

# CORPORATE PRESENTATION

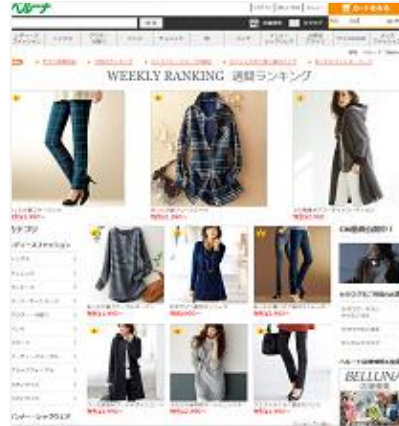
(1st Half ended September 30, 2017 for FY March 2018)



Mail-order sales of  
wine  
「MY Wine CLUB」



Mail-order sales of  
specialty food  
products  
「Craving for good  
sake」



*BELLUNA Net -*  
A mail order website



Main catalog  
*BELLUNA*



Apparel stores 「*BELLUNA*」

**ベルーナ**

Friday, November 24, 2017

- 1. Financial Highlights P.2
- 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

# **Both net sales and profit ended higher than the forecasts.**

- Net sales increased 12.3% year on year.
- Operating income increased 34.5% year on year particularly thanks to the Retail Store Sales Business.
- Ordinary income was 5,530 million yen after exchange rate-related gains became positive.
- Net income was 4,330 million yen partly as a result of the sale of fixed assets.

# 1-2. Financial summary

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Net sales: Up 12.3% year on year to top the plan.

Operating income: Achieved the plan driven primarily by the Retail Store Sales Business.

Ordinary income: Results well in excess of the results of the previous year after exchange rate-related gains turned positive.

Unit: Billion Yen

Consolidated	FY March 2017/1H	FY March 2018/1H			FY March 2018
	Actual	Actual	vs. Plan	YoY Change	Plan
Net Sales	66.68	74.86	2.6%	12.3%	160.00
Cost of Sales	29.21	33.19	-7.8%	13.6%	69.00
Selling, General & Administrative Expenses	34.32	37.45	1.2%	9.1%	78.00
Operating Income	3.15	4.23	0.7%	34.5%	13.00
Non-operating Income and Expenses	-3.95	1.30	3.3times	—	0.50
(Exchange rate-related gains and losses included)	(-4.57)	(0.94)	—	—	—
Ordinary income/ loss	-0.80	5.53	22.9%	—	13.50
Net income/ loss	-0.83	4.33	49.4%	—	8.80

# 1-3. Profitability by segment

Net sales: All segments achieved sales growth.

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Operating income: segments other than the Specialty Mail Order Business and the Solution Business saw an increase in operating income.

- Improved profitability of apparel stores, real estate sales and increased profits of hotels drove higher operating income.
- Operating income in the Specialty Mail Order Business declined mainly due to the effect of the advance spending of media expenses.
- Operating income in the Solution Business declined due to smaller sales of the combined shipping service.

## Consolidated Net Sales and Operating Income by Segment

Unit: Billion Yen

	FY March 2018/1H								
	General Mail Order	Specialty Mail Order	Retail Store Sales	Solution	Finance	Property	Others	Elimination or Corporate	Total
Net Sales	37.23	20.48	7.29	2.93	1.69	3.52	2.20	-0.48	74.86
YoY Change (%)	+9.1%	+9.1%	+18.5%	+6.2%	+12.2%	+93.1%	+17.9%	+44.5%	+12.3%
vs. Plan (%)	+0.4%	+0.7%	+3.4%	+10.6%	+1.0%	+1.8%	+8.0%	-62.1%	+2.6%
Operating Income	1.09	0.71	0.59	1.18	0.72	0.51	-0.45	-0.13	4.23
YoY Change (billion yen)	0.05	-0.05	0.50	-0.12	0.18	0.50	0.00	0.03	1.09
vs. Plan (billion yen)	-0.07	-0.27	0.10	0.04	0.08	-0.09	0.10	0.14	0.03
Operating Income Ratio	2.9%	3.5%	8.1%	40.3%	42.8%	14.6%	-20.6%	27.2%	5.7%

\*The segment of Maimu Co., Ltd. is changed from the Retail Store Sales Business to Other Business.

