



President & CEO  
Kiyoshi Yasuno

Belluna Co., Ltd. (9997)



## Company Information

Market	TSE 1st Section
Industry	Retail (commerce)
President	Kiyoshi Yasuno
HQ Address	4-2 Miyamoto-cho, Ageo-shi, Saitama
Year-end	End of March
Homepage	<a href="https://www.belluna.co.jp/en/">https://www.belluna.co.jp/en/</a>

## Stock Information

Share Price	Number of Shares Issued		Total Market Cap	ROE (Actual)	Trading Unit
¥650	97,244,472 shares		63,208 million	5.8%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥16.00	2.5%	¥53.77	12.1x	¥1,054.14	0.6x

\* The share price is the closing price on June 16.

\*Each number is based on earning results of the FY 3/20.

## Earning trends

Fiscal Year	Net Sales	Operating Income	Net Income	Net Income	EPS	DPS
March 2017 (Actual)	146,083	10,882	12,188	5,802	59.68	12.50
March 2018 (Actual)	161,673	13,008	13,248	9,665	99.41	12.50
March 2019 (Actual)	177,648	12,005	15,309	10,343	106.39	15.00
March 2020 (Actual)	179,948	10,311	10,365	5,862	60.62	16.00
March 2021 (Forecast)	175,000	7,000	7,800	5,200	53.77	16.00

\* Unit: Million yen

\*Net income is profit attributable to owners of parent. Hereinafter the same shall apply.

This report outlines Belluna, the financial results for the term ended March 2020 and etc.

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## Key Points

- The sales for the term ended March 2020 were 179.9 billion yen, up 1.3% year-on-year. Sales have increased for all segments except for the General Mail Order Business and Other Business. Gross profit margin improved 1.3% and gross profit increased 3.6% year-on-year. However, SG&A expenses increased 6.0% year-on-year, because of media and distribution costs, and operating income declined 14.1% year-on-year to 10.3 billion yen. Ordinary income was 10.3 billion yen, down 32.3% year-on-year, due to the posting of foreign exchange losses and losses on the valuation of derivatives. Sales were almost in line with the revised estimate, while profit fell below the revised estimate.
- The sales for the term ending March 2021 are projected to be 175 billion yen, down 2.8% year-on-year, and operating income is estimated to be 7 billion yen, down 32.1% year-on-year. The forecast factors in the impacts of COVID-19, mainly in the first half, and predicts sales and profit to decline. The dividend is to remain unchanged at 16.00 yen/share. The estimated payout ratio is 29.8%.
- As for the novel coronavirus, currently, new business opportunities have emerged, due to the demand for staying home. However, there are also impacts of the decline in demand for going out, suspension of hotels and stores, etc. The segments most affected are the General Mail Order Business, the Retail Store Sales Business, and the Property Business. On the other hand, the impact on the Specialty Mail Order Business, the Solution Business, and the Finance Business was minor, and the situation is rather favorable for these businesses.
- Although the forecast indicates a decrease in sales and profit due to the COVID-19 pandemic, there is something to be expected of the company's business portfolio diversification effect, which is one of its characteristics and strengths. Further, it is also an opportunity for the General Mail Order Business, which has been stagnating for the recent few terms, to increase new customers and strengthen its business base.

## 1. Company Overview

Belluna is a leading general catalog retailer. In addition to the mail-order business specializing in some genres, this company operates the Retail Store Sales Business, the Solution Business for providing corporations with its know-how and infrastructure that have been nurtured through its mail-order business, and so on. Its strengths and characteristics include a database of customers who are mainly married women, and stable profitability and growth potential based on portfolio management. It also conducts M&A actively.

### 1-1 Corporate History

In 1968, Mr. Kiyoshi Yasuno, who is currently the representative director and president of the company, started the business of selling seals door-to-door under the name of "Yukado." Then, starting with the mail-order sale of clothes, the company started dealing in food products, cosmetics, etc. While operating the Specialty Mail Order Business, the company has enriched its business portfolio, including the Finance Business, Property Business, Retail Store Sales Business, Solution Business, etc. targeted at mail-order customers. In March 2000, the company was listed on the first section of the Tokyo Stock Exchange. Belluna actively conducts M&As to fortify the business base.

## 1-2 Management Philosophy

### ◎Management Philosophy

Origin of our business	To contribute to our customers' lifestyle and happiness, by taking an international perspective to be the first company to provide a wide range of customers across the nation with an abundance of food, clothing, lifestyle and recreational products and services, with superior systems and planning for improved convenience, economy, fashion and assortment.
Ideal employees of our company	Our employees approach challenges with a cheerful and positive attitude, to do whatever possible to proactively improve customer satisfaction and broaden their abilities, in order to always maintain the confidence of our customers.
Ideal state of our company	We aim to develop overwhelming superiority as we compete with other companies in the areas of food, clothing, lifestyle and recreational goods and services, and with an image of stability, growth, continuity, and profitability to become an excellent company that attracts capable personnel and makes a contribution to society.

In addition, Belluna set "Basic Mind," which describes the mindset of Belluna's employees, and "Basic Action." "Basic Mind" is composed of "the awareness as a party involved," "the awareness of profit," "a sense of playing a game," "positive thinking," and "the willingness to grow," while "Basic Action" is composed of "1. Collecting information," "2. Case studies," "3. Utilizing data," "4. Testing theories," "5. Use of others," "6. Intellectual understanding," "7. Discussion" and "8. Reporting, contacting, and consulting." These are what the employees of Belluna should return to when facing a challenging problem.

In addition, the company considered "CCBSKKKS" (C: Change, C: Challenge, B: Brushing up, S: Speed, K: (Kizuki) Awareness, K: (Kaizen) Improvement, K: (Kyakushikou / Kyakumichaku) Customers' perspective and getting closer to customers, S: Case studies of SA class corporations) as a common factor in growing corporations and recognizes it as a milestone for its own growth.

## 1-3 Market Environment

According to "Commercial Statistics Table in 2014—Statistics for each business category (retail)" announced by the Ministry of Economy, Trade and Industry on March 9, 2016, the annual sales of products via mail order, catalogs, and the Internet amount to 3.9 trillion yen.

Detailed statistics have not been checked, but it seems that the catalog retail market has recently shrunk 1-2%, as competitors in the general mail-order field suffered a significant drop in sales while the online shopping market has grown rapidly.

Amid this situation, although it is concentrating on the online shopping business, the General Mail Order and Specialty Mail Order Business segments of Belluna, in which catalog retail accounts for 80% of total sales, achieved an annual sales growth rate of 4% in the past 5 years until the term ended March 2020 and are expanding their market share steadily.

