

# CORPORATE PRESENTATION

## (1st Half ended September 30, 2018 for FY March 2019)



Main catalog  
BELLUNA



BELLUNA Net -  
A mail order website



Apparel stores「BELLUNA」



Cosmetics mail order  
「OZIO」

# BELLUNA

Thursday, November 22, 2018

- 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 2019

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

- Net sales increased 5.7% year on year.
- Operating income decreased 9.0% year on year, but was 1.3% higher than the forecast.
- Ordinary income increased 19.6% year on year, to 6.62 billion yen, thanks to the contribution of exchange rate-related gains.
- Net income decreased 2.4% year on year, to 4.23 billion yen.

# 1-2. Financial summary

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Net sales: Up 5.7% year on year to top the plan.

Operating income: Decreased, but exceeded the overall forecast because Retail Store Sales and Specialty Mail Order and General Mail Order, etc. exceeded the forecast.

Ordinary income: Results well in excess of the plan after exchange rate-related gains were positive.

Unit: Billion Yen

Consolidated	FY March 2018/1H	FY March 2019/1H			FY March 2019
	Actual	Actual	vs. Plan	YoY Change	Plan
Net Sales	74.86	79.16	0.2%	5.7%	180.00
Cost of Sales	33.19	34.15	0.4%	2.9%	78.00
Selling, General & Administrative Expenses	37.45	41.16	-0.1%	9.9%	87.00
Operating Income	4.23	3.85	1.3%	-9.0%	15.00
Non-operating Income and Expenses	1.30	2.77	8.2 times	112.9%	0.50
(Exchange rate-related gains and losses)	(0.94)	(2.24)	—	137.2%	—
Ordinary income	5.53	6.62	61.4%	19.6%	15.50
Net income	4.33	4.23	51.0%	-2.4%	10.50

# 1-3. Profitability by segment

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**Net sales:** Increased primarily thanks to strong results of the Specialty Mail Order and Retail Store Sales segments, which offset a decrease in the General Mail Order, Solution, and Property segments.

**Operating income:** Increased in the Specialty Mail Order and Retail Store Sales and Finance segments. In addition to General Mail Order Sales, three segments declined.

- Operating income decreased in the General Mail Order segment mainly due to a delay in the publication of the fall-winter catalog.
- In the Specialty Mail Order segment, health food and mail order sales services for nurses drove an increase in profitability.
- Income increased in the Retail Store Sales segment as a result of the consolidation of Sagami Group Holdings Co.,Ltd.

## Consolidated Net Sales and Operating Income by Segment

Unit: Billion Yen

	FY March 2019/1H								
	General Mail Order	Specialty Mail Order	Retail Store Sales	Solution	Finance	Property	Other	Elimination or Corporate	Total
Net Sales	36.02	21.52	12.04	2.72	1.86	3.24	2.33	-0.57	79.16
YoY Change (%)	-3.3%	+5.1%	+65.2%	-7.1%	+10.0%	-8.1%	+6.0%	+18.0%	+5.7%
VS.Plan (%)	-7.4%	-3.5%	+49.0%	-6.9%	-1.0%	-5.4%	-5.0%	-40.2%	+0.2%
Operating Income	0.83	1.19	0.79	1.01	0.81	0.18	-0.53	-0.45	3.85
YoY Change (billion yen)	-0.26	0.48	0.20	-0.17	0.09	-0.33	-0.07	-0.32	-0.38
VS.Plan (billion)	0.07	0.09	0.17	-0.05	0.00	0.15	-0.12	-0.26	0.05
Operating Income Ratio	2.3%	5.5%	6.6%	37.2%	43.7%	5.7%	-22.5%	78.7%	4.9%

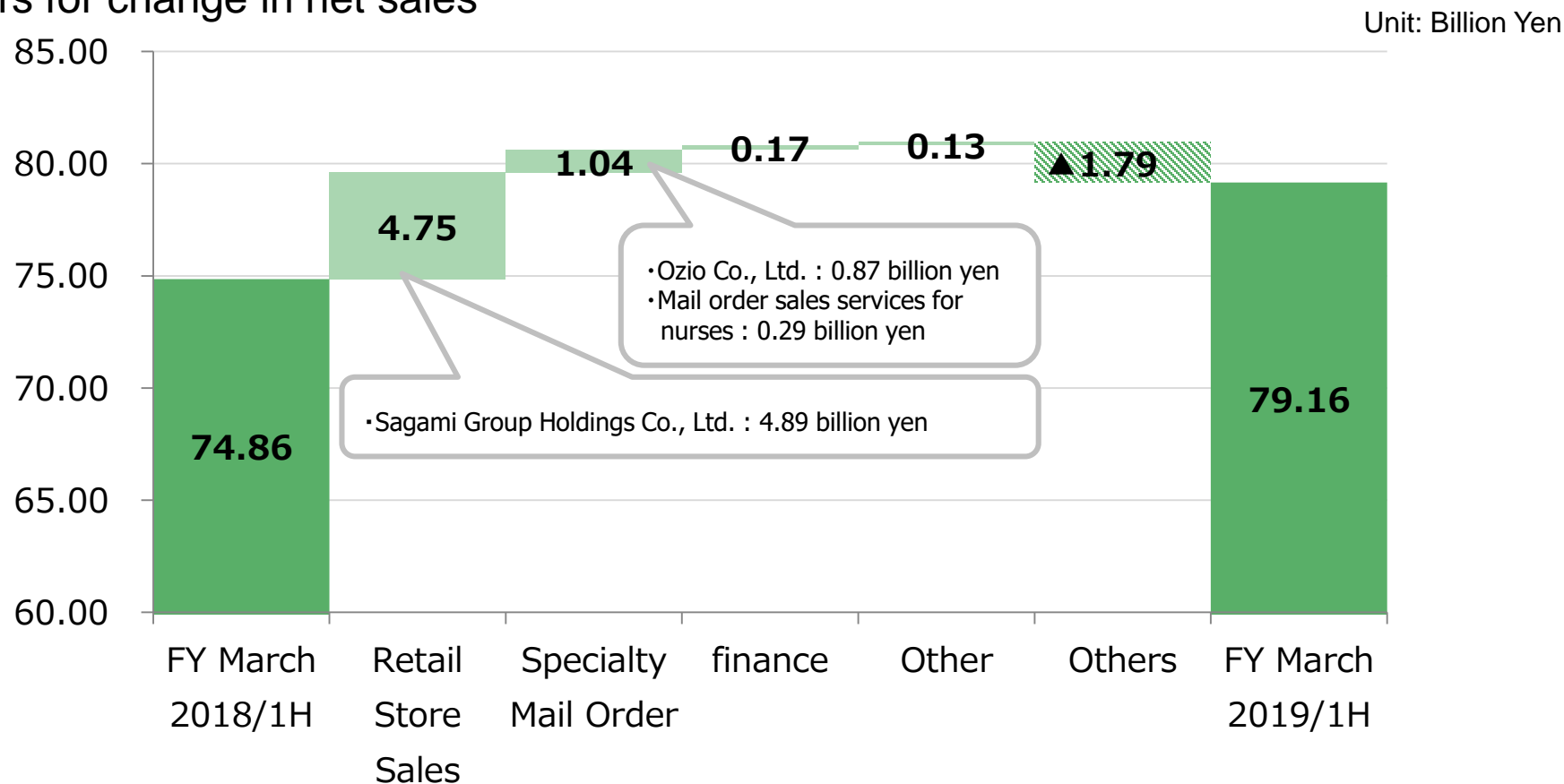
# 1-4. Analysis of increases and decreases in sales

