

*Bell-Park*

# Results of Operations

Year ended December 31, 2005

February 17, 2006

Bell-Park Co., Ltd.

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**JASDAQ**  
(Stock code: 9441)

<http://www.bellpark.co.jp/>

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# I Financial Highlights

## I-1 Consolidated Highlights

# Summary of 2005 Consolidated Results

(million yen)

	2004	2005	YoY change	Remarks
	Top Bottom Amount Composition*1	Amount Composition*1	Change Pct. change*2	
Net sales	16,456 (100.0%)	24,355 (100.0%)	+7,899 (+48.0%)	1. Mainly due to growth in handset upgrades and after-sales service because of M&A 2. Growth in fee income due to higher procurement prices for handsets 3. Launched network business
Gross profit	2,940 (17.9%)	4,684 (19.2%)	+1,743 (+59.3%)	Same as above
SG&A expenses	2,309 (14.0%)	3,735 (15.3%)	+1,425 (+61.7%)	Mainly due to growth in following expense items caused by M&A and new businesses Personnel: 604 mil. yen, Outsourcing: 247 mil. yen, Rent: 185 mil. yen, Communications: 101 mil. yen, Recruiting: 84 mil. yen
Operating income	630 (3.9%)	948 (3.9%)	+318 (+50.4%)	Same as above reasons
Ordinary income	637 (3.9%)	946 (3.9%)	+308 (+48.4%)	Same as above
Extraordinary income (loss)	-564 (-3.4%)	-18 (-0.1%)	+546 (-)	Smaller loss because 2004 included the amortization of goodwill and operating rights of 518 million yen
Income before income taxes	73 (0.5%)	927 (3.8%)	+854 (+1165.2%)	Same as above reasons
Net income	-234 (-1.4%)	483 (2.0%)	+717 (-)	Above reasons and an increase of 137 million yen in taxes

\*1: As pct. of net sales

\*2: Pct. changes vs. prior year

I Financial Highlights

II 2006 Management Policies

III 2006 Earnings Plan

IV Supplementary Material

**Bell-Park**

# I Financial Highlights

## I-2 Business Results by Operating Segment

# Analysis of 2005 Operating Segment Results

	Top: Amount (million yen) Bottom: Composition (%)			Business results by operating segment
	Net sales	Operating costs	Operating income	
Mobile phone sales business	22,929 (94.1)	21,406 (91.5)	1,523 (160.6)	Operating income rose to 1,523 million yen as new stores acquired through M&A deals in 2004 and 2005 started contributing in full.
Network business	582 (2.4)	781 (3.3)	-198 (-20.9)	In the core KDDI Metal Plus service, Bell-Park sold subscriptions until May without the ability to adequately monitor cancellation rates. In June, management discovered an unexpectedly high cancellation rate that led to a review and restructuring of sales activities. As these actions did not produce sufficient sales to offset the high cancellation rate, this segment reported an operating loss of 198 million yen.
Staffing services business	930 (3.8)	960 (4.1)	-30 (-3.2)	There was an operating loss of 30 million yen, which includes costs related to up-front investments for starting the recruiting business. Steady improvement continued in profitability at the core temporary staffing services, which became profitable in the second half of 2005.
Elimination or corporate	-87 (-0.4)	258 (1.1)	-346 (-36.5)	_____
Consolidation	24,355 (100.0)	23,406 (100.0)	948 (100.0)	_____

# Mobile Phone Sales Business

# Mobile Phone Sales Business: Summary

## 2005 Operating Environment

- The operating environment was extremely difficult as Vodafone, the primary mobile communication service sold by Bell-Park, lost 90,000 subscribers during 2005.
- The first half of 2005 was particularly challenging due to a large number of customer complaints resulting from frequent problems with new 3G handsets.
- The operating environment improved in the second half as Vodafone responded to these problems by reintroducing new 2G handsets, which are extremely reliable, and launched highly appealing service plans.

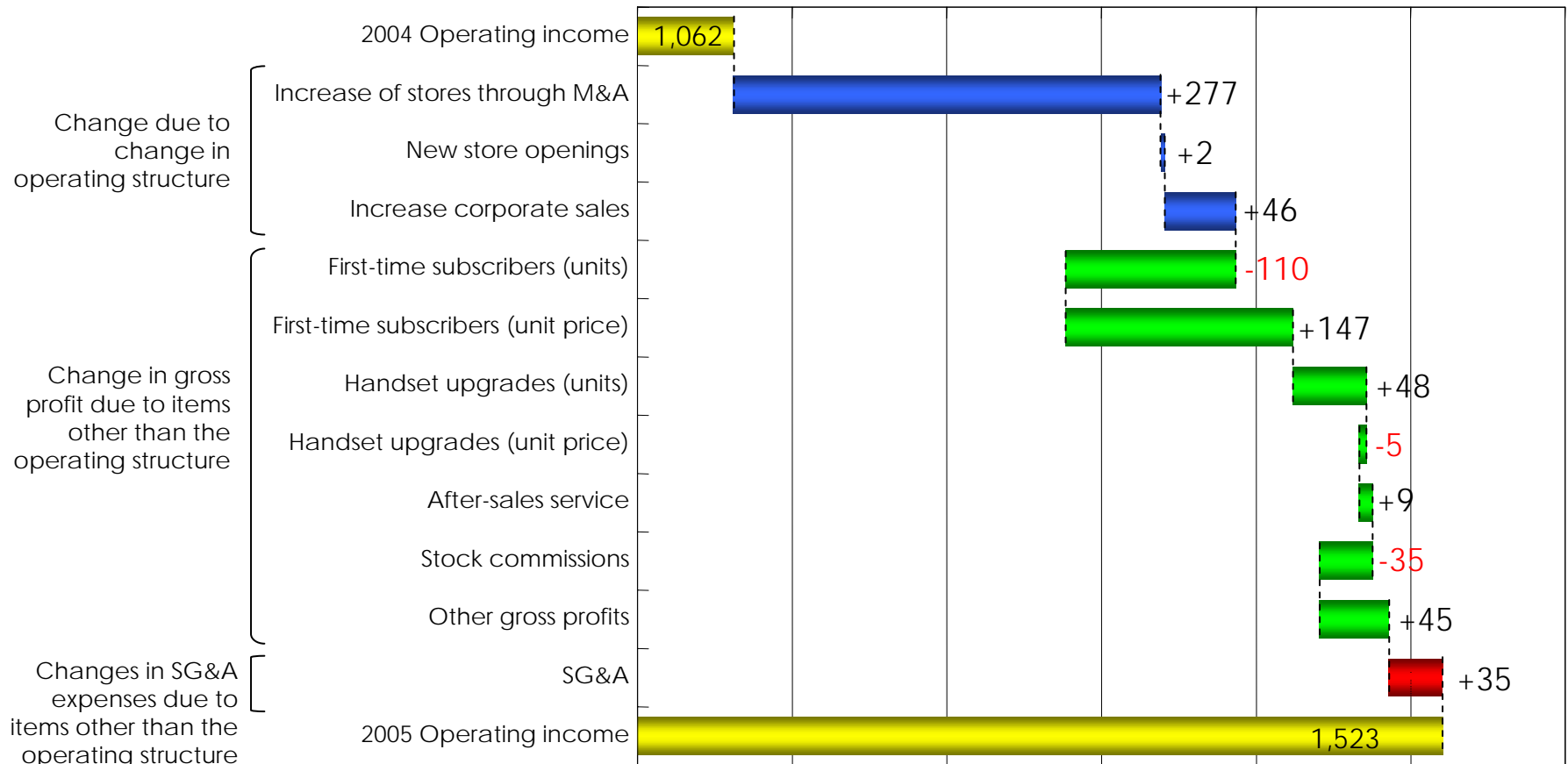
## 2005 Measures and Achievements

- Almost all stores added in 2004 and 2005 through acquisitions contributed to results for basically all of 2005. These stores added 277 million yen to operating income compared with 2004.
- Bell-Park concentrated on the corporate market, which has much more growth potential than the consumer mobile communications market. This initiative added 46 million yen to operating income.
- At existing stores, gross profit declined by 110 million yen due to a downturn in sales of handsets to first-time subscribers, a move to avoid excessive competition. This was offset by a 147 million yen increase in gross profit by the improvement of gross profit per unit.

# Mobile Phone Sales Business: Factors Affecting Profitability

(million yen)

1,000    1,100    1,200    1,300    1,400    1,500    1,600



Note: Approximate figures are used for 2004 because Bell-Park did not calculate earnings for business segments.

# Network Business

# Network Business: Summary

## Reason for Starting the Network Business

- Reducing the share of earnings from the mobile phone sales business over the medium and long terms has been an issue at Bell-Park for some time. In the fixed-line telephone industry, Japan has ended NTT's monopoly by lifting restrictions on fixed-line telephone services that do not use NTT facilities. Viewing this as an opportunity to leverage one of its strengths, Bell-Park decided to start the network business while tackling the following issues from a medium- and long-term perspective.
  - Establishment of ties with new business partners
  - Accumulation of experience in selling new types of products
  - Accumulation of sales expertise outside shop-based sales activities

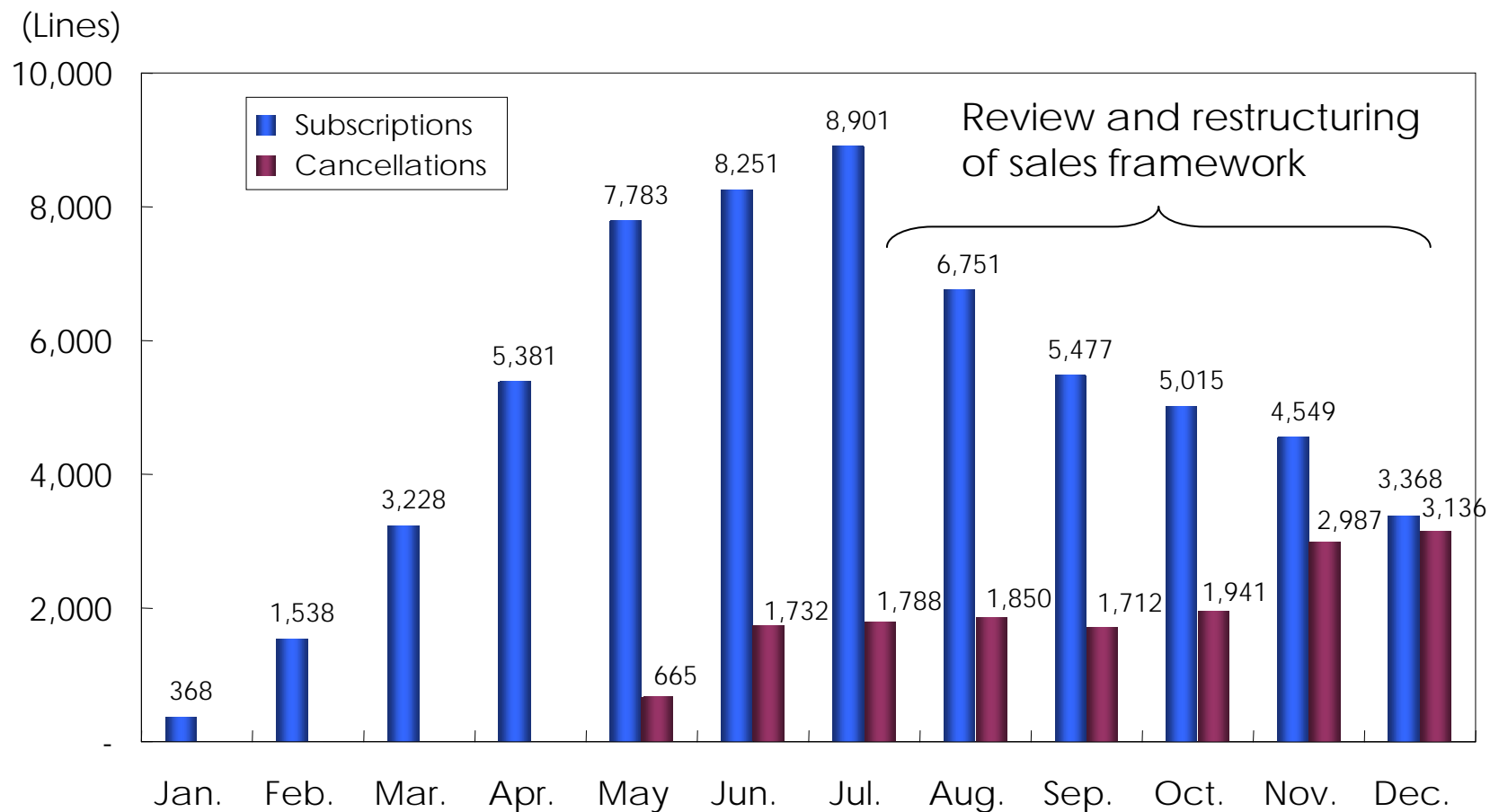
## 2005 Summary

- Following the deregulation of basic fee direct services, competition has intensified as NTT began making a big shift to fiber-optic lines to defend its market position. Due to the difficulty of differentiate from existing service MYLINE, Bell-Park's sales of subscriptions have not met expectations. Furthermore, cancellation rates are higher than initially projected. The result was an operating loss in 2005.