### ◎Comparison of major mail-order companies

Code	Corporate name	Sales	Sales growth rate	Operating income	Profit growth rate	Operating income ratio	ROE	Market cap	PER	PBR
3092	ZOZO	-	-	-	-	-	65.9%	688,110	-	19.5
4921	Fancl	127,000	+0.1%	14,500	+2.6%	11.4%	15.8%	410,612	38.0	5.7
4927	Pola Orbis HLD	190,000	-13.6%	19,000	-39.0%	10.0%	10.4%	505,932	58.2	2.6
8005	Scroll	75,000	+3.3%	1,900	-11.4%	2.5%	3.3%	13,056	9.2	0.6
8165	Senshukai	-	-	-	-	-	21.2%	21,447	-	0.5
9997	Belluna	175,000	-2.8%	7,000	-32.1%	4.0%	5.8%	59,416	11.4	0.6

\* Unit: Million-yen, yen, x.

\*Sales and operating income are the values estimated by the company for this term.

\*ROE is the actual result of the previous term.

\*Market Cap, PER and PBR are the values calculated from the closing prices on June 5, 2020.

\*forecast for this term of ZOZO and Senshukai are undecided.

# BRIDGE REPORT



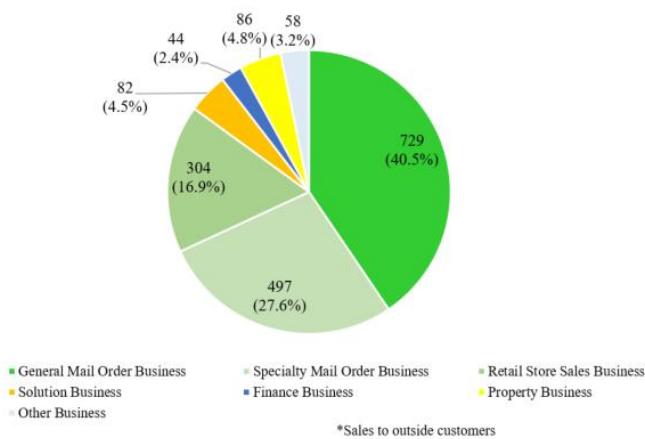
Compared with Scroll and Senshukai, which are competitors in the general mail-order field, Belluna has large sales and market cap, and high profit ratio and capital efficiency.

## 1-4 Business Contents

### (1) Segments

Belluna operates seven business segments: General Mail Order Business, which is its core business, Specialty Mail Order Business, Retail Store Sales Business, Solution Business, Finance Business, Property Business, and Other Business. The General Mail Order and Specialty Mail Order businesses account for about 70% of total sales.

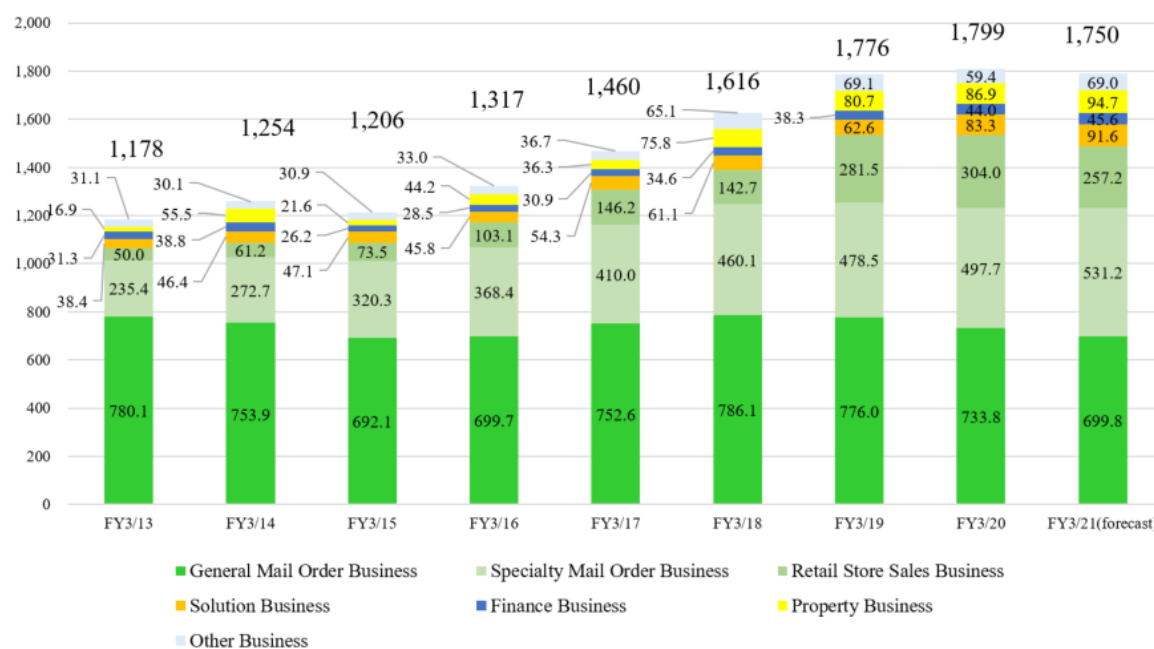
Sales composition by segment  
(Term ended Mar. 2020; unit: 100 million yen)



(Produced by Investment Bridge with reference to the material of Belluna.)

## Variation in sales

[100 million yen]



(Produced by Investment Bridge with reference to the material of Belluna.)

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①General Mail Order Business

◎Outline

The company receives orders for and sells apparel, fashion goods, interior accessories, etc. via catalogs, flyers, and the Internet.

(Major catalogs)



(Taken from the website of Belluna)

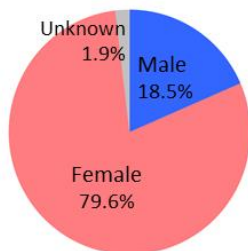
◎Attributes of subscribers

As of the end of March 2020, the number of subscribers is about 20.3 million, and married women in their 40s or older account for about 80% of them.

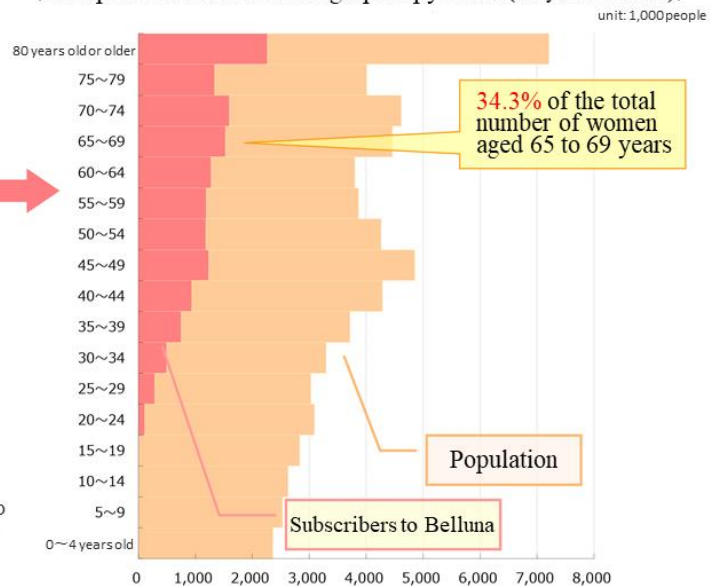
The subscribers aged 65 to 69 years, who are major married women, make up 34.3 % of the population of this age group in Japan, indicating an overwhelming market share.