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Sales in the Retail Store Sales segment increased chiefly based on the consolidation of Sagami Group Holdings Co., Ltd.

Sales growth in the Specialty Mail Order was led by Ozio Co., Ltd. operating a cosmetics business.

## Factors for change in net sales



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

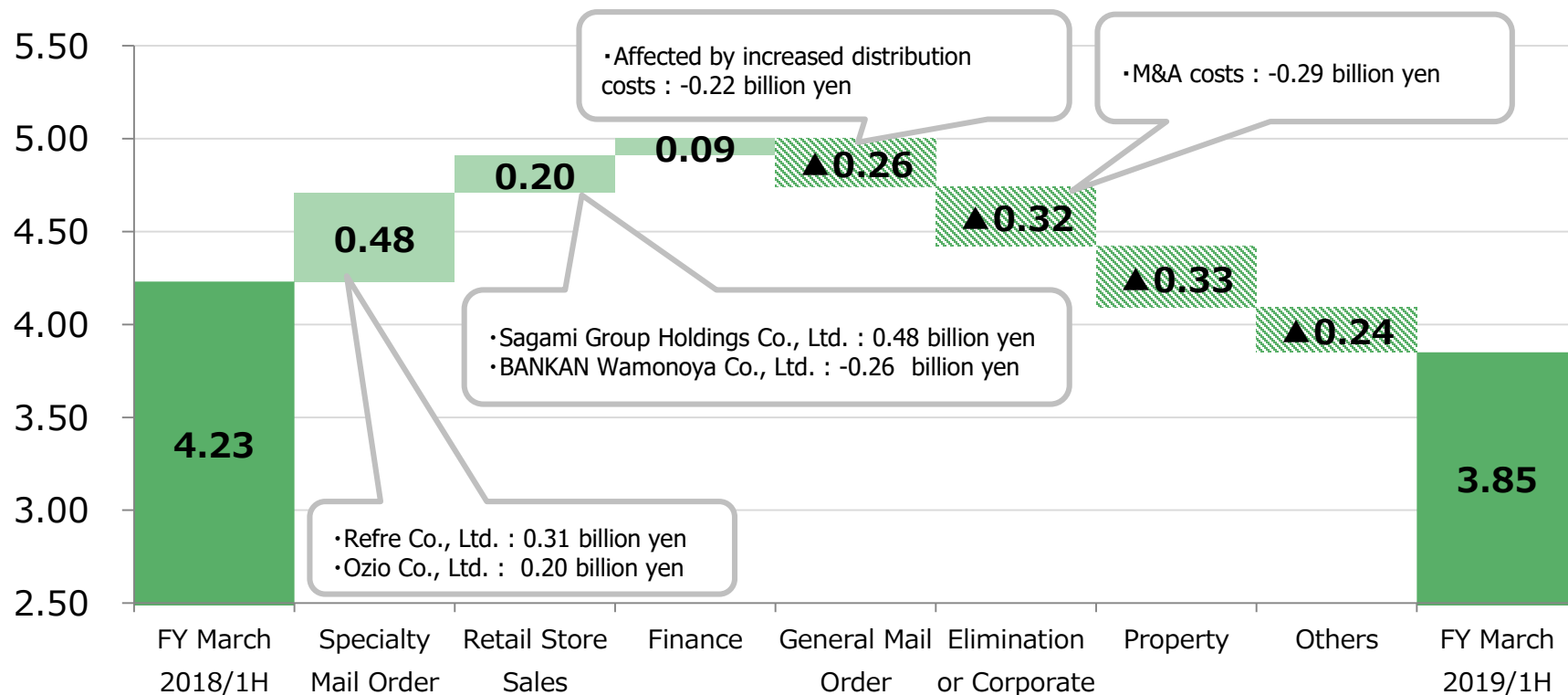
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Income rose in the Specialty Mail Order segment thanks in particular to the growing profitability of Refre Co., Ltd.'s health food business and sales added by Ozio Co., Ltd. operating a cosmetics business.

Meanwhile, the decline in income in the Elimination and Corporate was caused by acquisition-related costs in M&A while that in the Property business resulted primarily from a lack of real estate sales.

## Factors for change in operating income

Unit: Billion Yen





# 1-6. Balance sheet

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Current assets rose, mainly reflecting increases in operating loans and merchandise and finished goods.

Fixed assets increased, which was led particularly by growth in tangible fixed assets.

Liabilities rose, chiefly due to an increase in interest-bearing liabilities.