Bell-Park sales agency contract requires the refund of all sales commissions to carriers if a subscription is cancelled within a certain timeframe. Furthermore, cancellation rates have been higher than expected. Carriers and sales agents are now working together to devise ways to address the following issues in a manner that will be mutually beneficial.

- Lower cancellation rates
- Improve employee training and business processes to increase the new subscriptions
- Review the commission structure

# Network Business: *KDDI Metal Plus Service*



Note: New subscriptions and cancellations are based on KDDI payments and invoices. One major cause of the big increase in November and December cancellations is the mistaken sale of subscriptions to customers in a region of Japan where, following sales, it was discovered that many customers were using connections that could not be used for KDDI Metal Plus Service. As this problem has been largely solved, the number of cancellations fell to 1,070 in January 2006.

# Staffing Services Business

# Staffing Services Business: Summary

## Operating Highlights

- In 2003, Bell-Park acquired a subsidiary of J-PHONE (now Vodafone)  
In 2004, this subsidiary was dedicated solely to staffing services and expand its business while focusing on temporary staffing.

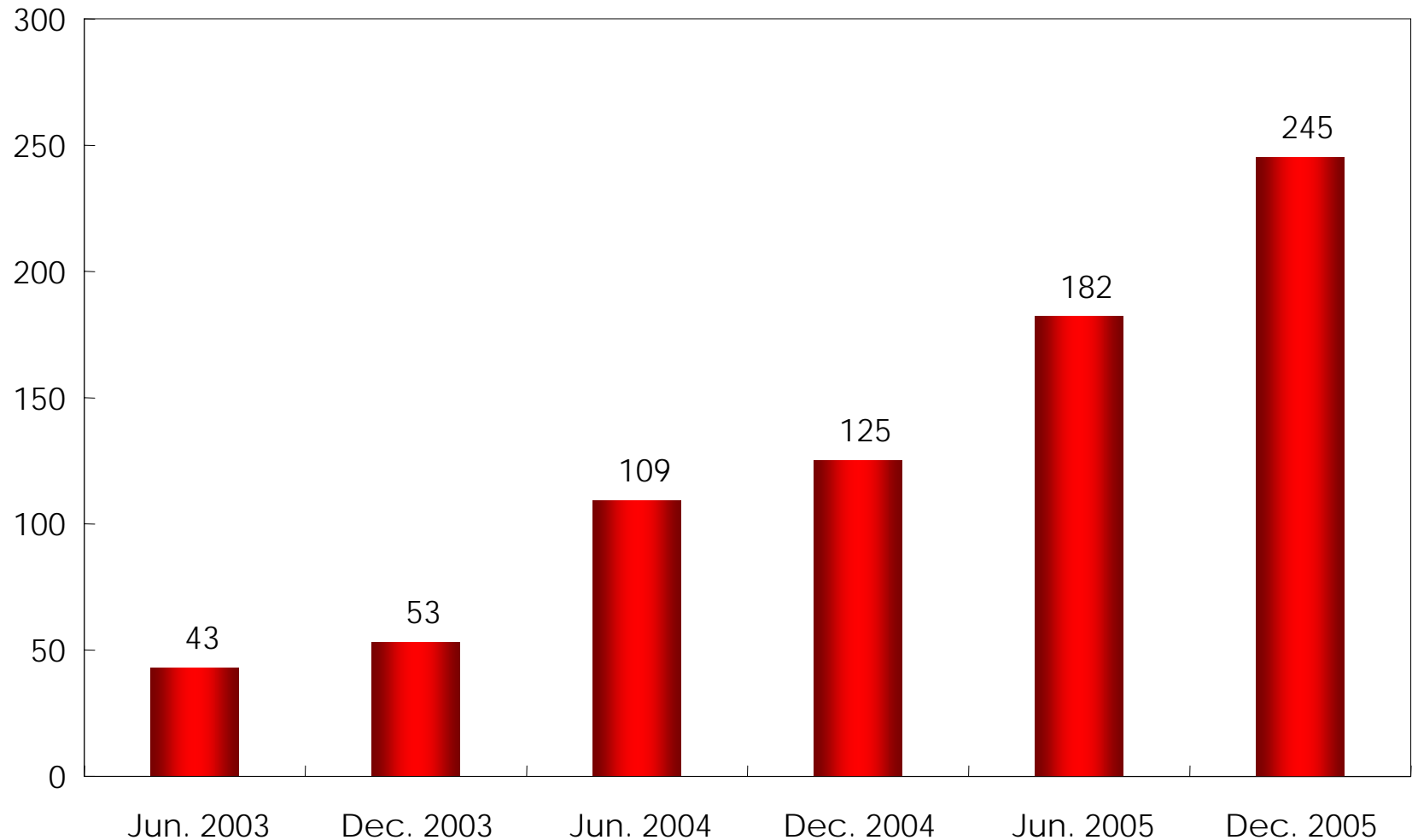
## 2005 Measures and Achievements

- J-PHONE SERVICE Co., Ltd. was renamed Japan Pro Staff Co., Ltd.  
Started supplying workers to DoCoMo shops and au shops in addition to Vodafone shops, generating large increase in business volume.
- Became profitable in the second half of 2005, only two and a half years after the acquisition of this business.

# Staffing Services Business: Track Record

96% increase in personnel placed in 2005 (from 125 in 2004 to 245 in 2005)

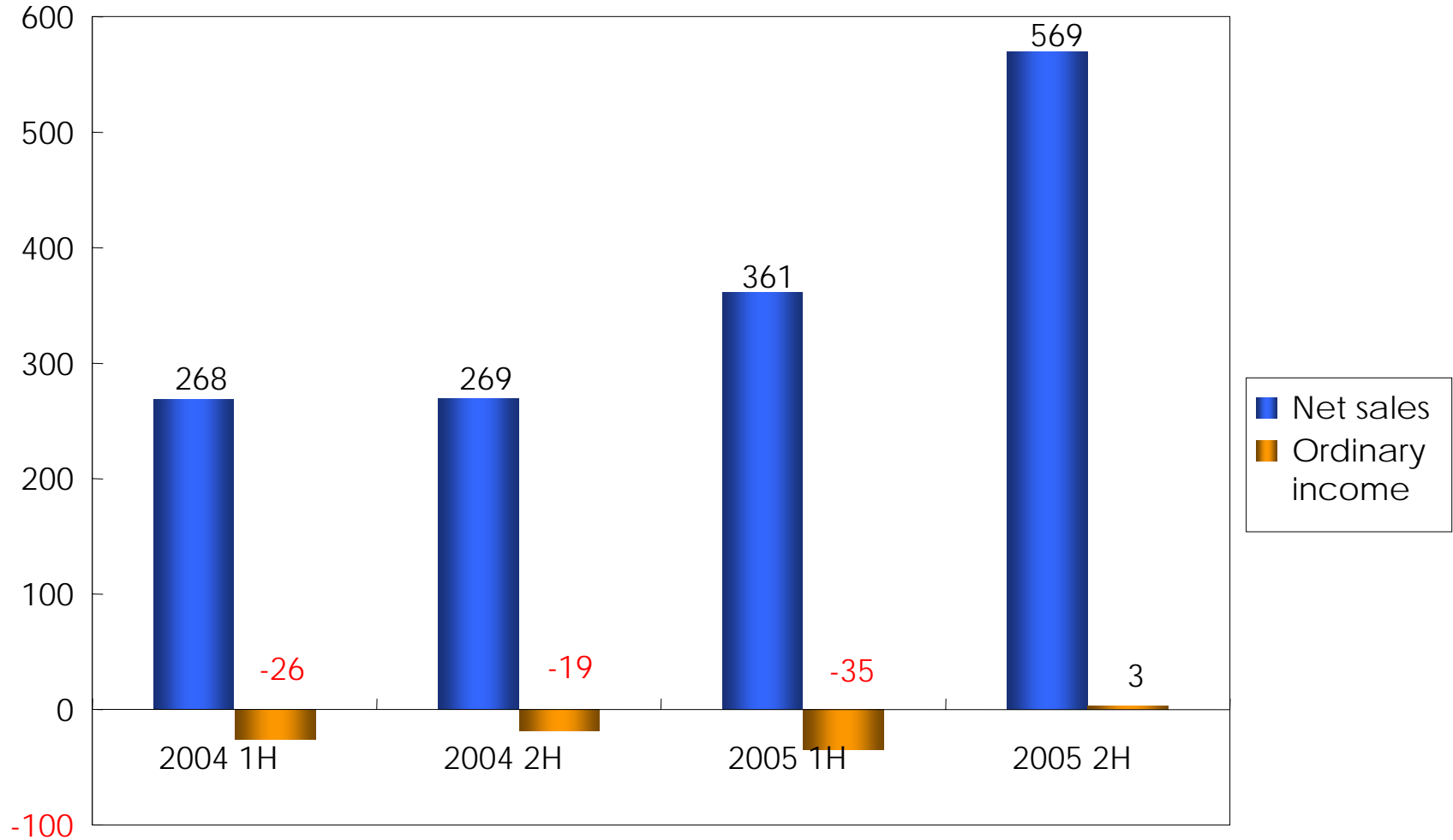
(Number of placement at the end of period)