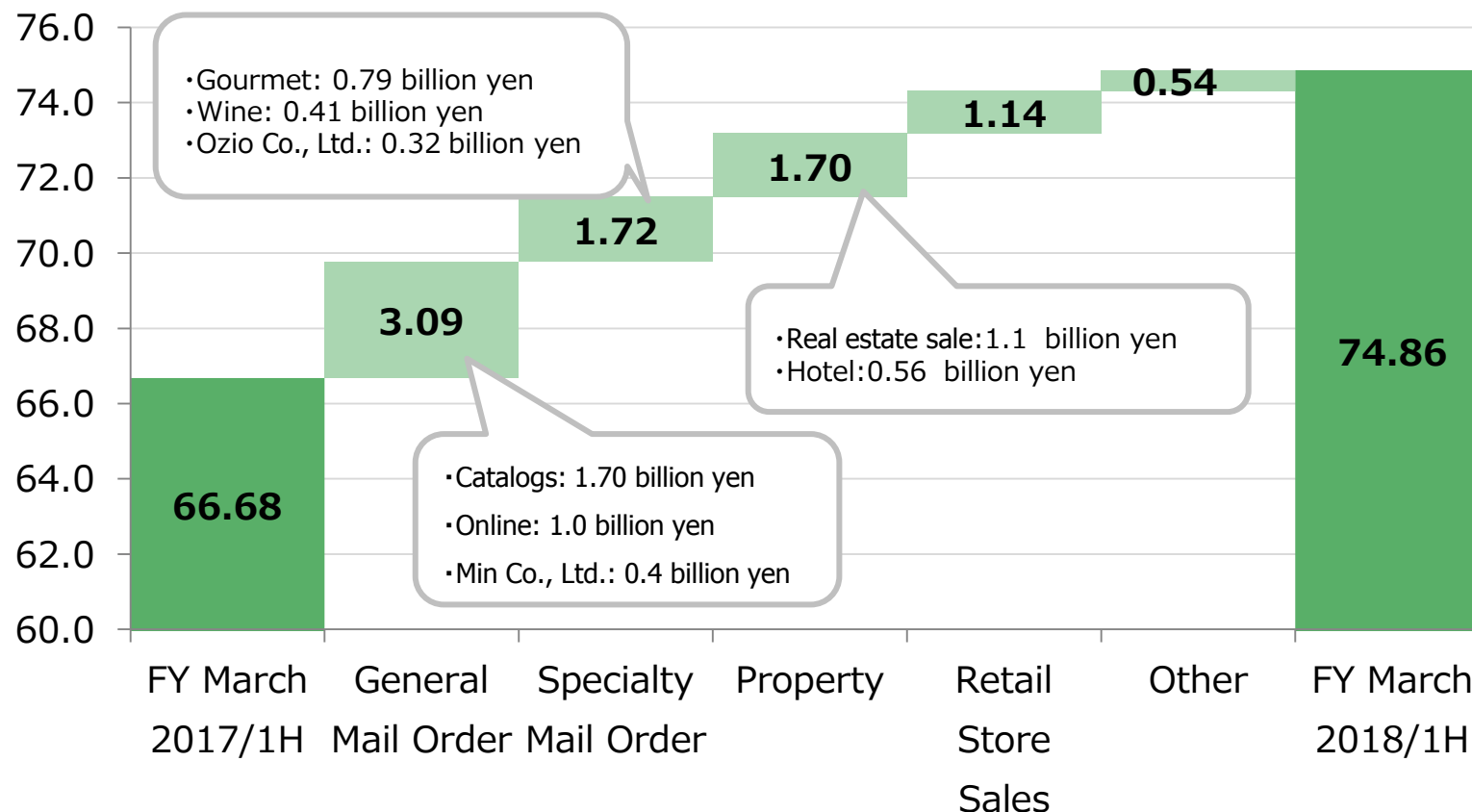
# 1-4. Analysis of increases and decreases in sales

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Higher sales were mainly driven by the Catalog and Online sections in the General Mail Order Business and Gourmet and other sections in the Specialty Mail Order Business. Increased sales in the Hotel section in the Property Business also contributed to growth.

## Factors for change in net sales

Unit: Billion Yen



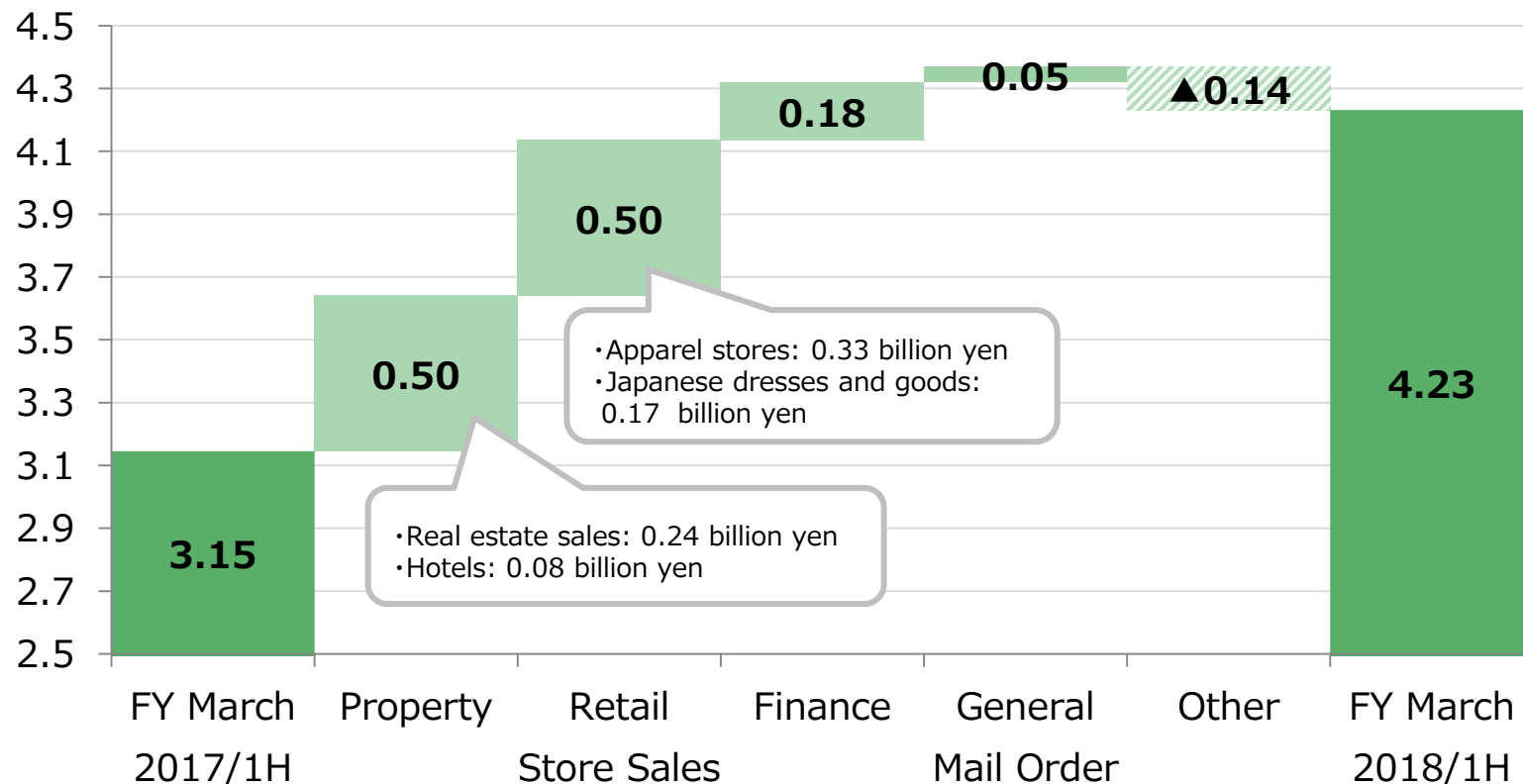
# 1-5. Analysis of increases and decreases in operating income

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In addition to higher profit from Hotels and other sections, operating income in the Retail Store Sales Business grew thanks to the increased profitability of apparel stores and the effect of higher sales of Japanese dresses and goods.