Unit: Billion Yen

	As of March 31,2018	As of september 30,2018	Change
Current Assets	89.99	93.96	3.97
Operating loans	20.81	22.10	1.29
Merchandise and finished goods	17.98	21.91	3.93
Fixed Assets	105.96	115.07	9.12
Tangible fixed assets	75.55	82.33	6.78
Investments and other assets	18.67	21.11	2.44
Total Assets	195.95	209.03	13.08
Liabilities	102.89	111.45	8.56
Interest bearing liabilities	63.12	69.20	6.07
Net Assets	93.06	97.58	4.52
Retained earnings	71.81	75.43	3.62
[Shareholders' Equity Ratio]	[47.1%]	[46.0%]	[-1.1P]

# 1-7. Statement of cash flows

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Cash flows from investing activities decreased, primarily due to the purchase of shares of subsidiaries.

Overall, cash decreased by 4.42 billion yen as a result of an increase in long- and short-term loans payable.

	FY March 2018/1H	FY March 2019/1H		Unit: Billion Yen
		Actual	YoY Change	
<b>Cash flows from operating activities</b>	<b>1.25</b>	<b>1.24</b>	<b>-0.02</b>	
Income before income taxes	6.02	6.54	0.52	
Loss (gain) on valuation of derivatives	-0.34	-1.70	-1.35	
Income taxes paid	-2.85	-1.90	0.95	
<b>Cash flows from investing activities</b>	<b>-7.21</b>	<b>-10.47</b>	<b>-3.26</b>	
Purchase of investment securities	-1.53	-0.44	1.09	
Purchase of shares of subsidiaries	0.00	-4.92	-4.92	
<b>Cash flows from financing activities</b>	<b>2.67</b>	<b>4.81</b>	<b>2.14</b>	
Increase (decrease) in long and short-term loans payable	5.81	5.68	-0.13	Capital expenditure <sup>*1</sup>
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-2.23	0.00	2.23	4.26 billion yen
Translation differences on cash	0.03	0.01	-0.03	Depreciation & Amortization <sup>*2</sup>
Increase (decrease) in cash	-3.25	-4.42	-1.17	1.25 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 and ordinary income reached the targets in the last two fiscal years. The results of operating income were also mostly as targeted. All items from net sales to net income are expected to reach the targets in the fiscal year ending March 2019.

Unit: Billion Yen

Consolidated	FY March 2017		FY March 2018		FY March 2019	
	Plan	Actual	Plan	Actual	Plan	YoY Change
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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Operating income is expected to reach the target in the current fiscal year thanks to the steady progress in the General Mail Order segment, sales growth and an increase in profitability in the Specialty Mail Order segment.

### Budgets by Segment

Unit: Billion Yen

	FY March 2019								
	General Mail Order	Specialty Mail Order	Retail Store Sales	Solution	Finance	Property	Others	Elimination or Corporate	Total
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 Business
4. Property Business
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
- Slowdown in catalog based sales
- Growth of the Internet
- Change in distribution environment

### Internal environment

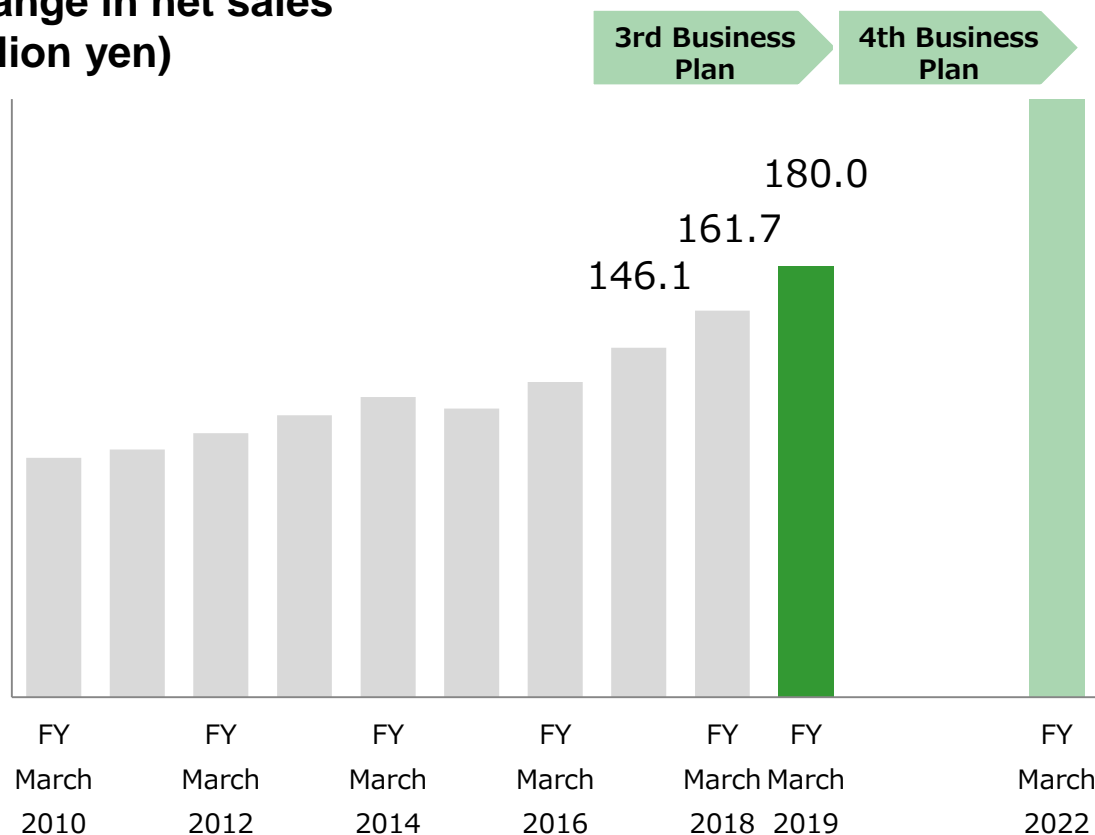
- Maturity of portfolio management
- Handling of acquired companies
- Facilitation of growth potential of each business

## 2. Management Policy

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The fiscal year ending March 2019 is the final fiscal year of our 3rd Business Plan.  
To reach the targets for the fiscal year ending March 2019 and toward the 4th Business Plan

**Change in net sales  
(billion yen)**



- Working to achieve record-high net sales and operating income.
- Amid significant changes in the external environment, we anticipated the changes, which led to growth.
- We will reach our financial targets and establish our business platform in view of 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** and improve its profitability.
4. Strengthen the **property business** to bring about the maturity of the portfolios.





