Bell-Park / 9441

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INDEX

How to read a Shared Research report: This report begins with the trends and outlook section, which discusses the company's most recent earnings. First-time readers should start at the business section later in the report.

Executive summary

Independent mobile phone store operator with a focus on SoftBank

- Bell-Park operates mobile phone stores affiliated with telecom carriers. Its core business is the sale of mobile devices such as smartphones, tablets, and phone handsets and mobile device accessories, fiber optic services, and after-sales services. It directly runs stores and franchises in major urban centers (Tokyo, Osaka, and Nagoya). The number of stores has been increasing as the company pursues acquisitions (more than 50 deals to date). As of end-FY12/18, the company operated a total of 319 Bell-Park authorized-stores (versus 313 stores at end-Q3 FY12/18, 286 at end-FY12/17), including 285 SoftBank stores (versus 283 stores at end-Q3 FY12/18, 258 at end-FY12/17), eight DoCoMo stores (unchanged, unchanged), seven au stores (unchanged, 8), 18 Y!mobile stores (14, 11), and one UQ Spot store (unchanged, unchanged). Revenue is mainly from the sale of mobile devices such as smartphones and tablets to subscribers, accessory sales, commissions on the sale of subscription plans (incentives), agency commissions on applications for various services, stock commissions, and subsidies from mobile phone operators (see the Business section for details).

Earnings results and outlook

- For FY12/18, the company reported consolidated sales of JPY98.1bn (+10.3% YoY), operating profit of JPY3.2bn (+2.5% YoY), recurring profit of JPY3.3bn (+2.3% YoY), and net income attributable to parent company shareholders of JPY2.1bn (-3.1% YoY). The company's carrier store network expanded by 33 stores. Sales of smartphones and other handsets grew thanks to expansion of the store network and as the company worked to market them in line with telecom carriers' policies. Sales of computers and mobile phones to the corporate sector were also up. On the earnings front, profit fell in the carrier store business due to cost increases (mainly personnel, rent, and equipment costs) associated with store network growth and lower stock commissions from carriers. Profit grew in the corporate business and others outside the carrier store business on sales growth. The consolidated GPM fell 0.5pp YoY while the SG&A ratio improved by 0.2pp to 17.1%; OPM dropped 0.2pp to 3.3%.
- For FY12/19, Bell-Park is forecasting sales of JPY95.0bn (-3.1% YoY), operating profit of JPY3.0bn (-7.1% YoY), recurring profit of JPY3.0bn (-7.9% YoY), and net income attributable to parent company shareholders of JPY1.9bn (-8.3% YoY). It forecasts an annual DPS of JPY76 (interim dividend JPY38, year-end dividend JPY38). In light of the risk of dramatic changes to the industry environment, Bell-Park said it would assess investment returns in its store network more strictly going forward, and restrain indirect divisional costs.
- Partly because Bell-Park's core area of operations (selling mobile devices) is undergoing major changes, the company does not publicize medium- to long-term numerical targets. However, it does have three medium-term goals for maintaining stable growth in the longer term: maintain steady growth in communication device sales; expand the business portfolio; and progress in stages toward a 30% consolidated dividend payout ratio in FY12/20.
- In January 2019, the Ministry of Internal Affairs and Communications announced emergency proposals for the optimization of mobile phone services which have implications for the mobile phone sales market. There is a possibility that handset costs and telecommunications charges will be completely separated with the goal of simple, easy-to-understand fee structures. There are likely to be restrictions on providing discounted handsets conditional on signing telecommunications service contracts. There are other major events looming. From April 2019 onward, major carriers are likely to lower their charges, in autumn 2019 onward SIM unlocking is to be mandatory for used handsets, and Rakuten is expected to launch a mobile business. Telecommunications companies are taking initiatives to shorten the response time at carrier stores. These are expected to result in an increase in the use of store visit booking systems and iPads in the stores for online explanations to make customer interactions more efficient.
- Revenue at the company's carrier stores is not determined solely by sales volume such as the number of handsets sold and contracts signed, but evaluation from the carriers from time to time on the degree to which important benchmarks have been met by the shops. Commissions received from the carriers can vary dramatically depending on these evaluations. Bell-Park is taking a number of initiatives to improve the profitability of the shops in the medium and long terms, including improving the consulting abilities of its shop staff, streamlining shop operations, renovating shops to provide a comfortable, welcoming

environment, and moving to prime locations with higher customer pulling power. In light of the risk of dramatic changes to the industry environment, Bell-Park said it would assess investment returns in its store network more strictly going forward, and restrain indirect divisional costs.

Strengths and weaknesses

We think Bell-Park's strengths lie in its service expertise, financial strength, and focus on SoftBank products. Weaknesses include reliance on handset sales and over-reliance on SoftBank Mobile (details in the Strengths and weaknesses section).

Key financial data

Income statement (JPYmn)	FY12/09 Parent	FY12/10 Parent	FY12/11 Parent	FY12/12 Parent	FY12/13 Parent	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Est.
Sales	**46,890**	**60,168**	**70,573**	**74,469**	**84,228**	**91,486**	**90,145**	**89,629**	**88,894**	**98,088**	**95,000**
YoY	40.2%	28.3%	17.3%	5.5%	13.1%	8.6%	-1.5%	-0.6%	-0.8%	10.3%	-3.1%
Gross profit	**10,313**	**10,775**	**12,115**	**13,893**	**16,494**	**18,075**	**18,565**	**18,675**	**18,553**	**19,976**	
YoY	39.2%	4.5%	12.4%	14.7%	18.7%	9.6%	2.7%	0.6%	-0.7%	7.7%	
GPM	22.0%	17.9%	17.2%	18.7%	19.6%	19.8%	20.6%	20.8%	20.9%	20.4%	
Operating profit	**3,576**	**2,905**	**2,850**	**3,122**	**3,240**	**2,370**	**3,212**	**2,846**	**3,151**	**3,229**	**3,000**
YoY	145.0%	-18.7%	-1.9%	9.6%	3.8%	-26.8%	35.5%	-11.4%	10.7%	2.5%	-7.1%
OPM	7.6%	4.8%	4.0%	4.2%	3.8%	2.6%	3.6%	3.2%	3.5%	3.3%	3.2%
Recurring profit	**3,550**	**2,894**	**2,781**	**3,201**	**3,426**	**2,493**	**3,270**	**2,927**	**3,184**	**3,257**	**3,000**
YoY	149.5%	-18.5%	-3.9%	15.1%	7.0%	-27.2%	31.2%	-10.5%	8.8%	2.3%	-7.9%
RPM	7.6%	4.8%	3.9%	4.3%	4.1%	2.7%	3.6%	3.3%	3.6%	3.3%	3.2%
Net income	**2,046**	**1,660**	**1,490**	**1,783**	**1,879**	**1,333**	**1,799**	**1,645**	**2,182**	**2,115**	**1,940**
YoY	79.0%	-18.9%	-10.2%	19.7%	5.3%	-29.1%	34.9%	-8.5%	32.7%	-3.1%	-8.3%
Net margin	4.4%	2.8%	2.1%	2.4%	2.2%	1.5%	2.0%	1.8%	2.5%	2.2%	2.0%
Per share data (JPY; split-adjusted)											
Shares issued (FY avg.; '000)	6,169	6,702	6,673	6,609	6,489	6,424	6,414	6,414	6,733	6,733	
EPS	331.7	247.7	223.3	269.8	289.5	207.5	280.4	256.5	340.3	329.8	302.5
EPS (fully diluted)	331.7	247.4	223.2	-	288.2	205.8	277.4	252.9	-	-	
Dividend per share	26.0	36.0	26.0	30.0	40.0	30.0	30.0	30.0	55.0	70.0	76.0
Book value per share	1,232.0	1,452.8	1,647.7	1,891.1	2,120.9	2,291.6	2,531.4	2,759.4	3,064.6	3,064.6	
Balance sheet (JPYmn)											
Cash and cash equivalents	5,747	5,911	6,987	6,766	6,896	7,229	9,948	15,224	16,467	14,873	
Total current assets	**14,712**	**16,050**	**19,599**	**19,037**	**21,335**	**22,863**	**26,709**	**30,365**	**34,887**	**34,910**	
Tangible fixed assets	632	662	769	785	770	1,094	968	984	1,079	1,455	
Investments and other assets	1,362	1,401	1,520	1,618	1,703	2,150	2,179	2,361	2,456	2,496	
Intangible fixed assets	272	204	167	208	212	493	349	311	167	232	
Total assets	**16,978**	**18,318**	**22,053**	**21,648**	**24,021**	**26,600**	**30,205**	**34,021**	**38,590**	**39,093**	
Accounts payable	4,926	5,852	8,070	5,856	7,034	8,372	9,835	7,702	10,548	9,564	
Short-term debt	325	325	325	425	-	-	-	15	-	-	
Total current liabilities	**7,628**	**7,766**	**10,505**	**8,774**	**9,866**	**11,238**	**13,138**	**10,260**	**12,986**	**12,121**	
Long-term debt	975	650	325	-	-	-	-	5,000	5,015	5,015	
Total liabilities	**8,733**	**8,575**	**11,169**	**9,145**	**10,290**	**11,804**	**13,808**	**16,100**	**18,934**	**17,758**	
Net assets	**8,245**	**9,743**	**10,884**	**12,503**	**13,731**	**14,796**	**16,397**	**17,921**	**19,656**	**21,330**	
Total interest-bearing debt	1,300	975	650	425	-	-	-	5,015	5,015	5,015	
Cash flow statement (JPYmn)											
Cash flows from operating activities	2,689	855	2,178	432	1,618	2,074	3,051	1,013	2,005	-170	
Cash flows from investing activities	-815	-204	-379	-348	-546	-1,513	-239	-460	-536	-988	
Cash flows from financing activities	-932	-487	-675	-391	-1,124	-330	-193	4,822	-225	-436	
Financial ratios											
ROA (RP-based)	24.4%	16.4%	13.8%	14.6%	15.0%	9.8%	11.5%	9.1%	8.8%	8.4%	
ROE	29.7%	18.5%	14.4%	15.3%	14.3%	9.4%	11.6%	9.7%	11.7%	10.3%	
Equity ratio	48.6%	53.2%	49.4%	57.8%	57.2%	55.6%	54.3%	52.7%	50.9%	54.6%	

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: OC mobile was consolidated in February 2014 and the company adopted consolidated accounting from FY12/14.

Recent updates

Highlights

On **March 20, 2019**, Shared Research updated the report following interviews with Bell-Park Co., Ltd.

On **February 12, 2019**, the company announced earnings results for full-year FY12/18 and a dividend increase; see the results section for details.

For previous releases and developments, please refer to the News and topics section.

Trends and outlook

Quarterly trends and results

Quarterly performance	FY12/16				FY12/17				FY12/18				FY12/18	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales	24,123	18,930	20,223	26,354	23,446	19,464	19,340	26,645	25,989	22,374	23,222	26,503		
YoY	0.5%	3.4%	-2.5%	-2.7%	-2.8%	2.8%	-4.4%	1.1%	10.8%	15.0%	20.1%	-0.5%		
Gross profit	5,068	4,258	4,316	5,033	4,920	4,270	4,190	5,172	5,184	4,547	4,621	5,624		
YoY	1.4%	4.0%	-3.6%	0.8%	-2.9%	0.3%	-2.9%	2.8%	5.4%	6.5%	10.3%	8.7%		
GPM	21.0%	22.5%	21.3%	19.1%	21.0%	21.9%	21.7%	19.4%	19.9%	20.3%	19.9%	21.2%		
SG&A expenses	4,024	3,881	4,021	3,903	3,992	3,790	3,767	3,853	3,960	3,873	4,233	4,680		
YoY	4.6%	8.9%	3.9%	-4.2%	-0.8%	-2.3%	-6.3%	-1.3%	-0.8%	2.2%	12.4%	21.5%		
SG&A ratio	16.7%	20.5%	19.9%	14.8%	17.0%	19.5%	19.5%	14.5%	15.2%	17.3%	18.2%	17.7%		
Operating profit	1,044	377	295	1,130	929	480	423	1,319	1,224	674	387	944		
YoY	-9.5%	-29.2%	-51.2%	22.7%	-11.0%	27.3%	43.4%	16.7%	31.8%	40.4%	-8.5%	-28.4%		
OPM	4.3%	2.0%	1.5%	4.3%	4.0%	2.5%	2.2%	5.0%	4.7%	3.0%	1.7%	3.6%		
Recurring profit	1,064	413	302	1,147	936	479	437	1,331	1,238	675	396	948		
YoY	-8.6%	-27.3%	-50.7%	24.2%	-12.0%	16.0%	44.7%	16.0%	32.2%	40.8%	-9.5%	-28.8%		
RPM	4.4%	2.2%	1.5%	4.4%	4.0%	2.5%	2.3%	5.0%	4.8%	3.0%	1.7%	3.6%		
Net income	613	222	185	624	563	280	277	1,063	835	425	244	611		
YoY	-3.8%	-34.7%	-44.5%	28.1%	-8.3%	25.9%	49.4%	70.4%	48.4%	51.9%	-11.8%	-42.5%		
Net margin	2.5%	1.2%	0.9%	2.4%	2.4%	1.4%	1.4%	4.0%	3.2%	1.9%	1.1%	2.3%		
(Cumulative)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	24,123	43,053	63,276	89,629	23,446	42,910	62,250	88,894	25,989	48,363	71,585	98,088	103.3%	95,000
YoY	0.5%	1.7%	0.3%	-0.6%	-2.8%	-0.3%	-1.6%	-0.8%	10.8%	12.7%	15.0%	10.3%		6.9%
Gross profit	5,068	9,326	13,642	18,675	4,920	9,191	13,381	18,553	5,184	9,731	14,351	19,976		
YoY	1.4%	2.5%	0.5%	0.6%	-2.9%	-1.4%	-1.9%	-0.7%	5.4%	5.9%	7.3%	7.7%		
GPM	21.0%	21.7%	21.6%	20.8%	21.0%	21.4%	21.5%	20.9%	19.9%	20.1%	20.0%	20.4%		
SG&A expenses	4,024	7,905	11,926	15,829	3,992	7,782	11,549	15,402	3,960	7,833	12,066	16,747		
YoY	4.6%	6.7%	5.7%	3.1%	-0.8%	-1.6%	-3.2%	-2.7%	-0.8%	0.7%	4.5%	8.7%		
SG&A ratio	16.7%	18.4%	18.8%	17.7%	17.0%	18.1%	18.6%	17.3%	15.2%	16.2%	16.9%	17.1%		
Operating profit	1,044	1,421	1,716	2,846	929	1,409	1,832	3,151	1,224	1,898	2,285	3,229	107.6%	3,000
YoY	-9.5%	-15.7%	-25.1%	-11.4%	-11.0%	-0.8%	6.8%	10.7%	31.8%	34.7%	24.7%	2.5%		-4.8%
OPM	4.3%	3.3%	2.7%	3.2%	4.0%	3.3%	2.9%	3.5%	4.7%	3.9%	3.2%	3.3%		3.2%
Recurring profit	1,064	1,478	1,780	2,927	936	1,416	1,853	3,184	1,238	1,913	2,309	3,257	108.6%	3,000
YoY	-8.6%	-14.7%	-24.1%	-10.5%	-12.0%	-4.2%	4.1%	8.8%	32.2%	35.1%	24.6%	2.3%		-5.8%
RPM	4.4%	3.4%	2.8%	3.3%	4.0%	3.3%	3.0%	3.6%	4.8%	4.0%	3.2%	3.3%		3.2%
Net income	613	836	1,021	1,645	563	843	1,120	2,182	835	1,260	1,505	2,115	108.5%	1,950
YoY	-3.8%	-14.5%	-22.2%	-8.5%	-8.3%	0.8%	9.6%	32.7%	48.4%	49.6%	34.4%	-3.1%		-10.6%
Net margin	2.5%	1.9%	1.6%	1.8%	2.4%	2.0%	1.8%	2.5%	3.2%	2.6%	2.1%	2.2%		2.1%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Full-year FY12/18 results

- For FY12/18, the company reported consolidated sales of JPY98.1bn (+10.3% YoY), operating profit of JPY3.2bn (+2.5% YoY), recurring profit of JPY3.3bn (+2.3% YoY), and net income attributable to parent company shareholders of JPY2.1bn (-3.1% YoY)
- FY12/18 sales and profit came in above company forecasts. FY12/18 sales reached 103.3% of the company's full-year target, operating profit 107.6%, recurring profit 108.6%), and net income attributable to parent company shareholders 108.5%
- Sales up 10.3% YoY: Sales grew in both the carrier store and corporate businesses. The company's carrier store network expanded by 33 stores. Sales of smartphones and other handsets grew thanks to expansion of the store network and as the company worked to market them in line with carriers' policies (up 27,000 units YoY: down by 19,000 at comparable stores and up by 46,000 at new stores). Sales of computers and mobile phones to the corporate sector were also solid (Shared Research estimates an increase of 2,000 units)
- Operating profit up 2.5% YoY: Operating profit fell in the carrier store business and grew in the corporate business. Profit fell in the carrier store business due to cost increases (mainly personnel, rent, and equipment costs) associated with store network growth and lower stock commissions from carriers. Profit grew in the corporate business and others outside the carrier store business on sales growth. The consolidated GPM fell 0.5pp YoY while the SG&A ratio improved by 0.2pp to 17.1%; OPM dropped 0.2pp to 3.3%
- Net income down 3.1% YoY: Net income fell as in FY12/17 there was a JPY286mn gain on reversal of stock acquisition rights
- Dividend hike: Bell-Park revised up its year-end dividend forecast for FY12/18 by JPY4 from JPY33 to JPY37 per share. Combined with the interim dividend of JPY33, this boosted the annual DPS to JPY70 for a full-year consolidated payout ratio of 21%. This is

in line with its policy to raise the consolidated payout ratio in stages to 30% by FY12/20. The FY12/17 DPS was JPY55 (interim dividend JPY20, year-end dividend JPY35 [ordinary dividend JPY30, commemorative dividend JPY5]) for a consolidated payout ratio of 16%. The company forecasts a dividend of JPY76 for FY12/19, up JPY6 YoY (interim dividend JPY38, year-end dividend JPY38) and a consolidated payout ratio of 25%

External environment

In the mobile phone market, the company's primary area of operations, the choices available to consumers expanded due to increased awareness and penetration of the major carriers' sub-brands and budget carriers such as MVNOs, as well as a variety of pricing plans for the main brands of the major carriers. Meanwhile, the major carriers are focusing on areas outside telecommunications, using their customer base to market services such as electricity and credit cards. There is a great deal of debate and investigation surrounding the Ministry of Internal Affairs and Communications' proposals for the optimization of mobile phone services. There may be major changes in the environment in the future, including the complete separation of telecommunications charges and handset costs, with a view to making fee plans simple and easy to understand.

