

*Bell-Park*

# Results of Operations

(Year ended December 31, 2009)

February 12, 2010  
Bell-Park Co., Ltd.

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

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# I. Profile of Bell-Park

# Profile of Bell-Park

Name:	Bell-Park Co., Ltd.
Business:	Mobile phone sales (exclusively for SOFTBANK MOBILE)
Founded:	February 2, 1993
Headquarters:	KDX-Hirakawa-cho Building, 1-4-12 Hirakawa-cho, Chiyoda-ku, Tokyo
Stock listing:	JASDAQ (Stock code: 9441) since May 25, 2000
Market cap:	¥9,162 million (as of February 10, 2010)
Number of stores:	175 (as of the end of December 2009)
Employees:	915 (full time: 493; temporary: 422)
Shop network:	<a href="http://www.bellpark.co.jp/shop/">http://www.bellpark.co.jp/shop/</a>

## <Investment Indices>

Stock price:	¥136,900 (closing price on February 10, 2010)
Year high:	¥147,900 (October 6, 2009)
Year low:	¥45,050 (March 10, 2009)
Minimum investment unit:	1 share
2010 forecasts:	PER 6.11
2009 results:	PER 3.62; PBR: 0.97

## <2009 Financial Results>

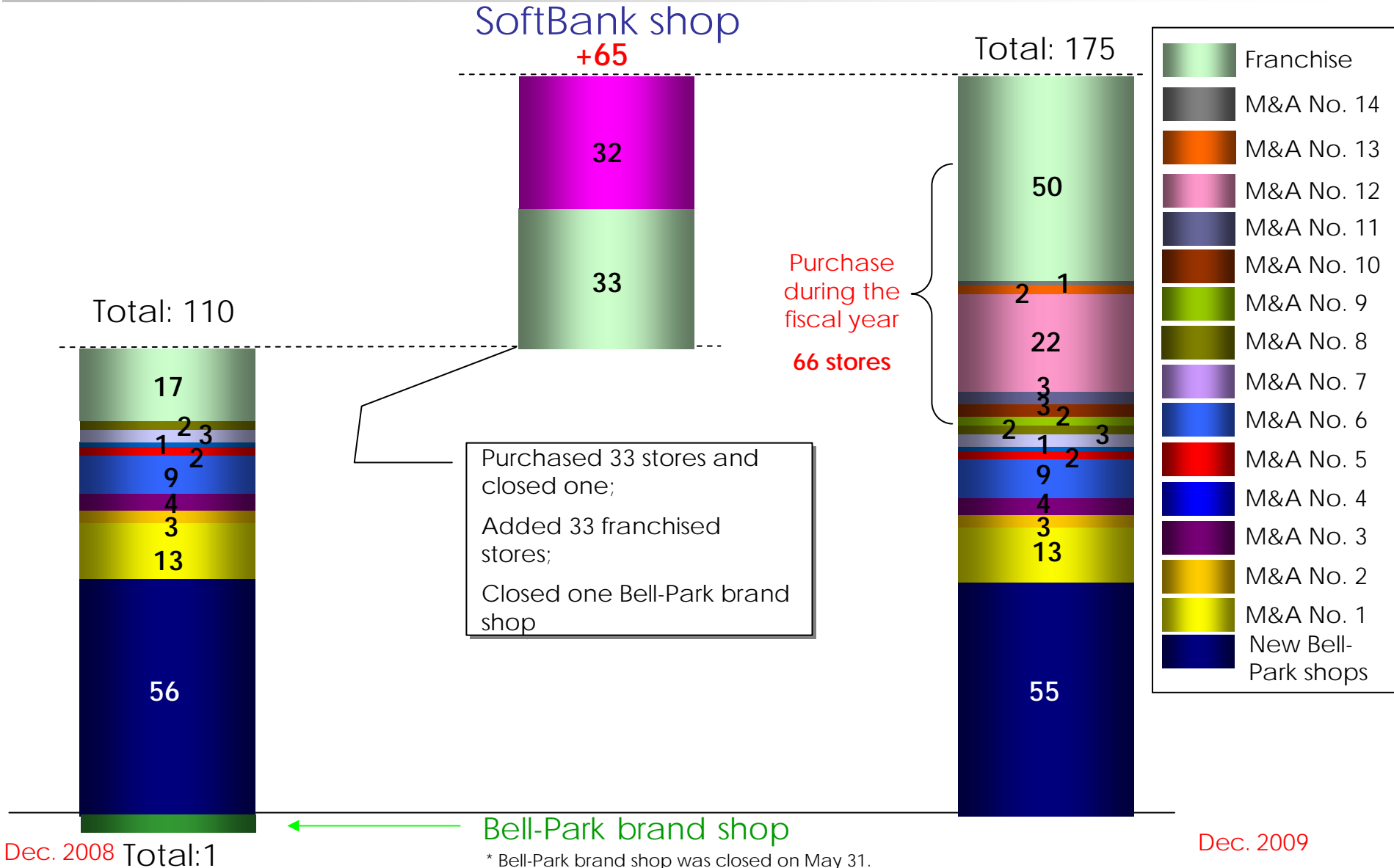
Net sales:	¥46,890 million
Ordinary income:	¥3,550 million
Capital:	¥1,123 million
Equity ratio:	48.6%
Cash equivalents:	¥5,747 million (debt: ¥1,300 million)

# 1. A Record of Consistent Growth

Bell-Park has grown significantly over the 10-year period since its 2000 IPO.



