



President & CEO
Kiyoshi Yasuno

Belluna Co., Ltd. (9997)



Company Information

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

Stock Information

Share Price	Number of Shares Issued		Total Market Cap	ROE (Actual)	Trading Unit
¥951	97,244,472 shares		¥92,479 million	5.8%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥16.00	1.7%	¥98.28	9.7x	¥1,054.14	0.9x

* The share price is the closing price on December 16.

*Number of shares issued, DPS, EPS are based on earning results of the second quarter of FY 3/21. ROE and BPS are based on results of the previous term.

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)	197,000	12,500	13,300	9,500	98.28	16.00

* Unit: Million yen, yen.

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

This report outlines Belluna, the financial results for the second quarter of the term ending March 2021 and etc.

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Key Points

- For the second quarter of the term ending March 2021, sales grew 5.7% year on year to 91.1 billion yen. As the company met the demand from people staying home in the COVID-19 pandemic, the General Mail Order Business and the Specialty Mail Order Business performed well. The sales of the Retail Store Sales Business declined, due to the decrease of visitors to stores. Gross profit margin rose 0.8%, while gross profit increased 7.1% year on year. SG&A expenses, including media cost and fare cost, augmented 6.2% year on year, but it was offset, and operating income increased 18.2% year on year to 4.5 billion yen. Ordinary income grew 55.5% year on year to 5.1 billion yen, due to the drop in revenues from subsidies, the loss on valuation of derivatives, etc. Both sales and profit exceeded the initial estimates.
- Seeing the healthy performance in the first half, the company revised the full-year earnings estimates for the term ending March 2021. Sales are estimated to grow 9.5% year on year to 197 billion yen, and operating income is projected to rise 21.2% year on year to 12.5 billion yen. The dividend is to be 16.00 yen/share, unchanged from the previous term. The estimated payout ratio is 16.3%. The company aims to achieve better results than the forecast during this term, which is the second year of the fourth management plan, and accomplish the management plan for the next term.
- As a mid-term policy, the company aims to become a matured general catalog retailer, achieving sales of 300 billion yen and an operating income of 30 billion yen as a pass point. In addition, the company plans to increase the number of business segments from seven to eight in the next term. In the General Mail Order Business, which is their mainstay, the company will enhance online services. The number of sections specializing in Internet-based services will be increased from four to six, and the company will promote the use of SNS to bear fruit, and develop characteristic shopping malls, to shift from the catalog-centered business to an Internet-based business.
- As there are positive and negative effects of COVID-19, at the beginning of the term, it was estimated that sales and profit would decline, but the company steadily met the demand from people staying home, so it is now estimated that sales and profit will increase. Especially, online sales grew considerably in their mainstay, the General Mail Order Business which had been stagnant in the past few terms, and business efficiency was improved, contributing to good performance. As it is now possible to expect that the company will increase new customers efficiently, the company has significantly strengthened its business foundation.
- From the next term, the company is expected to operate its businesses with a better balance while growing some domains further under new business segments. We would like to first pay attention to the progress of activities for each business this term and next term, in achieving the mid-term goal: sales of 300 billion yen and an operating income of 30 billion yen.

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.

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◎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	143,700	+14.5	39,500	+41.6%	27.5%	65.9%	778,799	27.6	22.1
4921	Fancl	120,000	-5.4%	13,000	-8.0%	10.8%	15.8%	545,528	56.1	7.6
4927	Pola Orbis HLD	175,000	-20.4%	10,000	-67.9%	5.7%	10.4%	488,060	393.0	2.8
8005	Scroll	80,000	+10.1%	4,400	+105.1%	5.5%	3.3%	26,217	8.1	1.2
8165	Senshukai	82,000	-8.0%	-1,300	-	-	21.2%	17,491	-	0.5
9997	Belluna	197,000	+9.5%	12,500	+21.2%	6.3%	5.8%	91,312	9.6	0.9

* 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 December 3, 2020.

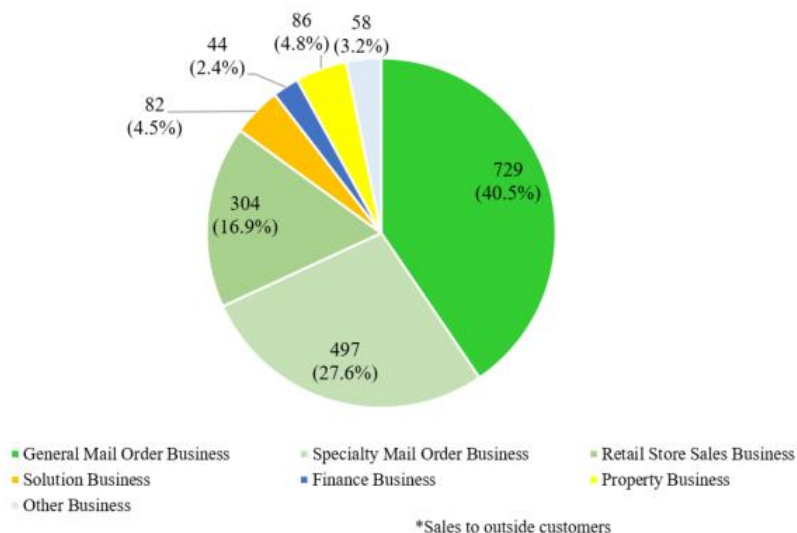
Compared with Scroll and Senshukai, which are competitors in the general mail-order field, Belluna has large sales and market cap, and high profit ratio.

