

CORPORATE PRESENTATION

(Fiscal Year Ended March 31, 2018)



▲
Cosmetics mail order
「OZIO」



▲
BELLUNA Net -
A mail order website



▲
Main catalog
BELLUNA



▲
Apparel stores
「BELLUNA」

BELLUNA

Friday, May 25, 2018

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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 FY March 2019

Net sales, operating income and net income reached the forecasts.

- Net sales increased 10.7% year on year.
- Operating income increased 19.5% year on year, particularly thanks to the Retail Store Sales Business.
- Ordinary income increased 8.7% only, due to exchange rate-related gains became negative.
- Net income increased 66.6%, to 9.67 billion yen, partly as a result of the sale of fixed assets.

1-2. Financial summary

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Net sales: 10.7% up year on year to surpass the plan

Operating income: 19.5% up year on year to reach the plan

While ordinary income was below the forecast due to exchange rate-related losses, net income exceeded the forecast.

Unit: Billion Yen

Consolidated	FY March 2017	FY March 2018			FY March 2019
	Actual	Actual	vs.Plan	YoY Change	Plan
Net Sales	146.08	161.67	1.0%	10.7%	180.00
Cost of Sales	64.32	71.78	4.0%	11.6%	78.00
Selling, General & Administrative Expenses	70.88	76.89	-1.4%	8.5%	87.00
Operating income	10.88	13.01	0.1%	19.5%	15.00
Non-operating Income and Expenses	1.31	0.24	-52.0%	-81.6%	0.50
(Exchange rate-related gains and losses)	(0.42)	(-0.28)	-	-	-
Ordinary income	12.19	13.25	-1.9%	8.7%	15.50
Net income	5.80	9.67	9.8%	66.6%	10.50

1-3. Profitability by segment

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Net sales: Sales increased in all segments.

Operating income: Operating income increased in Retail Store Sales and three other segments. It decreased in General Mail Order and two other segments.

- Increased profitability of existing apparel stores contributed to growth exceeding the forecast.
- General Mail Order exceeded the forecast thanks primarily to increased efficiency of media expenses.
- Operating income in Specialty Mail Order did not reach the forecast due mainly to cost for acquiring new customers and restructuring unprofitable media.

Consolidated Net Sales and Operating Income by Segment

Unit: Billion Yen

	FY March 2018								
	General Mail Order	Specialty Mail Order	Retail Store Sales	Solution	Finance	Property	Other	Elimination or Corporate	Total
Net Sales	78.61	46.01	14.27	6.11	3.46	7.58	6.51	-0.88	161.67
vs.Plan(%)	-4.4%	+1.2%	+4.0%	+5.0%	-0.1%	+29.6%	-1.4%	-71.9%	+1.0%
YoY Change(%)	+4.5%	+12.2%	+16.6%	+12.6%	+11.8%	+108.7%	+7.6%	+42.2%	+10.7%
Operating Income	4.26	2.66	1.16	2.37	1.57	1.04	0.22	-0.27	13.01
vs.Plan(billion yen)	0.21	-0.68	0.31	-0.09	0.17	-0.01	0.08	0.02	0.01
YoY Change(billion yen)	-0.21	-0.09	1.01	-0.05	0.39	1.03	0.02	0.02	2.13
Operating Income Ratio	5.4%	5.8%	8.1%	38.8%	45.3%	13.7%	3.4%	30.9%	8.0%

※The segment of Maimu Co., Ltd. is changed from the Retail Store Sales Business to Other Business from the current fiscal year.

1-4. Analysis of increases and decreases in sales

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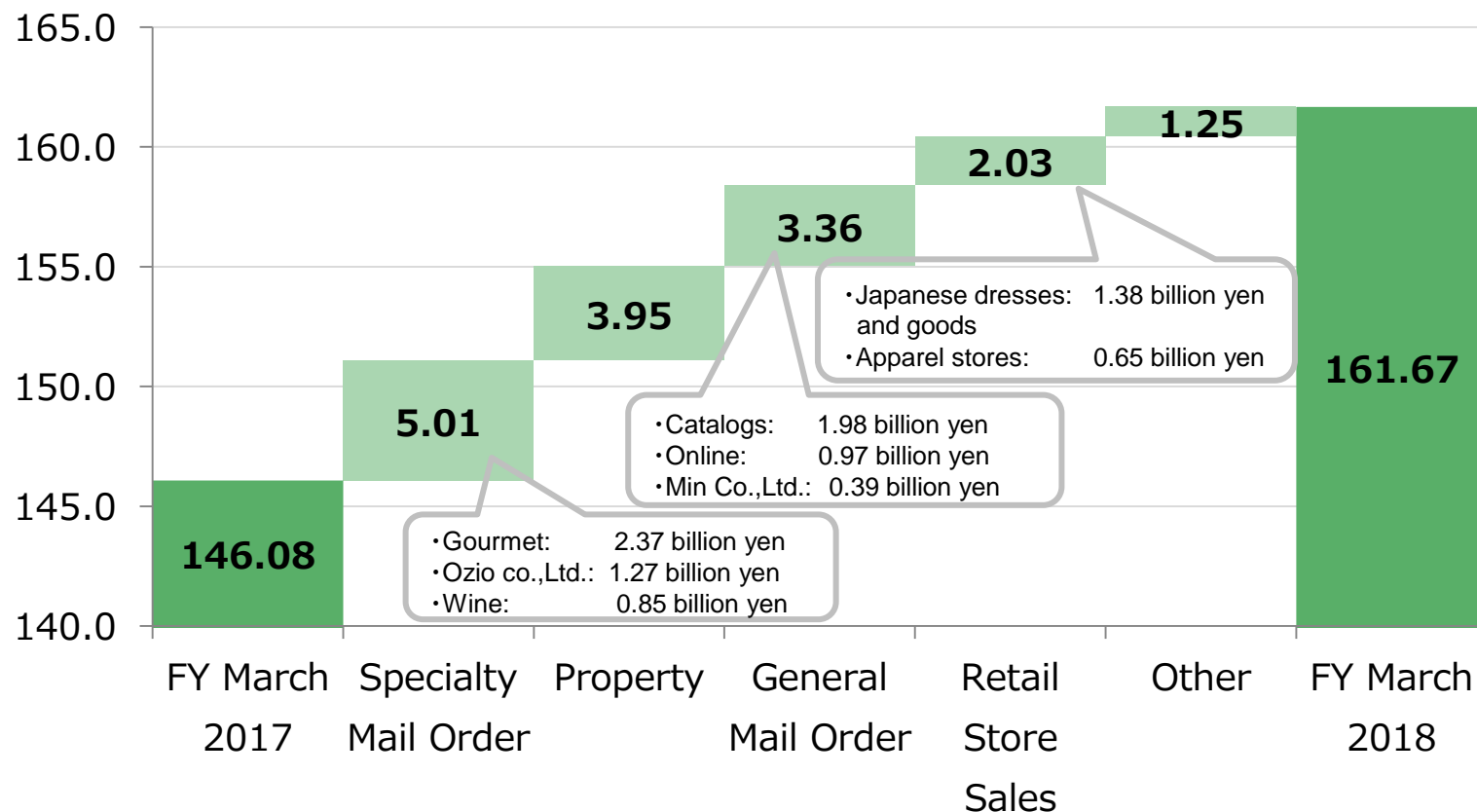
In the Specialty Mail Order segment, sales in the gourmet and wine business and cosmetics business remained strong and helped significantly increase profit.

