

Results of Operations for the First Half of 2017

August 10, 2017

Bell-Park Co., Ltd. (Stock code: 9441)

Bell-Park

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I. 1H 2017 Financial Highlights

Statement of Income

- **Net sales** **42,909 million yen (-143 million yen / -0.3%)**

→ A small decline due to a decrease in some fee income and other reasons; the number of mobile phones sold increased because of the larger number of shops

- **Operating income** **1,408 million yen (-11 million yen / -0.8%)**

→ Gross profit was down slightly due to the factors that affected sales, but this was offset by a decrease in SG&A expenses resulting mainly from operating shops more efficiently

(million yen)

	1H 2016 results	1H 2017 results	YoY change
Net sales	43,053	42,909	-143
(Comp.)	(100.0%)	(100.0%)	-0.3%
Gross profit	9,325	9,190	-135
	(21.7%)	(21.4%)	-1.4%
SG&A expenses	7,905	7,781	-123
	(18.4%)	(18.1%)	-1.6%
Operating income	1,420	1,408	-11
	(3.3%)	(3.3%)	-0.8%
Ordinary income	1,477	1,415	-61
	(3.4%)	(3.3%)	-4.2%
Profit attributable to owners of parent	835	842	+6
	(1.9%)	(2.0%)	+0.8%

1H 2017 Topics

Sales channels	Topics	Impact on net sales (YoY change)	Impact on operating income (YoY change)
Carrier shops	<ul style="list-style-type: none"> • Higher sales volume of mobile phones due to expansion of shop network (+7 stores vs. end-Jun. 2016) *Reference: Number of mobile phones sold 1H 2017: 376,000 units (+7,000 units, including a 11,000 unit increase resulting from newly opened shops) 1H 2016: 368,000 units • Decrease in some fees • Increase in sales of other products (fiber-optic lines, accessories) • Cost reduction from improving shop efficiency 	→	↘
Peripheral businesses	<ul style="list-style-type: none"> • Lower sales and profits from repair services • Higher sales and profits in corporate sales sector (quickly made newly hired college graduates productive) 	→	↗