Company initiatives

The Bell-Park group has worked to expand its network of stores by concluding a distributor agreement with Daiei Dentsu Co., Ltd. that operates 16 SoftBank stores in Chugoku and Kyushu region, increasing the number of carrier stores by 33 in FY12/18. Of these, 21 were directly managed, primarily acquired through business succession (seven of which were Y!mobile stores), bringing the number of directly managed stores to 244 at end-FY12/18. Another 12 stores were franchises including those run by Daiei Dentsu, bringing the number of franchises to 75 stores at end-FY12/18. Although costs including personnel expenses, rent, and equipment expenses increased due to the expansion of store network, sales volume of handsets centered on smartphones grew on efforts to increase store count and focusing on initiatives at each telecom carriers. Further, non-carrier store businesses such as the corporate business grew sales, especially of personal computers and mobile phones to businesses.

The company sold 781,373 handsets in FY12/18. There were 259,602 new handset sales (+18.5% YoY), while replacement units fell 2.2% to 521,771.

As of end-FY12/18, the company operated a total of 319 Bell-Park authorized-stores (versus 313 stores at end-Q3 FY12/18, 286 at end-FY12/17). Stores that the company manages were as follows:

- ▷ SoftBank: 285 stores (283 stores at end-Q3 FY12/18, 258 at end-FY12/17)
- ▷ DoCoMo: 8 stores (unchanged, unchanged)
- ▷ au: 7 stores (unchanged, 8)
- ▷ Y!mobile: 18 stores (14 stores, 11)
- ▷ UQ Spot: 1 store (unchanged, unchanged)

The company had two additional SoftBank store and four more Y!mobile stores compared with end-Q3 FY12/18; the number of DoCoMo, au, and UQ Spot stores in operation did not change during the quarter. Compared with end-FY12/17, the company added 27 SoftBank stores and seven Y!mobile stores. The number of DoCoMo and UQ Spot stores was unchanged, and there was one fewer au store (refer to Business section for medium-term trends in store network).

Expansion of Y!mobile sales channel

As of end-FY12/18, the company had 285 SoftBank stores (258 at end-FY12/17) and 18 Y!mobile stores (11) for a total of 303 (269). 202 (65) of the SoftBank stores handled Y!mobile products and services as dual brand shops. As of end-FY12/18, there was a total of 220 Y!mobile or dual brand shops, up 76 from end-FY12/17. As of end-FY12/18, the company had 1,489 full-time employees (up 138 from end-FY12/17) and 468 part-time employees (down 35).

For details on previous quarterly and annual results, please refer to the Historical financial statements section.

Full-year company forecasts

	FY12/17			FY12/18			FY12/19		
(JPYmn)	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.
Sales	**42,910**	**45,985**	**88,895**	**48,363**	**49,725**	**98,088**	**45,000**	**50,000**	**95,000**
YoY	-0.3%	-1.3%	-0.8%	12.7%	8.1%	10.3%	-7.0%	0.6%	-3.1%
Cost of sales	33,719	36,622	70,341	38,632	39,480	78,112			
Gross profit	**9,191**	**9,362**	**18,553**	**9,731**	**10,245**	**19,976**			
YoY	-1.4%	0.1%	-0.7%	5.9%	9.4%	7.7%			
GPM	21.4%	20.4%	20.9%	20.1%	20.6%	20.4%			
SG&A expenses	**7,782**	7,620	15,402	**7,833**	8,914	16,747			
SG&A ratio	18.1%	16.6%	17.3%	16.2%	17.9%	17.1%			
Operating profit	**1,409**	**1,743**	**3,151**	**1,898**	**1,331**	**3,229**	**1,400**	**1,600**	**3,000**
YoY	-0.8%	22.2%	10.7%	34.7%	-23.6%	2.5%	-26.2%	20.2%	-7.1%
OPM	3.3%	3.8%	3.5%	3.9%	2.7%	3.3%	3.1%	3.2%	3.2%
Recurring profit	**1,416**	**1,769**	**3,184**	**1,913**	**1,344**	**3,257**	**1,400**	**1,600**	**3,000**
YoY	-4.2%	22.0%	8.8%	35.1%	-24.0%	2.3%	-26.8%	19.0%	-7.9%
RPM	3.3%	3.8%	3.6%	4.0%	2.7%	3.3%	3.1%	3.2%	3.2%
Net income	**843**	**1,340**	**2,182**	**1,260**	**855**	**2,115**	**900**	**1,040**	**1,940**
YoY	0.8%	65.6%	32.7%	49.6%	-36.2%	-3.1%	-28.6%	21.6%	-8.3%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: OC mobile was consolidated in February 2014 and the company included it in its consolidated accounts from FY12/14.

FY12/19 company forecast

For FY12/19, Bell-Park is forecasting sales of JPY95.0bn (-3.1% YoY), operating profit of JPY3.0bn (-7.1% YoY), recurring profit of JPY3.0bn (-7.9% YoY), and net income attributable to parent company shareholders of JPY1.9bn (-8.3% YoY). It forecasts an annual DPS of JPY76 (interim dividend JPY38, year-end dividend JPY38), based on a consolidated dividend payout ratio of 25%. The impact of changes in the regulatory environment (discussed later) for telecom carriers and mobile phone distributors is unclear at the present time. The aforementioned company forecasts do not incorporate risks (either upside or downside) to the company's earnings from changes in the regulatory environment.

Handset sales forecasts and company initiatives

▷ The company's forecasts assume a sales volume of 760,000 units (-2.7% YoY, 781,373 in FY12/18)

▷ The company plans to grow commissions by receiving relatively high store operation ratings from telecom carriers

▷ Plans to restrain investment in store growth and control indirect divisional costs

Changes to regulatory environment

In January 2019, the Ministry of Internal Affairs and Communications announced emergency proposals for the optimization of mobile phone services[*1] which have implications for the mobile phone sales market. There is a possibility that handset costs and telecommunications charges will be completely separated with the goal of simple, easy-to-understand fee structures. There are likely to be restrictions on providing discounted handsets conditional on signing telecommunications service contracts. There are other major events looming. From April 2019 onward, major carriers are likely to lower their charges, in autumn 2019 onward SIM unlocking is to be mandatory for used handsets, and Rakuten is expected to launch a mobile business. Telecommunications companies are taking initiatives to shorten the response time[*2] at carrier stores. These are expected to result in an increase in the use of store visit booking systems and iPads in the stores for online explanations to make customer interactions more efficient.

*1 Emergency proposal for the optimization of mobile phone services

On January 17, 2019, two bodies under the auspices of the Ministry of Internal Affairs and Communications released reports. One was a study group (mobile study group) involved in researching the competitive environment in the mobile market and the other was a working group (consumer working group) investigating rules to protect consumers and provide safe, secure ICT services. Regarding the ideal form of telecommunications services, starting with mobile phones, the two bodies held hearings and considered matters from a user perspective. A number of issues were pointed out in common by many of the stakeholders and committee members. In light of this, the two bodies summarized matters that needed addressing in a timely manner to facilitate optimal mobile service provision and drafted the emergency proposal which was released. The government looks likely to revise the Telecommunications Business Act and put in place the necessary arrangements during 2019.

The gist is as follows:

1. Simple, easy-to-understand mobile phone fee structures

- **Complete separation of telecommunications fees and handset prices**: Eliminating discounts on telecoms charges as a condition for handset purchases is appropriate to solve the problems (details in box below). In particular, regarding the handset replacement support program (Shared Research note: so-called "four-year handset bondage"), a radical review is necessary. The telecom operators have flagged their intention to exclude rejoining the same program as a condition of debt forgiveness, but the structure remains one that involves ongoing use of telecommunications services. Furthermore, the mobile phone operators do not directly offer discounts, but distributors such as carrier shops and mass retailers may also offer them, so a response here is also needed.

The following problems are emerging due to the insufficient separation of telecommunications fees and handset prices:
- ✧ Telecommunications fees vary depending on the handset purchased despite plans covering the same volume of data. Discounted telecommunications fees apply only to certain handset users
- ✧ It is difficult for users to compare fee structures with other fee structures based on an adequate understanding, so cannot make a rational choice in line with their own needs
- ✧ In some cases, users must continually use telecommunication services to receive a discount which applies to a certain period, which excessively locks users in to existing services and hinders fair competition between operators

- **Banning excessive lock-in periods**: Excessive lock-in periods are restricting consumers from switching mobile phone carriers, and a barrier to fair competition between them. Furthermore, in reality it is difficult for consumers to make a rational choice with a view to the future in the telecommunications sector which features notable technological innovation.

Issues pointed out at hearings
- ✧ Lock-in periods and their automatic renewal make the cost of switching between carriers higher
- ✧ Mobile phone plans that do not feature lock-in periods may have higher charges, or do not offer long-term customers discounts despite ongoing contracts with the same operator, so are not a substantial choice for the consumer
- ✧ The grounds for calculating penalties for early contract cancellation are not clear, or the levels are high, which is a barrier to switching service providers
- ✧ When contracts are bundled with FTTH and other services, lags in the relevant lock-in periods are a barrier to switching service providers

- **Banning irrational plans**: Excessively complicated plans that users cannot be expected to understand in normal explanations of terms and conditions or plans lacking rationality hinder accurate understanding by users, and make comparing fee plans difficult. They are a barrier to rational choices by consumers, so it is appropriate to review them.

Issues
- ✧ In some cases charges differ according to the plan despite the same mobile operator providing the same frequency of phone calls and same data volumes
- ✧ Despite basic fees and data plans offered separately, it is not possible to choose low data volumes with cheap fees, which restricts combinations

2. Fair business practices among mobile phone distributors

Mobile phone distributors are the closest contact point to the user for telecommunications service contracts and appropriate practices among them are indispensable to ensure the interests of users. For that reason it is deemed appropriate to take measures to resolve the issues (details in box below) including revisions to the Telecommunications Business Act.

- ▷ Rather than indirectly learning about the existence of distributors via the service providers, introducing a notification system is the bare minimum necessary for the authorities to have direct knowledge
- ▷ Prohibit inappropriate solicitation by the telecom operators and distributors that might lead to misunderstandings by users such as not disclosing the company name or the purpose of solicitation. In cases of violation, issue business improvement orders
- ▷ Further, when operation of mobile phone distributors are bundled with telecom service contracts, if conditions are unsuitable, such as those that damage the interests of users, issue business improvement orders

Issues (mobile phones)
- ✧ A large volume, high-value plan was recommended and entered into without question, but was understood later to be unnecessary
- ✧ After signing a smartphone contract, it was understood that it was a bundled contract including unnecessary tablet, headphones, charger, or other accessories

✧ Despite signing a contract for a tablet, optical fiber line, or other additional services in addition to a smartphone, the consumer cannot even use the smartphone

[*2] Shortening response time at carrier stores

At hearings held by the working group (consumer working group) investigating rules to protect consumers and provide safe, secure ICT services, SoftBank Corp. submitted materials (November 8, 2018) stating that the company aimed to shorten response time at stores through measures in three of its processes.

- ▷ Waiting times (currently 10–40 minutes: source: Telecommunications Carriers Association). The company plans to shorten waiting times by using online store visit booking systems
- ▷ Explanations and procedures (40–70 minutes): The company plans to shorten waiting times by having customers fill in questionnaires before being served or iPad in the shop for optimizing explanation (improved understanding of explanations by shop personnel using data volume and fee simulator, effective use of customer themselves watching explanatory reviews while waiting)
- ▷ Set-up (20–30 minutes): Specialist staff other than those involved in contract procedures will support handset set-up in line with customer needs in a different location to ensure efficient operation of contract counter
- ▷ As a medium-term initiative, Softbank will use ICT solutions (RPA/AI) to strengthen its self-service, automation, and online offerings for further gains in efficiency

Revenue at carrier shops and company initiatives

Revenue at the company's carrier stores is not determined solely by sales volume such as the number of handsets sold and contracts signed, but evaluation from the carriers from time to time on the degree to which important benchmarks have been met by the shops. Commissions received from the carriers can vary dramatically depending on these evaluations. Bell-Park is taking a number of initiatives to improve the profitability of the shops in the medium and long terms, including improving the consulting abilities of its shop staff, streamlining shop operations, renovating shops to provide a comfortable, welcoming environment, and moving to prime locations with higher customer pulling power. In light of the risk of dramatic changes to the industry environment, Bell-Park said it would assess investment returns in its store network more strictly going forward, and restrain indirect divisional costs.

Risk factors due to changes in regulatory environment (Shared Research's view)

Upside risks

- ▷ Rush demand before complete separation of telecommunications fees and handset prices
- ▷ As excessive competition for customers settles down under complete separation of telecommunications fees and prices, some distributors may see increased revenue from operators who want to stimulate competition
- ▷ Increased efficiency due to shorter customer service times

Downside risks

- ▷ With increased visibility on handset prices, sharp drop in number of customers who frequently switch service providers
- ▷ Longer handset replacement periods
- ▷ Growth in secondhand handset market (mandatory unlocking of SIM cards on used handsets: September 2019)
- ▷ New trends in telecoms service sign-up and handset purchasing behavior: trend to purchase handset online and SIM cards in-store*

*Telecom service providers have a history of relying on distributors to sell service contracts, equipment, and handsets to general consumers rather than operating this business themselves as the telecom market has deregulated. The telecom companies have specialized in building networks and providing services, relying on distributors to complete subscription procedures and sell the devices and handsets used in receiving the services. Commissions to distributors are a large component of the telecom service providers' cost structure, as is depreciation related to capex. Mobile service providers are under pressure from the Ministry of Internal Affairs and Communications to reduce service charges. They are thus likely to focus on these cost items as they work to maintain profit while lowering charges. However, it is a fact that many customers, primarily the elderly, prefer to have face-to-face interactions. Further, in the future competition to win customers among the telecom service providers is likely to continue, so the distributors at the core of the industry are likely to continue to play an important role in future.

Long-term outlook

Qualitative medium-term targets

Partly because Bell-Park's business category, selling mobile phones, is undergoing major changes, the company does not publish medium- to long-term numerical targets. However, the company does define three qualitative medium-term objectives: maintain steady growth in the business of selling communication devices; work to expand the business portfolio; and increase the consolidated dividend payout ratio to 30% in stages by FY12/20*.

*The third objective was "maintain a strong financial base and steady shareholder returns" until FY12/17, but from FY12/18 onward, it has been reworded to state a specific numerical target.

To maintain steady growth in the business of selling communication devices, the company plans to nurture store staff who have high-level hospitality and consulting skills and progress relocation, remodeling, and scrap & build to improve the profitability of individual stores. The company also plans to take stronger action to minimize employee turnover in FY12/18 amid the increasingly severe hiring environment.

To achieve the goal of working to expand the business portfolio, the company plans to continue accumulating know-how in new business areas through its two non-consolidated subsidiaries and leverage personnel development and store operating expertise cultivated in its existing businesses to acquire companies in other categories. It also plans to use a specialized team to actively develop IoT products and services.

