Bell-Park / 9441

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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.

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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 rising as the company has made acquisitions (more than 80 deals to date). As of end-FY12/20, the company operated a total of 363 carrier stores (versus 343 at end-FY12/19), including 304 SoftBank stores (versus 297), eight NTT Docomo stores (unchanged), seven au stores (unchanged), and 44 Y!mobile stores (versus 30). 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 Business section for further details).

Earnings results and outlook

- For full-year FY12/20, Bell-Park reported sales of JPY98.8bn (-4.3% YoY), operating profit of JPY5.1bn (+15.5% YoY), recurring profit of JPY5.3bn (+22.1% YoY), and net income attributable to owners of the parent of JPY3.6bn (+19.1% YoY). Despite voluntary restraint on sales activities due to the COVID-19 pandemic, unit sales of mobile phone handsets and other mobile devices grew 3.7% YoY to 846,000, due mainly to an increase in the store count. In addition, sales of products other than handsets such as high-margin fiber optic services and cashless payments services were robust. In addition, revision of the Telecommunications Business Act led to a lower average selling price for mobile phone handsets, and the cost of sales and sales promotion expenses both declined YoY. OPM improved 0.9pp YoY to 5.1%.
- In its forecast for FY12/21, Bell-Park forecasts consolidated sales of JPY89.0bn (-10.0% YoY), operating profit of JPY4.5bn (-10.9% YoY), recurring profit of JPY4.5bn (-15.9% YoY), and net income attributable to owners of the parent of JPY2.9bn (-19.9% YoY). In FY12/21, Bell-Park aims to sell some 850,000 (+0.4% YoY) mobile phone handsets and other mobile devices, taking into account the increase in store count achieved during 2020. The company will work to improve the consulting skills of its store staff, making them better able to understand how customers are using their handsets so that they can propose the most suitable fee plans and services offered by the various telecom carriers. It will also continue its efforts to improve profitability over the long term by increasing the efficiency of store operations through the promotion of a dominant store network, renovating or relocating stores to attract more customers, and further improving efficiency in back-office departments.
- The company does not announce medium/long-term targets in part due to ongoing changes at its core mobile device sales operations, but it does have three medium-term goals for maintaining stable growth in the longer term: maintain steady growth in communication device sales; expand its business portfolio; and maintain a dividend payout ratio of at least 30%.
- 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 stores. 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 stores in the medium and long terms, including improving the consulting abilities of its store staff, streamlining store operations, renovating stores to provide a comfortable, welcoming environment, and moving to prime locations with higher customer pulling power. Bell-Park also plans to build a dominant market position by continuing to take over operations of other subscription agencies and expand its store network.

Strengths and weaknesses

We think Bell-Park's strengths lie in its skilled store staff, financial strength, focus on SoftBank products, and prime store locations. Weaknesses include reliance on mobile phone 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 Cons.	FY12/20 Cons.	FY12/21 Cons. Est.
Sales	**46,890**	**60,168**	**70,573**	**74,469**	**84,228**	**91,486**	**90,145**	**89,629**	**88,894**	**98,088**	**103,304**	**98,843**	**89,000**
YoY	40.2%	28.3%	17.3%	5.5%	13.1%	8.6%	-1.5%	-0.6%	-0.8%	10.3%	5.3%	-4.3%	-10.0%
Gross profit	**10,313**	**10,775**	**12,115**	**13,893**	**16,494**	**18,075**	**18,565**	**18,675**	**18,553**	**19,976**	**24,166**	**24,350**	
YoY	39.2%	4.5%	12.4%	14.7%	18.7%	9.6%	2.7%	0.6%	-0.7%	7.7%	21.0%	0.8%	
GPM	22.0%	17.9%	17.2%	18.7%	19.6%	19.8%	20.6%	20.8%	20.9%	20.4%	23.4%	24.6%	
Operating profit	**3,576**	**2,905**	**2,850**	**3,122**	**3,240**	**2,370**	**3,212**	**2,846**	**3,151**	**3,229**	**4,376**	**5,053**	**4,500**
YoY	145.0%	-18.7%	-1.9%	9.6%	3.8%	-26.8%	35.5%	-11.4%	10.7%	2.5%	35.5%	15.5%	-10.9%
OPM	7.6%	4.8%	4.0%	4.2%	3.8%	2.6%	3.6%	3.2%	3.5%	3.3%	4.2%	5.1%	5.1%
Recurring profit	**3,550**	**2,894**	**2,781**	**3,201**	**3,426**	**2,493**	**3,270**	**2,927**	**3,184**	**3,257**	**4,379**	**5,348**	**4,500**
YoY	149.5%	-18.5%	-3.9%	15.1%	7.0%	-27.2%	31.2%	-10.5%	8.8%	2.3%	34.5%	22.1%	-15.9%
RPM	7.6%	4.8%	3.9%	4.3%	4.1%	2.7%	3.6%	3.3%	3.6%	3.3%	4.2%	5.4%	5.1%
Net income	**2,046**	**1,660**	**1,490**	**1,783**	**1,879**	**1,333**	**1,799**	**1,645**	**2,182**	**2,115**	**3,041**	**3,620**	**2,900**
YoY	79.0%	-18.9%	-10.2%	19.7%	5.3%	-29.1%	34.9%	-8.5%	32.7%	-3.1%	43.7%	19.1%	-19.9%
Net margin	4.4%	2.8%	2.1%	2.4%	2.2%	1.5%	2.0%	1.8%	2.5%	2.2%	2.9%	3.7%	3.3%
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	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	474.1	564.5	452.2
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	119.0	170.0	136.0
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	3,326.6	3,724.8	4,157.0	
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	21,346	22,043	
Total current assets	**14,712**	**16,050**	**19,599**	**19,037**	**21,335**	**22,863**	**26,709**	**30,365**	**34,887**	**34,910**	**38,088**	**40,420**	
Tangible fixed assets	632	662	769	785	770	1,094	968	984	1,079	1,455	1,781	1,993	
Investments and other assets	1,362	1,401	1,520	1,618	1,703	2,150	2,179	2,361	2,456	2,674	3,131	3,486	
Intangible fixed assets	272	204	167	208	212	493	349	311	167	232	573	473	
Total assets	**16,978**	**18,318**	**22,053**	**21,648**	**24,021**	**26,600**	**30,205**	**34,021**	**38,590**	**39,271**	**43,573**	**46,372**	
Accounts payable	4,926	5,852	8,070	5,856	7,034	8,372	9,835	7,702	10,548	9,564	9,404	9,828	
Short-term debt	325	325	325	425	-	-	-	15	-	-	-	5,015	
Total current liabilities	**7,628**	**7,766**	**10,505**	**8,774**	**9,866**	**11,238**	**13,138**	**10,260**	**12,986**	**12,121**	**13,983**	**18,980**	
Long-term debt	975	650	325	-	-	-	-	5,000	5,015	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**	**19,684**	**19,710**	
Net assets	**8,245**	**9,743**	**10,884**	**12,503**	**13,731**	**14,796**	**16,397**	**17,921**	**19,656**	**21,330**	**23,889**	**26,662**	
Total interest-bearing debt	1,300	975	650	425	-	-	-	5,015	5,015	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	8,585	2,426	
Cash flows from investing activities	-815	-204	-379	-348	-546	-1,513	-239	-460	-536	-988	-1,630	-818	
Cash flows from financing activities	-932	-487	-675	-391	-1,124	-330	-193	4,822	-225	-436	-481	-911	
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%	10.6%	11.9%	
ROE	29.7%	18.5%	14.4%	15.3%	14.3%	9.4%	11.6%	9.7%	11.7%	10.3%	13.4%	14.3%	
Equity ratio	48.6%	53.2%	49.4%	57.8%	57.2%	55.6%	54.3%	52.7%	50.9%	54.6%	54.8%	57.5%	

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 in FY12/14.

Recent updates

Highlights

On March 24, 2021, Bell-Park Co., Ltd. made an announcement regarding controlling interests.

Parent company, controlling interests summary

- Parent company: Hikari Tsushin, Inc. (TSE1: 9435)
- Share of voting rights: 32.91%
- Listed bourse: Tokyo Stock Exchange, First Section

Relationship between parent company and Bell-Park

- Hikari Tsushin, Inc. is an affiliate with indirect ownership of 32.91% of voting rights in Bell-Park. There are no material items warranting disclosure regarding business transactions or human resources relations, such as seconding of officers or employees, between Hikarui Tsushin and Bell-Park.
- Bell-Park conducts its business and makes management judgments based on its own decision making, and considers there to be no constraints or risks in terms of conducting business activity. It also considers itself sufficiently independent of its parent company.

On March 16, 2021, Shared Research updated the report following interviews with the company.

On March 2, 2021, the company announced its views and policy on lowering the stock price per trading unit.

Company views on lowering stock price per trading unit

- The company thinks that it is important to expand its investor base by encouraging individual investors to participate in the stock market, and understands that lowering the stock price per trading unit is one of the effective ways to do so.

Policy on lowering stock price per trading unit

- The company said that it would determine whether to lower the stock price per trading unit by cautiously and comprehensively considering various factors including changes in the number of shareholders and shareholder composition while continuing to monitor changes in its stock price.

On February 10, 2021, the company announced earnings results and a dividend increase for full-year FY12/20; 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	FY12/18				FY12/19				FY12/20				FY12/20	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Sales	25,989	22,374	23,222	26,503	28,905	22,474	25,581	26,344	29,435	17,971	23,909	27,528		
YoY	10.8%	15.0%	20.1%	-0.5%	11.2%	0.4%	10.2%	-0.6%	1.8%	-20.0%	-6.5%	4.5%		
Gross profit	5,184	4,547	4,621	5,624	6,926	5,339	5,905	5,996	7,493	4,873	6,003	5,980		
YoY	5.4%	6.5%	10.3%	8.7%	33.6%	17.4%	27.8%	6.6%	8.2%	-8.7%	1.7%	-0.3%		
GPM	19.9%	20.3%	19.9%	21.2%	24.0%	23.8%	23.1%	22.8%	25.5%	27.1%	25.1%	21.7%		
SG&A expenses	3,960	3,873	4,233	4,680	5,185	4,714	4,981	4,910	4,722	4,223	4,922	5,430		
YoY	-0.8%	2.2%	12.4%	21.5%	30.9%	21.7%	17.7%	4.9%	-8.9%	-10.4%	-1.2%	10.6%		
SG&A ratio	15.2%	17.3%	18.2%	17.7%	17.9%	21.0%	19.5%	18.6%	16.0%	23.5%	20.6%	19.7%		
Operating profit	1,224	674	387	944	1,740	624	924	1,087	2,771	650	1,082	550		
YoY	31.8%	40.4%	-8.5%	-28.4%	42.1%	-7.3%	138.7%	15.1%	59.2%	4.1%	17.1%	-49.4%		
OPM	4.7%	3.0%	1.7%	3.6%	6.0%	2.8%	3.6%	4.1%	9.4%	3.6%	4.5%	2.0%		
Recurring profit	1,238	675	396	948	1,755	625	937	1,062	2,780	651	1,100	817		
YoY	32.2%	40.8%	-9.5%	-28.8%	41.8%	-7.4%	136.6%	12.0%	58.4%	4.1%	17.5%	-23.1%		
RPM	4.8%	3.0%	1.7%	3.6%	6.1%	2.8%	3.7%	4.0%	9.4%	3.6%	4.6%	3.0%		
Net income	835	425	244	611	1,199	402	622	817	1,938	431	737	515		
YoY	48.4%	51.9%	-11.8%	-42.5%	43.7%	-5.5%	154.7%	33.7%	61.6%	7.2%	18.4%	-37.0%		
Net margin	3.2%	1.9%	1.1%	2.3%	4.1%	1.8%	2.4%	3.1%	6.6%	2.4%	3.1%	1.9%		
Cumulative	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.	FY Est.
Sales	25,989	48,363	71,585	98,088	28,905	51,379	76,960	103,304	29,435	47,406	71,315	98,843	103.0%	96,000
YoY	10.8%	12.7%	15.0%	10.3%	11.2%	6.2%	7.5%	5.3%	1.8%	-7.7%	-7.3%	-4.3%		-7.1%
Gross profit	5,184	9,731	14,351	19,976	6,926	12,264	18,169	24,166	7,493	12,366	18,370	24,350		
YoY	5.4%	5.9%	7.3%	7.7%	33.6%	26.0%	26.6%	21.0%	8.2%	0.8%	1.1%	0.8%		
GPM	19.9%	20.1%	20.0%	20.4%	24.0%	23.9%	23.6%	23.4%	25.5%	26.1%	25.8%	24.6%		
SG&A expenses	3,960	7,833	12,066	16,747	5,185	9,900	14,881	19,790	4,722	8,945	13,867	19,297		
YoY	-0.8%	0.7%	4.5%	8.7%	30.9%	26.4%	23.3%	18.2%	-8.9%	-9.6%	-6.8%	-2.5%		
SG&A ratio	15.2%	16.2%	16.9%	17.1%	17.9%	19.3%	19.3%	19.2%	16.0%	18.9%	19.4%	19.5%		
Operating profit	1,224	1,898	2,285	3,229	1,740	2,365	3,289	4,376	2,771	3,421	4,503	5,053	101.1%	5,000
YoY	31.8%	34.7%	24.7%	2.5%	42.1%	24.6%	43.9%	35.5%	59.2%	44.7%	36.9%	15.5%		14.3%
OPM	4.7%	3.9%	3.2%	3.3%	6.0%	4.6%	4.3%	4.2%	9.4%	7.2%	6.3%	5.1%		5.2%
Recurring profit	1,238	1,913	2,309	3,257	1,755	2,380	3,317	4,379	2,780	3,431	4,531	5,348	100.9%	5,300
YoY	32.2%	35.1%	24.6%	2.3%	41.8%	24.5%	43.7%	34.5%	58.4%	44.1%	36.6%	22.1%		21.0%
RPM	4.8%	4.0%	3.2%	3.3%	6.1%	4.6%	4.3%	4.2%	9.4%	7.2%	6.4%	5.4%		5.5%
Net income	835	1,260	1,505	2,115	1,199	1,601	2,224	3,041	1,938	2,369	3,106	3,620	103.4%	3,500
YoY	48.4%	49.6%	34.4%	-3.1%	43.7%	27.1%	47.8%	43.7%	61.6%	47.9%	39.7%	19.1%		15.1%
Net margin	3.2%	2.6%	2.1%	2.2%	4.1%	3.1%	2.9%	2.9%	6.6%	5.0%	4.4%	3.7%		3.6%