# Staffing Services Business: Sales and Earnings (Semi-annual)

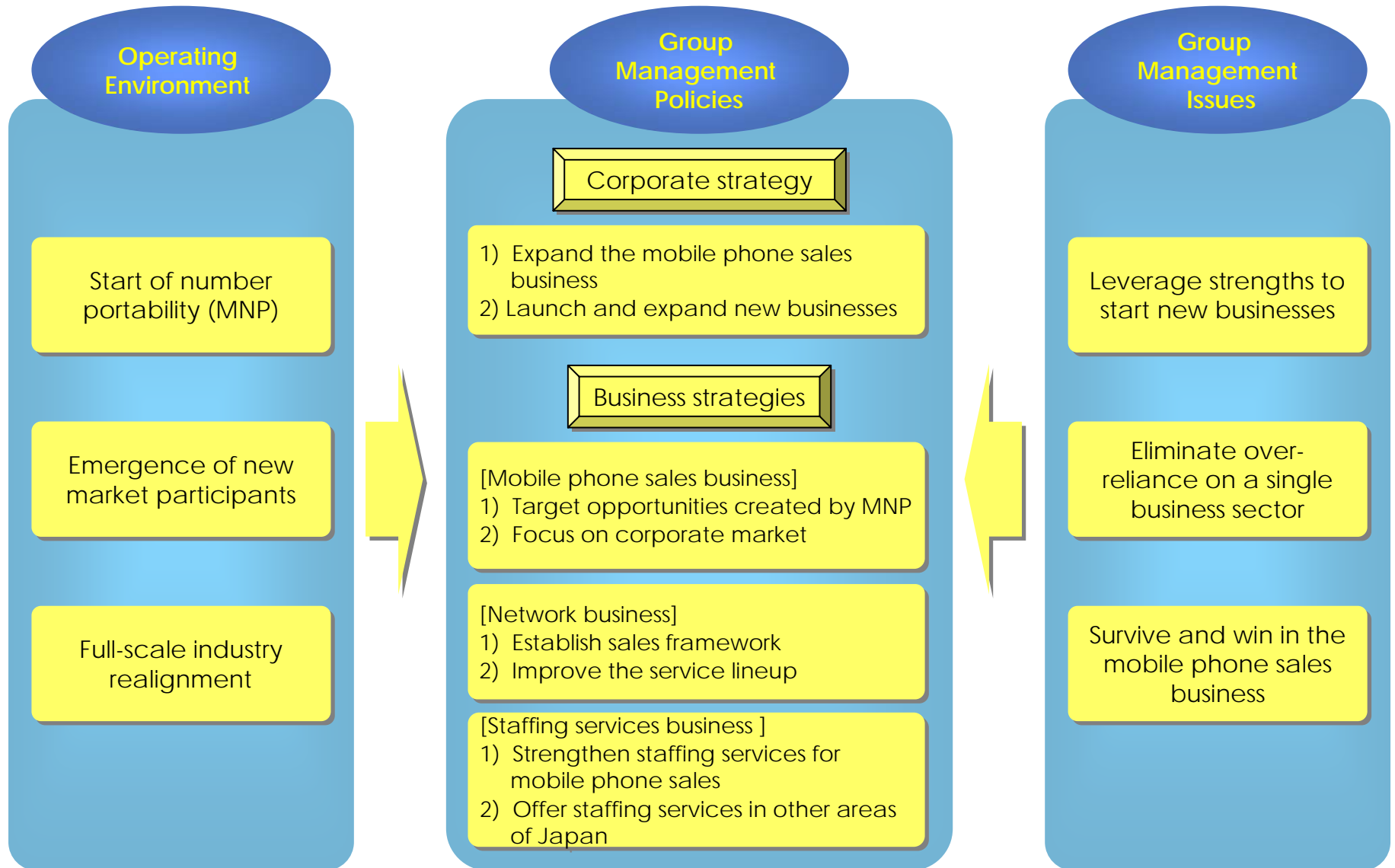
Acquired in 2003, posting steady sales growth following 2004 specialization in staffing services

(million yen)



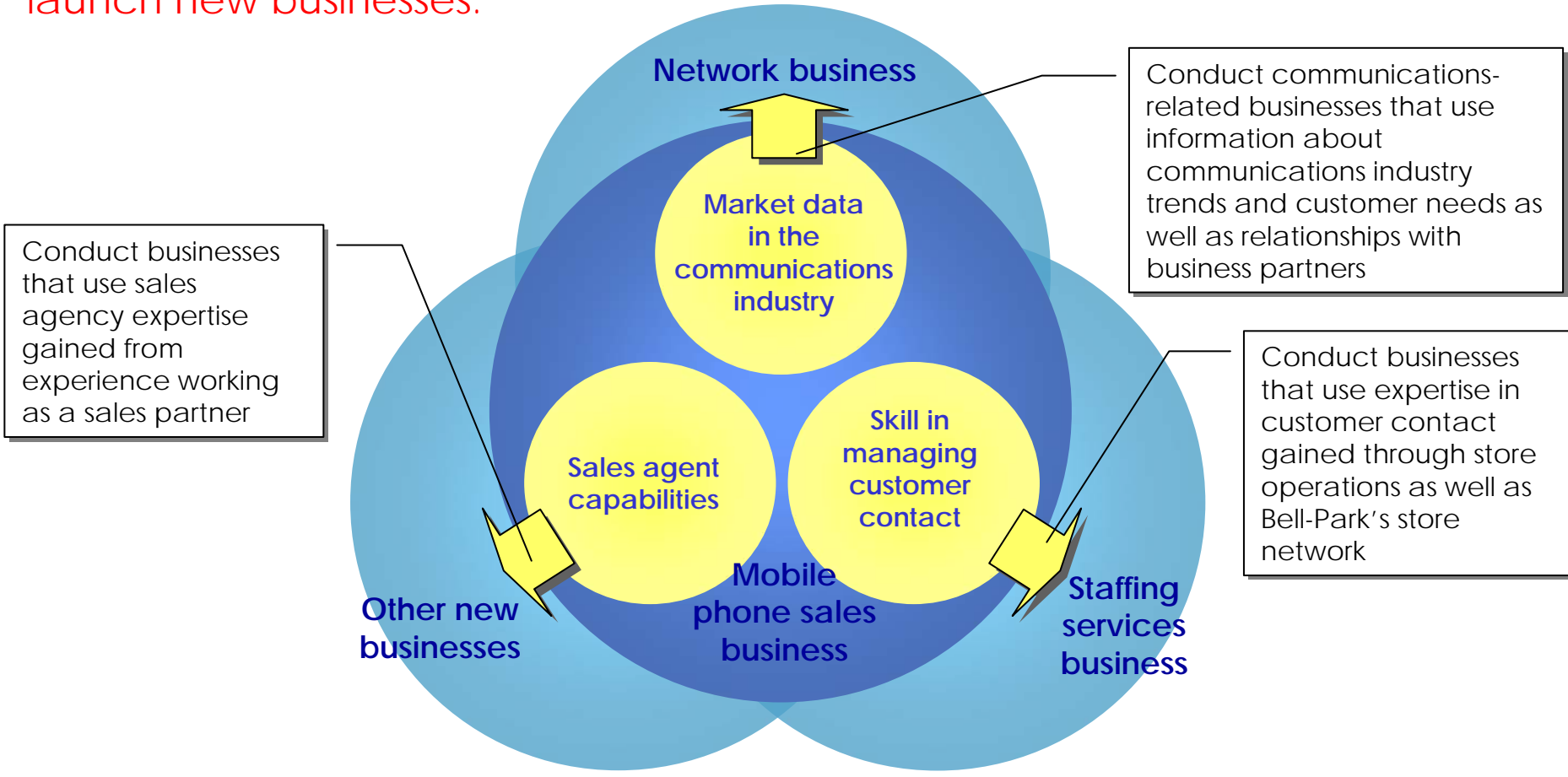
## II 2006 Management Policies

# 2006 Bell-Park Group Management Policies



# Medium-Term Business Goals

Achieve group-wide growth by further expanding the mobile phone sales business and leveraging the three strengths gained through this business to launch new businesses.



# Corporate Strategy

- 1) Expand the mobile phone sales business
- 2) Launch and expand new businesses

## (1) Expand the mobile phone sales business

The start of mobile phone number portability and the entry of more companies in the mobile communications market are likely to spark even more intense competition among companies selling mobile phones.

Bell-Park believes that this operating environment will greatly increase business opportunities for sales agents, and is determined to capitalize on these opportunities to expand its mobile phone sales business.

## (2) Launch and expand new businesses

Bell-Park must reduce its reliance on the mobile phone sales business over the medium and long term even as it enlarges this business. To accomplish this, Bell-Park will continue to concentrate on launching and expanding new businesses.

# Business Segment Strategies: Mobile Phone Sales Business

[Mobile phone sales business]

- 1) Target opportunities created by MNP
- 2) Focus on corporate market

## (1) Target opportunities created by MNP

The start of mobile phone number portability presents an opportunity to raise sales of mobile phones to new subscribers. Bell-Park is training employees and taking other actions to establish an infrastructure for increasing sales.

## (2) Focus on the corporate market

The corporate mobile communications market is growing faster than the consumer segment of this market. Companies also have substantial latent needs. Number portability is likely to trigger a substantial volume of changes among companies in their mobile communication service providers. Bell-Park will continue to bolster its framework for serving corporate clients in order to increase sales.

# Business Segment Strategies: Network Business

[Network business]

- 1) Establish sales framework
- 2) Improve the service lineup

## (1) Establish sales framework

As in 2005, Bell-Park will collaborate with communication carriers to target the following issues with the goal of producing benefits for both carriers and sales agents. Through this approach, Bell-Park plans to assemble a sales framework that can be consistently profitable.

- Lower cancellation rates
- Improve employee training and business processes to increase the new subscriptions
- Review the commission structure

## (2) Increase the service lineup

Enlarge the lineup of products and services to increase and stabilize earnings.

[Staffing services business ]

- 1) Strengthen staffing services for mobile phone sales
- 2) Offer staffing services in other areas of Japan

## (1) Strengthen staffing services for mobile phone sales

Phone number portability campaigns and other actions are expected to generate more demand than in 2005. Bell-Park thus plans to bolster its capabilities in order to meet the projected growth in demand for sales personnel.

## (2) Offer staffing services in other areas of Japan

Extend operations from the Tokyo area to include the Osaka area, Japan's second-largest source of demand for staffing services. The goal is to build an infrastructure that can serve the staffing needs of each client in many areas of Japan.

# III 2006 Earnings Plan

# 2006 Earnings Plan

(million yen)

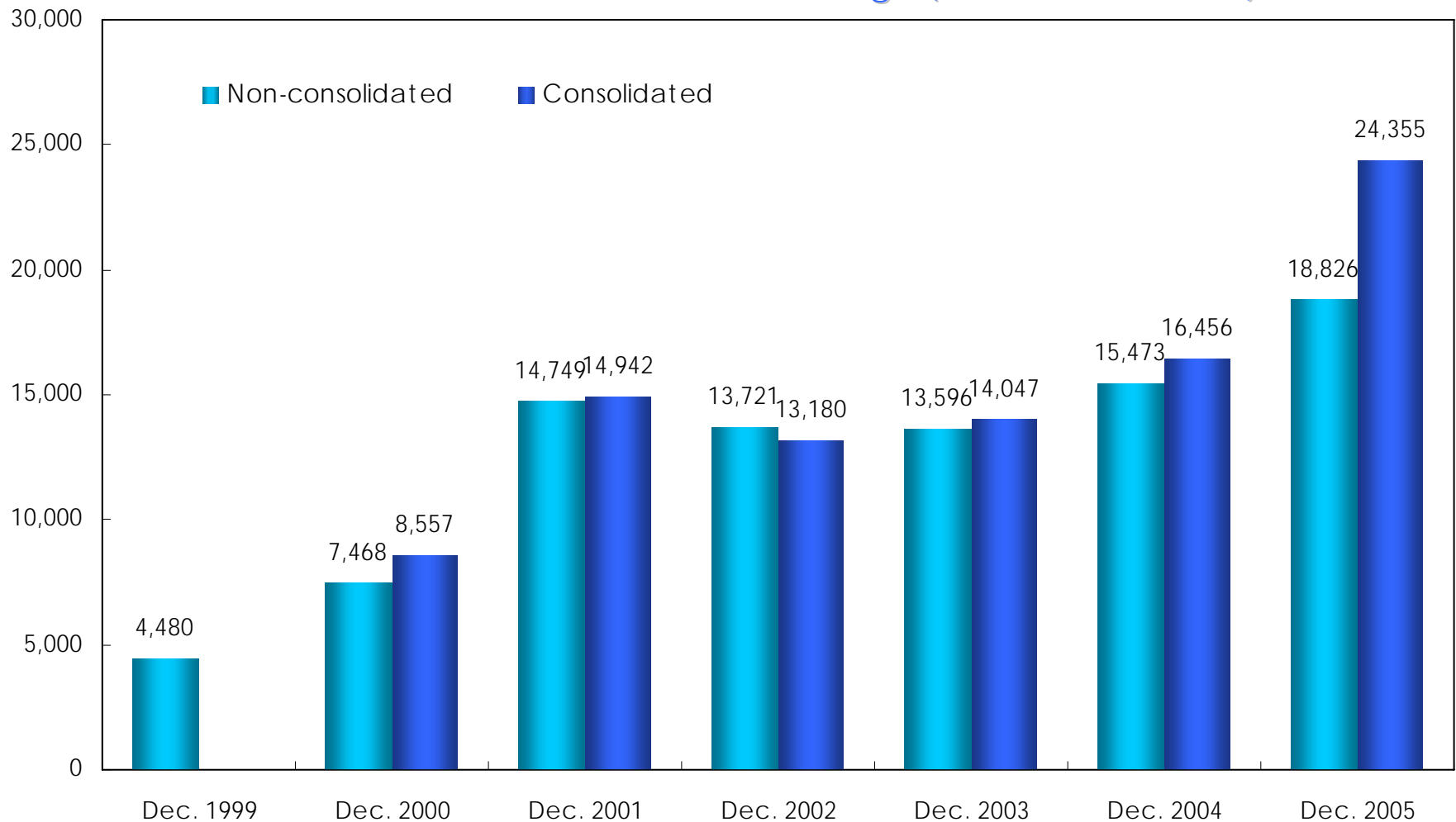
	First-Half		Full-Year	
	Net sales	Operating income	Net sales	Operating income
Mobile Phone Sales Business	12,400	720	26,400	1,580
Network Business	300	-40	650	-90
Staffing Services Business	650	-5	1,550	20
Elimination or corporate	-50	-245	-100	-460
Consolidated	13,300	430	28,500	1,050

