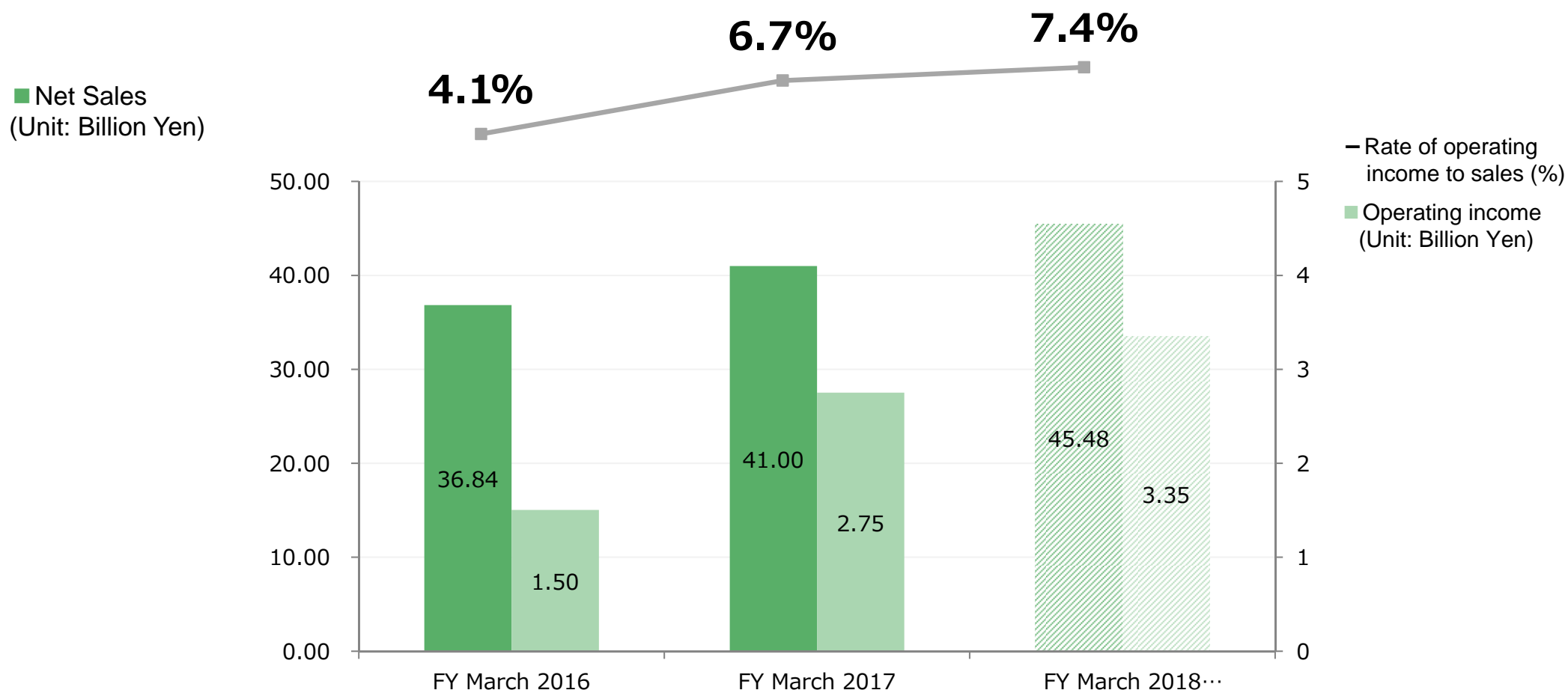


Screen of a sale

2-2. Specialty Mail Order Business

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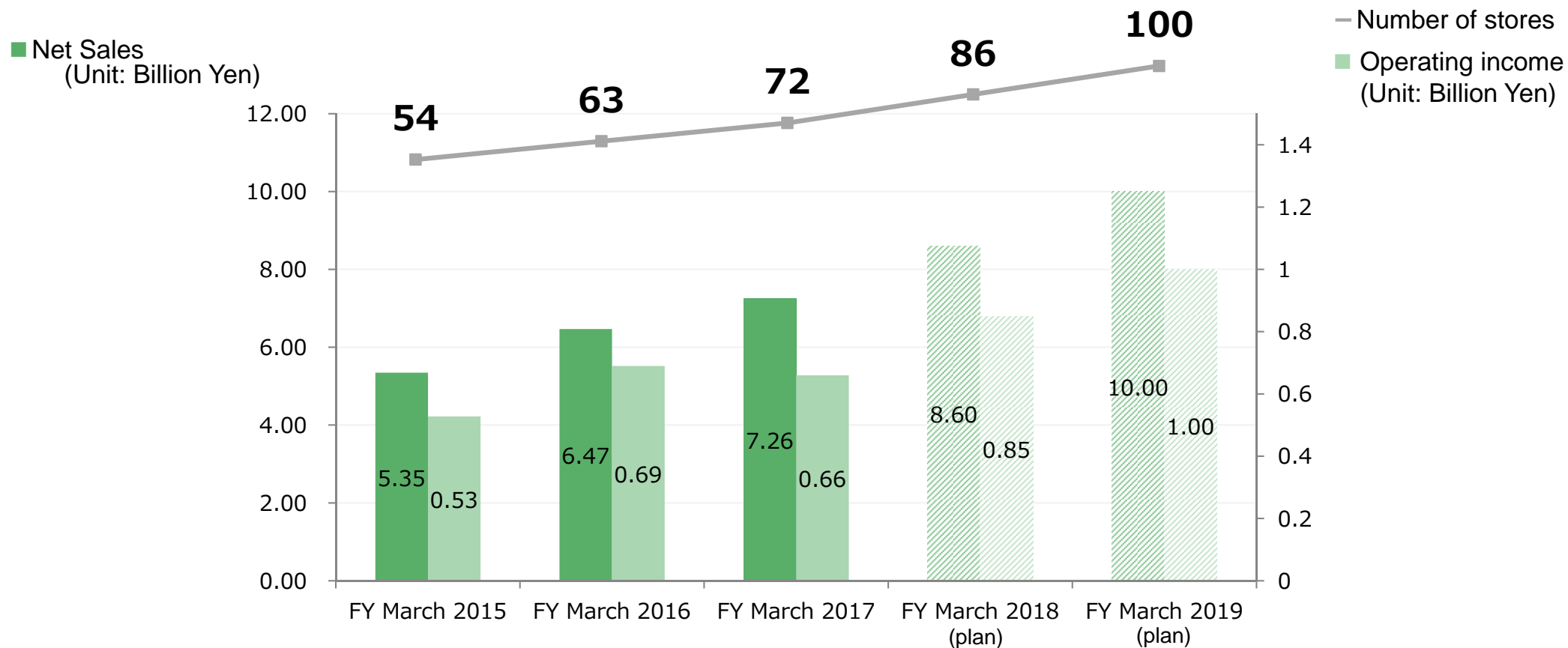
The business shows signs of a sales increase as a result of the advancement of operations via the Internet and the development of new products by existing businesses, in addition to an expansion of scale by M&A. We will continue to boost growth by securing profitability.



2-3. Retail Store Sales: Stores selling *kimono* and Japanese-style goods

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The number of stores exceeded the plan for the previous fiscal year. The pace of store opening will continue to be accelerated, and income is expected to increase again.