Balance Sheet

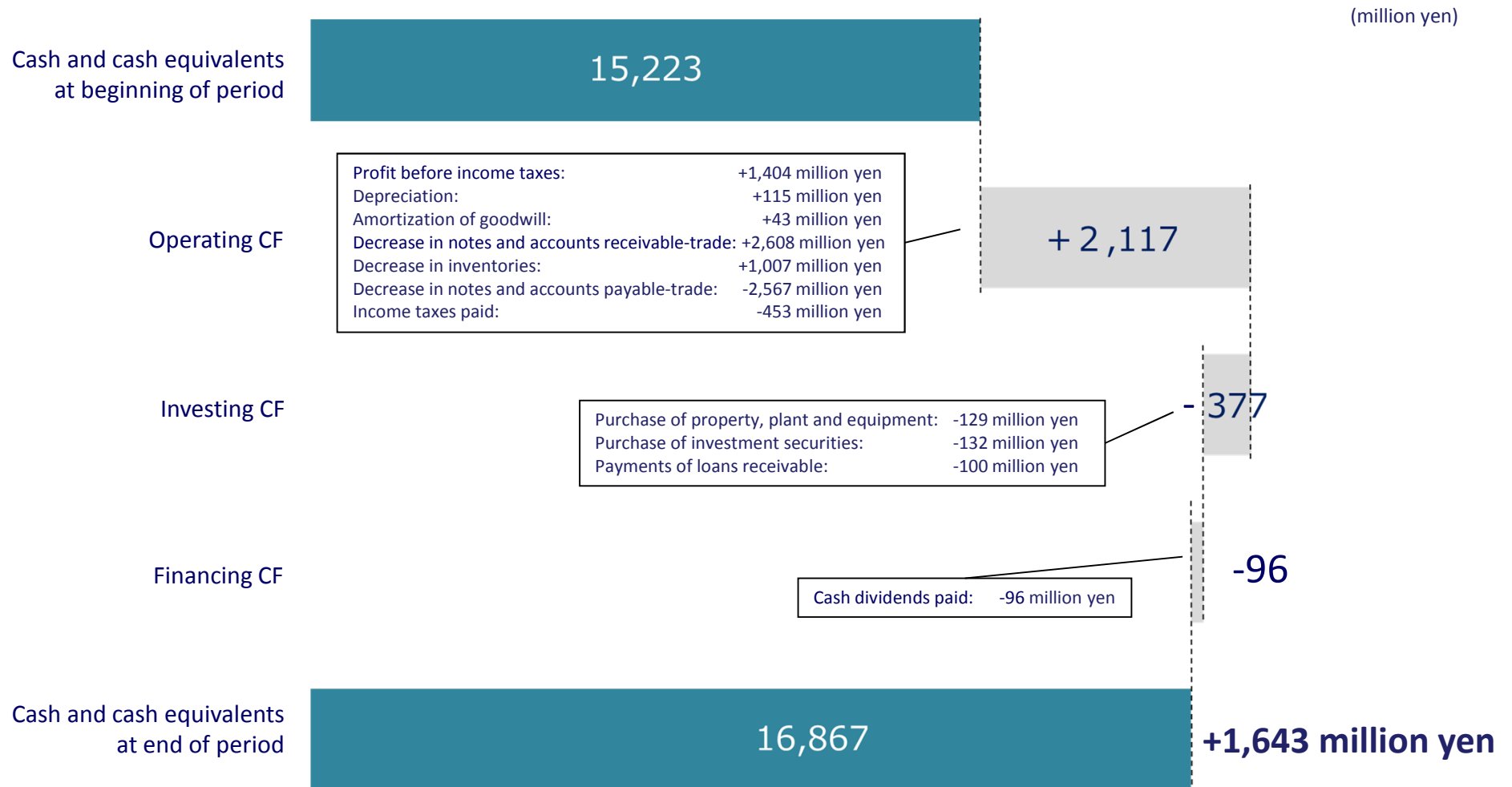
Financial soundness provides a strong foundation for future activities for growth

(million yen)

	End-Jun. 2016 *Reference	End-Dec. 2016	End-Jun. 2017	YoY change	Breakdown
Current assets	27,333	30,365	28,384	-1,981	<ul style="list-style-type: none"> • Cash and deposits: +1,643 million yen • Trade accounts receivable: -2,608 million yen • Inventories: -1,007 million yen
Noncurrent assets	3,639	3,656	3,884	+228	<ul style="list-style-type: none"> • Property, plant and equipment: +51 million yen • Goodwill: -43 million yen • Investment securities: +119 million yen (MEDIROM +122 million yen)
Assets	30,973	34,021	32,268	-1,753	
Current liabilities	8,062	10,259	7,659	-2,599	<ul style="list-style-type: none"> • Trade accounts payable: -2,567 million yen
Noncurrent liabilities	5,733	5,840	5,910	+69	
Liabilities	13,795	16,100	13,569	-2,530	
Net assets	17,177	17,921	18,698	+776	<ul style="list-style-type: none"> • Profit attributable to owners of parent: +842 million yen • Dividends paid: -96 million yen <p>Reference: equity ratio: 57.2% (End-Jun. 2016: 54.8%, end-Dec. 2016: 52.0%)</p>

Cash Flows

Cash and cash equivalents increased 1.6 billion yen mainly due to a 1.4 billion yen increase in profit before income taxes



Progress on Consolidated Forecast

Anticipating strong sales of new products because the majority of 2017 sales and earnings are expected in the second half.