To increase the consolidated dividend payout ratio to 30% in stages by FY12/20, Bell-Park had a consolidated dividend payout ratio of 21.2% in FY12/18 versus 16.2% in FY12/17, and forecasts an increase to 25% in FY12/19, and 30% in FY12/20.

	FY12/17	FY12/18	FY12/19 (forecast)	FY12/20 (forecast)
Consolidated dividend payout ratio	16.2%	21.2%	25%	30%

Source: Shared Research based on company data

The future for carrier stores

Bell-Park thinks the positioning of carrier stores will change significantly over the medium to long term. Amid efforts by the Ministry of Internal Affairs and Communications to foster competition, MVNOs offering discount smartphones and sub-brands by the major telecom companies have risen in prominence and spread. The major carriers offer a variety of payment plans in their main brands, widening the choices available to customers. Meanwhile, the major carriers use their customer base to offer other services such as electricity and credit cards. There was also a great deal of debate and investigation surrounding the Ministry of Internal Affairs and Communications efforts to optimize mobile phone services. With the goal of introducing simple, easy-to-understand fee plans, the complete separation of telecommunications charges and handset payments is on the radar, so there are likely to be major changes in the operating environment. Given these trends, Bell-Park expects carrier stores to move away from simply selling handsets to serving as a general desk for customer lifestyle consulting. The company therefore believes in the importance of cultivating store staff who have high-level hospitality and consulting skills.

Ahead of the launch of 5G in 2020, in December 2018 the Ministry of Internal Affairs and Communications released guidelines relating to building of specified base stations for the introduction of mobile 5G telecommunications systems. The ministry received applications to allocate 5G spectrum to the mobile phone operators, with allocation scheduled to occur in April 2019. In 2019 field trials and events will take place before full-scale commercial 5G services start in 2020. Characteristics of 5G include: 1) Enhanced mobile broadband (eMBB) to provide ultra-high-resolution displays, 3-D video, and augmented reality (AR); 2) high-volume, communications with a large number of communication endpoints under massive machine-type communication (mMTC) aimed at smart cities and IoT; and 3) ultra-reliable and low latency communication (URLLC) for mission-critical applications such as remote surgery and autonomous driving that depend on real-time telecommunications.

Shared Research's perspective

Shared Research recognizes that major telecom carriers' stance toward acquiring customers is significantly different from 10 years ago due to a rise in the penetration rate of subscribers, the maturing of the industry, and regulations. However, we believe the major telecom carriers will continue to depend on distributers for subscription and handset sales. This is because the major telecom carriers' services have complicated rate plans that need to be explained. Further, in addition to communication services, telecom carriers are bundling a variety of services and products, including electricity and gas, to avoid becoming providers of dumb pipe, and they need people and locations to explain their services and products to end-users. The company has been keeping its distance from MVNOs, which have a sales model that does not depend on physical stores.

The number of stores is likely to shrink (but stores are expected to grow larger), although not to point of disrupting user convenience. However, Shared Research believes that there is not necessarily a lot of room for broad cuts to the total amount of sales commissions that the major telecom carriers pay to subscription agencies. This is because when the major telecom carriers, which do not sell services and handsets directly to general customers, go too far in streamlining sales agency channels and sales commissions, it leaves them susceptible to a decline in the level of services and added value, and could place them at a competitive disadvantage.

Business

Business description

Bell-Park mainly operates mobile phone stores affiliated with telecom carriers. The company's core business is the sale of mobile devices such as smartphones, tablets, and phone handsets and mobile device accessories, fiber optic services, and after-sales services through shops affiliated with telecom carriers.

Bell-Park directly runs stores and franchise outlets in major urban centers (Tokyo, Osaka, and Nagoya). Store count has been increasing as the company pursues acquisitions. As of end-FY12/18, the company operated a total of 319 Bell-Park authorized-stores (versus 313 stores at end-Q3 FY12/18, 286 at end-FY12/17), including 285 SoftBank stores (versus 283 stores at end-Q3 FY12/18, 258 at end-FY12/17), eight DoCoMo stores (unchanged, unchanged), seven au stores (unchanged, 8), 18 Y!mobile stores (14, 11), and one UQ Spot store (unchanged, unchanged).

SoftBank Funabashi Kitaguchi

SoftBank Shinjuku

Source: Shared Research based on company data

Business model

Bell-Park's business model is centered on operations of stores affiliated with telecom carriers, where it mainly sells handsets and subscriptions as an agency. Main revenue sources: sales of mobile devices such as smartphones and tablets to subscribers, sales of accessories, commissions on the sale of subscription plans (incentives), agency commissions on applications for various services, stock commissions, and subsidies from mobile phone operators.

Sales commission

Telecom carriers buy mobile phones from manufacturers, and subscription agencies buy these handsets from carriers to sell to consumers. Subscription agencies usually sell mobile handsets to consumers at lower prices than carriers.

Subscription agencies would accumulate losses if they kept selling handsets at prices lower than what they paid. Therefore, they receive subsidies from telecom carriers through sales commissions. A portion of the commissions is used to finance rebates for mobile handset purchases, and the remainder becomes profit for the subscription agencies. Sales commissions are booked as revenue, while gift certificates used for sales promotion are treated as sales promotion costs under SG&A expenses.

For telecom carriers, sales commissions are expenses. However, these costs are recouped through telecom fees charged to users. This method of handset sales became common as the industry sought to expand mobile phone use by reducing the initial financial burden for subscribers. Even though mobile phones are now widely used, subscription agencies continue to discount handset prices through rebates financed by sales commissions, since most consumers are not willing to pay the full price.

Telecom carriers usually pay different sales commissions depending on whether the purchase is by a new customer or by an existing subscriber replacing a handset. For carriers, increasing new subscribers is essential for growth. The difference in commissions paid for new subscribers and for existing customers is used mostly to finance handset rebates, so handset prices for new subscribers tend to be lower than those for existing customers.

The Ministry of Internal Affairs and Communications—the ministry with primary oversight of the telecom industry—expressed concern that excessive discounts on mobile devices through passing on sales commissions to the consumer was a reason for high telecom fees in the consumer market, and formulated guidelines limiting excessive discounting on mobile devices. In light of this request, the various mobile phone operators moved to reduce sales commissions from 2016.

Sales commissions structure

Shared Research suspects that the commissions are reviewed on a quarterly basis, although the contract between SoftBank and Bell-Park is subject to annual renewal.

Shared Research understands that sales commissions—paid by telecom carriers to subscription agencies—are determined by several factors and complex rules, including the purchased handset; whether the sale is to new subscribers or to existing customers seeking new handsets; customer satisfaction; operating performance; and competition among telecom carriers.

- **Purchased handsets**: Carriers pay higher commissions for handsets that may help attract new subscribers, and dispose inventories of unpopular models.
- **New subscribers, handset replacement, and number portability**: Commissions are the highest for subscribers switching from another provider with the number portability option, followed by those for new subscribers without the number portability option, and then for existing users replacing their old handsets. In Japan the number of mobile subscribers exceeds the entire population, and there are few new customers without mobile phones. Therefore, mobile carriers must entice customers away from rivals. Carriers accordingly pay high commissions to subscription agencies for customers who choose the number portability option.
- **Customer satisfaction**: Since carriers must recoup sales commissions in the form of usage fees, they must ensure that subscribers continue to use the service. Thus, customer satisfaction at agencies that directly deal with customers is important to keep the churn rate low. Subscription shops with high customer satisfaction receive higher sales commissions.
- **Operating performance**: Carrier stores are ranked by operating performance, with better performing stores more likely to receive higher sales commissions.
- **Competition among telecommunications carriers**: Carriers tend to pay high commissions when there is strong competition so that their subscription agencies can use the extra funds to pay rebates and cut handset prices to attract customers. The Ministry of Internal Affairs and Communications—the ministry with primary oversight of the telecom industry—expressed concern that excessive cash-back deals on mobile devices through passing on sales commissions to the consumer was a reason for high telecom fees in the consumer market, and that the system required revisions, and formulated guidelines limiting excessive discounting on mobile devices. In light of this request, the various mobile phone operators moved to reduce sales commissions from 2016.
- **Other intermediate commissions**: The mobile phone operators each have implemented various measures to increase added value and prevent termination of service contracts. As one of these initiatives, operators have reduced the perceived high pricing of mobile handsets, and have begun trade-in programs to promote handset upgrading. From 2015 onward, package deals have also been introduced to offer discounts when mobile phone service is purchased in tandem with fiber optic internet or electrical power services. Commissions for contracts on these peripherals services also serve as sources of revenue for mobile phone retailers.

Stock commissions

Subscription agencies receive another type of commission in addition to sales commissions from the carrier for 60 months after the addition of a new subscriber. The amount is the average monthly revenue per user multiplied by a specified factor. While the company does not disclose this multiplication rate or the exact revenue per user, Shared Research estimates the rate has fallen to around the mid-single digit level. Needless to say, these stock commissions are terminated if the subscriber cancels the contract.

If subscribers cancel their contract within six months, they must pay cancellation fees to the carrier. Subscription agencies must also pay back sales commissions to the carrier.

Stock commissions are also paid for a specific period of time for handset replacements, based on the idea that to a certain extent, promoting handset replacements helps lock in subscribers. Although accurate numbers and rates are not publicly available for replacements (as in the case of new sales), based on the same concept as for sales commissions Shared Research assumes that stock commissions are lower than for new subscribers.

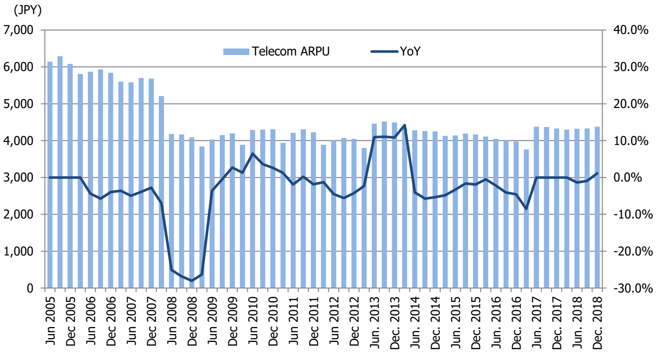
Major determining factors for stock commissions are units sold, churn rate, and the average revenue per user (ARPU).

While Bell-Park does not disclose its churn rate, the average churn rate for SoftBank contracts was 1.00% in 2018 (source: Shared Research calculation based on SoftBank data). SoftBank operates three brands with different features: SoftBank, Y!mobile, and LINE Mobile. Each caters to different customer needs. Y!mobile has attracted a wide following among light users looking for an affordable plan, and has the No. 1 market share in the discount smartphone market. This multi-brand strategy is proceeding smoothly, and in October–December 2018 the smartphone churn rate was 0.79% (0.85% in October–December 2017), a new low. In our view, Bell-Park's churn rate is slightly lower than that of SoftBank; Bell-Park typically operates stores featuring stronger consulting capabilities than competitors, and the company's stores are operated by experienced full-time employees.

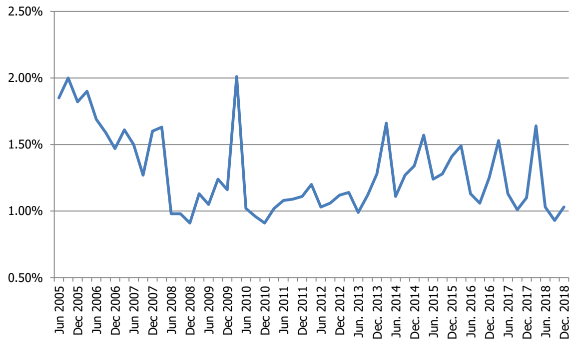
The graphs below show the average revenue per user (ARPU) at SoftBank. Communication ARPU had been declining since Q2 2014 (April–June) but in October–December 2018 it turned up slightly YoY. In 2018, ARPU was down 1.4% YoY in Q2, down 0.9% in Q3, and up 1.2% in Q4.

KPI for mobile business of SoftBank

Communication ARPU and YoY change



Churn rate



Source: Shared Research based on SoftBank Corp. data
Note: ARPU breakdown not disclosed from FY03/15 onward.
Note: ARPU included prices for mobile handsets prior to 2007, but was deleted from SoftBank Mobile's ARPU data in 2006 along with the implementation of requirements that telecommunications fees and the handset prices be separately disclosed. Series break around April–June 2017.

Regarding ARPU for data, which accounts for a large share of communication ARPU, carriers would not benefit from the availability of a wide range of applications and extensions unless subscribers use them. Subscribers will not change mobile handset use unless they are taught to use new functions. Therefore, for subscription agencies such as Bell-Park, teaching users how to use handsets is key to increasing ARPU.

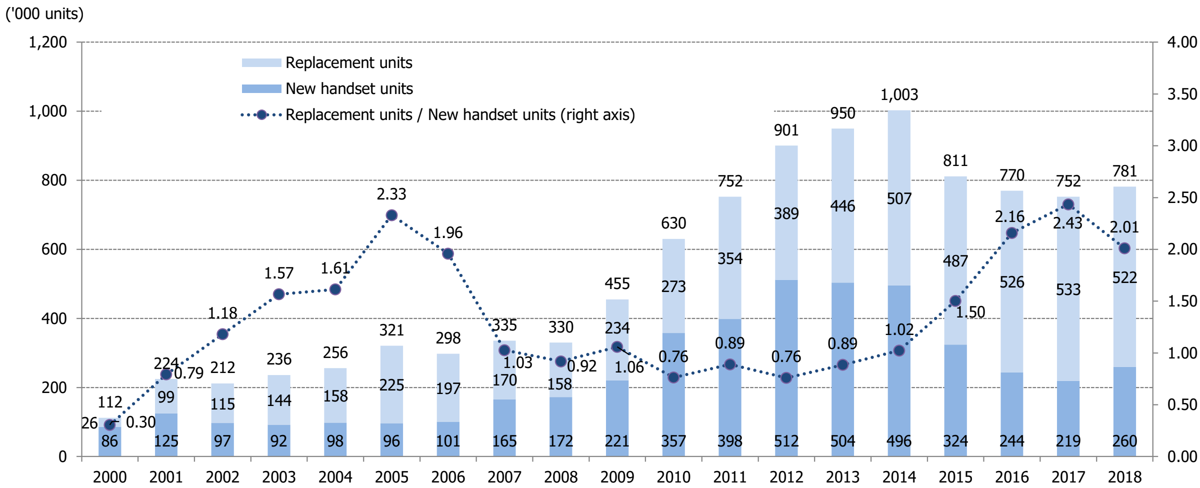
Factors that affect revenue

Gross profit is largely determined by handset sales volume; the more handsets are sold the greater commission volumes.

The company's SG&A-to-sales ratio was 17% (average from FY12/14 through FY12/18). Personnel expenses have been the largest component, at about 55% of SG&A expenses. Legal complications associated with terminating employees in Japan mean that personnel expenses are more similar to fixed costs than variable costs.

Major variable costs are rent (about 13% of SG&A expenses) and advertising and sales promotion expenses (about 13%). It is Shared Research's understanding that part of the commissions paid to distributors is used for sales promotion such as cash-back deals. Advertising and promotion expenses are a portion of commissions revenue. These are remitted from carriers to distributors for sales support, and then used as cashback incentives for promotional campaigns. As a result, sales and promotional expenses increase in tandem, and do not significantly affect profit margins.

Bell-Park handset sales volume



Source: Shared Research based on company data

Since FY12/16, major changes have occurred in sales methods for mobile phones. The legacy business model involved generous cash-back deals targeting new contracts through passing on a portion of sales commissions to the consumer. The Ministry of Internal Affairs and Communications—the ministry with primary oversight of the telecom industry—expressed concern that excessive cash-back offers through passing on sales commissions was a factor that obstructed fair competition among carriers, and formulated guidelines limiting excessive discounting on mobile devices. In light of this request, the various mobile phone operators moved to reduce sales commissions from 2016. As a result, since 2016, the share of new customers in unit sales is on the decline. (Refer to replacement units/new handsets in figure entitled "Bell-Park handset sales volume.")