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)

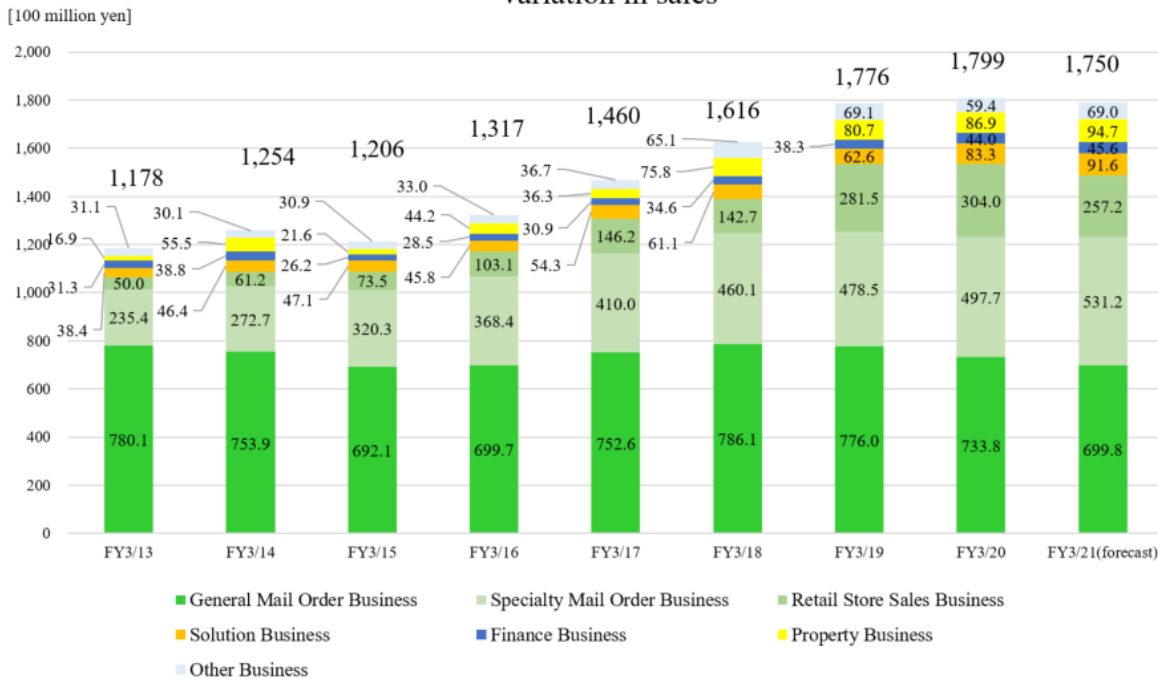


(Produced by Investment Bridge with reference to the material of Belluna.)

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Variation in sales



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

① General 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)



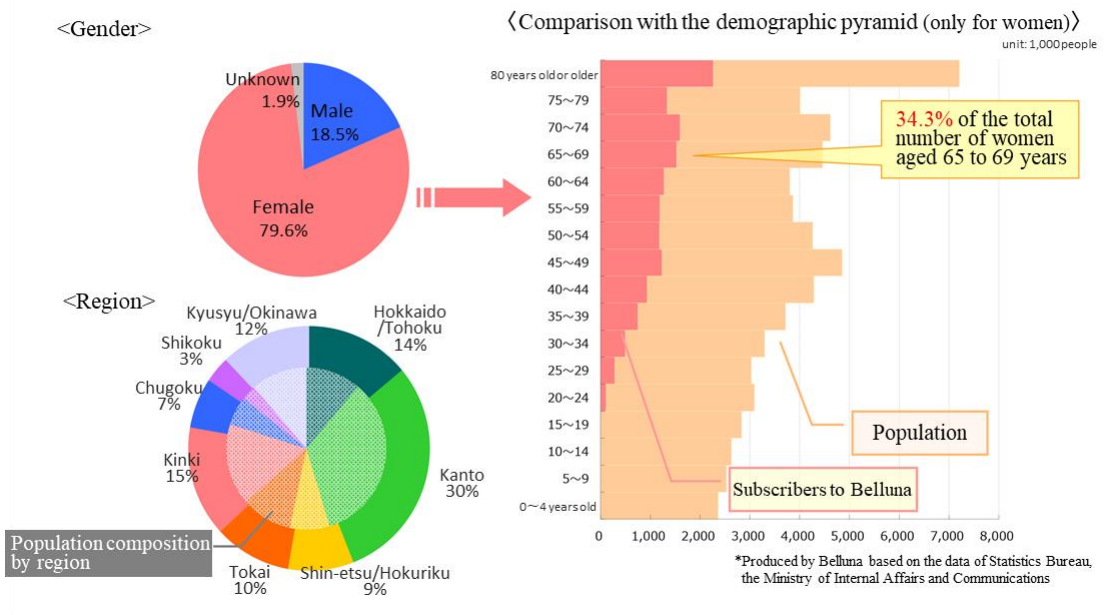
(Taken from the website of Belluna)

◎ 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.

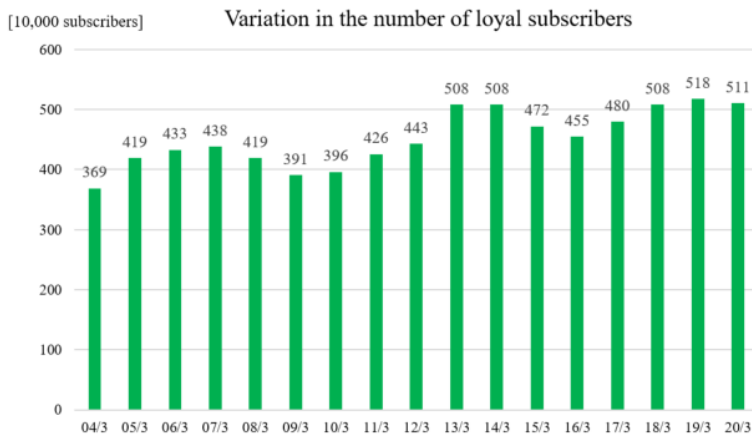
The subscribers aged 65 to 69 years, who are major married women, make up 34.3 % of the population of this age group in Japan, indicating an overwhelming market share.

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



(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.



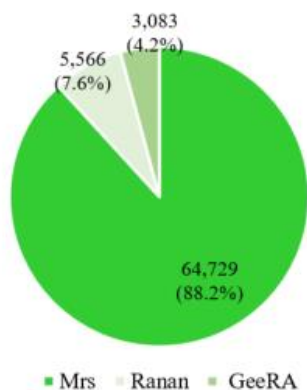
(Produced by Investment Bridge with reference to the material of Belluna)

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.

