

# CORPORATE PRESENTATION

## (1st Half ended September 30, 2016 for FY March 2017)



Mail order apparel  
Min Co., Ltd.



▲ BELLUNA Net -  
A mail order website



▲ BELLUNA -  
a clothing store for  
middle-aged women



▲ Main catalog  
BELLUNA



Clothing rental  
Maimu Co., Ltd.

**ベルーナ**

Friday, November 25, 2016

|                                       |      |
|---------------------------------------|------|
| 1.Financial Highlights                | P.2  |
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| 3.Management Policies and Initiatives | P.15 |

(Note)

As used herein, "FY 2017" or "FY March 2017" means one fiscal year ended on March 31,2017.

"1H" means the first half six months of certain fiscal year.

"2Q" means the second quarter three months of certain fiscal year.

# 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 2017

**Both net sales and operating income were almost as planned.**

**Ordinary loss and net loss were recorded due to the fluctuations in the exchange rate.**

- Net sales were as planned.
- Operating income was also as planned except for special factors\*.
- On the other hand, ordinary loss and net loss were recorded due to the significant exchange rate-related loss.

\* Special factors・・・ {  
• Seasonal factors related to the newly acquired Maimu Co., Ltd.: - 0.32 billion yen  
• Advance printing of sales catalog, etc. in the General Mail Order Business: - 0.39 billion yen

# 1-2. Financial summary

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Net sales: Sales increased by 7.3% year on year more than expected.

Operating income: Operating income increased by 1.2% year on year, and when special factors are excluded, it was almost as planned.

Ordinary loss: Ordinary loss was recorded due to loss on valuation of exchange contracts affected by the appreciation of the yen\*.

\*No new exchange contract transactions since November 2015

Unit: Billion Yen

| Consolidated  | FY March 2016/1H | FY March 2017/1H |          |            | FY March 2017 |
|---|------------------|------------------|----------|------------|---------------|
|   | Actual           | Actual           | vs. Plan | YoY Change | Plan          |
| Net Sales   | 62.16            | 66.68            | 1.0%     | 7.3%       | 140.00        |
| Cost of Sales                                       | 27.83            | 29.21            | 0.7%     | 5.0%       | 61.60         |
| Selling, General & Administrative Expenses          | 31.22            | 34.32            | 4.0%     | 9.9%       | 67.40         |
| Operating Income                                    | 3.11             | 3.15             | -21.4%   | 1.2%       | 11.00         |
| Non-operating Income and Expenses                   | 0.06             | -3.95            | —        | —          | 0.00          |
| (including loss on valuation of exchange contracts) | (-0.17)          | (-4.26)          | —        | —          | —             |
| Ordinary income/ loss                               | 3.17             | -0.80            | —        | —          | 11.00         |
| Net income/ loss                                    | 1.86             | -0.83            | —        | —          | 7.00          |

# 1-3. Profitability by segment

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Net sales: Sales increased in all businesses other than the Property Business.

Operating income: Operating income increased in the Solution Business and four other businesses, while operating income decreased in the Retail Store Sales Business and three other businesses.

• Operating income in Solution Business and Mail order sales services for nurses (Special mail order business) were strong. The General Mail Order Business was also strong if excluding the advance printing of sales catalog, etc.

• Operating income declined partly due to the seasonal factors related to the newly acquired Maimu Co., Ltd. in the Retail Store Sales Business, and no revenue from real estate sales in the Property Business and other factors.

## Consolidated Net Sales and Operating Income by Segment

Unit: Billion Yen

|                          | FY March 2017/1H   |                      |                    |          |         |          |        |                          |       |
|--------------------------|--------------------|----------------------|--------------------|----------|---------|----------|--------|--------------------------|-------|
|                          | General Mail Order | Specialty Mail Order | Retail Store Sales | Solution | Finance | Property | Others | Elimination or Corporate | Total |
| Net Sales                | 34.14              | 18.77                | 6.25               | 2.76     | 1.51    | 1.82     | 1.77   | -0.34                    | 66.68 |
| YoY Change (%)           | +3.8%              | +13.2%               | +27.0%             | +27.0%   | +7.3%   | -39.3%   | +17.5% | +5.8%                    | +7.3% |
| vs. Plan (%)             | -0.8%              | -0.9%                | -0.4%              | +13.6%   | +1.1%   | -2.5%    | +1.6%  | -71.0%                   | +1.0% |
| Operating Income         | 1.04               | 0.76                 | -0.22              | 1.30     | 0.54    | 0.02     | -0.14  | -0.16                    | 3.15  |
| YoY Change (billion yen) | 0.16               | 0.33                 | -0.34              | 0.44     | 0.10    | -0.52    | -0.07  | -0.06                    | 0.04  |
| vs. Plan (billion yen)   | -0.12              | -0.02                | -0.48              | 0.14     | 0.04    | -0.38    | -0.05  | 0.01                     | -0.85 |

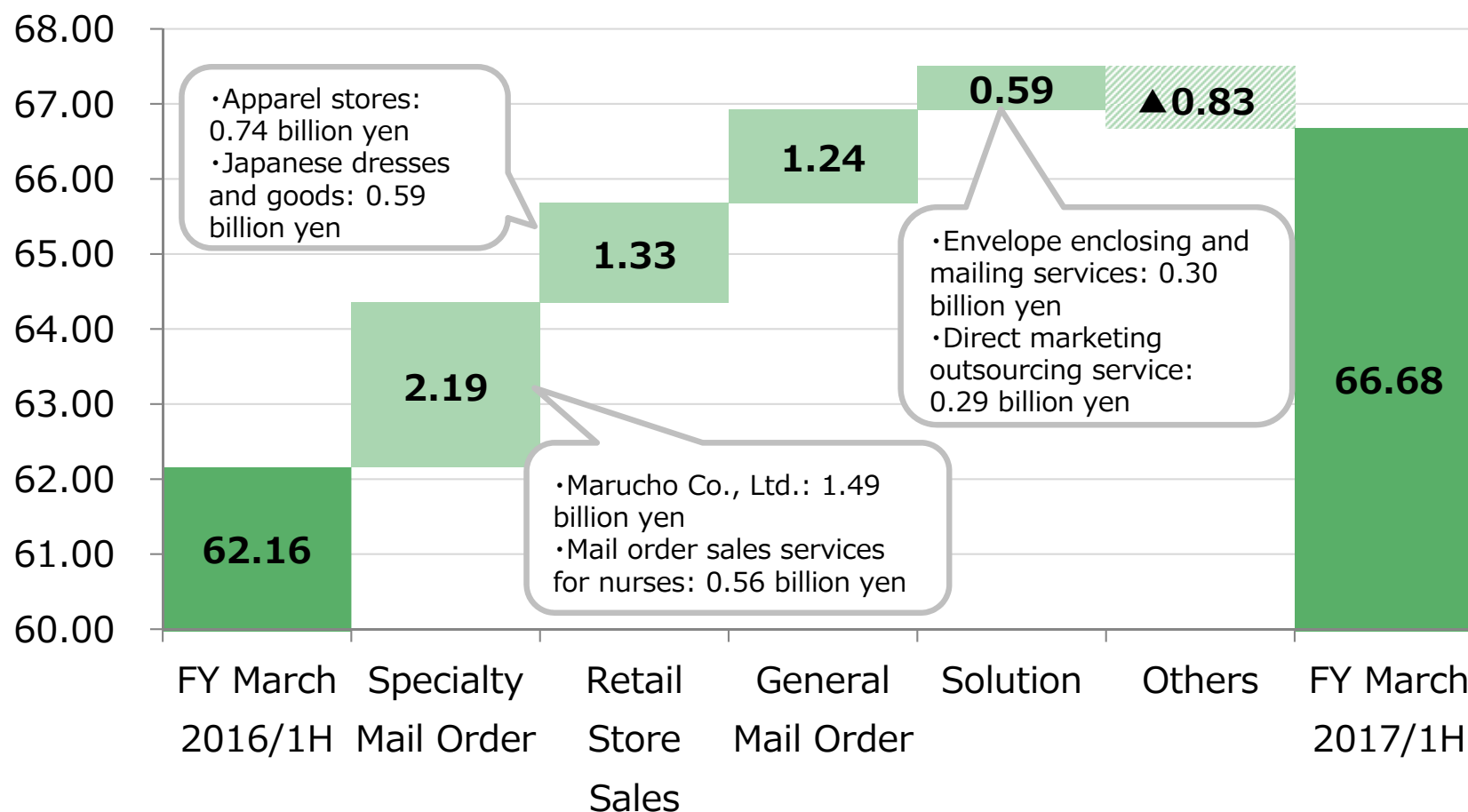
# 1-4. Analysis of increases and decreases in sales