Characteristics of subscribers (as of the end of Mar. 2020)

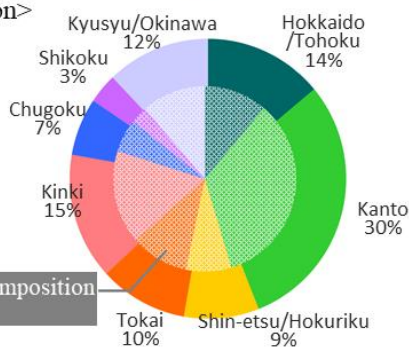
<Gender>



<Comparison with the demographic pyramid (only for women)>



<Region>



Population composition by region

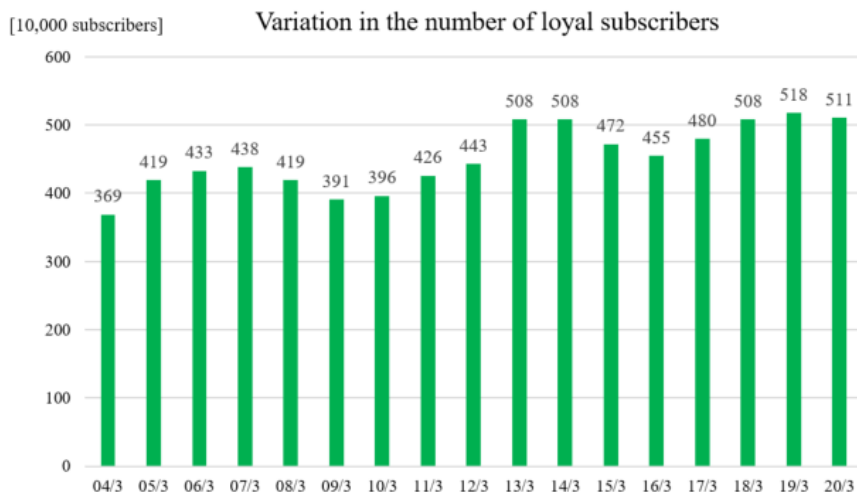
\*Produced by Belluna based on the data of Statistics Bureau, the Ministry of Internal Affairs and Communications

(Taken from the reference material of the company)

The number of loyal subscribers, who are defined as subscribers who have purchased products within 2 years after registration, was 5.11 million in the term ended March 2020.

Despite some fluctuations, it is steadily increasing.

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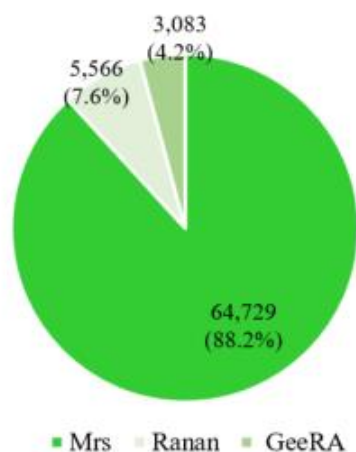
(Produced by Investment Bridge with reference to the material of Belluna)

Belluna employs about 70 merchandisers, and offers more fashionable products than leading supermarkets and women’s apparel shops. Particularly, designs focusing on hiding Mrs’s figures which change with age are well-received by its user. In addition, the company offers a variety of unrivalled catalogs targeted at customers in their 50s to 70s. Accordingly, it won overwhelming support from married women.

◎Customer segments

Female customer segments are divided into three ones: “Mrs” for customers in their 50s or older, “Ranan” for customers in their 40s, and “GeeRA(former Ryu-Ryu)” for customers in their 30s. The company offers products tailored for the preferences and needs of each age group.

Sales composition  
(the term ended Mar. 2020; unit: million yen)



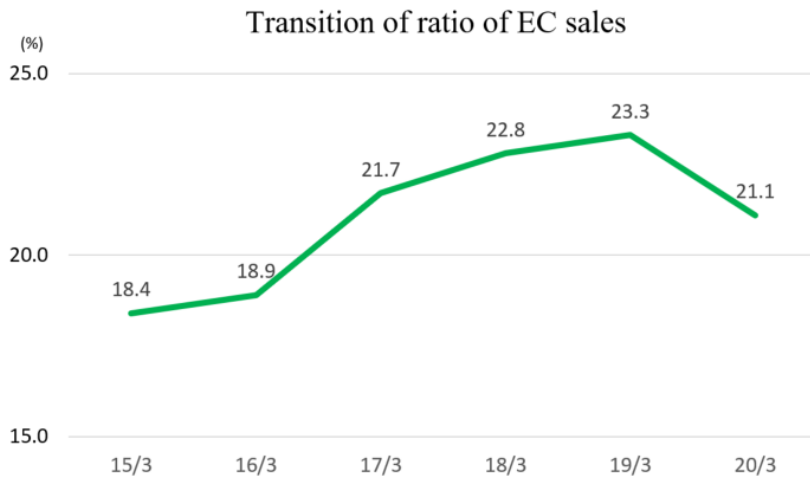
(Produced by Investment Bridge with reference to the material of Belluna.)

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◎Efforts for developing e-commerce

Catalogs are primary sales channels, but the company has been striving to promote online shopping in recent years.

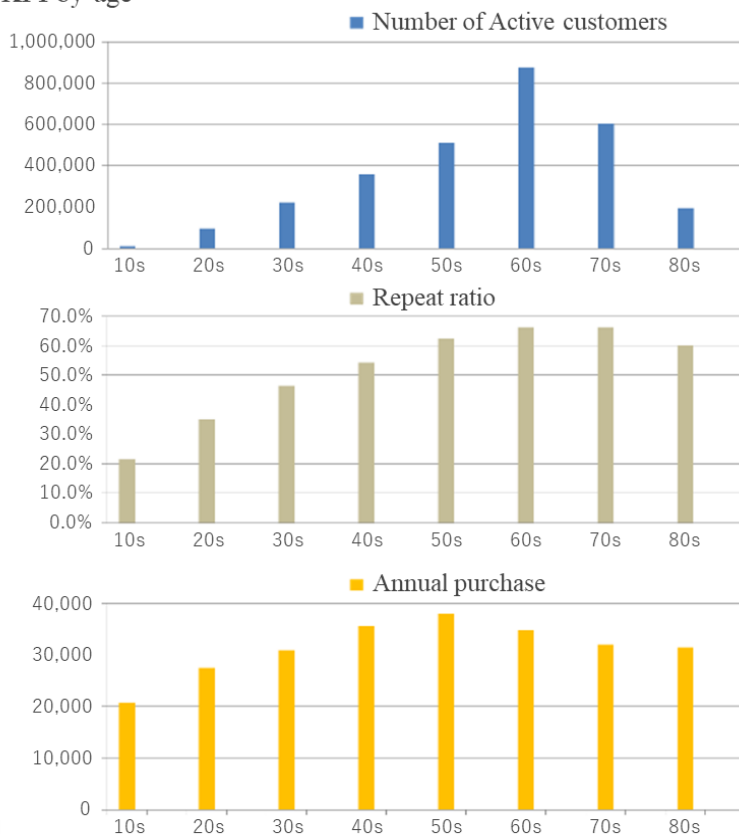


(Produced by Investment Bridge with reference to the material of Belluna)

◎Strong points of each age group

While the repeat rate for senior customers is as high as over 50%, the company realizes improvement of the repeat rate for customers aged 30 or younger as its challenge. Also, customers in their 50s have the highest annual purchase amount. The challenge for the company will be to increase the number of simultaneous purchases for senior customers.