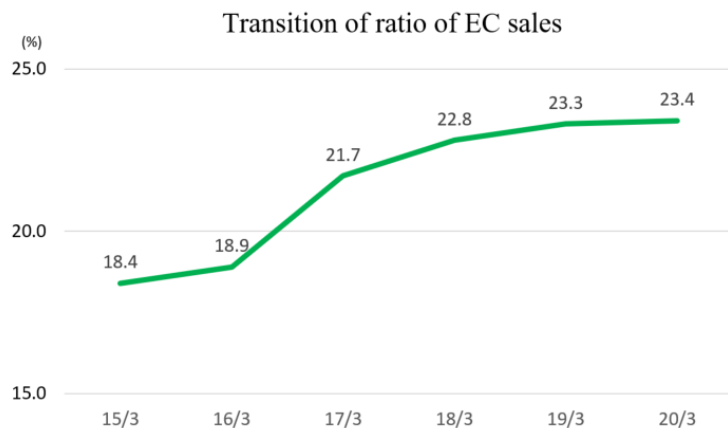
Sales composition
(the term ended Mar. 2020; unit: million yen)



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

◎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)

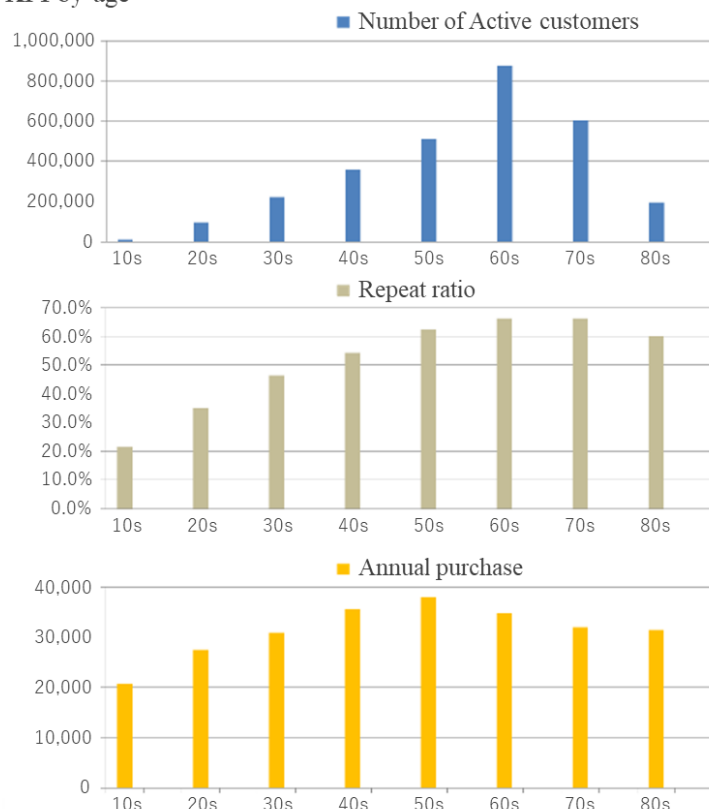
◎Strong points of each age group

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.

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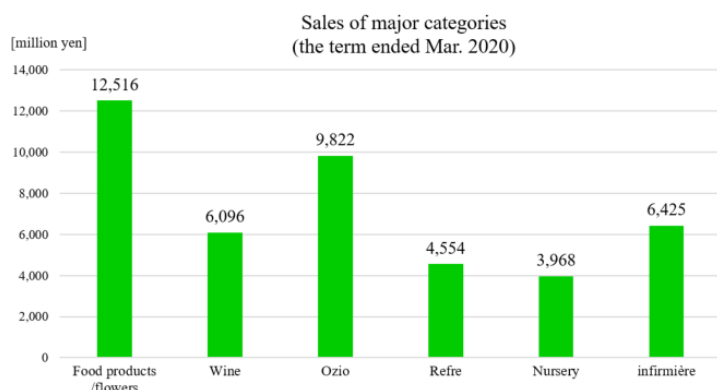
KPI by age



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
Food products, flowers, and wine	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 12 consecutive years (fiscal 2008 to fiscal 2019).
Cosmetics	Ozio	Belluna deals in cosmetics and supplements, such as facial washes, skin lotions, and milks, for which safety is pursued.
	Nachu life	All-in-one cosmetics are mainly handled. Especially, the company offers products composed of mainly skin-friendly plant ingredients.
Supplements	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.
Mail order for nurses	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

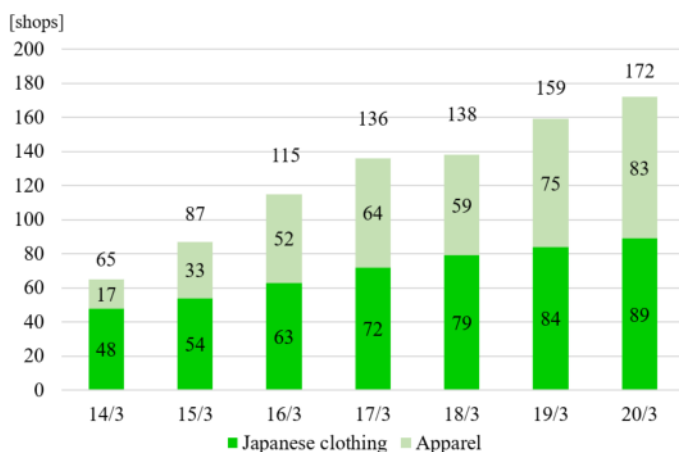
Aiming for a synergistic effect between the mail-order, online, and physical store sales channels, the company is targeting customers who are unreachable by mail-order by placing kimono and apparel stores in shopping centers and shopping malls.

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 m²) for Japanese clothing stores, and 80 to 100 tsubo (≒ 265 to 330 m²) for apparel 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.



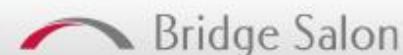
(Produced by Investment Bridge with reference to the material of Belluna)

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.