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The increase in net sales was driven by the Specialty Mail Order Business, the Retail Store Sales Business, and the General Mail Order Business. The Solution Business also remained strong.

## Factors for change in net sales

Unit: Billion Yen

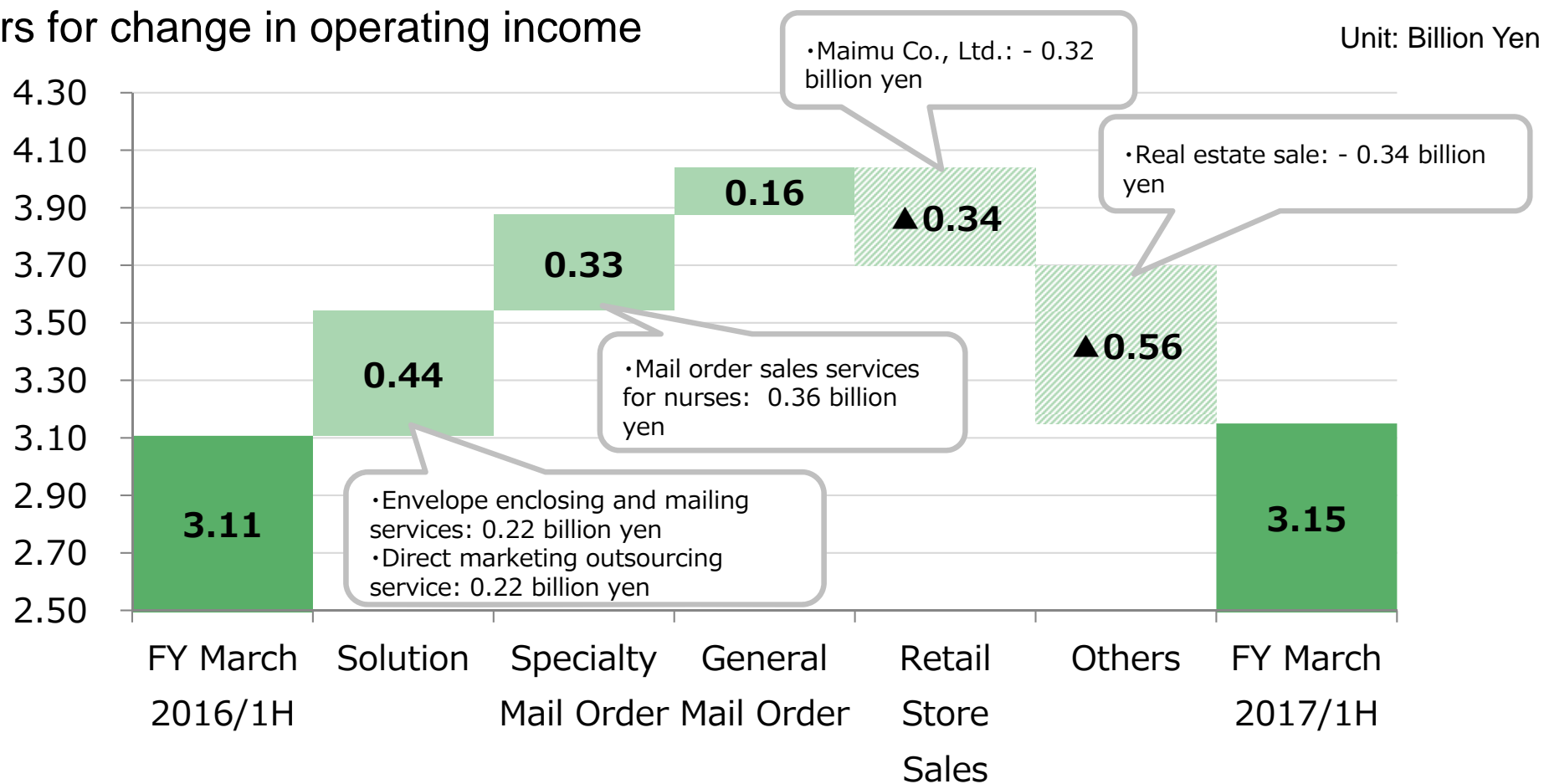


# 1-5. Analysis of increases and decreases in operating income

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The Solution Business remained strong due to the effects stemming from increased revenue in the envelope enclosing and mailing services and improved profitability in the direct marketing outsourcing service. The Specialty Mail Order Business was also firm, supported by buoyant mail order sales services for nurses. On the other hand, operating income decreased in the Retail Store Sales Business due to seasonal factors related to the newly acquired Maimu Co., Ltd. and in the Property business due to the absence of revenues from real estate sales.

## Factors for change in operating income





# 1-6. Balance sheet

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Assets rose, mainly reflecting increases in merchandise and finished goods, real estate for sale in process and tangible fixed assets.

Meanwhile, liabilities also rose, partially due to increased interest bearing liabilities.