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

FY12/20 results (out February 10, 2021)

Summary

- In FY12/20, Bell-Park reported sales of JPY98.8bn (-4.3% YoY), operating profit of JPY5.1bn (+15.5% YoY), recurring profit of JPY5.3bn (+22.1% YoY), and net income attributable to owners of the parent of JPY3.6bn (+19.1% YoY). All business units posted higher profits YoY, and the company says more than half of the YoY profit growth came from sources other than SoftBank stores (accumulated contribution from other business units). Each profit line was at record high for the second fiscal year in a row.
- Progress versus forecast: Sales and each profit line were in line with the revised full-year FY12/20 forecast (profit lines revised upward on November 6, 2020)*.
  - The initial forecast factored in the negative impact of the revised Telecommunications Business Act, but the positive impact of reductions in sales promotion costs more than offset the negative impact and even the impact of the COVID-19 pandemic, so results exceeded the initial forecasts.
  - Sales of mobile devices (see following) were sluggish during April 2020 when the government declared a state of emergency, but were robust thereafter, ultimately exceeding the company's projection.
- Sales down 4.3% YoY: Despite voluntary restraint on sales activities due to the COVID-19 pandemic, unit sales of mobile phone handsets and other mobile devices grew 3.7% YoY to 846,000 (units sold to new subscribers fell 6.8% YoY to 261,000, and replacement units sold to existing subscribers rose 4.9% YoY to 584,000), due mainly to an increase in the store count (+20

YoY). In addition, sales of products other than handsets such as high-margin fiber optic services and cashless payments services were robust. In corporate sales, telework-related demand caused an increase in sales of mobile routers and PCs. However, the revised Telecommunications Business Act introduced restrictions on mobile phone handset discounts, so the average selling price of mobile devices declined, leading to a 4.3% YoY drop in sales.

▷ Operating profit up 15.5% YoY: GPM improved 1.2pp YoY to 24.6% on robust sales of services with a relatively high GPM, such as fiber optic services and cashless payment services. As a result of a lower average selling price for mobile phone handsets, the cost of sales and sales promotion expenses both declined YoY. However, sales declined by a greater percentage than SG&A expenses did, so the SG&A ratio rose 0.3pp YoY to 19.5%. In back-office departments, the company promoted working from home to help limit the spread of COVID-19. In addition, it worked quickly to boost efficiency by moving tasks, including meetings, employee training, and hiring-related tasks, online. This led to declines in transportation expenses, overtime pay, and other back-office expenses. As a result, OPM improved 0.9pp YoY to 5.1%.

▷ Annual dividend forecast of JPY170 per share (up JPY51 YoY): Based on a consolidated dividend payout ratio of 30%, the company forecasts an annual dividend of JPY170 per share (interim dividend of JPY61, year-end dividend of JPY109).

*FY12/20 forecast (announced November 6, 2020)

▷ The revised FY12/20 forecast called for sales of JPY96.0bn (-7.1% YoY), operating profit of JPY5.0bn (+14.3% YoY), recurring profit of JPY5.3bn (+21.0% YoY), and net income attributable to owners of the parent of JPY3.5bn (+15.1% YoY). The company revised all profit lines upward for the following reasons.

✓In the cumulative Q3 results (out November 6, 2020), the various profit lines were all above plan, on top of which the company anticipated robust unit sales of mobile devices from October 2020 onward.

✓Since revision of the Telecommunications Business Act, the average selling price of mobile devices has been in a downtrend, so the company left its initial sales projection unchanged.

▷ The previous (initial) FY12/20 forecast called for sales of JPY96.0bn (-7.1% YoY), operating profit of JPY4.0bn (-8.6% YoY), recurring profit of JPY4.0bn (-8.7% YoY), and net income attributable to owners of the parent of JPY2.6bn (-14.5% YoY).

✓1H FY12/20 progress versus the full-year forecast was high for all profit lines, but at that time the company left its initial forecast unchanged in consideration of the impact of voluntary restraint on activities due to the pandemic.

External environment (regulatory)

In regard to the mobile phone market, the key area of business for the company, a law to revise a portion of the Telecommunications Business Law took effect in October 2019, establishing rules to completely separate handset charges from telecommunication fees and imposing restrictions on handset discounts in order to protect the interests of mobile phone users. The three major telecom carriers launched next-generation 5G commercial services, which offer faster speeds and greater capacity, in late March 2020, primarily in some urban areas. In addition, in response to the government's call to lower mobile phone rates, the telecom carriers have reduced their telecommunication fees and announced dedicated online rate plans, resulting in fiercer competition among the carriers.

Impact of the COVID-19 pandemic and regulatory changes on mobile device sales

▷ Despite the impact of voluntary restraint on sales activities at existing stores due to the pandemic (mainly in Q2), unit sales of mobile phone handsets and other mobile devices grew 3.7% YoY to 846,000, due mainly to an increase in the store count (+20 YoY; detail follows).

- Units sold to new subscribers fell 6.8% YoY to 261,000, and replacement units sold to existing subscribers rose 4.9% YoY to 584,000.

▷ The October 2019 partial revision of the Telecommunications Business Act resulted in a lower average selling price for mobile phone handsets and reduced cashback reward expenses.

- Average selling price per unit in FY12/20 down about 15% YoY: The average price was down 15% YoY in Q1, 18% YoY in Q2, 23% YoY in Q3, and 6% YoY in Q4 (the YoY drop was smaller in Q4 because Q4 FY12/19 was already affected by the change).

- Average cashback reward expense per unit in FY12/20 down nearly 90% YoY: The average expense was down 83% YoY in Q1, 81% YoY in Q2, 70% YoY in Q3, and 6% YoY in Q4 (the YoY drop was smaller in Q4 because Q4 FY12/19 was already affected by the change).

Initiatives

- Implementing measures to prevent COVID-19 infection in accordance with the policies of the telecom carriers, the carrier stores operated by Bell-Park have remained open, since they serve as indispensable infrastructure bases. The company has focused its attention on promoting a shift to 4G services as 3G services come to an end, selling 5G compatible smartphones, and providing a variety of services, including student discounts, fiber-optic internet services, electric power services, and cashless payments. At the same time, it has sought to improve its operational efficiency by concentrating its stores within certain areas to improve its dominant position.
  - With greater telework-related demand, the company increased SoftBank Air high-speed communication device sales and contracts by more than 20% YoY.
  - Areas with access to SoftBank's retail electric power service increased in Hokuriku and Kyushu, and the number of contracts the company handled grew YoY.
  - With the government's cashless payment promotion and consumer reward program creating a tailwind, the number of PayPay contracts also grew YoY.

Store count

The company operated a total of 363 carrier stores at end-December 2020 (343 at end-December 2019; 364 at end-September 2020). Stores that the company manages were as follows:

- SoftBank: 304 stores (297 at end-December 2019; 305 at end-September 2020)
- NTT Docomo: 8 stores (unchanged)
- au: 7 stores (unchanged)
- Y!mobile: 44 stores (30 at end-December 2019; 44 at end-September 2020)

Of the 363 stores, 298 were directly operated and 65 were franchises.

- The company had seven more SoftBank stores and 14 more Y!mobile stores, but one fewer UQ Spot store than at end-FY12/19. The number of NTT Docomo and au stores in operation did not change. It had 17 more directly operated stores and three more franchise stores than at end-FY12/19.

- The company had one less SoftBank store than at end-September 2020. The number of NTT Docomo, au, and Y!mobile stores in operation did not change.

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

Full-year company forecast

	FY12/19			FY12/20			FY12/21		
(JPYmn)	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.
Sales	**51,379**	**51,925**	**103,304**	**47,406**	**51,437**	**98,843**	**45,000**	**44,000**	**89,000**
YoY	6.2%	4.4%	5.3%	-7.7%	-0.9%	-4.3%	-5.1%	-14.5%	-10.0%
Cost of sales	39,114	40,023	79,138	35,040	39,454	74,493			
Gross profit	**12,264**	**11,901**	**24,166**	**12,366**	**11,983**	**24,350**			
YoY	26.0%	16.2%	21.0%	0.8%	0.7%	0.8%			
GPM	23.9%	22.9%	23.4%	26.1%	23.3%	24.6%			
SG&A expenses	**9,900**	9,891	19,790	**8,945**	10,352	19,297			
SG&A ratio	19.3%	19.0%	19.2%	18.9%	20.1%	19.5%			
Operating profit	**2,365**	**2,011**	**4,376**	**3,421**	**1,632**	**5,053**	**2,300**	**2,200**	**4,500**
YoY	24.6%	51.1%	35.5%	44.7%	-18.9%	15.5%	-32.8%	34.8%	-10.9%
OPM	4.6%	3.9%	4.2%	7.2%	3.2%	5.1%	5.1%	5.0%	5.1%
Recurring profit	**2,380**	**1,999**	**4,379**	**3,431**	**1,917**	**5,348**	**2,300**	**2,200**	**4,500**
YoY	24.5%	48.7%	34.5%	44.1%	-4.1%	22.1%	-33.0%	14.7%	-15.9%
RPM	4.6%	3.8%	4.2%	7.2%	3.7%	5.4%	5.1%	5.0%	5.1%
Net income	**1,601**	**1,439**	**3,041**	**2,369**	**1,252**	**3,620**	**1,500**	**1,400**	**2,900**
YoY	27.1%	68.3%	43.7%	47.9%	-13.0%	19.1%	-36.7%	11.8%	-19.9%

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 in FY12/14.

Overview

▷ For FY12/21, Bell-Park forecasts consolidated sales of JPY89.0bn (-10.0% YoY), operating profit of JPY4.5bn (-10.9% YoY), recurring profit of JPY4.5bn (-15.9% YoY), and net income attributable to owners of the parent of JPY2.9bn (-19.9% YoY).

▷ Assumptions underlying the company's forecast are as follows.

- Uncertainty regarding the Japanese economy is expected to continue despite ongoing measures to prevent the spread of COVID-19 both inside and outside Japan, but there is hope of steady recovery once a vaccination program is rolled out.
- Bell-Park anticipates significant change in the business environment for sales of mobile phone handsets and other mobile devices (refer to the Telecom carrier trends section hereinafter).
- The company will work to improve the consulting skills of its store staff, making them better able to understand how customers are using their handsets so that they can propose the most suitable fee plans and services offered by the various telecom carriers.
- It will also continue its efforts to improve profitability over the long term by increasing the efficiency of store operations through the promotion of a dominant store network, renovating or relocating stores to attract more customers, and further improving efficiency in back-office departments.
- In FY12/21, Bell-Park aims to sell some 850,000 (+0.4% YoY) mobile phone handsets and other mobile devices, taking into account the increase in store count achieved during 2020.

▷ The FY12/21 dividend forecast is JPY136 per share (interim dividend JPY68, year-end dividend JPY68), representing a dividend payout ratio of at least 30% (FY12/20 dividend was JPY170 per share (interim dividend JPY61, year-end dividend JPY109).

Forecast assumptions

▷ In FY12/21, Bell-Park expects negative factors affecting sales and profits to outweigh positive factors. The forecast incorporates a possible decline in customer visits to existing stores.

▷ The following positive factors are likely to affect sales and profits.

- The company expects growth in unit sales at stores opened in FY12/20 and plans to continue opening stores in FY12/21.
- It aims to increase unit sales in the corporate sales business by adding staff.

- It expects unit sales will recover from the decline caused by voluntary restraint on sales activities during the government's emergency declaration in April–May 2020 (actual monthly sales improved YoY in January 2021).
- Cost control: The company will continue to keep costs under control through improved operational efficiency in back-office departments.

▷ The following negative factors are likely to affect sales and profit.

- Although Bell-Park projects a slight increase in unit sales (+0.4% YoY), a drop in the average selling price per unit and lower telecommunication fees will reduce average revenue per user (ARPU).
- Starting in April 2021, it is possible there will be fewer customers visiting carrier stores due to the introduction of special fee plans* for online applications.
- Cost increase: The company expects SG&A expenses to increase due to the higher store count and IT security measure enhancement.

* From March 2021 onward, the three major mobile telecom carriers will introduce special fee plans for online applications. The plans are SoftBank's LINEMO, NTT Docomo's ahamo, and au's povo. When a contract is concluded online with no store support, these plans cost less than conventional ones for the same data volume, with no carrier email or family discount. All three carriers offer 20GB of data usage per month (medium-range data offering) at less than JPY3,000 (LINMO and povo charge JPY2,480 per month excluding tax, with an additional JPY500 per month excluding tax for a calling option, although LINMO charges nothing for the calling option during the first year; ahamo charges JPY2,700 per month excluding tax with calling included). These plans mainly target users in their 20s who grew up using smartphones (although there is no age limit). In addition, Rakuten Mobile will begin offering a new fee plan in April 2021.

Telecom carrier trends and company response

▷ The following are the company's views on mobile telecom carrier trends and its response to these trends.

