

# CORPORATE PRESENTATION

## (1st Half ended September 30, 2019 for FY March 2020)



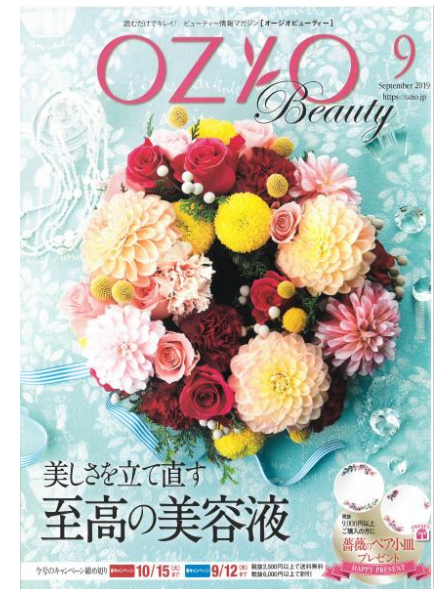
Main catalog BELLUNA



BELLUNA Net A mail order website



Apparel stores「BELLUNA」



Cosmetics mail order「OZIO」

# BELLUNA

Wednesday, November 20, 2019

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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 2020

**Net sales and operating income were below plans despite a year-on-year increase. Ordinary income and net income fell short of those in the previous fiscal year and the plans primarily due to the impact of foreign exchange.**

- Net sales increased 8.9% year on year.
- Operating income increased 0.4% year on year.
- Ordinary income decreased 50.2% year on year, thanks to the contribution of exchange rate-related gains.
- Net income decreased 60.3% year on year.

# 1-2. Financial Summary

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Net sales: Up 8.9% year on year

Operating income: Below the plan, but increased year on year

Ordinary income: Ordinary income and net income fell short of those in the previous fiscal year and the plans, primarily due to exchange-related losses.

Unit: Billion Yen

Consolidated	FY March 2019/1H	FY March 2020/1H			FY March 2020
	Actual	Actual	vs. Plan	YoY Change	Plan
Net Sales	79.16	86.22	-0.9%	8.9%	185.00
Cost of Sales	34.15	36.03	1.5%	5.5%	73.00
Selling, General & Administrative Expenses	41.16	46.33	-1.4%	12.6%	93.00
Operating Income	3.85	3.86	-14.2%	0.4%	14.00
Non-operating Income and Expenses	2.77	-0.57	—	—	1.00
(Exchange rate-related gains and losses)	(2.24)	(-0.45)	—	—	—
Ordinary income	6.62	3.30	-31.3%	-50.2%	15.00
Net income	4.23	1.68	-49.8%	-60.3%	10.50

# 1-3. Profitability by segment

**Net sales:** Increased in all segments excluding the General Mail Order

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**Operating income:** Operating income increased in Specialty Mail Order and three other segments.

It decreased in General Mail Order and two other segments.

- The Specialty Mail Order segment led growth and profit thanks to the acquisition of a large number of new customers and a high percentage of returning customers in businesses such as cosmetics and wines.
- Profit in the General Mail Order segment generally remained in line with the forecast despite the impact of factors such as an increase in the cost of paper and a rise in freight expenses per item.

## Consolidated Net Sales and Operating Income by Segment

Unit: Billion Yen

	FY March 2020/1H								
	General Mail Order	Specialty Mail Order	Retail Store Sales	Solution	Finance	Property	Other	Elimination or Corporate	Total
Net Sales	35.54	22.70	15.67	3.76	2.12	4.45	2.45	-0.47	86.22
YoY Change (%)	-1.3%	+5.5%	+30.1%	+38.2%	+14.3%	+37.6%	+5.1%	-17.2%	+8.9%
VS.Plan (%)	+0.7%	-0.8%	-7.3%	+23.6%	-1.4%	-9.2%	-6.4%	-40.4%	-0.9%
Operating Income	0.30	1.59	0.34	1.22	0.83	0.30	-0.54	-0.18	3.86
YoY Change (billion yen)	-0.54	0.39	-0.45	0.21	0.02	0.12	-0.02	0.27	0.01
VS.Plan (billion yen)	-0.09	0.23	-0.44	0.50	-0.07	-0.60	-0.03	-0.14	-0.64
Operating Income Ratio	0.8%	7.0%	2.2%	32.5%	39.2%	6.8%	-22.1%	37.5%	4.5%

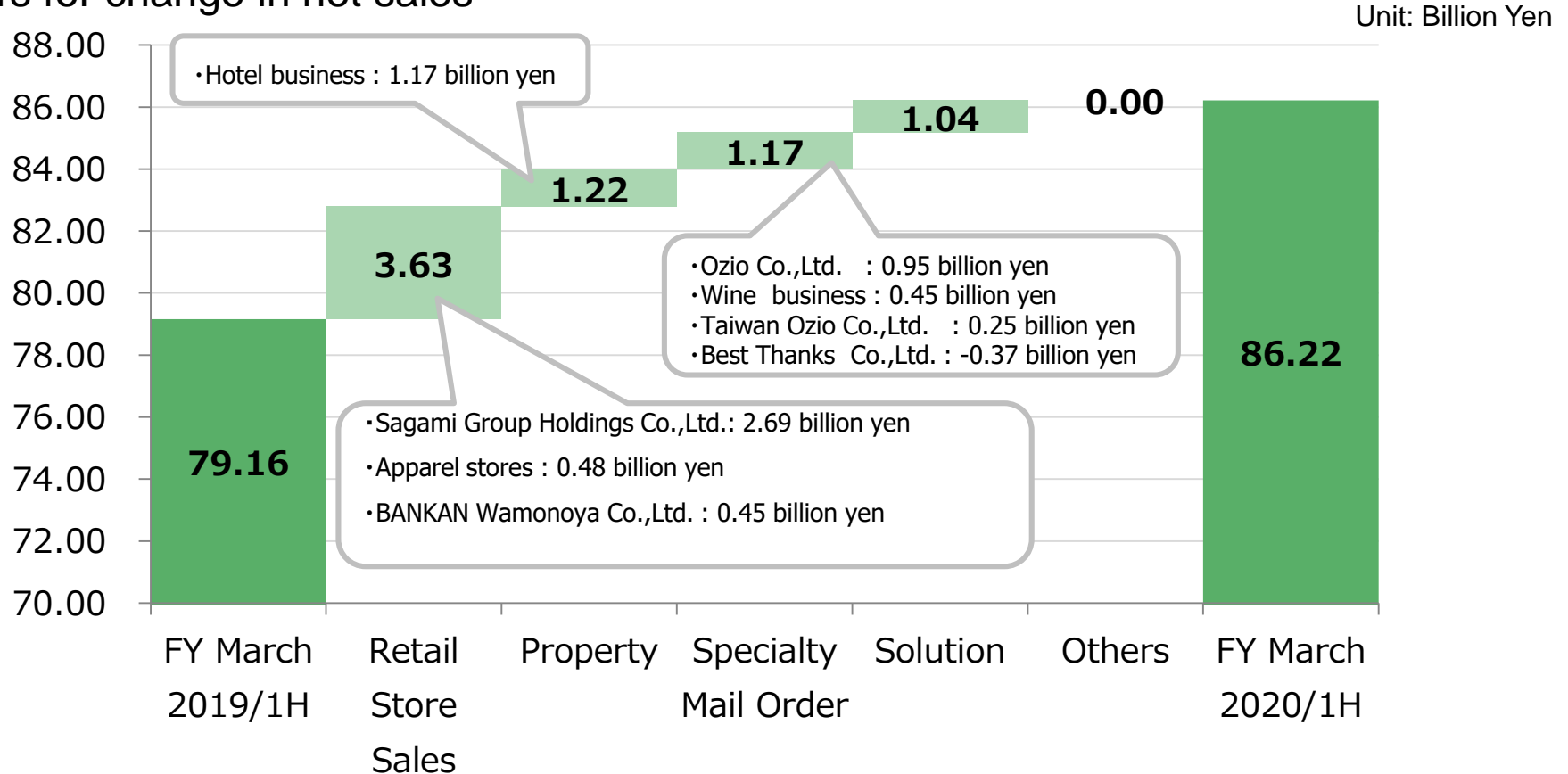
# 1-4. Analysis of increases and decreases in sales