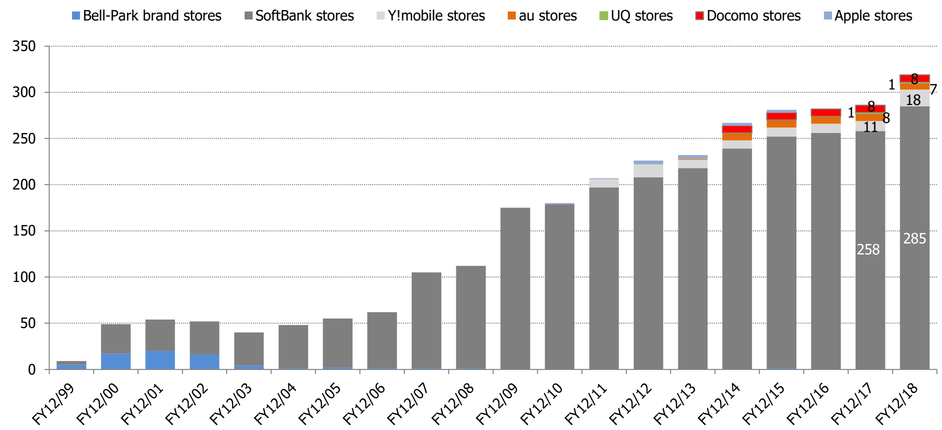
Also, to recap, in January 2019, the Ministry of Internal Affairs and Communications announced emergency proposals for the optimization of mobile phone services which have implications for the mobile phone sales market. There is a possibility that handset costs and telecommunications charges will be completely separated with the goal of simple, easy-to-understand fee structures. There are likely to be restrictions on providing discounted handsets conditional on signing telecommunications service contracts. There are other major events looming. From April 2019 onward, major carriers are likely to lower their charges, in autumn 2019 onward SIM unlocking is to be mandatory for used handsets, and Rakuten is expected to launch a mobile business. Telecommunications companies are taking initiatives to shorten the response time at carrier stores. These are expected to result in an increase in the use of store visit booking systems and iPads in the stores for online explanations to make customer interactions more efficient.

The possibility remains that commissions structures may undergo further changes in the future following major reviews of unit sales prices. Therefore it is worth paying close attention to the future development.

Store locations

Bell-Park had 319 carrier-affiliated stores (either directly run or franchise stores) as of end-December 2018: 285 SoftBank stores, 18 Y!mobile stores; seven au stores, eight DoCoMo stores, and one UQ Spot store. SoftBank (the carrier) controls most of the new store initiatives for SoftBank stores. Bell-Park's stores are mostly rented, and we surmise that opening a new store is relatively inexpensive.

Store network



Source: Shared Research based on company data
Note: Only figures for carrier-affiliated stores are shown from FY02/16.

Distinction through the education and training of store personnel

- Bell-Park maintains that its staffing and training practices and the resulting quality of its employees are key to differentiating it from its peers.

The company maintains that future performance will be underpinned by the ability of its staff, via customer satisfaction and consulting capabilities, and accordingly pushes staff training. It established a large-scale training center (accommodating about 200 people) and is creating a specialized training team. It uses SoftBank staff certificate exams in order to raise the skill set of its employees. The certificates are classified as executive shop director, shop director, shop expert, chief advisor, and advisor. Shared Research thinks the passing rates of the company's staff—generally and for higher levels—are higher than those of other SoftBank stores. In the "Customer Service Grand Prix 2018" contest run by SoftBank in February 2019, two Bell-Park employees came first in the contest. Bell-Park has placed in the top three in the contest every year. These results suggest that its store employees possess a higher level of customer service skills than competitors.

According to the company, the spread of smartphones and handling a variety of services including optic fiber provision means greater skill sets required for store staff. Knowledge required for advanced devices, more product explanations per customer, longer overtime, and increased customer complaints have driven up the stress levels of store staff. Accordingly, the company maintains that dealers who care more for their staff will likely be survivors in the long run, and that increased employee satisfaction will lead to increased customer satisfaction. Therefore, the company intends to spend on personnel cultivation (i.e., hiring more, strengthening training, allowing staff to take more holidays, providing mental healthcare programs) while better controlling other costs.

Profitability snapshot and financial ratios

Profit margins (JPYmn)	FY12/08 Cons.	FY12/09 Parent	FY12/10 Parent	FY12/11 Parent	FY12/12 Parent	FY12/13 Parent	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.
Operating profit	1,460	3,576	2,905	2,850	3,122	3,240	2,370	3,212	2,846	3,151	3,229
OPM	4.4%	7.6%	4.8%	4.0%	4.2%	3.8%	2.6%	3.6%	3.2%	3.5%	3.3%
EBITDA	1,632	3,787	3,126	3,095	3,375	3,526	2,762	3,561	3,206	3,476	3,581
EBITDA margin	4.9%	8.1%	5.2%	4.4%	4.5%	4.2%	3.0%	4.0%	3.6%	3.9%	3.7%
Financial ratios											
ROA (RP-based)	12.8%	24.4%	16.4%	13.8%	14.6%	15.0%	9.8%	11.5%	9.1%	8.8%	8.4%
ROE	22.2%	29.7%	18.5%	14.4%	15.3%	14.3%	9.4%	11.6%	9.7%	11.7%	10.3%
Total asset turnover	3.0	3.2	3.4	3.5	3.4	3.7	3.6	3.2	2.8	2.4	2.5
Inventory turnover	11.2	16.0	15.7	17.9	16.5	14.1	13.7	13.4	14.1	12.4	10.5
Days in inventory	32.5	22.8	23.2	20.4	22.1	25.8	26.6	27.3	25.9	29.5	34.9
Working capital requirement	2,628	3,626	3,873	4,119	5,952	6,864	6,633	6,285	6,867	7,314	9,879
Current ratio	198.9%	192.9%	206.7%	186.6%	217.0%	216.3%	203.4%	203.3%	296.0%	268.7%	288.0%
Quick ratio	159.9%	150.3%	156.9%	153.0%	163.3%	156.8%	149.9%	157.9%	244.0%	213.4%	214.5%
OCF / Current liabilities	16.2%	13.0%	34.9%	9.4%	22.6%	4.6%	15.3%	17.0%	26.1%	8.7%	16.0%
Net debt / Equity	-35.3%	-53.9%	-50.7%	-58.2%	-50.7%	-50.2%	-48.9%	-60.7%	-57.0%	-58.3%	-46.2%
OCF / Total liabilities	12.7%	30.8%	10.0%	19.5%	4.7%	15.7%	17.6%	22.1%	6.3%	10.6%	-1.0%
Cash conversion cycle (days)	28.2	21.2	19.8	16.7	21.0	26.0	24.6	22.2	22.8	25.4	29.5
Change in working capital	-309	998	247	246	1,833	912	-231	-348	582	447	2,565

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Comparing Bell-Park with industry leader T-Gaia Corp. (TSE1: 3738), the company has a higher net margin (2.2% in FY12/18 versus 1.8% for T-Gaia in FY03/18), but T-Gaia generally maintains higher ROE and ROA (see below). Using DuPont analysis to break down ROE and ROA further shows T-Gaia's higher asset efficiency and financial leverage was the driver behind the higher ROE.

ROE DuPont analysis	FY12/13 Parent	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY03/15 T-Gaia (3738)	FY03/16	FY03/17	FY03/18
Net margin (A)	2.2%	1.5%	2.0%	1.8%	2.5%	2.2%	1.2%	1.5%	1.8%	1.8%
Asset turnover (B)	3.69	3.61	3.17	2.79	2.45	2.53	6.60	7.05	6.84	4.70
Asset / Shareholders' equity (C)	1.74	1.77	1.82	1.87	1.93	1.90	3.69	2.71	2.47	3.57
ROA (A x B)	8.2%	5.3%	6.3%	5.1%	6.0%	5.4%	8.0%	10.8%	12.0%	8.6%
ROE (A x B x C)	14.3%	9.3%	11.5%	9.6%	11.6%	10.3%	29.4%	29.3%	29.7%	30.9%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Strengths and weaknesses

Strengths

- **Service expertise.** A key component of Bell-Park's business model is its investment in its sales staff. The investment in intangible soft skills should emerge as a strength relative to competitors as greater proportions of ARPU are generated from differentiated data service. The company is able to implement such soft skills to acquired stores, which may be a competitive advantage during market consolidation.
- **Financial strength.** The company has ample cash reserves and is able to choose from a number of fundraising options for its acquisitions. Its reputation as a preferred acquirer is also a strength that can help shape its growth through acquisition strategy.
- **Focus on SoftBank**. SoftBank has been growing its market share aggressively following entry into the market in 2006. Bell-Park's focus on the SoftBank Mobile brand means that it stands to benefit from SoftBank's growth through ARPU commissions and a growing supply of potential after-sales service customers. It can leverage the sales expertise gained through relations with SoftBank that in future business expansion.

Weaknesses

- **Reliance on handset sales**. Major competing distributors are growing in related businesses, such as corporate solutions and sales of fixed-line services. Bell-Park's earnings rely on handset sales—meaning mobile phone market trends and handset sales commissions have a significant effect on its earnings. The diffusion rate of mobile phones in Japan exceeds 100%. Further, the mobile operators face pressure to reduce charges from the Ministry of Internal Affairs and Communications. The two main areas with scope for cost reduction while maintaining profit are commissions to distributors (including handset costs) and depreciation related to capex. They may thus review their existing commission structures. In December 2017, the largest industry player T-Gaia acquired the prepaid card provider Quo Card (subsidiary of SCSK). While T-Gaia is working to expand its payment services business, Bell-Park's business is limited to mobile phone distribution, in the main.
- **Reliance on SoftBank.** SoftBank branded handsets, accessories, and plans are the majority of Bell-Park's sales. As a result, Bell-Park's performance is closely tied to the popularity of SoftBank handsets, accessories, and plans. Distributors that carry multiple carriers have a broader product offering in terms of phone plans and handset models. Bell-Park is developing its shops with other carriers, but as of end-December 2018, around 90% of its carrier stores were under the SoftBank brand.

The main focus on SoftBank is both a strength and a weakness, and the relationship could be considered symbiotic, although unequal in profits.

SoftBank receives market intelligence from Bell-Park. It trusts Bell-Park's feedback as Bell-Park focuses on SoftBank. Information provided by Bell-Park is valued as much or more than other SoftBank distributors, a relative advantage given the company's size.

The relationship seems comparable to major soft drink companies and regional bottlers. Soft drink companies are clearly more powerful in the relationship, but the arrangement benefits both parties.

The importance of Bell-Park to SoftBank can be seen in the percentage of SoftBank stores operated by Bell-Park, and in unit sales generated. As of end-December 2018, 285 SoftBank stores were operated by Bell-Park (258 at end-December 2017 and 256 at end- December 2016). While SoftBank does not disclose total store numbers, Shared Research estimates that about one in every 10 SoftBank stores is operated by Bell-Park. Bell-Park sold 781,373 devices (for all carriers) in FY12/18, equivalent to 7.0% of the 11,143,000 units sold by SoftBank during the same period (calculated by Shared Research based on data from SoftBank) up by 0.2pp from 6.8% in FY12/17. The sales ratio may appear to be lower than for the number of stores, but electronics retailers, general cell-phone retailers, and corporate sales also contribute to total unit sales for SoftBank. Considering these sales channels, the company's unit sales contribution is significant, especially considering the size of its store network. Shared Research believes this is due to operating efficiency.

The various mobile phone operators, with the intent of increasing added value and preventing service cancellations, began offering package deals for discounted mobile phone service when purchased alongside contracts for fiber optic internet or electrical power services. Legacy business models also revolved around providing cash-back deals to consumers by passing on a portion of sales commissions. However, the Ministry of Internal Affairs and Communications took issue with this scheme, and the model was revised from the spring of 2016 onward. Due to these factors, customer liquidity among the various mobile phone operators may decrease in the future, and it is possible that the purchasing cycle for new handsets may become longer.

As previously mentioned, in January 2019, the Ministry of Internal Affairs and Communications announced emergency proposals for the optimization of mobile phone services which have implications for the mobile phone sales market. There is a possibility that handset costs and telecommunications charges will be completely separated with the goal of simple, easy-to-understand fee structures. There are likely to be restrictions on providing discounted handsets conditional on signing telecommunications service contracts. There are other major events looming. From April 2019 onward, major carriers are likely to lower their charges, in autumn 2019 onward SIM unlocking is to be mandatory for used handsets, and Rakuten is expected to launch a mobile business. Telecommunications companies are taking initiatives to shorten the response time at carrier stores. These are expected to result in an increase in the use of store visit booking systems and iPads in the stores for online explanations to make customer interactions more efficient.

Group companies

Bell-Park liquidated its remaining subsidiaries and from FY12/09 consisted of only the main company. Bell-Park has a single business focus, mobile phone retailing, following the divestiture of Japan Pro Staff in 2008.

In February 2014, Bell-Park acquired all shares in Bell-Park Next (formerly OC mobile), and began to release consolidated earnings in FY12/14. The company’s primary emphasis remains on mobile phone sales. Also, although currently unconsolidated, Bell-Park established Bellbride, Inc. and B-Lab, Inc. as wholly owned subsidiaries. Bellbride operates wedding consulting centers and provides wedding support services—areas where Bell-Park sees growth potential—and B-Lab plans, imports, and wholesales IoT devices etc.

Market and value chain

Market overview

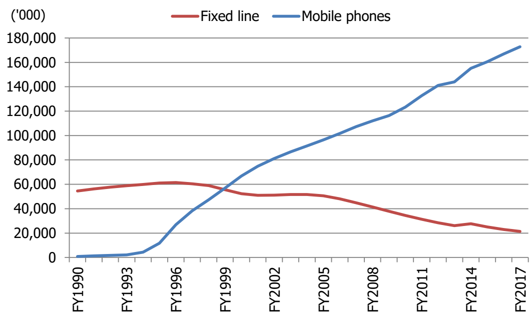
The mobile phone retail market in Japan is highly competitive. Mobile phone retailers can't compete on price; handset and subscription prices are set by the network carriers, which leaves just service and store convenience to win the few new customers available.

The mobile phone market in Japan is saturated. Comparing mobile phone subscriptions to the total Japanese population, the market penetration rate is about 136% as of end-March 2018 (source: Shared Research based on data from the Ministry of Internal Affairs and Communication and the Telecommunications Carriers Association).

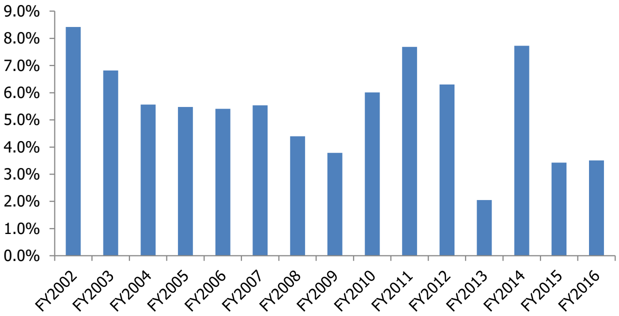
The market is also relatively young–it got its first real boost after the 1995 Kansai Earthquake when fixed-line communications were temporarily unavailable and the value of mobile phones was made clear. The market quickly gained momentum in the late 1990s; total mobile phone subscribers grew from 2mn users in 1995 to 27mn in 1997. To capture this explosive growth, early store networks were designed to maximize exposure to consumers with the goal of quickly growing subscribers (e.g., a kiosk-type location that offers few services other than handling new sign-ups).

Data collected by the Ministry of Internal Affairs and Communications shows that the median YoY growth since 2000 is about 6%. Although growth has begun to flatten as adoption rates increase, the introduction of smartphones from 2010 onward provided additional fuel for growth. The increase flattened once again in 2013, but returned to nearly 8% in 2014. The growth rate is trending downward again, however, due to a rising smartphone penetration rate and changing regulatory climate.

Telecommunications subscribers



Mobile user growth (year-on-year)



Source: Shared Research based on Ministry of Internal Affairs and Communications

Market development

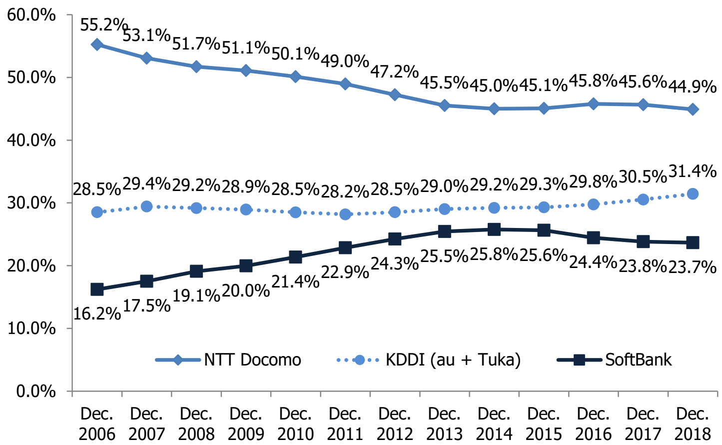
The first service provider of mobile phone service was Nippon Telegraph & Telephone Corp. (TSE1: 9432) better known as NTT. It later spun out its mobile operations as NTT DOCOMO Inc. (TSE1: 9437), which began service in 1979 in Tokyo and Osaka. Competitors DDI Cellular and IDO entered the market in the late 1980s, planting the seeds for the modern landscape.

Deregulation in the mid-1990s brought the creation of New Common Carriers (NCCs) and increased competition. Carriers could now subsidize handset sales as opposed to the legacy rental model. NCCs entering the market in 1994 included Digital Phone, Digital Tsuka, and Tsuka Cellular. A wave of M&A activity reshaped the industry in the late 1990s: Digital Phone and Digital Tsuka combined to create J-Phone in 1999; DDI Cellular acquired Tsuka Cellular in 1999, which then merged with IDO to become KDDI Corp. in 2000. J-Phone became part of the Vodafone group in 2001, and officially changed its name to Vodafone in 2003. SoftBank would acquire Vodafone in 2006 and subsequently change the name.