- Under the administration of Prime Minister Suga, the government has called strongly for lower mobile phone fees. As a result, mobile telecom carriers have been introducing attractive plans, and telecommunication fees have been falling.
- With four major carriers now offering fee plans exclusively for online applications, Bell-Park understands that fewer customers may visit carrier stores and that a decline in stock commissions is inevitable.
- The business environment has become more difficult for subscription agencies. Carrier stores must work harder to improve their skills and customer satisfaction.
- The emergence of a variety of 5G services has created an environment more conducive to providing customers diverse and optimal services (in December 2020, 5G handsets accounted for nearly 60% of the company's unit sales).

Growth initiatives

Steady growth in communication device sales

Carrier stores

▷ The company has some 2,100 staff members working at stores as of February 2021. In FY12/20, the turnover rate stabilized at a relatively low level as the pandemic cooled the job market. Bell-Park has established an online training system and intends to strengthen its human resource development and hiring of talented people.

▷ As it is difficult to control subscription agencies in remote areas, the company employed the method of switching stores between agencies in FY12/19 and FY12/20 and plans to continue using this method to improve the efficiency of store operations.

▷ It will also steadily pursue investment in stores (for relocating and renovating stores and for expanding its store network through suitable investment).

Corporate sales

- In FY12/20, Bell-Park recorded record profit in the corporate sales business. The company thinks there will be opportunities to expand corporate sales due to telework-related demand and 5G response. It will work to win new corporate customers and build new related services revolving around mobile phone handsets and PCs.

Building new earnings drivers

- The company will work on developing matchmaking support services; planning, import, and wholesaling of IoT devices; and a job placement service for people in their 40s, 50s, and 60s.
- It plans to create and expand businesses related to its existing businesses that can serve as new earnings drivers, taking advantage of M&A as appropriate.

Ongoing countermeasures against COVID-19

- Bell-Park is ensuring that proper measures are conducted at carrier stores, including checking customers' temperatures, having staff wear masks and goggles, and installing acrylic partitions to provide a virus barrier when staff are providing customer service. It is also conducting periodic PCR testing of staff.
- At the head office and business offices, the company encourages telework (some departments excepted) and has moved most meetings, business negotiations, recruiting sessions, interviews, and training online.
- It conducts weekly health status questionnaires for all employees using a smartphone app.

Social contribution through business activities

- Children's 110 Stores: To help ensure that local children can safely get to school and back home, six of the stores operated by the company in Aichi Prefecture are registered as "Children's 110 Stores" (where children can shelter if something happens; 110 is the telephone number for the police in Japan so it is a symbol of safety).
- Handset recycling: In support of the recycling activities of the telecom carriers and the Mobile phone Recycling Network (MRN), the company collects used handsets at the carrier stores it operates. Some stores present people who cooperate with recycling efforts with eco-friendly shopping bags printed with an original logo.

Management strategy

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, resulting in partial revision of the Telecommunications Business Act in October 2019. Given these trends and the impending diffusion of new technologies, such as 5G and IoT, Bell-Park expects carrier stores to move away from simply selling handsets to serving as the coordinator that brings these new technologies to customers. 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, 5G frequency bands were assigned in April 2019. Thereafter, 4G frequency bands were also approved for use under 5G. Following the field trials and events scheduled during 2019, the commercial 5G services started 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.

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 secure a consolidated dividend payout ratio of at least 30%.

Steady growth in the communication device sales business

- To continue receiving high evaluations from its customers and telecom carrier partners, Bell-Park will work to enhance in-store staff's consultation skills and improve store operating efficiency while also renovating its stores to make them more comfortable and convenient for customers and, when necessary, relocating to better locations.
- The company will continue to use M&A and new store openings to expand its network with profitable stores by keeping related spending at levels that ensure a sound return on investment.

Business portfolio expansion

Bell-Park plans to expand its business portfolio by further developing the skills of employees trained in existing businesses, conducting M&A in other business areas that will be able to utilize the store management expertise accumulated through existing store operations, and forming a special new business development team tasked with developing new IoT products and services.

Consolidated dividend payout ratio of at least 30%

Bell-Park has positioned shareholder returns as one of management's most important objectives. Management is targeting a payout ratio of at least 30% from FY12/21 onward.

Focus areas

Bell-Park understands that the following four areas need management's attention.

Steady growth in the communication device sales business

- The number of handsets sold at Bell-Park group carrier stores are in a downward trend owing to the changing business environment, including the new rules imposed by the Ministry of Internal Affairs and Communications (MIC). However, the company thinks these stores are gradually evolving toward revenue generation not just by selling handsets but by providing individuals and families with a range of products and services, including mobile phones, wearable devices, fiber-optic internet services, electric power services, and electronic payments.
- As 5G, IoT and other new technologies come into greater use, Bell-Park expects its carrier shops will increasingly assume the role of a coordinator that connects customers with these cutting-edge technologies.
- To achieve steady growth of the Bell-Park group, management is focused on responding quickly to changes in the market environment, earning high evaluations from customers, and expanding its store network in prime locations that will generate high profit margins.
- To continue earning high evaluations from its customers, the Bell-Park group will constantly enhance in-store staff's consultation skills, improve store operating efficiency, renovate its stores to make them more comfortable and convenient for customers, and, when necessary, relocate stores to locations that have stronger customer drawing power.
- The company will continue to expand its network with profitable stores by using M&A and new store openings, while keeping related spending at levels that ensure a sound return on investment.

Building a broader business portfolio

- The Bell-Park group intends to build a more diversified business portfolio. In addition to its recent entry into such new businesses as matchmaking support services and the planning, import, and wholesale IoT devices, the company now is considering moving into personnel-related services and other yet untapped business domains.
- It is also considering entering areas where it can leverage the personnel development and store-operation knowhow accumulated through its current business activities.

Recruiting and developing human resources

- The Bell-Park group vision is to "Become a corporate group that uses highly trained people and innovative services for long-term growth." The company thinks the hiring, training and growth of its employees lead to the development of new services and are essential to sustaining the group's growth over the long term.
- Accordingly, the group intends to pay thorough attention to employees' mental health, satisfaction with their working environment and other conditions, and implement work-style reforms that will promote the growth of its employees over the long term.
- Bell-Park employees conduct their duties on the basis of a core value installed by management that each employee should believe in their own potential and keep challenging themselves, with the knowledge that successes and failures both will lead to individual and corporate growth. Management is dedicated to the further promotion of this Bell-Park corporate culture.
- The company will engage in personnel development as a means to achieving the long-term growth of the Bell-Park group.

Sustainability initiatives, such as environment, social and governance (ESG) measures

- Another core group value is to achieve mutual prosperity with all the group's stakeholders, including customers, employees, business partners, shareholders and local communities. Accordingly, the group has positioned initiatives to help realize a sustainable society as an important management priority.
- To achieve a proper balance between sustainable growth of the group and contributions to realizing a sustainable society, the Bell-Park group is planning to implement appropriate measures in all areas related to ESG.

Shared Research's perspective

- Shared Research recognizes that mobile 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 mobile telecom carriers will continue to depend on distributers for subscription and handset sales. In addition to communication services, mobile 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 mobile virtual network operators (MVNOs), which have a sales model that does not depend on physical stores.
- The number of carrier stores is likely to shrink (but stores are expected to grow larger), although not to a 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 mobile telecom carriers pay to subscription agencies. This is because when these 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.
- Since the beginning of 2021, major mobile telecom carriers have launched their own special fee plans for use when subscribers apply online, and this is proving to be a headwind to subscription agencies. However, there are still plenty of mobile phone users, such as the elderly, who lack IT literacy or who simply do not want to deal with the trouble of applying online. As mobile telecom carriers work to expand their economic sphere by providing additional services, such as payment-related services, there are still many users who rely on subscription agencies. Against a backdrop of intensifying competition and business succession issues, Bell-Park expects to see consolidation among its peers, but if it can absorb staff leaving other companies to expand its own scale, it can enjoy the benefits of being a survivor in the medium to long term.

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 stores 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-FY12/20, the company operated a total of 363 carrier stores (versus 343 stores at end-FY12/19, 319 at end-FY12/18), including 304 SoftBank stores (versus 297 stores at end-FY12/19, 285 at end-FY12/18), eight NTT Docomo stores (unchanged, unchanged), seven au stores (unchanged, unchanged), and 44 Y!mobile stores (30, 18).

SoftBank Shinjuku

SoftBank Nitori Mall Hirakata

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.
- 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.

Sales commission structure

- Mobile telecom carriers pay subscription agencies sales commissions, which are determined based on various conditions. Shared Research understands the agency contract between SoftBank and Bell-Park is renewed once a year but commissions are reviewed as necessary.
- Commissions are controlled by several factors and complex rules, including the type of handset being purchased; whether the sale is to new subscribers or to existing customers seeking replacement handsets; customer satisfaction; operating performance; and competition among telecom carriers.
- **Purchased handsets**: Carriers pay higher commissions for handsets that may help attract new subscribers, or when they wish to reduce 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 recoup sales commissions in the form of telecommunication 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 agencies 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. Carrier stores use a large portion of the increased sales commissions to cover rebates to the customers.
- **Other intermediate commissions**: The mobile phone operators each have implemented various measures to increase added value and prevent termination of service contracts. 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 subscription agencies.

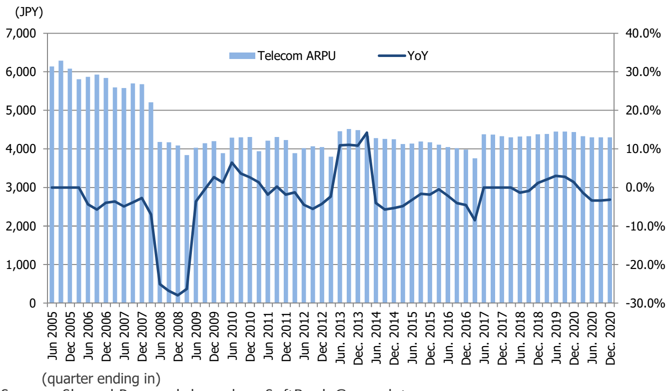
Stock commissions

- 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).

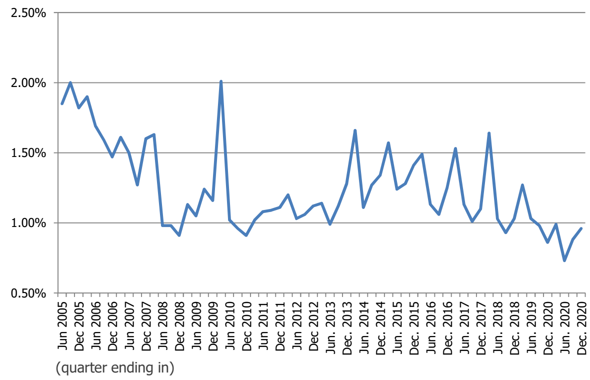
▷ While Bell-Park does not disclose its churn rate, the average churn rate for SoftBank contracts was 0.89% in FY12/20 (versus 1.04% in FY12/19; source: Shared Research calculation based on SoftBank data). SoftBank operates three brands with different features: SoftBank, Y!mobile, and LINE Mobile. Each 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. In October–December 2020 the smartphone churn rate was 0.64% (0.53% in October–December 2019). 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. Telecom ARPU had been declining since Q2 2014 (April–June) but in October–December 2018 it turned up slightly, rising 1.2% YoY. Thereafter, ARPU rose 2.1% in Q1 2019 (January–March), 3.0% in Q2 (April–June), 2.8% in Q3 (July–September), and 1.4% in Q4 (October–December). However, it then fell 1.4% in Q1 2020 (January–March), 3.4% in Q2 (April–June), 3.4% in Q3 (July–September), and 3.2% in Q4 (October–December). This downward trend is the result of plans that separate handset charges from telecommunication fees and changes in the way telecommunication fee discounts are recorded following revision of the Telecommunications Business Act.

KPI for mobile business of SoftBank

Telecom ARPU and YoY change



Churn rate



Source: Shared Research based on SoftBank Corp. data
Note: ARPU breakdown not disclosed from FY03/15.
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 telecommunication 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 telecom 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.

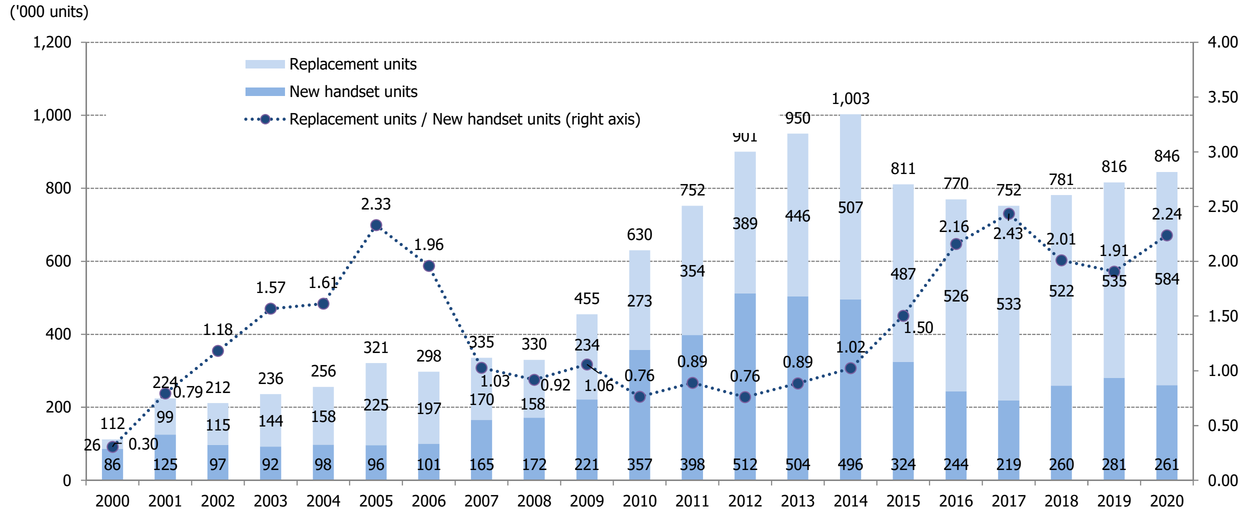
Factors that affect revenue

▷ 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 is about 18% (average from FY12/16 through FY12/20). Personnel expenses have been the largest component, at about 56% 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 14% of SG&A expenses) and advertising and sales promotion expenses (about 11%). It is Shared Research's understanding that part of the commissions paid to subscription agencies is used for sales promotion such as cashback deals.