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“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.

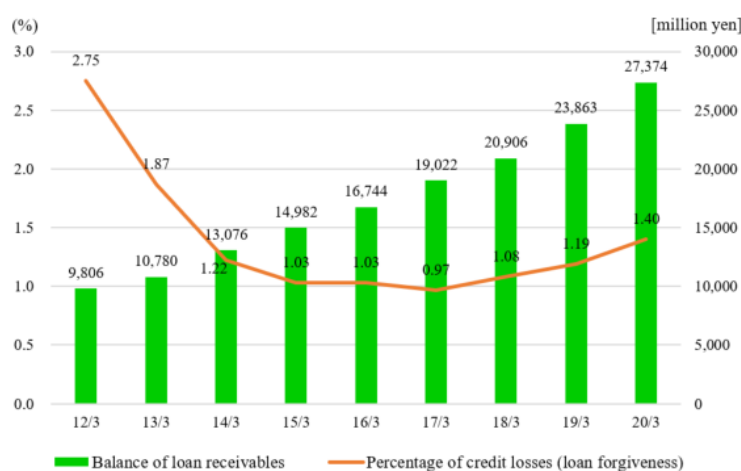
Even enterprises that are starting the mail-order business do not need to prepare their own infrastructure, and they can offer products and services swiftly at low prices.

⑤ Finance 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)

⑥ Property Business

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

⑦ Other Business

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

1-5 Characteristics and Strengths

① Customer 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(FY3/21), 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).

1-7 ROE analysis

	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20
ROE (%)	10.0	8.4	4.4	7.0	10.9	10.8	5.8
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.

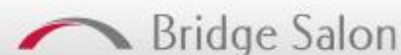
2. Second Quarter of Fiscal Year ending March 2021 Earnings Results

(1) Consolidated Business Results

	2Q of FY3/20	Ratio to sales	2Q of FY3/21	Ratio to sales	YoY	Compared to Initial estimate
Sales	86,222	100.0%	91,139	100.0%	+5.7%	+13,239
Gross profit	50,195	58.2%	53,751	59.0%	+7.1%	-
SG&A expenses	46,332	53.7%	49,186	54.0%	+6.2%	-
Operating income	3,863	4.5%	4,565	5.0%	+18.2%	+5,165
Ordinary income	3,296	3.8%	5,124	5.6%	+55.5%	+5,224
Quarterly net income	1,678	1.9%	2,923	3.2%	+74.2%	+2,983

*Unit: Million yen. Gross profit is gross profit - net. Quarterly net income is quarterly profit attributable to owners of parent.

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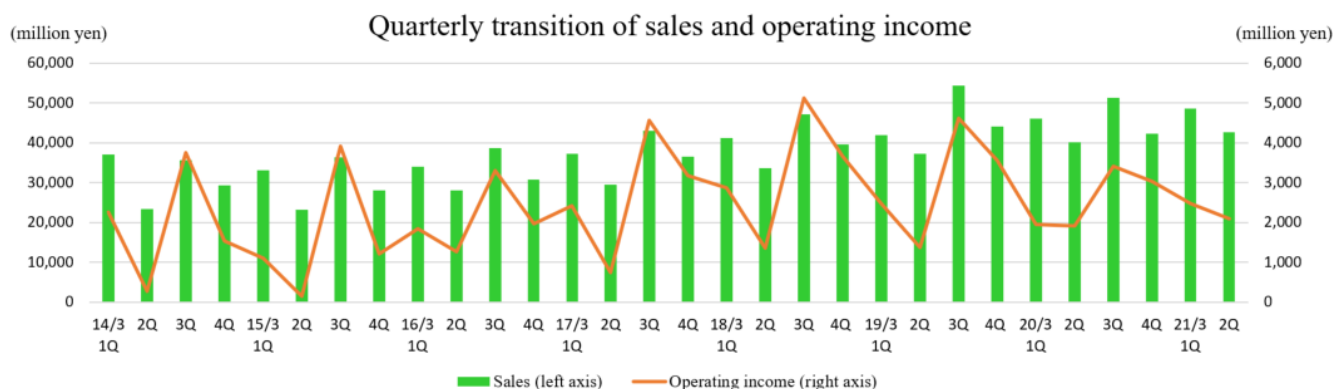


Sales and Profit increased. Both sales and profit exceeded its initial estimate

Sales grew 5.7% year on year to 91.1 billion yen. As the company met the demand from people staying home in the COVID-19 pandemic, the General Mail Order Business and the Specialty Mail Order Business performed well. The sales of the Retail Store Sales Business declined, due to the decrease of visitors to stores.

Gross profit margin rose 0.8%, while gross profit increased 7.1% year on year. SG&A expenses, including media cost and fare cost, augmented 6.2% year on year, but it was offset, and operating income increased 18.2% year on year to 4.5 billion yen. Ordinary income grew 55.5% year on year to 5.1 billion yen, due to the drop in revenues from subsidies, the loss on valuation of derivatives, etc.

Both sales and profit exceeded the initial estimates.



(2) Trend of each segment

	2Q of FY3/20	Composition Ratio	2Q of FY3/21	Composition Ratio	YoY
Sales					
General Mail Order Business	35,535	41.2%	40,452	44.4%	+13.8%
Specialty Mail Order Business	22,697	26.3%	28,630	31.4%	+26.1%
Retail Store Sales Business	15,666	18.2%	10,237	11.2%	-34.7%
Solution Business	3,764	4.4%	4,966	5.4%	+31.9%
Finance Business	2,124	2.5%	2,323	2.5%	+9.4%
Property Business	4,452	5.2%	3,110	3.4%	-30.1%
Other Business	2,453	2.8%	2,077	2.3%	-15.3%
Adjustments	-472	-	-659	-	-
Total	86,222	100.0%	91,139	100.0%	+5.7%
Operating income					
General Mail Order Business	296	0.8%	1,861	4.6%	+528.7%
Specialty Mail Order Business	1,586	7.0%	2,508	8.8%	+58.1%
Retail Store Sales Business	342	2.2%	-1,586	-	-
Solution Business	1,224	32.5%	1,332	26.8%	+8.8%
Finance Business	832	39.2%	1,281	55.1%	+54.0%
Property Business	300	6.7%	-46	-	-
Other Business	-542	-	-568	-	-
Adjustments	-177	-	-218	-	-
Total	3,863	4.5%	4,565	5.0%	+18.2%

*Unit: Million yen. The composition ratio of income means the ratio of income to sales.