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

In the hotel business, the hotels that opened in the previous fiscal year contributed to sales growth.

## Factors for change in net sales



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

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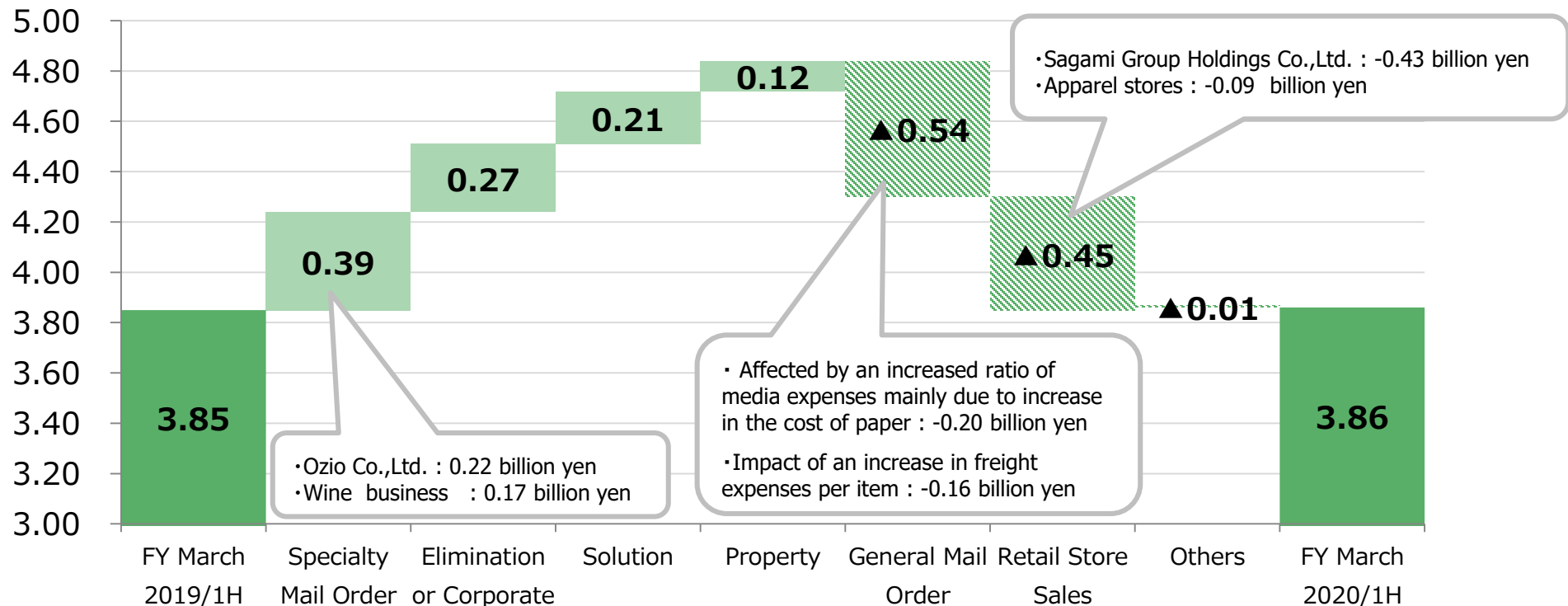
The Specialty Mail Order segment achieved an increase in income mainly thanks to the effect of higher sales in the cosmetics and wine businesses.

Operating income in the General Mail Order segment declined largely due to an increase in the cost of paper and freight expenses per item.

Operating income also fell in the Retail Store Sales segment mainly due to the effect of reflecting profit and loss for the first quarter during which expenses exceeded revenue in Sagami Group Holdings Co., Ltd., which was acquired in the previous fiscal year, from the current fiscal year.

## Factors for change in operating income

Unit: Billion Yen





# 1-6. Balance sheet

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Among current assets, operating loans, merchandise, and other items increased. Non-current 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 31,2019	As of september 30,2019	Change
Current Assets	99.24	99.80	0.56
Cash and deposits	22.07	18.78	-3.30
Operating loans	23.78	25.57	1.79
Merchandise	20.86	22.68	1.82
Fixed Assets	114.54	119.30	4.75
Tangible fixed assets	83.20	88.25	5.04
Investments and other assets	20.08	19.78	-0.31
Total Assets	213.79	219.10	5.31
Liabilities	113.25	118.74	5.49
Interest bearing liabilities	69.71	75.57	5.86
Net Assets	100.53	100.36	-0.17
Treasury shares	-0.17	-0.49	-0.32
[Shareholders' Equity Ratio]	[46.7%]	[45.5%]	[-1.2P]

# 1-7. Statement of cash flows

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Cash flow from operating activities decreased due to a decrease in profit before income taxes and cash flow from investing activities decreased chiefly due to purchase of tangible fixed assets.

Overall, cash decreased by 3.06 billion yen as a result of an increase in long- and short-term loans payable.