(million yen)

	1H 2017			2017	
	Results	Plan	Progress	Plan	Progress
Net sales	42,909	40,000	+2,909	84,000	51.1%
	(100.0%)	(100.0%)	107.3%	(100.0%)	
Operating income	1,408	1,300	+108	2,900	48.6%
	(3.3%)	(3.3%)	108.4%	(3.5%)	
Ordinary income	1,415	1,350	+65	2,950	48.0%
	(3.3%)	(3.4%)	104.9%	(3.5%)	
Profit attributable to owners of parent	842	800	+42	1,700	49.6%
	(2.0%)	(2.0%)	105.3%	(2.0%)	

II. Market Outlook

Japan Enacts Even Tighter Rules for Protecting Consumers

Topics

- Sep. 2015: Council on Economic and Fiscal Policy under Prime Minister Abe submits directive to study a reduction in mobile phone fees
- Dec. 2015: Set up of a task force on telecommunication service rates and other terms of provision
- Apr. 2016: Start of government guidelines for proper subsidies for buying smartphones
- May 2016: Enactment of the amended Telecommunications Business Act
- Jan. 2017: Start of the Anshin Shop (shop with confidence) certification system
- Jan. 2017: Revisions to the guidelines for consumer protection rules in the Telecommunications Business Act
- Jan. 2017: Establishment of guidelines for mobile communication service terms and phones and other devices
- Jun. 2017: Announcement of results of an assessment of the implementation of consumer protection rules
- Jul. 2017: Announcement of proposals for revisions to consumer protection rule guidelines and solicitation of opinions

→ **Enactment of even tighter consumer protection rules in response primarily to the results of an undercover (“mystery shopper”) survey by the Ministry of Internal Affairs and Communications**

More effective guidelines were established to eliminate the information gap between consumers and shops

***Reference: Examples of proposals for a stricter consumer protection rules (revisions that would have a big impact on carrier shops)**

- Unification of sales materials and inclusion of the total cost in order to make explanations easier to understand
- Requirement to provide information about all plans with no mandatory subscription period or automatic renewal (offer more options for plans)
- Encouragement of filtering of information that is harmful to minors

The Growing Importance of Carrier Shops

Emergence of MVNO and large MNO sub-brands for sales of low-priced plans

Large MNO

Fees: Expensive
Network quality: Excellent
Customer service: Excellent

MVNO/Large MNO sub-brands

Fees: Inexpensive
Network quality: Not so good
Customer service: Not so good

Value of large MNO subscription fees = Network quality + Carrier shop network

→ A nationwide network of thousands of carrier shops is a key point that sets large MNOs apart from competitors.

Customers can usually obtain information on their own that is needed to solve problems, so carrier shops are seldom used for this purpose. However, for customers that need assistance, carrier shops are valuable places where they can receive face-to-face explanations and services with confidence.

The enhancement of consumer protection rules is expected to make carrier shops an even more trusted source of services.

→ **Another aspect of this change will be an even greater need to provide explanations to customers at shops.**

More time used for customer interaction creates the risk of more complaints from customers and employee resignations due to extended working hours.

Progress with Reforms for How People Do Their Jobs

Scheduled shop closing dates and shorter operating hours
(9 hours is recommended)

The goal is to improve customer satisfaction by reducing the volume of work for shop personnel and creating a better workplace environment

Reference: Authorized carrier shops operated by Bell-Park (as of August 2017)

	Yes	No	Total
Scheduled closing date (at least once every month)	170	51	221
Nine-hour operations (including only on weekdays)	169	52	

III. Initiatives for Medium- and Long-term Growth

Medium-term Qualitative Goals of the Bell-Park Group

The Bell-Park Group has established medium-term qualitative goals for the purpose of achieving sustained long-term growth by meeting the expectations of customers, shareholders, employees, business partners and all other stakeholders.