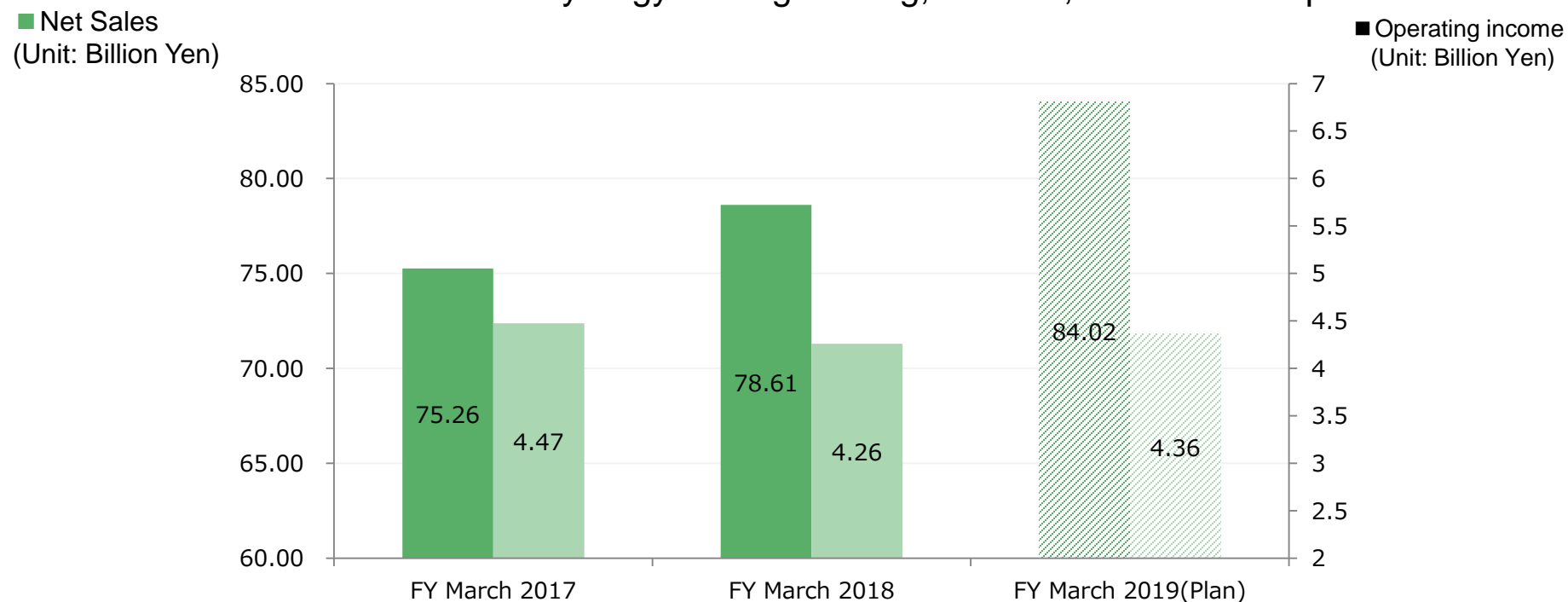
## 2-1. General Mail Order Business

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

While some impact of the turmoil in the home delivery industry remains, we are implementing measures to increase growth potential and profitability and are developing a business platform for the 4th Business Plan

1. Strengthen the innerwear and men's fashion segment
2. Strengthen operations via the Internet.
3. Strengthen RyuRyu (targeting young people)
4. Create synergy among catalog, Internet, and in-store operations.



### **Increase catalog-based sales**

4th Business Plan (final fiscal year)

Aim to achieve net sales of 100 billion yen  
in the General Mail Order segment

1. Revive paper catalogs
2. Increase the exposure of paper catalogs
3. Increase product appeal
4. Carry out customer-oriented,  
customer-based activities

### Strengthen operations via the Internet

Focus on the development of the platform for the 4th Business Plan

1. Introduce online-exclusive products
2. Continue to increase standard products
3. Improve production and operation
4. Online shopping mall
  - (1) Develop systems
  - (2) Increase the number of stores

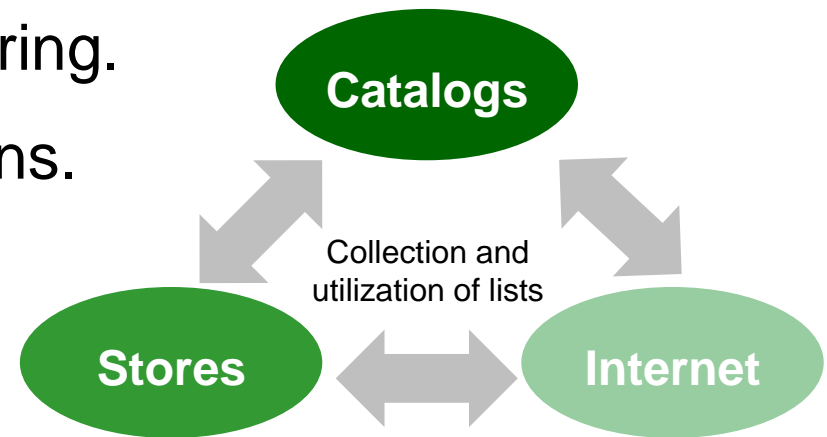
### Synergy among catalog, Internet, and in-store operations