Unit: Billion Yen

|                                    | As of march 31,2016 | As of September 30,2016 | Change  |
|------------------------------------|---------------------|-------------------------|---------|
| Current Assets                     | 74.19               | 80.4                    | 6.21    |
| Merchandise and finished goods     | 15.61               | 18.36                   | 2.75    |
| Real estate for sale in process    | 4.17                | 8.62                    | 4.45    |
| Fixed Assets                       | 86.87               | 92.48                   | 5.61    |
| Tangible fixed assets              | 59.46               | 63.96                   | 4.5     |
| Other investment                   | 1.95                | 3.94                    | 1.99    |
| Total Assets                       | 161.06              | 172.88                  | 11.95   |
| Liabilities                        | 80.41               | 95.08                   | 14.67   |
| Notes and accounts payable - trade | 15.63               | 17.91                   | 2.28    |
| Interest bearing liabilities       | 46.47               | 55.52                   | 9.05    |
| Net Assets                         | 80.65               | 77.8                    | -2.85   |
| Retained earnings                  | 68.45               | 67.01                   | -1.44   |
| [Shareholders' Equity Ratio]       | [49.8%]             | [44.7%]                 | [-5.1P] |

# 1-7. Statement of cash flows

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Cash flows from operating activities were negative due to an increase in real estate for sale, and cash flows from investing activities were negative due to the acquisition of property, plant and equipment. Overall cash decreased by 3.03 billion yen, reflecting an increase in short- and long-term borrowings.

Unit: Billion Yen

|   | FY March<br>2016/1H | FY March 2017/1H |              |
|---|---------------------|------------------|--------------|
|   |                     | Actual           | YoY Change   |
| <b>Cash flows from operating activities</b> | <b>3.73</b>         | <b>-1.71</b>     | <b>-5.44</b> |
| Income before income taxes                  | 3.06                | -1.00            | -4.06        |
| Gain/loss on valuation of derivatives       | 0.17                | 4.26             | 4.09         |
| Change in real estate for sale              | 0.67                | -4.15            | -4.82        |
| <b>Cash flows from investing activities</b> | <b>-5.09</b>        | <b>-8.20</b>     | <b>-3.11</b> |
| Purchase of property, plant and equipment   | -1.87               | -5.72            | -3.85        |
| Payments for guarantee deposits             | -0.21               | -2.14            | -1.93        |
| <b>Cash flows from financing activities</b> | <b>3.38</b>         | <b>7.38</b>      | <b>4.00</b>  |
| Change in short- and long-term borrowings   | 4.22                | 8.35             | 4.12         |
| Translation differences on cash             | -0.10               | -0.50            | -0.40        |
| Increase / decrease in cash                 | 1.92                | -3.03            | -4.94        |

Capital expenditure<sup>\*1</sup>

6.07 billion yen

Depreciation & Amortization<sup>\*2</sup>

1.29 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 2017

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Both net sales and operating income will be almost as planned.

Because of non-operating income other than that related to exchange rates of about 1 billion yen, ordinary income is expected to be achieved if the exchange rate of the yen against the dollar is about 108 to 109 yen at the end of March 2017.

Unit: Billion Yen

| Consolidated                 | FY March 2015 |        | FY March 2016 |        | FY March 2017 |             |
|------------------------------|---------------|--------|---------------|--------|---------------|-------------|
|                              | 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 FY March 2017

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The general mail order business and the specialty mail order and solution businesses will lead the increase in both sales and income. Contributions to income by Maimu Co., Ltd. and real estate sales are expected for 4Q.

### Budgets 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                | 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   |

# 1-8. Plan for FY March 2017

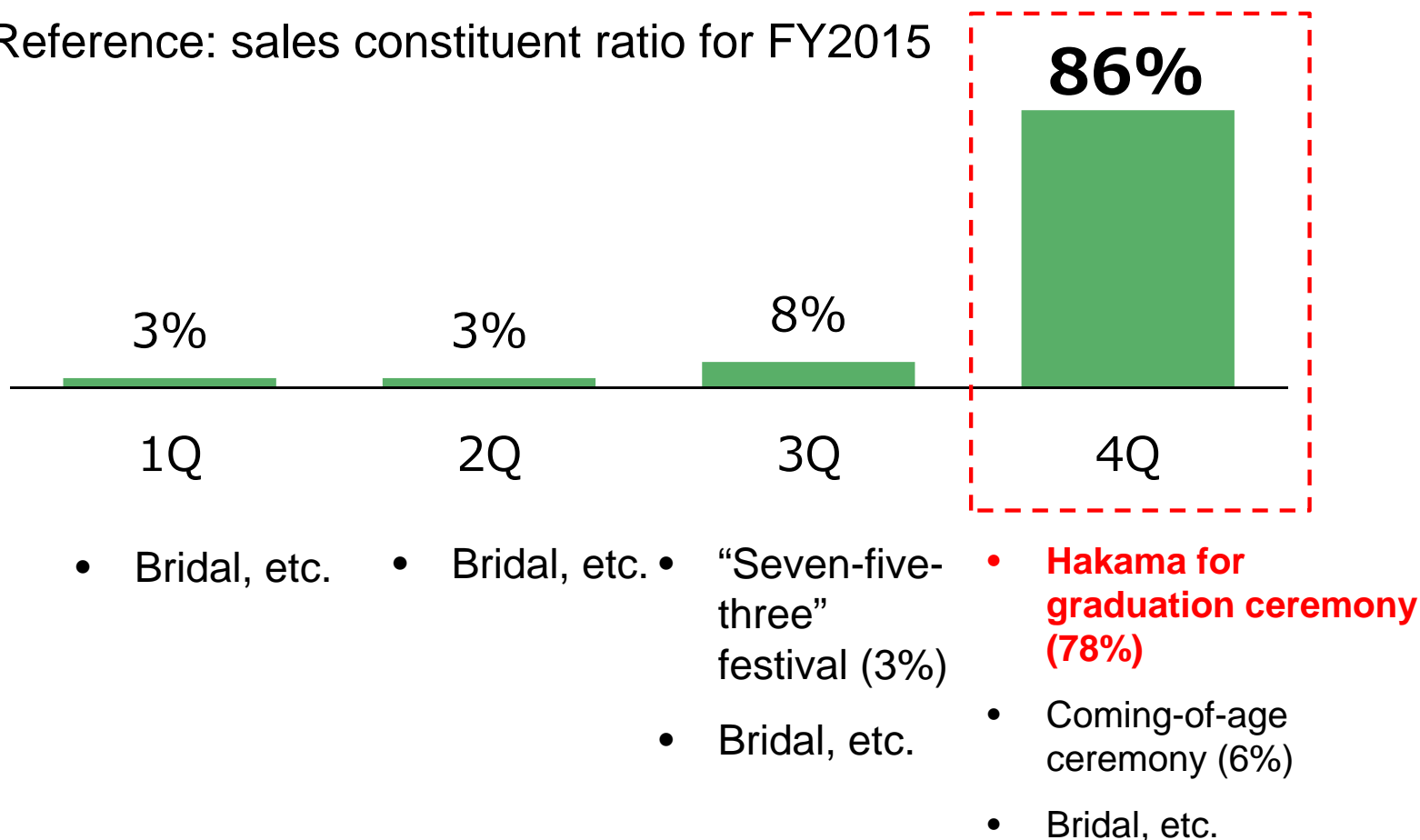
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## Seasonal factors related to Maimu Co., Ltd.