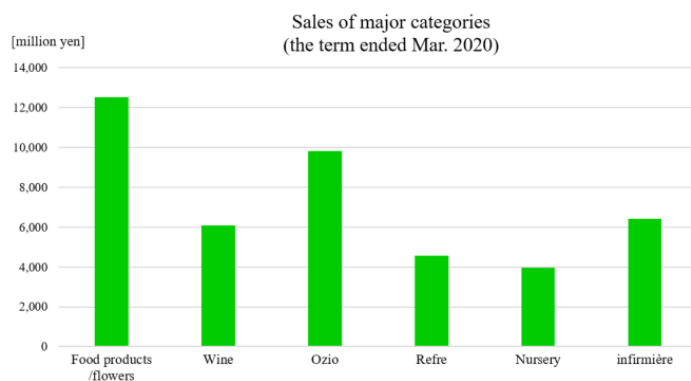
**KPI by age**



## ②Specialty Mail Order Business

By specializing in specific genres, the company adds characteristics to its product lineup, prices, and services. Therefore, the company can retain customers easily, and receive orders from repeat customers.

Main genre	Catalog/website	Outline
<b>Food products, flowers, and wine</b>	Belluna Gourmet	Belluna handles food products and flowers. In addition to the sale of individual products, it offers a “periodic distribution service” for delivering products to subscribers every month, a “gift service” for mid-summer gifts, and so on.
	My Wine CLUB	Belluna directly imports wines that are rare in Japan, and won the largest share in the mail-order market for wine in Japan for 11 consecutive years (fiscal 2008 to fiscal 2018).
<b>Cosmetics</b>	Ozio	Belluna deals in cosmetics and supplements, such as facial washes, skin lotions, and milks, for which safety is pursued.
	Nachulife	All-in-one cosmetics are mainly handled. Especially, the company offers products composed of mainly skin-friendly plant ingredients.
<b>Supplements</b>	Refre	Under the concept: “Tomorrow’s body, today’s body,” Belluna deals in healthy food products and supplements made from ingredients selected rigorously after many quality tests. In 2013, the company established Refre Laboratory, to secure the safety of food and the quality of products, prevent health hazards, and so on.
<b>Mail order for nurses</b>	Nursery infirmière	Belluna operates “Nursery,” which offers products at reasonable prices, and “infirmière,” whose attractive features are its rich product lineup and collaborative products with other brands. It has an overwhelming share in the mail-order market for nurses.



(Produced by Investment Bridge with reference to the material of Belluna)

## ③Retail Store Sales Business

Aiming for a synergistic effect between the mail-order, online, and physical store sales channels, the company is targeting customers who are unreachable by mail-order by placing kimono and apparel stores in shopping centers and shopping malls.

In Japanese clothing field, the company operates “BANKAN” and “Wamonoya,” which sell kimono and Japanese clothing-related products. In addition to them, Sagami Group Holdings Co., Ltd. was reorganized into a consolidated subsidiary in Jun. 2018.

Sagami Group Holdings runs stores under the two brand names “Sagami” and “Tokyo Masuiwaya.” They possess abundant knowledge and know-how about kimono culture and how to handle kimono, and excel in helping customers get dressed.

Apparel stores BELLUNA offer casual clothes at low prices, targeted mainly at women in their 40s and 50s.

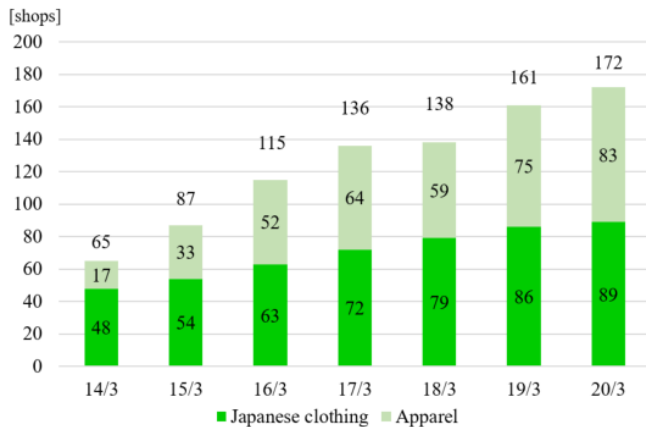
The store area is about 30 tsubo (≒ 100 m<sup>2</sup>) for Japanese clothing stores, and 80 to 100 tsubo (≒ 265 to 330 m<sup>2</sup>) for apparel



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stores. The Japanese clothing stores are highly profitable, because there is a high average spending per customer. As of the end of March 2020, there were 89 Japanese clothing stores and 83 apparel stores. The total number of stores was 172.



(Produced by Investment Bridge with reference to the material of Belluna)

**④Solution Business**

By utilizing the know-how and infrastructure that have been nurtured through the mail-order business for many years, Belluna offers the “service of enclosing promotional flyers” and the “mail-order agency service” to corporations.

In the service of enclosing promotional flyers, the company encloses the flyers, product samples, etc. of client companies with products and catalogs and ships them to customers, by utilizing its enormous customer database. It is possible to narrow down target customers according to the needs of client companies. Accordingly, client companies can expect effective sales promotion.

“The mail-order agency service” is to offer a series of functions, including the infrastructure and know-how of Belluna, to enterprises that sell products by mail order. Belluna comprehensively undertakes the tasks of managing stocks at distribution warehouses, operating call centers, and shipping products to customers.

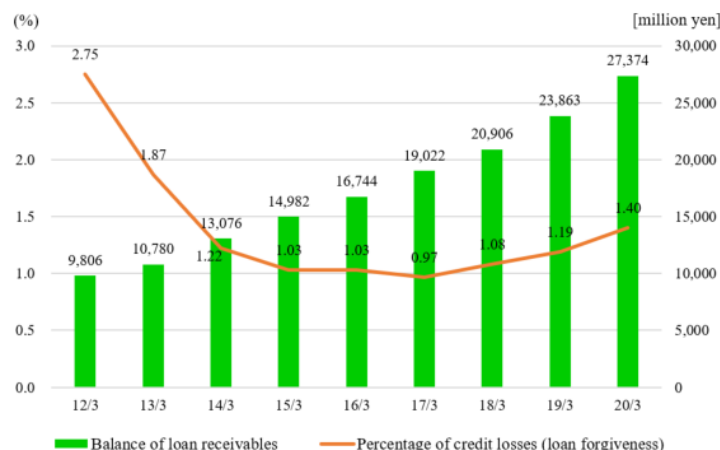
Even enterprises that are starting the mail-order business do not need to prepare their own infrastructure, and they can offer products and services swiftly at low prices.