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) Increased retail stores



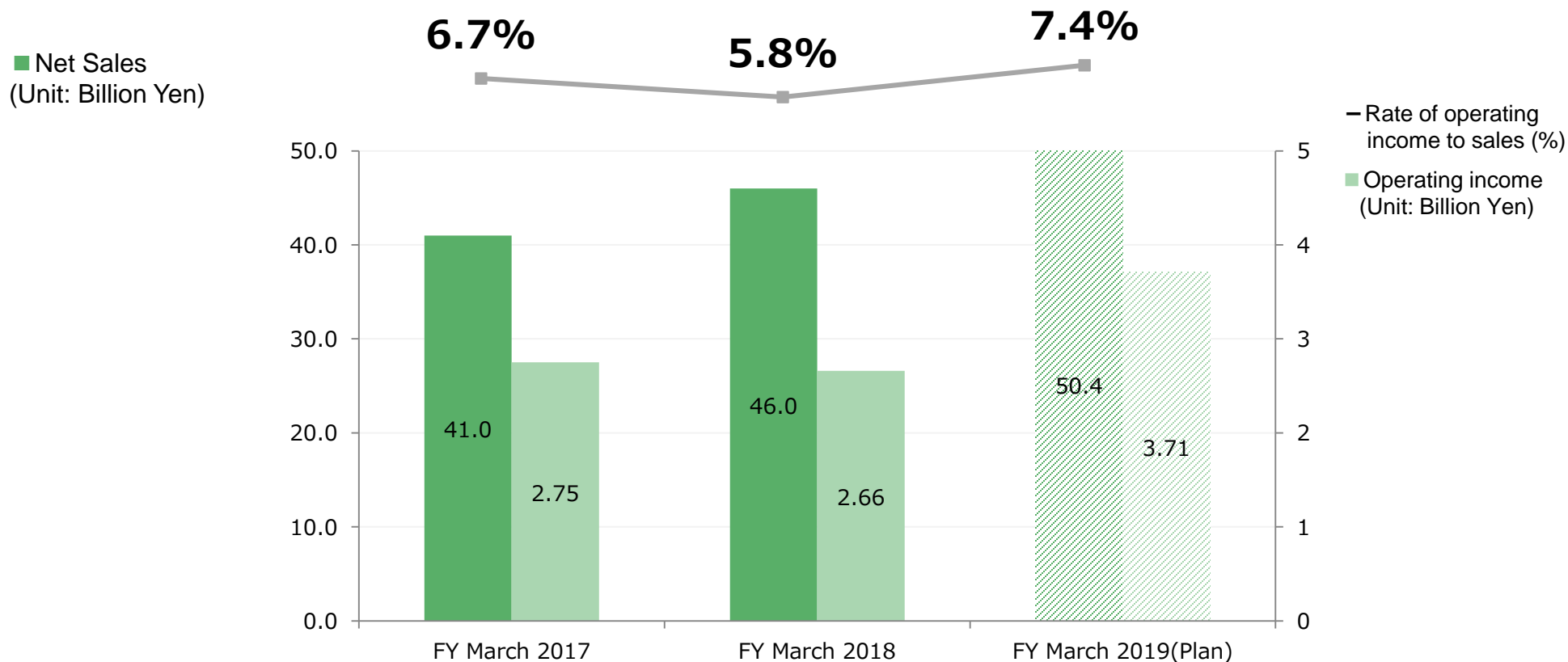
2. Use of advertising expenses

(1) System capable of absorbing expenses by increasing sales volumes

## 2-2. Specialty Mail Order Business

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Focus on the development of the Specialty Mail Order business. In particular, growth of the cosmetics mail-order business of Ozio Co., Ltd. is expected. Continue to improve domestic and overseas expansion.



## 2-2. Specialty Mail Order Business : Top Sales in Specialty Mail Order Industry

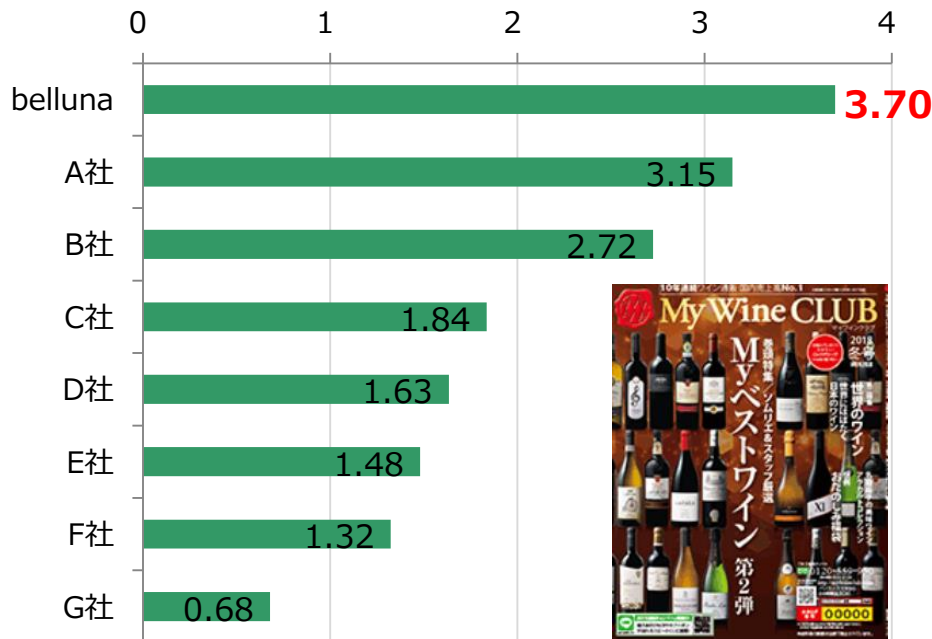
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Ranked first in sales of mail-order wine for 10 consecutive years and mail-order Japanese sake for two consecutive years. (provided by Tokyo Shoko Research, Ltd. )

Highest domestic sales of mail-order wine for 10 consecutive years

« Ranking of domestic sales of mail-order wine »