Bell-Park handset sales volume



Source: Shared Research based on company data

- New customers have been accounting for a smaller share of mobile handset sales since 2016 than they did in 2010–2014 (as shown in the above graph).
- Since FY12/16, major changes have occurred in sales methods for mobile phones. The legacy business model involved generous cashback 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 cashback offers through passing on sales commissions was a factor that obstructed fair competition among carriers, and formulated guidelines limiting excessive discounting on mobile devices.
- The October 2019 revision to the Telecommunications Business Act has banned discounts on new handset sales conditioned upon users fulfilling the full length of their service contract and capped discounts at the time of entering into a new contract to JPY20,000.

Profitability snapshot and financial ratios

Profit margins (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 Cons.	FY12/20 Cons.
Operating profit	3,576	2,905	2,850	3,122	3,240	2,370	3,212	2,846	3,151	3,229	4,376	5,053
OPM	7.6%	4.8%	4.0%	4.2%	3.8%	2.6%	3.6%	3.2%	3.5%	3.3%	4.2%	5.1%
EBITDA	3,787	3,126	3,095	3,375	3,526	2,762	3,561	3,206	3,476	3,581	4,803	5,549
EBITDA margin	8.1%	5.2%	4.4%	4.5%	4.2%	3.0%	4.0%	3.6%	3.9%	3.7%	4.6%	5.6%
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%	10.6%	11.9%
ROE	29.7%	18.5%	14.4%	15.3%	14.3%	9.4%	11.6%	9.7%	11.7%	10.3%	13.4%	14.3%
Total asset turnover	3.2	3.4	3.5	3.4	3.7	3.6	3.2	2.8	2.4	2.5	2.5	2.2
Inventory turnover	16.0	15.7	17.9	16.5	14.1	13.7	13.4	14.1	12.4	10.5	11.6	12.9
Days in inventory	22.8	23.2	20.4	22.1	25.8	26.6	27.3	25.9	29.5	34.9	31.4	28.3
Working capital	3,626	3,873	4,119	5,952	6,864	6,633	6,285	6,867	7,314	9,879	6,881	8,052
Current ratio	192.9%	206.7%	186.6%	217.0%	216.3%	203.4%	203.3%	296.0%	268.7%	288.0%	272.4%	213.0%
Quick ratio	150.3%	156.9%	153.0%	163.3%	156.8%	149.9%	157.9%	244.0%	213.4%	214.5%	231.1%	177.4%
OCF / Current liabilities	13.0%	34.9%	9.4%	22.6%	4.6%	15.3%	17.0%	26.1%	8.7%	16.0%	-1.3%	52.1%
Net debt / Equity	-53.9%	-50.7%	-58.2%	-50.7%	-50.2%	-48.9%	-60.7%	-57.0%	-58.3%	-46.2%	-68.4%	-63.9%
OCF / Total liabilities	30.8%	10.0%	19.5%	4.7%	15.7%	17.6%	22.1%	6.3%	10.6%	-1.0%	43.6%	12.3%
Cash conversion cycle (days)	21.2	19.8	16.7	21.0	26.0	24.6	22.2	22.8	25.4	29.5	26.7	22.9
Change in working capital	998	247	246	1,833	912	-231	-348	582	447	2,565	-2,998	1,171

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 (3.7% in FY12/20 versus 2.7% for T-Gaia in FY03/20). Through 2019, T-Gaia generally maintained higher ROE and ROA. However, in FY12/20, the company's ROA surpassed T-Gaia's (see the following table).

ROE DuPont analysis	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20	FY03/17	FY03/18	FY03/19	FY03/20
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	T-Gaia (3738)			
Net margin (A)	2.0%	1.8%	2.5%	2.2%	2.9%	3.7%	1.8%	1.8%	2.6%	2.7%
Asset turnover (B)	3.17	2.79	2.45	2.53	2.50	2.20	6.84	4.70	3.11	2.63
Total assets / Shareholders' equity (C)	1.82	1.87	1.93	1.90	1.83	1.78	2.47	3.57	4.07	3.54
ROA (A x B)	6.3%	5.1%	6.0%	5.4%	7.4%	8.0%	12.0%	8.6%	8.2%	7.0%
ROE (A x B x C)	11.5%	9.6%	11.6%	10.3%	13.4%	14.3%	29.7%	30.9%	33.3%	24.8%

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

Strengths and weaknesses

Strengths

- **Skills of in-store staff.** The ability to explain to customers the services provided by mobile carriers and how to use mobile phones is more important than ever before. According to the company, the staff at its carrier stores not only have strong consulting skills but also excel in hospitality. Staff with a combination of knowledge and soft service skills is a major competitive advantage for Bell-Park carrier stores. Bell-Park has also demonstrated its ability to transfer these hard and soft skills to staff at the carrier stores it has acquired, which would allow it to reap the fruit of business successions in the event of further market consolidation.

Enhancing skills of in-store staff**:** Bell-Park says its carrier stores are not simple outlets for the sale of mobile handsets. The company is increasingly using these stores to expand its agency business into other lifestyle infrastructure services, such as optical-fiber internet and electric power services. In the future, carrier stores will increasingly become the contact point for promoting various lifestyle infrastructure services provided by mobile telecom carriers and to help spread the latest technologies, such as 5G and IoT. This expansion of the range of services introduced to customers at Bell-Park carrier stores is requiring in-store staff to raise their own knowledge and skill levels.

Differentiating through training and research**:** The company maintains that its future performance will depend on the level of customer satisfaction and consulting skills demonstrated at its stores. Accordingly, it pushes staff training and has created a large-scale training center (accommodating about 200 people) and a specialized training team. It uses SoftBank staff certificate exams to raise the skill set of its employees. The certification levels break down into executive store director (highest level), store director, store expert, chief advisor, and advisor. We understand the passing rates of the company's staff and the share of staff with the highest-level certification are higher than those of other SoftBank stores.

Bell-Park employees took first and third place at the recent Customer Service No. 1 Grand Prix 2019 hosted by Softbank in February 2020. Company employees have finished in the top three in this competition every year (1st and 2nd place in 2015, 1st and 3rd in 2016, 2nd and 3rd in 2017, and two employees tied for 1st in 2018), further evidence of Bell-Park in-store staff's outstanding customer service skills. Personnel training programs have helped improve customer satisfaction, enabling Bell-Park operated SoftBank carrier stores to achieve higher scores on the NPS customer loyalty index than Softbank stores operated by other companies.

- **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 brand and prime store locations**. 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 in future business expansion. 80% of Bell-Park's store network is based in the Kanto, Tokai, and Kansai regions. We understand the company also is effectively using its management resources to build a highly profitable store network.

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 subscription agencies (including handset costs) and depreciation related to capex. They may thus review their existing commission structures. Changes such as diversification of sales methods and sales channels, including the spread of online sales, will warrant attention.
- **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 stores with other carriers, but as of end-December 2019, around 90% of its carrier stores were under the SoftBank brand.

Supplementary information

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, SoftBank stores were operated by Bell-Park (304 at end-December 2020, 297 at end-December 2019, 285 at end-December 2018, 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 846,000 devices (for all carriers) in FY12/20, equivalent to 9.2% of the 9,168,000 units shipped by SoftBank during the same period (calculated by Shared Research based on data from SoftBank). 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.

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

Market scale

- According to industry trend research company Gyokai Doko Search, the market size of the Japanese mobile phone retailing industry in 2019–2020 (total sales of 11 majors) was JPY831bn (-3.9% YoY). The top subscription agency (distributor) was T-Gaia Corp. (TSE1: 3738) with total sales of JPY474.2bn (mobile business and solution business combined; FY03/20). Second was Conexio Corp. (TSE1: 9422) with sales of JPY209.0bn (FY03/20), followed by Bell-Park in third place with sales of JPY103.3bn (FY12/19). Hikari Tsushin came in fourth with sales of JPY87.3bn (shop business: FY03/19; no figure was available for FY03/20 due to a change in reporting segments). These four majors accounted for about 90% of total industry sales (12 companies), indicating the oligopolistic market conditions continue.
- According to Baseconnect, an online knowledge engine that enables searches of data from hundreds of thousands of Japanese companies and businesses, Japan had 2,293 mobile phone subscription agencies (based on searchable result) as of end-February 2020. According to the Ministry of Internal Affairs and Communications (MIC), the number of stores operated by subscription agencies exceeded 16,000 (source: interviews with members of MIC's working group for reviewing and strengthening rules for protection of consumers). There are thought to be about 8,000 primary distributors and about 7,000 secondary distributors, with many of them being small and medium-sized businesses. We understand these companies create acquisition opportunities for larger players as aging business owners seek a successor for their business.

Mobile phone shipments in Japan

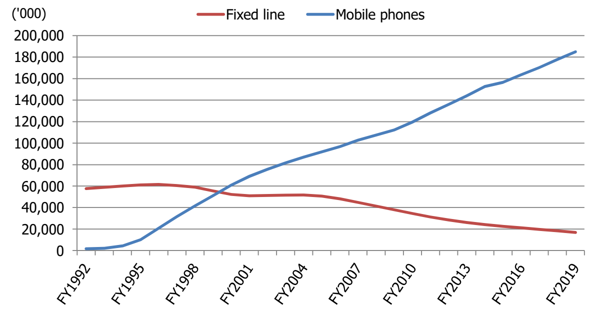
- According to MM Research Institute data, shipments of mobile phones in Japan in FY2019 (From April 2019 to March 2020) totaled 31.3mn units (-9.6% YoY). Smartphones accounted for 28.0mn of this total (-8.5% YoY), for an 89.7% of all mobile phones (+1.1pp YoY). SIM-free smartphone shipments rose 0.5% YoY to 3.0mn units and accounted for 10.5% of all smartphone shipments (+0.7pp YoY), a new record. MM Research attributes the low FY2019 shipment volumes mainly to the impact of new fee plans following the partial revision of the Telecommunications Business Act. The hike in the consumption tax rate to 10% also weighed on unit sales in FY2019. There was a significant drop in the number of customers changing carriers due to a new cap on handset discounts and other corrective measures to limit sales methods that treated new acquisitions too preferentially. In addition, even at end-FY2019 before the Japanese government declared a state of emergency, the COVID-19 outbreak had begun to affect both supply and demand.
- From January to December 2020, domestic shipments of mobile phones totaled 26.9mn units (-13.9% YoY). Smartphones accounted for 24.1mn of that total (-14.0% YoY), for an 89.6% of all mobile phone shipments.

Mobile phone subscribers

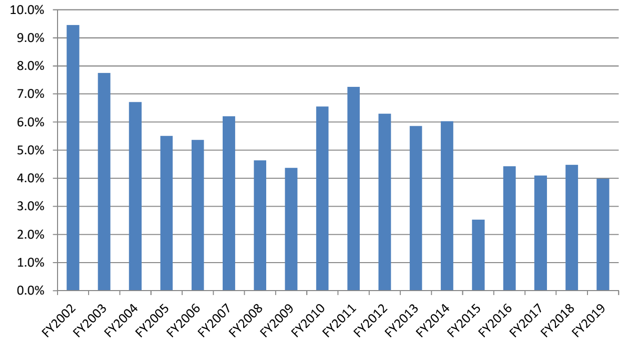
- The mobile phone market in Japan is saturated. Comparing mobile phone subscriptions to the total Japanese population, the market penetration rate is about 148% as of end-December 2020 (source: Shared Research based on data from the Ministry of Internal Affairs and Communication and the Telecommunications 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 increased, the introduction of smartphones from 2010 onward provided additional fuel for growth. The increase flattened once again in 2013, but returned to nearly 6% in 2014. The growth rate is trending downward again, however, due to a rising smartphone penetration rate and changing regulatory climate.

Subscriptions



Mobile phone subscription growth (year-on-year)

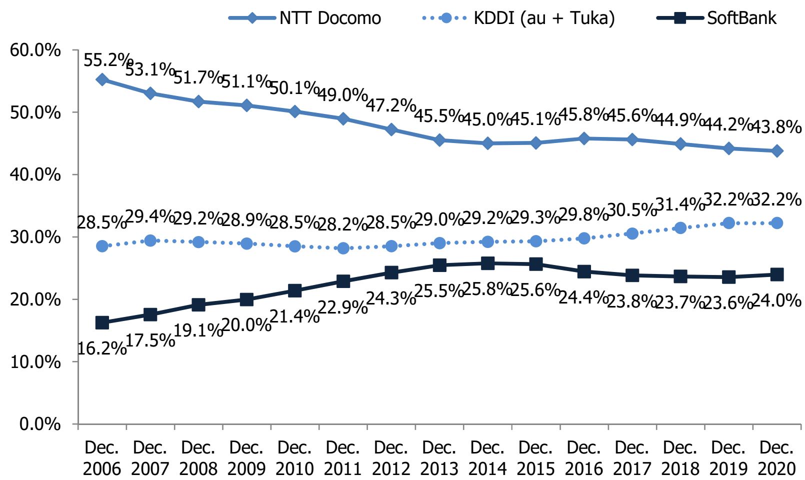


Source: Shared Research based on Ministry of Internal Affairs and Communications

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.