## 2. Used **M&A Strategy** to Grow! 14 Transactions

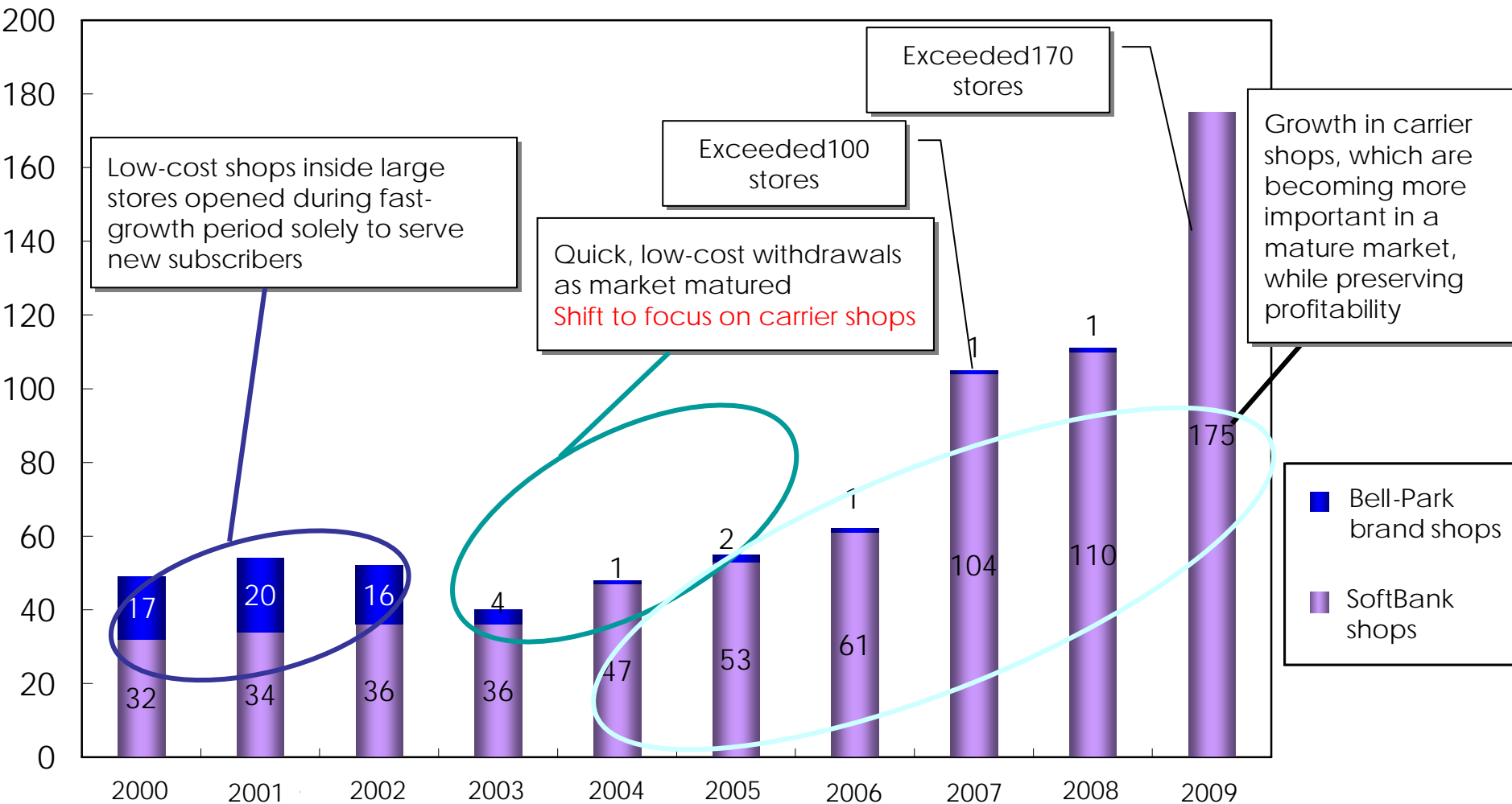


### 3. Number of Stores

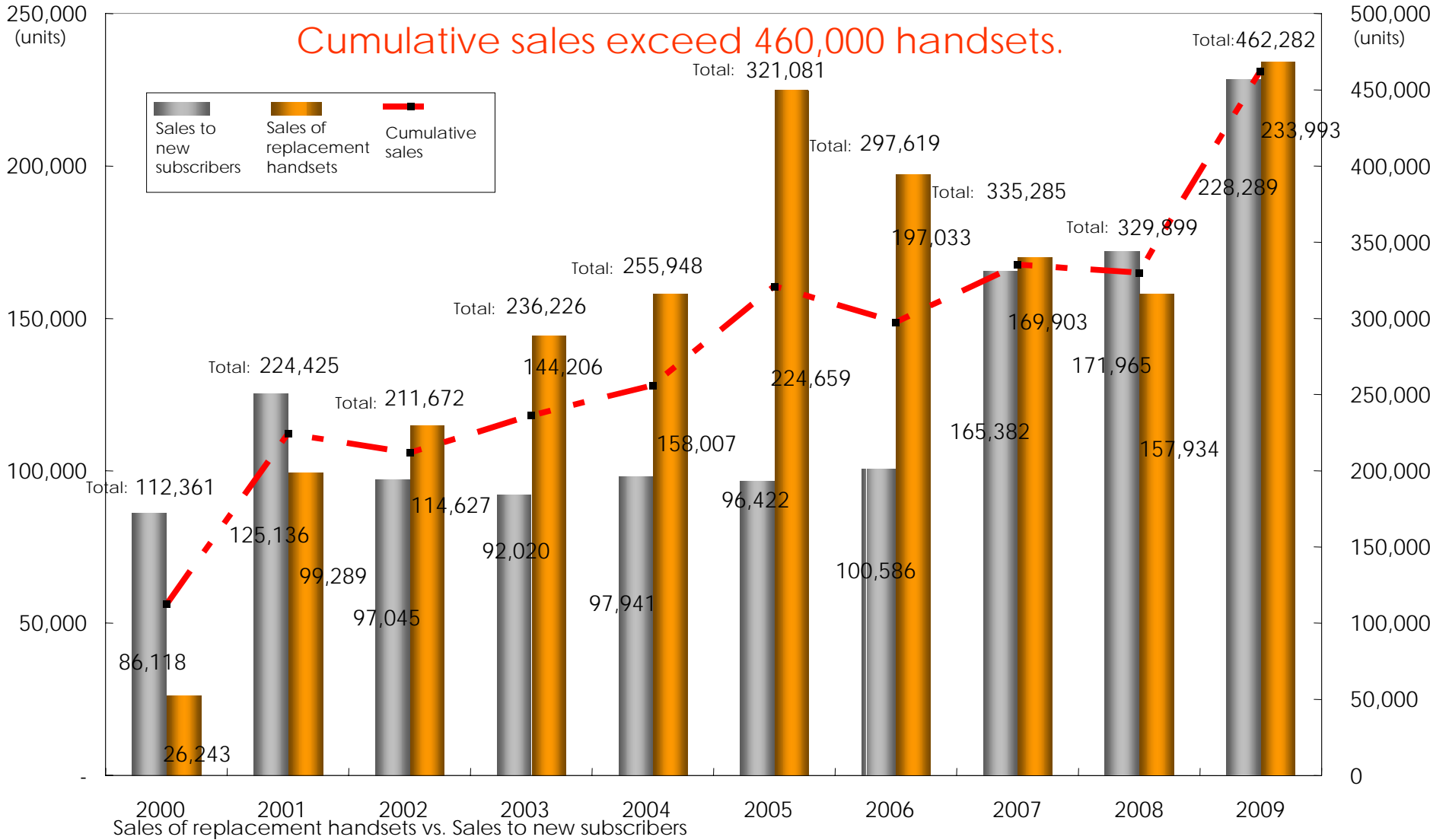
Sales and earnings have grown along with the number of stores.

Focusing mainly on operating carrier shops to reflect changing market needs.

(Number of stores)