2-3. Retail Store Sales: Apparel stores

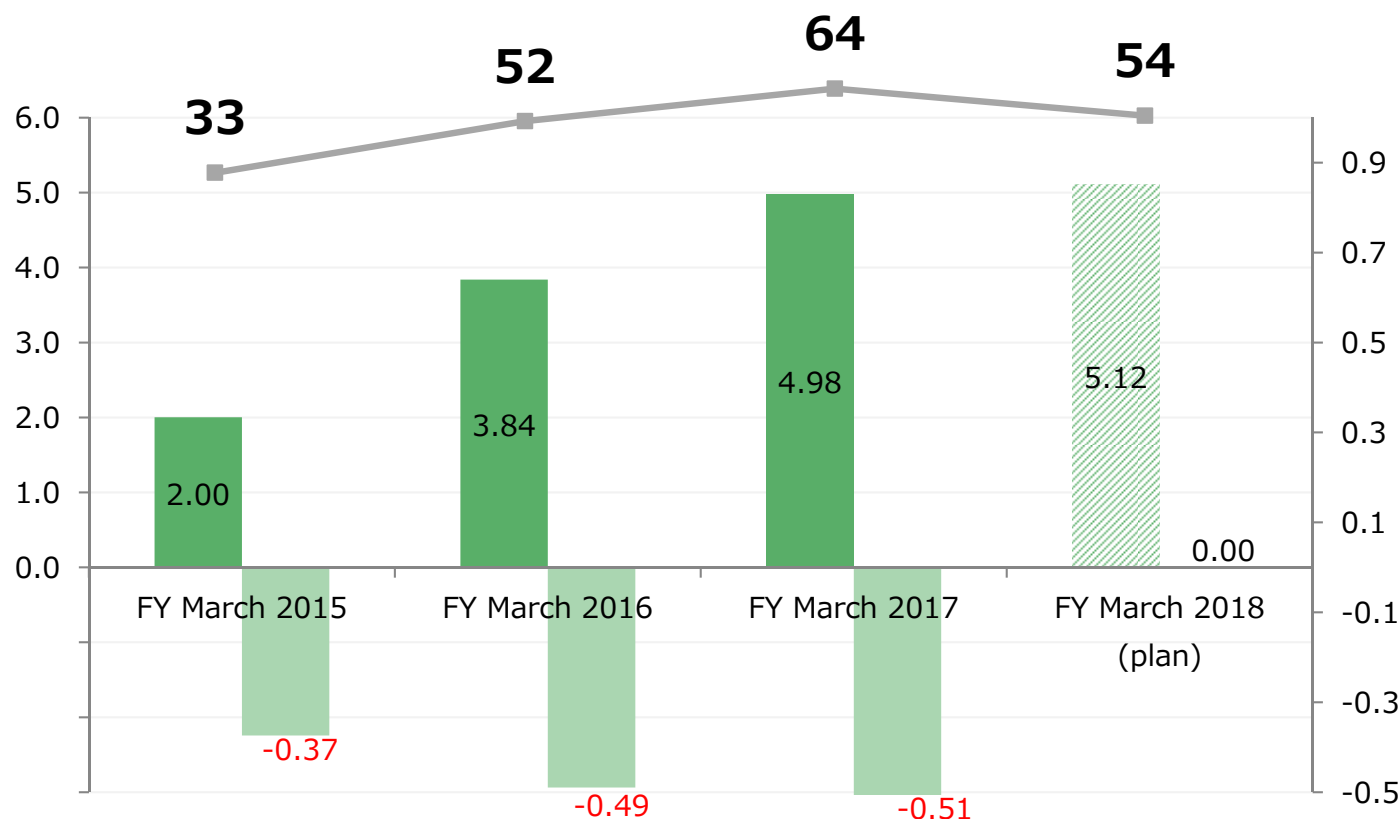
This fiscal year, we will emphasize profitability more than the increase in the number of stores. By closing unprofitable stores and increasing the profitability of existing stores, we will secure profits during this fiscal year.

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Projected number of stores and net sales

■ Net Sales
(Unit: Billion Yen)



— Number of stores
■ Operating income
(Unit: Billion Yen)

2-4. Property

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In the hotel business, following Urabandai Lake Resort and Le Grand Karuizawa, Kyoto Grandbell Hotel is planned to be opened in July.

[Properties in operation for the current fiscal year]

Hotel business ~ Kyoto Grandbell Hotel (July 2017)

Galle Heritage Hotel [Sri Lanka] (March to April 2018)

Kyoto Grandbell Hotel



Galle Heritage Hotel



2-5. Returns to shareholders

Stable dividend payments and the implementation of shareholder incentive programs

< Annual dividends >

	FY March 2015	FY March 2016	FY March 2017	FY March 2018(plan)
EPS (yen)	65.77	36.45	59.68	90.50
Dividend (yen)	12.5	12.5	12.5	12.5

<Shareholder incentive program>

[Details]

	100 shares or more	500 shares or more	1,000 shares or more
Complimentary ticket for the general mail order business or gift of assortment of gourmet food/wine products	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 at least 100 shares of the Company at the end of March and September (Twice a year)



FY2018 is the second year under the 3rd Business Plan. We will achieve the sales target ahead of the plan and steadily establish the foundation for earnings toward the achievement of the plan in the final fiscal year under the Business Plan.

<Important notice>

This document is intended to provide information on the business results of the Company for the fiscal year ending March 31, 2017, and is not meant to solicit investments in securities issued by the Company. It is prepared based on the data available as of May 26, 2017. 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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