Subscriber share by carrier



Source: Shared Research based on Telecommunications Carriers Association

Market growth

- Mobile phone subscriber data suggests that mobile phone diffusion in Japan has expanding rapidly, with the number of handsets now greater than the Japanese population. Legacy business models revolved around methods to capture as many MNP customers as possible, as the commissions provided for these clients were the most attractive. However, under the guidance of the Ministry of Internal Affairs and Communications, carriers and began revising sales methods from the spring of 2016, eventually completely separating handset costs from telecommunication fees in October 2019. 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.
- On the other hand, the launch of 5G networks capable of faster transmission of large data volumes and advanced handset functions will likely lead to demand growth for mobile phones. The spread of smartphones has required carrier store staff to know about the devices, creating a more stressful working condition. Shared Research believes this has caused staff turnover rates to rise above those typical in other industries. The ability to secure talented staff is therefore a key to providing high-quality service to store customers.

Reorganization and integration of major subscription agencies

Over the years, changes in the market environment have led to reorganizations and integration of major subscription agencies, as shown below.

- 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 acquired 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
- March 2019: T-Gaia made call center operator PC Technology Co., Ltd., a wholly owned subsidiary.
- July 2019: T-Gaia made software developer Popular-Soft Co., Ltd., a subsidiary.
- March 2020: T-Gaia made network system consultancy Infinity Communication Co., Ltd., a wholly owned subsidiary.
- November 2020: T-Gaia took over Fujitsu Personal System Limited, a primary distributor for NTT Docomo, from its parent Fujitsu Limited.

Regulations

Subscription agency work for telecom carriers is subject to various laws and regulations, such as the Telecommunications Business Act, as well as ordinances and guidelines that govern their corporate activities. These laws and regulations cover a wide range of subjects, including the environment, fair competition, consumer protection, the protection of personal information, labor issues, and taxes. We limit our discussion to the main changes shown below.

- Telecommunications Business Act: A partial revision to the Telecommunications Business Act (Act No. 86 of 1984) went into effect in October 2019 (after being approved by the National Diet in May 2019). The revision includes provisions requiring the complete separation of handset pricing from telecommunication fees, banning excessive lock-in periods, and introducing a notification system for subscription agencies.
    - Complete separation of handset pricing and telecommunication fees: This provision prohibits offering more attractive telecommunication fees contingent upon the purchase of a new handset. It also prohibits the provision of certain economic benefits upon sale of handsets to users of telecom services (defined by an ordinance of the Ministry of Internal Affairs and Communications). Specifically, the provision of economic benefits on the condition of continuous use of telecommunication services or the purchase of new handsets has been prohibited. Economic benefit in excess of JPY20,000 (pre-tax) provided to customers contracting for telecommunications services and the purchase of a new handset have also been prohibited. The regulation allows for exceptions in some cases, including the sale of low-cost devices, switch to a new handset due to the termination of service plans based on an old communication standard, and clearance sales of old handset inventories.
    - Banning the excessive lock-in periods: Contract lengths are limited to two years (excluding contracts with no penalties for early cancellation). The maximum penalty for early cancellation is limited to JPY1,000 (pre-tax). Maximum monthly fee difference between contracts with and without length restrictions is limited to JPY170.
    - Notification system for subscription agencies: The notification system is intended notify subscription agencies of inappropriate business practices and demand remedial measures be taken.
- Telecommunications Business Act's guidelines for rules to ensure consumer protection: The revision of the Telecommunications Business Act enacted in October 2019 also expanded the list of prohibited acts related to the solicitation of contracts for telecommunications services and implemented a system requiring business operators, including intermediary sales agents, submit notifications. The related guidelines were revised in September 2019.
- Guidelines for ensuring smooth distribution and use of mobile handsets: Revisions made in November 2019 require telecom carriers to release the SIM lock on devices sold via installment sales immediately starting April 2020.

*Background to SIM card release: SIM locks are used by mobile telecom carriers to allow the use of a mobile device on their network only with the use of a carrier-specific SIM card (Subscriber Identity Module card is an IC card issued by a mobile telecom carrier to allow use of its communication network). In September 2007, a Mobile Business Study Group report made the first proposal to considering legally requiring that SIM cards be unlocked. The "Guidelines for Ensuring Smooth Distribution and Use of Mobile Devices" (January 10, 2018) clarified the policy of requiring SIM cards be unlocked to make it possible for users to use their current devices even when switching carriers, thus lowering switching costs. These guidelines were revised on November 22, 2019, to (1) require immediate unlocking of SIM locks after completion of credit verification within 100 days of purchase on an installment payment plans, and (2) make unlocking of SIM lock free, in principle, and (3) require online processing of used mobile devices. (1) and (2) were made available to users without a telecom service contract from November 22, 2019, and to those with contracts from April 6, 2020; (3) will take effect from October 1, 2020.

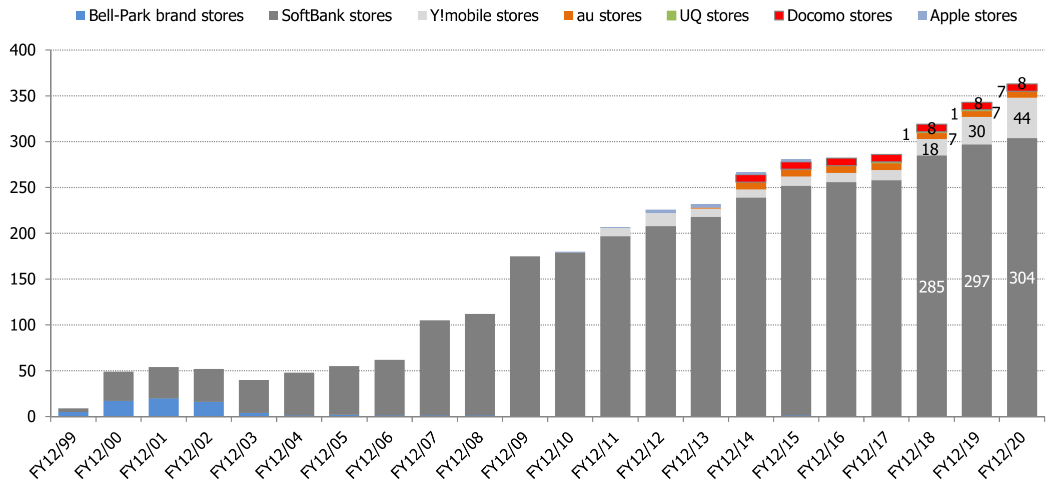
Sales channels

Bell-Park basically has two sales channels.

Carrier stores

- Carrier stores have been the main sales channel for Bell-Park. Of the 363 stores (directly operated and franchises) as of end-FY12/20, directly run stores accounted for 82% of the total at 298 outlets, up 17 YoY. The number of franchise stores grew by three YoY.
- Of the 363 total stores (+20 YoY), 304 (+seven) were SoftBank stores, eight (unchanged) were NTT Docomo stores, seven were au stores (unchanged), and 44 (+14) were Y!mobile stores.
- The mainstay SoftBank carrier stores directly operated by Bell-Park totaled 246 (+seven YoY), and about 70% of these were dual brand stores that also handled Y!mobile products and services.

Store network



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

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 sales team and its directly run stores.
- It increased staffing in FY12/19 and again in FY12/20 in preparation for future growth of this channel.

Suppliers

- Japan's three major carriers —NTT Docomo, KDDI (under the "au" brand), and SoftBank—collectively control over 90% of the mobile communications market. The relative share controlled by each of the big three has changed over the past decade, with NTT Docomo's share generally trending downward, although its share has been rebounding recently on an increase in lease lines to MVNO operators. Since 2015, share fluctuations have diminished, reflecting the increasingly similar quality of service offered by the three companies (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 telecom carriers. Each company's target store counts could limit new entrants.

Existing mobile phone distributors, like Bell-Park, have already established nationwide networks 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.

Competition

Bell-Park's direct competition include other companies that operate SoftBank-branded stores, 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 stores:

- 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 store 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 stores, 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 NTT Docomo stores. 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 stores 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 stores

Other competitors (MVNO)

Another source of competition are the MVNOs, companies that provide mobile services under their own brand by leasing the communication networks of major carriers such as NTT Docomo. The Ministry of Internal Affairs and Communications' policy of promoting competition in the telecommunications industry has led a range of companies to enter the market as MVNOs. These operators are acquiring subscribers through atypical sales channels, including online sales and collaboration with major supermarkets. MVNOs' market share is only about 8% (as of the end-September 2019). However, the November 2019 revision of the "Guidelines for Ensuring Smooth Distribution and Use of Mobile Devices" will require mobile telecom carriers to immediately unlock the SIM cards on mobile handsets sold on installment sales plans from April 2020. If this stimulates the market for used devices, greater competition from MVNOs could emerge over the longer term.

Alternatives

There are few alternatives to retail stores, but from March 2021 onward, the major mobile telecom carriers are introducing special plans for cases where customers use online applications. However, these plans differ from other services in that they mainly target users in their 20s who grew up using smartphones and who want middle-range data plans (20GB per month). The company will need to keep a close eye on changes in sales methods and channels, such as the spread of online sales.

Historical financial statements

Cumulative Q3 FY12/20 results (out November 6, 2020)

- ▷ In cumulative Q3 FY12/20, Bell-Park reported sales of JPY71.3bn (-7.3% YoY), operating profit of JPY4.5bn (+36.9% YoY), recurring profit of JPY4.5bn (+36.6% YoY), and net income attributable to owners of the parent of JPY3.1bn (+39.7% YoY).
- ▷ Full-year FY12/20 forecast: Cumulative results in Q3 were strong, and all profit lines exceeded projections in the company's FY12/20 forecast. Accordingly, the company revised profit projections in its FY12/20 forecast upward when it released Q3 financial results*.
- ▷ Progress versus forecast: Against revised full-year FY12/20 forecast (out November 6, 2020), sales reached 74.3% of the target (cumulative Q3 FY12/19 sales were at 74.5% of FY12/19 results), operating profit 90.1% (75.2%), recurring profit 85.5% (75.8%), and net income attributable to owners of the parent 88.7% (73.1%).
- ▷ Sales down 7.3% YoY: Cumulative Q3 unit sales of mobile phone handsets and other mobile devices grew YoY. Despite the impact of voluntary restraint in marketing due to the COVID-19 pandemic, unit sales grew on an increase in number of stores. Sales of products other than handsets such as high-margin fiber optic services and cashless payment services were solid. However, amid restrictions on discounting handsets under the revised Telecommunications Business Act, promotion expenses declined YoY and the share in sales of affordably priced handsets increased, so sales declined YoY.
- ▷ Operating profit up 36.9% YoY: GPM improved 2.2pp YoY to 25.8% on the steady growth of services with a high GPM, such as fiber optic services and cashless payment services. Restrictions on discounting handsets under the revised Telecommunications Business Act contributed to lower cost of sales. The SG&A ratio rose 0.1pp YoY to 19.4% due to higher personnel and rent expenses on an increased number of stores. In back-office departments, the company promoted working from home to help limit the spread of COVID-19. In addition, it worked quickly to boost efficiency by moving tasks, including meetings, employee training, and hiring-related tasks, online. This led to transportation expenses, overtime pay, and other back-office expenses declining more than initially planned. As a result, OPM improved 2.0pp YoY to 6.3%.
- ▷ Annual dividend forecast of JPY164.0 per share (up JPY45.0 YoY): Based on a consolidated dividend payout ratio of 30%, the company revised up annual dividend forecast to JPY164 per share (interim dividend of JPY61, year-end dividend of JPY103) from JPY122 per share (interim dividend of JPY61, year-end dividend of JPY61).

*Revisions to the company's FY12/20 forecast (announced on November 6, 2020)

- ▷ Sales: JPY96.0bn (same as previous forecast)
- ▷ Operating profit: JPY5.0bn (JPY4.0bn in previous forecast)
- ▷ Recurring profit: JPY5.3bn (JPY4.0bn in previous forecast)
- ▷ Net income: JPY3.5bn (JPY2.6bn in previous forecast)
- ▷ EPS: JPY545.72 (JPY405.39 in previous forecast)

Reasons for revisions

- ▷ The company revised up its profit forecasts because in cumulative Q3 (as announced on November 6, 2020) all profit items exceeded its forecasts and it expected solid unit sales of handsets and other mobile devices from October 2020.
- ▷ Bell-Park maintained its sales forecast due to a downtrend in selling prices of handsets and other mobile devices under the revised Telecommunications Business Act.

External environment

In regard to the mobile phone market, the key area of business for the company, a law to revise a portion of the Telecommunications Business Law took effect in October 2019, establishing rules to completely separate handset charges from telecommunication fees and imposing restrictions on handset discounts in order to protect the interests of mobile phone users. The three major telecom carriers launched next-generation 5G commercial services, which offer faster speeds and greater capacity, in late March 2020, primarily in some urban areas.

Initiatives

The novel coronavirus pandemic started weighing heavily on sales in the closing weeks of March as mitigation measures triggered the closure of many commercial buildings, forcing the company to temporarily close its carrier stores located in those buildings, and shorten the operating hours of its carrier stores located outside of commercial buildings. Following the Japanese government's state of emergency declaration in early April, the company responded to the new guidelines issued by the various mobile phone carriers by steering customers coming into carrier stores toward its online application process in order to help relieve the congestion inside of stores and limit front-office operations. While this left unit sales of mobile phone handsets and other mobile devices well below the initial plan in both April and May 2020, unit sales quickly recovered in June 2020 following the lifting of the government's state of emergency declaration, and finished well above the company's forecast in that month. According to the company, the device sale trends the company encountered in June continued in July and August. However, this performance weakened in September due to delayed releases of new models. As noted earlier, cumulative Q3 unit sales of mobile phone handsets and other mobile devices grew YoY.