## Factors for change in operating income

Unit: Billion Yen





# 1-6. Balance sheet

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Assets rose, mainly reflecting increases in merchandise, operating loans, and tangible fixed assets. Equity ratio remained generally unchanged from the end of the previous fiscal year despite an increase in interest-bearing liabilities.

Unit: Billion Yen

	As of September 30,2016	As of March 31,2017	As of September 30,2017	Change from End of Previous FY
Current Assets	80.40	84.79	85.73	0.94
Cash and deposits	15.94	20.18	16.96	-3.21
Operating loans	18.89	18.96	20.0	1.04
Merchandise and finished goods	18.36	15.97	18.86	2.89
Fixed Assets	92.48	94.23	101.57	7.34
Tangible fixed assets	63.96	64.26	70.78	6.52
Investment securities	13.60	13.24	14.18	0.94
Total Assets	172.88	179.02	187.31	8.28
Liabilities	95.08	91.25	97.52	6.27
Notes and accounts payable - trade	17.91	17.74	19.15	1.41
Interest bearing liabilities	55.52	52.08	57.86	5.78
Net Assets	77.80	87.77	89.79	2.01
Retained earnings	67.01	63.36	67.08	3.73
[Shareholders' Equity Ratio]	[44.7%]	[47.4%]	[47.4%]	[-0.0P]

# 1-7. Statement of cash flows

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Cash flows from investing activities were negative, largely due to acquisition of tangible fixed assets.

Short- and long-term borrowings were reduced and overall cash decreased.

Unit: Billion Yen

	FY March 2017/1H	FY March 2018/1H	
		Actual	YoY Change
<b>Cash flows from operating activities</b>	<b>-1.71</b>	<b>1.25</b>	<b>2.96</b>
Income before income taxes	-1.00	6.02	7.02
Increase/decrease in working capital	-0.54	-1.87	-1.33
Income taxes paid	-0.95	-2.85	-1.90
<b>Cash flows from investing activities</b>	<b>-8.20</b>	<b>-7.21</b>	<b>0.99</b>
Purchase of tangible fixed assets	-5.72	-9.15	-3.43
Proceeds from sales of tangible fixed assets	0.00	2.89	2.89
<b>Cash flows from financing activities</b>	<b>7.38</b>	<b>2.67</b>	<b>-4.70</b>
Change in short- and long-term borrowings	8.35	5.81	-2.54
Translation differences on cash	-0.50	0.03	0.53
Increase / decrease in cash	-3.03	-3.25	-0.22

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

9.74 billion yen

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

1.26 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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Both net sales and profit are exceeding the forecasts.

All items from net sales to net income are expected to reach the targets in the fiscal year ending March 2018.

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	45.00~50.00	46.47	43.00~48.00	52.08	53.00~58.00	+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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Overall progress has generally been made in line with the forecasts. Operating income is expected to reach the full-year target.

### Budgets by Segment

Unit: Billion Yen

	FY March 2018								
	General Mail Order	Specialty Mail Order	Retail Store Sales	Solution	Finance	Property	Others	Elimination or Corporate	Total
Net Sales	82.20	45.48	13.72	5.82	3.47	5.25	6.60	-2.55	160.00
YoY Change (%)	+9.2%	+10.9%	+12.1%	+7.2%	+12.2%	+44.5%	+9.1%	+314.1%	+9.5%
Operating Income	4.05	3.35	0.85	2.46	1.40	1.08	0.14	-0.33	13.00
YoY Change (billion yen)	-0.42	0.60	0.70	0.04	0.22	1.07	-0.06	-0.04	2.12

\*The segment of Maimu Co., Ltd. is changed from the Retail Store Sales Business to Other Business.

## 2. Management Policies and Initiatives

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1. General Mail Order Business
2. Specialty Mail Order Business
3. Retail Store Sales
4. Property
5. Development of New Businesses
6. 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 growth of Internet users).

### External environment

- Lingering deflationary mindset
- Growth of the Internet
- Change in distribution environment

### Internal environment

- Growth of the Internet
- Maturity of the organization
- Improvement of business foundation (profit base)