	FY March 2019/ 1H	FY March 2020/ 1H	
		Actual	YoY Change
<b>Cash flows from operating activities</b>	<b>1.24</b>	<b>-0.26</b>	<b>-1.49</b>
Profit before income taxes	6.54	3.25	-3.29
Loss (gain) on valuation of derivatives	-1.70	0.32	2.02
Decrease(increase) in operating loans receivable	-1.20	-1.76	-0.55
Corporate income and resident taxes(amount paid)	-1.90	-2.03	-0.13
<b>Cash flows from investing activities</b>	<b>-10.47</b>	<b>-7.03</b>	<b>3.45</b>
Purchase of tangible fixed assets	-3.81	-6.63	-2.82
Purchase of shares of subsidiaries	-4.92	-0.55	4.38
<b>Cash flows from financing activities</b>	<b>4.81</b>	<b>4.43</b>	<b>-0.39</b>
Increase (decrease) in long and short-term loans payable	5.68	5.75	0.07
Purchase of treasury shares	0.00	-0.33	-0.33
Translation differences on cash	0.01	-0.20	-0.21
Increase (decrease) in cash	-4.42	-3.06	1.36

Unit : Billion Yen

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

7.28 billion yen

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

1.60 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.

## 1-8. Plan for FY March 2020

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While net sales is growing mostly in line with the plan, operating income is below the planned level. We will make up for the delay in the second half of the fiscal year.

Unit : Billion Yen

Consolidated	FY March 2018		FY March 2019		FY March 2020	
	Plan	Actual	Plan	Actual	Plan	YoY Change
Net Sales	160.00	161.67	180.00	177.65	185.00	+4.1%
Operating Income	13.00	13.01	15.00	12.01	14.00	+16.6%
Ordinary Income	13.50	13.25	15.50	15.31	15.00	-2.0%
Net Income	8.80	9.67	10.50	10.34	10.50	+1.5%
Interest Bearing Liabilities	53.00~58.00	63.12	66.00~71.00	69.71	72.00~77.00	+3.3~+10.4%
Net Assets	92.93	93.06	102.00	100.53	109.00	+8.4%
ROE	9.5%	10.9%	10.8%	10.8%	10.1%	-0.7P

# 1-8.Plan for FY March 2020

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While Specialty Mail Order and Solution continue to lead the financial performance, we will take measures for each of the segments falling behind plans with an aim to catch up with the plans.

## Budgets by Segment

Unit : Billion Yen

	FY March 2020								
	General Mail Order	Specialty Mail Order	Retail Store Sales	Solution	Finance	Property	Others	Elimination or Corporate	Total
Net Sales	73.53	50.30	34.01	6.96	4.43	10.44	8.07	-2.75	185.00
YoY Change (%)	-5.3%	+5.1%	+20.8%	+11.1%	+15.6%	+29.3%	+16.8%	+167.1%	+4.1%
Operating Income	2.90	3.67	1.36	2.38	1.98	1.52	0.45	-0.24	14.00
YoY Change (billion yen)	-0.92	0.41	0.35	0.11	0.22	1.28	0.21	0.33	1.99

## 2. Topics

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1. Acquisition of ICnet Co., Ltd.

# 1. Acquisition of ICnet Co., Ltd.

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On September 6, acquired all shares of ICnet Co., Ltd., an operator of an online store for branded imports, to make it a subsidiary.

Company name : ICnet Co., Ltd.

Location : Hachioji, Tokyo

Date of establishment : November 2008

Main business : Online sale of branded imports

Date of acquisition : September 2019

Stated capital : 13 million yen

Result : FY2017

Net Sales 1.26 billion yen

Ordinary income 0.06 billion yen

## ■ Purpose

To raise the growth potential and profitability of the General Mail Order segment by sharing knowledge of product development and through merchandise supply.

## ■ Features

Operating a store called Import Collection YR on online shopping portals such as Rakuten. Has strengths in the procurement of branded products.



# 3. 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. Returns to shareholders

### 3. 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

- An increase in the tendency towards a deflationary mindset
- An increase in cost
- Growth of the Internet

#### Internal environment

- Growth of specialty mail-order
- Enhancement of each portfolio
- During the recovery of hotel business



### 3. Management Policy ~Fourth Business Plan

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## Fourth Business Plan

(FY March 2020~FY March 2022)

### Final year goal

■ Net sales

**220.0 billion yen**

(Average annual growth of 7.4%)

■ Operating income

**20.0 billion yen**

(Average annual growth of 18.5%)

■ ROE

**At least 10% is maintained.**

### 3. Management Policy – Strengthen four businesses

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## Expansion of four main businesses



1. Revival of the **General Mail Order segment**
2. Expand the **specialty mail order business**
3. Expand the **retail store sales business** and improve its profitability.
4. Strengthen the **property business** by focusing on hotel business which earns a profit.