IV Supplementary Material  
IV-1 2005 Financial Summaries

# 1. Net Sales (Consolidated, Non-consolidated)

YoY change (Consolidated): 148.0%  
YoY change (Non-consolidated): 121.7%

(million yen)

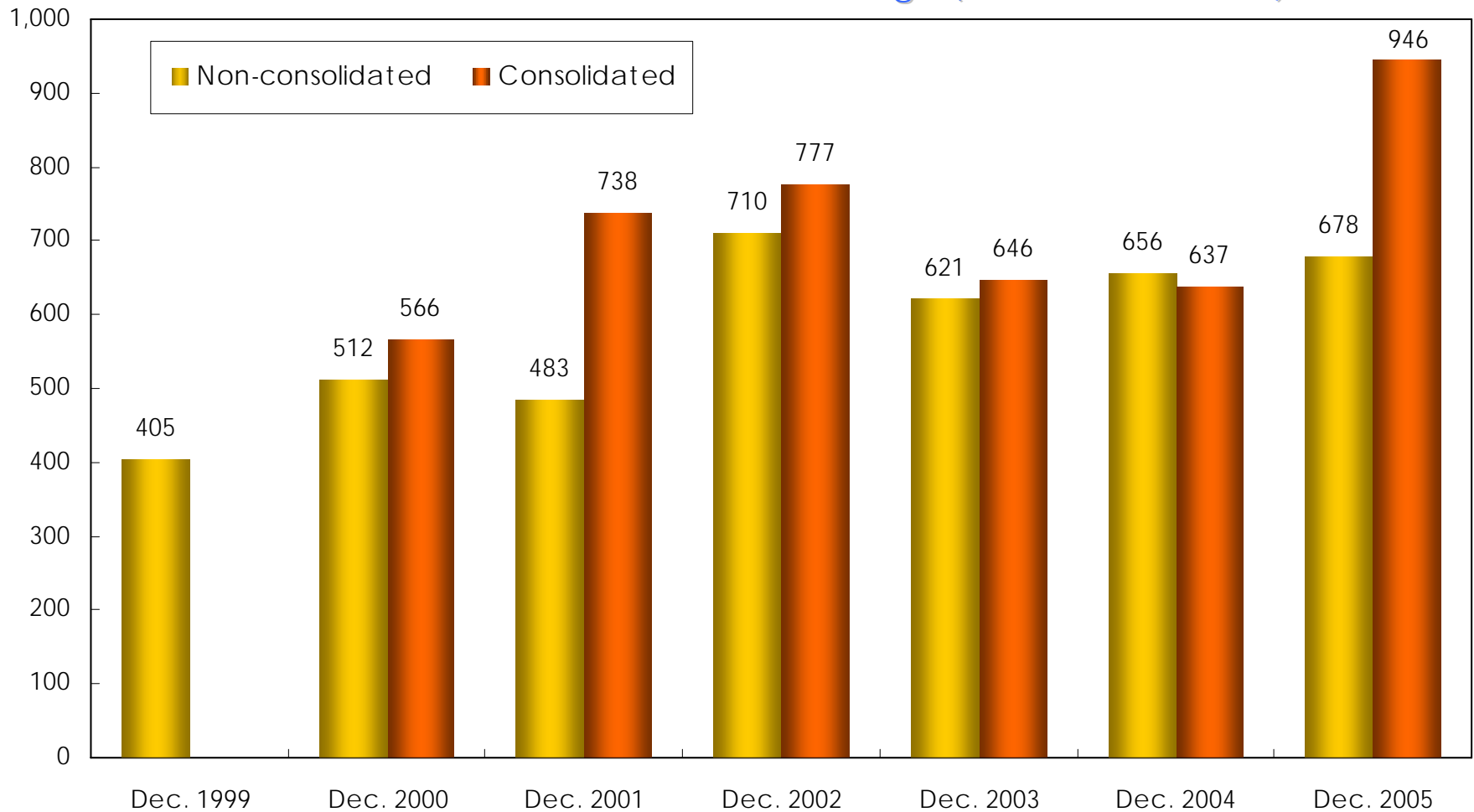


# 2. Ordinary Income (Consolidated, Non-consolidated)

YoY change (Consolidated): 148.4%

YoY change (Non-consolidated): 103.4%

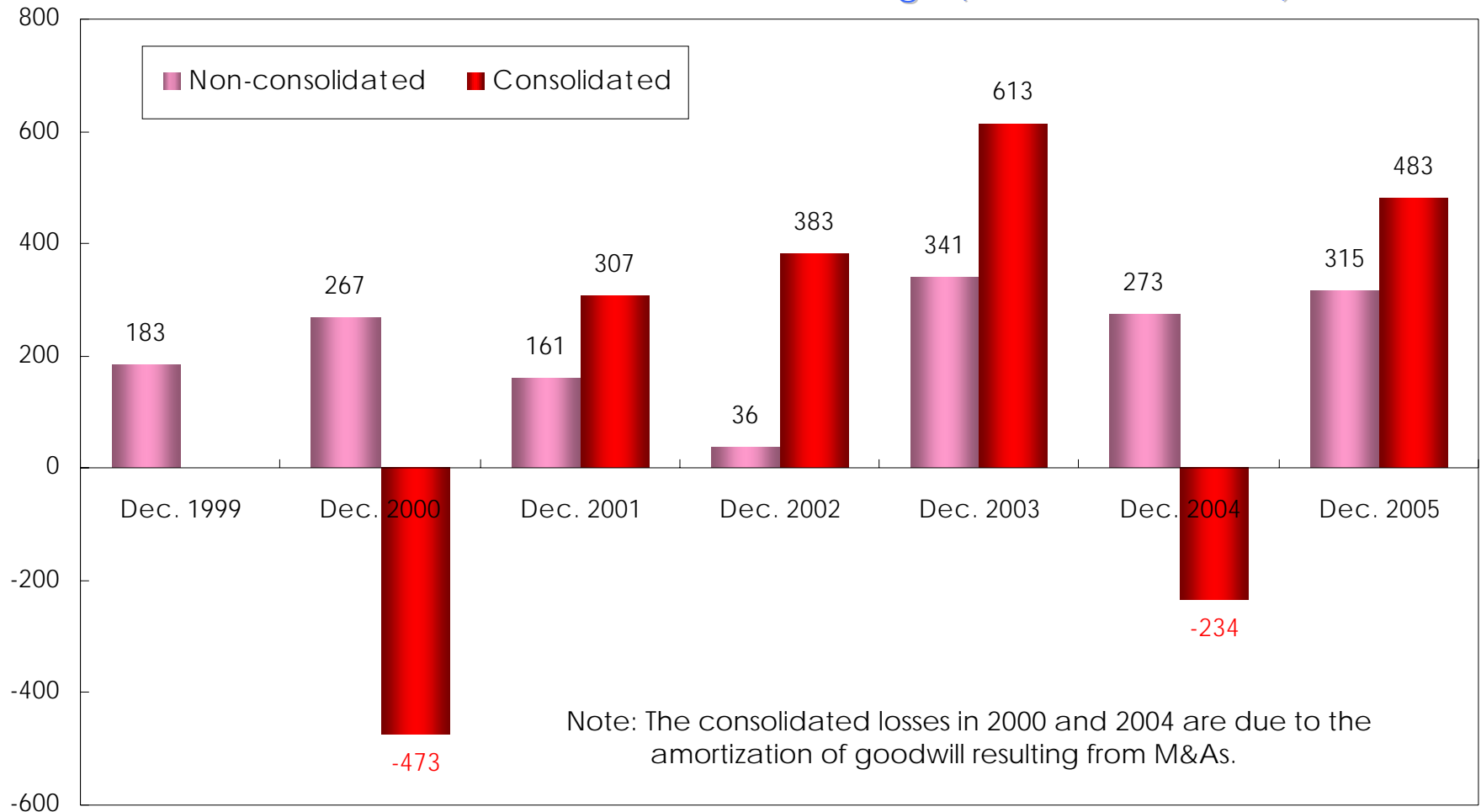
(million yen)