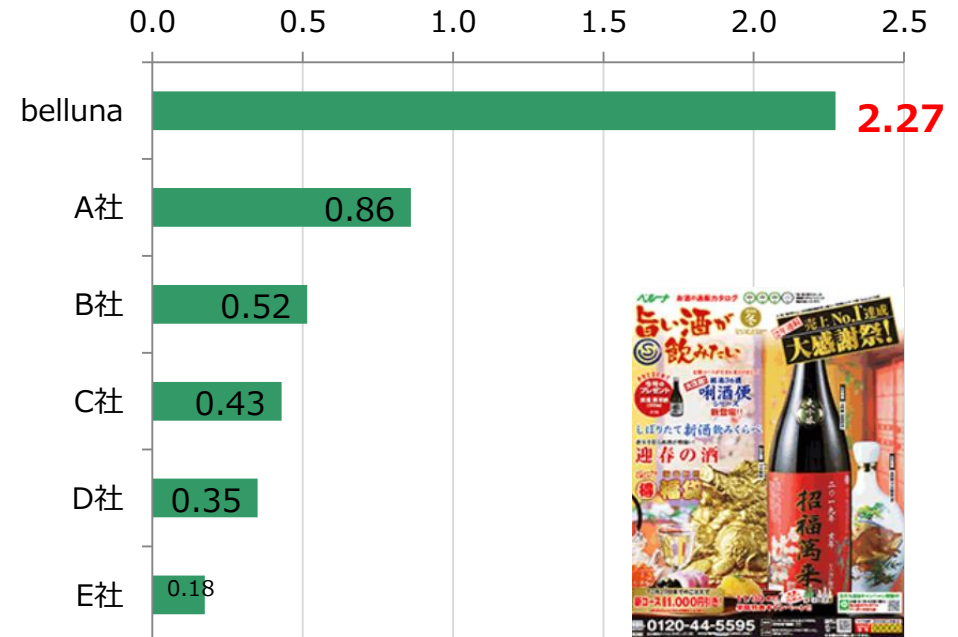
(Unit: Billion Yen)



Highest domestic sales of mail-order Japanese sake for two consecutive years

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

(Unit: Billion Yen)



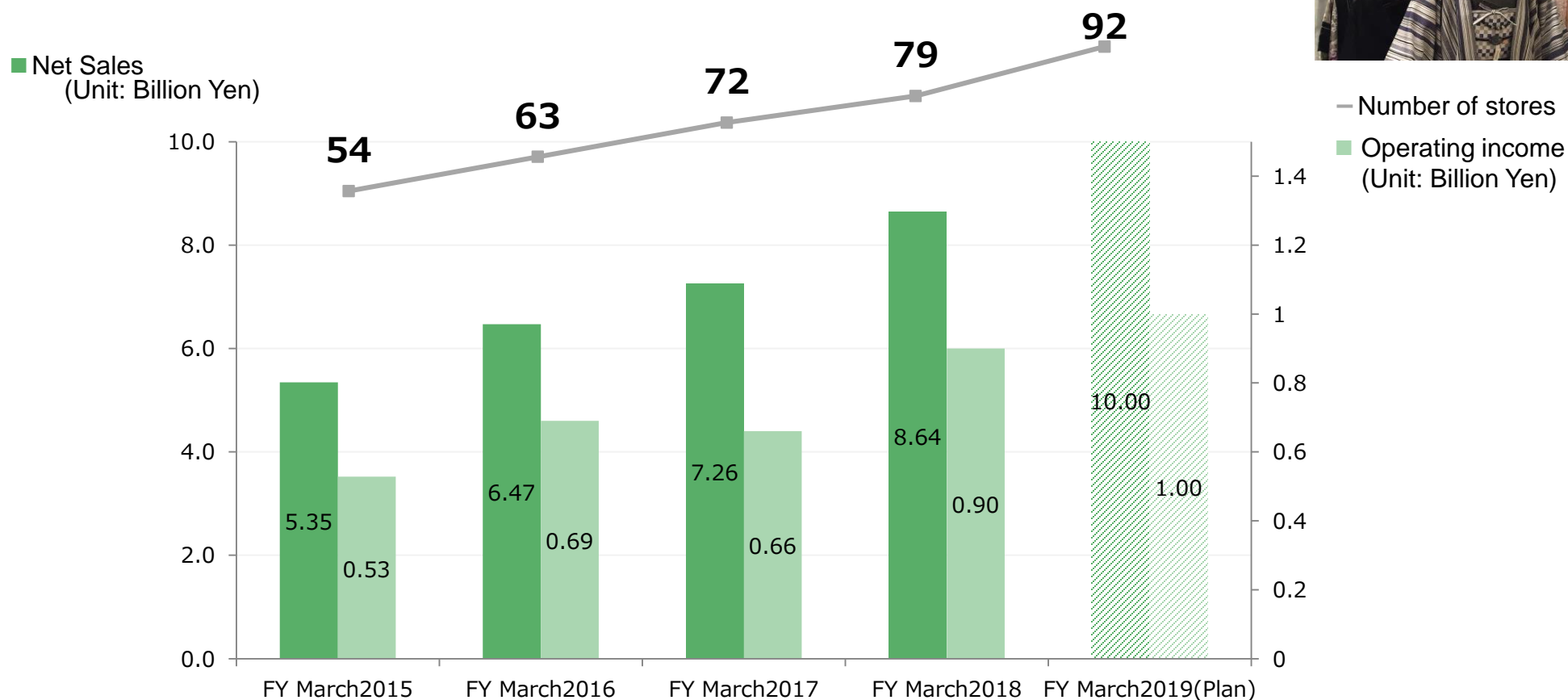
\* The 2017 data provided by Tokyo Shoko Research, Ltd.

## 2-3. Retail Store Sales Business:

Stores selling kimono and Japanese-style goods  
(BANKAN Wamono Co., Ltd.)

Opened three stores in the current fiscal year, and the total reached 82 stores as of the end of September 2018. While sales and income decreased in the first half, chiefly due to a delay in deliveries, we will work to catch up in the second half to reach the target.