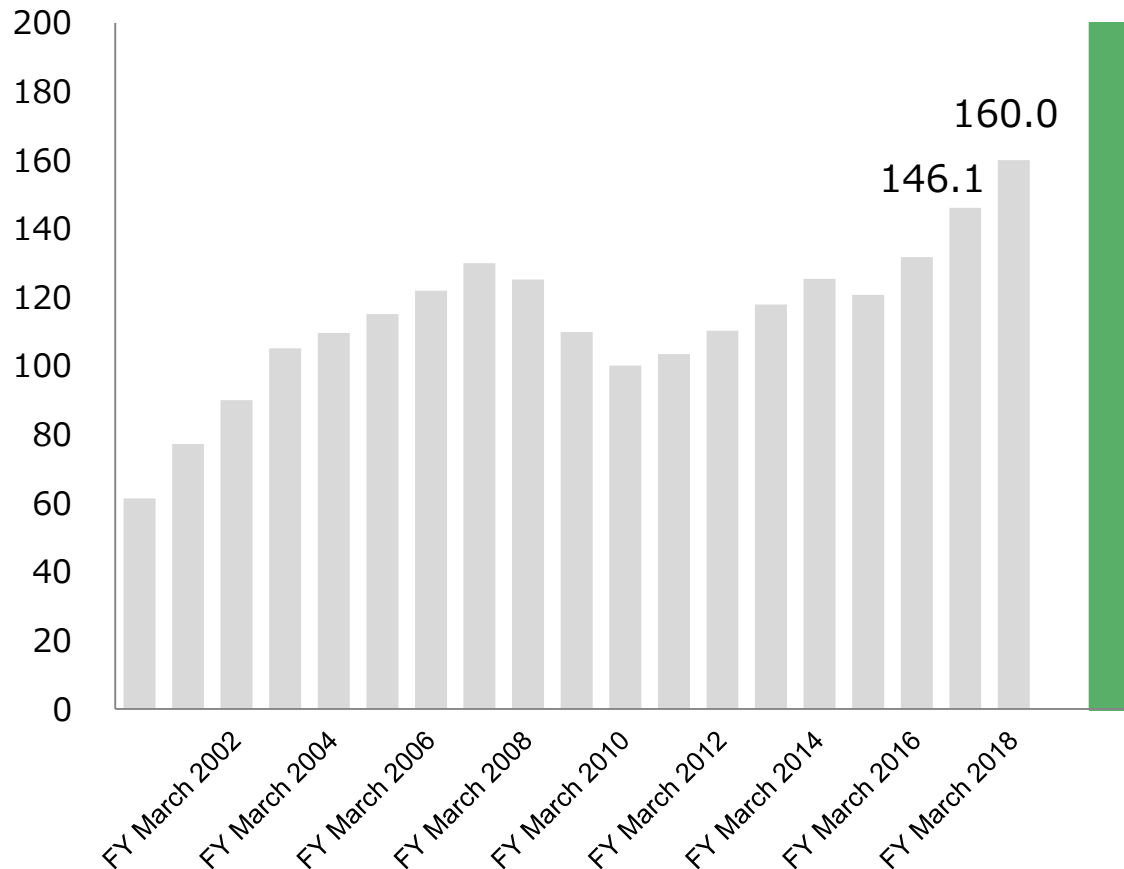
## 2. Management Policy

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**To achieve the targets in the 3rd Business Plan and net sales of 200.0 billion yen**

Change in net sales  
(billion yen)

**200.0 billion yen**



- Working to achieve record-high net sales and operating income.
- Human resource development leads to an increase in new initiatives and higher potential for success.
- Achieve further growth and new outcomes by improving business foundations.

## 2. Management Policy – Strengthen four businesses

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





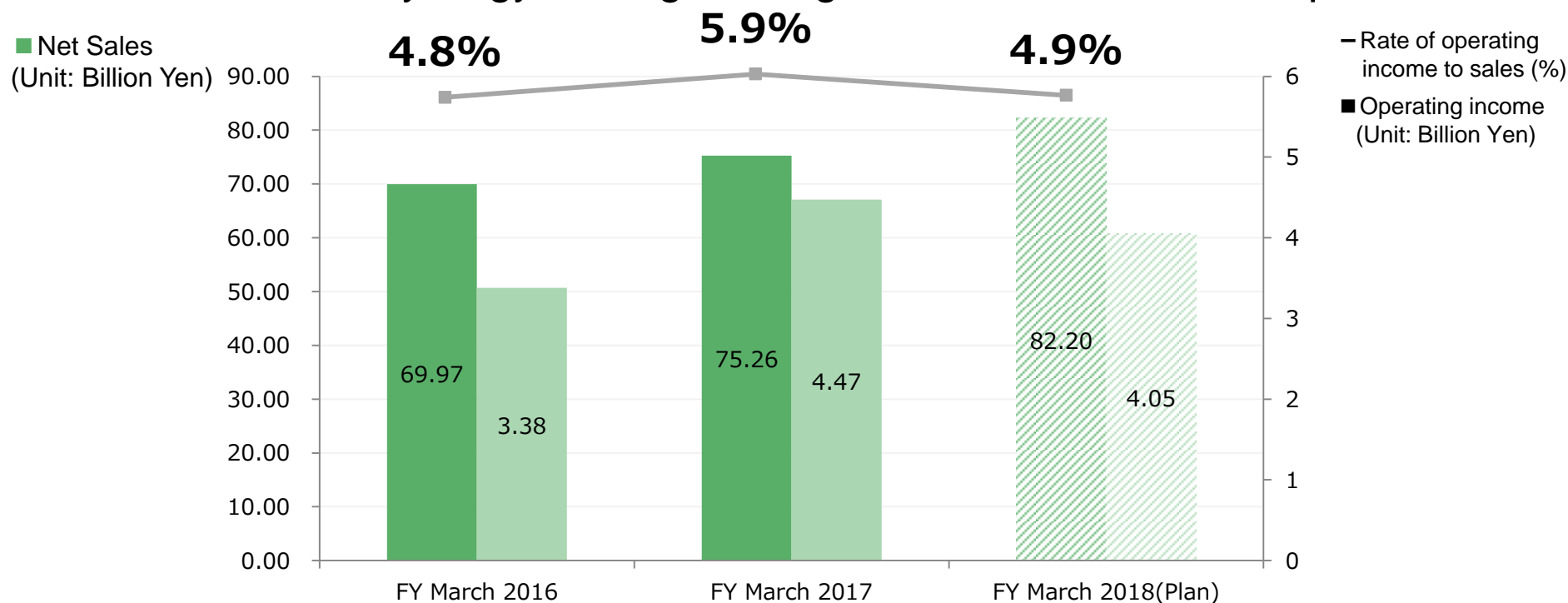
## 2-1. General Mail Order Business

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

Implement strategies to increase growth potential and profitability while balancing both.

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



### Increase catalog-based sales

1. Increase our market share of catalog-based sales
  - (1) Enhance the existing catalogs
    - i. Increase product appeal
    - ii. Change the catalogs and take on challenges
2. Develop new customers
  - (1) Use mass media (free catalogs, TV and newspapers)
3. Increase product appeal
  - (1) Develop best-selling products
    - i. Respond to changes in trends
  - (2) Reduce inventory
    - i. Reduce SKUs
4. Improve infrastructure
  - (1) Distribution
  - (2) Call center

### Strengthen operations via the Internet

1. Increase exclusive planning staff members for the online business
2. Introduce online-exclusive products
  - (1) Introduce brand collaboration products
  - (2) Introduce standard products
3. Improve e-commerce websites
4. Increase appeal for customers

## 2-1. General Mail Order Business

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Strengthen operations via the Internet.

