

# Results of Operations for 2017

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February 14, 2018

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

***Bell-Park***

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# I. Financial Highlights

# 2017 Statement of Income

## Achieved a record high profit

- Number of mobile phones sold in 2017 was 752,000 (769,000 in 2016).
- Cost cutting at SoftBank Shops, the strong performance of Docomo Shops and higher sales to corporate clients all contributed to the growth in profits.
- Income taxes decreased as a pct. of profit before income taxes because Bell-Park was no longer subject to the family company accumulated earnings tax in 2017.

(million yen)

|  | 2016<br>results | 2017<br>results | YoY change |
|--|-----------------|-----------------|------------|
| <b>Net sales</b>                               | 89,629          | 88,894          | -734       |
| (Comp.)  | (100.0%)        | (100.0%)        | -0.8%      |
| <b>Operating income</b>                        | 2,846           | 3,151           | +305       |
|  | (3.2%)          | (3.5%)          | +10.7%     |
| <b>Ordinary income</b>                         | 2,927           | 3,184           | +257       |
|  | (3.3%)          | (3.6%)          | +8.8%      |
| <b>Profit attributable to owners of parent</b> | 1,644           | 2,182           | +537       |
|  | (1.8%)          | (2.5%)          | +32.7%     |

# 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"> <li>• Expansion of shop network (+4 stores vs. end-Dec. 2016)</li> <li>• Decline in sales volume of mobile phones               <ul style="list-style-type: none"> <li>* Smartphone sales increased due to measures by careers</li> <li>* Data card sales decreased mainly because of the emergence of high-capacity plans</li> </ul> </li> <li>• Increase in sales of other products</li> <li>• Decrease in renewal commissions due to a drop in ARPU</li> <li>• <b>Increase in several types of commissions due to better shop performance (Docomo Shops)</b></li> <li>• <b>Reduction in expenses mainly by operating shops more efficiently</b></li> </ul> | ➔                                | ➔                                       |
| Corporate sales | <ul style="list-style-type: none"> <li>• <b>Increase in sales volume by making newly hired college graduates productive</b></li> </ul>   | ➔                                | ➔                                       |

# Balance Sheet

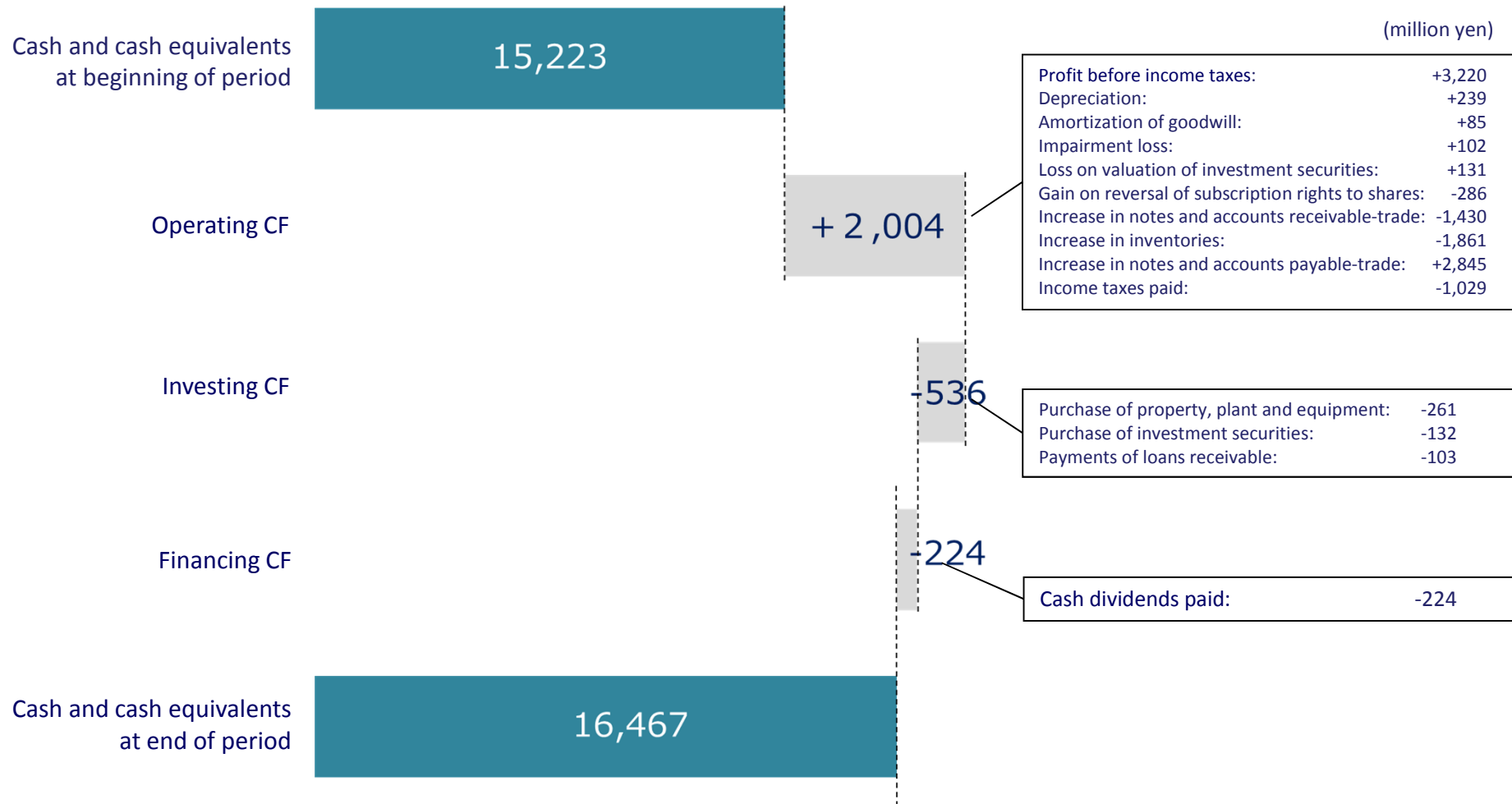
Net assets rose 1.7 billion yen mainly due to the profit attributable to owners of parent of 2.1 billion yen