Sales in the General Mail Order segment grew thanks to a rise in sales through catalogs targeting middle-aged women.

In the Retail Store Sales Business, sales increased due largely to the opening of new Japanese dress and goods stores and strong sales at existing apparel stores.

Factors for change in net sales

Unit: Billion Yen



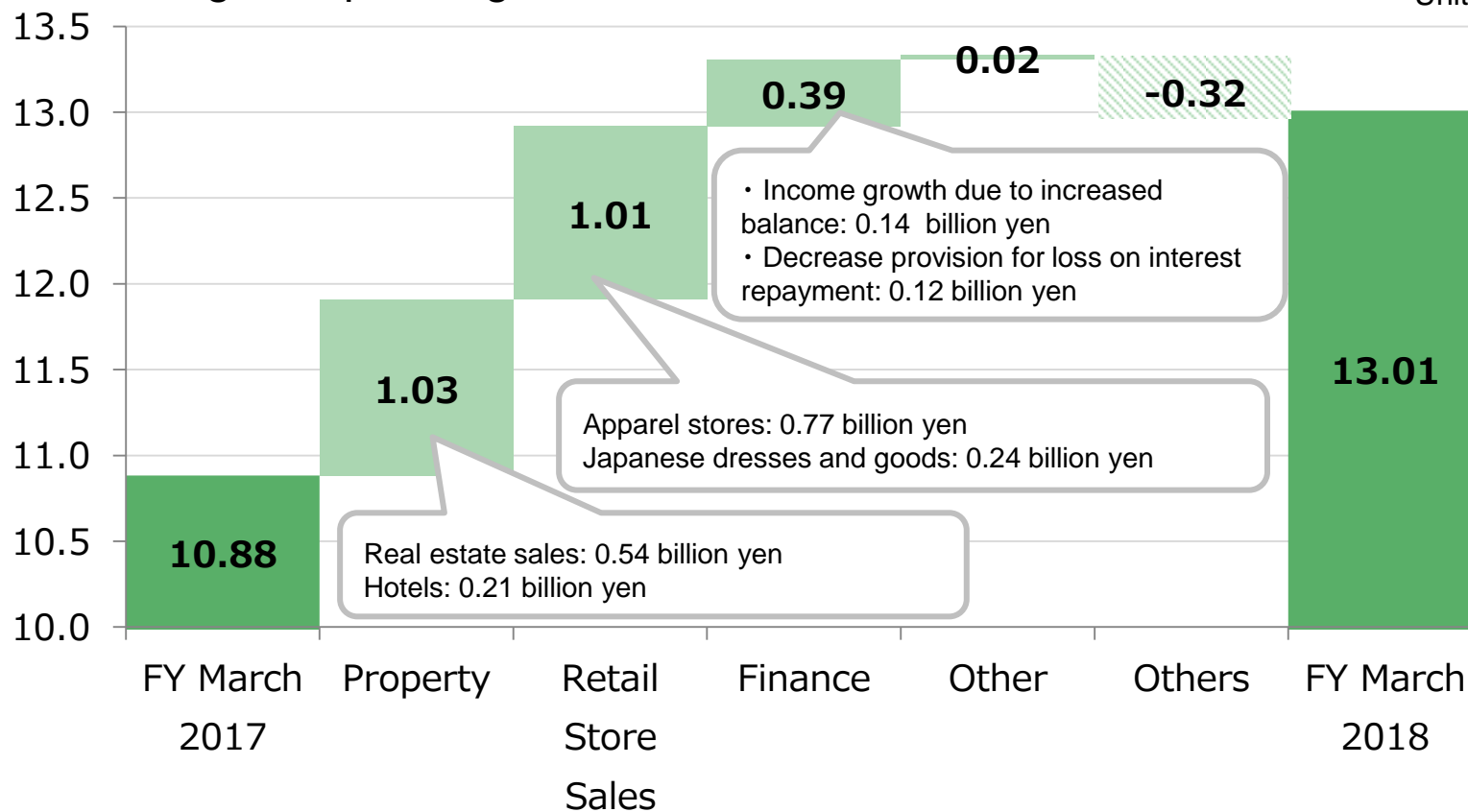
1-5. Analysis of increases and decreases in operating income

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Operating income grew substantially thanks largely to the sale of real estate and the opening and increased occupancy of the Kyoto hotel in the Property segment, together with higher profitability mainly at apparel stores in the Retail Store Sales segment. Income increased also in the Finance segment thanks to an increase in the balance, a decrease in the provision for loss on interest repayment, and other factors.

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, operating loans, merchandise and tangible fixed assets.

Whereas, liabilities rose, partially due to increased interest bearing liabilities.

Unit: Billion Yen

	As of March 31,2017	As of March 31,2018	Change
Current liabilities	84.79	90.85	6.06
Cash and deposits	20.18	22.75	2.57
Operating loans	18.96	20.81	1.85
Merchandise	15.97	17.98	2.00
Non-current assets	94.23	105.09	10.86
tangible fixed assets	64.26	75.55	11.29
Total Assets	179.02	195.95	16.92
Liabilities	91.25	102.89	11.64
Notes and accounts payable-trade	17.74	18.38	0.64
Interest-bearing liabilities	52.08	63.12	11.04
Net assets	87.77	93.06	5.28
Retained earnings	63.36	71.81	8.45
[Shareholders' Equity Ratio]	[47.4%]	[47.1%]	[-0.3P]

1-7. Statement of cash flows

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Cash flow from investing activities was negative largely due to the acquisition of tangible fixed assets, which was offset by an increase in operating cash flow and financing cash flow, mainly as a result of the bond issuance proceeds.

	FY March 2017	FY March 2018		Unit: Billion Yen
		Actual	YoY Change	
Cash flows from operating activities	8.21	8.92	0.71	
Income before income taxes	9.77	13.73	3.96	
Income taxes paid	-2.14	-4.85	-2.71	
Cash flows from investing activities	-9.95	-12.85	-2.91	
purchase of tangible fixed assets	-7.73	-14.91	-7.18	
Proceeds from sales of tangible fixed assets	0.01	2.89	2.88	
Cash flows from financing activities	3.00	6.94	3.95	
Change in short- and long-term borrowings	4.89	1.11	-3.77	Capital expenditure* ¹ 15.69 billion yen
Proceeds from issuance of bonds	0.00	10.00	10.00	
Translation differences on cash	-0.09	-0.40	-0.31	Depreciation* ²
Increase/decrease in cash	1.18	2.61	1.44	2.50 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 2019

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Net sales continues to be above the target and operating income is expected to reach the target. The aim for the fiscal year ending March 2019 is to increase net sales by 11.3% year on year, or to 180 billion yen, as well as operating income by 15.3%, or to 15 billion yen.