**⑤Finance Business**

It is a consumer finance business utilizing the database developed through the mail-order business.

The company mainly introduces loans to mail-order customers by enclosing flyers, etc. Since the company possesses the data of the past purchases and payments by customers, credibility is high and the balance of loan receivables is expanding steadily, while the percentage of credit losses is low compared with other companies.

Its profitability is high, partially because the cost for reeling in borrowers is low as mail-order customers are targeted.



(Produced by Investment Bridge with reference to the material of Belluna)

## ⑥Property Business

The company leases real estate, such as office buildings, operates hotels, and so on.

## ⑦Other Business

The company operates the wholesale business targeted at department stores and co-op shops, and the insurance business.

### 1-5 Characteristics and Strengths

#### ①Customer database and know-how mainly for married women, which have been nurtured through the mail-order business for about 40 years

As mentioned in the section of business contents, about 80% of over 20 million subscribers of Belluna are married women in their 40s or older.

Belluna's female subscribers aged 65 to 69 years, who are dominant among married women, account for 34.3% of the population, 1 in 3 people of this age group in Japan.

The competitive customer database and know-how, which have been developed through the mail-order business for about 40 years, are significant features that contribute to the creation of corporate value.

In the mail-order sale business, which is its mainstay, Belluna won strong support from married women by proposing products that can meet their needs based on the requests from customers, etc. grasped through sales and purchase activities and questionnaire surveys.

In the finance business, the company earn sales and profit stably by utilizing its database. In the solution business, the company creates new business opportunities by offering its customer database, know-how, and infrastructure.

#### ②Stable profitability and growth potential based on portfolio management

Another characteristic of Belluna is the business model called "portfolio management," which actualizes stable growth potential and profitability by conducting business in a multifaceted manner while utilizing its managerial resources nurtured through the mail-order business.

Based on this business model, the company disperses the risks of changes in social situations and economic trends, allows each business to exert its strengths as a mainstay, brings out the synergy among businesses, and actualizes stable profitability and growth potential.

### 1-6 Shareholder Return

Belluna determines dividends while considering its business performance and strategic investments for mid-term growth. This term(FY3/20), the company plans to pay 16 yen/share, up 1 yen/share from the previous year.

The company has been implementing a shareholders' benefit plan, and gives benefits twice a year to shareholders who hold 100 or more shares as of the end of March and the end of September every year. For the purposes of expressing gratitude to shareholders and deepening shareholders' understanding, the company announced the enrichment of the shareholders' benefit plan in November 2017, adding complimentary coupons that can be used in Belluna Net. There is no revision to the criteria for receiving shareholders' benefits, the date of issuance of coupons, or their effective periods.

	100 to 499 shares	500 to 999 shares	1,000 or more shares
Shareholders can choose any of the following: "General mail-order coupon," "Coupon exclusively for online shopping," and "Belluna's product (food product/wine)"	Worth 1,000 yen	Worth 3,000 yen	Worth 5,000 yen
Accommodation coupon of Urabandai Lake Resort	1 coupon	2 coupons	4 coupons
Accommodation coupon of Le Grand Kyu Karuizawa	1 coupon	1 coupon	1 coupon

\*The accommodation coupon of Le Grand Kyu Karuizawa is distributed once a year (issued in early December).

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## 1-7 ROE analysis

	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20
<b>ROE (%)</b>	<b>10.0</b>	<b>8.4</b>	<b>4.4</b>	<b>7.0</b>	<b>10.9</b>	<b>10.8</b>	<b>5.8</b>
Net Income Margin (%)	5.59	5.30	2.69	3.97	5.98	5.82	3.26
Total Asset Turnover (times)	1.02	0.85	0.84	0.86	0.86	0.87	0.81
Leverage (times)	1.75	1.85	1.97	2.06	2.12	2.13	2.22

In the term ended March 2020, due to the decrease of net income margin, ROE is 5% range. The goal of the fourth management plan is to achieve ROE of 10% or more by the end of the final year of the plan in the term ending March 2022.

## 2. Fiscal Year March 2020 Earnings Results

## (1) Consolidated Business Results

	FY3/19	Ratio to sales	FY3/20	Ratio to sales	YoY	Ratio to Initial estimate	Ratio to revised estimate
Sales	177,648	100.0%	179,948	100.0%	+1.3%	-2.7%	0%
Gross profit	101,364	57.1%	105,062	58.4%	+3.6%	-	-
SG&A expenses	89,359	50.3%	94,751	52.7%	+6.0%	-	-
Operating income	12,005	6.8%	10,311	5.7%	-14.1%	-26.4%	-6.3%
Ordinary income	15,309	8.6%	10,365	5.8%	-32.3%	-30.9%	-5.8%
Net income	10,343	5.8%	5,862	3.3%	-43.3%	-44.2%	-16.3%

\*Unit: Million yen

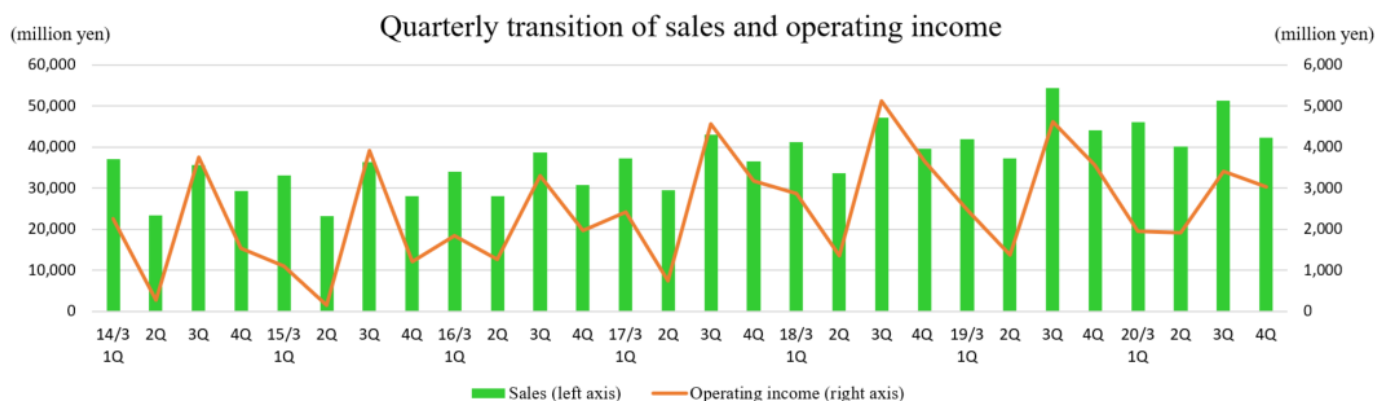
\*Net income is profit attributable to owners of parent. Gross profit is gross profit-net.