(million yen)

|                        | 2016          | 2017          | YoY change    | Breakdown  |
|------------------------|---------------|---------------|---------------|--|
| Current assets         | 30,365        | 34,887        | +4,521        | <ul style="list-style-type: none"> <li>▪Cash and deposits: +1,243</li> <li>▪Trade accounts receivable: +1,430</li> <li>▪Merchandise: +1,825</li> </ul>   |
| Noncurrent assets      | 3,656         | 3,702         | +46           |  |
| <b>Assets</b>          | <b>34,021</b> | <b>38,589</b> | <b>+4,568</b> |  |
| Current liabilities    | 10,259        | 12,985        | +2,726        | ▪Trade accounts payable: +2,845  |
| Noncurrent liabilities | 5,840         | 5,947         | +107          |  |
| <b>Liabilities</b>     | <b>16,100</b> | <b>18,933</b> | <b>+2,833</b> |  |
| Net assets             | 17,921        | 19,655        | +1,734        | <ul style="list-style-type: none"> <li>▪Profit attributable to owners of parent: +2,182</li> <li>▪Dividends paid: -224</li> </ul> <p>Reference: equity ratio: 50.9% (End-Dec. 2016: 52.0%)</p> |

# Cash Flows

Cash and cash equivalents increased 1.2 billion yen



## II. 2018 Plan



# Medium-term Qualitative Goals of the Bell-Park Group

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The Bell-Park Group has established medium-term qualitative goals for the purpose of achieving sustained medium- to 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. Increase the consolidated dividend payout ratio in stages to 30% for the dividend applicable to 2020

**(Changed from 2018; Details are shown on p.21)**

# Measures for Growth of the Information and Communication Device Sales and Service Business (2018)

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## 1. Lower the attrition rate

Recruiting people will be very difficult in the mobile phone sales sector with Japan now full employment

**→ Come up with new ideas that can lower the attrition rate**

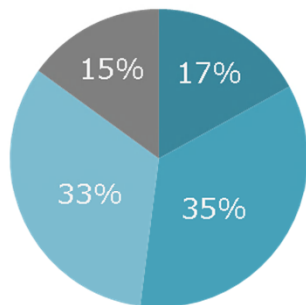
- **Ascertain reasons that people leave** **Highest priority**  
(Analyze the reasons people leave, locate the triggers for these decisions and then eliminate them.)
- **Achieve the proper balance between work and personal time**  
(Continue implementing measures to reduce overtime, encourage people to take paid vacation days, give people consecutive days off and offer other improvements for employees.)
- **Support for employees' health and well-being**  
(Results of the 2017 trial fitness improvement program are being used to determine a method for conducting a program that increases the motivation of employees to properly manage their health.)

# 2017 Trial Fitness Improvement Program Results

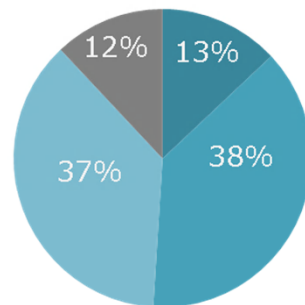
## Questionnaire about interest in health and need to make changes

Bell-Park has started using on a trial basis the medites™ fitness improvement program, which uses the IoT, provided by MEDIROM Inc. This trial program was conducted for 25 key personnel and 300 individuals at 41 shops in Tokyo.

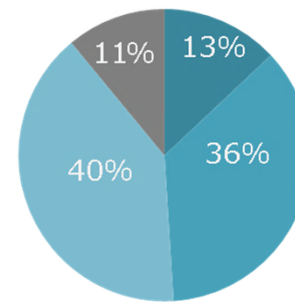
### Weight/Body Fat



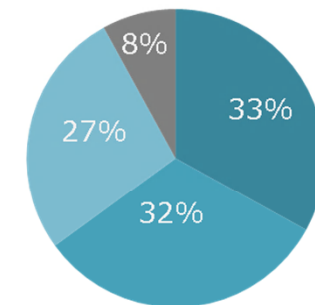
### Exercise



### Diet



### Sleep/Quality of Sleep



■ Big improvement    ■ Improvement    ■ Small improvement    ■ No improvement

\*Responses of 248 people

### About half of respondents reported a change in how they think about their health.

Due to the nature of work performed at shops, many employees at shops do not have regular sleeping hours or eating times, often use convenience stores and fast food for meals, do not maintain a balanced diet, and do not exercise enough. This program changed how many of these people regard their health. They are eating more vegetables and increasing their intake of fluids. People also understand the importance of quality sleep. In addition, more shop personnel are aiming for 10,000 steps per day.