# 4. Number of Mobile Phones Sold

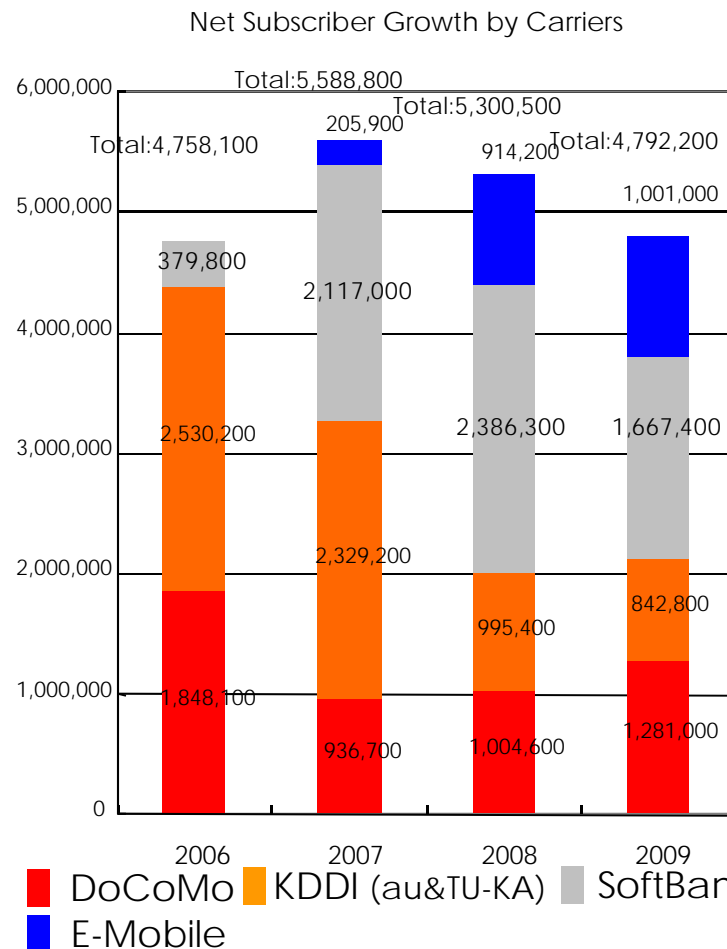
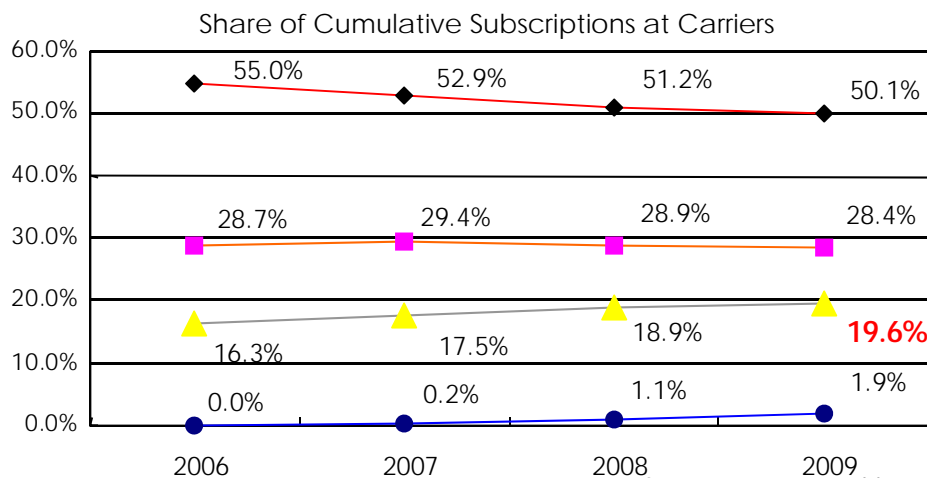
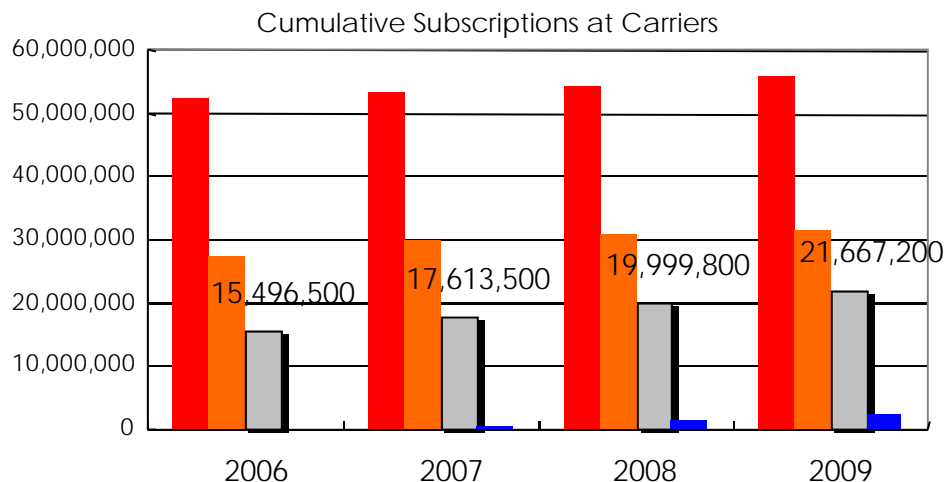


0.30	0.79	1.18	1.57	1.61	2.33	1.96	1.03	0.92	1.02
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## II. Financial Highlights

# As a sales agent for SOFTBANK MOBILE, which has been growing rapidly

**SOFTBANK MOBILE that we handle has greatly increased its market share since entering the mobile communications market in 2006.**



Source: Prepared by Bell-Park, based on TCA (Telecommunications Carriers Association) data

# 2009 Operating Environment Highlights

## - Mobile Communications Industry

There was a net increase of 4.79 million in the cumulative number of subscribers at the four communications carriers, **9.6%** less than the net increase of 5.30 million subscribers in 2008.

## - SOFTBANK MOBILE

There was a net increase of 1.66 million in the cumulative number of subscribers at SOFTBANK MOBILE, **30.1%** less than the net increase of 2.38 million subscribers in 2008. Meanwhile, SOFTBANK MOBILE has been conducting extensive marketing activities, ranking first for the past three years for the effectiveness of its TV commercials. Moreover, it has placed first in Japan for the past two years based on the net increase in subscribers.

Source: TCA (Telecommunications Carriers Association) data, CM DATABANK release

### New subscribers

1. Introduced the White Plan Student with Family Discount in February 2009
2. Launched the Apple iPhone™ 3GS Series of handsets along with a marketing campaign
3. Introduced PhotoVision and PC data cards

### Replacement handsets

1. Conducted campaigns to encourage people to switch to 3G handsets due to the end of 2G mobile phone services
2. Captured business from people who purchased handsets using installment payment plans that are now reaching completion

### Priority issue for shops

1. Placed emphasis on improving the quantity (especially for new subscribers) and quality of sales
2. Evaluated each shop based on its overall capabilities

# 2009 Highlights

## ◆ Major business activities and initiatives

### 1. Established a sounder financial position

To increase financial soundness in response to the global economic downturn and be prepared for upcoming M&A opportunities, Bell-Park established a ¥2.8 billion bank loans and a ¥2.0 billion credit facility late in 2008.

### 2. Used M&A to expand the shop network

Bell-Park added 66 SoftBank shops (33 directly managed, 33 franchised) to its network between March and July through acquisitions and franchising agreements with Panasonic Telecom's SOFTBANK MOBILE operations and several other companies.