## Sales increased while operating income decreased. Both sales and profit fell below its initial estimate

The sales for the term ended March 2020 were 179.9 billion yen, up 1.3% year-on-year. Sales have increased for all segments except for the General Mail Order Business and Other Business. Gross profit margin improved 1.3% and gross profit increased 3.6% year-on-year. However, SG&A expenses increased 6.0% year-on-year, because of media and distribution costs, and operating income declined 14.1% year-on-year to 10.3 billion yen. Ordinary income was 10.3 billion yen, down 32.3% year-on-year, due to the posting of foreign exchange losses and losses on the valuation of derivatives.

In January 2020, the cost of sales ratio of the General Mail Order Business is predicted to fall below the estimate. For the Retail Store Sales Business, orders in sales through events by SAGAMI Co., Ltd. stagnated in the third quarter due to the typhoon. As for the Property Business, commencing operations for the overseas hotel, which opened in the previous term, was delayed, etc. Thus, the business forecast was revised downwardly.

Sales were almost in line with the revised estimate, while profit fell below the revised estimate.



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## (2) Trend of each segment

	FY3/19	Composition Ratio	FY3/20	Composition Ratio	YOY	Ratio to revised estimates
<b>Sales</b>						
General Mail Order Business	77,603	43.7%	73,378	40.8%	-5.4%	-0.6%
Specialty Mail Order Business	47,852	26.9%	49,774	27.7%	+4.0%	+3.7%
Retail Store Sales Business	28,146	15.8%	30,402	16.9%	+8.0%	-2.0%
Solution Business	6,257	3.5%	8,330	4.6%	+33.1%	-2.1%
Finance Business	3,829	2.2%	4,396	2.4%	+14.8%	+1.5%
Property Business	8,072	4.5%	8,690	4.8%	+7.7%	-1.1%
Other Business	6,912	3.9%	5,943	3.3%	-14.0%	-24.2%
Adjustments	-1,026	-	-968	-	-	-
Total	177,648	100.0%	179,948	100.0%	+1.3%	-0.0%
<b>Operating income</b>						
General Mail Order Business	3,816	4.9%	1,713	2.3%	-55.1%	-2.4
Specialty Mail Order Business	3,260	6.8%	3,906	7.8%	+19.8%	+1.9
Retail Store Sales Business	1,000	3.6%	310	1.0%	-69.0%	-4.5
Solution Business	2,272	36.3%	2,652	31.8%	+16.7%	+1.5
Finance Business	1,759	45.9%	1,874	42.6%	+6.5%	+1.3
Property Business	244	3.0%	658	7.6%	+169.7%	-0.6
Other Business	237	3.4%	-392	-	-	-6.0
Adjustments	-586	-	-410	-	-	-
Total	12,005	6.8%	10,311	5.7%	-14.1%	-6.9

\*Unit: Million yen

\*The composition ratio of income means the ratio of income to sales. the unit of ratio to estimates in operating income is 100 million yen.

◎General Mail Order Business

Sales and profit declined.

Sales and profit declined due to the increase in shipping charges and the limited number of issues of catalogs, etc. resulting from increased costs of papers.

◎Specialty Mail Order Business

Sales and profit grew.

Sales were favorable mainly in the cosmetics and wine businesses.

◎Retail Store Sales Business

Sales grew and profit decline.

Profit fell due to the influence of loss incurred in the first quarter resulting from costs exceeding revenues on Sagami Group Holdings Co., Ltd, which was acquired in the previous term.

◎Solution Business

Sales and profit grew.

Both the mail-order agency service and the service in enclosing promotional flyers performed well.

◎Finance Business

Sales and profit rose.

The balance of loan receivables in the domestic consumer finance business increased. Sales was below its estimates, while profit exceeded it.

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## ◎Property Business

Sales and profit grew.

Sales grew thanks to the opening of new hotels in the previous term, and there were no expenditures on opening of new hotels in this term.

## ◎Other Business

Sales decreased and loss expanded.

Regarding Maimu Co., LTD., which runs the apparel rental business, many graduation ceremonies were cancelled, and cancellations increased due to the spread of COVID-19.

## (3) Financial Condition and Cash Flows

## ◎Main BS

	End of March 2019	End of March 2020		End of March 2019	End of March 2020
Current assets	99,244	103,683	Current liabilities	53,463	50,135
Cash and deposits	22,071	22,788	Trade payables	17,093	18,225
Trade receivable	9,739	9,391	Short-term interest-bearing debts	14,368	12,046
Inventories	22,319	22,313	Noncurrent liabilities	59,790	70,467
Noncurrent assets	114,542	119,445	Long-term interest-bearing debts	55,339	65,774
Property, plant and equipment	83,204	88,651	Total liabilities	113,253	120,602
Intangible assets	11,253	11,827	Net assets	100,533	102,525
Investments and other assets	20,084	18,966	Retained earnings	80,816	85,177
Total assets	213,786	223,128	Total liabilities and net assets	213,786	223,128

\*Unit: Million yen

Total assets increased 9.3 billion yen to 223.1 billion yen thanks to the increase in property, plant and equipment, etc. Total liabilities rose 7.3 billion yen to 120.6 billion yen due to the increase in long-term loans payable, etc. As retained earnings grew etc., net assets increased 1.9 billion yen to 120.5 billion yen. As a result, capital-to-asset ratio decreased 1.0 points from the end of the previous term to 45.7%.

## ◎Cash Flows

	FY3/19	FY3/20	YOY
Operating CF	8,558	6,624	-1,934
Investing CF	-12,724	-11,108	+1,616
Free CF	-4,166	-4,484	-318
Financing CF	3,577	5,712	+2,135
Balance of cash equivalents	21,351	22,292	+941

\*Unit: Million yen

The surplus of operating CF shrank due to the decrease in net income before taxes and other adjustments, etc. and the deficit of free CF expanded. The surplus of financing CF expanded due to the increase in proceeds from long-term loans payable. The cash position improved.

#### (4) Topics

##### ◎ Reorganization of a company that introduces and dispatches medical personnel in Singapore into a subsidiary

In January 2020, the company obtained all shares of JOBSTUDIO PTE LTD, which operates a medical personnel introduction and dispatching business aimed at medical institutions in Singapore.

(Overview of JOBSTUDIO PTE LTD)

Established in October 2010. It has been growing steadily by introducing and dispatching personnel from various occupational categories, mainly doctors and nurses, to prominent medical institutions in Singapore. Belluna recognizes that JOBSTUDIO PTE LTD had established a powerful brand and gained firm trust in Singapore.