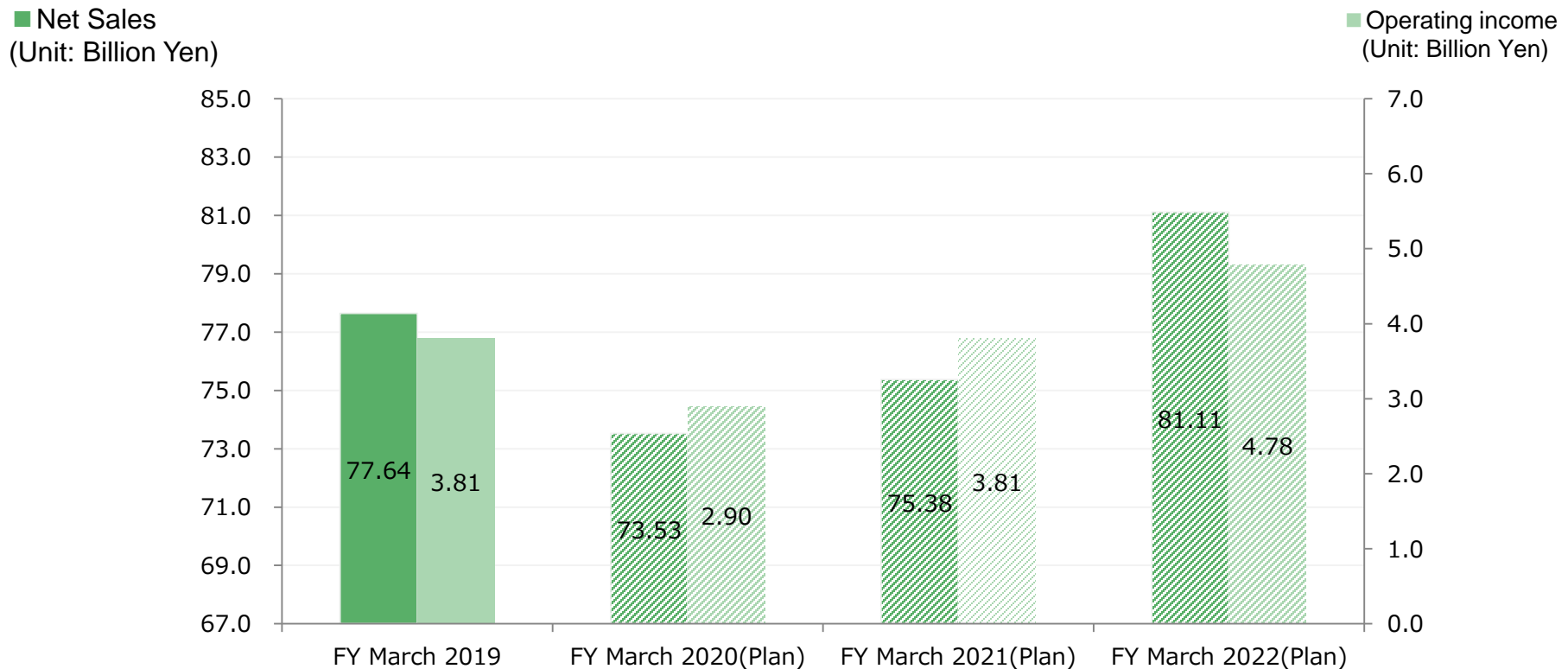
# 3-1. General Mail Order Business

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

In the summer season, net sales were significantly affected by a shortage of catalog papers that reduced catalog delivery.

We are actively working to maintain financial performance and reach the next growth stage despite the harsh environment.



### Revival of catalog sales

It is considered a mature segment in the Fourth Business Plan and will continue at the scale of 75 to 80 billion yen

1. Aim for a recovery in the traditional paper catalog
2. Offer products to consumers in their 20s to 70s
3. Strengthen the men's fashion and innerwear category
4. Develop products characteristic of Belluna(buying club)

## 3-1. General Mail Order Business

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### Strengthen operations via the Internet

< Belluna's website (targeting middle-aged women) >

Started to grow again the 2019 Summer season

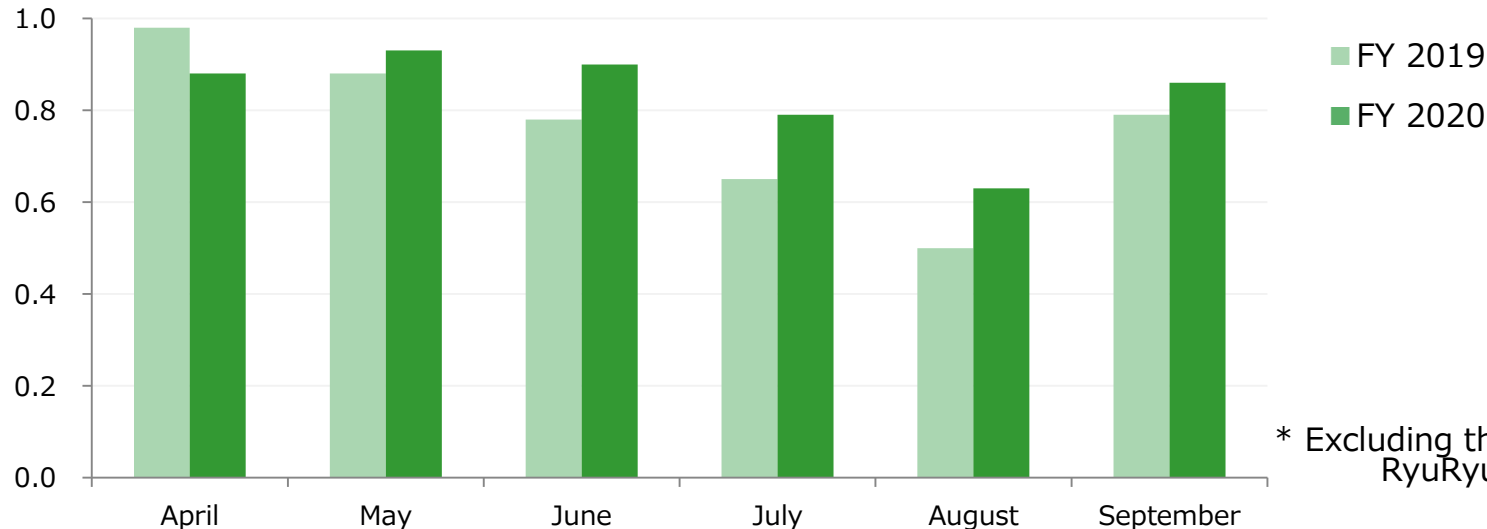
(1) Enhance product features exclusively targeting middle-aged women

- Online-exclusive products

- Collections of body-shape covering clothes and plus-size clothes

(2) Overcome the dependence on discounts and develop a website mostly selling regular-price products

Net Sales  
(Unit: Billion Yen)



\* Excluding the former RyuRyu website

## 3-1. General Mail Order Business

BELLUNA

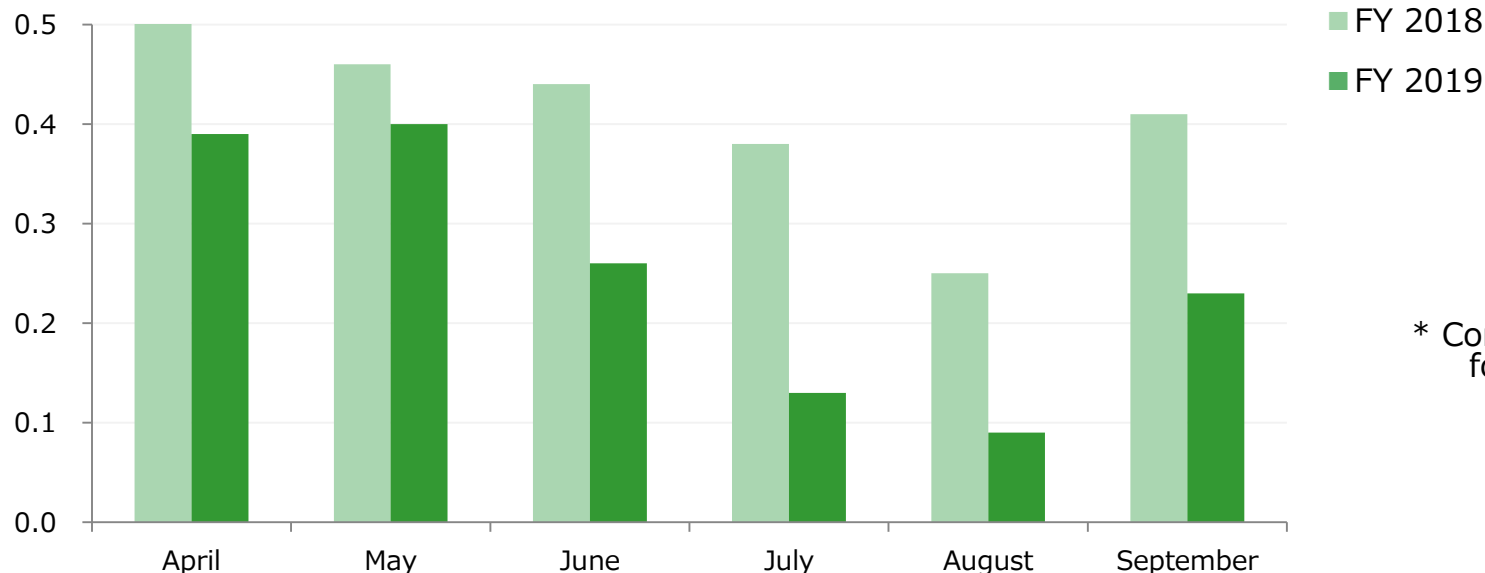
### Strengthen operations via the Internet