Sales will be concentrated in 4Q. Losses were incurred in 1Q to 3Q.

Operating income for the full year are expected to exceed 0.1 billion yen.

Reference: sales constituent ratio for FY2015



## 2. Topics

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1. Acquisition of Min Co., Ltd., RIN Co., Ltd. and JYURAN Co., Ltd.

## 2-1. Acquisition of Min Co., Ltd., RIN Co., Ltd. and JYURAN Co., Ltd.

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Acquisition of Min Co., Ltd., RIN Co., Ltd. and JYURAN Co., Ltd., whose business is mail order apparel (only via the Internet), that became subsidiaries on July 21

Company name : Min Co., Ltd.

RIN Co., Ltd.

JYURAN Co., Ltd.

Location : Kariya, Aichi

Date of establishment : July 2003

Main business : mail order apparel

Date of acquisition : July 2016

Stated capital : 11 million yen

(the total for the three companies)

Results : FY2015

Net sales: 1.06 billion yen

Operating income: 0.05 billion yen

- Purpose: To further develop the growth of the general mail order business by sharing know-how on product development and the mutual utilization of customer bases
- Feature: To have multiple original brands as a specialty store for large sizes up to 6L



# 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 – Business Models

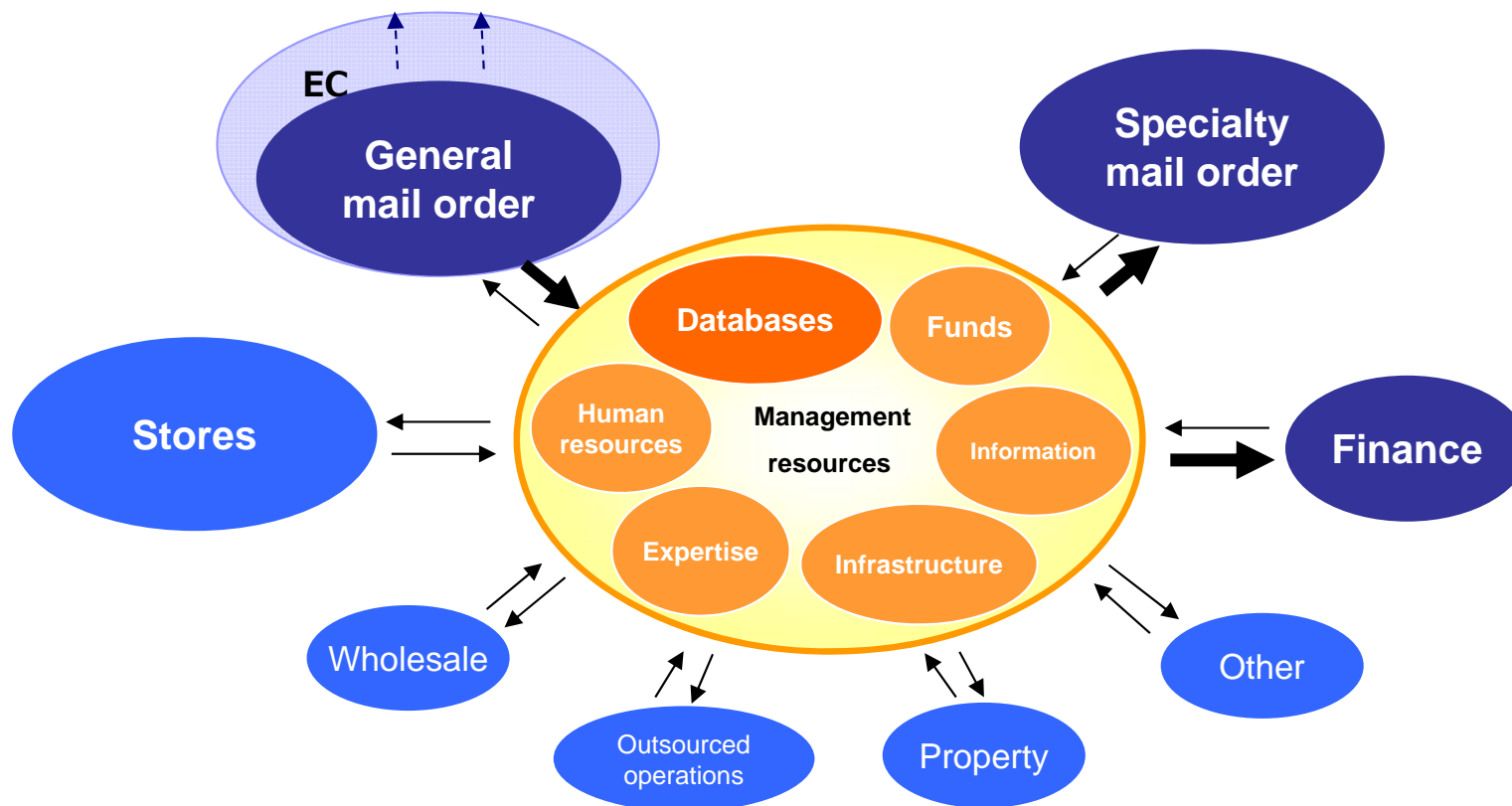
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#### Portfolio management

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

(i) Use of databases

(ii) Businesses related to the use of databases.



### 3. Management Policy - The 3rd Business Plan

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## The 3rd Business Plan

(FY2017 through FY2019)

Goals for the final fiscal year

■ Net sales

**160.0 billion yen**

(Compound Average Growth Rate 6.9%)

■ Operating income

**16.0 billion yen**

(Compound Average Growth Rate 20.6%)