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## 2-3. Retail Store Sales Business:

Stores selling kimono and Japanese-style goods  
(Sagami GHD)

Acquired shares in Sagami Group Holdings Co., Ltd, which sells kimono and Japanese-style goods, on June 22 and made it a consolidated subsidiary.

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<Sagami Co., Ltd.>



<Tokyo Masuiwaya Co., Ltd.>



Company name	SAGAMI GROUP HOLDINGS Co., Ltd. Sagami Co., Ltd. Tokyo Masuiwaya Co., Ltd.
Location	Hiratsuka-shi, Kanagawa
Establishment date	April 1974
Main business	Kimono business
Date of acquisition	June 2018
Capital	5,258 million yen



## 2-3. Retail Store Sales Business:

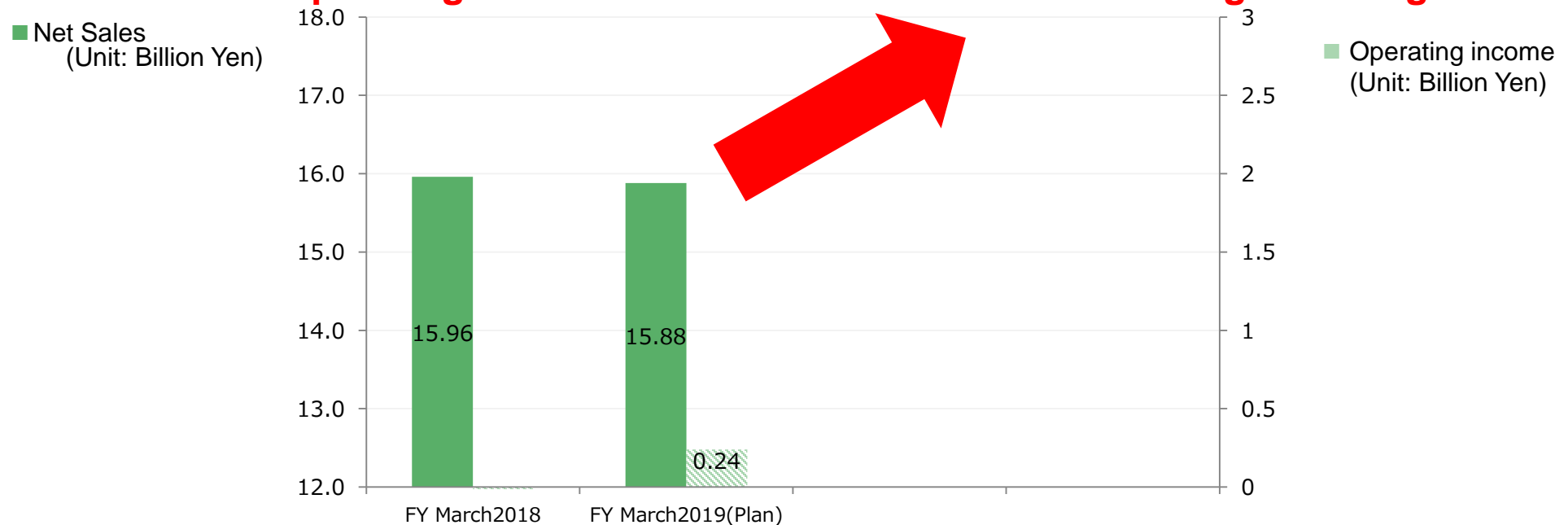
Stores selling kimono and Japanese-style goods  
(Sagami GHD)

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### Rebuilding of Sagami Group: Aiming to Achieve 10% Operating Income Ratio

- Strategies:
1. Improve the mentality of employees
  2. Balance the denominator and numerator
  3. Return to a growth track
  4. Restore the kimono culture
  5. Work steadily and patiently

**Set the operating income ratio of 10% as a medium- to long-term target**



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

### Aim to operate 200 stores

#### Store opening plan

FY March 2019 30 stores

FY March 2020 40 stores

FY March 2021 50 stores

FY March 2022 20 stores

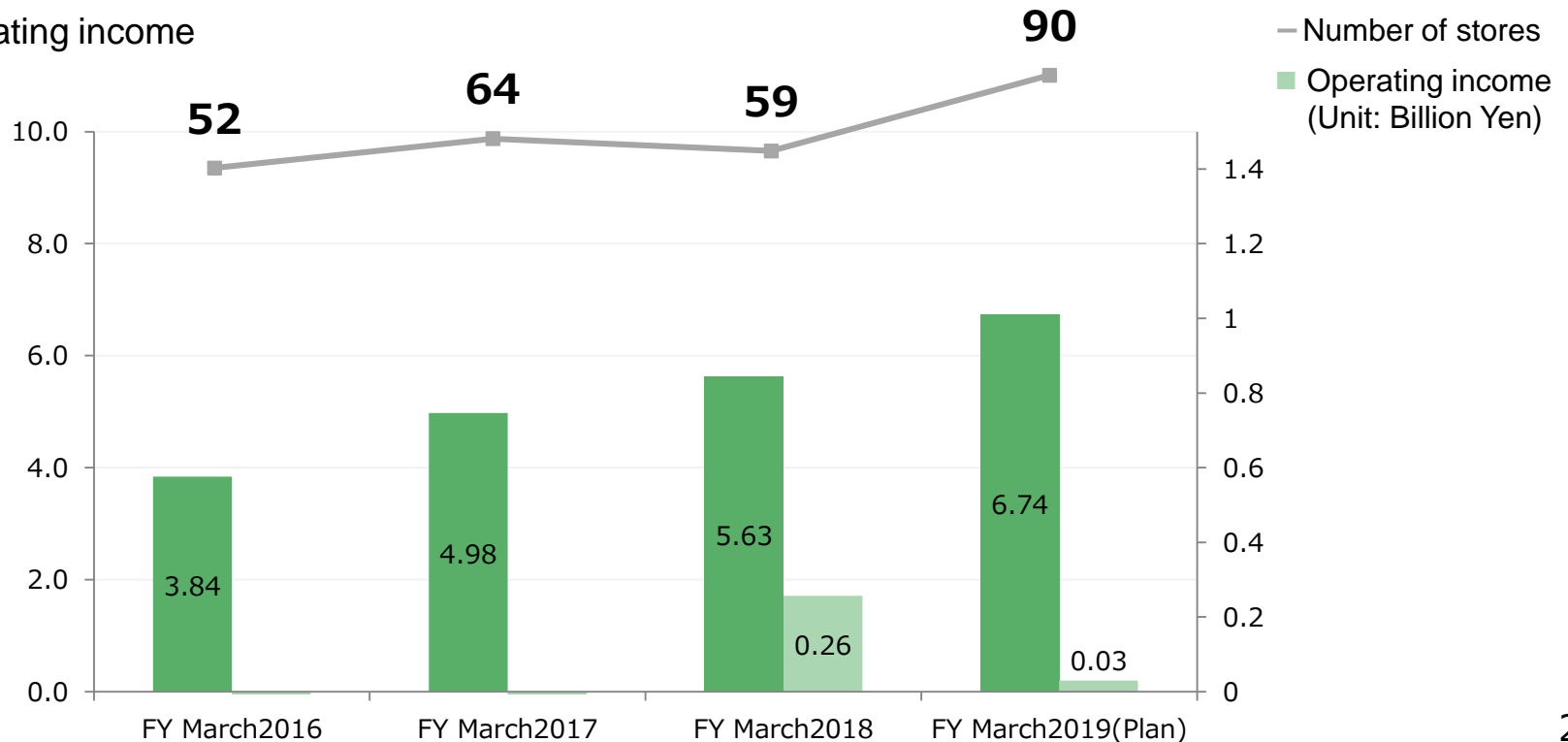
Achieve approximately +/- 10% of the target