< RyuRyu Mall (targeting young consumers) >

- Opened on June 17, 2019
- Currently at the trial and errors stage

Get on a growth path in the second half of the fiscal year

Net Sales  
(Unit: Billion Yen)



\* Comparison with  
former RyuRyu  
website

## 3-2. Specialty Mail Order Business

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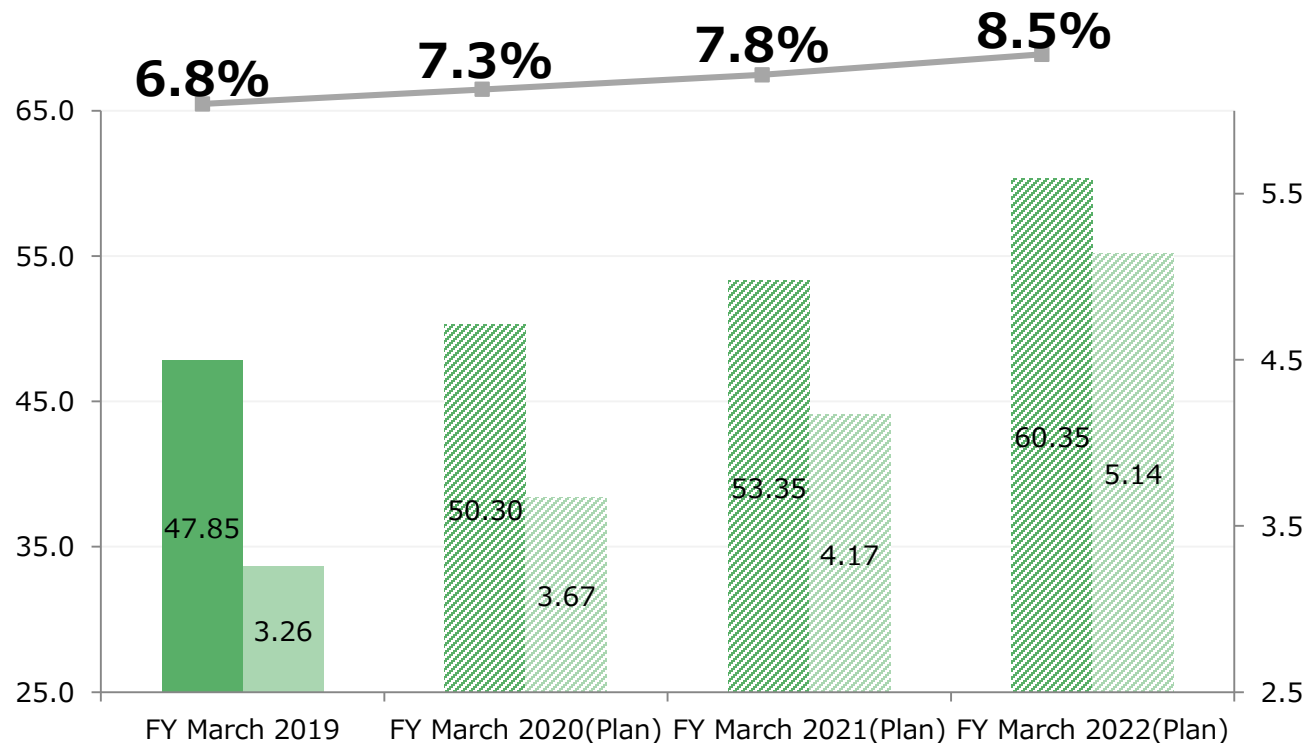
Operating income exceeded both the plan and the amount in the previous fiscal year and its growth is steady.

Hoping for further growth of Ozio Co., Ltd., operating a cosmetics mail-order business, and the wine segment

Particularly the mail-order cosmetics segment is actively developing businesses in Japan and abroad.

■ Net Sales  
(Unit: Billion Yen)

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



## 3-2. Specialty Mail Order Business :

Top Sales in Specialty Mail  
Order Industry

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At Ozio Co.,Ltd., selling mail-order cosmetics, the serum including eggshell membrane, "Beauty Opener," achieved the highest net sales for two consecutive years. (provided by Tokyo Shoko Research, Ltd. ) Beauty Cleansing Balm is showing a signs of becoming a new hit.

### Beauty Opener

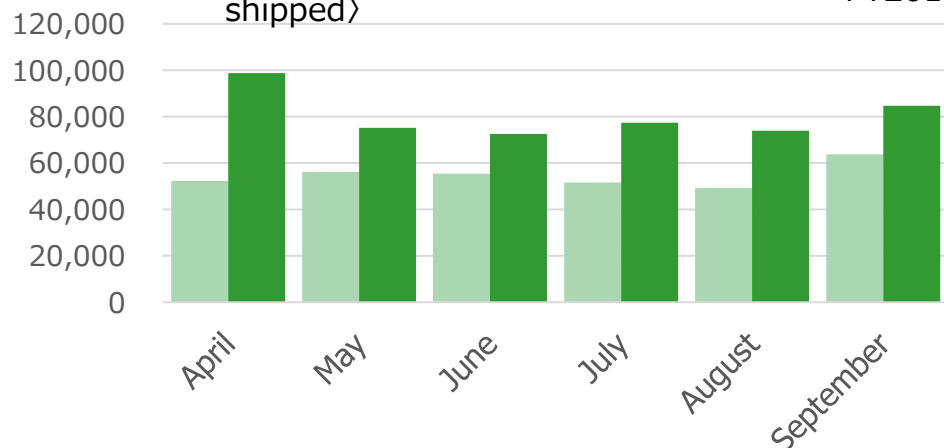


«Achievement through serum containing eggshell membrane»

卵殻膜エキス90%以上配合  
美容液通販売上  
(東京商工リサーチ調べ2017年1月～12月、  
2018年1月～12月)