1. Continue the steady growth of the information and communication device sales and service business.

- ☆ Recruit and train people, operate shops more efficiently, relocate and remodel shops, and make the investments needed to increase the number of shops

2. Extend the business portfolio to new fields.

- ☆ Acquire businesses in fields where Bell-Park can use human resource training, shop operation and other knowledge gained from current businesses activities; develop IoT products and services by using a new business development team and other businesses

3. Maintain financial soundness and consistently distribute earnings to shareholders.

Measures for Growth of the Information and Communication Device Sales and Service Business

1. Establishment of suitable working environment for shop personnel

- Reduce overtime
- Encourage use of paid time off, including consecutive days
- **Support for employees' health and well-being (trial program)**

Reference:
 Bell-Park rankings
 Employee understanding of paid time off/holidays: No. 50
 Open and transparent companies: No. 23
 Ability of new employees with prior job experience to use their skills: No. 23

Source: Toyo Keizai Online

Bell-Park has started using on a trial basis the medites™ fitness improvement program, which uses the IoT, provided by MEDIROM Inc.

The trial use of this program for 25 key personnel resulted in improvements in their health. Bell-Park is considering expanding this trial to about 300 individuals at 41 shops in Tokyo and ultimately to the entire workforce.

2. Shop relocations, renovations and scrap and build

Following relocations, some SoftBank Shops also function as Y!mobile Shops.

Relocations, renovations and scrap and build of directly operated Bell-Park shops

	1H 2017					
	Relocations/Renovations			Scrap and build		
	Relocations	Renovations	Total	New/Prior shop	Closed/Sold	Total
SoftBank Shop	4	-	4	2	-2	0
Y!mobile Shop	-	-	-	1	-	1
au Shop	-	1	1	-	-	-
Docomo Shop	1	1	2	-	-	-
Total	5	2	7	3	-2	1

Action for Extending the Business Portfolio to a New Field

Establishment of a non-consolidated subsidiary for the planning, import and wholesale distribution of IoT devices and other products



Products and capabilities that used to appear in cartoons as images of the future are now becoming a reality. Progress with the IoT, artificial intelligence, virtual reality and other technologies is making this possible. Outside Japan, automobiles with artificial intelligence and personal assistance devices that can talk are emerging. In the near future, these advances are likely to produce enormous changes in how people in Japan lead their lives.

To be part of this progress, Bell-Park established B-Lab, Inc. The new company has the mission of providing products and services that create ideas for new types of experiences with value. By adding technological innovations to existing products and services, B-Lab aims to create new experiences for customers.

Company Name: B-Lab, Inc.
President: Masaya Yano
URL: <https://b-labinc.jp/>



Additional Dividend and Shareholder Benefits in 2017

25th anniversary commemorative dividend

Ordinary dividend of 30 yen per share + commemorative dividend of 10 yen per share

Addition to shareholder benefit program (2Q-end and year-end)

QUO cards with a value of 1,000 yen + Bellbride shareholder discount coupon

Dividends

Basic policy: Return earnings to shareholders in a stable and consistent manner

▶ Consistently increase retained earnings and target big opportunities for growth

Record date	2Q-end	Year-end	Total	Dividend yield
Dec. 31, 2017	20 yen	20 yen	40 yen	1.31%*

*Based on the closing price on August 9, 2017

Special benefit plan for shareholders

Shareholders who own at least one trading unit (100 shares) will receive the following benefits at the end of the first half of each year and the end of each year

1. QUO cards with a value of 1,000 yen
2. One Bellbride shareholder discount coupon

* The coupon allows a shareholder to become a member without paying the 100,000 yen (before tax) initial membership fee.