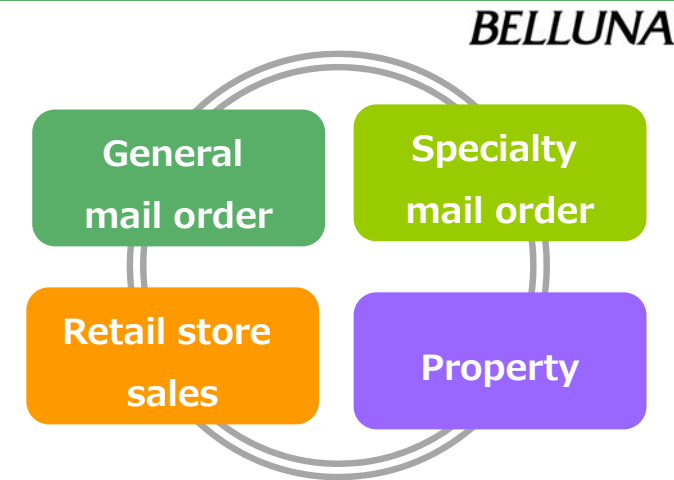
■ ROE

**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.



## 3-1. Mail Order Business

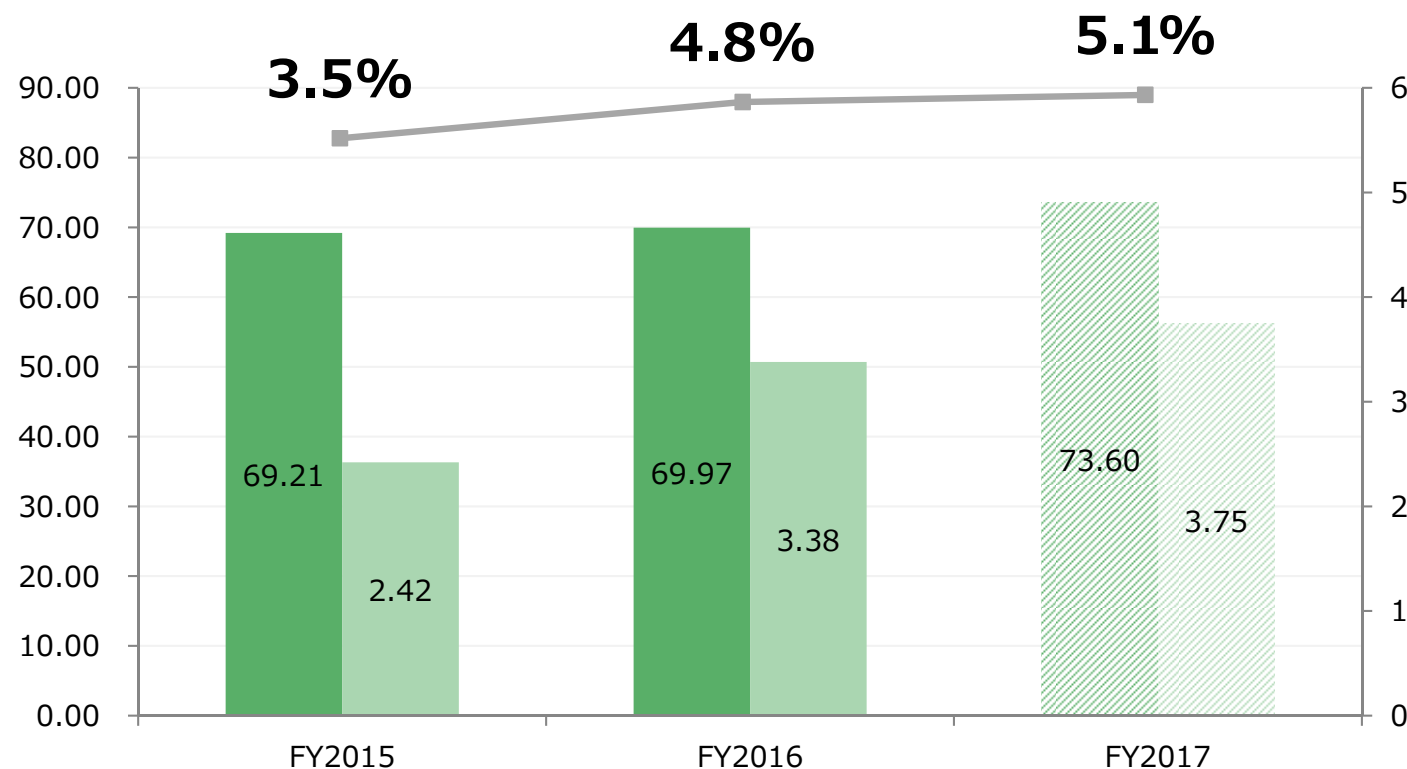
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### (1) Situation of the general mail order business

Efforts are made to achieve growth by strengthening the profit structure.

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

■ Net Sales  
(Unit: Billion Yen)



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

## 3-1. Mail Order Business

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

#### Strengthen Internet operations

##### Improvement of CVR (conversion rates)

- Improvement of the sites
- Improvement of the efficiency of customer attraction
- Introduction of products available exclusively via the Internet



##### Strengthening of customer attraction

- Start of sales via the Internet
- Link with TV commercials
- Implementation of coupon function



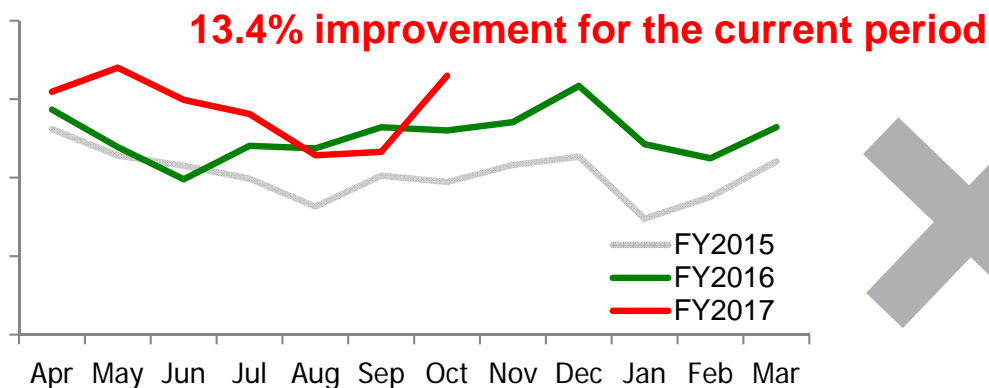
**Increase in sales via the Internet**

# 3-1. Mail Order Business

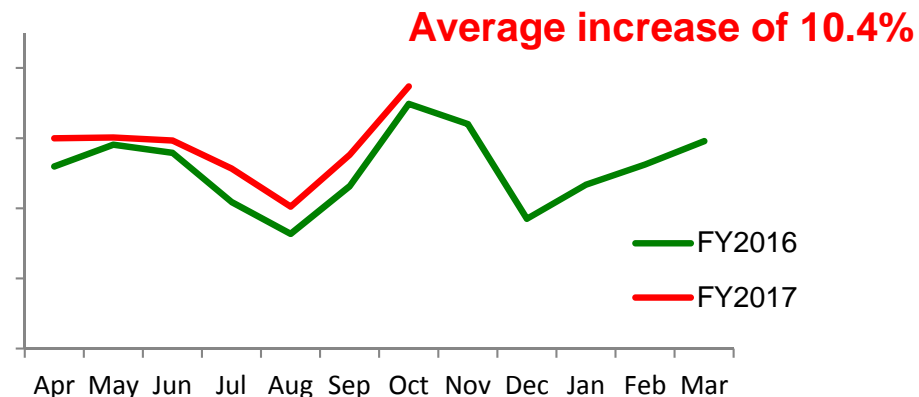
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## (2) Growth of the general mail order business

CVR ( conversion rate )