〈Number of items shipped〉

■ FY2018  
■ FY2019



### Beauty Cleansing Balm

～ 新密着クリア処方 ～

60秒<sup>※1</sup>でとろけて  
するっと落ちる

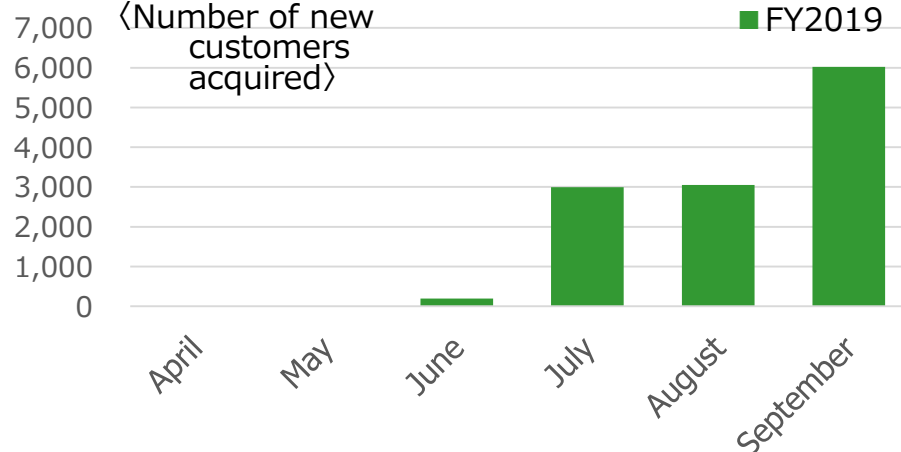
美容液成分 約78%<sup>※2</sup>配合



※1 使用目安時間  
※2 保湿成分・ハリを与える成分として配合。水を含む。

〈Number of new customers acquired〉

■ FY2019





## 3-2. Specialty Mail Order Business :

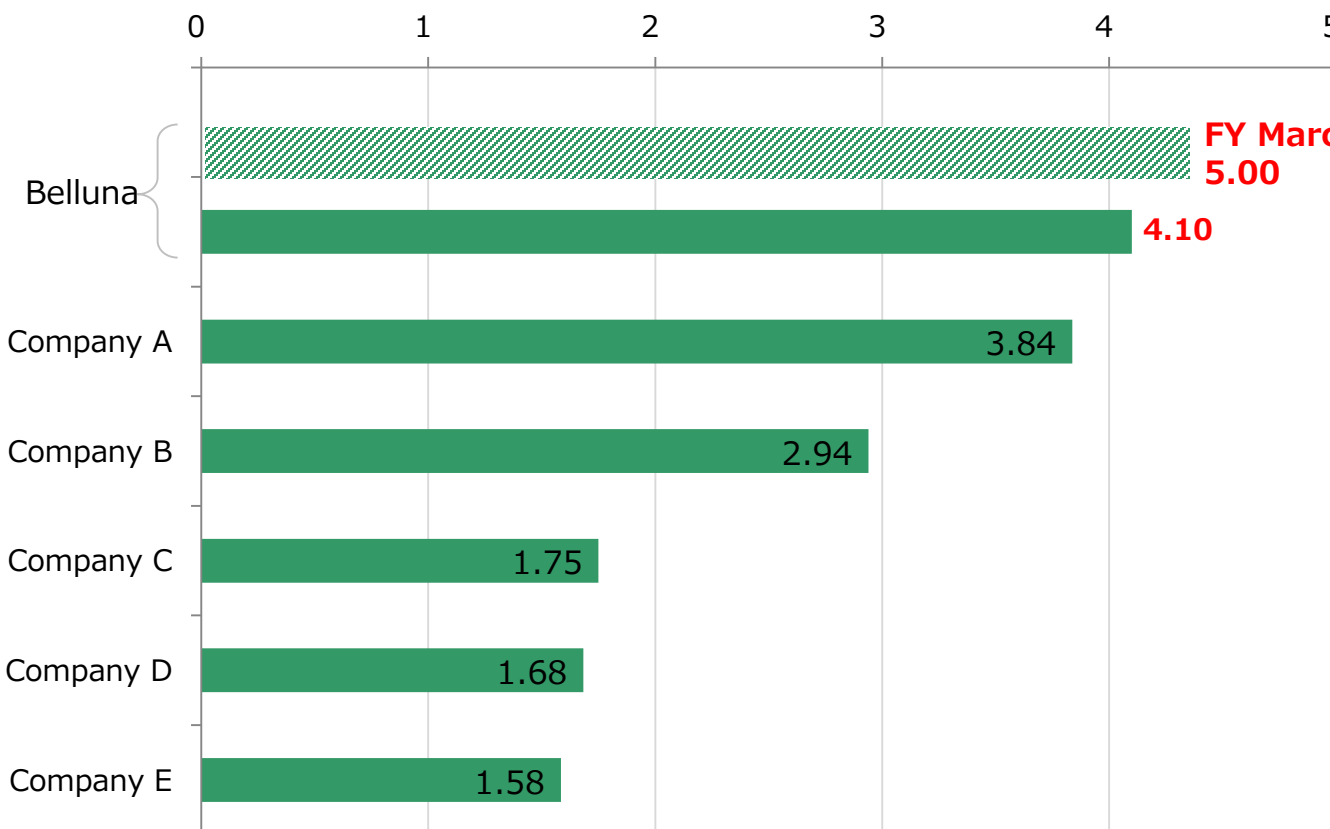
Top Sales in Specialty Mail  
Order Industry

Ranked first in sales of mail-order wine for 10 consecutive years. **BELLUNA**

Online sales are strong and leading growth

◀ Ranking of domestic sales of  
mail-order wine ▶

(Unit: Billion Yen)



**Number of bottles sold:  
approx. 5.8 million  
(up 20% year on year)**



\* The 2018 data provided by Tokyo Shoko Research, Ltd.

