Bell-Park Co., Ltd.

Q&A Session at 2018 First Half Earnings Announcement Information Meeting

Meeting: 10:00-11:00 August 3, 2018 (Friday)

Q1: On page 4, you reported that the number of mobile phones sold in the first half of 2018 was 5.8% higher than one year earlier. But net sales increased 12.7%. What is the reason for the different growth rates?

A1: The start of iPhone X sales in the second half of 2017 raised net sales by making sales price per unit in the first half of 2018 higher than one year earlier.

Q2: Please provide numbers concerning the attrition rate that you mention on page 9.

A2: We do not disclose attrition rate figures. The attrition rate in the first half of 2018 was lower than in the first half of 2017.

Q3: Please provide numbers concerning paid vacation days that you mention on page 9. Also, what specific actions are you taking to increase the use of vacation days?

A3: We do not disclose data about the number of paid vacation days used. We encourage our employees to take consecutive days off. When we started activities to increase vacation day use, many employees hesitated to take several days off at once. Now we have created an atmosphere that makes it easy to take time off with management taking the lead and by supervising progress with vacation time use in each department. We started by recommending that people take five consecutive days off. Recently, we increased this to six consecutive days.

Q4: On page 10, you provided information about growth of the number of shops. How is this growth affecting earnings?

A4: The franchising of the shops of Daiei Dentsu on April 1 significantly increased the number of shops and sales rose accordingly. However, these additional shops had almost no effect on operating income. At directly operated shops, sales are gradually climbing as the number of these shops increases from month to month. These new shops start contributing to operating income once their performance reaches a certain level. In the first half of 2018, shops acquired from other companies accounted for most of the growth in the number of directly operated shops. Therefore, we expect a small contribution to earnings from these new shops in the second half. Most of the shops of other companies that we acquired were performing poorly, so we are making investments for relocations, renovations, personnel changes and other improvements. Our goal is to start earnings growth at these shops in 2019.

Q5: How are the relocations and renovations you discussed on page 11 affecting earnings?

A5: Our goal is to recover the initial cost for relocations and renovations over the next few years through growth in mobile phone sales volume. The competitive landscape for each shop is constantly changing every year. As a result, we believe that we need to relocate or renovate about 10% of our directly operated shops in order to maintain profitability.

Q6: On page 12, how will growth of the Y!mobile sales channel affect earnings? Also, are you concerned about competition for customers between the SoftBank brand and Y!mobile brand?

A6: It is still too early to determine the effect on earnings because our SoftBank shops have only recently started to offer Y!mobile products and services. We anticipate higher personnel expenses as we increase the Y!mobile workforce and higher sales due to the expansion of the Y!mobile sales channel. Currently, there is a clear division between customer segments. SoftBank users want the newest phones and other products along with services packages for a large volume of data. Y!mobile users want inexpensive phones and other products and low-volume data packages. Consequently, we do not foresee any competition for customers between these two brands at this time.

Q7: The graph on page 25 shows that the number of full-time employees is growing while the number of temporary employees decreases. How is this affecting personnel expenses?

A7: Personnel expenses are increasing as the number of full-time employees climbs. However, our recruiting expenses are decreasing because the attrition rate is low for full-time employees. As a result, there is almost no change in the sum of personnel and recruiting expenses.