Market share between the top three carriers has shifted significantly; NTT DOCOMO's 55% share in December 2006 declined to 45% as of December 2014, while SoftBank increased from 16% to 26% over the same period; KDDI's share has essentially been flat, fluctuating between 28% and 29%. SoftBank's market share increased sharply after acquiring a business from Vodafone in

2006. However, from 2015, services provided by the various carriers have reached a point of extreme similarity, and market share fluctuations have decreased. NTT DOCOMO's share again turned slowly upward due to an increase in leased lines to MVNO operators, while SoftBank's share has been eroding slightly.

Subscriber share by carrier



Source: Shared Research based on Telecommunications Carriers Association

Market growth

Mobile phone subscriber data suggests that mobile phone count equals the Japanese population. Apple's iPhone, which had previously only been available from SoftBank, was subsequently released by au (October 2011) and NTT DOCOMO (September 2013), making carrier differentiation difficult. The various mobile phone operators, with the intent of increasing added value and preventing service cancellations, began offering package deals beginning in 2015 for discounted mobile phone service when purchased alongside contracts for fiber optic internet or electrical power services. Legacy business models also revolved around methods to capture as many MNP customers as possible, as the commissions provided for these clients were the most attractive. However, the Ministry of Internal Affairs and Communications took issue with this scheme, and the model was revised from the spring of 2016 onward. Due to these factors, customer liquidity among the various mobile phone operators may decrease in the future, and it is possible that the purchasing cycle for new handsets may become longer.

However, the rapid spread of smartphones, growing data traffic, and advanced handset functions will likely lead into demand growth for mobile phones.

In particular, the spread of smartphones has required mobile phone store staff to know about the devices, spend longer with each customer, work overtime, and handle more customer complaints. These situations have caused more staff to leave. High staff turnover generally lowers service quality and customer satisfaction.

Competitive prices at the carrier level have put pressure on sales companies to remove costs from the overall system, reflected in recent consolidation in the market.

As previously outlined, in January 2019, the Ministry of Internal Affairs and Communications announced emergency proposals for the optimization of mobile phone services which have implications for the mobile phone sales market. There is a possibility that handset costs and telecommunications charges will be completely separated with the goal of simple, easy-to-understand fee structures. There are likely to be restrictions on providing discounted handsets conditional on signing telecommunications service contracts. There are other major events looming. From April 2019 onward, major carriers are likely to lower their charges, in autumn 2019 onward SIM unlocking is to be mandatory for used handsets, and Rakuten is expected to launch a mobile business. Telecommunications companies are taking initiatives to shorten the response time at carrier stores. These are expected to result in an increase in the use of store visit booking systems and iPads in the stores for online explanations to make customer interactions more efficient.

- April 2008: ITC (TSE1: 9422; now Conexio Corporation) acquired Hitachi Mobile's retail arm and merged with Panasonic Telecom Co.
- October 2008: T-Gaia was created between the merger of Telepark and MS Communications
- April 2009: Bell-Park's acquisition of the SoftBank operations of Panasonic Telecom
- August 2009: ITX Corporation expanded presence through the acquisition of mobile phone sales businesses of Panasonic Corporation (TSE1: 6752) and Sony Corporation (TSE1: 6758)
- June 2013: Marubeni Corporation (TSE1: 8002) consolidated NEC Mobiling Co., Ltd.
- February 2014: Bell-Park acquired OC mobile from Orico Business and Communications (a subsidiary of Orient Corporation [TSE1: 8585])
- March 2014: Nojima Corporation (JASDAQ 7419) acquired Kenwood Geobit Corporation from JVCKENWOOD Corporation (TSE1: 6632)
- November 2014: Nojima acquired ITX Corporation
- December 2014: RANET Co., Ltd., a unit of Big Camera Inc. (TSE1: 3048), acquired Nepro Mobile Kanto, Nepro Mobile Tokai, and Nepro Mobile Kansai. These units have been renamed RANET Communications.
- April 2016: Kanematsu Telecom Investment (unlisted, 100% subsidiary of Kanematsu Corp. [TSE1: 8020]), acquires Diamond Telecom, Inc. (unlisted, 100% subsidiary of Mitsubishi Electric Corp [TSE1: 6503]).
- April 2017: Kanematsu Communications Ltd. and Diamond Telecom, Inc. merged
- December 2017: T-Gaia Corp. acquired all shares in Quo Card Co., Ltd. (subsidiary of SCSK) and made it a wholly owned subsidiary

Regulations

Activities by sales agents of the major telecom carriers are controlled by laws and regulations including the Telecommunications Business Law, the Antimonopoly Act (Act Concerning Prohibition of Private Monopolization and Maintenance of Fair Trade), the Premiums and Representations Act (Act Against Unjustifiable Premiums and Misleading Representations), the Act on the Protection of Personal Information, the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures, the Act for Prevention of Improper Use of Mobile Phones (law that requires mobile phone carriers to confirm subscribers' identities and prevent improper use of mobile voice communication services), Act on Development of an Environment that Provides Safe and Secure Internet Use for Young People (law that provides an environment for safe and secure Internet use for young people), MIC's Guideline on Protection of Personal Information in Telecommunication Business, and the Telecommunications Carriers Association's code of ethics for sales activities of subscription agencies. The following four points are important for subscription agencies when examining recent regulatory changes.

- Revised Telecommunications Business Law : New consumer protection provisions were introduced in 2016, specifically, the obligation to provide documentation (obligation of telecoms operators to supply documentation without delay following the signing of a contract), introduction of a cooling-off period (enabling consumers to unilaterally cancel a contract within eight days of receiving documentation), prohibition of misrepresentation, prohibition of continued solicitation, obligation to provide training for distributors (telecoms operators required to provide guidance to distributors).
- Guidelines regarding appropriate subsidies for smartphone purchases: Guidelines to address excessive cash-back offers on smartphones through subsidies (prohibits the sale of effectively free devices). In order to avoid significant unfairness between users who frequently replace handsets and users who do not, subscription agencies are required to charge a reasonable amount depending on handset procurement costs (adopted from April 1, 2016). However, the major telecom carriers are allowed to offer subsidies if it becomes necessary to pare down inventories based on the status of handset sales, if there is a change in the communications system for handsets or migration to a particular frequency bandwidth, or for low-priced

handsets. This is provided that the prices do not fall within an excessively low range. The Ministry of Internal Affairs and Communications periodically requests reports from telecom operators on the status of initiatives to adopt guidelines for appropriate subsidies, and follows up on the progress of initiatives by respective telecom operators.

- Antimonopoly Act: Cases that possibly violated the Antimonopoly Act summarized in the guidelines by Japan Fair Trade Commission (August 2016). Under scrutiny was bundling of contracts and handsets; telecoms carriers fixing handset sales prices by model and through installment payment contracts to restrict flexible handset pricing by distributors; limiting preinstallation of other companies' apps and default installation of proprietary apps; handset manufacturers restricting telecoms carriers from conducting trade-ins and sale of pre-owned handsets in Japan; and telecoms carriers buying pre-owned handsets at unreasonably high prices.
- Act on Development of an Environment that Provides Safe and Secure Internet Use for Young People: Revisions to this law were passed in June 2017 and enacted in February 2018. As before, legal guardians of young people under 18-year-old need to apply on their behalf to a telecom carrier for a mobile phone subscription to use a mobile phone or smartphone. Changes are as follows: The law now targets all companies that provide Internet services for mobile phones and devices, including low-price SIM services and budget carriers, as well as sales agencies that operate carrier stores. All target businesses must confirm whether the subscriber or user is under 18, and if so, they must make service provision conditional on the use of filtering. Only the legal guardian (not the user under 18) may apply not to use filtering. Following the law revision, this rule applies to sales agencies (carrier stores) as well as carriers, who are also required to explain to under 18 about the risk of harmful information, the need for filtering and services available, and the need to keep filtering on and what this entails.

Sales channels

Bell-Park has three channels for SoftBank products and services, from which the company generates at least 90% of its overall sales: its own stores (carrier stores run by Bell-Park), agents and major retailers, and corporate sales.

Bell-Park stores, directly operated, agents and major retailers:
Retail operations have been the main sales channel for Bell-Park. Of the 319 stores as of end-FY12/18, 244 (76% of the total) were directly run and the rest were franchises. The company had 285 SoftBank stores, eight DoCoMo stores, seven au stores, 18 Y!mobile stores, and one UQ Spot store.

Corporate sales
Bell-Park's customers are primarily SMEs and clients with a small number of lines. The company plans to use its sales network to promote cooperation between its corporate and consumer sales.

Suppliers

In the mobile telephone business, the most dominant link in the value chain is at the carrier level. Carriers leverage their role as network operators to dictate terms both to suppliers (the handset manufacturers) and to a lesser extent, customers (subscribers). The largest carriers are NTT DOCOMO, KDDI (under the "au" brand), and SoftBank, collectively controlling over 90.0% of the mobile communications market. The relative share controlled by each of the big three has changed over the past decade as NTT DOCOMO has lost share, although this company's share trended upward in 2015 to 2016 due to an increase in lease lines to MVNO operators. However the share of NTT DOCOMO turned downward starting in 2017 (discussed in the Market Development section).

Bell-Park's key supplier is SoftBank. The agency agreement between Bell-Park and SoftBank is automatically renewed each year. Shared Research considers the relationship between SoftBank and Bell-Park to be symbiotic. Bell-Park's position as a sales agent for SoftBank is important for the network operator given Bell-Park's strong sales performance and its large store network. Indeed, for SoftBank getting feedback from Bell-Park in order to gauge the effectiveness of their marketing campaigns is critical.

Barriers to entry

The barriers to entry into mobile phone retailing are few. However, a practical limitation is the store opening policy of mobile phone carriers. SoftBank Mobile, for example, appears to have a target store count which could limit new entrants.

Other possible barriers to entry include the technological expertise to successfully compete. Existing store networks are already in place and competition between the different retail channels is high; a potential entrant would need to rapidly traverse the experience curve to be able to earn margins similar to those earned by current market participants. For this reason, arrival of new large entrants is unlikely.

Previously, almost all mobile phone operators in Japan sold handsets that were locked to the original carrier's network (commonly referred to as a "SIM lock"). However, starting in May 2015, the Ministry of Internal Affairs and Communications required that all devices sold from then on must be unlocked upon the request of the user. In light of this change, there have been many new entrants into the mobile virtual network operator (MVNO) market, a business model that "piggybacks" onto telecom networks of large carriers, such as DoCoMo, to provide services under a separate brand. These MVNO operators acquire subscribers through new channels such as internet-based sales and major supermarket chains. Although the number of MVNO subscribers is still comparatively low, it is possible that they may become competitors in the future.

From September 2019, all of the handsets sold by telecom carriers must be able to have their SIM cards unlocked. This may stimulate the market for secondhand handsets.

Competition

Bell-Park's direct competition include other companies that operate SoftBank-branded shops, other distribution channels where consumers can purchase SoftBank phones and service (e.g., electronics mass retailers etc.), as well as other companies that distribute mobile phones other than SoftBank.

Operators of SoftBank branded shops:

- Telecom Service Co., Ltd.: A joint venture between SoftBank Corp. and Infoservice, Inc. (subsidiary of Hikari-Tsushin Inc. [TSE1: 9435])
- T-Gaia Corp. (TSE1: 3738): Operates carrier stores for a number of carriers and has the largest sales agent network. Its main shareholders are Mitsubishi Corp. and Sumitomo Corp.
- Upbeat Corp.: Main business is carrier shop operation. Its major shareholder is Nojima Corp. (TSE1: 7419)
- Cosmonet Co., Ltd. (unlisted): Independent ICT services provider. Focus on store operations and corporate sales
- Other retail sales channels for SoftBank mobile phones
- Electronics retailers: Stores like Yamada Denki Co., Ltd. (TSE1: 9831), Bic Camera Inc. (TSE1: 3048), and Yodobashi Camera (unlisted) usually have lower service levels than dedicated shops, with limited after-sale service options

Key companies that distribute phones other than SoftBank

- T-Gaia Corp.: Distributor that operates stores that sell mobile phones other than SoftBank. No.1 handset seller in industry
- Conexio Corp. (TSE1: 9422): No. 1 in number of DoCoMo shops. No. 2 in industry in number of handset sales. Affiliated with Itochu Corporation
- Kanematsu Communications Ltd.: Consolidated subsidiary of Kanematsu Corp. (TSE1: 8020). Multi-carrier distributor. Expanded in April 2016 with purchase of Diamond Telecom, Inc. (multicarrier distributor, affiliated with of Mitsubishi Electric Corp.)
- ITX Corp.: Operates carrier shops for au and NTT DOCOMO and primary distributors for Rakuten Mobile and UQ Mobile. Parent company is Nojima Corp. (TSE1: 7419). Originally part of Nissho Iwai (currently Sojitz) group

- MX Mobiling Co., Ltd.: Delisted in September 2013 after being acquired by a subsidiary of NEC [TSE1: 6701], and becoming a second tier subsidiary of Marubeni Corp. Merged with Marubeni Telecom in April 2015. Is an example of a manufacturer's subsidiary that supplied handsets to carriers becoming a distributor and operating carrier shops

Substitutes

Substitutes for retail shops are few; possibilities include direct channels from the carrier to the customer, (online or over the phone), but retail shops have thus far been consumers' dominant purchasing channel.

Strategy

Bell-Park's strategy has three defined qualitative medium-term targets: maintain steady growth in the business of selling communication devices; work to expand the business portfolio; and increase the consolidated dividend payout ratio in stages to 30% by FY12/20.

To maintain steady growth in the business of selling communication devices, the company plans to nurture store staff who have high-level hospitality and consulting skills and progress relocation, remodeling, and scrap & build to improve the profitability of individual stores. The company also plans to take stronger action to minimize employee turnover in FY12/18 amid the increasingly severe hiring environment.

To achieve the goal of working to expand the business portfolio, the company plans to continue accumulating know-how in new business areas through its two non-consolidated subsidiaries and leverage personnel development and store operating expertise cultivated in its existing businesses to acquire companies in other categories. It also plans to use a specialized team to actively develop IoT products and services.

To increase the consolidated dividend payout ratio to 30% in stages by FY12/20, Bell-Park had a consolidated dividend payout ratio of 21.2% in FY12/18 versus 16.2% in FY12/17, and forecasts an increase to 25% in FY12/19, and 30% in FY12/20.

Historical financial statements

Cumulative Q3 FY12/18 results

Summary

For cumulative Q3 FY12/18, the company reported consolidated sales of JPY71.6bn (+15.0% YoY), operating profit of JPY2.3bn (+24.7% YoY), recurring profit of JPY2.3bn (+24.6% YoY), and net income attributable to parent company shareholders of JPY1.5bn (+34.4% YoY). Carrier stores increased more than initially forecast (+27 stores, explained below), resulting in higher store opening costs, but this was absorbed by growth in operating profit (+24.7% YoY), which exceeded that of sales (+15.0% YoY).

Progress

Cumulative Q3 FY12/18 sales reached 75.4% of the company's full-year target (cumulative Q3 FY12/17 sales reached 70.0% of the full-year FY12/17 results), operating profit 76.2% (58.1%), recurring profit 77.0% (58.2%), and net income attributable to parent company shareholders 77.2% (51.3%). Progress against full year targets was high in both sales and profit because carrier stores increased beyond initial forecasts and handset sales volume, centered on smartphones, grew on a YoY basis. The company has said, however, that the outlook for handset sales, centered on new iPhone models, in the peak Q4 season remains uncertain.

The Ministry of Internal Affairs and Communications' draft emergency proposals for the optimization of mobile phone services

The Ministry of Internal Affairs and Communications research committee on the competitive environment of the mobile phone market announced on November 26, 2018 draft emergency proposals for simplified, easy to understand mobile phone payment plans and fair business practices among distributors.

Background
The recommendations pointed out that payment plans offered by telecom carriers can be overly restrictive and difficult for customers to understand, and that this is hindering a customer's ability to make free and appropriate choices and creating unfair competition between telecom carriers as a result. The number of consumer counseling cases received through the Practical Living Information Online Network System (PIO-NET) and by the Ministry of Internal Affairs and Communications regarding telecommunications services are falling, but remain at a high level, with many complaints relating to distributors.

Simplified, easy to understand mobile phone payment plans

The research committee called for the abolition of communications contracts tied to the purchase of a handset (the complete separation of handset prices and telecommunications fees), and a radical re-evaluation of four-year handset upgrade support programs (the prohibition on linking telecommunications contracts). The aim of the policy to separate handset prices and telecommunications plans is to correct the disparity in telecommunications charges depending on handset and bring about a reduction in communications fees. The committee also calls for a re-evaluation of excessively complicated and unreasonable payment plans.