# 3. Net Income (Consolidated, Non-consolidated)

YoY change (Consolidated): -  
 YoY change (Non-consolidated): 115.2%

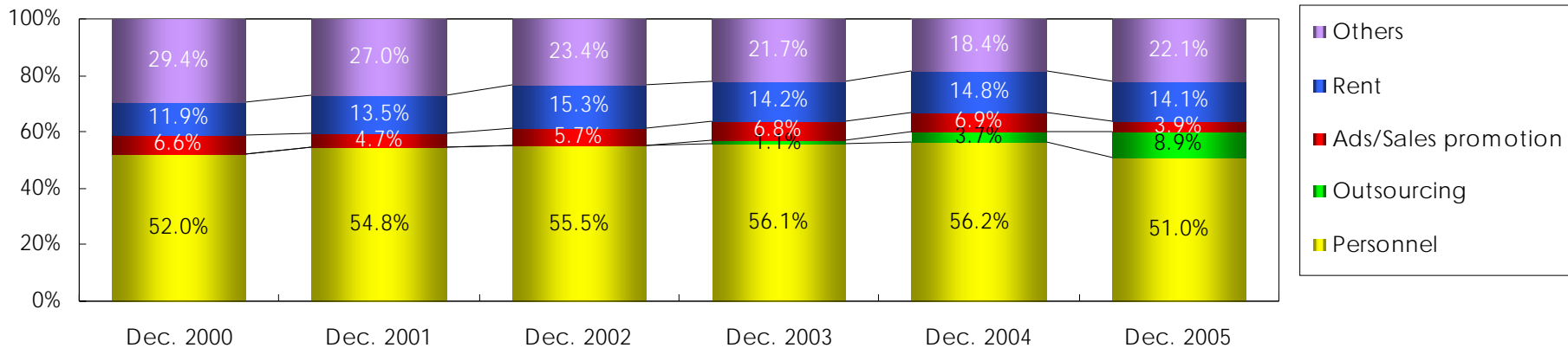
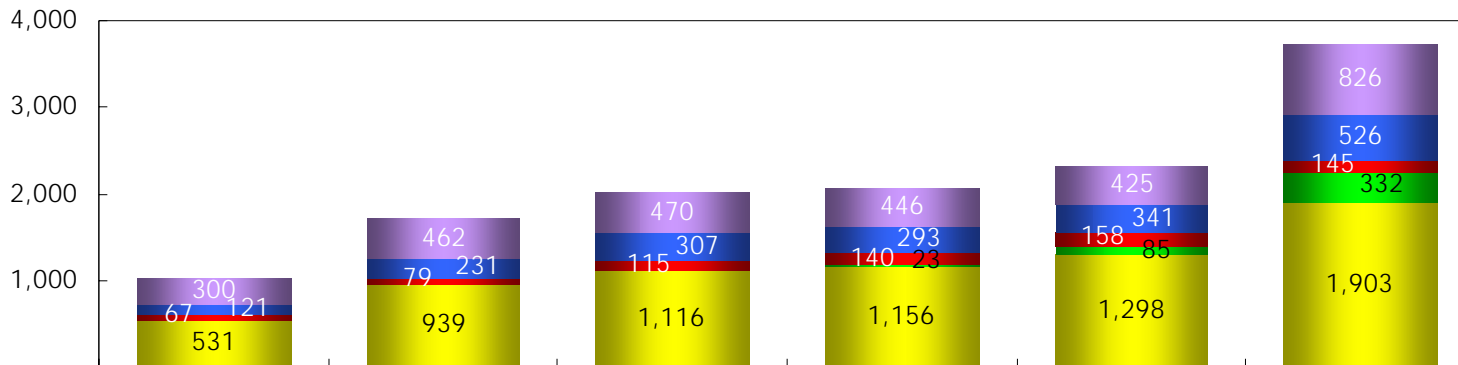
(million yen)



# 4. SG&A Expenses (Consolidated)

Dec. 2000	Dec. 2001	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005	Accounting Period
1,677	2,428	2,765	2,705	2,940	4,684	Gross profit (million yen)
531	939	1,116	1,156	1,298	1,903	Personnel (million yen)
1,021	1,714	2,009	2,058	2,309	3,735	SG&A (million yen)
3.16	2.58	2.48	2.34	2.26	2.46	Gross profit/Personnel
1.64	1.42	1.38	1.31	1.27	1.25	Gross profit/SG&A

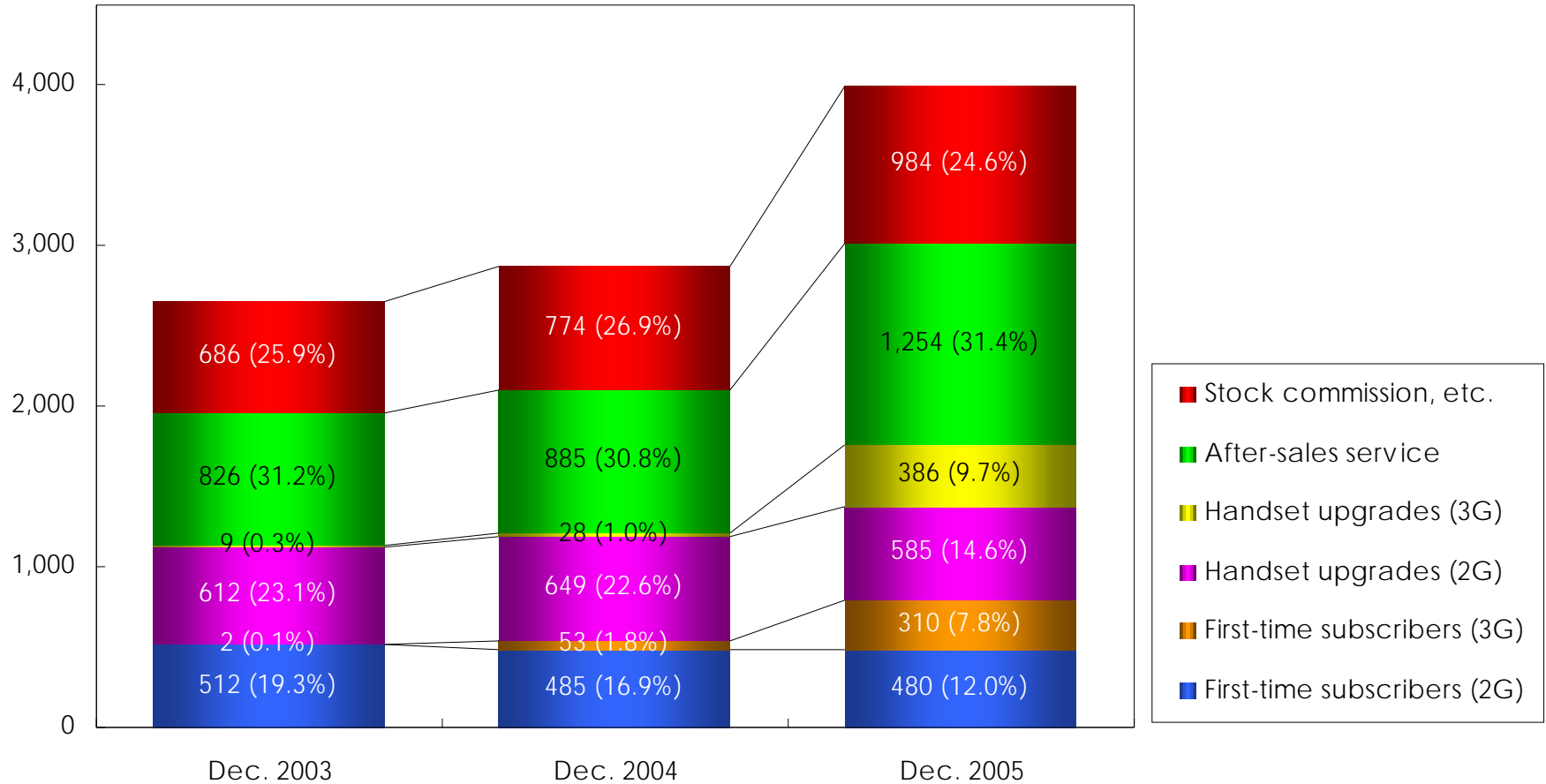
(million yen)



# 5. Composition of Gross Profit (Consolidated)

- Mobile Phone Sales Business -

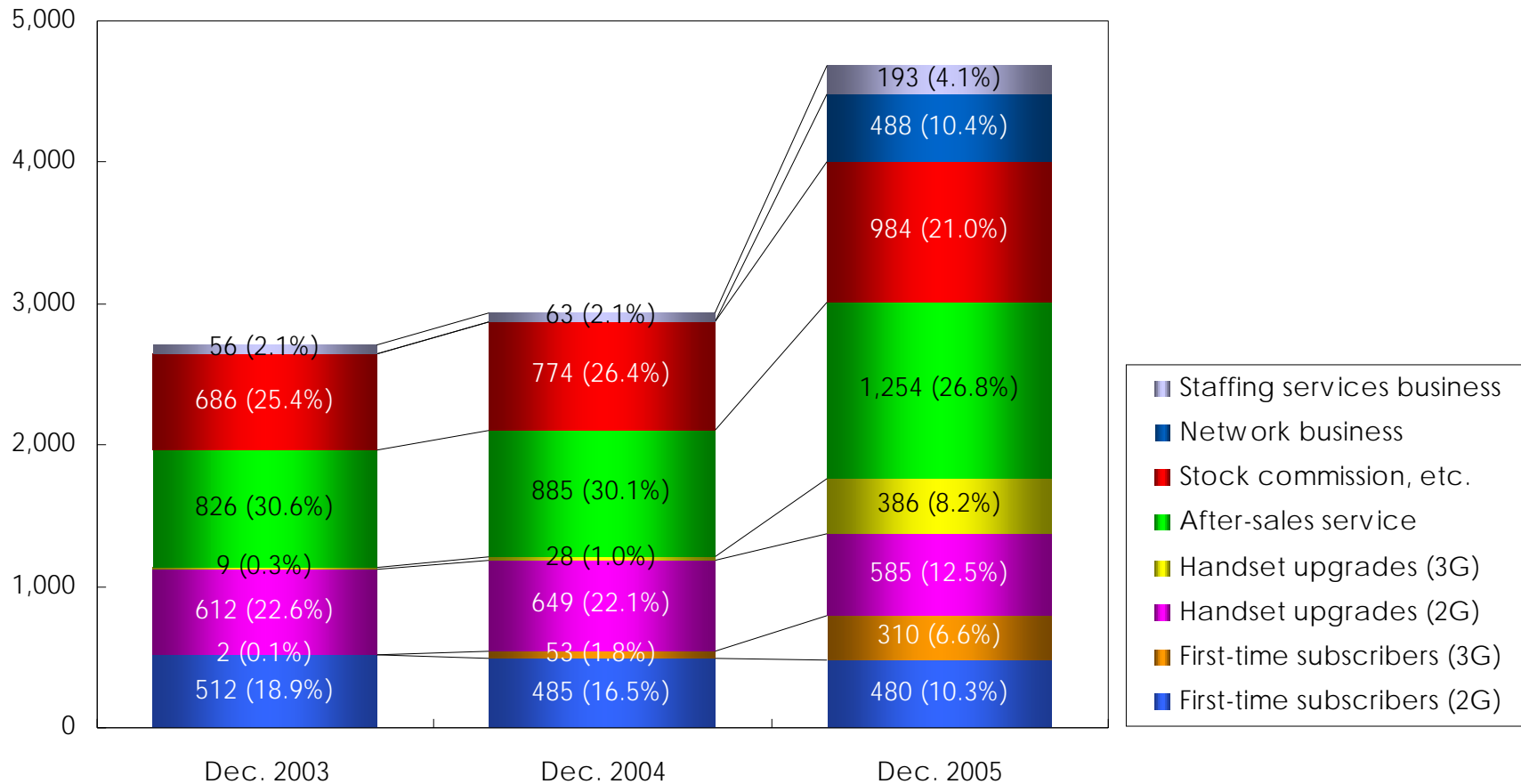
(million yen)