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◎General Mail Order Business

Sales and profit grew.

Partly due to the spread of COVID-19, the demand for mail-order services, mainly for miscellaneous goods and at-home clothes, increased, and the company met that demand. As sales grew, cost ratio and media rate improved.

◎Specialty Mail Order Business

Sales and profit grew.

Partly due to the spread of COVID-19, especially the Mail Order Business for Nurses and the Gourmet/Wine Business performed well.

◎Retail Store Sales Business

Sales dropped, and a loss was posted.

This business was affected by the shortening of business hours and temporary closure implemented under the developers' policy for preventing the spread of COVID-19.

◎Solution Business

Sales and profit grew.

The mail order agency service and the service of enclosing promotional flyers performed well, and JOBSTUDIOPTE. LTD., which newly became a subsidiary, contributed.

◎Finance Business

Sales and profit rose.

The balance of loan receivables in the domestic consumer finance business increased.

◎Property Business

Sales dropped, and a loss was posted.

The hotel business was affected by the restraint of travel in Japan promoted by the government and the restrictions on foreign people's entry to Japan for preventing the spread of COVID-19.

◎Other Business

Sales dropped, and a loss was posted.

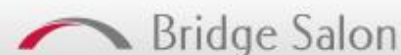
Due to the spread of COVID-19, the golf course operation business, the restaurant business, the accommodation booking business, etc. struggled.

(3) Financial Condition and Cash Flows

◎Main BS

	End of March 2020	End of September 2020		End of March 2020	End of September 2020
Current assets	103,683	105,827	Current liabilities	50,135	54,708
Cash and deposits	22,788	20,929	Trade payables	18,225	21,673
Trade receivable	9,391	10,293	Short-term interest-bearing debts	12,046	11,729
Inventories	22,313	25,246	Noncurrent liabilities	70,467	68,329
Noncurrent assets	119,445	122,699	Long-term interest-bearing debts	65,774	63,547
Property, plant and equipment	88,651	91,117	Total liabilities	120,602	123,037

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Intangible assets	11,827	11,493	Net assets	102,525	105,489
Investments and other assets	18,966	20,088	Retained earnings	85,177	87,327
Total assets	223,128	228,526	Total liabilities and net assets	223,128	228,526

*Unit: Million yen

Total assets increased 5.3 billion yen to 228.5 billion yen thanks to the increase in inventory and property, plant and equipment, etc. Total liabilities rose 2.4 billion yen to 123.0 billion yen due to the increase in trade payables, etc. As retained earnings grew etc., net assets increased 2.9 billion yen to 105.4 billion yen. As a result, capital-to-asset ratio decreased 0.2 points from the end of the previous term to 45.9%.

◎Cash Flows

	2Q of FY3/20	2Q of FY3/21	Increase/Decrease
Operating CF	-258	5,991	+6,249
Investing CF	-7,025	-4,407	+2,618
Free CF	-7,283	1,584	+8,867
Financing CF	4,425	-3,508	-7,933
Balance of cash equivalents	18,293	20,413	+2,120

*Unit: Million yen

Operating CF and free CF turned positive, due to the increase in quarterly net income before taxes and other adjustments, etc. Financing CF turned negative, due to short-term interest-bearing debts, etc. The cash position improved.

3.Fiscal Year ending March 2021 Earnings Estimates

(1) Full-year Earnings Estimates

	FY 3/20	Ratio to sales	FY 3/21 (Est.)	Ratio to sales	YOY	Revision Rate	Progress Rate
Sales	179,948	100.0%	197,000	100.0%	+9.5%	+12.6%	46.3%
Operating income	10,311	5.7%	12,500	6.3%	+21.2%	+78.6%	36.5%
Ordinary income	10,365	5.8%	13,300	6.8%	+28.3%	+70.5%	38.5%
Net income	5,862	3.3%	9,500	4.8%	+62.1%	+82.7%	30.8%

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

Earnings estimates have been revised. Increase in sales and profit from a decline in sales and profit.

Seeing the healthy performance in the first half, the company revised the full-year earnings estimates. Sales are estimated to grow 9.5% year on year to 197 billion yen, and operating income is projected to rise 21.2% year on year to 12.5 billion yen.

The dividend is to be 16.00 yen/share, unchanged from the previous term. The estimated payout ratio is 16.3%.

The company aims to achieve better results than the forecast during this term, which is the second year of the fourth management plan, and accomplish the management plan for the next term.

(2) Trends of each segment

	FY 3/20	Composition ratio	FY 3/21 (Est.)	Composition ratio	YOY	Amount of adjustment	Progress rate
Sales							
General Mail Order Business	733.8	40.8%	850.0	43.1%	+15.8%	150.2	47.6%
Specialty Mail Order Business	497.7	27.7%	600.0	30.5%	+20.5%	68.8	47.7%
Retail Store Sales Business	304.0	16.9%	257.2	13.1%	-15.4%	0.0	39.8%
Solution Business	83.3	4.6%	91.6	4.6%	+10.0%	0.0	54.2%
Finance Business	44.0	2.4%	45.6	2.3%	+3.7%	0.0	50.9%
Property Business	86.9	4.8%	94.7	4.8%	+9.0%	0.0	32.8%
Other Business	59.4	3.3%	69.0	3.5%	+16.1%	0.0	30.1%
Adjustments	-9.7	-	-38.1	-1.9%	+293.5%	1.0	-
Total	1799.5	100.0%	1970.0	100.0%	+9.5%	220.0	46.3%
Operating income							
General Mail Order Business	17.1	2.3%	40.0	4.7%	+133.9%	41.2	46.5%
Specialty Mail Order Business	39.1	7.8%	55.0	9.2%	+40.7%	10.0	45.6%
Retail Store Sales Business	3.1	1.0%	-19.7	-	-	0.0	-
Solution Business	26.5	31.8%	25.9	28.3%	-2.3%	0.0	51.4%
Finance Business	18.7	42.6%	26.0	57.0%	+39.0%	3.6	49.3%
Property Business	6.6	7.6%	2.7	2.9%	-59.1%	0.0	-
Other Business	-3.9	-	2.2	3.2%	-	0.0	-
Adjustments	-4.1	-	-7.1	-	-	0.2	-
Total	103.1	5.7%	125.0	6.3%	+21.2%	55.0	36.5%

*Unit: 100 million yen. The composition ratio of income means the ratio of income to sales.