**Despite this progress, there are still big differences in the commitment to health. As a result, activities are needed that target people with an inadequate awareness of the importance of a healthy life style.**

# Measures for Growth of the Information and Communication Device Sales and Service Business (2018)

## 2. Improve the profitability of shops

- **Continue shop relocations, renovations and scrap and build**

(Planning on the same number of shop relocations and renovations in 2018 as in 2017; expect to add 10 carrier shops.)

- Move shops to locations able to generate more customer traffic (maximize opportunities for sales)
- Reexamine the cost structure in poorly performing areas (optimize the use of human resources)
- Reduce the cost of interior renovation work (recover investments faster)

Ref: Relocations, renovations and scrap and build of directly operated Bell-Park shops (2017)

|                        | 2017                    |             |       |                 |             |       |
|------------------------|-------------------------|-------------|-------|-----------------|-------------|-------|
|                        | Relocations/Renovations |             |       | Scrap and build |             |       |
|                        | Relocations             | Renovations | Total | New/Prior shop  | Closed/Sold | Total |
| SoftBank Shop          | 9                       | 4           | 13    | 3               | -3          | 0     |
| Y!mobile Shop          | 0                       | 1           | 1     | 2               | -           | 2     |
| <b>au Shop/UQ Spot</b> | 1                       | 1           | 2     | 1               | -           | 1     |
| Docomo Shop            | 1                       | 1           | 2     | -               | -           | -     |
| <b>Total</b>           | 11                      | 7           | 18    | 6               | -3          | 3     |

- The number of directly operated career shops increased by 3 from end-2016.
- Relocations and renovations resulted in the addition of a Y!mobile Shop operation to some SoftBank Shops.
- Shops in central Tokyo (inside the Yamanote Line loop) are having difficulties as customers tend to patronize large home appliance stores instead.

# Action for Extending the Business Portfolio to a New Field (2018)

Bell-Park established Bellbride in August 2016 to provide marriage consultation and support services and B-Lab in May 2017 for the planning, import, wholesale and retail sale of IoT devices and other products. Starting these businesses on a small scale allows acquiring know-how in these market sectors.

Established in August 2016



Company Name: Bellbride, Inc. \* Non-consolidated subsidiary  
Business: Marriage consultations and support services  
Website: <https://www.bellbride.co.jp/>

Established in May 2017



**B-Lab, Inc.**

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Company Name: B-Lab, Inc. \* Non-consolidated subsidiary  
Business: Planning, import, wholesale and retail sales of IoT devices and other products  
Website: <https://b-labinc.jp/>

- Studies will continue to locate opportunities for new businesses in 2018 onwards and acquire know-how about these new market sectors.
- Mergers and acquisitions may be used for the growth of new businesses.

(Bellbride) Growing membership due to quick success rates in leading to marriage



## Marriage consultations that put the interests of each customer first

**75%** marriage success rate!

Marriage success rate = Members leaving due to marriage/All members who leave

Marriage after an average membership period of

about **5.7** months  
Based on performance in 2017 (Jan.-Dec. 2017)

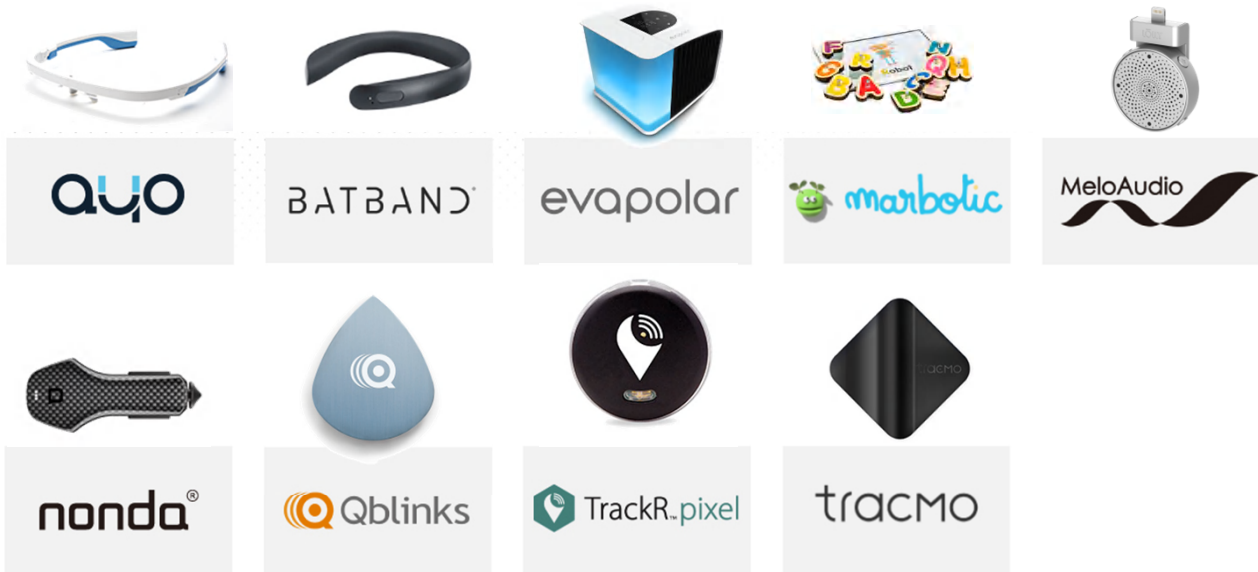
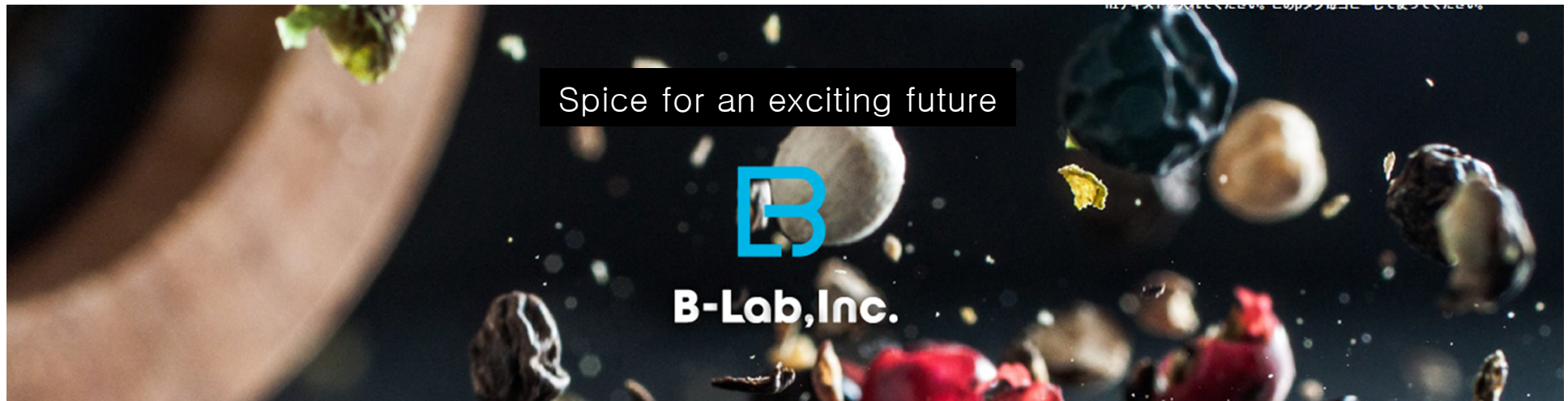