# 6. Composition of Gross Profit (Consolidated)

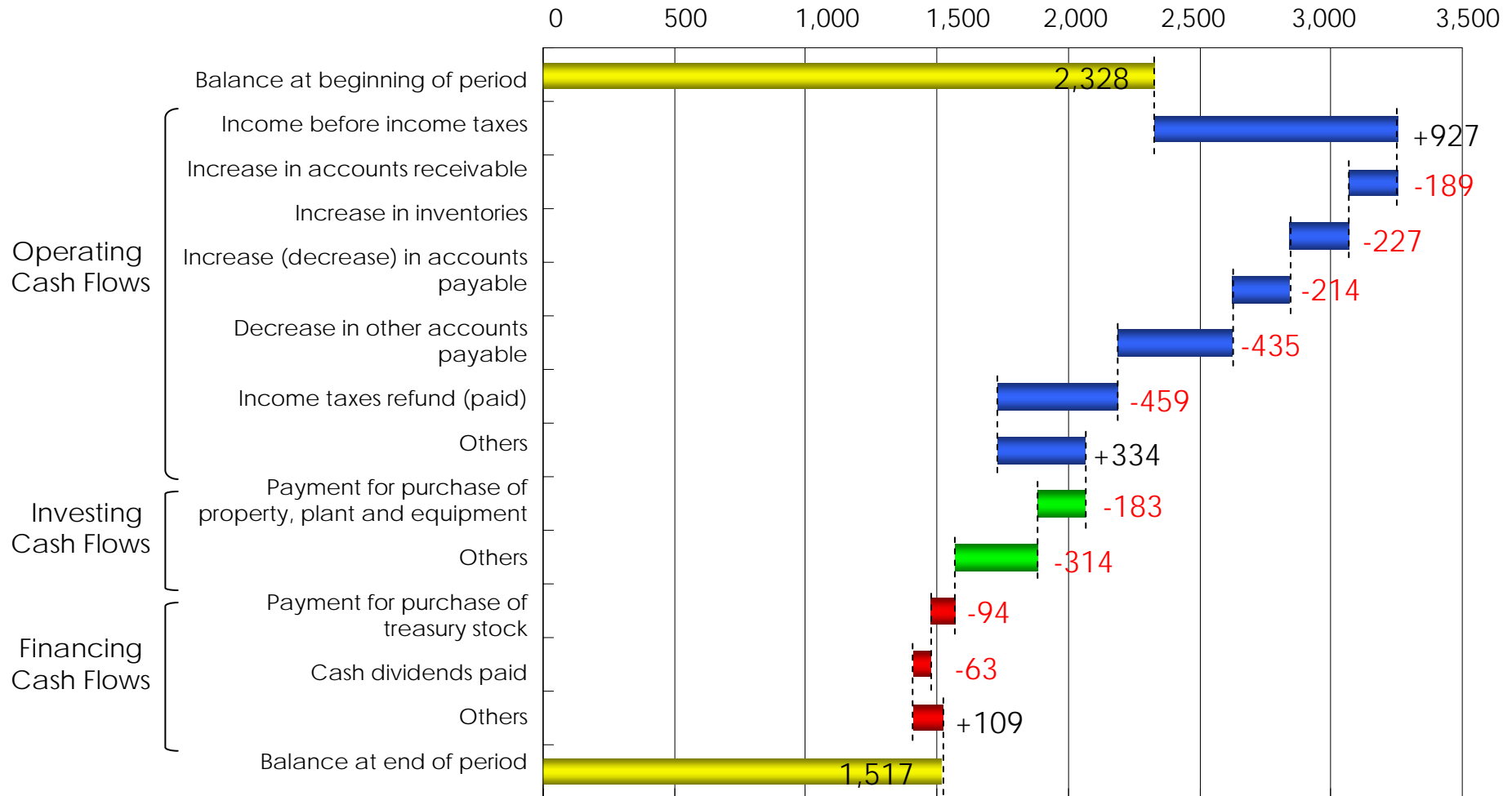
- All Businesses -

(million yen)



# 7. Composition of Cash Flows (Consolidated)

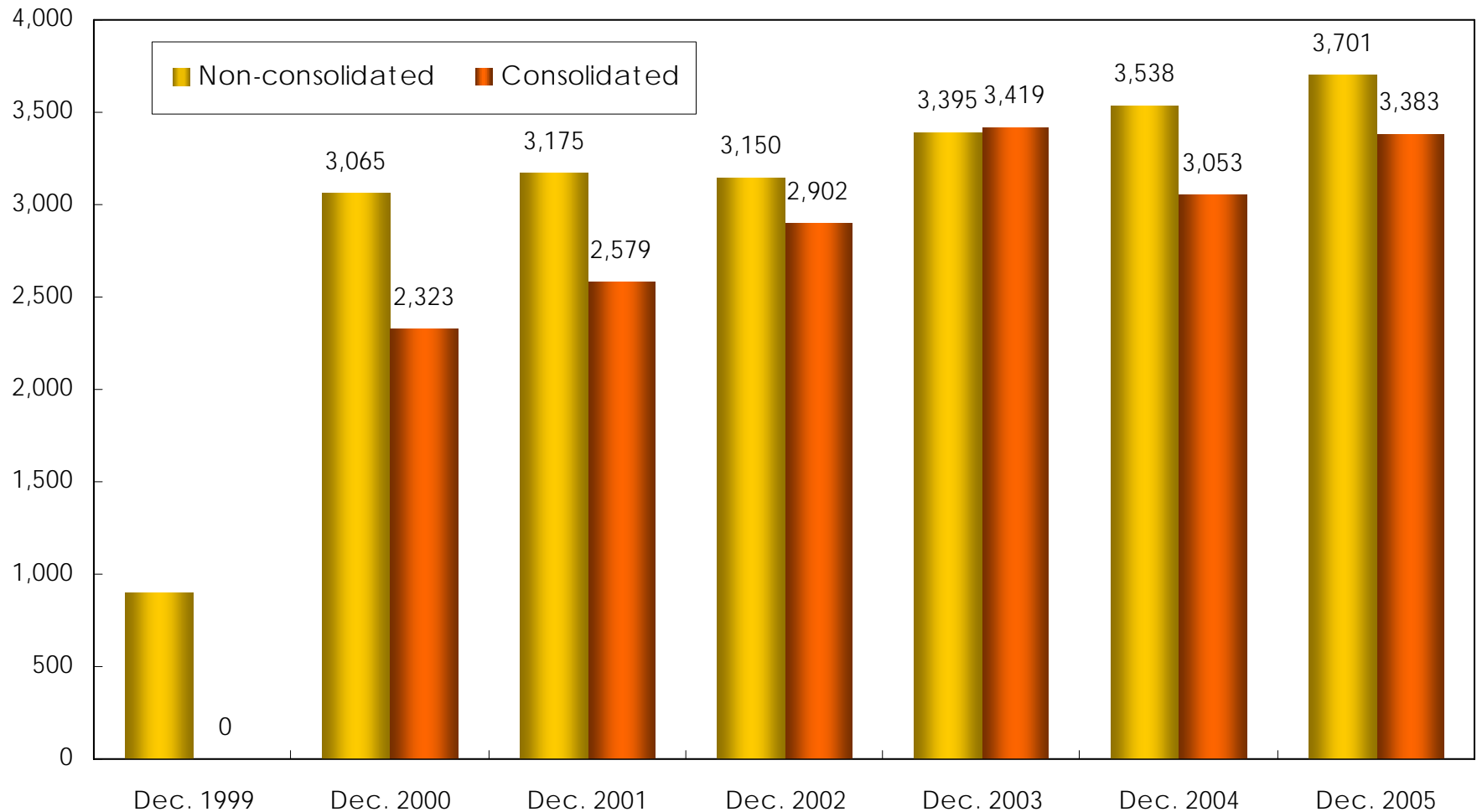
(million yen)



# 8. Net Assets (Consolidated, Non-consolidated)

YoY change (Consolidated): 112.5%  
YoY change (Non-consolidated): 104.6%

(million yen)



## 9. Financial Indicators (Consolidated)

		Dec. 2003	Dec. 2004	Dec. 2005
Profitability	Ratio of ordinary income to total assets	12.6%	10.4%	13.9%
	Return on equity	19.4%	-7.2%	15.0%
	Cash flow margin	2.5%	5.7%	- (*1)
	Gross profit margin	19.3%	17.9%	19.2%
	Ratio of ordinary income to net sales	4.6%	3.9%	3.9%
Efficiency	Capital turnover (times/year)	2.73	2.68	3.57
	Receivables turnover period (day) (*2)	38.8	40.7	34.5
	Inventory turnover period (day)	15.2	20.6	17.6
Safety	Shareholders' equity ratio	62.6%	44.7%	49.7%
	Current ratio	236.5%	156.5%	165.8%

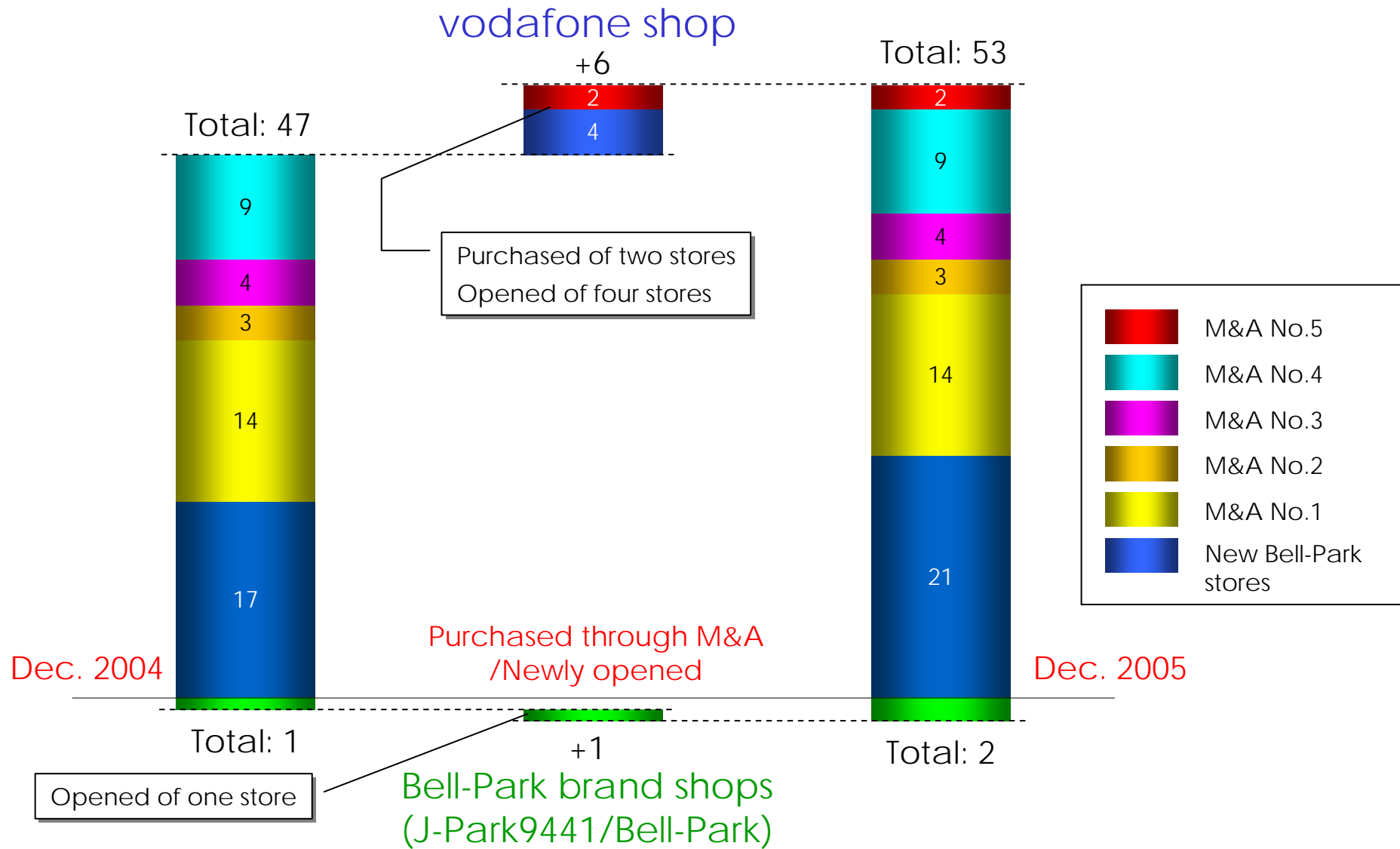
\*1: Figures are not presented since operating cash flows were negative.

\*2: This figure now includes accrued income as well as receivables.