Bell-Park

Lovely future

Appendix

Profile of Bell-Park

Name:	Bell-Park Co., Ltd.
Business:	Information and communication device sales and service business
Founded:	February 2, 1993, 25th fiscal year
Headquarters:	Hirakawacho Center Bldg., 1-4-12 Hirakawa-cho, Chiyoda-ku, Tokyo, 102-0093
Capital:	1,148 million yen
Stock listing:	May 25, 2000, Tokyo Stock Exchange JASDAQ Standard (Stock code: 9441)
Market cap:	20,534 million yen (closing price on August 9, 2017)
Bell-Park group employees:	1,924 (full time: 1,375; temporary: 549)
No. of carrier shops:	256 SoftBank Shops 8 Docomo Shops 8 au Shops 11 Y!mobile Shops (Total : 283 stores)

Investment Indices

Stock price (closing price of August 9, 2017):	3,050 yen	* Minimum investment unit: 100 shares
2017 PER forecast:	(consolidated) 11.51	Year high: 3,185 yen (June 27, 2017)
2016 PER results:	(consolidated) 11.89	Year low: 2,740 yen (January 17, 2017)
2016 PBR results:	(consolidated) 1.11	10 years high: 3,650 yen (April 18, 2013)

Analyst Report Shared Research <http://www.sharedresearch.jp>

5-year Financial Summary

(million yen)

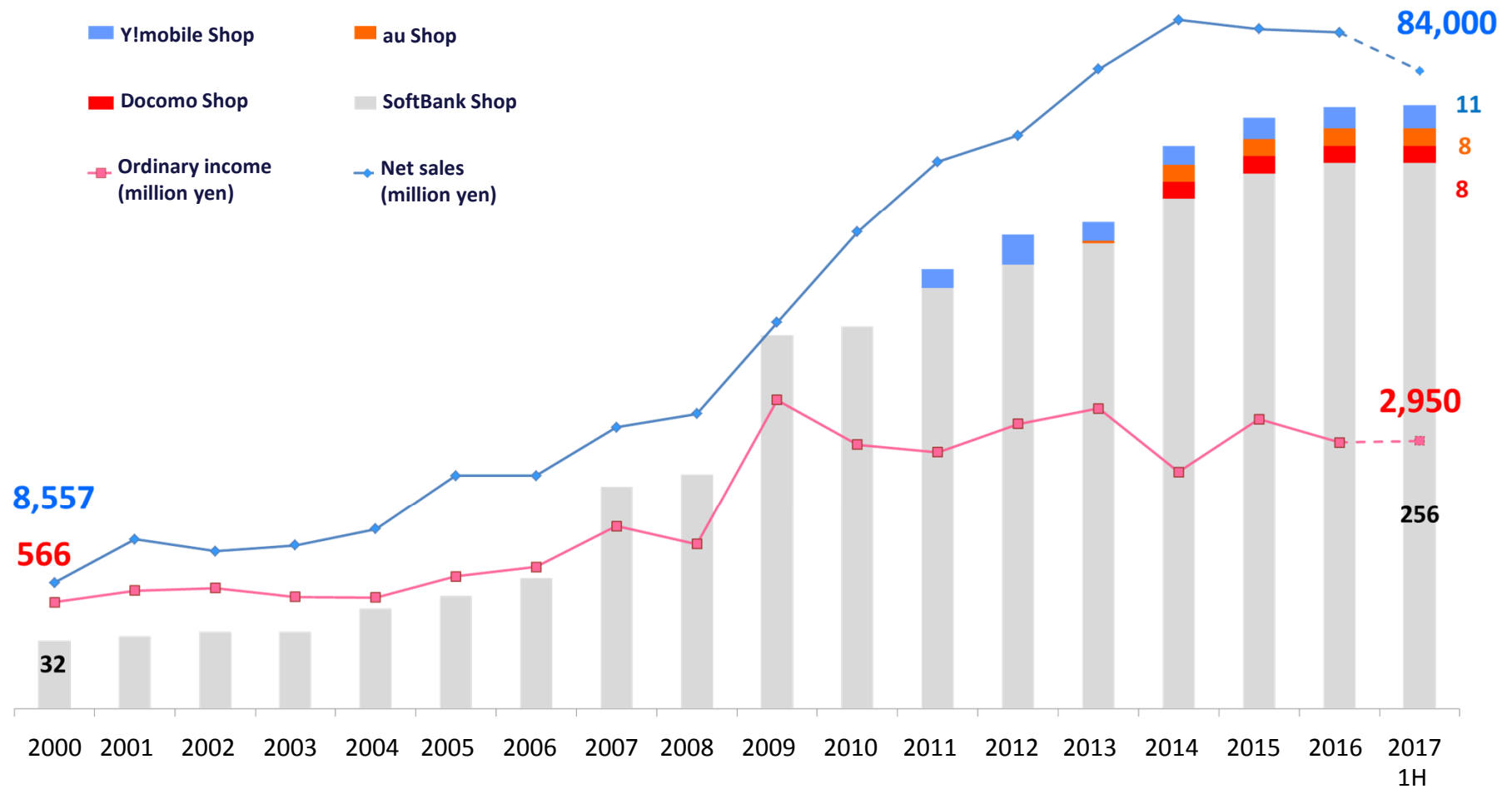
	1H 2013	1H 2014 (Consolidated)	1H 2015 (Consolidated)	1H 2016 (Consolidated)	1H 2017 (Consolidated)
Net sales	41,545	41,525	42,317	43,053	42,909
Gross profit	8,360	9,686	9,095	9,325	9,190
Personnel, etc.	3,216	4,032	4,153	4,385	4,439
Rent	744	873	973	1,028	1,068
Ads/sales promotion	1,135	1,834	986	837	828
Others	1,254	1,381	1,295	1,653	1,445
SG&A expenses	6,351	8,122	7,409	7,905	7,781
Operating income	2,009	1,564	1,685	1,420	1,408
Ordinary income	2,131	1,536	1,732	1,477	1,415
Profit attributable to owners of parent	1,184	772	977	835	842