### 3. Focused on sales of smart phones, handsets used primarily for data communications, and new handsets

### 4. Earned a large volume of commissions due to the high quantity and quality of sales at shops

### 5. Improved the profitability of new shops

### 6. Relocated and remodeled shops

### 7. Conducted training programs needed to maintain an outstanding workforce

# 2009 Highlights

## ◆ Major business activities and initiatives

7. Conducted training programs needed to maintain an outstanding workforce

→ SOFTBANK MOBILE started giving awards for outstanding performance by individuals at SoftBank shops

Bell-Park employees received a large number of these awards.

Bell-Park's workforce was **ranked first** in the Kanto area.

	SoftBank shop workforce	Individuals receiving awards	Pct.	Awards for Bell-Park workers	Pct.
Japan	13,000	305	2.35%	54	17.7%
Kanto area	3,200	85	2.66%	41	48.2%
Top awards in Kanto area	-	15	0.1%	9	60.0%

# 2009 Financial Highlights - Statements of Income

(million yen)

	2008	2009	YoY change	2009 Plan (announced on Oct. 5)	Achievement ratio
Net sales	32,437	46,890	44.6%	44,436	105.5%
Operating income	1,409	3,576	153.7%	3,034	117.9%
Ordinary income	1,395	3,550	154.5%	3,002	118.3%
Net income	1,122	2,046	82.3%	1,668	122.7%

\* Non-consolidated basis

# Summary of 2009 Financial Results

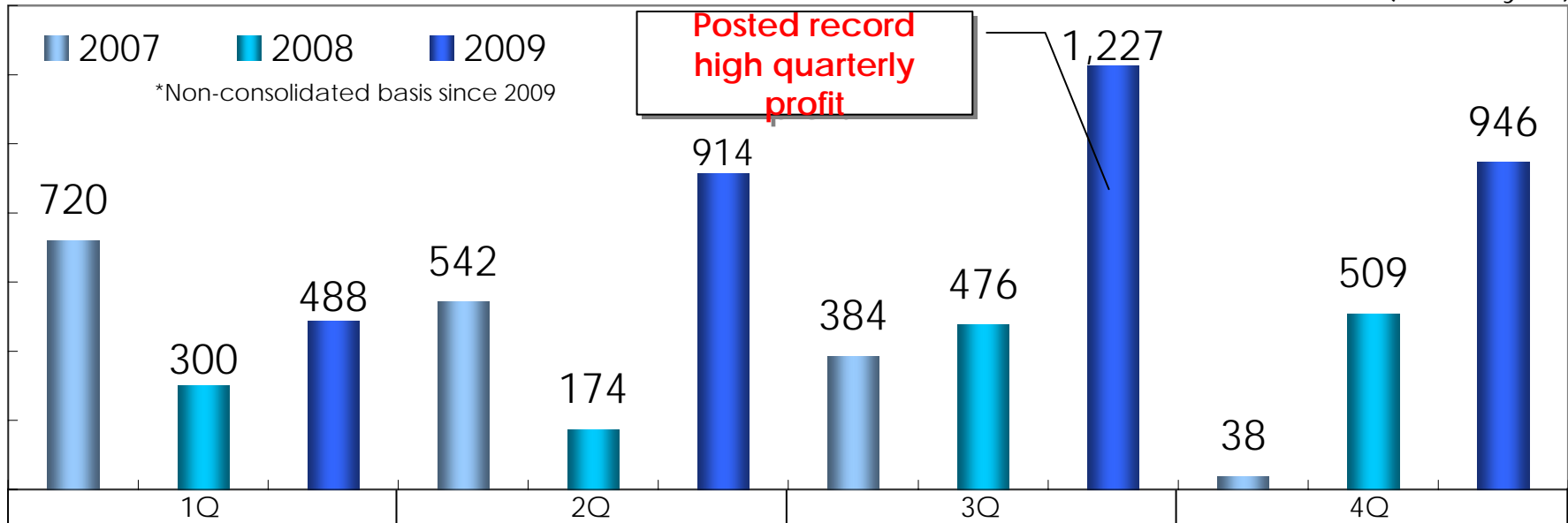
(million yen, %)

* Non-consolidated basis	2008		2009		YoY change		Remarks
	Amount	Comp.	Amount	Comp.	Amount	%	
Net sales	32,437	100.0	46,890	100.0	+14,453	+44.6	Mainly benefited from an increase in handset sales. Sales to new subscribers: +56,324 to 228,289 units; Sales of replacement handsets: +76,059 to 233,993 units Stock commissions: +523 Increase of after sales services: +259 Increase in other commissions from the higher quality of sales
Gross profit	7,228	22.3	10,313	22.0	+3,085	+42.7	Same as above
SG&A expenses	5,819	18.0	6,737	14.4	+917	+15.8	SG&A expenses rose reflecting the addition of new shops as follows: Personnel +561, supplies +91, rents +63, advertising/sales promotion +52, repair +42, outsourcing +30, traveling/transportation +23, others +55
Operating income	1,409	4.3	3,576	7.6	+2,167	+153.7	Same as above reasons
Ordinary income	1,395	4.3	3,550	7.6	+2,155	+154.5	Same as above reasons
Extraordinary income	192	0.6	3	0.0	-189	-98.2	Gain on sale of investments in affiliates (JPS) -157, reversal of allowance for investment loss (JPS) -35
Extraordinary loss	32	0.1	37	0.1	+4	+15.1	Loss on store closures +18, loss on retirement of noncurrent assets +7, loss on sales of memberships -12, loss on valuation of investments securities -5, loss on liquidation of affiliates -3
Income before income taxes	1,555	4.8	3,517	7.5	+1,961	+126.1	Same as above reasons
Net income	1,122	3.5	2,046	4.4	+924	+82.3	Same as above reasons