IV Supplementary Material

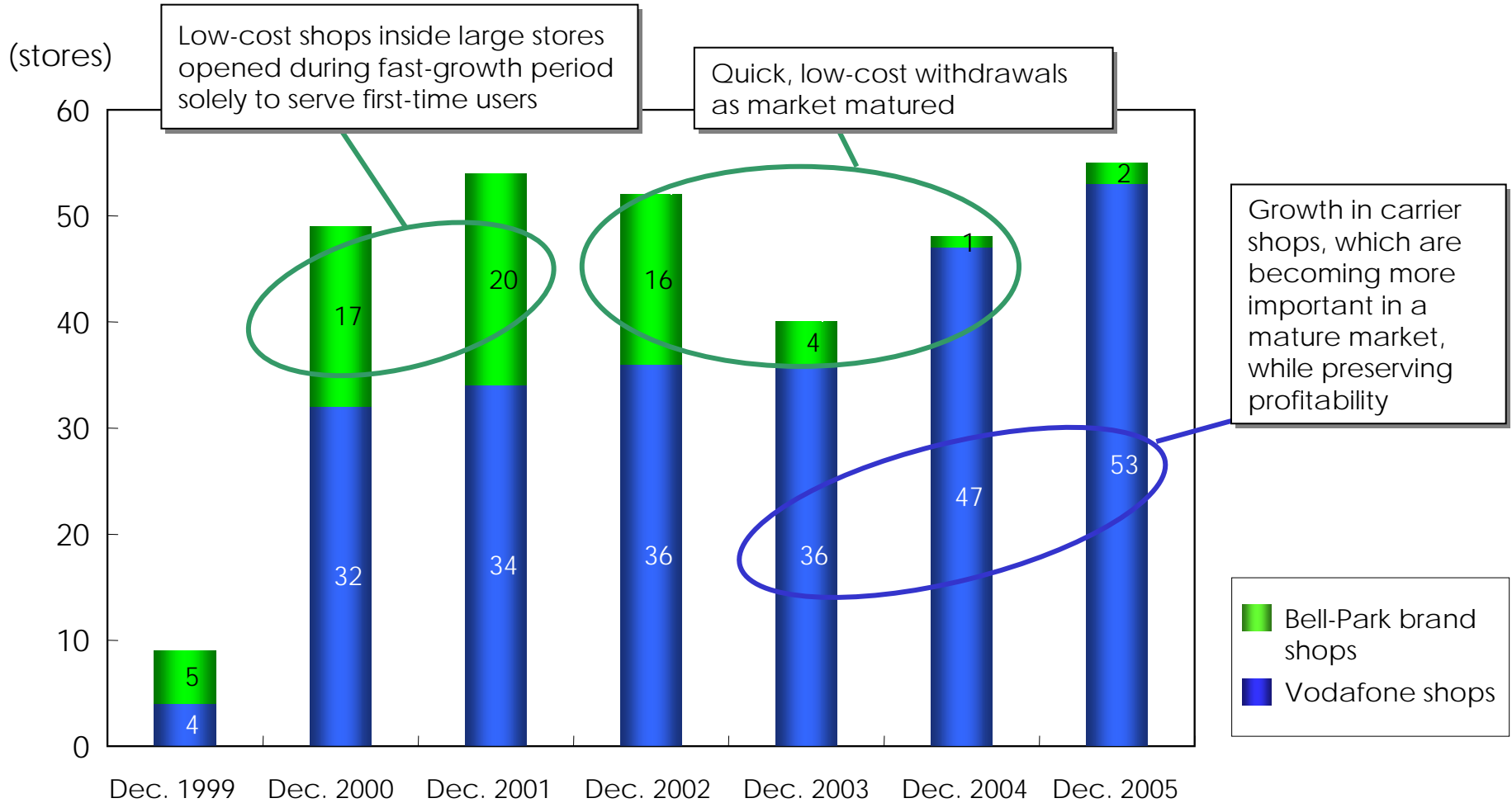
IV-2 2005 Operating Summaries  
(Mobile Phone Sales Business)

# 1. Changes in Number of Stores



# 2. Number of Stores

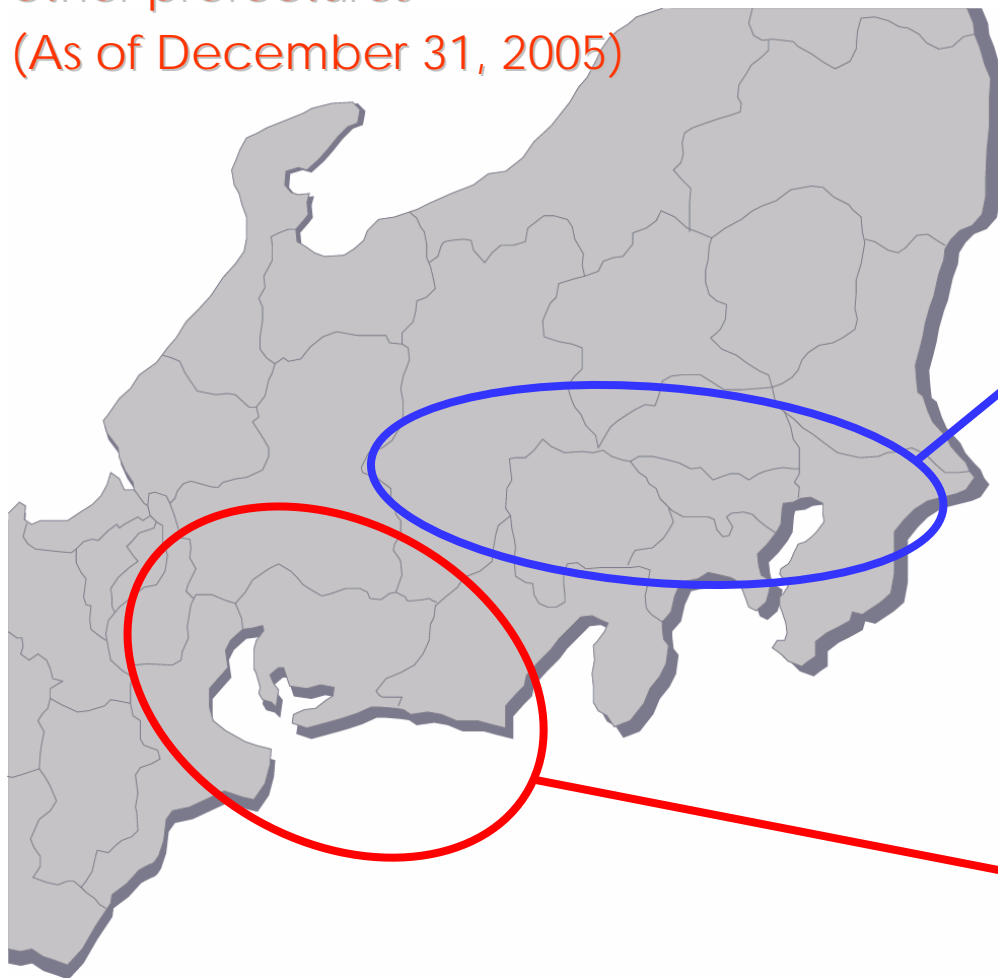
Make stores into "carrier shops" in response to shifts in customer needs and profitability of this business



# 3. Store Network

53 Vodafone shops, two Bell-Park's own brand shops in Tokyo and eight other prefectures

(As of December 31, 2005)



### Kanto Area Stores

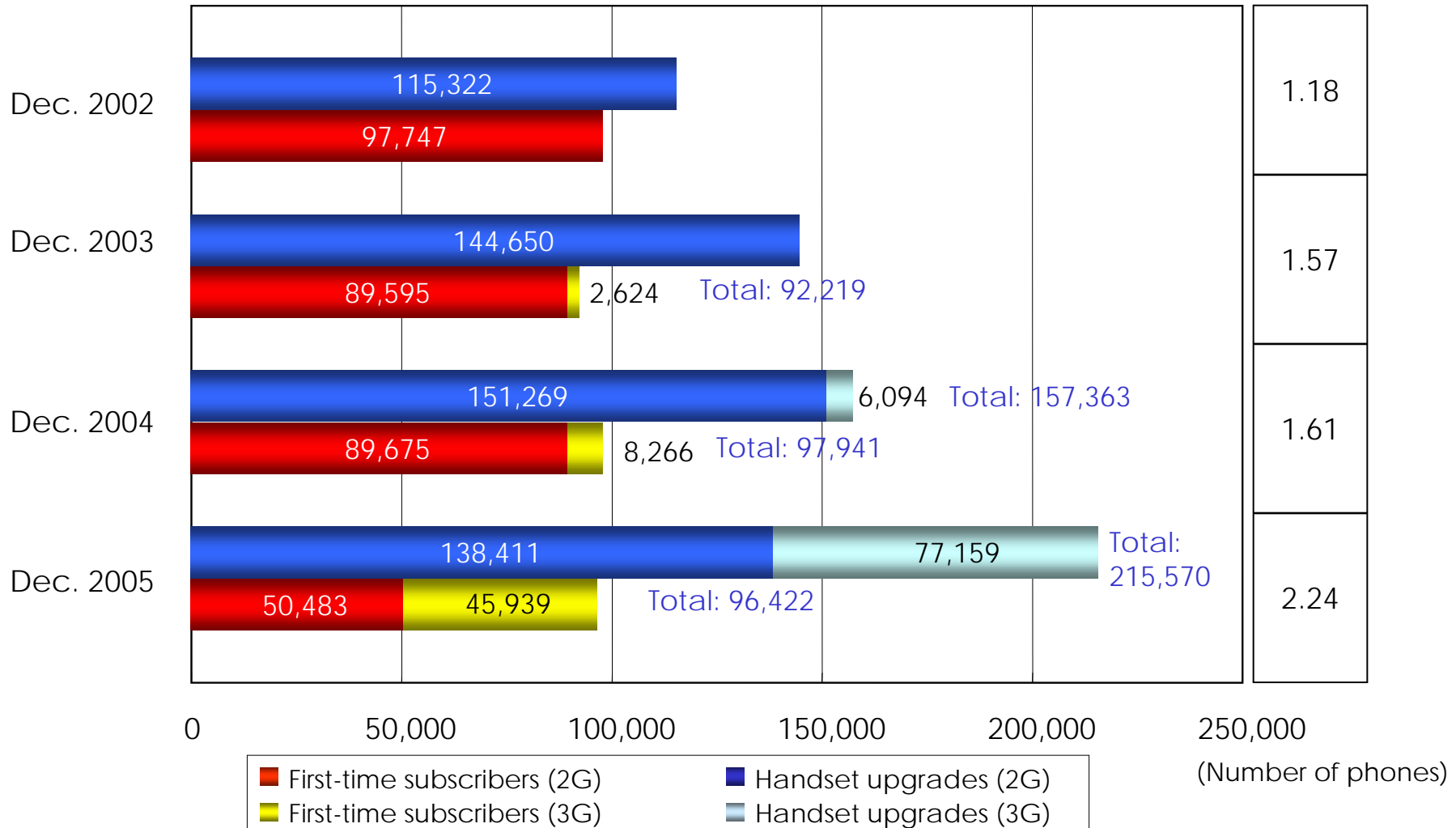
	Vodafone shops	Bell-Park brand shops
Tokyo	26	0
Kanagawa	5	0
Chiba	5	1
Saitama	9	0
Nagano	1	0
Subtotal	46	1

### Tokai Area Stores

	Vodafone shops	Bell-Park brand shops
Aichi	3	1
Shizuoka	1	0
Gifu	1	0
Mie	2	0
Subtotal	7	1