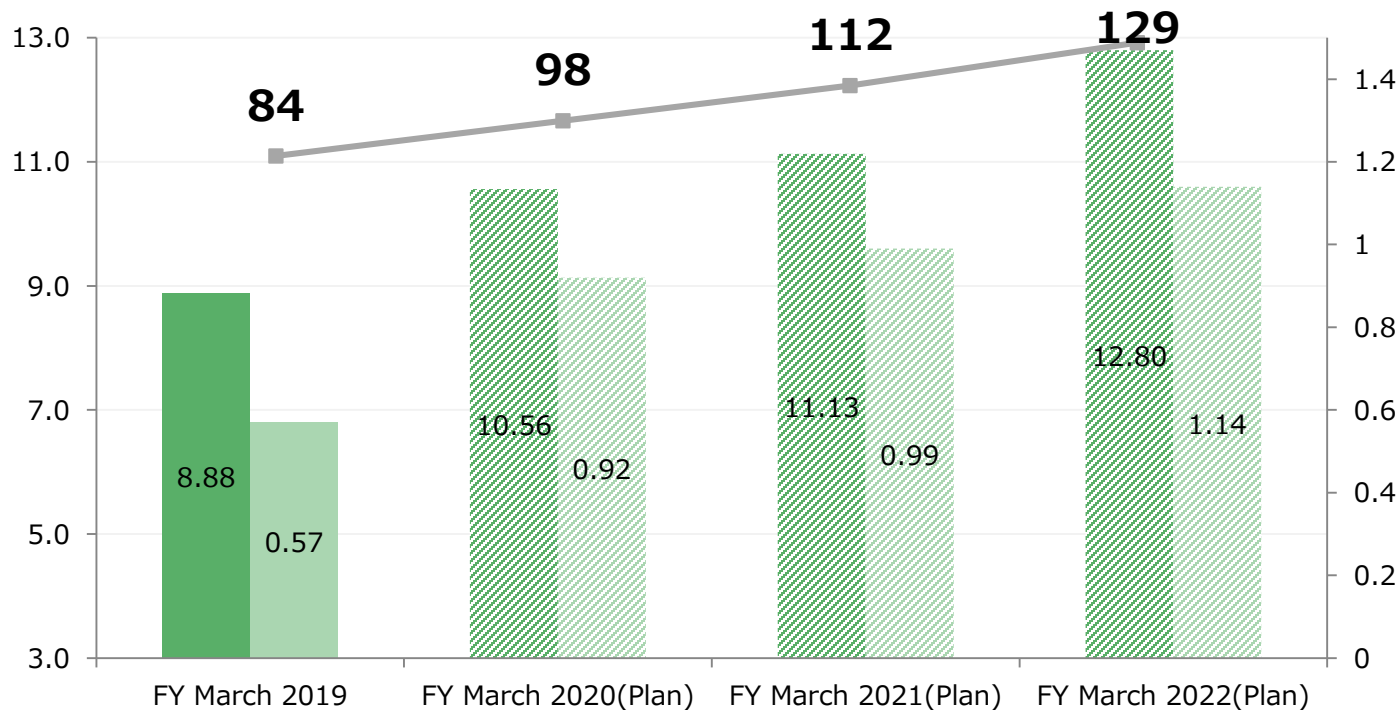
### 3-3. Retail Store Sales Business: Stores selling kimono and Japanese-style goods (BANKAN Wamono Co., Ltd.)

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As a result of store openings and closures, the number of existing stores was 83 at the end of Sep. 2019. Both sales and profit increased in the first half, and we will aim to recover the delay from the plan in the second half of the fiscal year.



■ Net Sales  
(Unit: Billion Yen)



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

### 3-3. Retail Store Sales Business: Stores selling kimono and Japanese-style goods (Sagami GHD)

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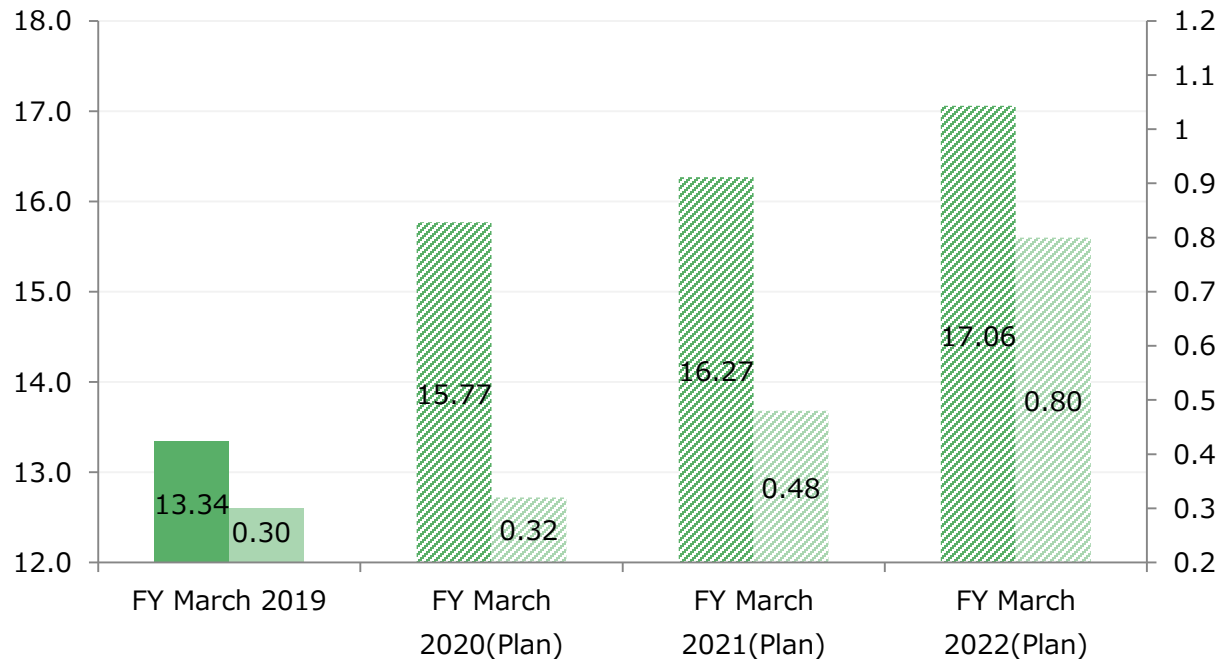
We reformed the organizational structure and are implementing an awareness reform. New stores open in November to introduce the Bankan method.

<Sagami Co., Ltd.>



■ Net Sales  
(Unit: Billion Yen)

■ Operating income  
(Unit: Billion Yen)



<Tokyo Masuiwaya Co., Ltd.>



### 3-3. Retail Store Sales Business: Stores selling kimono and Japanese-style goods (Sagami GHD)

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<Sagami: Tokadai Store>

# sagami



Sagami's 1st new concept store opened.

The Bankan-style store with the trade name, "sagami"

Planning to open three stores before the end of the fiscal year under review.