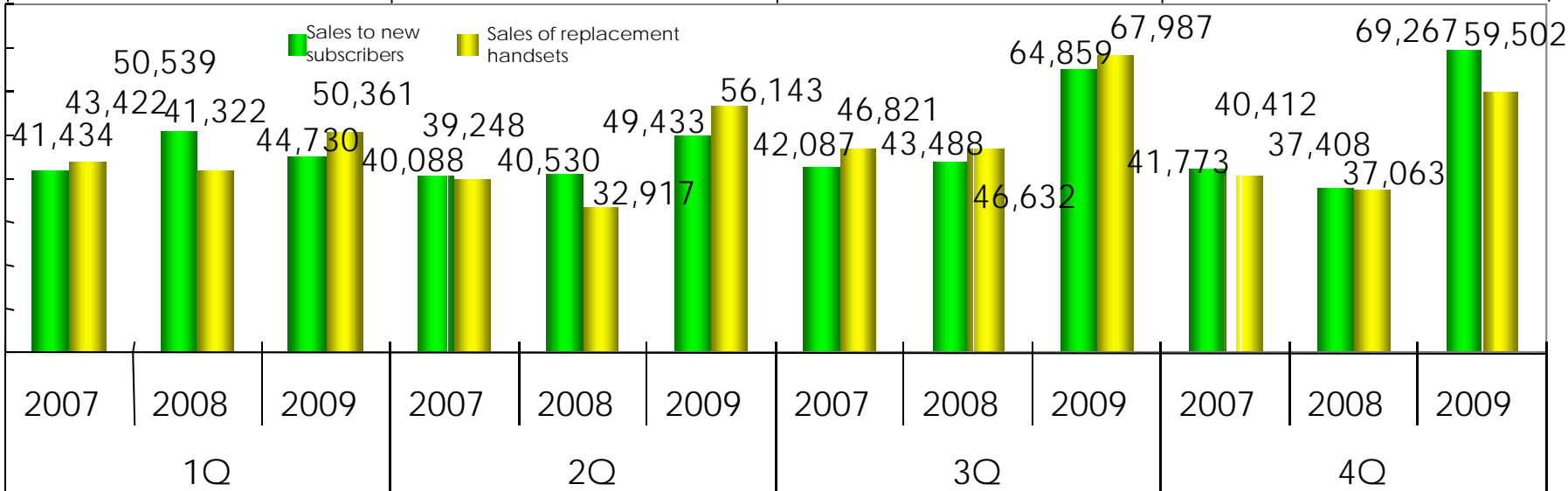
# Quarterly Sales and Operating Income

(million yen)