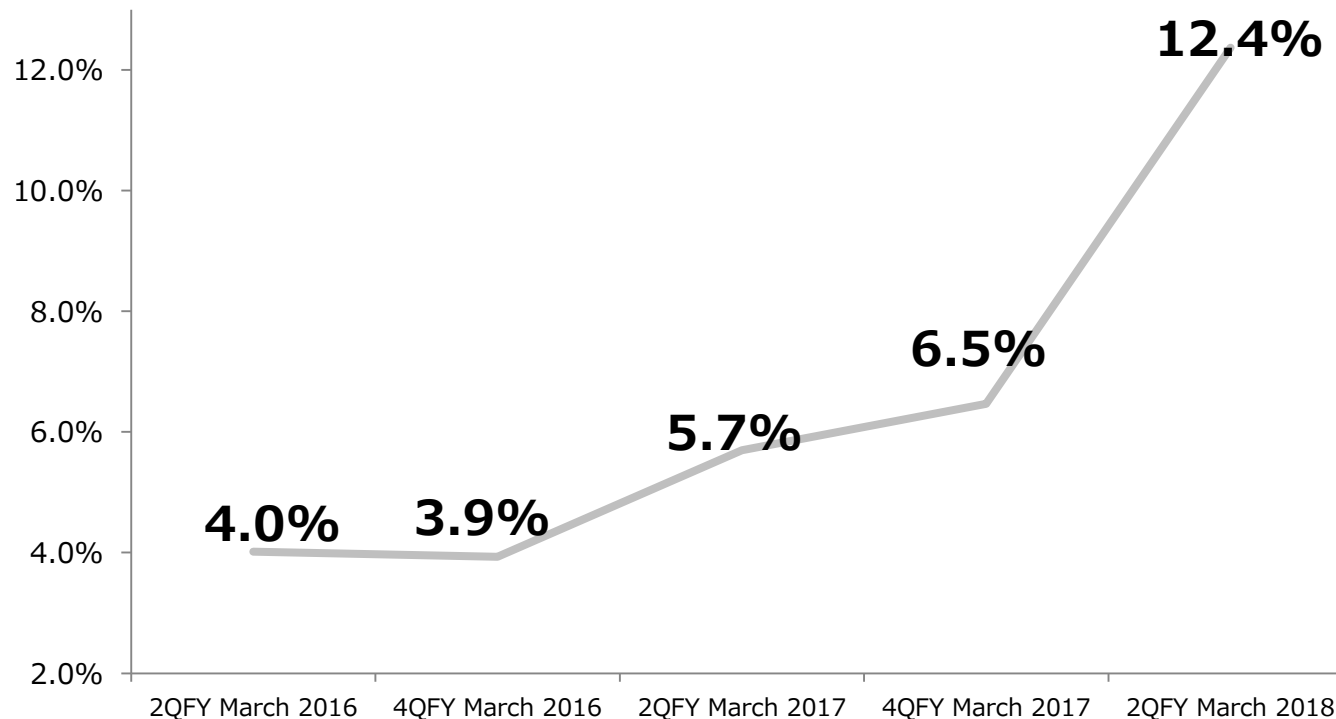
### 2. Component ratio of online-exclusive products in net sales

The FY March 2018 target is 12.0%, while the second quarter of FY March 2018 is 12.4%.

Develop a foundation for e-commerce exclusive products and raise the hit product ratio for consignment products in the second half of the fiscal year.

Component ratio of online-exclusive products in net sales

( Unit : % )



## 2-1. General Mail Order Business

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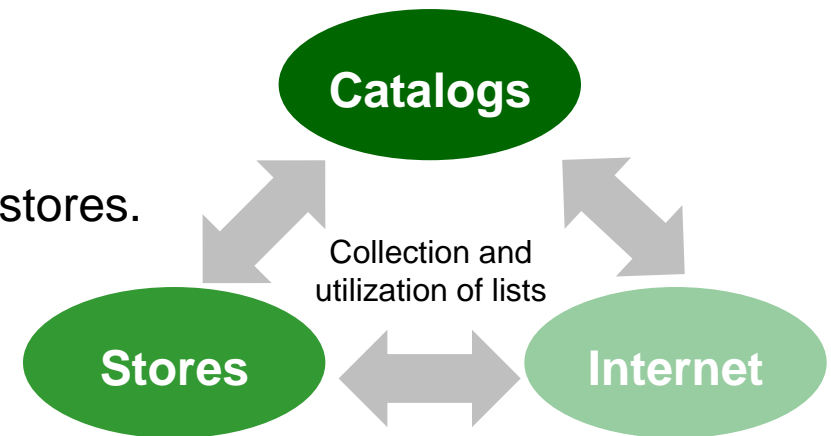
### Synergy among catalog, Internet, and in-store operations

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.