Unit: Billion Yen

Consolidated	FY March 2017		FY March 2018		FY March 2019	
	Plan	Actual	Plan	Actual	Plan	Actual
Net Sales	140.00	146.08	160.00	161.67	180.00	+11.3%
Operating Income	11.00	10.88	13.00	13.01	15.00	+15.3%
Ordinary Income	11.00	12.19	13.50	13.25	15.50	+17.0%
Net Income	7.00	5.80	8.80	9.67	10.50	+8.6%
Interest Bearing Liabilities	43.00~48.00	52.08	53.00~58.00	63.12	66.00~71.00	+4.6~12.5%
Net Assets	86.50	87.77	92.93	93.06	102.00	+9.6%
ROE	8.1%	7.0%	9.5%	10.9%	10.8%	-0.1P

1-8. Plan for FY March 2019

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Net sales will continue to increase with a focus on the four main businesses. Profit growth will be led by segments such as the Specialty Mail Order business, which implemented the active acquisition of new customers, restructuring of unprofitable media and other measures in the previous fiscal year.

Budgets by Segment

Unit: Billion Yen

	FY March 2019								Total
	General Mail order	Specialty Mail order	Retail Store Sales	Solution	Finance	Property	Others	Elimination or Corporate	
Net sales	84.02	50.41	16.74	6.26	3.84	12.51	7.42	-1.21	180.00
YoY Change(%)	+6.9%	+9.6%	+17.4%	+2.5%	+11.1%	+65.0%	+14.0%	+38.6%	+11.3%
Operating Income	4.36	3.71	1.01	2.30	1.75	1.72	0.41	-0.26	15.00
YoY Change(billion yen)	0.10	1.05	-0.15	-0.07	0.18	0.69	0.19	0.01	1.99

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 the Internet).

External environment

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

Internal environment

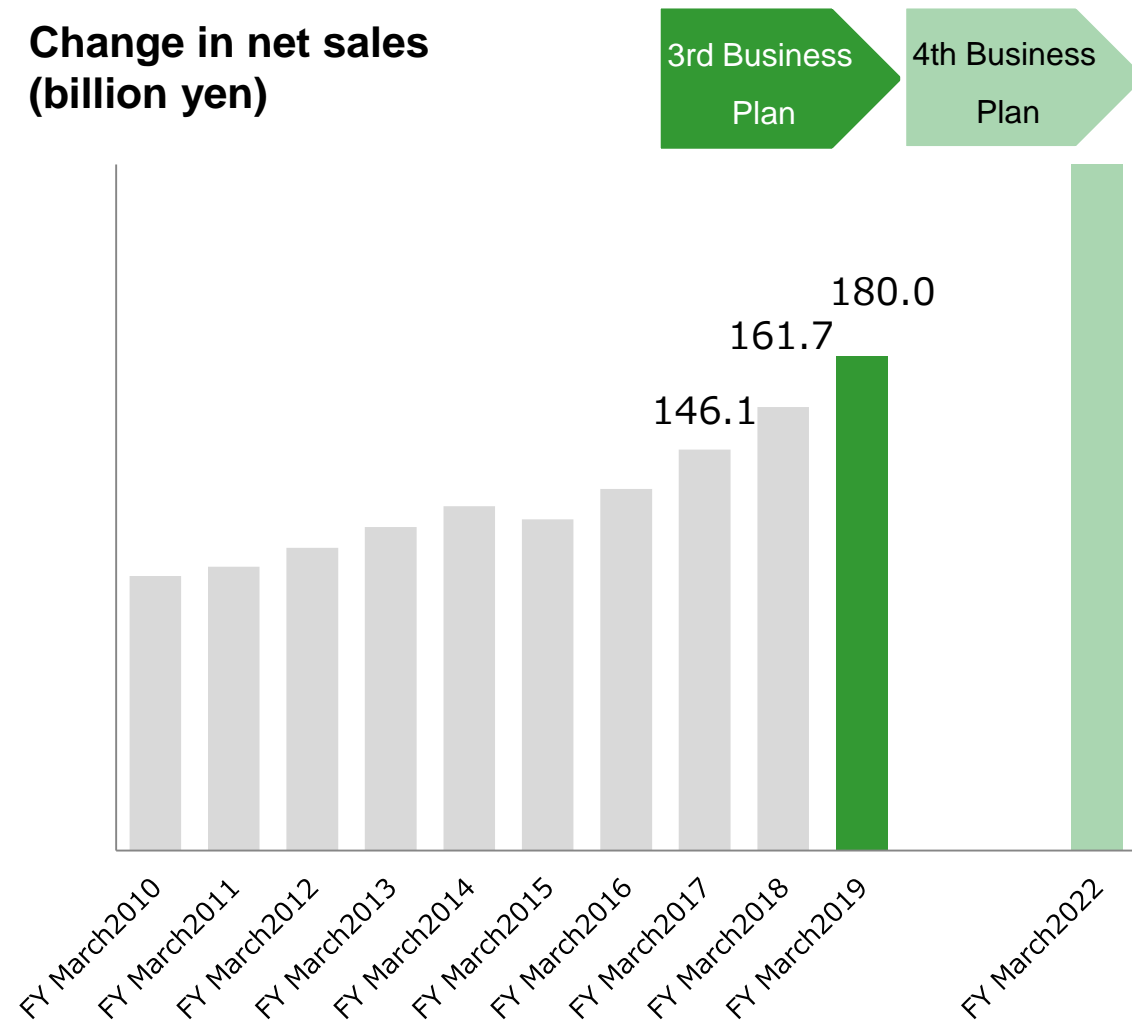
- Maturity of portfolio management
- Maturity of organizational structure
- Rejuvenation of businesses

2. Management Policy

The fiscal year ending March 2019 is the final fiscal year of our 3rd Business Plan. BELLUNA

To reach the targets for the fiscal year ending March 2019 and towards the 4th Business Plan:

Change in net sales
(billion yen)



- We achieved record-high net sales and operating income in the fiscal year ended March 2018. Also, we reached the sales target for the 3rd Business Plan ahead of the plan in the fiscal year ended March 2018.
- Amid significant changes in the external environment, we anticipated the changes, which led to growth.
- We will establish our business platform in view of our current financial forecasts and the 4th Business Plan.

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** by launching new stores and improve its profitability.
4. Strengthen the **property business** to bring about the maturity of the portfolios.