# 4. Number of Mobile Phones Sold

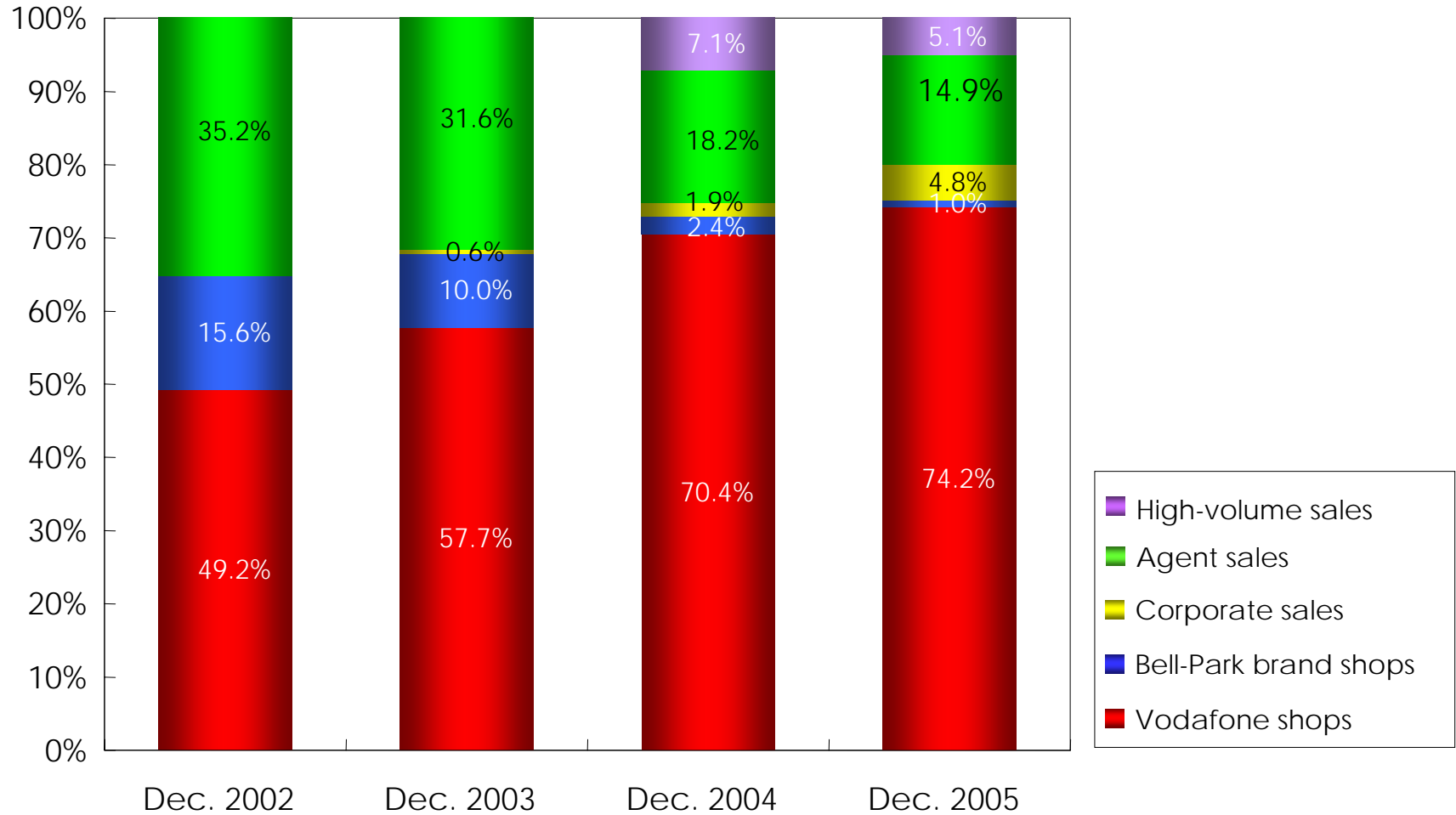
Mobile phone upgrades  
vs. Sales to first-time users



# 5. Changes in Composition of First-time-User Sales Channels

Sub-agent sales were sluggish (wholesale sales to sub-agents)

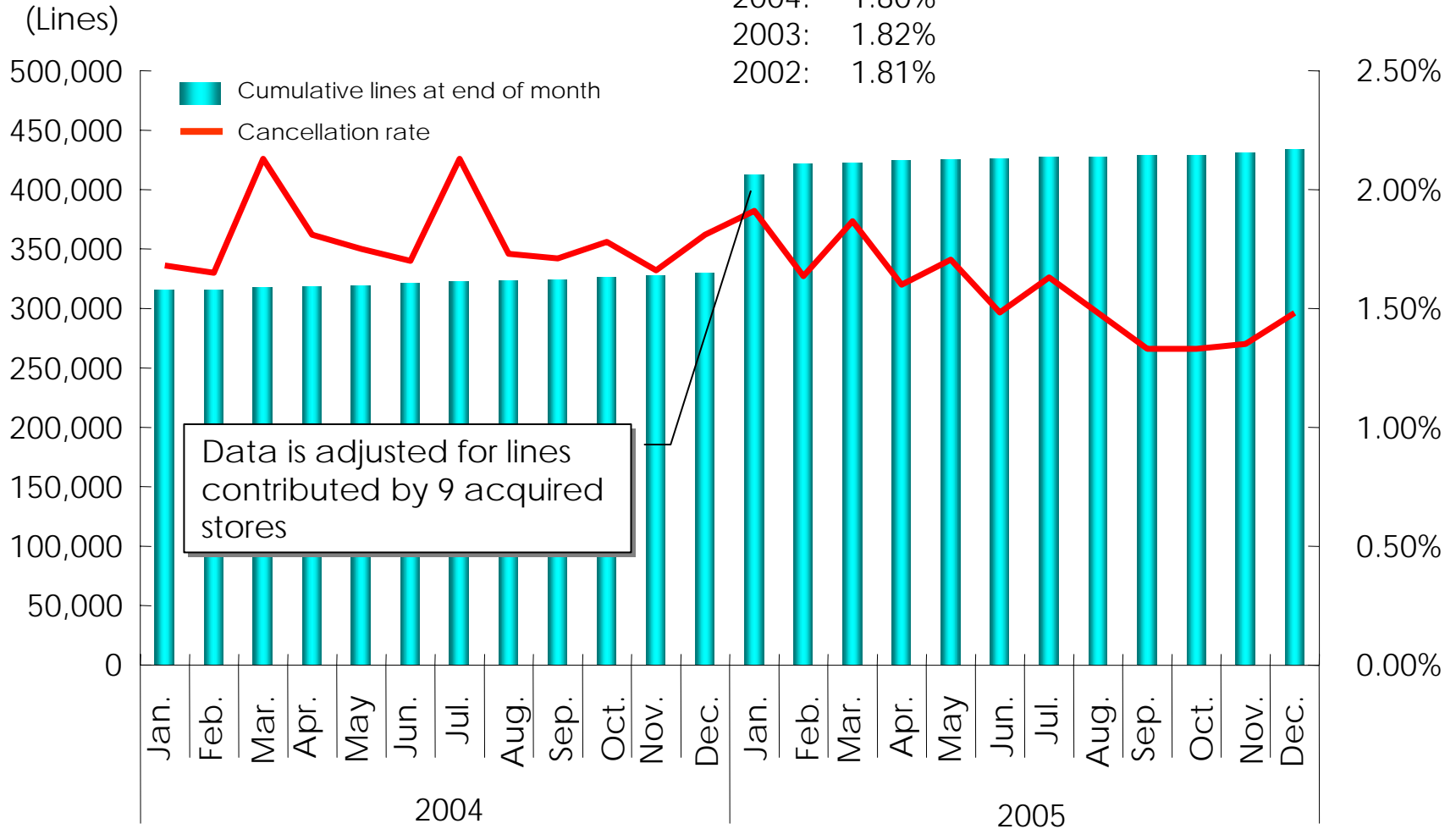
We focused on boosting corporate sales and sales through Vodafone Shops



# 6. Cumulative Subscriptions and Cancellations (Monthly)

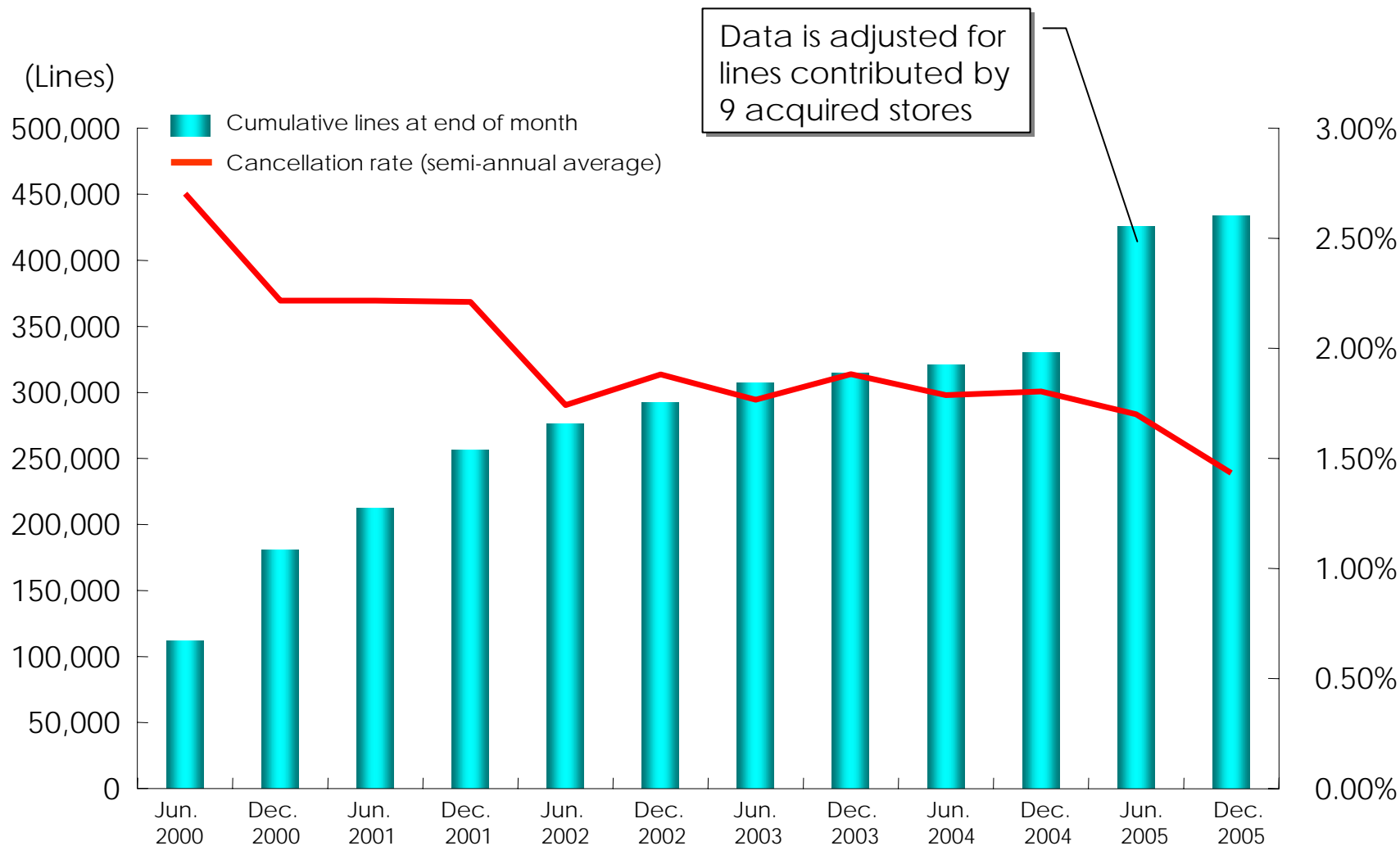
Average cancellation rate for 2005: 1.57%

2004: 1.80%  
 2003: 1.82%  
 2002: 1.81%



Note: Excluding the Tokai area

# 7. Cumulative Subscriptions and Cancellations (Semi-annual)



Note: Excluding the Tokai area

# Forward-Looking Statements

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

*We strongly believe in our ability, potential and the possibilities of the future.*

**Bell-Park**