Please visit our website to schedule a free counseling session!

<https://www.bellbride.co.jp/>



# (B-Lab) Growth of Product Lineup



Products are sold on +Style, a platform operated by SoftBank Commerce & Service Corp., and home appliance stores nationwide

# (B-Lab) Collaborations with Other Companies

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## Innovative product combinations



Devices to prevent losing items

Suitcases



A suitcase that you can always find

Sold devices to a large luggage manufacturer in 2017, placing this company's logo on the devices

Received contacts for collaborations with makers of wallets and other items



# (B-Lab) Converting Core Technologies into Services

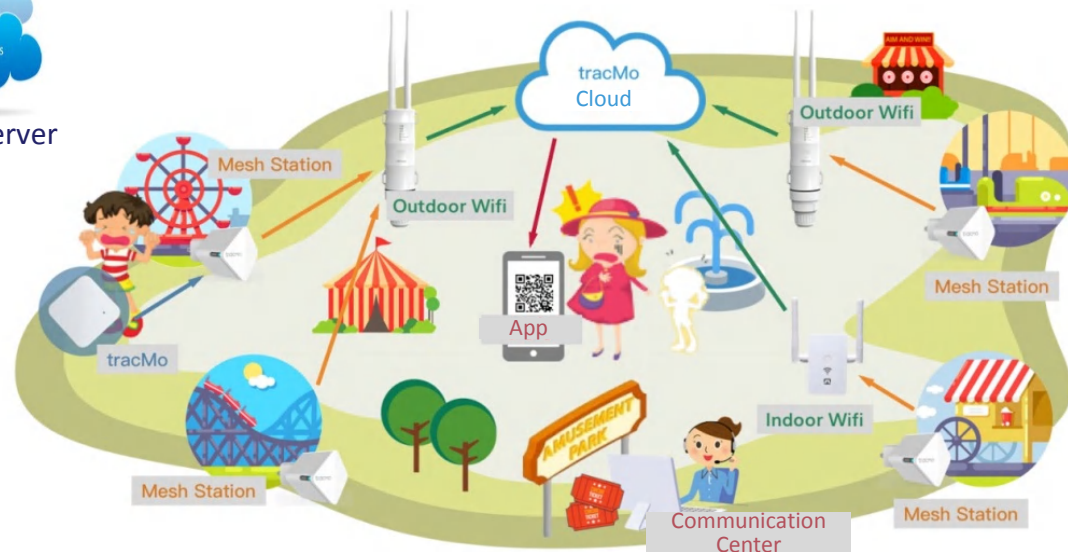
## Services that use core technologies of B-Lab products

(plan to start services in 2018)

- System to locate lost children and personal items at theme parks
- Measures to prevent seniors with dementia from becoming lost



Example: System to locate lost children at a theme park



# 2018 Consolidated Forecast

## Operating income forecast for 2018 is 3.0 billion yen

- Plan to increase mobile phone sales from 752,000 units in 2017 to 760,000 units in 2018
- Forecast growth in income from sales due to increase in new-subscriber sales and lower renewal commissions due to a drop in ARPU
- Plan to increase the workforce to prepare for growth in the number of shops

(million yen)

|  | 2017<br>results | 2018<br>plan | YoY change |
|--|-----------------|--------------|------------|
| <b>Net sales</b>                               | 88,894          | 95,000       | +6,105     |
| (Comp.)  | (100.0%)        | (100.0%)     | +6.9%      |
| <b>Operating income</b>                        | 3,151           | 3,000        | -151       |
|  | (3.5%)          | (3.2%)       | -4.8%      |
| <b>Ordinary income</b>                         | 3,184           | 3,000        | -184       |
|  | (3.6%)          | (3.2%)       | -5.8%      |
| <b>Profit attributable to owners of parent</b> | 2,182           | 1,950        | -232       |
|  | (2.5%)          | (2.1%)       | -10.6%     |

# 2018 Topics

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## 1. Act on Development of an Environment that Provides Safe and Secure Internet Use for Young People (February)

This act established three requirements for new phone subscriptions and extensions.