2-1. General Mail Order Business

Situation Profit decreased in the fiscal year ended March 2018 due to turmoil in the home delivery industry.

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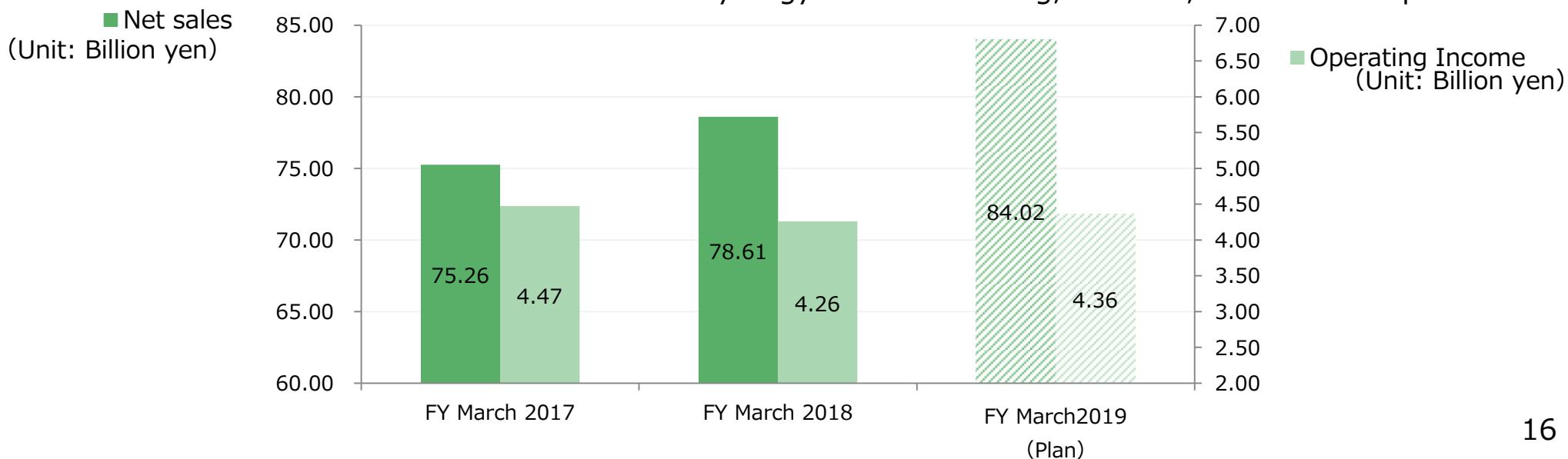
Past efforts:

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

Prospects In the fiscal year ended March 2019, establish business platform focusing on improvement of product appeal as well as expanding catalog sales and strengthening the internet business.

Efforts to be made from now on:

1. Improve product appeal.
2. Strengthen operations via the Internet.
3. Strengthen Ryuryu (targeting young people).
4. Create synergy between catalog, Internet, and in-store operations.



Increase catalog-based sales

1. Increase standard products
2. Increase the Ryuryu product line targeting people in their 20s and 30s
3. Strengthen the Ranan product line targeting people in their 40s
4. Improve shopping mall and online sales

Strengthen operations via the Internet

1. Introduce online-exclusive products
2. Continue to increase standard products
3. Improve production and operation
4. Raise the level of customer service
 - (1) Introduce Rakuten Pay
 - (2) Introduce discounts on bulk purchases

2-1. General Mail Order Business

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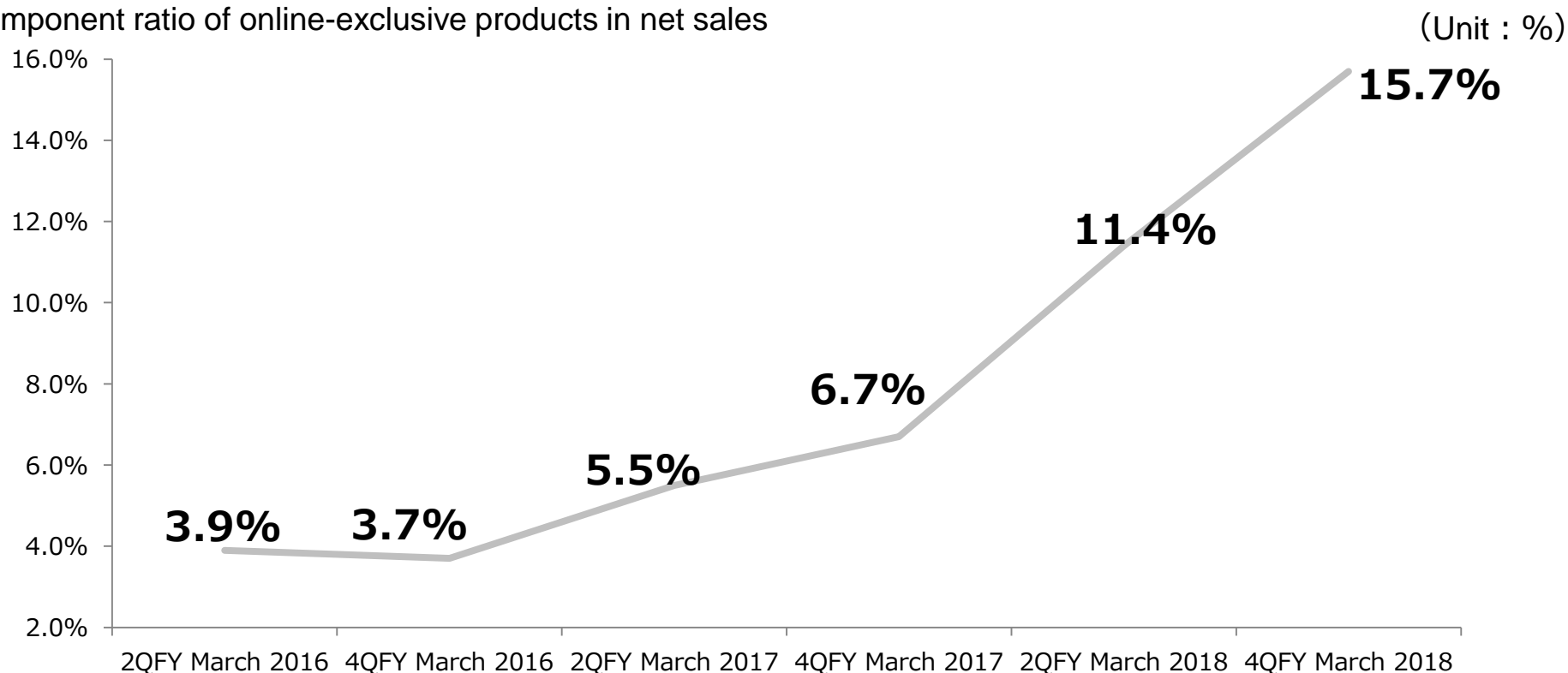
Strengthen operations via the Internet.