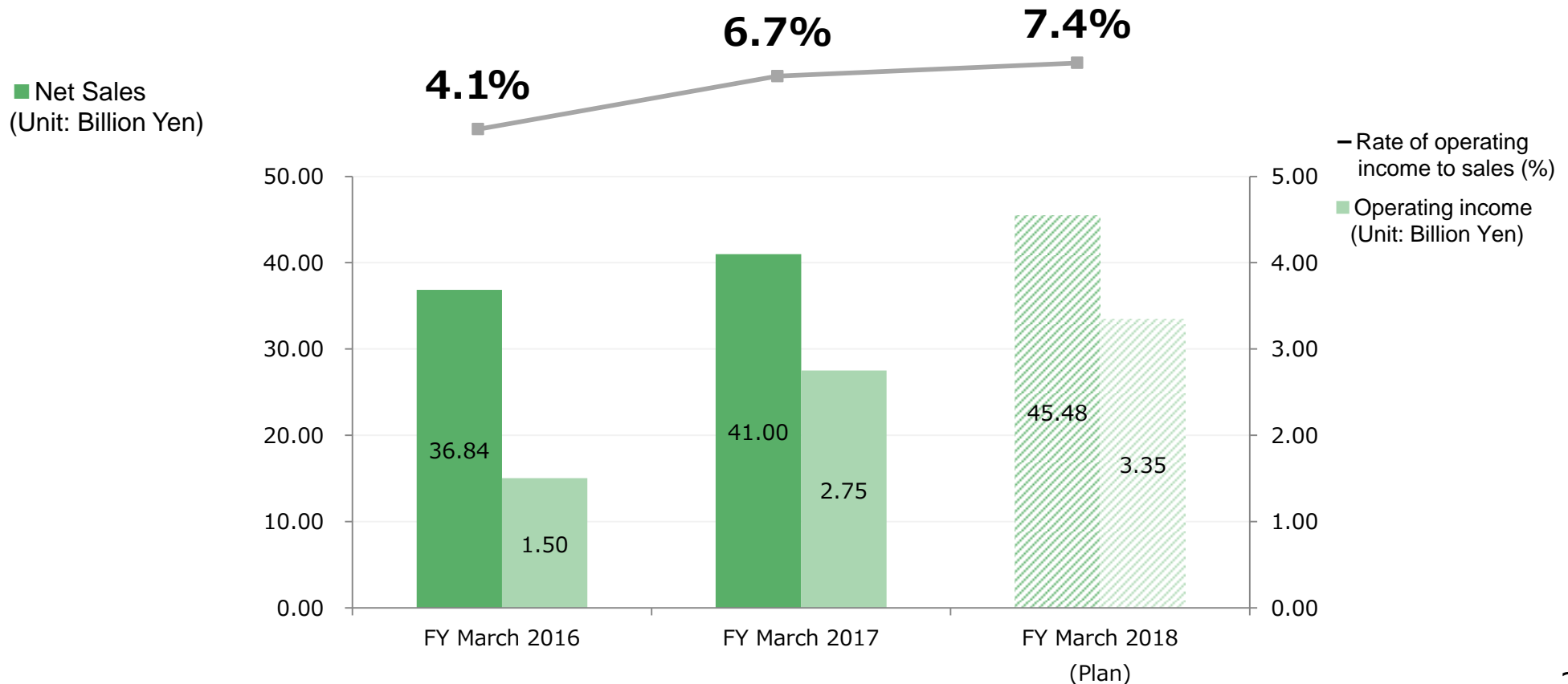
2. An effective use of television is expected.

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

## 2-2. Specialty Mail Order Business

Successful new product development resulted in strong sales in the gourmet food/drink business and cosmetics business. BELLUNA

While profit decreased for the first half of the fiscal year partly due to payment of media expenses ahead of schedule, the full-year target is expected to be achieved.



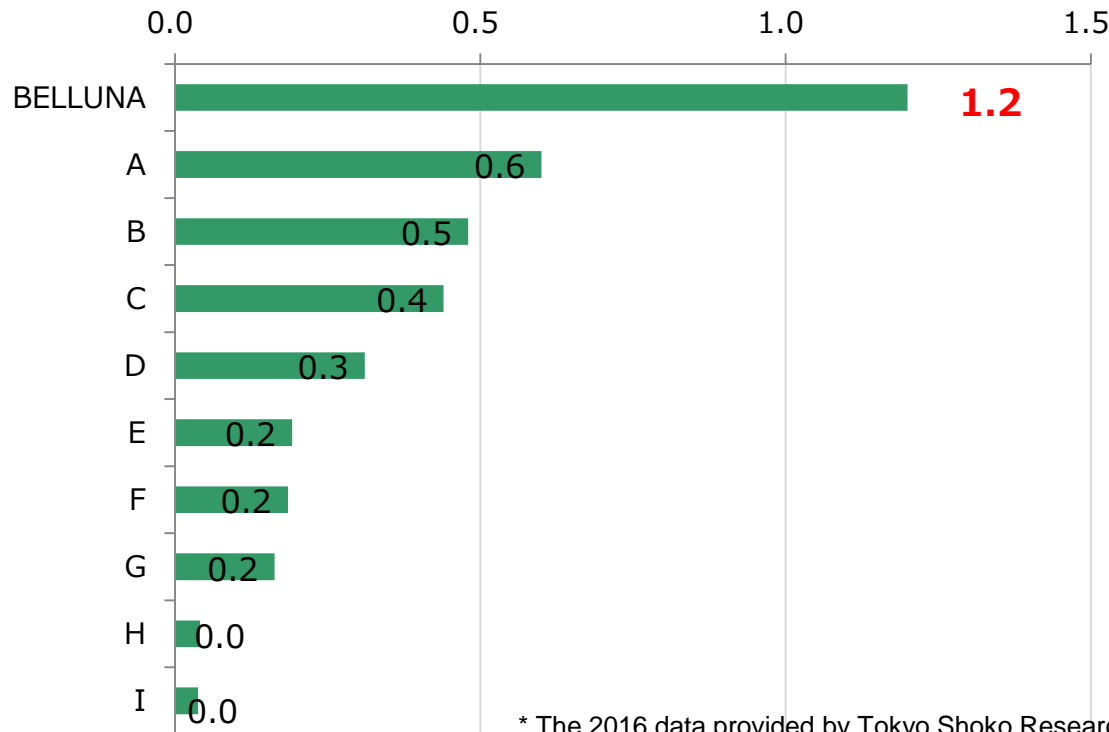
## 2-2. Specialty Mail Order Business

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### Highest domestic sales of mail-order Japanese sake

« Ranking of domestic sales of mail-order Japanese sake »

(Unit: Billion Yen)



\* The 2016 data provided by Tokyo Shoko Research, Ltd.