- Confirm whether or not the user is a young person
- Explain the service that filters out content harmful to young people
- Install the filtering software and the OS

→ **As of the middle of February, these requirements are having a big negative impact on shop operations because of the longer time that must be spent with each customer.**

## 2. Increase in new subscriber sales

In January 2016, many users rushed to apply for mobile number portability through the so-called “Last Cash Back” campaign. Now, two years later, these users are returning as mobile number portability customers.

→ **The return of these customers is expected to increase new subscriber sales in 2018.**

## 3. Difficulty of recruiting new employees

The labor shortage in all areas of Japan’s service sector is making recruiting activities very difficult.

→ **The ability to retain people will become more important than ever before.**

# 2018 Topics

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## 4. Customer Service No. 1 Grand Prix 2017 hosted by SoftBank Corp.

(Held on February 7, 2018)

Bell-Park employees received **2nd and 3rd** place awards



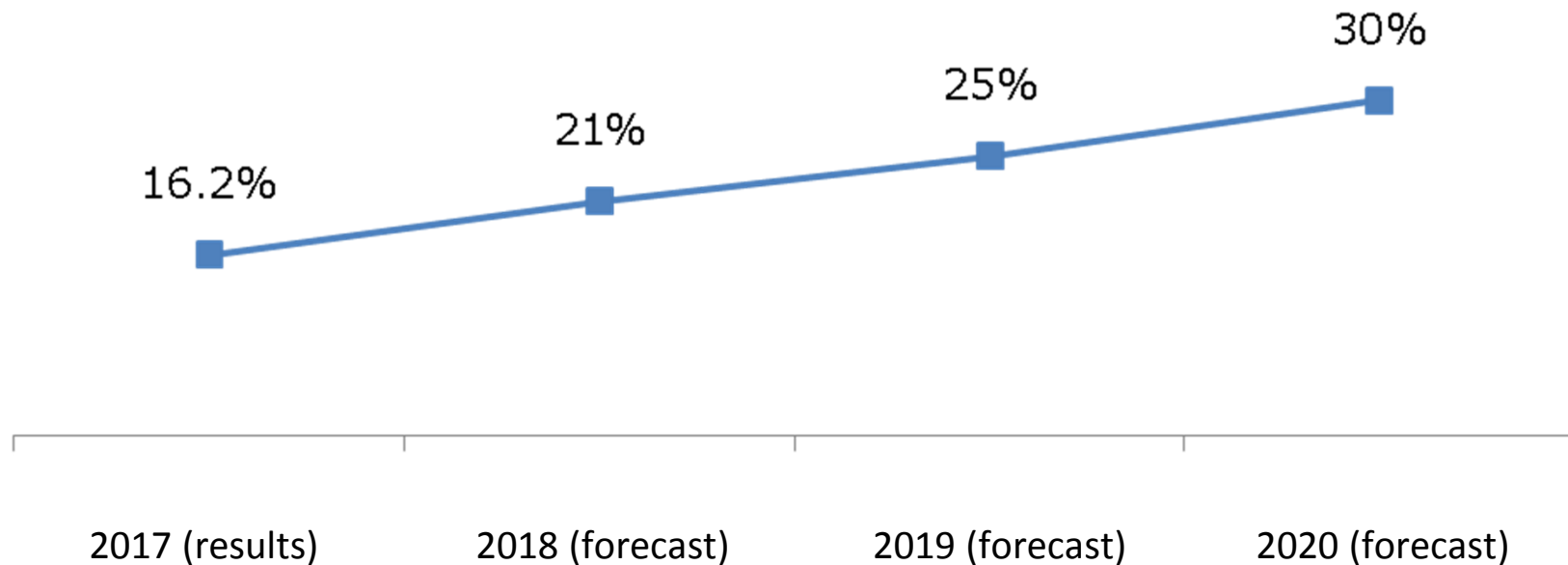
# Policy on Shareholder Returns

## Enhance shareholder returns through dividend payments

Bell-Park positions the distribution of earnings to shareholders as one of its highest priorities and plans to increase the consolidated dividend payout ratio in stages to 30% for the dividend applicable to 2020.