In September 2019, sales were about 480 million yen and net income before taxes was 89 million yen.

(Background of the acquisition)

Belluna sells products aimed at nurses through Nurse Stage Co., Ltd. Moreover, the mail-order business targeting nurses boasts the largest domestic sales. (Disclosed by Belluna)

Moreover, in FY 2018, Nurse Stage Co., Ltd. launched the nursing staff introduction business targeting domestic medical institutions. The company considered that including JOBSTUDIO PTE LTD in the Group will provide an opportunity to establish a business for personnel introduction from all Asian countries to Japan, etc. including the continuation and flourishing of the medical personnel introduction and dispatching business in all Asian countries, mainly Singapore, and selling products related to medical institutions and medical personnel. Further, it will contribute to increasing the corporate value, and thus decided to acquire its shares.

### 3.Fiscal Year March 2021 Earnings Estimates

#### (1) Full-year Earnings Estimates

	FY 3/20	Ratio to sales	FY 3/21 (Est.)	Ratio to sales	YOY
Sales	179,948	100.0%	175,000	100.0%	-2.8%
Operating income	10,311	5.7%	7,000	4.0%	-32.1%
Ordinary income	10,365	5.8%	7,800	4.5%	-24.8%
Net income	5,862	3.3%	5,200	3.0%	-11.3%

\*Unit: Million yen

\*The estimated values are those announced by the Company. Net income is profit attributable to owners of parent.

Sales and profit are expected to decrease

The sales for the term ending March 2021 are projected to be 175 billion yen, down 2.8% year-on-year, and operating income is estimated to be 7 billion yen, down 32.1% year-on-year. The forecast factors in the impacts of COVID-19, mainly in the first half, and predicts sales and profit to decline. The dividend is to remain unchanged at 16.00 yen/share. The estimated payout ratio is 29.8%.

	1H of FY3/21(Est.)	YOY	2H of FY3/21(Est.)	YOY
Sales	77,900	-8,322	97,100	+3,374
Operating income	-600	-4,463	7,600	+1,152
Ordinary income	-100	-3,396	7,900	+831
Net income	-60	-1,738	5,260	+1,076

\*Unit: Million yen

\*The estimate values of 1H are announced by the company, 2H are deducted 1H from the estimate values of FY3/21 Net income is profit attributable to owners of parent.

## BRIDGE REPORT



## (2) Trends of each segment

	FY 3/20	Composition ratio	FY 3/21 (Est.)	Composition ratio	YOY
<b>Sales</b>					
General Mail Order Business	733.8	40.8%	699.8	40.0%	-4.6%
Specialty Mail Order Business	497.7	27.7%	531.2	30.4%	+6.7%
Retail Store Sales Business	304	16.9%	257.2	14.7%	-15.4%
Solution Business	83.3	4.6%	91.6	5.2%	+10.0%
Finance Business	44	2.4%	45.6	2.6%	+3.6%
Property Business	86.9	4.8%	94.7	5.4%	+9.0%
Other Business	59.4	3.3%	69.0	3.9%	+16.2%
Adjustments	-9.7	-	-39.1	-	-
Total	1799.5	100.0%	1,750.0	100.0%	-2.8%
<b>Operating income</b>					
General Mail Order Business	17.1	2.3%	-1.2	-	-
Specialty Mail Order Business	39.1	7.8%	45.0	8.5%	+15.1%
Retail Store Sales Business	3.1	1.0%	-19.7	-	-
Solution Business	26.5	31.8%	25.9	28.3%	-2.3%
Finance Business	18.7	42.6%	22.4	49.1%	+19.8%
Property Business	6.6	7.6%	2.7	2.9%	-59.1%
Other Business	-3.9	-	2.2	3.2%	-
Adjustments	-4.1	-	-7.3	-	-
Total	103.1	5.7%	70.0	4.0%	-32.1%

\*Unit: 100 million yen

\*The composition ratio of income means the ratio of income to sales.

As for the novel coronavirus, new business opportunities have emerged due to the demand from people staying home. However, there are also impacts from the declined demand for going out, suspension of operation of hotels and stores, etc.

The segments most affected are the General Mail Order Business, the Retail Store Sales Business, and the Property Business.

The impact on the Specialty Mail Order Business, the Solution Business, and the Finance Business was minor, and the situation is rather favorable for these businesses.

## ◎General Mail Order Business

	1H of FY 3/20(Act.)	1H of FY 3/21(Est.)	YoY
Sales	360.2	329.0	-8.7%
Operating Income	8.3	-10.4	-18.8

\*Unit: 100 million yen

The company foresees that the effects will linger until September and considered it in its plan.

For existing customers, the sales of furniture and sundries are favorable, but it is projected to slow down, particularly for outdoor clothing. For new customers, as stores are closed, their response is favorable. It will increase the cost for gaining new customers.

Although the response of existing customers is slow, new customers are increasing. The company considers this year as the time to pave the way for increasing sales and profit from the next term by actively pouring efforts in increasing new customers.

## BRIDGE REPORT



### ◎Retail Store Sales Business

	1H of FY 3/20(Act.)	1H of FY 3/21(Est.)	YoY
Sales	156.7	98.1	-37.4%
Operating Income	3.4	-24.9	-28.3

\*Unit: 100 million yen

Regarding apparel shops, as of May 15, 43 out of 84 shops were temporarily closed, but they were reopened step by step during the first half and the company expects operations to go back to normal in the second half. As for BANKAN Wamonoya, as of May 15, 28 out of 88 stores were temporarily closed, and they were reopened step by step during the first half, and operations are expected to go back to normal in the second half.

For Sagami Group Holdings, as of May 12, 56 out of 159 stores were temporarily closed, but they were reopened step by step during the first half, and operations are expected to go back to normal in the second half. The company perceives this as an opportunity to reform the organizational structure and it will start to convert it into BANKAN in full swing.

### ◎Property business

	1H of FY 3/20(Act.)	1H of FY 3/21(Est.)	YoY
Sales	44.5	27.8	-37.6%
Operating Income	3.0	-3.5	-6.5

\*Unit: 100 million yen

Domestic hotels are expected to be temporarily closed or run at a low capacity during the first half; although the impact will linger through the second half, it will gradually decrease.

Overseas hotels are expected to be temporarily closed or run at a low capacity during the first half. The cost reduction policies from the previous second half were crowned with success and the company sees that the effects on the first half's profit are limited.

Regarding the real estate rental business, the company mainly owns office buildings, thus the business was almost unaffected.

As for other business, the operation of the sunlight business, which started in 2019, exceeded estimates and is expected to yield an increase in sales and profit.

## 4.Conclusions

Although the forecast indicates a decrease in sales and profit due to COVID-19 pandemic, there is something to be expected of the company's business portfolio diversification effect, which is one of its characteristics and strengths. Further, it is also an opportunity for the General Mail Order Business, which has been stagnating for the recent few terms, to increase new customers and strengthen its business base.