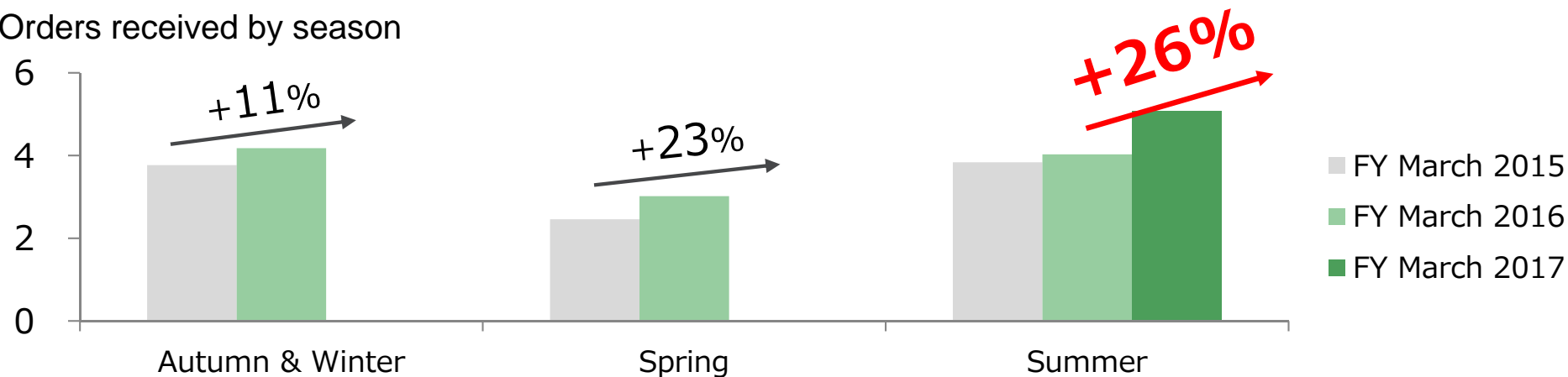


Change in number of inflows into the sites



## Increase in sales via the Internet

Orders received by season



## 3-1. Mail Order Business

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

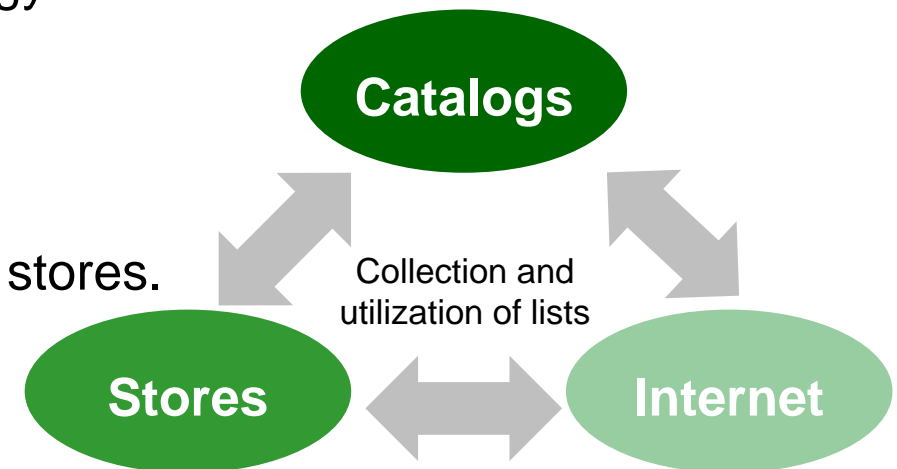
#### Synergy among catalog, Internet, and in-store operations

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.

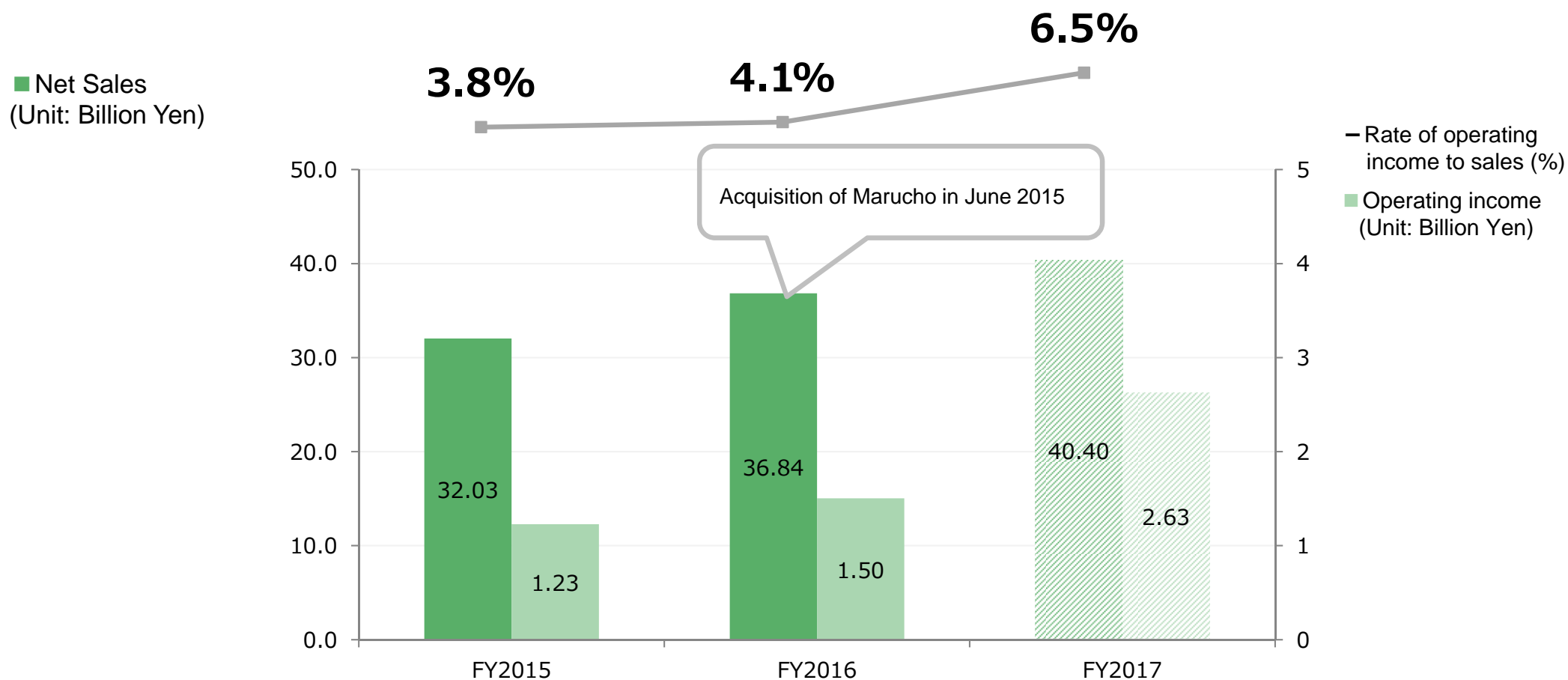
(1) Increased sales will reduce the sharing of burdens (among catalogs, Internet, and in-store operations)

## 3-2. Specialty Mail Order Business

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Mail order sales services for nurses will lead the trend of the increase in both sales and income.