Fair business practices among distributors

In order for the Ministry of Internal Affairs and Communications to directly ascertain those distributors in business, a new notification system will be implemented. This will also enable the Ministry of Internal Affairs and Communications to issue administrative directives to distributors, such as orders to prohibit misleading solicitations, and business improvement orders if the distributor is offering excessive discounts on handsets or engaging in other unfair practices.

To ensure telecom carriers comply with the draft proposals for simplified, easy to understand mobile phone payment plans and fair business practices among distributors, the Ministry is considering submitting draft revisions to the Telecommunications Business Act at the 2019 Ordinary Session of the Diet after evaluating comments it receives from the public in 2018 regarding the proposals.

Events over cumulative Q3 FY12/18

In the mobile market, the company's primary area of operations, budget carriers such as MVNOs and services by telecom carriers have diversified, and the major telecom companies are all offering a variety of separate payment plans (payment plans separating handset and service subscription prices). This has resulted in a greater number of price options that are easier for customers to understand. Further, consumer protection rules are being developed and strengthened and in February 2018 amendments were made to the Act on Development of an Environment that Provides Safe and Secure Internet Use for Young People, advancing the application of services that filter harmful content when minors use mobile phones as part of measures to prevent crimes damaging to minors.

The Bell-Park group has worked to expand its network of stores by concluding a distributor agreement with Daiei Dentsu Co., Ltd. that operates 16 SoftBank stores in Chugoku and Kyushu region, increasing the number of carrier stores in cumulative Q3 by 27. Although costs including personnel expenses, rent, and equipment expenses increased due to the expansion of store network, sales volume of handsets centered on smartphones grew on efforts to increase store count and focusing on initiatives at each telecom carriers. Further, non-carrier store businesses such as the corporate business performed strong, especially sales of personal computers to businesses. Due to partial disposal of shares held by controlling shareholders in FY12/17, the company was no longer subject to taxes on reserves by designated family-oriented companies, resulting in a YoY decline in the proportion of corporate taxes to net income before taxes.

Gross profit was JPY14.4bn (+7.3% YoY), but GPM decreased by 1.5pp YoY from 21.5% to 20.0%, SG&A expenses were JPY12.1bn (+4.5% YoY), with the SG&A-to-sales ratio falling 1.7pp YoY from 18.6% to 16.9%, and OPM improved by 0.2pp to 3.2%.

The company operated a total of 313 Bell-Park authorized-stores as of end-September 2018 (311 stores as of end-June 2018). Stores that the company manages were as follows:

- ▷ SoftBank: 283 stores (279 stores)
- ▷ DoCoMo: 8 stores (unchanged)
- ▷ au: 7 stores (8 stores)
- ▷ Y!mobile: 14 stores (15 stores)
- ▷ UQ Spot: 1 store (unchanged)

The company had four additional SoftBank store whereas au and Y!mobile stores decreased by one each compared with end-June 2018; the number of DoCoMo and UQ Spot stores in operation did not change during the quarter.

1H FY12/18 results

Earnings overview: Finished 1H above initial plan (in line with upwardly revised forecast)

For 1H FY12/18, the company reported consolidated sales of JPY48.4bn (+12.7% YoY), operating profit of JPY1.9bn (+34.7% YoY), recurring profit of JPY1.9bn (+35.1% YoY), and net income attributable to parent company shareholders of JPY1.3bn (+49.6% YoY). Results were in line with upwardly revised 1H forecasts* announced on July 24, 2018. The company has not revised its full-year forecasts due to an unclear sales projection for 2H including a new smartphone model expected to be launched in September 2018.

*Revised forecast for 1H FY12/18 (announced July 24, 2018)

Sales:	JPY48.3bn (previous forecast: JPY46.0bn)
Operating profit:	JPY1.9bn (JPY1.5bn)
Recurring profit:	JPY1.9bn (JPY1.5bn)
Net income:	JPY1.3bn (JPY950mn)

Progress versus forecasts higher YoY

1H FY12/18 sales reached 50.9% of the company's full-year target (1H FY12/17 sales reached 48.3% of the full-year FY12/17 results), operating profit 63.3% (44.7%), recurring profit 63.8% (44.5%), and net income attributable to parent company shareholders 64.6% (38.6%).

Mobile market

In the mobile market, the company's primary area of operations, budget carriers such as MVNOs and sub-brand services of major telecom companies continue to penetrate the market, and the main brands of the major telecom companies are also offering a variety of plans. This has resulted in increasing options for customers. Further, consumer protection rules are being developed and strengthened so that consumers can use handset services safely, and in February 2018 amendments were made to the Act on Development of an Environment that Provides Safe and Secure Internet Use for Young People, advancing the application of services that filter harmful content when minors use mobile phones as part of measures to prevent crimes damaging to minors.

Revenue and profit overview

Sales were up 12.7% YoY and operating profit was up 34.7% YoY on increased handset sales volume at carrier stores and through corporate sales. Increased sales of new handsets especially had a significant impact on profit growth. Related businesses also performed strong.

In 1H FY12/18, the number of handsets sold came to 399,585 (+6.2% YoY), progressing 52.5% toward the full-year company target of 760,000 units. Of the handsets sold in 1H, 135,401 were new handsets (+21% YoY) and 264,184 were replacement units (flat YoY), each accounting for 34% and 66% of total handset sales, respectively. Handset sales volume increased by roughly 11,000 units YoY at existing carrier stores and by roughly 12,000 units at new stores.

The Bell-Park group has worked to expand its network of stores by concluding a distributor agreement with Daiei Dentsu Co., Ltd. that operates 16 SoftBank stores in Chugoku and Kyushu region, increasing the number of carrier stores in 1H by 25. Although costs including equipment expenses increased due to the expansion of store network, sales volume of handsets grew on efforts to increase store count and focusing on initiatives at each telecom carriers. Further, non-carrier store businesses such as the corporate business performed strong.

Gross profit was JPY9.7bn (+5.9% YoY), but GPM decreased by 1.3pp YoY from 21.4% to 20.1%, SG&A expenses were JPY7.8bn (+0.7% YoY), with the SG&A-to-sales ratio falling 1.9pp YoY from 18.1% to 16.2%, and OPM improved by 0.6pp to 3.9%.

Due to partial disposal of shares held by controlling shareholders in FY12/17, the company was no longer subject to taxes on reserves by designated family-oriented companies, resulting in a YoY decline in the proportion of corporate taxes to net income before taxes.

Carrier stores

The company operated a total of 311 Bell-Park authorized-stores as of end-June 2018 (289 stores as of end-March 2018), surpassing the 300 store mark for the first time. Stores that the company managed were as follows:

- ▷ SoftBank: 279 stores (259 stores)
- ▷ DoCoMo: 8 stores (unchanged)
- ▷ au: 8 stores (unchanged)
- ▷ Y!mobile: 15 stores (13 stores)
- ▷ UQ Spot: 1 store (unchanged)

The company had 20 additional SoftBank store and two additional Y!mobile stores compared with end-March 2018; the number of DoCoMo, au, and UQ Spot stores in operation did not change during the quarter. Total number of carrier stores increased by 25 versus end-FY12/17, comprising 10 directly operated stores (acquired via business succession), one directly operated store, and 14 franchise stores (including Daiei Dentsu Co., Ltd.). Of the 10 directly operated stores (acquired via business succession), most had low profitability; the company aims to turn a profit from FY12/19 through relocations and remodeling as well as shuffling of personnel.

In 1H FY12/18, the company relocated and remodeled 10 stores including SoftBank Aeon Mall Aratamabashi store and SoftBank Jorna Machida store. Handset sales volume immediately after relocation and remodeling was up by 17% YoY on average.

In 1H FY12/18, SoftBank's measures to transform SoftBank stores into dual carrier stores that handle both SoftBank and Y!mobile products and services made a progress. Of the 279 SoftBank stores under the company's management including franchise stores, 199 stores (approx. 70%) underwent a transformation into dual carrier stores (as of end-June 2018).

Measures to reduce employee turnover

As companies struggled to hire employees amid a growing labor shortage, the retail and service industries were no exception. In response to the anticipated worsening of labor shortages surrounding mobile carrier stores, the company worked to reduce the employee turnover rate by addressing each employee's reason for leaving Bell-Park. In specific, the company implemented the following three measures to curb employee turnover. As a result, the company was able to reduce the employee turnover rate by 1.6pp YoY in 1H FY12/18.

- ▷ **Promote work-life balance**: Bell-Park plans to create a better working environment for its employees by reducing overtime work, offering paid vacations, and encouraging employees to take five to six consecutive holidays (started from FY12/17). At the start of 2018, as suggested by telecom carriers, the company closed operations on New Year's Day. Both the company and telecom carriers are working to improve working environments for store staff
- ▷ **Severance pay**: Because the company thinks employee retention is an important countermeasure against labor shortages, it revised its retirement benefits to motivate employees to stay with Bell-Park
- ▷ **Created a customer service window to handle complaints (trial)**: To prevent employees from leaving Bell-Park due to psychological stress of dealing with customer complaints, the company outsourced customer service operations to external customer complaint specialists

Q1 FY12/18 results

For Q1 FY12/18, the company reported consolidated sales of JPY26.0bn (+10.8% YoY), operating profit of JPY1.2bn (+31.8% YoY), recurring profit of JPY1.2bn (+32.2% YoY), and net income attributable to parent company shareholders of JPY835mn (+48.4% YoY). Profits increased as effective campaigns, by telecom carriers, directed at first-time users of smartphones and measures taken to reduce lost sales opportunities by easing congestion in stores on weekends led to a rise in the total sales of smartphones. Q1 marks about two years since demand jumped just before new guidelines for lowering prices were introduced. Shared Research thinks that an increase in the number of mobile users who switched between carriers contributed to the increase in sales of devices as their two-year contracts reached the end.

Q1 FY12/18 sales reached 56.5% of the company's target for 1H FY12/18 (Q1 FY12/17 sales reached 54.6% of the target for 1H FY12/17), operating profit 84.4% (51.3%), recurring profit 85.4% (65.9%), and net income attributable to parent company shareholders 87.9% (66.1%).

Q1 FY12/18 sales reached 27.4% of the company's full-year target (Q1 FY12/17 sales reached 26.4% of the full-year target for FY12/17), operating profit 40.8% (25.9%), recurring profit 41.3% (29.5%), and net income attributable to parent company shareholders 42.8% (29.4%).

In the mobile market, the company's primary area of operations, budget carriers such as MVNOs and sub-brand services of major telecom companies continue to penetrate the market, and the main brands of the major telecom companies are also offering a variety of plans. This has resulted in increasing options for customers. Further, consumer protection rules are being developed and strengthened so that consumers can use handset services safely, and in February 2018 amendments were made to the Act on Development of an Environment that Provides Safe and Secure Internet Use for Young People, advancing the application of services that filter harmful content when minors use mobile phones as part of measures to prevent crimes damaging to minors

The Bell-Park group has been working to improve its reputation among consumers by training store staff to help improve their consultation capabilities and raise customer satisfaction. At the carrier store level, telecom carriers focused on smartphone sales, running an effective sales campaigns that targeted first-time smartphone users. Further, the company took measures to actively encourage customers to visit stores on weekdays, with the intention of alleviating even slightly congestion on weekends and reducing lost sales opportunities. These initiatives contributed to an increase on total sales volume YoY, particularly with smartphones, as well as increases to net sales and gross profit.

Gross profit was JPY5.2bn (+5.4% YoY), but GPM decreased by 1.1pp YoY from 21.0% to 19.9%, SG&A expenses were JPY4.0bn (-0.8% YoY), with the SG&A-to-sales ratio falling 1.8pp YoY from 17.0% to 15.2%, and OPM improved by 0.7pp to 4.7%.

The company operated a total of 289 Bell-Park authorized-stores as of end-March 2018 (286 stores as of end-December 2017). Stores that the company manages were as follows:

- ▷ SoftBank: 259 stores (258 stores)
- ▷ DoCoMo: 8 stores (unchanged)
- ▷ au: 8 stores (unchanged)
- ▷ Y!mobile: 13 stores (11 stores)
- ▷ UQ Spot: 1 store (unchanged)

The company had one additional SoftBank store and two additional Y!mobile stores compared with end-December 2017; the number of DoCoMo, au, and UQ Spot stores in operation did not change during the quarter.

The company has not changed its forecasts for FY12/18.

On April 1, 2018, the company concluded a distributor agreement with Daiei Dentsu Co., Ltd., which operates 16 SoftBank shops in the Chugoku and Kyushu regions (refer to Recent updates section). As a result, Bell-Park authorized-store count rose to 303 as of April 30, 2018 (228 directly managed stores, 75 franchises), surpassing 300 for the first time in total among its group.

Full-year FY12/17 results

Overview

For FY12/17, the company reported consolidated sales of JPY88.9bn (-0.8% YoY), operating profit of JPY3.2bn (+10.7% YoY), recurring profit of JPY3.2bn (+8.8% YoY), and net income attributable to parent company shareholders of JPY2.2bn (+32.7% YoY). The company was no longer subject to the taxes on reserves by designated family-controlled companies due to the partial disposal of shares held by controlling shareholders in FY12/17, therefore the proportion of corporation tax to income before tax declined, and net income increased significantly.

Difference between company forecasts and results

These figures are closely aligned with revised sales and earnings forecasts announced on January 29, 2017. Sales reached 100.4% of the company's full-year target, operating profit was 101.7%, recurring profit was 101.1%, and net income attributable to parent company shareholders was 101.5%.

Trends in mobile device sales market

In the mobile market, the company's primary area of operations, budget carriers such as MVNOs and sub-brand services of major telecom companies continue to penetrate the market, and the main brands of the major telecom companies are also offering a variety of plans. This has resulted in increasing options for customers. Further, as a part of working-style reforms, efforts are underway to improve customer satisfaction by improving labor conditions for store staff, including the start of initiatives to shorten hours of operation and introduce holidays at carrier authorized stores.

Number of stores

The company operated a total of 286 Bell-Park authorized-stores as of end-December 2017 (282 stores as of end-December 2016). Stores that the company manages were as follows:

- SoftBank: 258 stores (256 a year earlier)
- DoCoMo: 8 stores (unchanged)
- au: 8 stores (unchanged)
- Y!mobile: 11 stores (10 stores)
- UQ Spot: 1 store (0 store)

Impact of management strategies on sales and profits

Although corporate sales were brisk, sales of accessories increased, and commission revenue went up on improved operational performance of DoCoMo stores, sales were own 0.8% YoY to JPY88.9bn in FY12/17 on lower sales volume and ARPU. Total sales volume declined 2.3% to 752,313 units. At the carrier store level, which is the company's primary sales channel, the company sold more smartphones than at this time last year, due in part to a sales campaign by a carrier that specifically targeted first-time smartphone users and in part to an increase in the number of shops. However, sales of dongles declined due to the introduction of large data plans.

Gross profit was JPY18.6bn (-0.7% YoY), although GPM rose 0.1pp from 20.8% to 20.9%. As a result of efforts to reduce SG&A expenses, such as the efficient use of advertising and sales promotion expenses and improved efficiency of store management, SG&A expenses were JPY15.4bn (-2.7% YoY) and the SG&A expense ratio fell 0.4pp from 17.7% to 17.3%. As a result, operating profit was up 10.7% YoY to JPY3.2bn and OPM rose 0.3pp to 3.5%.

FY12/16 results (out February 10, 2017)

Consolidated full-year FY12/16 saw sales of JPY89.6bn (-0.6% YoY), operating profit of JPY2.8bn (-11.4% YoY), recurring profit of JPY2.9bn (-10.5% YoY), and net income attributable to parent company shareholders of JPY1.6bn (-8.5% YoY).

Sales mainly fell as a result of lower mobile phone sales; sales of fiber optic services increased. In addition to the decrease in handset sales, revenue from related businesses (repair services) had a downward impact on profits.

Sales reached 98.5% of the company's full-year target, operating profit 101.6%, recurring profit 104.5%, and net income attributable to parent company shareholders 109.7%. Profits exceeded full-year targets while sales fell short.

The mobile market, the company's primary area of operations, is drastically changing. In line with new guidelines outlined by the Ministry of Internal Affairs and Communications, companies are revising their mobile phone sales practices, reevaluating excessive customer service for new users. MVNOs are gradually gaining more market share, and major telecom carriers are rolling out telecom services adapted for a variety of customers, from light to heavy users. In May 2016, the Telecommunications Business Act was revised, and companies are now held accountable to give users thorough explanations and a copy of the contract. Still, competition from huge telecommunication carriers and mobile virtual network operators (MVNOs) intensified, as the companies actively promoted bundled sales of mobile phones and fiber optic services and low-price plans to draw in customers.