Financial Indicators

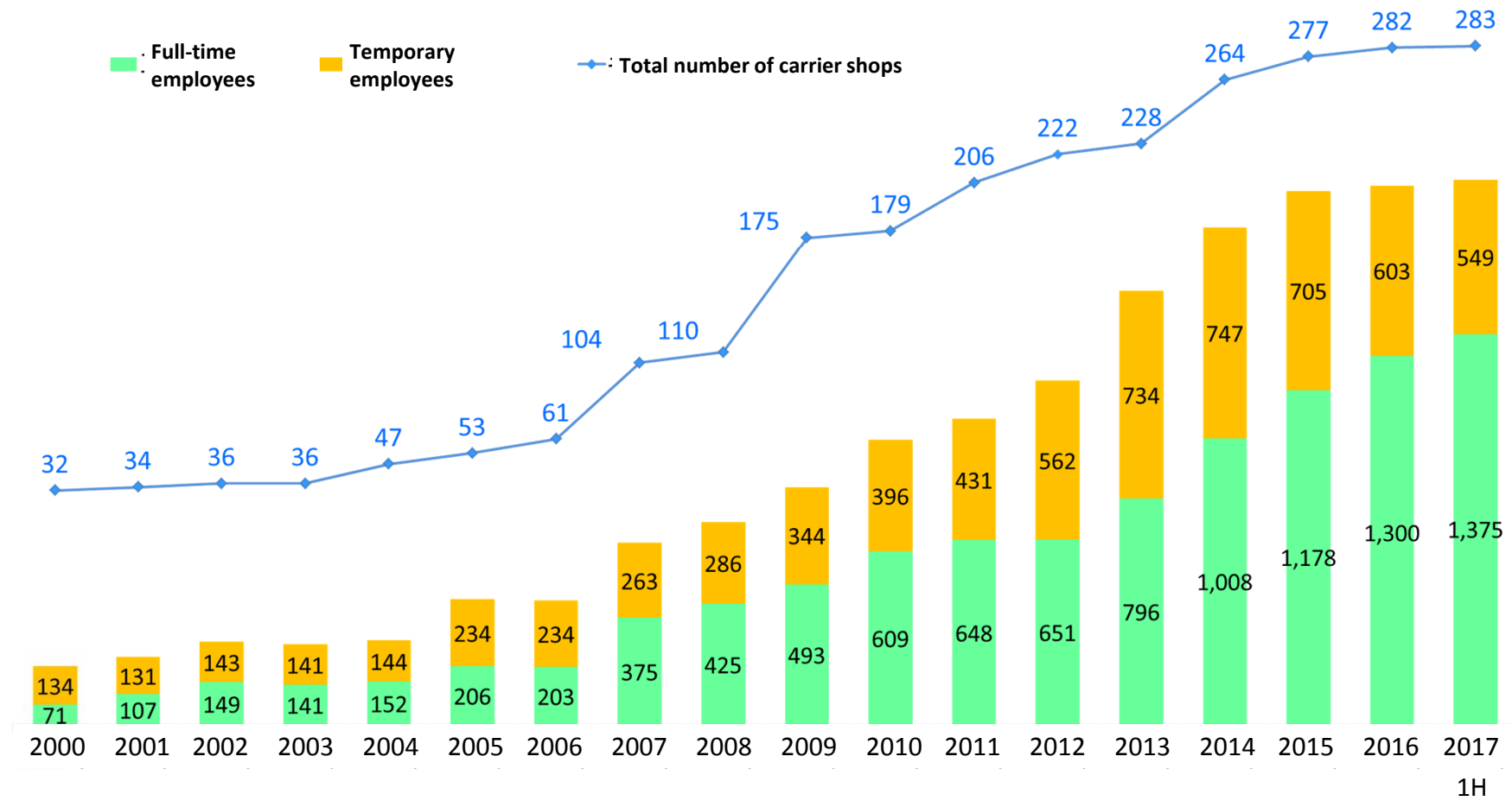
		1H 2013	1H 2014 (Consolidated)	1H 2015 (Consolidated)	1H 2016 (Consolidated)	1H 2017 (Consolidated)
Profitability	Ratio of ordinary income to total assets	19.8%	13.5%	13.8%	9.7%	8.5%
	Return on equity	18.5%	11.1%	12.9%	10.1%	9.3%
	Cash flow margin	7.0%	6.8%	6.1%	3.9%	4.9%
	Gross profit margin	20.1%	23.3%	21.5%	21.7%	21.4%
	Ratio of ordinary income to net sales	5.1%	3.7%	4.1%	3.4%	3.3%

		2013	2014 (Consolidated)	2015 (Consolidated)	2016 (Consolidated)	1H 2017 (Consolidated)
Efficiency	Capital turnover (times/year)	3.7	3.4	3.2	2.8	2.6
	Receivables turnover period (day)	34.9	38.4	41.3	42.1	36.2
	Inventory turnover period (day)	20.7	21.2	21.3	20.2	17.7
Safety	Equity ratio	57.2%	55.3%	53.8%	52.0%	57.2%
	Current ratio	216.3%	203.4%	203.3%	296.0%	370.6%