Amid this business environment, the company focused its attention on promoting a shift to 4G services as 3G services come to an end, sales of 5G compatible smartphones, and student discounts. It also focused on providing a variety of services, including fiber optic, electric power, and cashless payment services. At the same time, it worked to increase its dominance and strengthen collaboration with its nearby stores, with the aim of improving efficiency in store operations.

Store count

The company operated a total of 364 carrier stores at end-September 2020 (356 at end-June 2020). Stores that the company manages were as follows:

- SoftBank: 305 stores (300 at end-June)
- NTT Docomo: 8 stores (unchanged)
- au: 7 stores (unchanged)
- Y!mobile: 44 stores (41)

The company had five more SoftBank stores and three more Y!mobile stores than at end-June 2020; the number of NTT Docomo and au stores in operation did not change.

- Store count is trending just slightly higher than the company's initial forecast.

Shareholder benefits commemorating the 20th anniversary of the company's listing

- The company has decided to celebrate the 20th anniversary of its listing, which it welcomed on May 25, 2020, by issuing prepaid QUO cards worth JPY2,000 to each shareholder owning 100 shares (one trading unit) or more. These QUO cards with a face value of JPY2,000, which will be issued with a record date of December 31, 2020, will be offered in addition to QUO cards worth JPY1,000 that are normally issued as a standard shareholder benefit. Accordingly, the total value of the QUO cards presented to shareholders in this instance will be JPY3,000.

1H FY12/20 results (out August 5, 2020)

- In 1H FY12/20, Bell-Park reported sales of JPY47.4bn (-7.7% YoY), operating profit of JPY3.4bn (+44.7% YoY), recurring profit of JPY3.4bn (+44.1% YoY), and net income attributable to owners of the parent of JPY2.4bn (+47.9% YoY).
- Progress versus forecast: 1H FY12/20 results were in line with revised forecasts announced on July 27,2020. The company achieved 100.9% of the revised target for 1H FY12/20 for sales, 100.6% for operating profit, 100.9% for recurring profit, and 100.8% for net income attributable to owners of the parent. Compared to initial forecasts, the company achieved 100.9% for

sales, 145.6% for operating profit, 146.0% for recurring profit, and 150.9% for net income attributable to owners of the parent, with profit items substantially higher than initial expectations. The reasons behind the better-than-expected profits are outlined below.

- In 1H FY12/20, handset sales volumes were slightly lower than planned due to the impact of the novel coronavirus outbreak (see below). Meanwhile, new subscriptions for high GPM offerings like fiber optic services and cashless payment services were steady. Consequently, sales commissions other than from handsets were higher than expected, resulting in sales in line with plan and GPM above plan.
- SG&A expenses were lower than expected due to restrictions on handset discounts in line with amendments to the Telecommunications Business Act. Additionally, as discussed below, various costs such as transportation costs and overtime pay came in below plan.

*Revised company forecast for consolidated results for 1H (announced July 27, 2020)

- ▷ Sales: JPY47.0bn (versus previous forecast of JPY47.0bn)
- ▷ Operating profit: JPY3.4bn (versus JPY2.4bn)
- ▷ Recurring profit: JPY3.4bn (versus JPY2.4bn)
- ▷ Net income*: JPY2.4bn (versus JPY1.6bn)

- ▷ Progress rate: Against full-year FY12/20 forecasts (initial forecasts), sales reached 49.4% of the target (1H FY12/19 sales were at 49.7% of FY12/19 results), operating profit 85.5% (54.0%), recurring profit 85.8% (54.4%), and net income attributable to owners of the parent 91.1% (52.7%).
- ▷ Sales down 7.7% YoY: In 1H FY12/20, handset sales volumes were down 2.3% YoY to 383,000 units due to temporary store closures and reduced operating hours resulting from the novel coronavirus outbreak. Of the handset sales volume, new subscriptions were down 22% YoY to 123,000 units and replacement handsets were up 10% YoY to 259,000 units. At carrier stores, while handset sales volumes fell, sales for fiber optic services rose due to increased telework demand while agency commissions for SoftBank's retail electric power service and Paypay also grew. Handset sales volumes to corporate clients also fell slightly, but PC sales were up. Additionally, mobile wi-fi router sales rose alongside increased telework demand.
- ▷ Operating profit up 44.7% YoY: GPM improved 2.2pp YoY to 26.1% on the steady growth of services with a high GPM, such as fiber optic services and cashless payment services. The SG&A ratio declined 0.4pp YoY to 18.9% as, despite higher personnel and rent expenses on an increased number of stores, promotion expenses declined more than forecast due to amendments to the Telecommunications Business Act limiting handset discounts. In back-office departments, the company promoted working from home to help limit the spread of COVID-19. In addition, it worked quickly to boost efficiency by moving tasks, including meetings, employee training, and hiring-related tasks, online. This led to transportation costs, overtime pay, and other back-office expenses declining more than initially planned. As a result, OPM improved 2.6pp YoY to 7.2%.
- ▷ Full-year FY12/20 forecasts: no change.
  - The company made no changes to its initial forecast for the full year or its dividend payment plans. By way of explanation, the company said the recent rise in the number of novel coronavirus cases in its key business areas in Japan made it difficult to predict exactly when the pandemic might come to an end, and that there was also a chance unit sales of mobile phone handsets and other mobile devices might drop sharply if people continued to voluntarily refrain from going out and the government made a second state of emergency declaration.
  - The company added that it would be keeping a close watch on how the novel coronavirus pandemic and related mitigation measures were impacting sales and earnings, and would be quick to announce revisions to its full-year forecast should conditions make it necessary.

Supplementary information

Changes in the external environment (regulations, launch of commercial 5G services)

- In regard to the mobile phone market, the key area of business for the company, a law to revise a portion of the Telecommunications Business Law took effect in October 2019, establishing rules to completely separate handset charges from telecommunication fees and imposing restrictions on handset discounts in order to protect the interests of mobile phone users.
- The three major telecom carriers in late March launched next-generation 5G commercial services, which offer faster speeds, greater capacity, and lower latency.

Status of carrier stores operated by the company

- The novel coronavirus pandemic started weighing heavily on sales in the closing weeks of March as mitigation measures triggered the closure of many commercial buildings, forcing the company to temporarily close its carrier stores located in those buildings, and shorten the operating hours of its carrier stores located outside of commercial buildings. Following the Japanese government's state of emergency declaration in early April, the company responded to the new guidelines issued by the various mobile phone carriers by steering customers coming into carrier stores toward its online application process in order to help relieve the congestion inside of stores and limit front-office operations. Even after resuming normal operations in June, the company implemented thorough infection prevention measures at carrier stores, including installing fencing for in-person customer service at all stores, ensuring seating with ample social distance for customer service, and conducting thorough disinfection.
- The number of handsets sold at existing directly operated carrier stores were up 3.0% YoY in January, up 10.9% YoY in February, and down 2.0% YoY in March, but were down substantially by 43.2% YoY in April and 40.2% in May as the company voluntarily refrained from sales activities. On the other hand, handset sales volumes were up 6.4% YoY in June, following the lift of the emergency as more people went out after a period of voluntarily refraining from going out. Overall, in 1H FY12/20, handset sales volumes were down 2.3% YoY as described earlier.

Initiatives

Amid this business environment, the company focused its attention on promoting a shift to 4G services as 3G services come to an end, and providing a variety of services, including student discounts, fiber optic services, electric power services, and cashless payment services. In addition to higher terminal speeds boosting demand for fiber optic lines, the expansion of service areas (Hokuriku and Kyushu) contributed to an increase in SoftBank's retail electric service subscriptions. Moreover, the Japanese government's cashless payment promotion and consumer reward program also helped.

- The company worked to create a dominant store network and strengthened coordination among neighboring stores (e.g., assigning people from neighboring stores to support busy stores). In addition to taking over store operations, the company exchanged stores in the same trade area with other subscription agencies, which helped strengthen coordination of neighboring stores and dramatically improved operations efficiency.
- In the corporate sales division, the company plans to double its sales staff over the medium term.
- In the back-office division, the company quickly moved forward with streamlining operations such as by moving hiring and training operations online. For the 119 new graduate employees that joined the company in April 2020, it provided a one-month long online training program.

Store count

The company operated a total of 356 carrier stores at end-June 2020 (349 stores at end-March 2020). Stores that the company manages were as follows:

- SoftBank: 300 stores (unchanged)
- NTT Docomo: 8 stores (unchanged)
- au: 7 stores (unchanged)
- Y!mobile: 41 stores (34)

The company had seven more Y!mobile stores than at end-March 2020; the number of SoftBank, NTT Docomo and au stores in operation did not change.

Q1 FY12/20 results (out May 29, 2020)

Summary

- For Q1 FY12/20, Bell-Park reported consolidated sales of JPY29.4bn (+1.8% YoY), operating profit of JPY2.8bn (+59.2% YoY), recurring profit of JPY2.8bn (+58.4% YoY), and net income of JPY1.9bn (+61.6% YoY). The company posted record Q1 sales and profits.
- Progress versus forecast: Q1 FY12/20 sales reached 62.6% of the company's 1H FY12/20 target (Q1 FY12/19 sales were at 56.3% of 1H FY12/19 results), with operating profit at 117.9% (73.6%), recurring profit at 118.3% (73.7%), and net income at 123.4% (74.9%). Q1 FY12/20 sales reached 30.7% of the company's full-year FY12/20 target (Q1 FY12/19 sales were at 28.0% of FY12/19 results), with operating profit at 69.3% (39.8%), recurring profit at 69.5% (40.1%), and net income at 74.5% (39.4%).
- COVID-19 impact: With the impact from the COVID-19 outbreak proving relatively light and lasting for only a brief period in the quarter, earnings in Q1 exceeded the company's forecast. Handset sales volume outperformed the company's forecast in Q1 (the company does not disclose quarterly results for handset sales volume). While the number of new subscriptions decreased due to amendments to the Telecommunications Business Act (see below for details), overall sales volume at existing stores was marginally higher YoY on account of the volume of handsets sold as a change of model increasing amid strong demand for the iPhone 11. New stores (those opened in FY12/19) also contributed to the increase in handset sales. Meanwhile, OPM improved 3.4pp YoY thanks to a reduction in handset discounts and cashback rewards borne by the company, as well as the curtailment of other costs (see below). With regard to SoftBank Corp., the company sold a total of 3.2mn handsets (-0.7% YoY) in Q4 (January‡March 2020) FY03/20. Of these, 1.6mn were for new subscriptions (-9.8% YoY), while 1.6mn were a change of model (+10.0% YoY).
- Sales up 1.8% YoY: In addition to its efforts in line with the separation of handset charges and communications fees and the late March launch of commercial 5G services, the company focused its attention during Q1 on promoting a shift to 4G services as 3G services come to an end, and providing a variety of services, including student discounts, fiber-optic internet services, electric power services, and cashless payments. Combined with the contribution from the increase in stores in FY12/19, the company's efforts resulted in Q1 sales volume for items such as mobile phones improving YoY and sales as a whole climbing 1.8% YoY.
- Operating profit up 59.2% YoY: As sales increased, the GPM improved 1.5pp YoY to 25.5%. The SG&A ratio declined 1.9pp YoY to 16.0% as higher personnel and rent expenses on an increased number of stores was offset by reduced expenses and revisions in back-office operations, as well as a sharp decline in promotion expenses due to amendments to the Telecommunications Business Act limiting handset discounts. As a result, the OPM improved 3.4pp YoY to 9.4%.
- Carrier stores operated by Bell-Park were significantly affected by the COVID-19 outbreak between end-March and end-May 2020. Specifically, carrier stores were forced to reduce business hours and front office operations, and some stores also had to temporarily close in accordance with the closure of commercial facilities. With regard to front office operations, in-store operations were scaled back to a select few services, such as repairs and handset sales, while all other operations were actively

moved online. The impact to sales varied depending on the store's telecom carrier affiliation, its geographic location, and whether it was located in a commercial facility or not, but overall, handset sales volume was considerably weaker YoY in April and May 2020.

- ▷ Based on current conditions, the company expects Q2 (April–June 2020) earnings to fall well below its initial forecast. On the other hand, based on Q1 earnings and the recovery in sales volume, the company has decided to maintain its initial FY12/20 earnings and dividend forecasts.
- ▷ The company is keeping a close eye on the impact on earnings from the COVID-19 outbreak and has indicated that should it become necessary to revise its earnings forecast, the company would promptly disclose this information.

Change in external environment (regulations, launch of 5G commercial services)

In regard to the mobile phone market, the key area of business for the company, a law to revise a portion of the Telecommunications Business Law took effect in October 2019, establishing rules to completely separate handset charges from telecommunication fees and imposing restrictions on handset discounts in order to protect the interests of mobile phone users. The three major telecom carriers in late March launched next-generation 5G commercial services, which offer faster speeds, greater capacity, and lower latency.

Carrier stores operated by Bell-Park

The company operated a total of 349 carrier stores at end-March 2020 (343 stores at end-December 2019). Stores that the company manages were as follows:

- ▷ SoftBank: 300 stores (297 at end-December 2019)
- ▷ NTT Docomo: 8 stores (unchanged)
- ▷ au: 7 stores (unchanged)
- ▷ Y!mobile: 34 stores (30)

The company had three more SoftBank stores, four more Y!mobile stores, and one fewer UQ Spot store than at end-December 2019; the number of NTT Docomo and au stores in operation did not change.