Store: Mega Don Quijote Tokadai

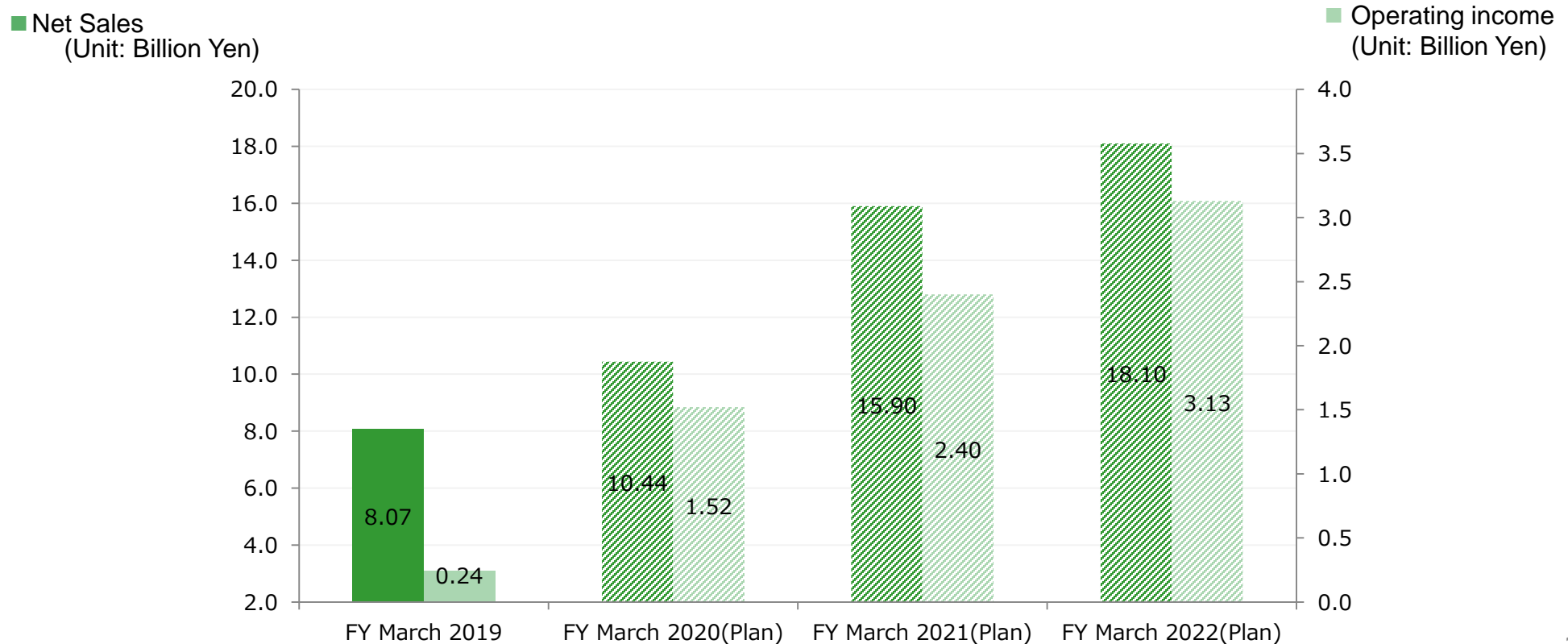
Location: Koga, Komaki, Aichi

Opening: November 12, 2019

## 3-4. Property Business

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The difference from the plan in the Property Business is caused primarily by a delay in the progress of the resort hotel segment. Actively use leverage to revive the business at an early stage.

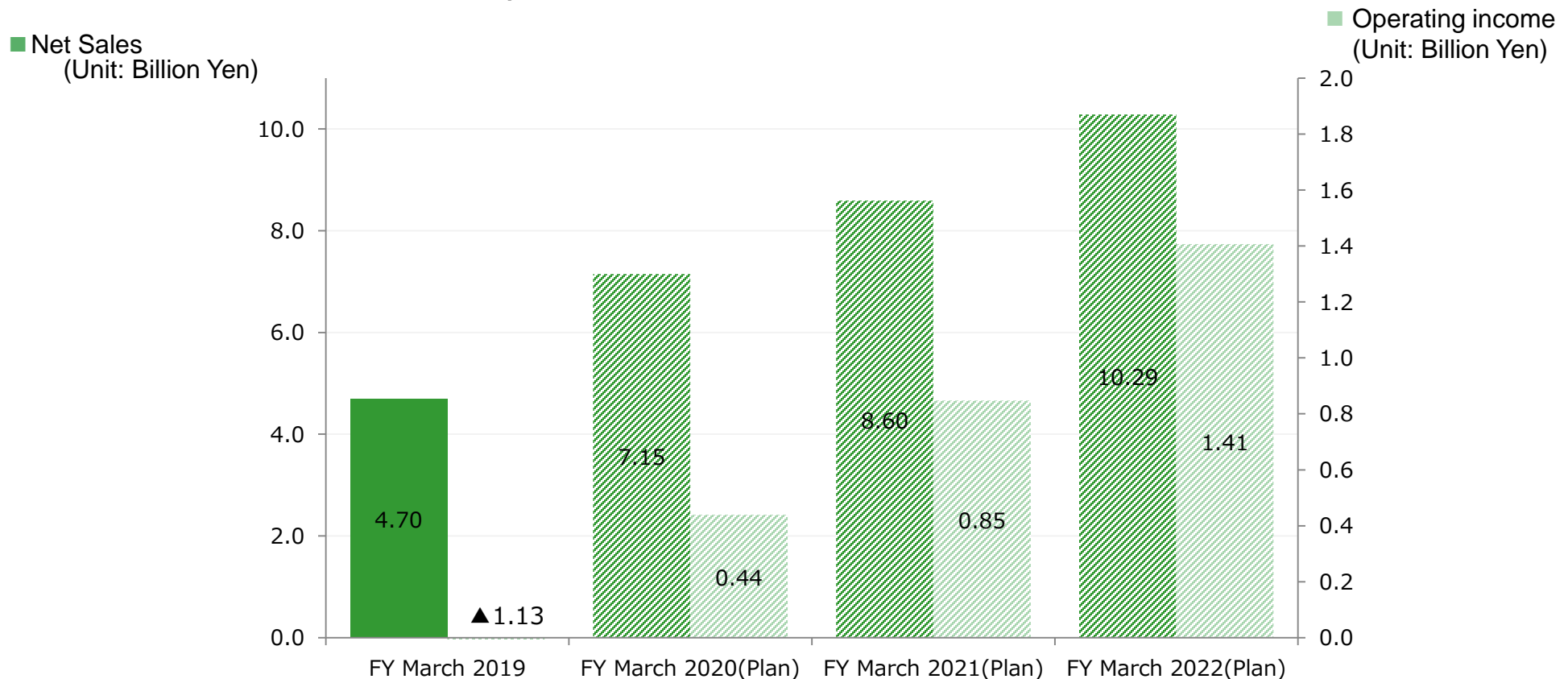


## 3-4. Property Business : Hotels

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There are challenges in increasing profit from resort hotels. Use direct leverage to turn a profit at an early stage.

【Business Plan (Hotels)】



# 3-5. Returns to shareholders

We will raise dividends again for the fiscal year under review by 1.0 yen to provide an increase in shareholder returns in two consecutive years.

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< Annual dividends >

	FY March 2017	FY March 2018	FY March 2019	FY March 2020(Plan)
EPS (yen)	59.68	99.41	106.39	108.52
Dividend (yen)	12.5	12.5	15.0	16.0

<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 2020 is the first year in the Fourth Business Plan. We will focus on increasing profitability to reach the profit target for the final fiscal year.



## <Important notice>

This material is prepared for the purpose of publicly disclosing information concerning the financial results of the 1st Half ended September 30, 2019. 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 20, 2019. 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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