**Selling approx. 670,000 bottles of Japanese sake per year**



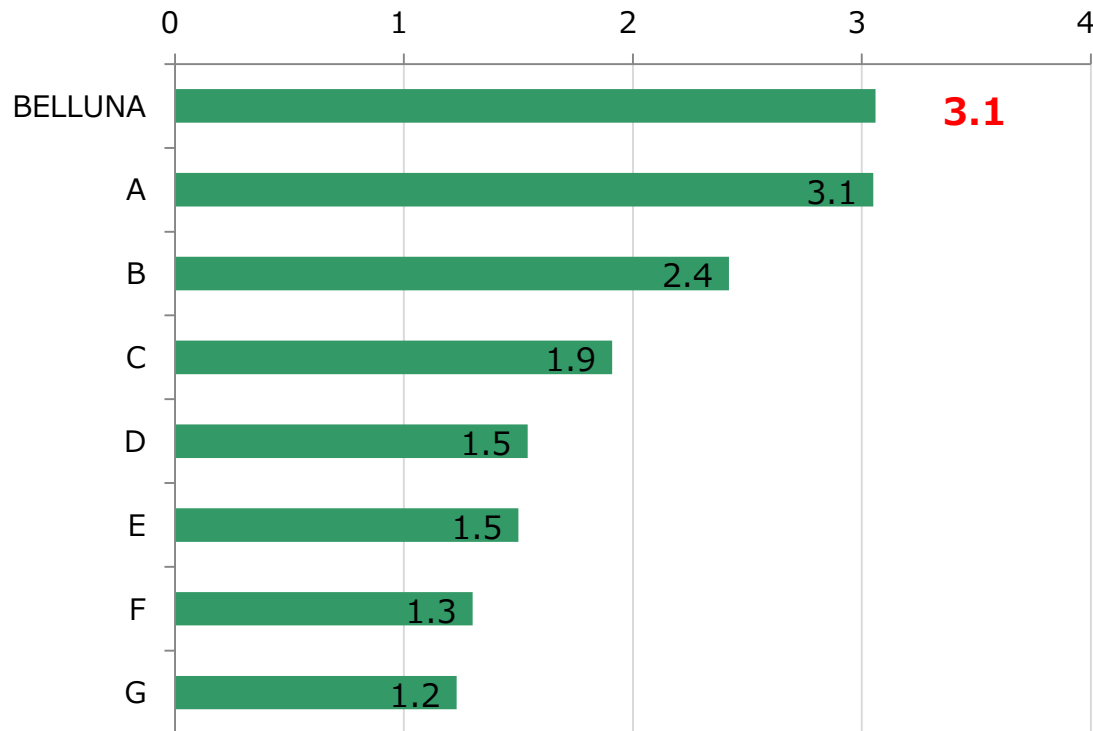
## 2-2. Specialty Mail Order Business

BELLUNA

### Highest domestic sales of mail-order wine for nine consecutive years

≪ Ranking of domestic sales of mail-order wine ≫

(Unit: Billion Yen)



\* The 2016 data provided by Tokyo Shoko Research, Ltd.

**Selling approx.  
4,000,000 bottles of  
wine per year**

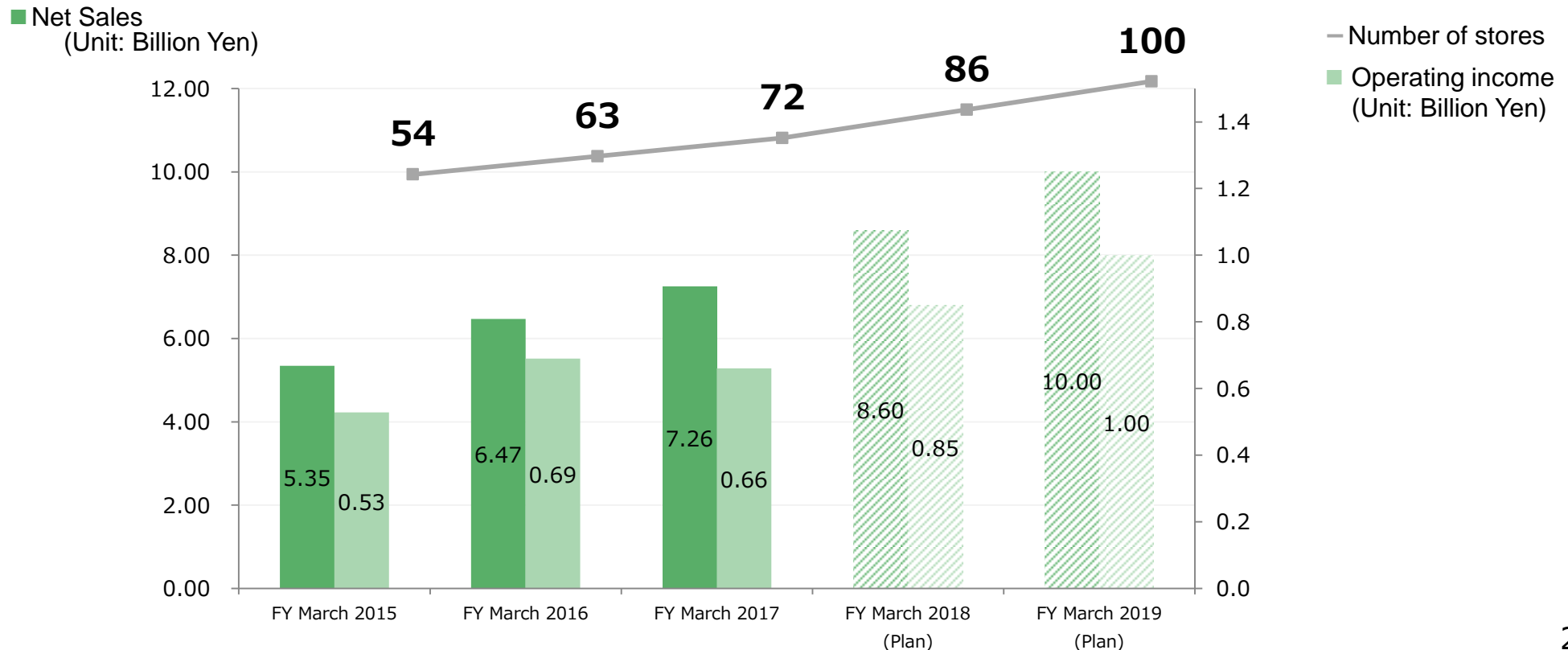




## 2-3. Retail Store Sales: Stores selling *kimono* and Japanese-style goods

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Both net sales and operating income exceeded the targets in the first half of the fiscal year. The number of stores operating reached 74 as of September 30, 2017, and the full-year targets are expected to be achieved.