Amid these conditions, Bell-Park worked to improve customer satisfaction by providing opportunities for staff to learn customer service from other industries, in addition to its existing customer service training. The company focused on winning customers for its fiber optic services and accessories not only by increasing recognition of fiber optic services, but also by including role playing in its training to ensure that staff can provide detailed explanations of plans that include various services such as handsets, fiber optic lines and accessories, suited to various user needs and occasions. The company also actively improved store cleanliness through equipment renovations and interior renovations in order to make its carrier stores more comfortable.

As a result, in FY12/16, the company sold a total of 686,892 handsets (-5.8% YoY), including 209,935 new handsets (-26.6% YoY) and 476,957 replacement units (+7.6% YoY).

Carrier store operations

Sales and profits were essentially flat YoY for Bell-Park's mainstay SoftBank stores. Although handset sales declined, the number of stores increased, and sales of fiber-optic services and iPhone accessories were favorable. The company is working to augment the consulting capabilities of store staff through personnel development; its aims are to augment sales of fiber-optic services, slow mobile phone contract cancellations, increase the ratio of add-on accessory sales, and increase unit sales figures.

Bell-Park Next, a subsidiary that operates DoCoMo stores, has already begun selling its own security products, which are making a steady contribution to earnings. In FY12/17, the company plans to concentrate on cultivating business involving IoT products.

Store numbers

The company operated a total of 282 Bell-Park authorized-stores as of end December 2016 (277 stores at end FY12/15). Stores that the company manages were as follows:

- SoftBank: 256 stores (251 at end at end FY12/15)
- DoCoMo: 8 stores (unchanged)
- au: 8 stores (unchanged)
- Y!mobile 10 stores (unchanged)

SoftBank stores increased by five YoY. DoCoMo, au, and Y!mobile had the same number YoY.

New business development

Bell-Park is focusing on the development of peripheral businesses that it expects to generate synergies with its core business. As part of this effort, on January 16, 2017, Bell-Park acquired an interest in MEDIROM Inc. (previous name: RERAKU co., ltd.) (1.71% of issued shares).

MEDIROM operates businesses that provide complete support through services that span health promotion to medical treatment by operating relaxation studios and developing healthcare IT. Relaxation is MEDIROM's main business, but it plans to move proactively into new areas by making use of IoT; for example, by using its data center information on people who have not contracted diseases to help manage the health of its customers. Through the acquisition, Bell-Park plans to establish a close relationship with MEDIROM, and will look to integrate telecommunications and retail, which are its strength, with healthcare, which is MEDIROM's strength and an area that is expected to see significant growth.
Although currently unconsolidated, in August 2016, Bell-Park established Bellbride as a wholly owned subsidiary to operate wedding consulting centers and provide wedding support services—areas where Bell-Park sees growth potential. Headquartered in Tokyo's Kojimachi area, Bellbride currently operates at one location, in the Shibuya Mark City complex. Bellbride aims to become the industry leader in tailor-made searches for marriage partners using specialist "concierges."

In its core carrier store business, Bell-Park is concentrating on personnel development; it aims to cultivate strong communication capabilities with a view to increased customer satisfaction. It sees the new developments as offering a broader career path for these employees.

Results of personnel development

In February 2017, SoftBank hosted the final round of a customer service competition at SoftBank stores. Of the 14,000 people participating in the competition, seven of the 14 finalists were staff working at stores directly operated by Bell-Park. In other words, Bell-Park accounted for half of the finalists, even though the company operates fewer than one in 10 SoftBank stores. Bell-Park's staff won this competition for the second consecutive year. The third-place finisher and special prize winner were also Bell-Park employees.

Bell-Park says that in the past, grand prize criteria focused on success in selling carrier products. This year, increasing customer satisfaction was a key criterion. As part of its personnel development efforts, Bell-Park works to enhance store staff hospitality and consulting skills. The company is also increasing retention by moving staff into full-time positions and improving benefits. Bell-Staff attributes these efforts to better store staff skills and higher customer service evaluations.

Monthly trends

Monthly sales 2016	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
New handset units	28,401	16,534	28,932	18,244	16,417	11,507	14,219	12,788	14,135	13,552	22,959	12,247	**209,935**
YoY	-11.3%	-29.6%	-32.6%	-22.7%	-25.1%	-34.6%	-23.2%	-35.3%	-31.2%	-34.7%	0.1%	-44.5%	**-26.6%**
Excl. low ARPU handsets	27,257	15,312	27,404	16,561	15,261	10,462	13,029	11,891	13,347	12,816	11,628	11,293	**186,261**
YoY	-7.5%	-30.3%	-33.3%	-21.5%	-23.2%	-30.4%	-17.8%	-32.5%	-30.0%	-35.7%	-43.9%	-44.0%	**-28.8%**
Replacement units	39,329	32,209	35,981	34,210	34,120	30,900	35,881	32,734	43,150	62,702	48,935	46,806	**476,957**
YoY	-6.2%	9.3%	-3.5%	14.2%	17.5%	9.1%	12.5%	2.8%	13.1%	12.6%	12.8%	0.7%	**7.6%**
Total	**67,730**	**48,743**	**64,913**	**52,454**	**50,537**	**42,407**	**50,100**	**45,522**	**57,285**	**76,254**	**71,894**	**59,053**	**686,892**
YoY	**-8.4%**	**-8.0%**	**-19.1%**	**-2.1%**	**-0.8%**	**-7.7%**	**-0.6%**	**-11.8%**	**-2.4%**	**-0.3%**	**8.4%**	**-13.8%**	**-5.8%**
Monthly sales 2015	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Total**
New handset units	32,004	23,500	42,930	23,612	21,922	17,607	18,522	19,754	20,534	20,768	22,926	22,054	**286,133**
YoY	-14.7%	-36.9%	-48.9%	-22.1%	-29.4%	-40.9%	-48.7%	-45.3%	-50.3%	-39.5%	-31.5%	-28.7%	**-38.1%**
Excl. low ARPU handsets	29,464	21,959	41,064	21,085	19,863	15,040	15,841	17,604	19,056	19,928	20,711	20,164	**261,779**
YoY	4.6%	-18.7%	-28.4%	13.9%	10.4%	-9.5%	-21.3%	-13.6%	-28.9%	-20.8%	-15.3%	-21.1%	**-15.0%**
Replacement units	41,949	29,468	37,274	29,946	29,029	28,315	31,883	31,854	38,155	55,696	43,371	46,476	**443,416**
YoY	23.3%	-7.6%	-23.8%	34.1%	23.9%	24.8%	9.5%	10.6%	-33.2%	-7.7%	-34.2%	5.5%	**-5.4%**
Total	**73,953**	**52,968**	**80,204**	**53,558**	**50,951**	**45,922**	**50,405**	**51,608**	**58,689**	**76,464**	**66,297**	**68,530**	**729,549**
YoY	**3.4%**	**-23.4%**	**-39.7%**	**1.8%**	**-6.5%**	**-12.5%**	**-22.7%**	**-20.5%**	**-40.3%**	**-19.2%**	**-33.3%**	**-8.6%**	**-21.6%**

Source: Shared Research base don company data
Note: Figures may differ from company materials due to differences in rounding methods.
Low ARPU handsets: Mimamori Mobile handsets, PhotoVision digital photo frames, and USIM

Although Bell-Park has published monthly sales results for SoftBank handsets and other products on its website, on January 26, 2017, it announced that it would terminate the practice of updating monthly sales volume results after the December 2016 update.

According to the company, in addition to current handset devices, there are strong signs that future carrier stores are shifting toward a general counter format that will handle products to support living infrastructure services such as fiber optic lines, electricity, gas, insurance, robots and wearable devices.

Income statement

Income statement (JPYmn)	FY12/08 Cons.	FY12/09 Parent	FY12/10 Parent	FY12/11 Parent	FY12/12 Parent	FY12/13 Parent	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.
Total sales	**33,457**	**46,890**	**60,168**	**70,573**	**74,469**	**84,228**	**91,486**	**90,145**	**89,629**	**88,894**	**98,088**
YoY	6.4%	40.2%	28.3%	17.3%	5.5%	13.1%	8.6%	-1.5%	-0.6%	-0.8%	10.3%
Sales of goods	-	25,623	31,535	39,181	42,026	47,559	54,001	56,488	-	-	-
Commission fee received	-	21,268	28,633	31,391	32,443	36,668	37,485	33,657	-	-	-
Cost of sales	26,049	36,577	49,394	58,457	60,576	67,734	73,411	71,580	70,954	70,341	78,112
CoGS	-	33,031	43,894	52,563	54,417	61,133	-	-	-	-	-
Commission fee paid	-	3,546	5,500	5,894	6,159	6,601	-	-	-	-	-
Gross profit	**7,408**	**10,313**	**10,775**	**12,115**	**13,893**	**16,494**	**18,075**	**18,565**	**18,675**	**18,553**	**19,976**
GPM	22.1%	22.0%	17.9%	17.2%	18.7%	19.6%	19.8%	20.6%	20.8%	20.9%	20.4%
SG&A expenses	5,948	6,737	7,869	9,266	10,770	13,254	15,705	15,352	15,829	15,402	16,747
SG&A-to-sales ratio	17.8%	14.4%	13.1%	13.1%	14.5%	15.7%	17.2%	17.0%	17.7%	17.3%	17.1%
Personnel expenses	2,675	3,826	4,567	5,159	5,838	6,825	8,510	8,361	8,882	8,821	9,282
Advertising and promotion expenses	204	666	727	1,153	1,400	2,451	2,546	2,267	1,649	1,529	1,927
Rents	968	1,010	1,103	1,243	1,410	1,516	1,827	1,968	2,076	2,153	2,295
Other	2,101	1,235	1,472	1,711	2,122	2,462	2,822	2,757	3,220	2,897	3,241
Operating profit	**1,460**	**3,576**	**2,905**	**2,850**	**3,122**	**3,240**	**2,370**	**3,212**	**2,846**	**3,151**	**3,229**
YoY	-13.3%	145.0%	-18.7%	-1.9%	9.6%	3.8%	-26.8%	35.5%	-11.4%	10.7%	2.5%
OPM	4.4%	7.6%	4.8%	4.0%	4.2%	3.8%	2.6%	3.6%	3.2%	3.5%	3.3%
Non-operating income	28	28	25	19	106	206	141	69	95	46	38
Non-operating expenses	65	54	36	87	27	20	18	12	14	13	10
Recurring profit	**1,423**	**3,550**	**2,894**	**2,781**	**3,201**	**3,426**	**2,493**	**3,270**	**2,927**	**3,184**	**3,257**
YoY	-15.6%	149.5%	-18.5%	-3.9%	15.1%	7.0%	-27.2%	31.2%	-10.5%	8.8%	2.3%
RPM	4.3%	7.6%	4.8%	3.9%	4.3%	4.1%	2.7%	3.6%	3.3%	3.6%	3.3%
Extraordinary gains	174	4	56	0	7	1	1	46	4	287	18
Extraordinary losses	28	37	40	119	39	38	97	161	127	250	152
Tax charges	426	1,471	1,251	1,173	1,385	1,510	1,063	1,356	1,159	1,038	1,007
Implied tax rate	27%	42%	43%	44%	44%	45%	44%	43%	41%	32%	32%
Net income	**1,143**	**2,046**	**1,660**	**1,490**	**1,783**	**1,879**	**1,333**	**1,799**	**1,645**	**2,182**	**2,115**
YoY	36.2%	79.0%	-18.9%	-10.2%	19.7%	5.3%	-29.1%	34.9%	-8.5%	32.7%	-3.1%
Net margin	3.4%	4.4%	2.8%	2.1%	2.4%	2.2%	1.5%	2.0%	1.8%	2.5%	2.2%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: OC mobile was consolidated in February 2014 and the company adopted consolidated accounting from FY12/14.

Bell-Park's sales are composed of sales of products and receipt of commissions, and fluctuate in proportion to the number of devices sold. Sales growth since FY12/09 has largely been due to the overwhelming success of the Apple's iPhone series and store growth through acquisitions. Since FY12/15, however, handset sales have trended downward due to growing smartphone proliferation and changes in the regulatory environment, causing the company's sales growth to slow. Even so, sales are increasing in other areas, such as fiber optic services and accessories.

Gross profit margins have been mostly stable during the past 10 fiscal years, observing a range between 17.2% and 22.1%. After hitting bottom (17.2%) in FY12/11, it has been gradually improving. However, in FY12/18 GPM fell 0.5pp YoY to 20.4%. SG&A expenses and the SG&A expense ratio rose YoY between FY12/11 and FY12/16, because the company increased its work force to staff newly opened stores and raised the percentage of full-time employees to improve instore consulting capabilities. However, both SG&A expenses and SG&A expense ratio fell YoY in FY12/17, mainly due to operating cost reduction of SoftBank stores. In FY12/18, while the gross amount rose on higher number of stores, the SG&A expense ratio fell by 0.2pp YoY to 17.1%.

The company's effective tax rate (tax/pretax income) had been steady at 41–45%, but dropped to 32% in FY12/17, mainly due to the sale of some shares by a controlling shareholder, which became exempt from an accumulated earnings tax on specified family corporations. It remained at a low 32% in FY12/18.

Balance sheet

Balance sheet (JPYmn)	FY12/08 Cons.	FY12/09 Parent	FY12/10 Parent	FY12/11 Parent	FY12/12 Parent	FY12/13 Parent	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.
ASSETS											
Cash and cash equivalents	4,814	5,747	5,911	6,987	6,766	6,896	7,229	9,948	15,224	16,467	14,873
Accounts receivable	3,362	5,718	6,276	9,090	7,560	8,569	9,619	10,796	9,811	11,242	11,133
Inventories	1,746	2,834	3,449	3,099	4,248	5,329	5,386	5,324	4,758	6,620	8,310
Other current assets	252	413	414	423	463	541	629	640	572	558	594
Total current assets	**10,173**	**14,712**	**16,050**	**19,599**	**19,037**	**21,335**	**22,863**	**26,709**	**30,365**	**34,887**	**34,910**
Fixed assets											
Buildings and structures	695	869	959	1,219	1,277	1,373	1,676	1,655	1,778	1,941	2,291
Accumulated depreciation	224	305	390	524	612	694	771	859	948	995	994
Other fixed assets	216	232	270	280	347	363	381	409	436	444	470
Accumulated depreciation	146	164	176	207	227	272	231	276	321	349	351
Land		-	-	-	-	-	39	39	39	39	39
Total tangible fixed assets	541	632	662	769	785	770	1,094	968	984	1,079	1,455
Investments and other assets	1,275	1,362	1,401	1,520	1,618	1,703	2,150	2,179	2,361	2,456	2,496
Total intangible fixed assets	90	272	204	167	208	212	493	349	311	167	232
Total fixed assets	**1,905**	**2,266**	**2,268**	**2,455**	**2,611**	**2,685**	**3,738**	**3,496**	**3,656**	**3,702**	**4,183**
Total assets	**12,079**	**16,978**	**18,318**	**22,054**	**21,648**	**24,021**	**26,600**	**30,205**	**34,021**	**38,590**	**39,093**
LIABILITIES											
Accounts payable	2,480	4,926	5,852	8,070	5,856	7,034	8,372	9,835	7,702	10,548	9,564
Short-term debt	1,360	-	-	-	100	-	-	-	15	-	-
Current portion of long-term debt	200	325	325	325	325	-	-	-	-	-	-
Other current liabilities	1,074	2,377	1,589	2,109	2,493	2,831	2,866	3,302	2,543	2,438	2,557
Total current liabilities	**5,114**	**7,628**	**7,766**	**10,505**	**8,774**	**9,866**	**11,238**	**13,138**	**10,260**	**12,986**	**12,121**
Long-term debt	1,300	975	650	325	-	-	-	-	5,000	5,015	5,015
Other long-term liabilities	130	130	160	340	371	424	566	670	840	933	622
Total fixed liabilities	**1,430**	**1,105**	**810**	**665**	**371**	**424**	**566**	**670**	**5,840**	**5,948**	**5,637**
Total interest-bearing debt	**2,860**	**1,300**	**975**	**650**	**425**	**-**	**-**	**-**	**5,015**	**5,015**	**5,015**
Total liabilities	**6,544**	**8,733**	**8,575**	**11,169**	**9,145**	**10,290**	**11,804**	**13,808**	**16,100**	**18,934**	**17,758**
Net assets											
Capital stock	1,124	1,124	1,130	1,130	1,133	1,148	1,148	1,148	1,148	1,148	1,148
Capital surplus	1,588	1,848	1,854	1,854	1,857	1,872	1,872	1,872	1,872	1,872	1,872
Retained earnings	2,823	5,273	6,759	8,007	9,619	11,170	12,278	13,830	15,283	17,241	18,920
Treasury stock	-	-	-	-107	-107	-506	-611	-611	-611	-611	-611
Total net assets	**5,535**	**8,245**	**9,743**	**10,884**	**12,503**	**13,731**	**14,796**	**16,397**	**17,921**	**19,656**	**21,330**
Working capital	2,628	3,626	3,873	4,119	5,952	6,864	6,633	6,285	6,867	7,314	9,879
Total interest-bearing debt	2,860	1,300	975	650	425	-	-	-	5,015	5,015	5,015
Net debt (net cash)	-1,954	-4,447	-4,936	-6,337	-6,341	-6,896	-7,229	-9,948	-10,209	-11,452	-9,858

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: OC mobile was consolidated in February 2014 and the company adopted consolidated accounting from FY12/14.