Earning power will be strengthened by improving the business operations of other businesses, including the development of new products.





## 3-2. Specialty Mail Order Business: Mail Order Sales Services for Nurses

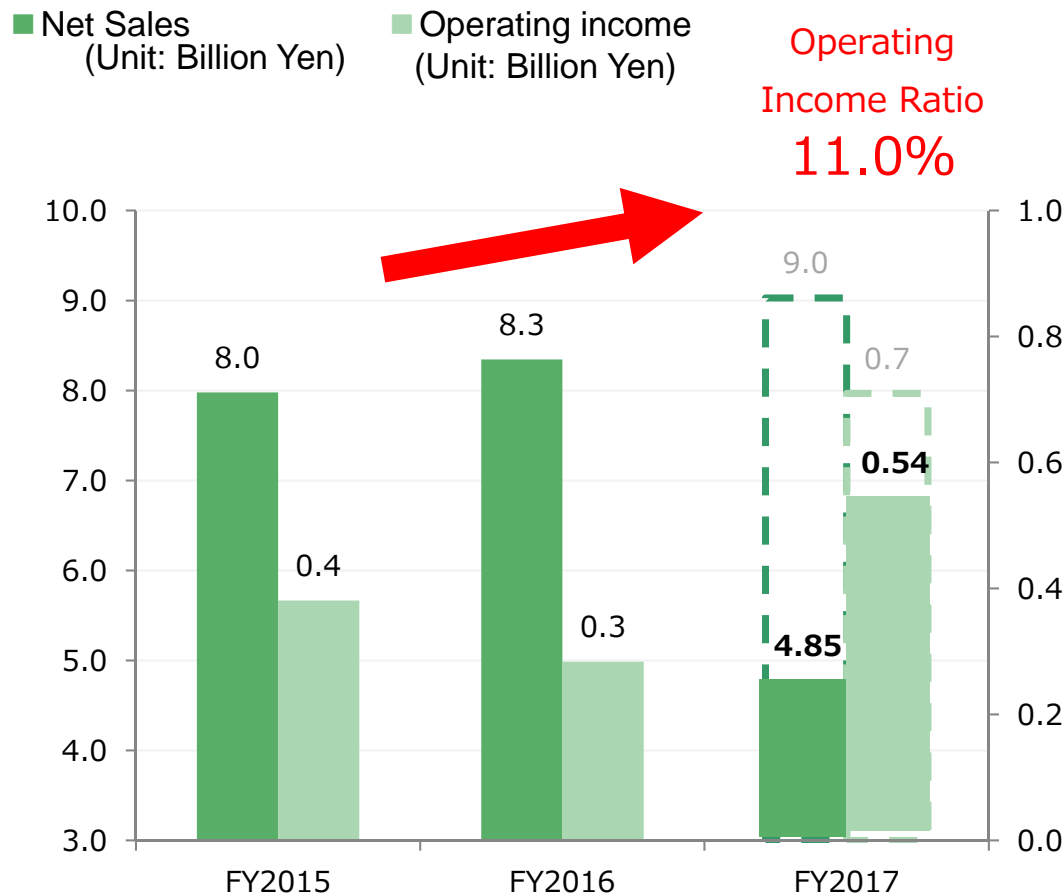
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The Belluna Group occupies most of the market share.

Growth and profitability will be secured by taking advantage of this superiority.

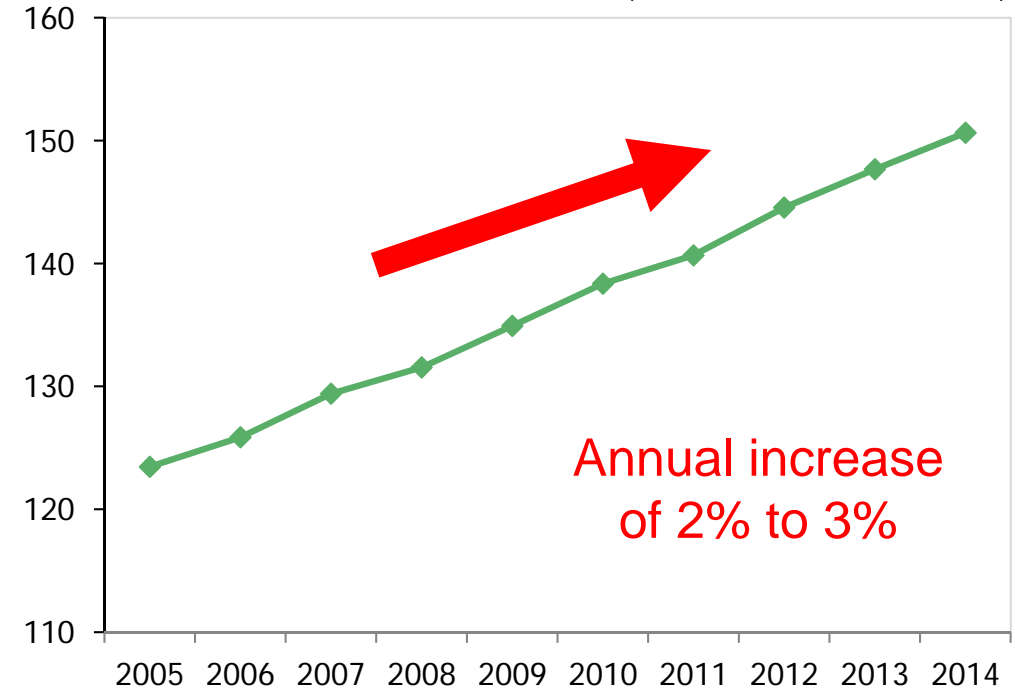


<<Net sales and operating income of mail order sales services for nurses>>



<<Change in number of nurses and practical nurses employed>>

(Unit: Ten Thousand Persons)