The General Mail Order Business kept performing well, as it increased new customers healthily and the response from existing customers recovered.

As for the Specialty Mail Order Business, sales exceeded the initial estimate, thanks to the demand from people staying home, and the growth of mail order services for nurses and cross-border EC.

4. Management Policy and Activities

As a mid-term policy, the company aims to become a matured general catalog retailer achieving sales of 300 billion yen and an operating income of 30 billion yen as a pass point.

In addition, the company plans to increase the number of business segments from seven to eight in the next term.

Former segments	New segments
General Mail Order Business	General Mail Order Business
Specialty Mail Order Business	Cosmetics and Health Foods Business
Retail Store Sales Business	Gourmet Food Business (including wine and sake)
Solution Business	Nurse-Related Business
Finance Business	Database Use Business
Property Business	Kimono-Related Business

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Others	Property Business
-	Others

©Plans for the current and next fiscal year by new segment

Business Description	FY3/21(Est.)		FY 3/22 (Fourth Business plan)	
	Sales	Operating income	Sales	Operating income
General Mail Order Business	898.4	37.0	988.4	56.4
Cosmetics and Health Foods Business	178.8	18.8	198.9	21.2
Gourmet Food Business (including wine and sake)	229.0	18.0	225.0	14.3
Nurse-Related Business	134.0	15.5	123.1	15.7
Database Use Business	134.4	48.7	128.3	54.8
Kimono-Related Business	233.8	-11.9	336.2	22.7
Property Business	94.7	2.7	181.0	31.3
Other Business + Adjustments	66.9	-3.8	19.1	-16.4
Total	1,970.0	125.0	2,200.0	200.0

*Unit: 100 million yen.

(1) Activities in each business segment

The current situation and activities for growth in the new segments are as follows.

(1) General Mail Order Business

Business Description	FY3/21(Est.)		FY3/22 (Fourth Business plan)	
	Sales	Operating income	Sales	Operating income
General Mail Order Business -Selling products via catalogs and the Internet mainly to madams -The company started selling products at shopping malls for young customers in 2018 -Also sells men's goods and hardware through mail order	770.6	38.8	785.2	45.4
Min Co., Ltd. • ICnet Co., Ltd. • Maruchou Co., Ltd. (Internet-specialized mail order) -min: an online shop handling big-size apparel -IC Net: an online shop handling high-end products -Marucho: an online shop handling miscellaneous goods	76.8	3.2	91.0	5.2
Apparel stores -Operating shops nationwide under the Belluna brand (83 shops as of March 2020)	51.0	-5.0	112.2	5.8
Total	898.4	37.0	988.4	56.4

*Unit: 100 million yen.

(Recent trends and the outlook for this term)

- ☆ Paper media performed well, and the shift to online services progressed considerably.
- ☆ RyuRyumall, an EC mall for young fashion, is expected to grow, and the shift to online shops is progressing.
- ☆ As costs are augmenting, the company strived to improve major KPIs under the following three themes, and became able to foresee the trend of sales growth by the previous term.
- ☆ Business results have recently recovered significantly, thanks to the improvement in the revenue system and the growth of demand from people staying home.

1. Regrowth of the Internet-based business

Online sales used to see a negative growth due to the excessive reliance on sales, but the company worked on improving the quality of mainly the website of Belluna, and regained the growth capacity.

2. Improvement in efficiency for increasing new customers

The company succeeded in producing patterns for streamlining the process for attracting new customers. From this term, it is expected that media rate will decrease and efficiency will improve.

3. Improvement in inventory turnover and cost ratio

In the previous term, the company reduced cost ratio and curbed the worsening of inventory turnover. Inventory turnover is improving.

(Items on which the company will concentrate from now on)

The company will further strengthen its online services.

For reeling in customers, the company will develop an original ad management system for advertising via Google with the latest technology, to gain competitive advantage.

In 2017, the company adopted a model for automatic bidding based on AI (attribution analysis), but since 2018, the company has been working on a model for maximizing LTV (lifetime value) by analyzing and utilizing big data on the customers' purchase history.

(Efforts for realizing growth)

The company will increase the number of sections specializing in online services from four to six, and will promote the use of SNS to bear fruit, and develop characteristic shopping malls, to shift from the catalog-centered business to the Internet-based business.

(2) Cosmetics and Health Foods Business

Business Description	FY3/21(Est.)		FY3/22 (Fourth Business plan)	
	Sales	Operating income	Sales	Operating income
Cosmetics Business (Ozio and Nachu life brand) -Operating mail order cosmetic products business through cross-border EC in Asia -Growth drivers are online and overseas businesses	133.0	12.5	126.0	14.0
Health Foods Business -Business operation under the Refre brand •Gussurizum received the Golden Award of the Monde Selection for the 4 th consecutive year	45.8	6.3	72.9	7.2
Total	178.8	18.8	198.9	21.2

*Unit: 100 million yen.

(Recent trends and the outlook for this term)

- ☆ The sales of the cosmetics business are expected to achieve the goal of the fourth management plan this term.
- ☆ Succeeding in attracting new customers through e-commerce and the cosmetics business in Asia is healthy.
- ☆ Royal Jelly—Mocchiri jel became a huge hit inside and outside Japan, and the cumulative sales volume exceeded 10 million products.