Component ratio of online-exclusive products in net sales

The FY March 2018 target is 12.0%, while the FY March 2018 result is 14.0%.

Aim for business growth primarily by increasing the amount of standard products during the FY ending March 2019.

Component ratio of online-exclusive products in net sales



2-1. General Mail Order Business

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Synergy among catalogs, Internet, and in-store operations

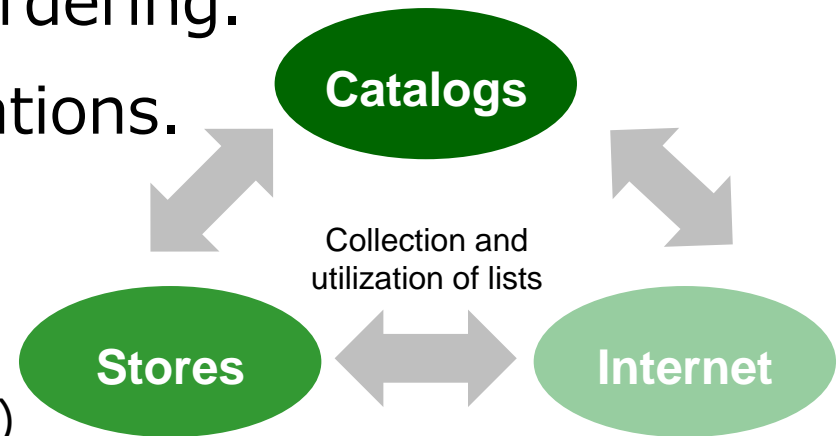
1. Efficiency is improved reciprocally (among catalogs, Internet and in-store operations) through synergy.

- (1) Improved responses in mail ordering.
- (2) Improved CVR in online operations.
- (3) Increase retail stores

FY March 2018
59 stores

→

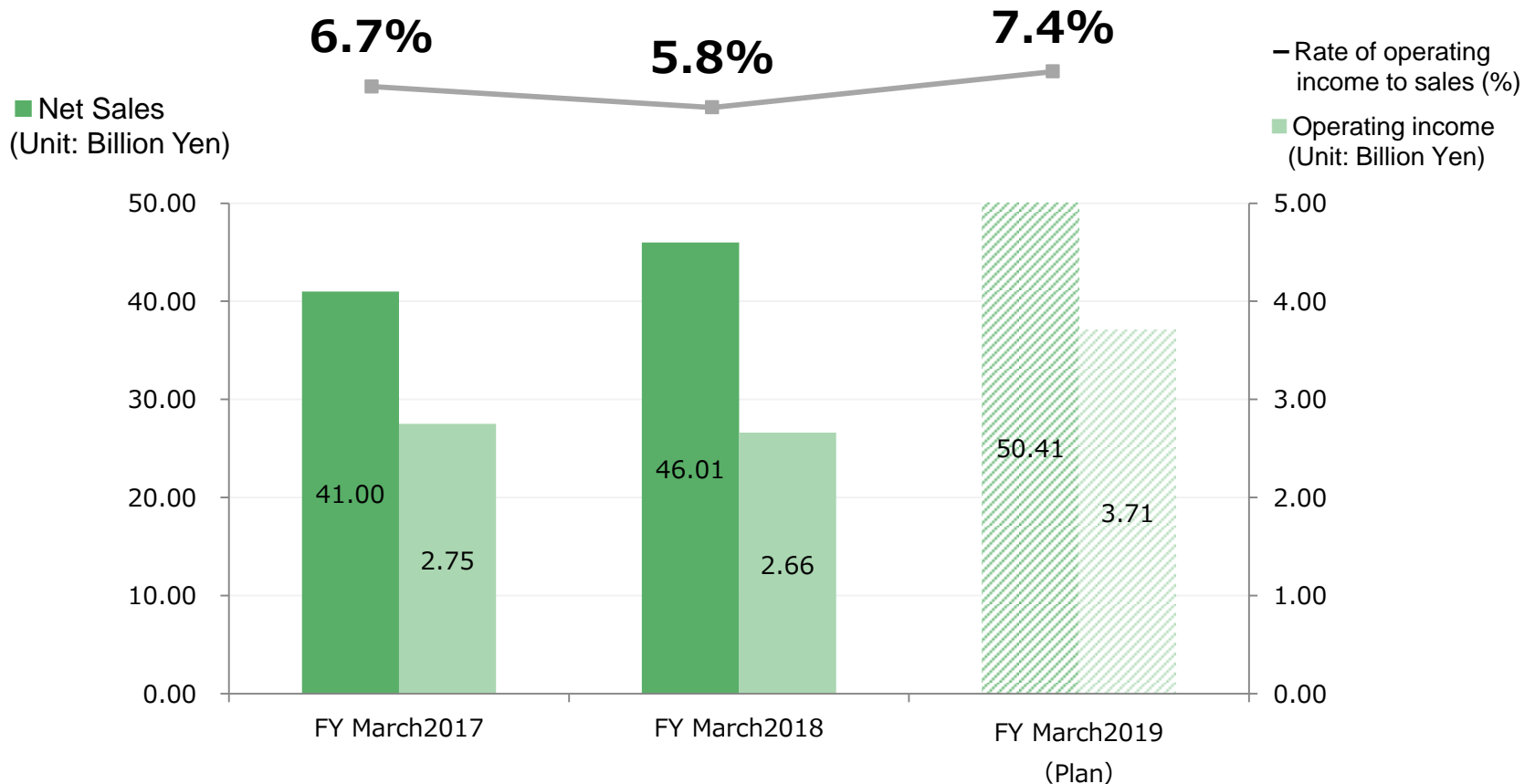
FY March 2019
90 stores (planned)



2-2. Specialty Mail Order Business

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Successful new product development and customer acquisition strategy for online sales in the fiscal year ended March 2018 resulted in a significant increase in sales. In the fiscal year ending March 2019, we will work to maximize customer LTV while aggressively attracting new customers to increase profitability.