### <Reference1: The fourth management plan: Management policy and activities>

The company is currently implementing the fourth management plan. Although there are changes to the business environment because of COVID-19, the company aims to expand the business with the following basic concepts:

#### (1) The management environment

The company will set a management policy that is able to flexibly respond to changes in the external environment such as the prevailing deflation mindset, the advance of the Internet, the increase of delivery service ("takkyubin") and shipping costs, by changing the internal environment such as "expansion of single item sales including Ozio, Nursery, and wine," "developing each portfolios," and "recovery of the hotel business."

#### (2) The fourth management plan

##### Positioning

After achieving record-high sales and profit in the third management plan, in the fourth management plan, the company will incorporate



changes in the external environment and lay the groundwork to achieve its goals.

The company will aim for revising upwardly estimates, while steadily achieving its sales and profit goals.

### 3) Measures for the four main businesses

The company will work towards expanding and strengthening its 4 main businesses. They are “the revitalization of the General Mail Order business,” “expansion of the Specialty Mail Order business,” “expansion and profitability improvements of the Retail Store Sales business,” and “reinforcement of the Property business, particularly the profitable hotels.”

#### ① Stable growth of the General Mail Order business

In the summer season, sales were adversely affected by the reduction in the number of catalogs sent due to the lack of papers, however, the company is actively taking efforts in maintaining the performance and for regrowth.

##### ◎ Expansion of catalog retail

The company recognizes the General Mail Order business as a mature department in the fourth management plan and aims to keep sales between 75 and 80 billion yen.

In order to achieve this goal, the company will compliment “the revitalization of paper,” “providing products for a wide range of customers from people in their 20s to 70s,” “strengthening the men’s underwear business,” and “developing products that reflect the characteristics of Belluna.”

The characteristic feature of Belluna is the method of delivering products to subscribers periodically. The Company originally adopted this method, and will develop products in accordance with this style of selling.

##### ◎ Upgrading of online shops

The company will work on creating a winning strategy specialized for each business aimed at women and young generation.

Regarding the “Belluna website for married women,” the company started its regrowth in the summer season of 2019.

The company will enhance the product content targeted at married women by introducing products exclusively for online sale, featuring items to hide figures or large sizes, etc. Also, the company will try to reduce dependency on sale items and make the website focusing on items of regular prices.

The concept behind the “RyuRyu mall”, a fashion EC mall targeting young customers and opened in June 2019, is to develop a variety of sizes aimed at young customers in their 20s to 30s and takes advantage of the company’s experience in developing products including abilities of selection and recommendation to customers.

The company is in the trial-and-error stage currently, but it will bring the business to a growth path in the second half.

#### ② Expansion of the Specialty Mail Order business

The business progressed well with operating income increasing year on year and exceeding the estimate.

The company expects further growth of the cosmetic mail-order “Ozio” and the wine business. In particular, it will actively expand the cosmetic mail-order business inside and outside Japan.

##### ◎ Cosmetic mail-order “Ozio”

“Beauty Opener,” which is a serum containing shell membrane, became the top selling item for two consecutive years (according to a survey by Tokyo Shoko Research, Ltd., provided by Belluna). In addition, “Beauty Cleansing Balm” is also showing signs of becoming another hit product.

The number of new customers is increasing steadily.

##### ◎ Wine mail-ordering service

It topped the sales ranking of domestic wine mail-order services for 11 consecutive year with sales amounting to 4.1 billion yen in the fiscal year 2018. The number of bottles sold was approx. 5.8 million, up 20% from the previous year. The steady increase in online sales largely contributed to the growth.

### ③Expansion of the Retail Store business and improving profitability

#### (Japanese clothing stores)

##### ◎BANKAN Wamonoya

As a result of opening and closing of stores, the number of stores was 83 as of the end of September 2019. Sales and profit grew in the first half, and the company will aim to catch up with the estimate in the second half.

##### ◎Sagami Group Holdings Co., Ltd.

The company is encouraging the improvement in awareness by reforming the organizational structure. The first Sagami New Concept Shop (Komaki, Aichi Prefecture) was opened in November 2019 with the aim to introduce BANKAN Wamonoya's management and operation systems.

The company plans to open a total of three shops in the current term.

##### ◎Apparel shops

The company will shift to pursuing growth steadily. It will reduce the speed of opening new shops down by 15 to 20 annually.

### ④Strengthening the Property business with a focus on profitable hotels

The progress of resort hotels running behind the schedule caused the results to deviate from their estimates.

The company will actively shore it up for early recovery.

## <Reference: Regarding corporate governance>

### ◎Organization type, and the composition of directors and auditors

Organization type	Company with audit and supervisory committee
Directors	8 directors, including 2 external ones

### ◎Corporate Governance Report

Last Update: June 28, 2019.

#### <Basic policy>

Our basic policy for corporate governance is to streamline business operation by allowing operating officers to have the authority and responsibility for their businesses under the policy determined by the board of directors, and establish compliance systems and effective management systems by enhancing the fairness and transparency of business administration. In addition, we organized a compliance committee inviting outside intellectuals, granting it authority, so that a third party's viewpoint would be reflected in management decisions.

#### <Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

Principles	Reasons for not implementing the principles
<Supplementary Principle 1-2-(4)>	Taking shareholder composition into account, we post English convocation notices on our website to make it easier for shareholders to examine items on the agenda, whether they are from Japan or overseas. We will consider using an electronic voting platform in the future.
<Supplementary Principle 4-10-(1)>	We currently have two independent outside directors. The independent outside directors express their opinions and provide advice as necessary to both individual directors and the Board of Directors, utilizing their specialized knowledge and extensive experience. From now on, we will consider setting up a voluntary organization whose main members consist of independent outside directors if necessary.

<Supplementary Principle 4-11-(3)>	As for the analysis and evaluation of the effectiveness of the board of directors, we will keep discussing concrete evaluation methods, etc. from the viewpoint of upgrading the functions of the board of directors.
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## &lt;Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)&gt;

We disclose the compliance with each principle of the corporate governance code under “Our Efforts Towards the Corporate Governance Code” at the following company website (corporate governance).

Principles	Disclosure contents
【Principle 1-4】	In order to foster good business relations with business partners and carry out business smoothly, we may hold their shares as requested by them. We judge whether or not to invest while comprehensively considering the benefits to our corporate group due to the strengthening of business relations, investment amounts, etc. As for the exercise of voting rights, we check whether proposed bills would degrade shareholder value, and consider the situations of target companies for investment, etc.
【Basic principle 5】	In order to contribute to sustainable growth and the mid/long-term improvement of corporate value, we recognize that we should have constructive dialogues with shareholders also outside general meetings of shareholders and explain our management policy to shareholders clearly and understandably, to win the understanding of shareholders. Therefore, we strive to proactively have dialogues with investors by developing IR systems and holding individual IR meetings and sessions for briefing our company to individual investors in addition to the results briefing session held twice a year, so that they will understand our company more deeply.

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