Impact from the novel coronavirus pandemic

- ▷ Carrier stores operated by Bell-Park were significantly affected by the COVID-19 outbreak between end-March and end-May 2020. Specifically, carrier stores were forced to reduce business hours and front office operations, and some stores also had to temporarily close in accordance with the closure of commercial facilities. With regard to front office operations, in-store operations were scaled back to a select few services, such as repairs and handset sales, while all other operations were actively moved online. The impact to sales varied depending on the store's telecom carrier affiliation, its geographic location, and whether it was located in a commercial facility or not, but overall, handset sales volume was considerably weaker YoY in April and May 2020.
- ▷ The government started easing anti-coronavirus measures from mid-May 2020, and Bell-Park has been steadily resuming normal operations in regions where the state of emergency has been lifted. However, even though normal operations are resuming, Bell-Park is keeping measures to prevent the spread of infection in place, such as recommending customers make a reservation to visit one of its stores, regularly disinfecting stores, checking for fever, ensuring ample distance between seating, and installing customer screens.

Full-year FY12/19 results (out February 12, 2020)

- In full-year FY12/19, Bell-Park reported sales of JPY103.3bn (+5.3% YoY), operating profit of JPY4.4bn (+35.5% YoY), recurring profit of JPY4.4bn (+34.5% YoY), and net income attributable to owners of the parent of JPY3.0bn (+43.7% YoY). The company posted record sales and profits.
- Looking at sales and profits by sales channel, carrier stores posted gains in sales and profits while corporate sales achieved top-line growth but profits declined.
- Sales up 5.3% YoY: The number of directly operated carrier stores increased in FY12/19 as a result of opening new stores and taking over the operations of other subscription agencies. The number of handsets sold at directly operated carrier stores increased YoY, chiefly in connection with new subscriptions.
- The number of handsets sold totaled 816,202, an increase of 34,829 units for 4.5% YoY growth. This breaks down to 280,877 new handsets (+8.2% YoY) and 535,325 replacement units (+2.6% YoY). Sales at directly operated stores increased by 60,000 units YoY at new stores but decreased by 8,000 units at existing stores (although new subscriptions were up at existing stores).
- In areas other than handset sales, Bell-Park saw YoY growth in the number of contracts it handled for SoftBank's retail electric power service that has been expanding the coverage area since June 2018 and for Yahoo! JAPAN Card, a credit card business for which Bell-Park began handling applications in April 2018.
- Operating profit up 35.5% YoY: Higher personnel, sales promotion, and rent expenses associated with the increase in directly operated carrier stores led to a JPY3.0bn increase (+18.2% YoY) in SG&A expenses. However, the growth in sales pushed up gross profit by JPY4.2bn (+21.0% YoY). As a result, the company was able to increase operating profit by JPY1.1bn (+35.5% YoY).

Changes in Bell-Park's operating environment

The October 2019 revision of the Telecommunications Business Act requires the complete separation of handset charges from monthly telecommunication fees in order to achieve a simple and easy-to-understand pricing system. Since the revised law went into effect in October 2019, carriers have not been able to offer discounts on handset prices on the condition that the service contract be continued for a certain length of time. The revised law also limits the discounts on new handset sales offered to new mobile telecom service subscribers to JPY20,000. While the law has led carriers to reduce telecom charges, the handset cost burden for their customers has risen. As a result, the number of new mobile phone sales at Bell-Park's carrier stores fell YoY in the October-December 2019 quarter.

Bell-Park's response

- The company's carrier stores have made further progress in the effort started in FY12/18 to make SoftBank stores into dual brand stores (also handling Y!mobile products and services). The group focused on the education of store staff in the handling of both brands and also worked to establish a store structure that permits proposals of fee plans and services from both brands. In addition, it increased the number of directly operated carrier stores by 37 to 281 in FY12/19, mainly by taking over stores of other subscription agencies. With an aim to grow earnings, the company relocated and renovated the newly taken over stores, collaborating with nearby Bell-Park stores for personnel hiring, training, and placement. Initiatives to improve customer satisfaction included promoting online customer reservations to reduce the wait time at carrier stores.
- Corporate sales grew YoY in FY03/19 but profit fell mainly owing to higher SG&A expenses on increased staffing in preparation for future growth.

Store numbers

The company operated a total of 343 carrier stores at end-FY12/19 (319 stores at end-FY12/18). Stores that the company manages were as follows:

- SoftBank: 297 stores (285 at end-December 2018)
- NTT Docomo: 8 stores (unchanged)
- au: 7 stores (unchanged)
- Y!mobile: 30 stores (18)
- UQ Spot: 1 store (unchanged)

Income statement

Income statement (JPYmn)	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 Cons.	FY12/20 Cons.
Sales	**60,168**	**70,573**	**74,469**	**84,228**	**91,486**	**90,145**	**89,629**	**88,894**	**98,088**	**103,304**	**98,843**
YoY	28.3%	17.3%	5.5%	13.1%	8.6%	-1.5%	-0.6%	-0.8%	10.3%	5.3%	-4.3%
Product sales	31,535	39,181	42,026	47,559	54,001	56,488	-	-	-	-	-
Commission fee received	28,633	31,391	32,443	36,668	37,485	33,657	-	-	-	-	-
Cost of sales	49,394	58,457	60,576	67,734	73,411	71,580	70,954	70,341	78,112	79,138	74,493
Cost of goods sold	43,894	52,563	54,417	61,133	-	-	-	-	-	-	-
Commission fee paid	5,500	5,894	6,159	6,601	-	-	-	-	-	-	-
Gross profit	**10,775**	**12,115**	**13,893**	**16,494**	**18,075**	**18,565**	**18,675**	**18,553**	**19,976**	**24,166**	**24,350**
GPM	17.9%	17.2%	18.7%	19.6%	19.8%	20.6%	20.8%	20.9%	20.4%	23.4%	24.6%
SG&A expenses	7,869	9,266	10,770	13,254	15,705	15,352	15,829	15,402	16,747	19,790	19,297
SG&A-to-sales ratio	13.1%	13.1%	14.5%	15.7%	17.2%	17.0%	17.7%	17.3%	17.1%	19.2%	19.5%
Personnel expenses	4,567	5,159	5,838	6,825	8,510	8,361	8,882	8,821	9,282	10,636	11,355
Advertising and promotion expenses	727	1,153	1,400	2,451	2,546	2,267	1,649	1,529	1,927	2,818	1,427
Rents	1,103	1,243	1,410	1,516	1,827	1,968	2,076	2,153	2,295	2,537	2,716
Other	1,472	1,711	2,122	2,462	2,822	2,757	3,220	2,897	3,241	3,797	3,798
Operating profit	**2,905**	**2,850**	**3,122**	**3,240**	**2,370**	**3,212**	**2,846**	**3,151**	**3,229**	**4,376**	**5,053**
YoY	-18.7%	-1.9%	9.6%	3.8%	-26.8%	35.5%	-11.4%	10.7%	2.5%	35.5%	15.5%
OPM	4.8%	4.0%	4.2%	3.8%	2.6%	3.6%	3.2%	3.5%	3.3%	4.2%	5.1%
Non-operating income	25	19	106	206	141	69	95	46	38	38	307
Non-operating expenses	36	87	27	20	18	12	14	13	10	34	11
Recurring profit	**2,894**	**2,781**	**3,201**	**3,426**	**2,493**	**3,270**	**2,927**	**3,184**	**3,257**	**4,379**	**5,348**
YoY	-18.5%	-3.9%	15.1%	7.0%	-27.2%	31.2%	-10.5%	8.8%	2.3%	34.5%	22.1%
RPM	4.8%	3.9%	4.3%	4.1%	2.7%	3.6%	3.3%	3.6%	3.3%	4.2%	5.4%
Extraordinary gains	56	0	7	1	1	46	4	287	18	41	74
Extraordinary losses	40	119	39	38	97	161	127	250	152	78	47
Income taxes	1,251	1,173	1,385	1,510	1,063	1,356	1,159	1,038	1,007	1,300	1,754
Implied tax rate	43%	44%	44%	45%	44%	43%	41%	32%	32%	30%	33%
Net income	**1,660**	**1,490**	**1,783**	**1,879**	**1,333**	**1,799**	**1,645**	**2,182**	**2,115**	**3,041**	**3,620**
YoY	-18.9%	-10.2%	19.7%	5.3%	-29.1%	34.9%	-8.5%	32.7%	-3.1%	43.7%	19.1%
Net margin	2.8%	2.1%	2.4%	2.2%	1.5%	2.0%	1.8%	2.5%	2.2%	2.9%	3.7%

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 in FY12/14.

Bell-Park's sales are composed of sales of goods and commission fee received, and fluctuate in proportion to the number of devices sold. Sales growth since FY12/09 has largely been due to the overwhelming success of 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 financial years, observing a range between 17.2% and 24.6%. After hitting bottom (17.2%) in FY12/11, it has been gradually improving. In FY12/18 GPM fell 0.5pp YoY to 20.4%, but it rose 3.0pp in FY12/19 to 23.4% and another 1.2pp in FY12/20 to reach a 10-year high of 24.6%.

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, fell further to 30% in FY12/19, but rose to 33% in FY12/20.

Balance sheet

Balance sheet (JPYmn)	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 Cons.	FY12/20 Cons.
ASSETS											
Cash and cash equivalents	5,911	6,987	6,766	6,896	7,229	9,948	15,224	16,467	14,873	21,346	22,043
Accounts receivable	6,276	9,090	7,560	8,569	9,619	10,796	9,811	11,242	11,133	10,968	11,630
Inventories	3,449	3,099	4,248	5,329	5,386	5,324	4,758	6,620	8,310	5,317	6,250
Other current assets	414	423	463	541	629	640	572	558	594	457	498
Total current assets	**16,050**	**19,599**	**19,037**	**21,335**	**22,863**	**26,709**	**30,365**	**34,887**	**34,910**	**38,088**	**40,420**
Fixed assets											
Buildings and structures	959	1,219	1,277	1,373	1,676	1,655	1,778	1,941	2,291	2,675	2,924
Accumulated depreciation	390	524	612	694	771	859	948	995	994	1,069	1,107
Other fixed assets	270	280	347	363	381	409	436	444	470	519	552
Accumulated depreciation	176	207	227	272	231	276	321	349	351	383	414
Land	-	-	-	-	39	39	39	39	39	39	39
Total tangible fixed assets	662	769	785	770	1,094	968	984	1,079	1,455	1,781	1,993
Investments and other assets	1,401	1,520	1,618	1,703	2,150	2,179	2,361	2,456	2,674	3,131	3,486
Total intangible fixed assets	204	167	208	212	493	349	311	167	232	573	473
Total fixed assets	**2,268**	**2,455**	**2,611**	**2,685**	**3,738**	**3,496**	**3,656**	**3,702**	**4,183**	**5,485**	**5,952**
Total assets	**18,318**	**22,054**	**21,648**	**24,021**	**26,600**	**30,205**	**34,021**	**38,590**	**39,093**	**43,573**	**46,372**
LIABILITIES											
Accounts payable	5,852	8,070	5,856	7,034	8,372	9,835	7,702	10,548	9,564	9,404	9,828
Short-term borrowings	-	-	100	-	-	-	15	-	-	-	-
Current portion of long-term debt	325	325	325	-	-	-	-	-	-	-	5,015
Other current liabilities	1,589	2,109	2,493	2,831	2,866	3,302	2,543	2,438	2,557	4,579	4,138
Total current liabilities	**7,766**	**10,505**	**8,774**	**9,866**	**11,238**	**13,138**	**10,260**	**12,986**	**12,121**	**13,983**	**18,980**
Long-term borrowings	650	325	-	-	-	-	5,000	5,015	5,015	5,015	-
Other long-term liabilities	160	340	371	424	566	670	840	933	622	686	730
Total fixed liabilities	**810**	**665**	**371**	**424**	**566**	**670**	**5,840**	**5,948**	**5,637**	**5,701**	**730**
Total interest-bearing debt	**975**	**650**	**425**	**-**	**-**	**-**	**5,015**	**5,015**	**5,015**	**5,015**	**5,015**
Total liabilities	**8,575**	**11,169**	**9,145**	**10,290**	**11,804**	**13,808**	**16,100**	**18,934**	**17,758**	**19,684**	**19,710**
NET ASSETS											
Capital stock	1,130	1,130	1,133	1,148	1,148	1,148	1,148	1,148	1,148	1,148	1,148
Capital surplus	1,854	1,854	1,857	1,872	1,872	1,872	1,872	1,872	1,872	1,872	1,872
Retained earnings	6,759	8,007	9,619	11,170	12,278	13,830	15,283	17,241	18,920	21,480	24,189
Treasury stock	-	-107	-107	-506	-611	-611	-611	-611	-611	-612	-612
Total net assets	**9,743**	**10,884**	**12,503**	**13,731**	**14,796**	**16,397**	**17,921**	**19,656**	**21,330**	**23,889**	**26,662**
Working capital	3,873	4,119	5,952	6,864	6,633	6,285	6,867	7,314	9,879	6,881	8,052
Total interest-bearing debt	975	650	425	-	-	-	5,015	5,015	5,015	5,015	5,015
Net debt (net cash)	-4,936	-6,337	-6,341	-6,896	-7,229	-9,948	-10,209	-11,452	-9,858	-16,331	-17,028

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 in FY12/14.

Assets

As of end-December 2020, about 90% of Bell-Park's assets were current assets; not surprising for a retail sales agent. Net cash (defined as cash minus interest-bearing debt) has remained in the positive territory from FY12/01 through FY12/20. The company keeps its cash on the balance sheet at a level that is more than enough to cover the working capital (defined as accounts receivable and inventories less accounts payable) it needs. Cash and cash equivalents as of end-December 2020 totaled JPY22.0bn.

Inventory levels are at around 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 facilities are facilities attached to buildings, fixed assets account for only around 20% of total assets. About 80% of investments and other assets are composed of lease deposits.

Liabilities

As of end-December 2020, more than 90% of liabilities being carried by the company was current liabilities, and about 50% of these liabilities were accounts payable–trade. The remaining 30% was accounts payable–other.