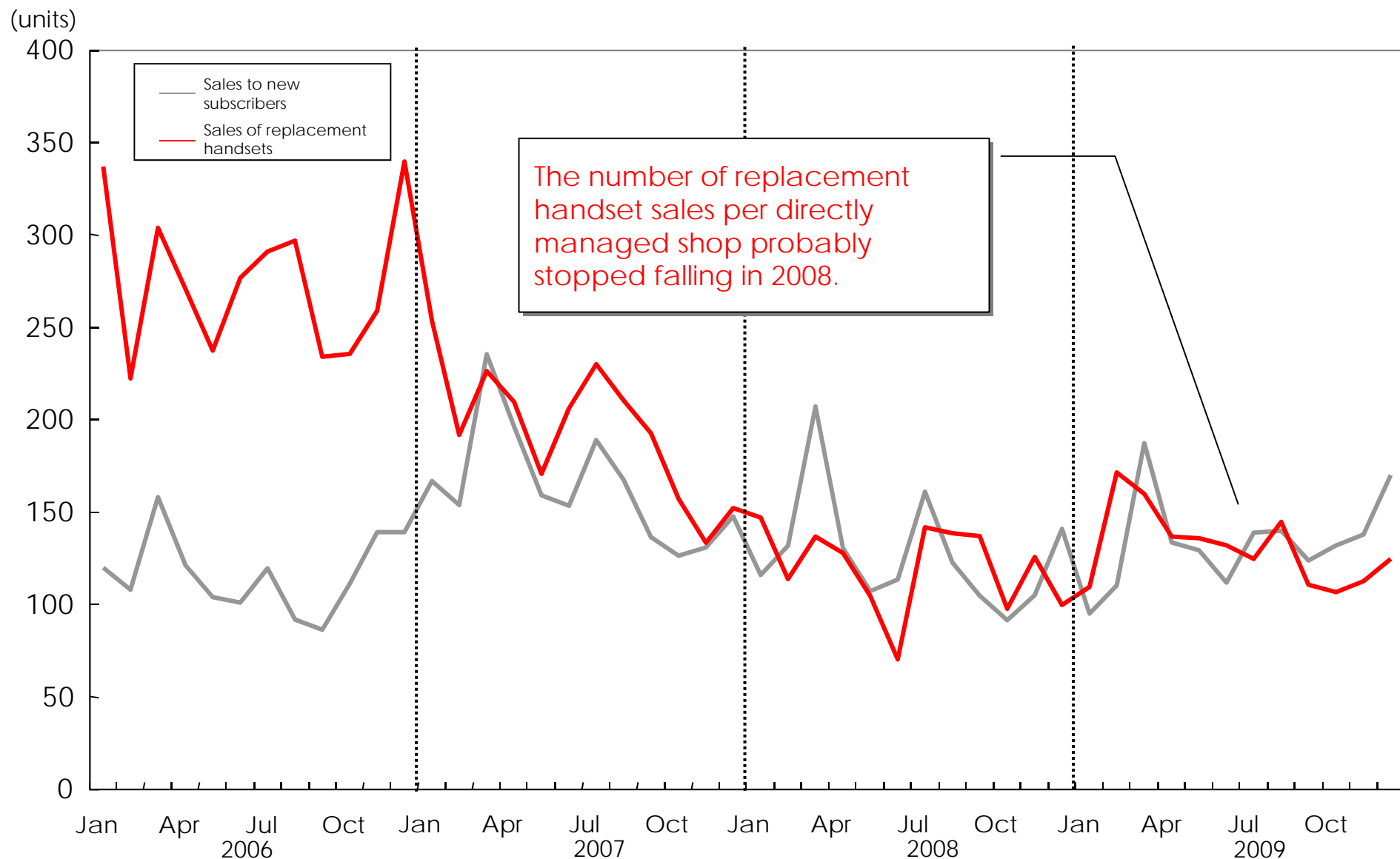
Operating income



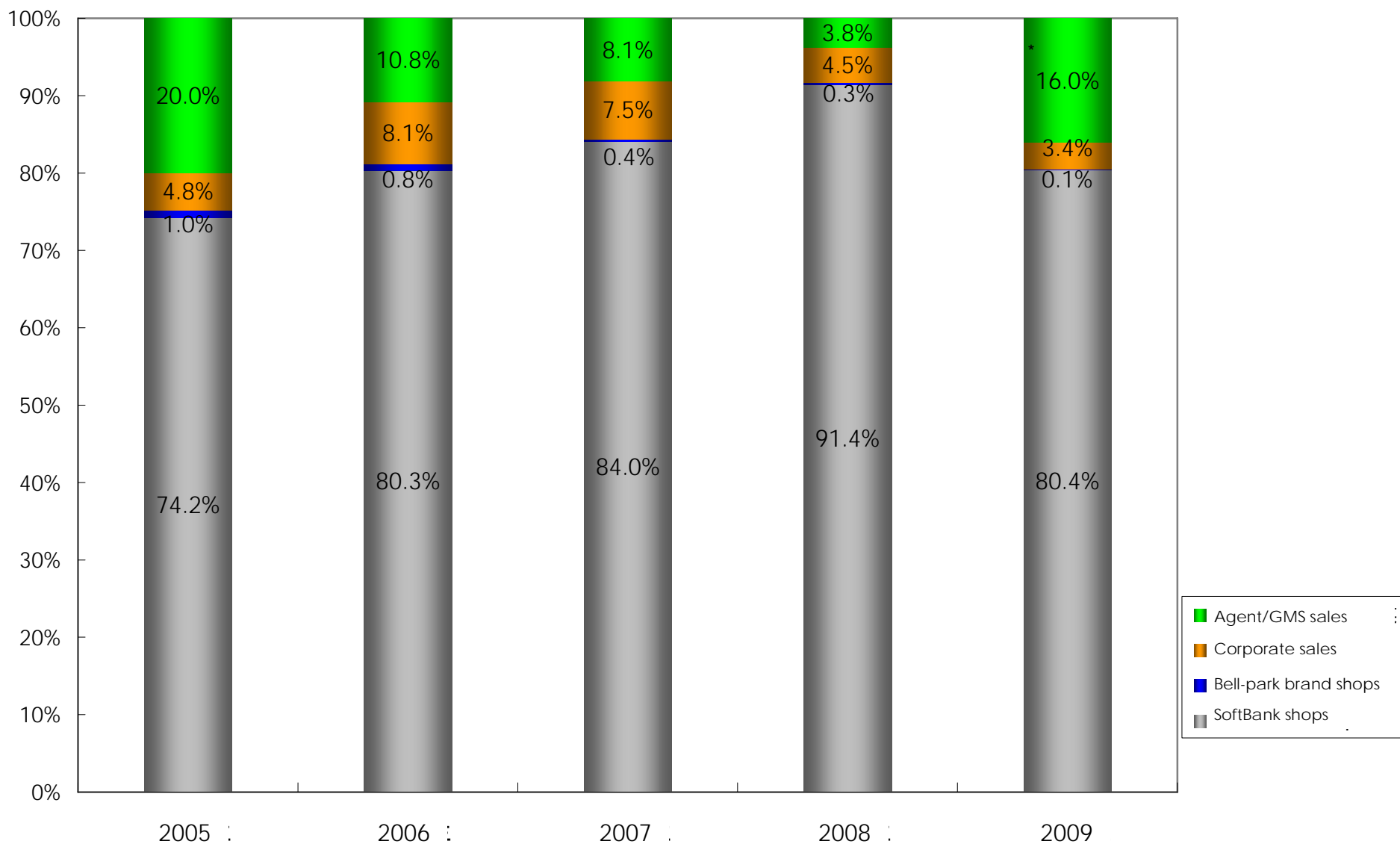
Number of handsets sold



# Handset Sales per Directly Managed Shop (2006-2009)



# Changes in Composition of New-subscriber Sales Channels



\* Figures for Franchise stores are included in "SoftBank shops" from 2005 to 2008, and "Agent sales" in 2009