Royal Jelly—Mocchiri jel is an all-in-one cosmetic product for treating the aged skin. It is handled by Nachulife, and includes Nahlsagen[®], which is a cosmetic component developed based on the outcomes of the business-academia collaboration with Kyoto University and Osaka City University Graduate School.

(Items on which the company will concentrate from now on)

Currently, the company handles 13 functional food products.

The company will keep developing and steadily cultivate functional food products with which customers can feel their efficacy.

(Efforts for realizing growth)

1. Improve product competitiveness

* Approach new customers in the 20s and 30s

* Develop products for cross-selling

2. Improve the brand image

* Utilize the mass media

* Resume in-store sales

3. Implement overseas strategies

* Cultivate the Southeast Asian market: Will grow business in the markets of Taiwan, Hong Kong, and China, and endeavor to enter the markets in Malaysia, Thailand, and Vietnam

(3) Gourmet Food Business (including wine and sake)

Business Description	FY3/21(Est.)		FY3/22 (Fourth Business plan)	
	Sales	Operating income	Sales	Operating income
Wine mail order businesses My Wine Club recorded the largest online sales of wine for 12 consecutive years	79.0	9.5	81.0	6.3
Mail order of Sake Belluna Gourmet recorded the largest online sales of sake for four consecutive years	40.0	3.0	50.0	4.0
Gourmet food business -Sells boxed meals, year-end gifts, New Year's food, etc. through mail order -The total sales volume of Belluna Gourmet's New Year's food, Yui, is over 400,000	110.0	5.5	94.0	4.0
Total	229.0	18.0	225.0	14.3

*Unit: 100 million yen.

(Recent trends and the outlook for this term)

☆ The goal of the fourth management plan is estimated to be achieved this term.

☆ Directly imported wine is highly evaluated at online shops. The ratio of online sales is approaching 50%.

☆ The company can aim to further increase sales next term.

(Items on which the company will concentrate from now on)

The company posted the largest online sales of wine in Japan for 12 consecutive years. The annual sales volume for this term is estimated to be 8 million bottles. The company's original products of directly imported wine became a huge hit on the Internet.

The sales of sake were the largest in Japan for four consecutive years. From the next term, the company will expand its product lineup with the aim of achieving further growth.

In addition to wine and sake, the company is expected to sell 110,000 boxes of Belluna's original New Year's food Yui—a three-tiered Japanese dish box.

This product became a huge hit, as the company pursued lower costs and set the target to currently dominant small families.

(Efforts for realizing growth)

1. Expand and improve online sales

2. Improve the brand image

* Pursue quality

* Utilize the mass media

3. Enhance expansion of product appeal

* Start handling brand products (sake and wine)

* Acquire distributors of brand products (sake and wine)

* Handle more products of shochu, champagne, gin, vodka, etc. (sake and wine)

* Approach new target customers (sake and wine)

4. Handle more chemical-free products (gourmet)

5. Expand wholesale (gourmet and wine)

(4) Nurse-Related Business

Business Description	FY3/21(Est.)		FY3/22 (Fourth Business plan)	
	Sales	Operating income	Sales	Operating income
Nursery (the 2 nd largest in the mail-order field for nurses)	54.0	6.5	45.0	6.2
infirmière (the largest in the mail-order field for nurses)	77.0	9.5	67.4	6.6
Nurse Career Next (business of nurse staff agency)	3.0	-0.5	10.7	2.9
JOBSTUDIO (business of staff agency in Singapore)	6.2	0.6		
Total	140.2	16.1	123.1	15.7

*Unit: 100 million yen.

(Recent trends and the outlook for this term)

- ☆ This term, the company increased new customers, so the target sales and profit of the fourth management plan are to be achieved in advance.
- ☆ As many customers become repeat customers, the good performance is expected to continue in the next term onward.

(Items on which the company will concentrate from now on)

Original products, such as short aprons with a variety of colors, affordable daily shoes easy to wear on and off, and affordable and comfortable Nursery scrubs, dominate the top ranks in sales volume of Nursery.

As good quality and affordable prices have been achieved with SPA production, many customers became repeat customers.

(Efforts for realizing growth)

1. Improve the catalog image

* Pursuit of the uniqueness of infirmière: Pursue the uniqueness by improving quality and elegance

* Pursuit of the uniqueness of Nursery: Pursue the uniqueness by improving quality and common touch

2. Endeavor to enter a new market

* Endeavor to handle products for nursing care

3. Enrich in-store sales

* Open Nursery stores in Taipei

4. The career business division getting a foothold

* It has entered the third year from the establishment, and acquired some knowledge

* Business operation utilizing their original list as an advantage

5. Business operation with advantage of the No.1 position in the industry

(5) Database Use Business

Business Description	FY3/21(Est.)		FY3/22 (Fourth Business plan)	
	Sales	Operating income	Sales	Operating income
Finance (Consumer financing business for members)	45.6	22.4	56.8	26.3
BD (Business of enclosing and shipping promotional flyers)	25.6	19.0	27.5	23.5
BBS business (Business of undertaking tasks of call centers and distribution)	57.0	6.8	44.0	5.0
Total	128.2	48.2	128.3	54.8

*Unit: 100 million yen.

(Recent trends and the outlook for this term)

- ☆ Finance: The company tried to grow online services, and its efforts are paying off gradually.
- ☆ Belluna Direct: It has secured growth according to the increase of mail-order customers.
- ☆ BBS business: The mail order agency service utilizing its own infrastructure is growing, as it met the needs for mail-order services.

(Items on which the company will concentrate from now on)

In the BBS business, which undertakes tasks of call centers and distribution centers, the company mainly deals with the mail order for healthy food products and cosmetic products for repeat customers.

The annual growth rate of customers is 20%, and the retention rate of customers is as high as 70%. Namely, the company possesses a stable foundation for growth.

As call centers specialize in the mail order business, a high response rate and a high customer retention rate have been achieved.

Also, for distribution centers, the company offers services utilizing their group's scale.