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. 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 are mostly attributable to the steady buildup of net income after dividend payments. The company has also taken steps in the past to increase share liquidity. Bell-Park conducted a 3-for-1 stock split on February 20, 2002, and again on February 20, 2004. On January 1, 2013, the company conducted a 100-for-1 split.

Cash flow statement

Cash flow statement (JPYmn)	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 Cons.	FY12/20 Cons.
Cash flows from operating activities (A)	855	2,178	432	1,618	2,074	3,051	1,013	2,005	-170	8,585	2,426
Cash flows from investing activities (B)	-204	-379	-348	-546	-1,513	-239	-460	-536	-988	-1,630	-818
Free cash flow (A+B)	**651**	**1,800**	**85**	**1,072**	**560**	**2,812**	**554**	**1,468**	**-1,158**	**6,954**	**1,608**
Cash flows from financing activities	-487	-675	-391	-1,124	-330	-193	4,822	-225	-436	-481	-911
Depreciation and amortization (A)	221	245	253	286	392	349	360	325	352	427	496
Capital expenditures (B)	-196	-231	-143	-367	-441	-166	-302	-278	-545	-389	-406
Working capital change (C)	247	246	1,833	912	-231	-348	582	447	2,565	-2,998	1,171
Simple FCF (NI + A + B - C)	**1,437**	**1,258**	**60**	**886**	**1,515**	**2,329**	**1,121**	**1,782**	**-643**	**6,078**	**2,540**

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 in 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 fall below net income levels, in line with increases in accounts receivable–trade and inventories.

Operating cash inflows shrank from JPY8.6bn in FY12/19 to JPY2.4bn in FY12/20. While there were positive factors such as increases in pretax profit and notes and accounts payable–trade, there were negative factors such as increases in accounts receivable–trade and in inventories, along with a decrease in accrued consumption taxes and outflows in the form of income taxes paid.

The company's fixed assets are only around 20% of its total assets, and as such, depreciation does not have a significant impact on its operating cash flows.

Cash flows from investing activities

Cash flows from investing activities can vary depending on the acquisition of tangible 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 larger net cash outflow. In FY12/19, cash flows from investing activities resulted in a larger net outflow owing to business acquisitions and purchases of tangible fixed assets.

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 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 borrowings and bought back shares. Taking advantage of low interest rates, in 2016 the company took out JPY5.0bn in bank borrowings to invest in existing and new businesses. Accordingly, the positive gap widened in FY12/16.

Cash conversion cycle (days)	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 Cons.	FY12/20 Cons.
Accounts receivable turnover	10.0	9.2	8.9	10.4	10.1	8.8	8.7	8.4	8.8	9.3	8.7
Days in accounts receivable	**36.4**	**39.7**	**40.8**	**34.9**	**36.3**	**41.3**	**42.0**	**43.2**	**41.6**	**39.0**	**41.7**
Inventory turnover	15.7	17.9	16.5	14.1	13.7	13.4	14.1	12.4	10.5	11.6	12.9
Days in inventory	**23.2**	**20.4**	**22.1**	**25.8**	**26.6**	**27.3**	**25.9**	**29.5**	**34.9**	**31.4**	**28.3**
Accounts payable turnover	9.2	8.4	8.7	10.5	9.5	7.9	8.1	7.7	7.8	8.3	7.7
Days in accounts payable	**39.8**	**43.5**	**42.0**	**34.7**	**38.3**	**46.4**	**45.1**	**47.3**	**47.0**	**43.7**	**47.1**
Cash conversion cycle (days)	**19.8**	**16.7**	**21.0**	**26.0**	**24.6**	**22.2**	**22.8**	**25.4**	**29.5**	**26.7**	**22.9**

Inventory (JPYmn)	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 Cons.	FY12/20 Cons.
Sales	60,168	70,573	74,469	84,228	91,486	90,145	89,629	88,894	98,088	103,304	98,843
Inventory	3,141	3,274	3,673	4,788	5,357	5,355	5,041	5,689	7,465	6,813	5,783
No. of stores	179	206	222	228	264	277	282	286	319	343	363
Inventory, % of sales	5.2%	4.6%	4.9%	5.7%	5.9%	5.9%	5.6%	6.4%	7.6%	6.6%	5.9%
Inventory per store	18	16	17	21	20	19	18	20	23	20	16

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 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 stores and later Vodafone stores).

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 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 stores 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 store in Kyodo, Tokyo. In February 2013, Bell-Park signed a distributor agreement with KDDI Corp. and began operations of au stores in June 2013. In February 2014, Bell-Park acquired OC mobile, which operates stores for the three major carriers, made it a wholly owned subsidiary, and began operating authorized NTT Docomo stores. Bell-Park's stores increased by 22 as a result (19 directly run stores and 3 franchise stores).

News and topics

November 2020

On July 27, 2020, the company announced revisions to its forecast for consolidated results for 1H FY12/20.

Revised company forecast for consolidated results for 1H FY12/20

- Sales: JPY47.0bn (versus previous forecast of JPY47.0bn)

- ▷ Operating profit: JPY3.4bn (versus JPY2.4bn)
- ▷ Recurring profit: JPY3.4bn (versus JPY2.4bn)
- ▷ Net income*: JPY2.4bn (versus JPY1.6bn)

Reasons for revision

The company made no changes to its previous forecast for 1H sales, as overall sales ultimately finished in line with plan even though sales fluctuated greatly from month to month over the six-month period. During the January–March quarter (Q1), unit sales of mobile phone handsets and other mobile devices ran ahead of plan thanks to strong sales under its student discount plan and its successful promotion of upgrades from 3G to 4G service plans. The novel coronavirus pandemic started weighing heavily on sales in the closing weeks of March as mitigation measures triggered the closure of many commercial buildings, forcing the company to temporarily close its carrier stores located in those buildings, and shorten the operating hours of its carrier stores located outside of commercial buildings.

Following the Japanese government's state of emergency declaration in early April, the company responded to the new guidelines issued by the various mobile phone carriers by steering customers coming into carrier stores toward its online application process in order to help relieve the congestion inside of stores and limit front-office operations. While this left unit sales of mobile phone handsets and other mobile devices well below plan in both April and May, unit sales quickly recovered in June following the lifting of the government's state of emergency declaration in late-May, finishing June well above plan and finishing the six-month period only slightly below plan.

On the earnings front, the company raised its 1H forecast for earnings at all levels. Gross profit finished the six-month period ahead of plan thanks to strong sales of high-margin services (such as fiber optic services and cashless payments), which brought commission revenue in ahead of plan and kept overall sales on plan. At the operating profit level and below, earnings were further aided by larger-than-expected reductions in promotional spending in the wake of the regulatory cap on discounts for new mobile phone handset sales set under the recently amended Telecommunications Business Act. Other SG&A expenses were also brought in below plan, aided by the company's push to have people work from home to help limit the spread of the novel coronavirus and its quick move of many back-office tasks (including meetings, employee training, and hiring-related tasks) on line, which boosted efficiency and led to larger-than-expected declines in transportation costs, overtime pay, and other back-office expenses.

Full-year company forecast for FY12/20

The upward revision to its forecast for 1H results notwithstanding, the company made no changes to its initial forecast for the full year or its dividend payment plans. By way of explanation, the company said the recent rise in the number of novel coronavirus cases in its key business areas in Japan (as of July 27, 2020) made it difficult to predict exactly when the pandemic might come to an end, and that there was also a chance unit sales of mobile phone handsets and other mobile devices might drop sharply if people continued to voluntarily refrain from going out and the government made a second state of emergency declaration.

The company added that it would be keeping a close watch on how the novel coronavirus pandemic and related mitigation measures were impacting sales and earnings, and would be quick to announce revisions to its full-year forecast should conditions make it necessary.

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-FY12/20, Bell-Park had 1,855 full-time employees and 447 part-time staff (1,666 and 472 at end-FY12/19). The number of full-time employees increased by 189 YoY, while part-time employees decreased by 25 YoY. The company has been converting part-time staff to full-time employees in an effort to bolster their skills and improve staff retention, and accordingly the ratio of full-time employees increased again in FY12/20.

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	Shares held	Shareholding ratio
Japan Business Development Inc.	1,751,800	27.31%
Takeru Nishikawa	1,443,900	22.51%
Hikari Tsushin, Inc.	841,400	13.12%
UH Partners 3, Inc.	634,800	9.90%
UH Partners 2, Inc.	634,800	9.90%
State Street Bank and Trust Company 505224	484,400	7.55%
Softbank Corporation	238,500	3.72%
State Street Bank and Trust Client Omnibus Account OM02 505002	33,700	0.53%
Persol Marketing Co., Ltd.	15,900	0.25%
Bell-Park Employees' Shareholding Association	15,200	0.24%
SUM	6,094,400	95.03%

Source: Shared Research based on company data
As of December 31, 2020

Dividends and shareholder benefits

Bell-Park has positioned shareholder returns as one of management's most important objectives. Management is targeting a payout ratio of 30.1% in FY12/20 and intends to keep the ratio above 30% in FY12/21 and thereafter.

	FY12/18 (actual)	FY12/19 (actual)	FY12/20 (forecast)	FY12/21 (forecast)
Consolidated dividend payout ratio	21.2%	25.1%	30.1%	30.1%

Source: Shared Research based on company data

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	**Financial 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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Daiseki Co., Ltd.
Demae-Can CO., LTD
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Digital Garage Inc.
Doshisha Corporation
Dream Incubator Inc.
Earth Corporation
Edion Corporation
Elecom Co., Ltd.
en Japan Inc.
Estore Corporation.
euglena Co., Ltd.
FaithNetwork Co., Ltd.
Ferrotec Holdings Corporation
FIELDS CORPORATION
Financial Products Group Co., Ltd.
First Brothers Col, Ltd.
FreeBit Co., Ltd.
Gamecard-Joyco Holdings, Inc.
GameWith, Inc.
GCA Corporation
Good Com Asset Co., Ltd.
Grandy House Corporation
Hakuto Co., Ltd.
Hamee Corp.
Happinet Corporation
Harmonic Drive Systems Inc.
HENNGE K.K.
Hosokawa Micron Corporation
Hope, Inc.
HOUSEDO Co., Ltd.
H2O Retailing Corporation
IDOM Inc.
IGNIS LTD.
i-mobile Co.,Ltd.
Inabata & Co., Ltd.
Infocom Corporation
Infomart Corporation
Intelligent Wave, Inc.
ipet Insurance CO., Ltd.
Itochu Enex Co., Ltd.
JAFCO Co.,Ltd.
JMDC Inc.
JSB Co., Ltd.
JTEC Corporation
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Japan Best Rescue System Co., Ltd.
JINS HOLDINGS Inc.
JP-HOLDINGS, INC.
KAMEDA SEIKA CO., LTD.
Kanamic Network Co.,LTD
KFC Holdings Japan, Ltd.
KI-Star Real Estate Co., Ltd.
KLab Inc.
Kondotec Inc.
Kumiai Chemical Industry Co., Ltd.
Lasertec Corporation
Locondo, Inc.
LUCKLAND CO., LTD.
Marumae Co., Ltd.
MATSUI SECURITIES CO., LTD.
Media Do Co., Ltd.
Medical System Network Co., Ltd.
MEDINET Co., Ltd.
MedPeer,Inc.
Mercuria Investment Co., Ltd.
Metaps Inc.
Micronics Japan Co., Ltd.
MIRAIT Holdings Corporation
Monex Goup Inc.
MORINAGA MILK INDUSTRY CO., LTD.
Mortgage Service Japan Limited.
MRT Inc.
NAGASE & CO., LTD
NAIGAI TRANS LINE LTD.
NanoCarrier Co., Ltd.
Net Marketing 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.
NIPRO CORPORATION
Nisshinbo Holdings Inc.
Nisso Corporation
NS TOOL CO., LTD.
OLBA HEALTHCARE HOLDINGS,Inc.
OHIZUMI MFG. CO., LTD.
Oisix ra daichi Inc.
Oki Electric Industry Co., Ltd
ONO SOKKI Co., Ltd.
ONWARD HOLDINGS CO.,LTD.
Pan Pacific International Holdings Corporation
PARIS MIKI HOLDINGS Inc.
PIGEON CORPORATION
P3, inc.
QB Net Holdings Co., Ltd.
RACCOON HOLDINGS, Inc.
Raysum Co., Ltd.
RESORTTRUST, INC.
ROUND ONE Corporation
RYOHIN KEIKAKU CO., LTD.
SanBio Company Limited
SANIX INCORPORATED
Sanrio Company, Ltd.
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Solasia Pharma K.K.
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Strike Co., Ltd.
SymBio Pharmaceuticals Limited
Synchro Food Co., Ltd.
TAIYO HOLDINGS CO., LTD.
Takashimaya Company, Limited
Take and Give Needs Co., Ltd.
TEAR Corporation
Tenpo Innovation Inc.
3-D Matrix, Ltd.
The Hokkoku Bank,Ltd.
TKC Corporation
TKP Corporation
Tsuzuki Denki Co., Ltd.
TOCALO Co., Ltd.
TOKAI Holdings Corporation
Tokyu Construction Co., Ltd.
TOYOBO CO., LTD.
Toyo Ink SC Holdings Co., Ltd
Toyo Tanso Co., Ltd.
Tri-Stage Inc.
TSURUHA Holdings
VISION INC.
VISIONARY HOLDINGS CO., LTD.
World Holdings Co., Ltd.
YELLOW HAT LTD.
YOSHINOYA HOLDINGS CO., LTD.
YUMESHIN HOLDINGS CO., LTD.
ZAPPALLAS, INC.

Attention: If you would like to see companies you invest in on this list, ask them to become our client, or sponsor a report yourself.

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