Expected consolidated dividend payout ratio

Plan to increase about 4-6 percentage points in each fiscal year between 2018 and 2020



# Dividend and Shareholder Benefits in 2018

Planning to **increase** ordinary dividend **by 21 yen** per share in 2018

## Dividend per share

| Fiscal year | 2Q-end                                    | Year-end                                  | Total                                      | Dividend yield |
|-------------|---|---|--|----------------|
| 2018        | 33 yen                                    | 33 yen                                    | 66 yen                                     | 1.66%*         |
| 2017        | 20 yen<br>(Commemorative dividend: 5 yen) | 35 yen<br>(Commemorative dividend: 5 yen) | 55 yen<br>(Commemorative dividend: 10 yen) | 1.38%*         |

\*Based on the closing price on February 13, 2018

## 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

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|                            |   |
|----------------------------|---|
| Name:                      | Bell-Park Co., Ltd.   |
| Business:                  | Information and communication device sales and service business   |
| Founded:                   | February 2, 1993, 26th 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:                | 26,829 million yen (closing price on February 13, 2018)   |
| Bell-Park group employees: | 1,854 (full time: 1,351; temporary: 503)  |
| No. of carrier shops:      | 258 SoftBank Shops<br>8 Docomo Shops<br>8 au Shops<br>11 Y!mobile Shops<br>1 UQ Spot<br>(Total: 286 stores) |

|                    |   |
|--------------------|---|
| Investment Indices | Stock price (closing price of February 13, 2018): 3,985 yen * Minimum investment unit: 100 shares |
|                    | 2018 PER forecast: (consolidated) 13.11      Year high: 4,090 yen (February 8, 2018)              |
|                    | 2017 PER results: (consolidated) 11.71      Year low: 2,740 yen (January 17, 2017)                |
|                    | 2017 PBR results: (consolidated) 1.30      10 years high: 4,090 yen (February 8, 2018)            |

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

# 5-year Financial Summary

(million yen)

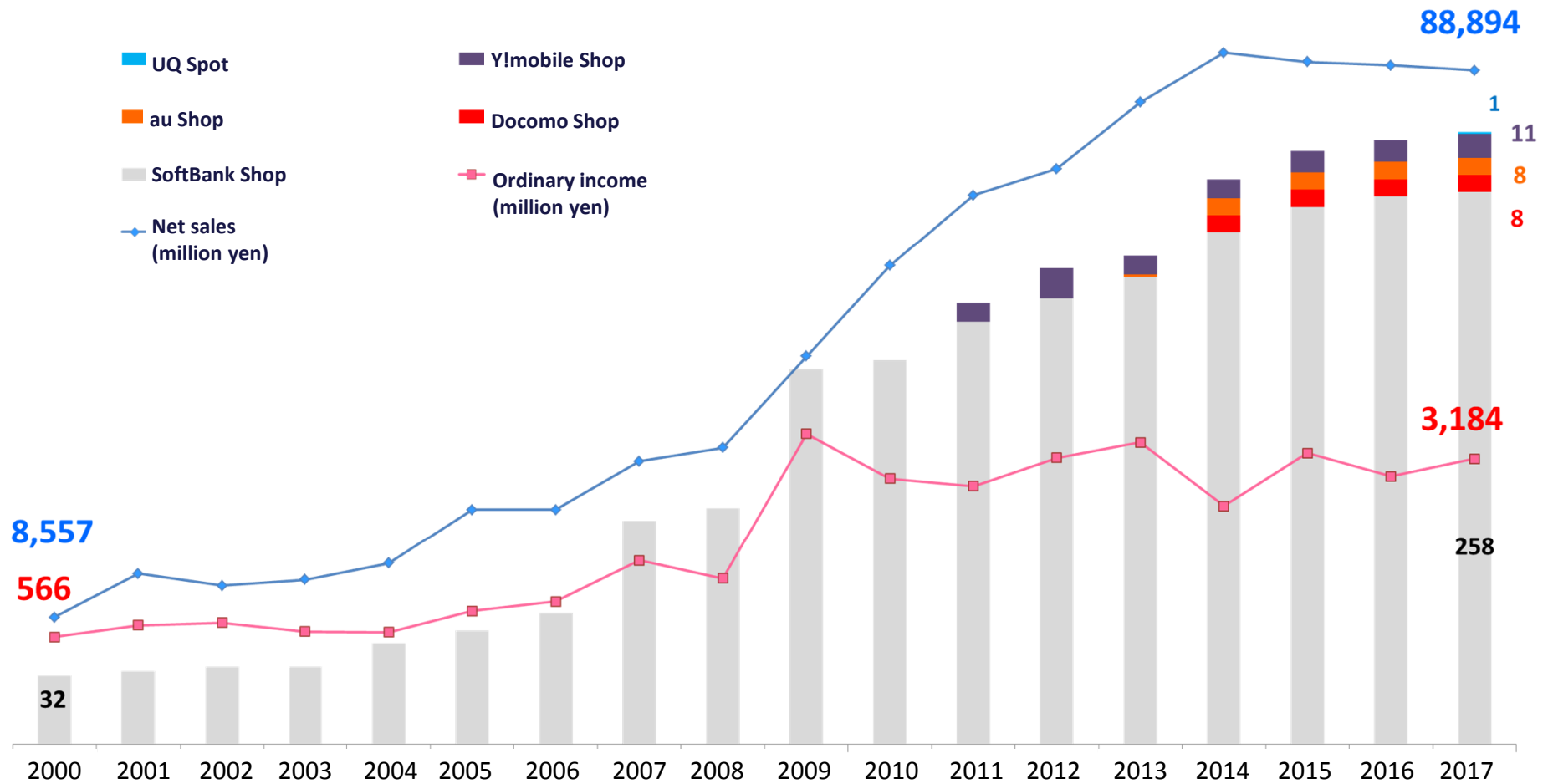
|   | 2013   | 2014<br>(Consolidated) | 2015<br>(Consolidated) | 2016<br>(Consolidated) | 2017<br>(Consolidated) |
|---|--------|------------------------|------------------------|------------------------|------------------------|
| Net sales                               | 84,227 | 91,485                 | 90,145                 | 89,629                 | 88,894                 |
| Gross profit                            | 16,493 | 18,074                 | 18,564                 | 18,674                 | 18,553                 |
| Personnel, etc.                         | 6,825  | 8,510                  | 8,361                  | 8,882                  | 8,821                  |
| Rent                                    | 1,516  | 1,827                  | 1,967                  | 2,076                  | 2,153                  |
| Ads/sales promotion                     | 2,451  | 2,545                  | 2,266                  | 1,649                  | 1,529                  |
| Others                                  | 2,461  | 2,821                  | 2,756                  | 3,220                  | 2,897                  |
| SG&A expenses                           | 13,253 | 15,704                 | 15,352                 | 15,828                 | 15,401                 |
| Operating income                        | 3,239  | 2,369                  | 3,212                  | 2,846                  | 3,151                  |
| Ordinary income                         | 3,425  | 2,492                  | 3,269                  | 2,927                  | 3,184                  |
| Profit attributable to owners of parent | 1,878  | 1,332                  | 1,798                  | 1,644                  | 2,182                  |