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#### Net sales and operating income

■ Net Sales  
(Unit: Billion Yen)



## 2-4. Property Business

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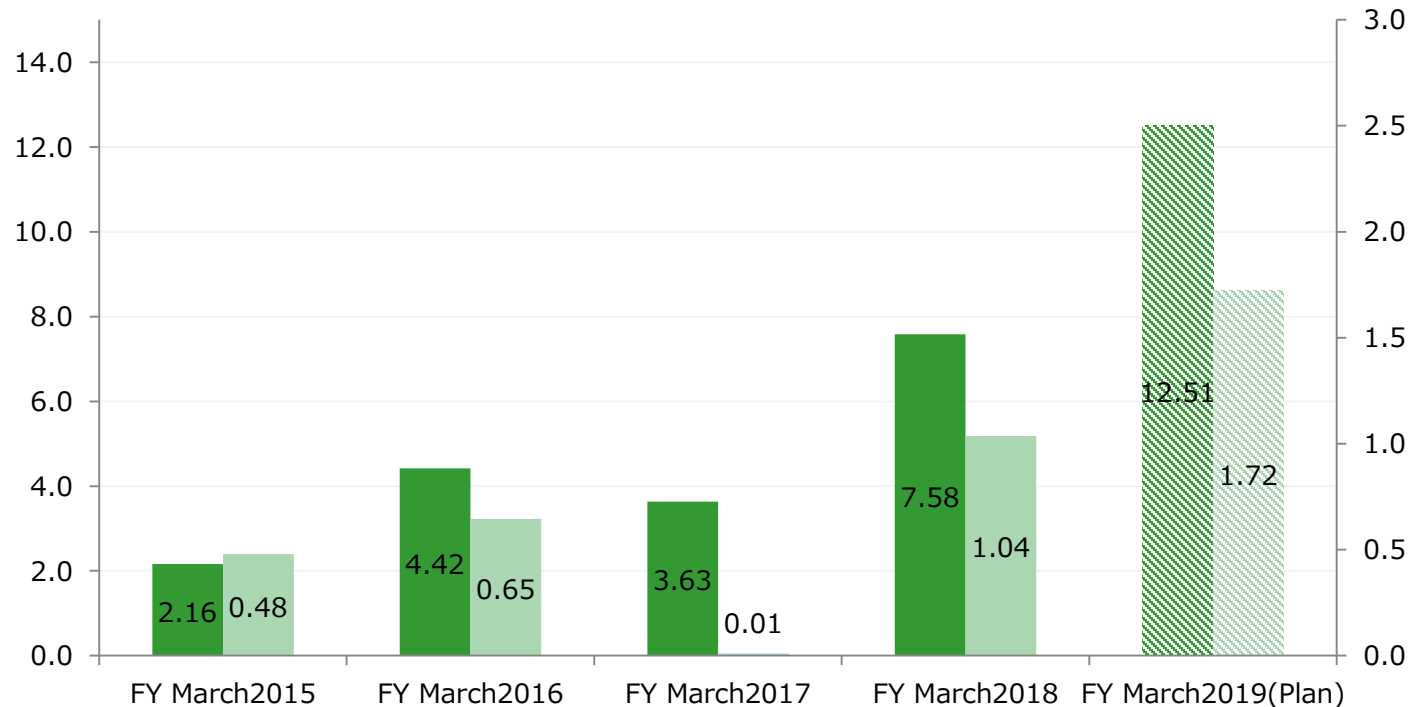
Three hotels were opened in the current fiscal year.  
Maintaining balanced operation of the rental, hotel and development businesses.

<Hotels that opened>

July Le Grand GALLE  
July Le Grand Karuizawa Hotel & Resort  
October The Westin Maldives Miriandhoo Resort

■ Net Sales  
(Unit: Billion Yen)

■ Operating income  
(Unit: Billion Yen)



## 2-5. Development of New Businesses

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### 1.Horizontal development of nursing business

~Business development using databases~

- (1) Recruiting agent service for nurses

### 2.Overseas development of Mini Belluna

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

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

## 2-6. Returns to shareholders

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We increased dividends 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 is only provided once a year (issued in early December).



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

We will work to further strengthen our business foundation.

## <Important notice>

This material is prepared for the purpose of publicly disclosing information concerning the financial results of the 1st Half ended September 30, 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 November 22, 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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