## 2-3. Retail Store Sales: Apparel stores

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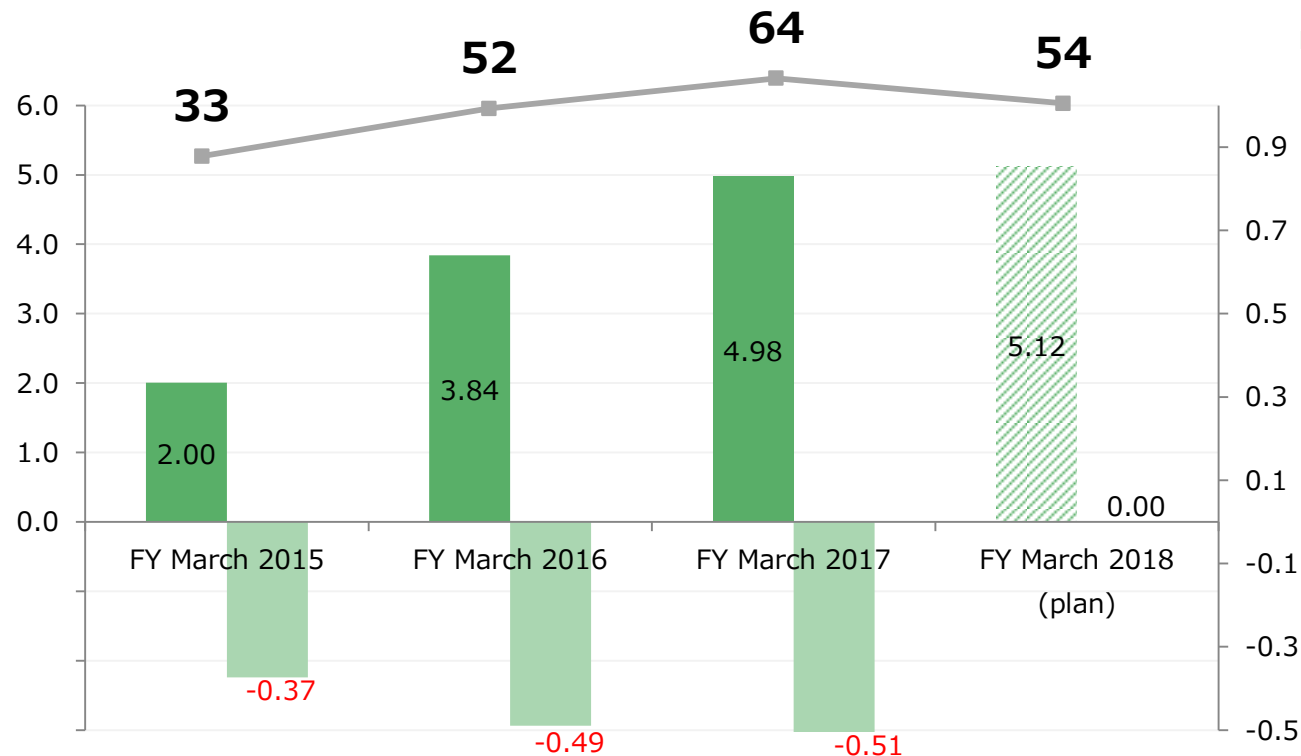
First half of the fiscal year: 1 store opened and 9 stores closed.  
Net sales at existing stores increased 3.5% and both net sales and operating income exceeded the targets.



Projected number of stores and net sales

■ Net Sales  
(Unit: Billion Yen)

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



## 2-4. Property (Hotel)

The hotel business is expected to turn a profit during the fiscal year ending *BELLUNA* March 2018.

A new hotel opened in Kyoto in July 2017.





## 2-4. Property (Hotel)

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[Galle Hotel] Scheduled to open in April 2018



## 2-4. Property (Hotel)

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[Maldives Hotel] Scheduled to open in April 2018



## 2-5. Development of New Businesses

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### 1. Development of an online shopping mall

- (1) Product appeal
- (2) System capacity
- (3) Marketing capabilities

### 2. Horizontal development of nursing business

Business development using databases

- (1) Recruiting agent service for nurses
- (2) Temporary staffing service(future plan)

### 3. Overseas development of Mini Belluna

- (1) Develop a Belluna business model that fits the local market



## 2-6. Returns to shareholders

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### 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>

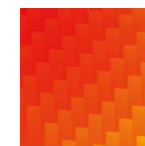
[Details]

	100 shares or more	500 shares or more	1,000 shares or more
Complimentary ticket for the general mail order business, complimentary coupons that can be used at Belluna online stores, 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
Complimentary ticket for Urabandai Lake Resort	One pc	Two pcs	Four pcs
Complimentary ticket for Le Grand Kyu Karuizawa	One pc	One pc	One pc

[Eligible shareholders]

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

\* Complimentary ticket for Le Grand Kyu Karuizawa are only provided once a year (issued in early December).



株主様  
ご優待券

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The fiscal year ending March 2018 is the second year in the 3rd Business Plan. We will make active efforts to achieve the targets in the business plan ahead of schedule.



## <Important notice>

This material is prepared for the purpose of publicly disclosing information concerning the financial results of the 1st Half ended September 30, 2017. Nothing in this document shall be considered to be an offer to sell or a solicitation of an offer to buy securities issued by the Company. It is prepared based on the data available as of November 24, 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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