# Financial Indicators

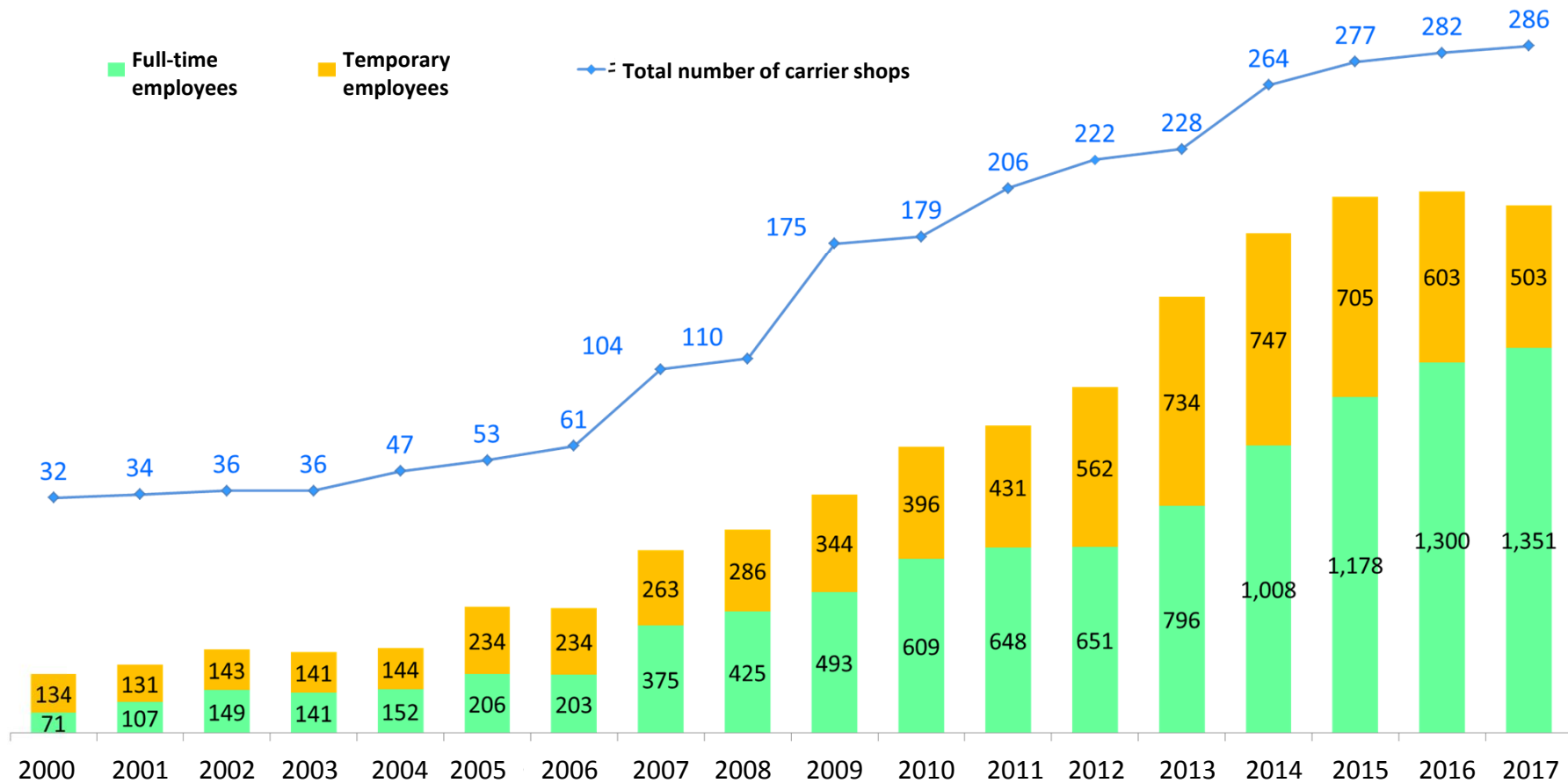
|               |  | 2013  | 2014<br>(Consolidated) | 2015<br>(Consolidated) | 2016<br>(Consolidated) | 2017<br>(Consolidated) |
|---------------|--|-------|------------------------|------------------------|------------------------|------------------------|
| Profitability | Ratio of ordinary income to total assets | 15.0% | 9.4%                   | 11.5%                  | 9.1%                   | 8.8%                   |
|               | Return on equity                         | 14.3% | 9.1%                   | 11.6%                  | 9.7%                   | 11.7%                  |
|               | Cash flow margin                         | 1.9%  | 2.3%                   | 3.4%                   | 1.1%                   | 2.3%                   |
|               | Gross profit margin                      | 19.6% | 19.8%                  | 20.6%                  | 20.8%                  | 20.9%                  |
|               | Ratio of ordinary income to net sales    | 4.1%  | 2.7%                   | 3.6%                   | 3.3%                   | 3.6%                   |