2-2. Specialty Mail Order Business : Ozio

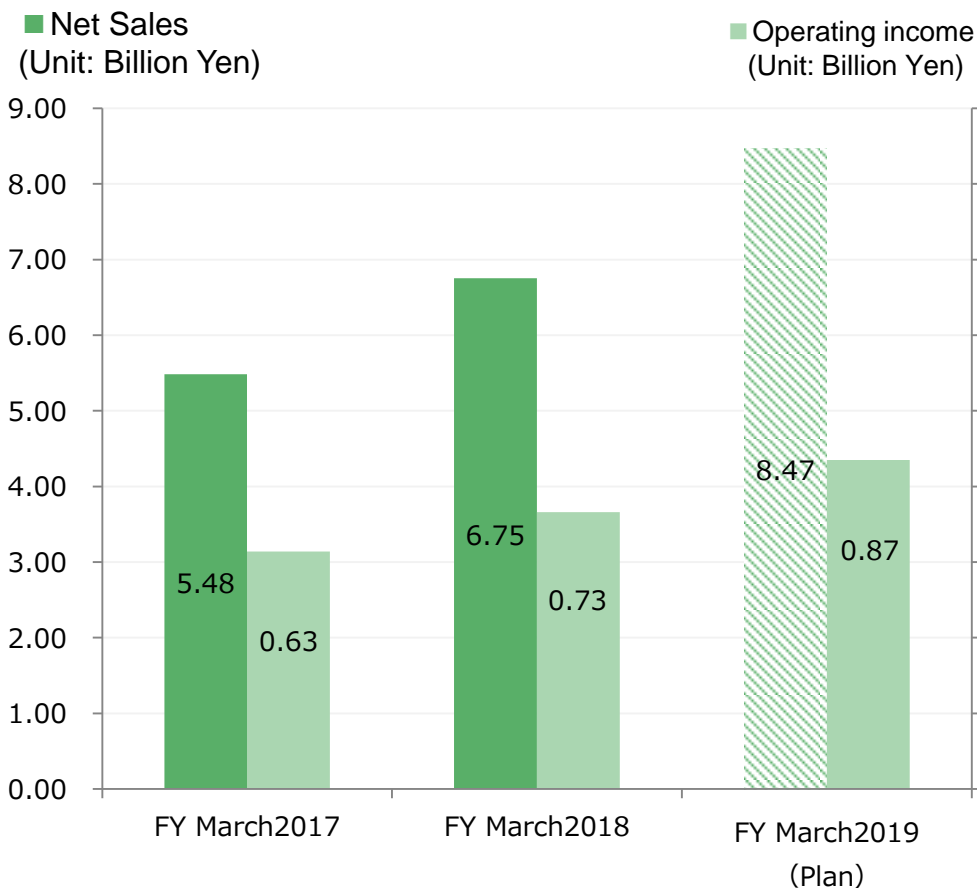
Products such as eggshell membrane cosmetics led growth.
Cross-border e-commerce in Taiwan also achieved a monthly surplus.

We will aim for major growth in the next fiscal year.

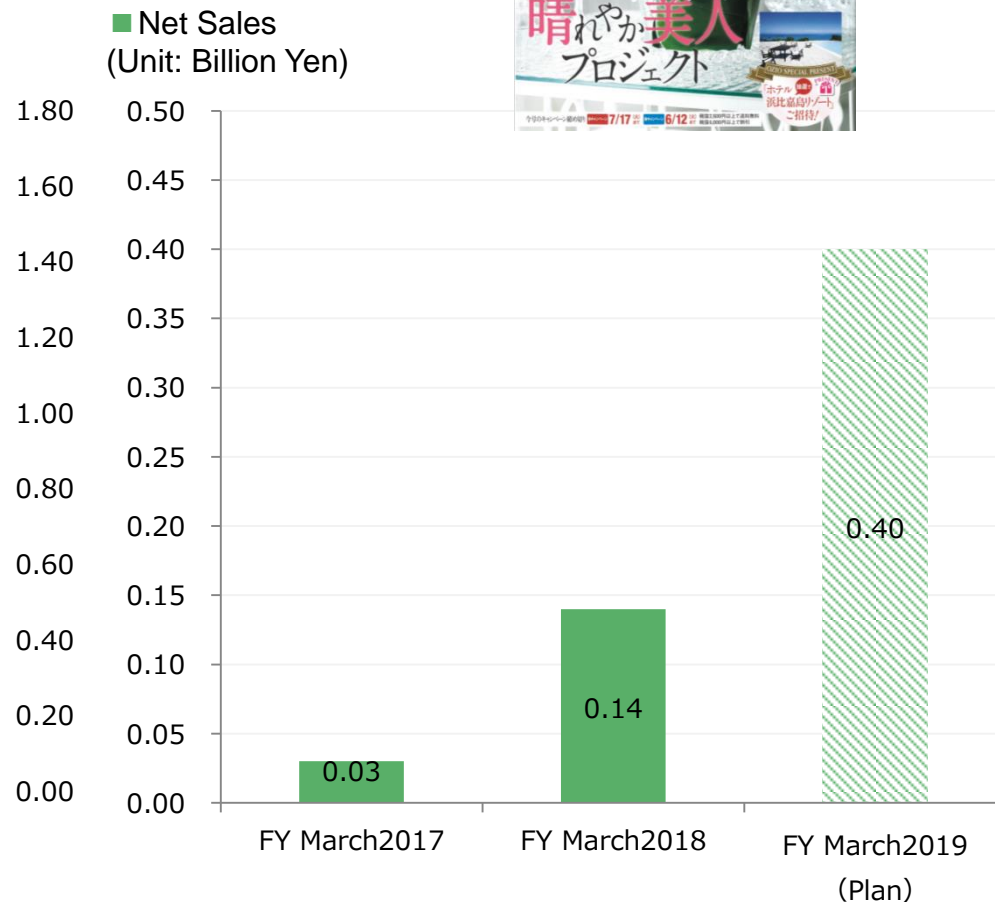


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«Ozio Net Sales・Operating Income»



«Net sales from Taiwan Ozio»