The strengths of the company are the knowledge and consulting capability for adjusting packages flexibly according to the growth state of each customer.

(Efforts for realizing growth)

1. Utilize the database to contribute to growth (finance)
2. Respond to the changes of the times (expansion of the Internet society)
 - * Establish a management system tailored to the Internet society (finance)
3. Develop a solid business foundation in parallel with the growth of the General Mail Order Business (BD)
4. Conduct marketing actively while taking advantage of the expansion of the mail order market (BBS)

(6) Kimono-Related Business

Business Description	FY3/21(Est.)		FY3/22 (Fourth Business plan)	
	Sales	Operating income	Sales	Operating income
BANKAN, Wamonoya (Japanese clothing sales business launched by the company in 2007)	82.0	-3.5	128.0	11.4
Sagami Group Holdings Co., Ltd. (Acquired in 2018. Business of selling mid-priced kimono)	84.3	-8.1	118.0	5.0
Tokyo Masuiwaya (Acquired in parallel with the acquisition of Sagami. Business of selling high-priced kimono)	40.0	-3.0	52.6	3.0
Maimu Co., LTD. (Rental of hakama, a traditional Japanese kimono-skirt, for university graduation ceremonies)	27.5	2.8	37.6	3.4
Total	233.8	-11.9	336.2	22.7

*Unit: 100 million yen.

(Recent trends and the outlook for this term)

- ☆ This term, a significant loss is estimated to be posted, due to the spread of COVID-19.
- ☆ The company is developing a foundation for adopting the BANKAN style in the Sagami business.
- ☆ The company is reforming its business model by renewing its organizational structure and reeducating employees.

(Items on which the company will concentrate from now on)

The annual sales volume of BANKAN's original kimono Mujikommon series exceeded 5,000 items.

This product is not targeted at people who already wear kimono, but those who want to wear kimono, as an item for beginners.

Each shop regularly holds Kimono wo Kiru Kai (Kimono wearing session) to provide customers with an opportunity to wear kimono.

(Efforts for realizing growth)

1. Endeavor to shift from the sunset industry to the sunrise industry
 - * Endeavor to increase growth potential
 - * Endeavor to increase profitability
2. Unify business models into the BANKAN model, which is profitable
 - * Renew the old business models
 - * Cultivate new customers through Enlightening young women who do not have kimono
3. Unify the brand names of the Kimono-Related Businesses of Belluna (scheduled in May 2022)
4. Contribute to the promotion of the kimono culture

(7) Property Business

Business Description	FY3/21(Est.)		FY3/22 (Fourth Business plan)	
	Sales	Operating income	Sales	Operating income
Rental of real estate owned (offices, stores, solar power facilities, etc.) for income gain	30.6	13.6	25.4	13.0
Development and sales of real estate for capital gain	25.0	3.5	45.0	4.0
Operation of 4 hotels in Japan and 3 hotels overseas	39.1	-13.9	102.9	14.1
Other	0.0	-0.5	7.7	0.2
Total	94.7	2.7	181.0	31.3

*Unit: 100 million yen.

(Recent trends and the outlook for this term)

- ☆ The hotel business was affected by the spread of COVID-19 this term, and a significant loss was posted mainly in the first half.
- ☆ The domestic hotel business was influenced by the Go To Travel campaign, which was started on a full-scale basis in August, and in the second half, monthly results of mainly resort hotels improved from the previous year. “Le Grand Minami karuizawa Hotel & Resort” and “Urabandai Lake Resort” became leading hotels in each region. Their facilities, hospitality, services, etc. are highly evaluated, and they have received many awards in websites specializing in travel, etc.

(2) Regarding M&A

The company conducted seven M&A projects between 2000 and 2016.

The sum of operating incomes of the seven companies as of acquisition was a loss of about 5 billion yen, but profit was amounted to 1.4 billion yen (all the seven companies earned profit) in the term ended March 2020. Namely, the company improved the performance of each acquired company.

These M&A projects have steadily contributed to the growth of consolidated performance, and the company plans to actively carry out M&A.

The current goal is to improve the revenue from Sagami Group Holdings, which was acquired in 2018.

The performance of the Sagami Group Holdings has been sluggish for a long period of time. The company considers that the factors in that sluggishness are (1) long-term stagnation of the entire kimono industry, (2) product competitiveness being low although the group is prestigious, and (3) the corporate group being passive and lacking vigor.

To improve the performance, the company will adopt the management style of their kimono division, BANKAN, (BANKAN style), and drastically reform its organizational structure, HR system, employee education system, etc., and work on:

- (1) the increase of new customers and the promotion targeted at existing customers,
- (2) the shift from the passive stance to the proactive stance of employees,
- (3) the enhancement of product competitiveness, etc.

Through these activities, the company aims to move into the black next term and become an excellent company.

(3) For achieving good performance

The company will make efforts to achieve the target operating income of 20 billion yen set in the fourth management plan, and develop a solid foundation for accomplishing the fifth management plan.

In addition, the company will strive to improve the satisfaction level of all stakeholders, including customers, employees, companies, and shareholders, and contribute to society.

5. Conclusions

As there are positive and negative effects of COVID-19, at the beginning of the term, it was estimated that sales and profit would decline, but the company steadily met the demand from people staying home, so it is now estimated that sales and profit will increase. Especially, online sales grew considerably in their mainstay, the General Mail Order Business which had been stagnant in the past few terms, and business efficiency was improved, contributing to good performance. As it is now possible to expect that the company will increase new customers efficiently, the company has significantly strengthened its business foundation.

From the next term, the company is expected to operate its businesses with a better balance while growing some domains further under new business segments. We would like to first pay attention to the progress of activities for each business this term and next term, in achieving the mid-term goal: sales of 300 billion yen and an operating income of 30 billion yen.

<Reference: Regarding corporate governance>

◎Organization type, and the composition of directors and auditors

Organization type	Company with audit and supervisory committee
Directors	11 directors, including 2 external ones

◎Corporate Governance Report

Last Update: June 30, 2020.

<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.

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

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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