|            |                                   | 2013   | 2014<br>(Consolidated) | 2015<br>(Consolidated) | 2016<br>(Consolidated) | 2017<br>(Consolidated) |
|------------|-----------------------------------|--------|------------------------|------------------------|------------------------|------------------------|
| Efficiency | Capital turnover (times/year)     | 3.7    | 3.4                    | 3.2                    | 2.8                    | 2.4                    |
|            | Receivables turnover period (day) | 34.9   | 38.4                   | 41.3                   | 42.1                   | 43.2                   |
|            | Inventory turnover period (day)   | 20.3   | 21.2                   | 21.3                   | 20.2                   | 22.9                   |
| Safety     | Equity ratio                      | 57.2%  | 55.3%                  | 53.8%                  | 52.0%                  | 50.9%                  |
|            | Current ratio                     | 216.3% | 203.4%                 | 203.3%                 | 296.0%                 | 268.7%                 |

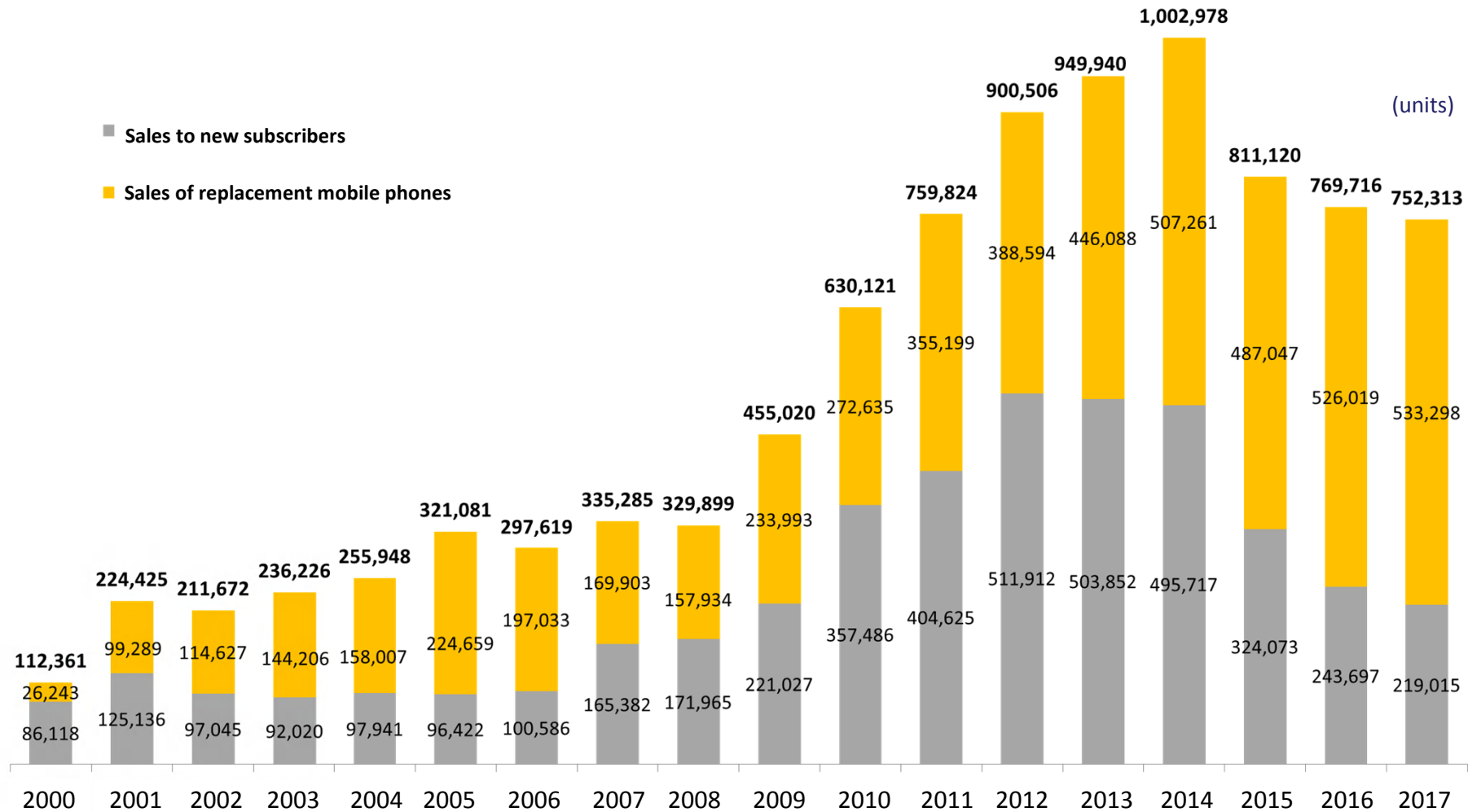
# Number of Carrier Shops



# Number of Employees



# Number of Mobile Phones Sold



# 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

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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.