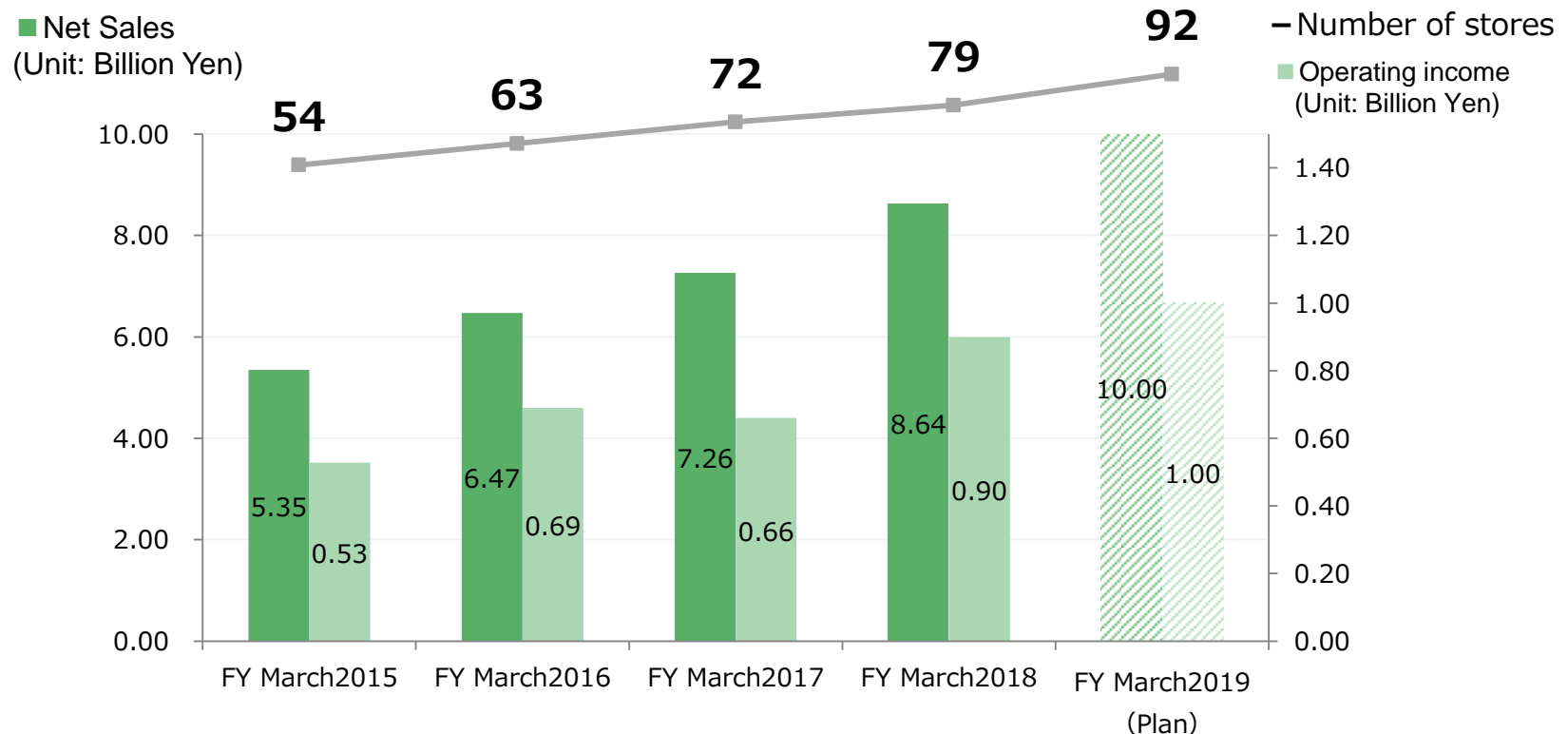
2-3. Retail Store Sales: Stores selling kimono and Japanese-style goods

Both net sales and profit exceeded targets in the fiscal year ended March 2018.

We will aim for a net increase of 13 stores in the fiscal year ending March 2019 and net sales of 10 billion yen.

Additionally, we decided to proceed TOB for Sagami Group Holdings Co., Ltd. on May 7.

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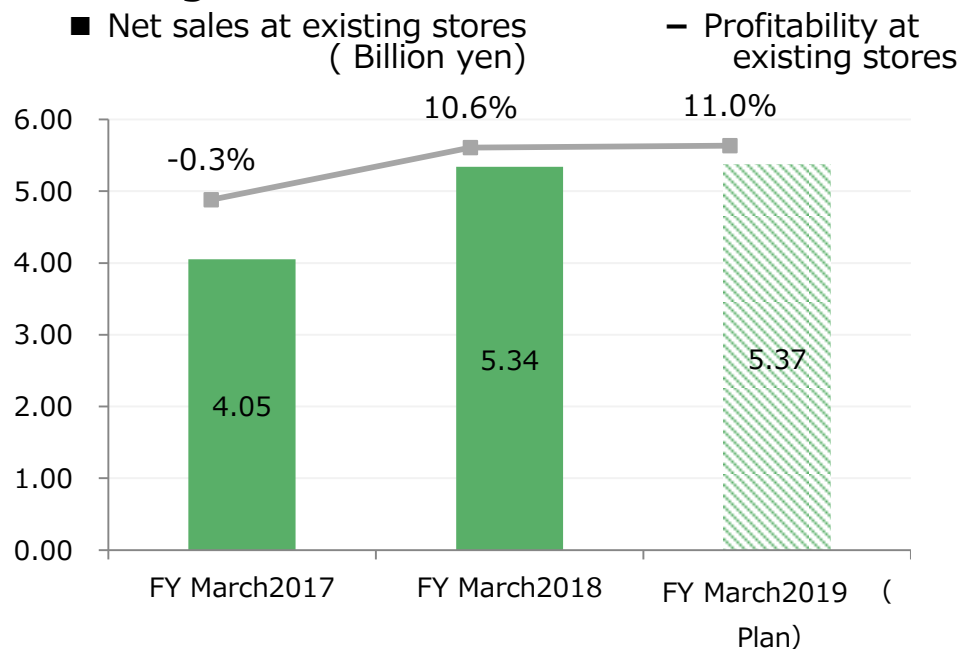


2-3. Retail Store Sales: Apparel stores

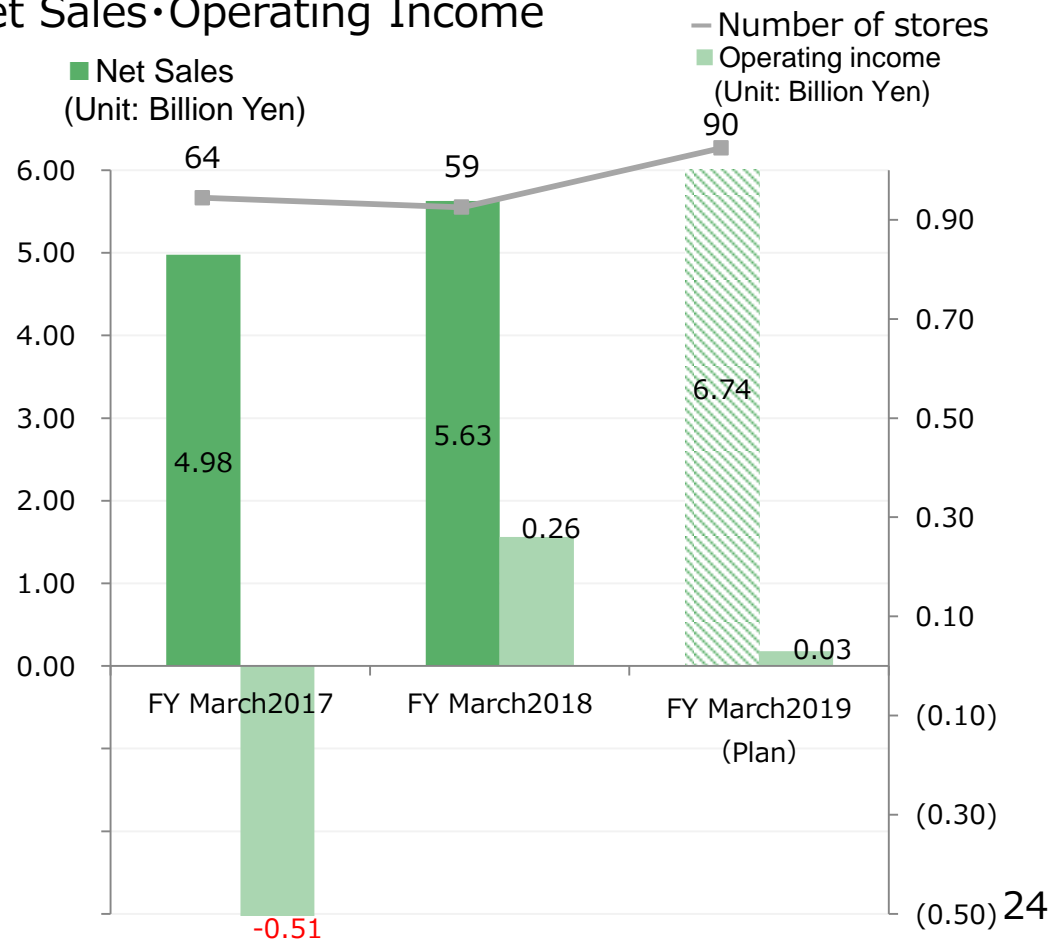
In the fiscal year ended March 2018, net sales at existing stores increased 31.8% and improved cost structure and others. As a result, both net sales and profit exceeded the targets. In the fiscal year ending March 2019, we will increase stores and maintain the sales growth trend.