Number of Carrier Shops

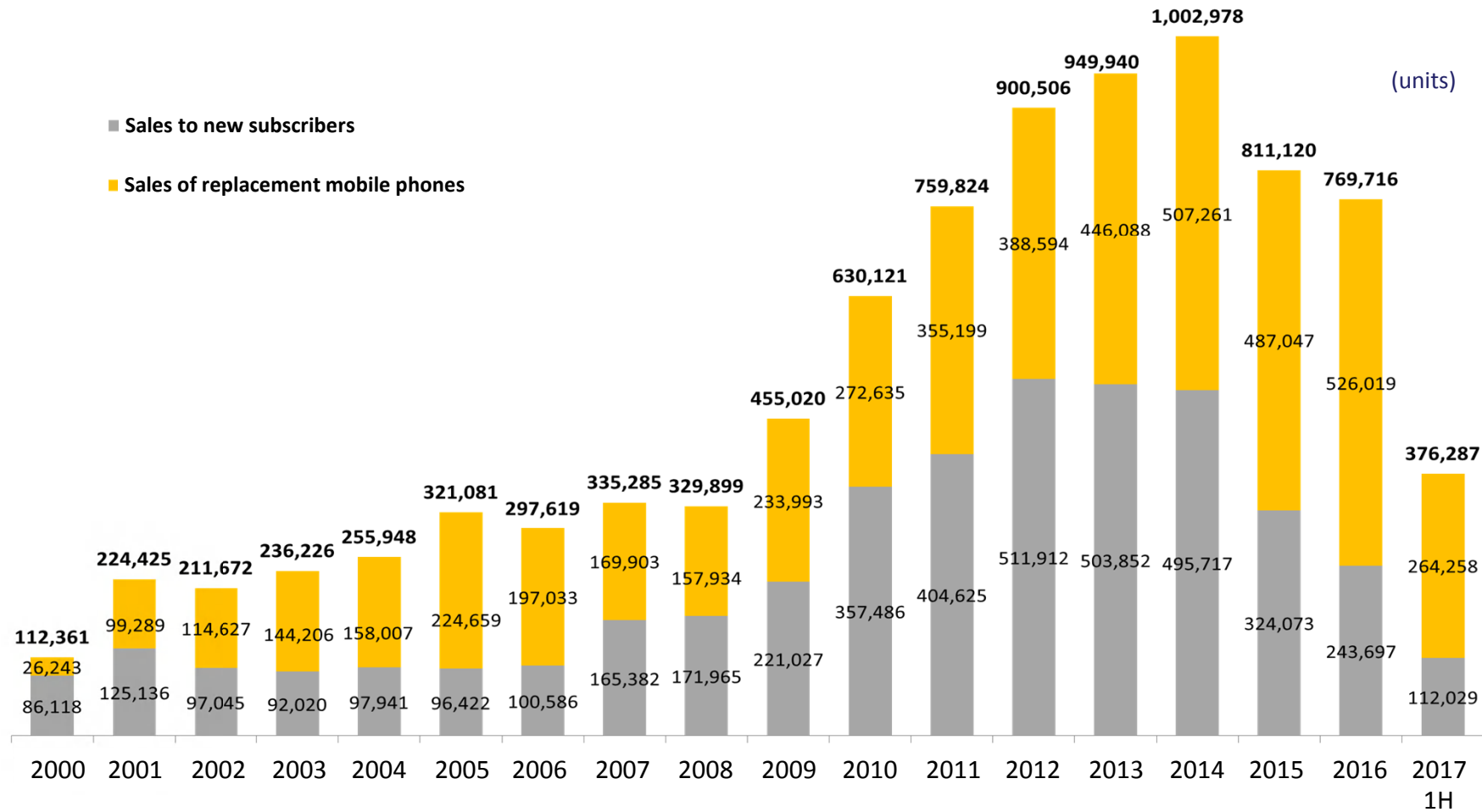


Number of Employees



Number of Mobile Phones Sold

1H 2017 results: 376,287 units; Achievement rate against plan (705,000 units): 53.4%



National Association of Mobile-phone Distributors

Bell-Park president Takeru Nishikawa is a vice president of the National Association of Mobile-phone Distributors. We play an important role in activities for reducing the number of customer complaints and improving the quality of services at mobile phone agent shops.

◆ Website URL: <http://www.keitai.or.jp/>



Forward-Looking Statements

All plans, strategies and financial forecasts that are not based on historical facts are forward-looking statements. Such statements are based on the judgment of management in accordance with information available when these materials were prepared. Actual results may differ significantly from these statements due to changes in the operating environment and many other factors.