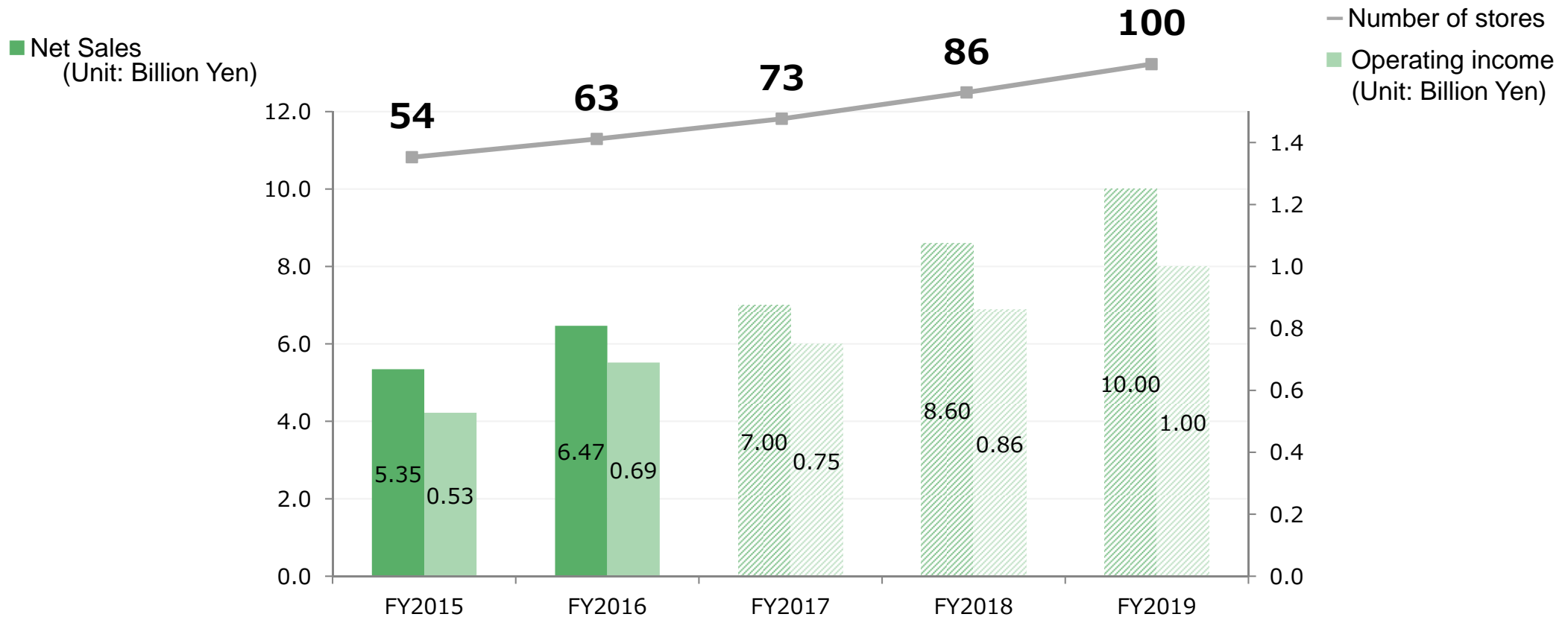
### 3-3. Retail Store Sales: Stores selling *kimono* and Japanese-style goods

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Stores selling *kimono* and Japanese-style goods achieved increases in both sales and income with the steady expansion of the number of stores.

(68 stores already opened by the end of September 2016)

Aim for 100 stores and net sales of 10 billion yen, ahead of the plan.



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

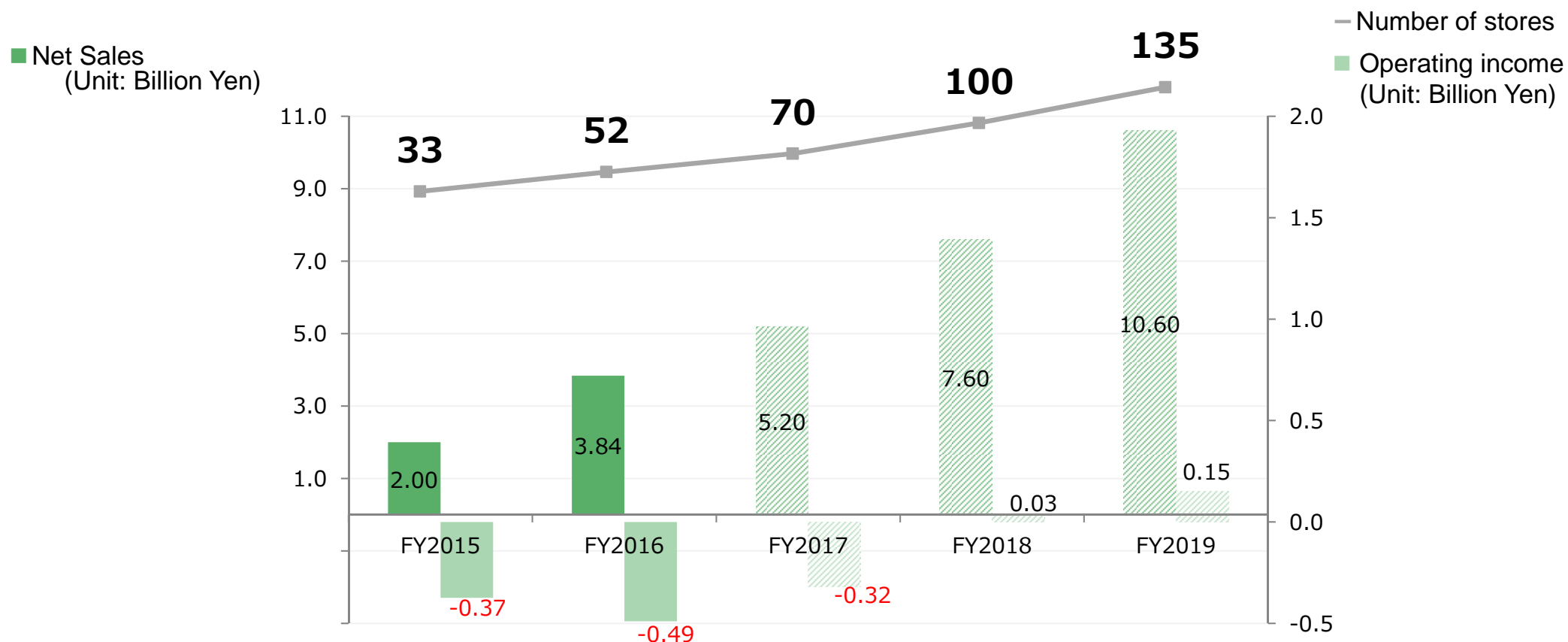
Number of apparel stores opened by the end of September 2016: 62 stores

Strengthening of product appeal and sales ability toward making profits in the following fiscal years.

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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.**

[Properties in operation for the current fiscal year]

Rental: Granbell Ebisu Nishi (June 2016), Nakameguro TY Building (July 2016)

Hotels: Le Grand Karuizawa (July 2016)



Granbell Ebisu Nishi (Opened in June 2016)



Le Grand Karuizawa (Opened in July 2016)

## 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<br>(plan) |
|----------------|--------|--------|--------|------------------|
| EPS (yen)      | 72.12  | 65.77  | 36.45  | 71.99            |
| 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       |
|---|----------------------------|----------------------------|----------------------------|
| 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)



This fiscal year is the first year under the third management plan. We intend to achieve the plan for this fiscal year and gain momentum toward achieving the third management plan ahead of schedule.

## <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 November 25, 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.

## <Inquiries for IR matters>

IR Section, Executive Corporate Planning Department, Belluna Co., Ltd.

Address: 4-2 Miyamotocho Ageo-shi, Saitama, 362-8688

TEL: 048-771-7753,

FAX: 048-775-6063

E-mail: [ir-belluna@belluna.co.jp](mailto:ir-belluna@belluna.co.jp)