Net sales and profitability at existing stores



Net Sales・Operating Income

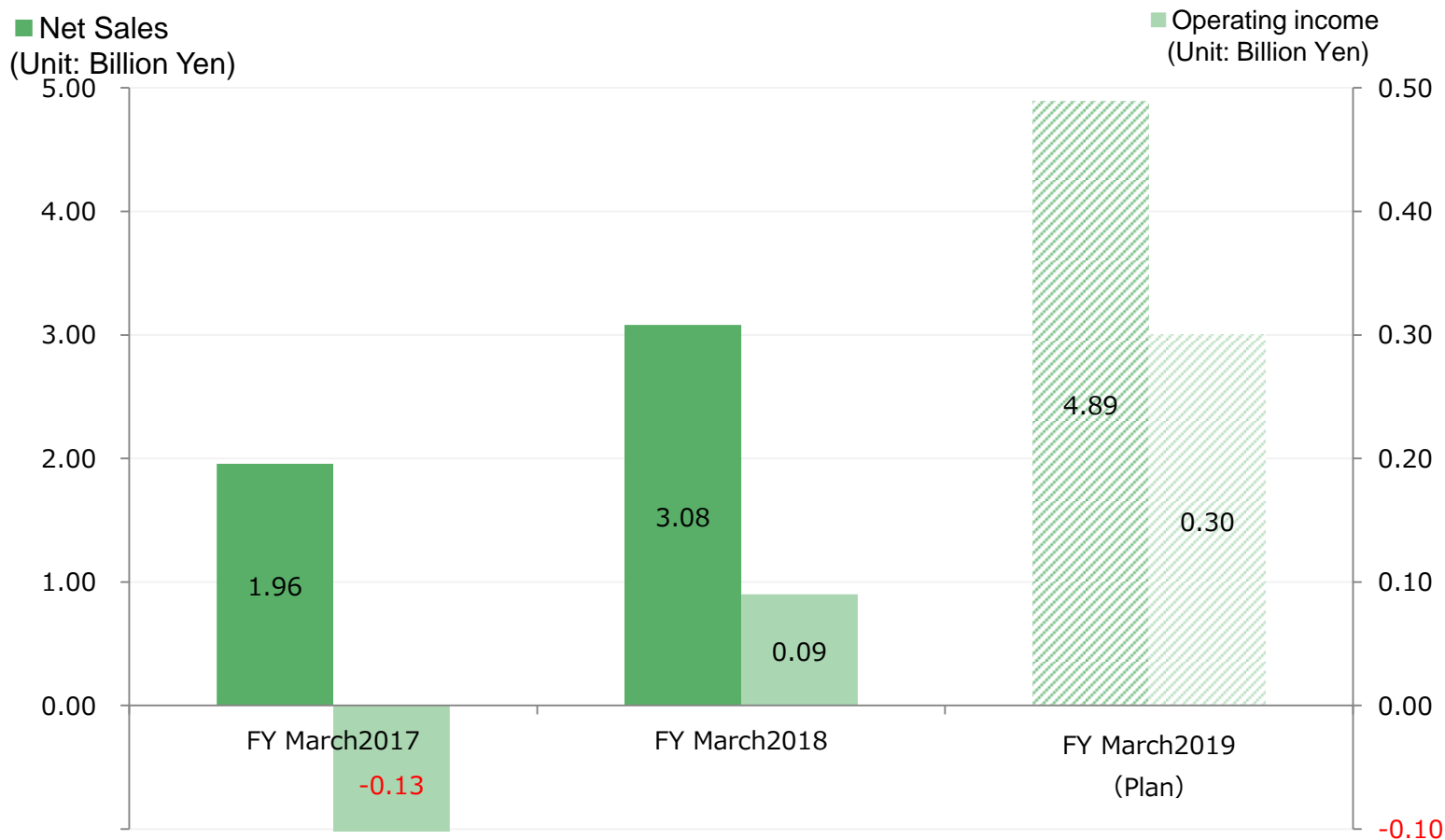


2-4. Property (Hotels in Japan)

A hotel in Kyoto opened in the fiscal year ended March 2018 for a total of three hotels.

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We plan to open a hotel in Karuizawa in the fiscal year ending March 2019. The existing hotels are currently on track. Growth in both net sales and profit are expected to continue.



2-4. Property (Hotels in Japan)

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In addition to the domestic hotel in Karuizawa, we plan to open overseas hotels in Sri Lanka and the Maldives.

Le Grand Karuizawa Hotel and Resort (planned to open in July 2018)



2-5. Development of New Businesses

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1. Development of an online shopping mall

- (1) New customer development
- (2) System improvement
- (3) Marketing capabilities

2. Horizontal development of nursing business

Business development using databases

- (1) Recruiting agent service for nurses

3. Overseas development of Mini Belluna

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

For example, cosmetics, health food products, nursing business, property business and others

2-6. Returns to shareholders

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We plan to increase the dividend by 2.5 yen.

< Annual dividends >

	FY March 2016	FY March 2017	FY March 2018	FY March 2019(Plan)
EPS (yen)	36.45	59.68	99.41	107.99
Dividend (yen)	12.5	12.5	12.5	15.0

<Shareholder incentive program>

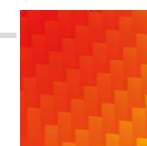
[Details]

	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



The fiscal year ending March 2019 is the final year of our 3rd Business Plan. In addition to reaching the targets for the fiscal year, we will establish business platform for the 4th Business Plan.

<Important notice>

This material is prepared for the purpose of publicly disclosing information concerning the financial results of the fiscal year ending March 31, 2018. 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 May 25, 2018. 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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