Assets

As of end-December 2018, about 90% of Bell-Park's assets were current asses; not surprising for a retail sales agent. The company has maintained a net cash position (defined as cash minus interest-bearing debt) from FY12/01 through FY12/18, and maintained cash on the balance sheet in excess of working capital requirements (working capital being accounts receivable and inventories less accounts payable). Inventory levels are maintained at between one and two months' stock. Accounts receivable are handset revenues from carriers. Turnover is relatively short: payment is typically received within two months. The company's stores are primarily leased, and since most of Bell-Park's mobile phone shops are buildings and attached facilities, fixed assets account for only around 10% of total assets. About 80% of other fixed assets are composed of lease deposits.

Liabilities

As of end-December 2018, around 70% of liabilities being carried by the company was current liabilities, and about 80% of these liabilities were accounts payable. The remaining 20% was unpaid fees. The company had virtually no interest-bearing debt up to FY12/07. It raised JPY2.9bn from borrowing in FY12/08, but by FY12/13 its interest-bearing debt had been fully eliminated. The company had JPY1.6bn of cash in FY12/08. In the context of overall market conditions, it is likely if global economic conditions had continued to deteriorate, access to credit would have been curtailed. By securing long-term financing, Bell-Park was taking a conservative approach to ensure that it would have access to capital to run its business.

Although the company had maintained a non-borrowing management stance, in 2016 Bell-Park took out JPY5.0bn in bank borrowings to take advantage of the low interest rates. The company plans to use these borrowings to sustain growth by investing in existing and new fields of business.

Shareholder's equity

Changes in shareholder equity have largely reflected the dividend payments from net income. Net income is steadily adding up. The company has also taken steps in the past to increase share liquidity. Bell-Park executed a 3-for-1 stock split on February 20, 2002, and again on February 20, 2004. On January 1, 2013, the company executed a 100-for-1 split.

Cash flow statement

Cash flow statement (JPYmn)	FY12/08 Cons.	FY12/09 Parent	FY12/10 Parent	FY12/11 Parent	FY12/12 Parent	FY12/13 Parent	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.
Cash flows from operating activities (A)	830	2,689	855	2,178	432	1,618	2,074	3,051	1,013	2,005	-170
Cash flows from investing activities (B)	-73	-815	-204	-379	-348	-546	-1,513	-239	-460	-536	-988
Free cash flow (A+B)	**757**	**1,875**	**651**	**1,800**	**85**	**1,072**	**560**	**2,812**	**554**	**1,468**	**-1,158**
Cash flows from financing activities	2,502	-932	-487	-675	-391	-1,124	-330	-193	4,822	-225	-436
Depreciation and amortization (A)	172	211	221	245	253	286	392	349	360	325	352
Capital expenditures (B)	-118	-112	-196	-231	-143	-367	-441	-166	-302	-278	-545
Working capital change (C)	-309	998	247	246	1,833	912	-231	-348	582	447	2,565
Simple FCF (NI + A + B - C)	**1,506**	**1,147**	**1,437**	**1,258**	**60**	**886**	**1,515**	**2,329**	**1,121**	**1,782**	**-643**

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: Capital expenditures = payments for purchase of tangible fixed asset + proceeds from disposal of tangible fixed assets
Note: OC mobile was consolidated in February 2014 and the company adopted consolidated accounting from FY12/14.

Cash flows from operating activities

Bell-Park's cash flows from operating activities can vary depending upon its net income and fluctuations in working capital. When sales are expanding, operating cash flows tend to decrease below net income levels, in line with receivables and inventories. The company's fixed assets are only around 10% of its total assets, and as such, depreciation expenses do not have a significant impact on its operating cash flows.

Cash flows from investing activities

Cash flows from investing activities can vary depending upon the acquisition of fixed assets for new store openings and payments of lease deposits. Outflows for business acquisitions and investment in intangible assets such as software can also be a factor.

In FY12/09, the company acquired SoftBank stores and the retailing business of Panasonic Telecom. The company also consolidated OC Mobile in FY12/14, both factors leading to wider negative investment cash flow.

Cash flows from financing activities

Cash flows from financing activities have been mostly minor. The company does not have many opportunities to raise capital from the issuance of interest-bearing debt. The primary influencers are payments of dividends and acquisitions of treasury stock. In FY12/13, negative financial cash flow widened as Bell-Park made payments on long-term debt and made acquisitions of treasury stock. Taking advantage of low interest rates, in 2016 the company took out JPY5.0bn in bank borrowings, which it plans to invest in existing and new businesses. Accordingly, the positive gap widened in FY12/16.

Cash conversion cycle (days)	FY12/08 Cons.	FY12/09 Parent	FY12/10 Parent	FY12/11 Parent	FY12/12 Parent	FY12/13 Parent	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.
Accounts receivable turnover	9.7	10.3	10.0	9.2	8.9	10.4	10.1	8.8	8.7	8.4	8.8
Accounts receivable days	**37.8**	**35.3**	**36.4**	**39.7**	**40.8**	**34.9**	**36.3**	**41.3**	**42.0**	**43.2**	**41.6**
Inventory turnover	11.2	16.0	15.7	17.9	16.5	14.1	13.7	13.4	14.1	12.4	10.5
Days in inventory	**32.5**	**22.8**	**23.2**	**20.4**	**22.1**	**25.8**	**26.6**	**27.3**	**25.9**	**29.5**	**34.9**
Accounts payable turnover	8.7	9.9	9.2	8.4	8.7	10.5	9.5	7.9	8.1	7.7	7.8
Accounts payable days	**42.1**	**37.0**	**39.8**	**43.5**	**42.0**	**34.7**	**38.3**	**46.4**	**45.1**	**47.3**	**47.0**
Cash conversion cycle (days)	**28.2**	**21.2**	**19.8**	**16.7**	**21.0**	**26.0**	**24.6**	**22.2**	**22.8**	**25.4**	**29.5**
Inventory (JPYmn)	**FY12/08 Cons.**	**FY12/09 Parent**	**FY12/10 Parent**	**FY12/11 Parent**	**FY12/12 Parent**	**FY12/13 Parent**	**FY12/14 Cons.**	**FY12/15 Cons.**	**FY12/16 Cons.**	**FY12/17 Cons.**	**FY12/18 Cons.**
Sales	33,457	46,890	60,168	70,573	74,469	84,228	91,486	90,145	89,629	88,894	98,088
Inventory	2,319	2,290	3,141	3,274	3,673	4,788	5,357	5,355	5,041	5,689	7,465
No. of stores	110	175	179	206	222	228	264	277	282	286	319
Inventory, % of sales	6.9%	4.9%	5.2%	4.6%	4.9%	5.7%	5.9%	5.9%	5.6%	6.4%	7.6%
Inventory per store	21	13	18	16	17	21	20	19	18	20	23

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: Store figures from FY12/16 onward include carrier-affiliated stores only; other store types are excluded.

Note: this analysis used end of period inventory figures for comparison with stores, and average inventory levels for compared with sales.

Other information

History

Bell-Park was founded in 1993 to sell mobile communication and networking equipment. The company's start was rocky–following the collapse of the asset price bubble in Japan, operations were reduced to only one store, two full time employees, and almost no remaining capital. Cash flows were tight, and the product line (mostly pagers) only had a few profitable items. President Nishikawa attributes the company's turnaround to the commitment of the core team.

Nishikawa bought the company in 1996 (see discussion in Top management section). When Nishikawa took over the company, the store network was all franchisees; the first directly owned store wasn't opened until September 1998. Directly owned stores would be the preferred model for the company going forward.

The store network began rapid expansion in 1999 following the acquisition of West Link Co., Ltd., when the number of stores in 1999 grew by 400% from 9 locations to 49 (FY12/00). Growth through acquisitions would become the preferred means of expansion. Bell-Park listed on the JASDAQ stock market in May 2000.

Bell-Park's expansion effort was put on hold from FY12/00 until FY12/03; store count decreased slightly and the company changed its store branding strategy. Bell-Park branded stores were targeting new subscribers only, and as the market became saturated the company gradually switched to carrier stores which were capable of providing the carrier switchover as well as repair and maintenance services (initially J-Phone shops and later Vodafone shops).

The company restarted store network expansion from 2006—franchise agreements signed in early 2007 with the Kansai-based agents would increase the store network to 105 stores by end-FY12/07 from 62 at year-end FY12/06. Although the company indicated that it had preferred to increase store count through direct acquisition, it found the opportunity to expand into Kansai and increase the store network by 70.0% too compelling to resist. Bell-Park gained additional handset volume, creating the potential for scale-related cost reductions.

In June 2008 the company sold 50.0% of Japan Pro Staff Co., Ltd, a wholly owned subsidiary at the time, to P&P Corporation (JASDAQ 2426). Japan Pro Staff was a legacy business (originally called J-Phone Service) created as a specialist recruitment and staffing service for mobile phone store operators. Achieving persistent profitability was difficult, and the company decided to divest its holdings to refocus on core operations.

Bell-Park acquired Panasonic Telecom on June 1, 2009 for JPY520mn. The acquisition increased store count by 52; 22 were direct owned shops and 30 were franchise stores. In December 2009, the company signed an Apple Authorized Premium Reseller agreement with Apple Japan, Inc. In January 2010, the company began operating as an Apple Premium Reseller. In December 2010, the company signed a distributor agreement with WILLCOM, Inc. In February 2011, the company opened its first official WILLCOM Plaza shop in Kyodo, Tokyo. In February 2013, Bell-Park signed a distributor agreement with KDDI Corp. and began operations of au shops in June 2013. In February 2014, Bell-Park acquired OC mobile, which operates stores for the three major carriers. Bell-Park's stores increased by 22 as a result (19 directly run stores and 3 franchise stores).

News and topics

July 2018

On **July 24, 2018**, the company announced revisions to its earnings forecast for 1H FY12/18.

Revised forecast for 1H FY12/18

- ▷ Sales: JPY48.3bn (previous forecast: JPY46.0bn)
- ▷ Operating profit: JPY1.9bn (JPY1.5bn)

- ▷ Recurring profit: JPY1.9bn (JPY1.5bn)
- ▷ Net income: JPY1.3bn (JPY950mn)

Reasons for revision

The company revised its 1H forecast as the sales volume of handsets and other products finished above plan owing to the company's focus on initiatives undertaken at each telecom carrier and as the proportion of sales of handsets with high GPM to total sales exceeded initial plan. Further, performance of subsidiaries that operate Docomo stores and carrier stores as well as other businesses and services surpassed initial targets.

The company has not revised its full-year forecast due to an unclear sales projection for 2H including the launch of a new smartphone model expected in September 2018.

April 2018

On **April 6, 2018,** the company announced that it had entered a distributor agreement with Daiei Dentsu Co., Ltd., regarding the sale of SoftBank handsets.

On April 1, 2018, the company concluded a distributor agreement with Daiei Dentsu Co., Ltd. which operates 16 Softbank shops in the Chugoku and Kyushu regions. In accordance with the terms of this agreement, Daiei Dentsu became a distributor for Bell-Park and a secondary distributor for SoftBank Group Corp. Bell-park will utilize its expertise in sales and personnel strategies to contribute to improving profitability, by focusing on bolstering sales capabilities at each Daiei Dentsu-operated store.

Top management

Takeru Nishikawa: President and CEO, born in 1956. Nishikawa graduated from University of Tokyo, Faculty of Law in 1979 and joined Sumitomo Corporation, where he was involved in the automobile export business. After an offer from a fellow University of Tokyo alumnus, Nishikawa left Sumitomo to join a portable phone venture, Japan Portable Phones. In 1993 the company started a subsidiary (which would later become Bell-Park) reselling portable phones, where Nishikawa was appointed auditor. He would lead a successful restructuring and buy-out of the company in 1996, commenting that "the proposed price was cheaper than I expected."

Nishikawa controls slightly under 50% of Bell-Park stock (including stock owned by his asset management company) and is the key person involved in setting the company's strategy.

Employees

As of end-FY12/18, Bell-Park has 1,489 full-time employees and 468 part-time staff (1,351 and 503 at end-FY12/17). The number of full-time employees increased by 138 while part-time employees decreased by 35from a year earlier. The company increased its percentage of full-time employees in FY12/18 as well as in an effort to bolster employee skills and improve staff retention.

Major shareholders

Bell-Park's largest shareholder is Takeru Nishikawa, who effectively controls about 50.0% of company voting rights through direct holdings and shares owned by Japan Business Development, Inc. (a company wholly owned by Nishikawa).

Top shareholders	Shareholding ratio
Hikari Tsushin, Inc.	30.72%
Japan Business Development Inc.	27.36%
Takeru Nishikawa	22.51%
State Street Bank and Trust Company 505224	7.55%
SoftBank Corp.	3.72%
broadpeak inc.	1.57%
State Street Bank and Trust Client Omnibus Account OM02 505002	0.43%
BNYM SA/NV for BNYM for BNY GCM Client Accounts M LSCB RD	0.27%
Persol Marketing Co., Ltd.	0.25%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	0.22%

Source: Shared Research based on company data
As of December 31, 2018

Dividends and shareholder benefits

Bell-Park seeks to maintain a stable dividend payout ratio while accumulating internal reserves for business expansion.

Beside dividends, the company also distributes QUO prepaid cards (JPY1,000 value) twice a year to those who hold at least 100 shares (one trading unit). The card is accepted at many restaurants, stores, and entertainment facilities in Japan. They also receive one Bellbride shareholder discount coupon.

Investor relations

The company holds bi-annual results analyst meetings. The IR website is: http://www.bellpark.co.jp/ir.

Company profile

Company Name	Head Office
Bell-Park Co Ltd	Hirakawa-cho Center Building 1-4-12, Hirakawa-cho, Chiyoda-ku Tokyo, Japan 102-0093
Phone	**Listed On**
+81-3-3288-5211	TSE JASDAQ Standard
Established	**Exchange Listing**
February 2, 1993	May 25, 2000
Website	**Fiscal Year-End**
http://www.bellpark.co.jp/English/_1573.html	December
IR Contact	**IR Web**
Takahiro Miyamoto Corporate Planning Division	http://www.bellpark.co.jp/English/_1585.html
IR-Related Inquiries	**IR Phone**
https://www.bellpark.co.jp/contacts/investor.html	+81-3-3288-5211

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en-Japan Inc.
euglena Co., Ltd.
Evolable Asia Corp.
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FIELDS CORPORATION
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Gamecard-Joyco Holdings, Inc.
GCA Corporation
Grandy House Corporation
Hakuto Co., Ltd.
Happinet Corporation
Harmonic Drive Systems Inc.
HOUSEDO Co., Ltd.
IDOM Inc.
IGNIS LTD.
i-mobile Co.,Ltd.
Inabata & Co., Ltd.
Infocom Corporation
Infomart Corporation
Intelligent Wave, Inc.
ipet Insurance CO., Ltd.
istyle Inc.
Itochu Enex Co., Ltd.
JSB Co., Ltd.
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Japan Best Rescue System Co., Ltd.
JINS Inc.
JP-HOLDINGS, INC.
KAMEDA SEIKA CO., LTD.
Kenedix, Inc.
KFC Holdings Japan, Ltd.
KI-Star Real Estate Co., Ltd.
Kondotec Inc.
Kumiai Chemical Industry Co., Ltd.
Lasertec Corporation
LUCKLAND CO., LTD.
MATSUI SECURITIES CO., LTD.
Medical System Network Co., Ltd.
MEDINET Co., Ltd.
MedPeer,Inc.
Mercuria Investment Co., Ltd.
Milbon Co., Ltd.
MIRAIT Holdings Corporation
Monex Goup Inc.
NAGASE & CO., LTD
NAIGAI TRANS LINE LTD.
NanoCarrier Co., Ltd.
Net One Systems Co.,Ltd.
Nichi-Iko Pharmaceutical Co., Ltd.
Nihon Denkei Co., Ltd.
Nippon Koei Co., Ltd.
NIPPON PARKING DEVELOPMENT Co., Ltd.
Nisshinbo Holdings Inc.
NS TOOL CO., LTD.
NTT URBAN DEVELOPMENT CORPORATION
Oki Electric Industry Co., Ltd
ONO SOKKI Co., Ltd.
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SymBio Pharmaceuticals Limited
Synchro Food Co., Ltd.
TAIYO HOLDINGS CO., LTD.
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Take and Give Needs Co., Ltd.
Takihyo Co., Ltd.
TEAR Corporation
Tenpo Innovation Inc.
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TKC Corporation
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