# 2009 Financial Highlights – Balance Sheet

(million yen, %)

	Dec. 31, 2008	Dec. 31, 2009	Increase/ (decrease)	Comp.	Remarks
Total assets	12,109	16,978	+4,869	100.0	Cash and deposits +940, notes and accounts receivable-trade +2,362, inventories +1,088
Liabilities	6,543	8,733	+2,189	51.4	Notes and accounts payable-trade +2,414, income taxes payable +1,261, deposits received +166, short-term loans payable -1,360, long-term loans payable -325
Net assets	5,565	8,245	+2,679	48.6	Booking net income +2,046, gain on disposal of treasury stock resulting from stock offering +260, decline in treasury stock +451

### III. Outlook for the Operating Environment

# Outlook for the Operating Environment (1/2)

## ◆ Current trends in the mobile phone market

For sales to new subscribers, smart phones like the iPhone™3GS series and PC data cards, mainly for data communications, are expected to become even more popular.

For sales of replacement handsets, the replacement cycle became longer after carriers started offering installment payment plans. However, these payment plans are probably creating a fixed replacement cycle linked to the completion of the installment payment period. Furthermore, advances in mobile phone communication technology will probably create replacement demand as people switch to 3G and more advanced handsets with even higher transmission speeds.

## ◆ SOFTBANK MOBILE operations

SOFTBANK MOBILE has placed first in Japan for the past two years since May 2007 based on the net increase in subscribers, and currently has more than **22 million subscribers**.

Source: TCA (Telecommunications Carriers Association) data

### Sales to new subscribers

The environment for selling handsets to new subscribers is expected to remain challenging. Primary causes are slumping consumer spending due to the economic recession, Japan's high mobile phone penetration rate, and the long-term relationships with subscribers resulting from the start of installment sales of handsets. Despite this difficult business environment, the iPhone™3GS and other smart phones, PC data cards for data communications and PhotoVision are expected to create new demand that will contribute to growth in sales to new subscribers.

### Sales of replacement handsets

In October 2006, SOFTBANK MOBILE became the first company in Japan to offer installment payments for handsets. Customers who used installment payments are now reaching the end of the payment period of about 26 months, which is creating replacement demand. With 2G services to end in Japan in March 2010, the shift from 2G handsets to 3G handsets is another source of replacement demand. These factors indicate that replacement demand will probably increase at a certain level.

# Outlook for the Operating Environment (2/2)

## ◆ Activities at sales agents

### Less competitive shops are shutting down

The large number of SoftBank shops opened since 2007 resulted in rapid growth in this store network from about 1,800 to 2,700 locations. Following this growth, competition among shops and the uncertain economic outlook created challenges that resulted in the closing or sale of many shops, primarily poorly performing shops. This process raised the share of sales by major sales agents, which cut the number of SoftBank shops to 2,563 as of the end of December 2009.

More poorly performing shops will probably be forced out of business because of the structure of sales commissions and the economic recession.

### Sales commissions

Sales agents must respond with speed and flexibility to the constant launch of sales initiatives and campaigns by carriers. Carriers expect stores to perform well in terms of quantity (handsets sold to new subscribers) and quality (**reduce short-term cancelations and raise the ARPU by signing up only reliable customers**). Furthermore, sales agents are required to take actions to upgrade the overall capabilities of their stores.

### The popularity of iPhone™3GS and other smart phones is placing new demands on shops

Because of their generally high ARPU, smart phones are very profitable for carriers and sales agents alike. As a result, the success of mobile phone sales agents will depend on their ability to conduct sales activities that take advantage of the capabilities and convenience of smart phones. To accomplish this, shops will have to switch to a different way of thinking and use new training methods.

### The rising importance of after-sales services at shops as the number of customers increases

SOFTBANK MOBILE currently has more than 22 million subscribers. The larger number of subscribers will make the role of carrier shops even more important. Shops play a critical role in improving customer satisfaction by providing a variety of after-sales services.

## IV. Medium-term Management Policies

# Fundamental Management Policies

## Corporate Philosophy

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

## Code of Behavior

1. We aim to be a company where people can constantly grow and refine their skills. We will **place importance on fostering a culture of open-minded thinking**, creativity and a willingness to take on new challenges.
2. We aim to **achieve mutual prosperity** for customers, shareholders, business partners and all other stakeholders.
3. We will adhere to **sound** management principles that emphasize fairness and transparency. We will strictly comply with laws and regulations and **avoid the unreasonable pursuit of earnings to earn the trust of others**.

# The Strengths of Bell-Park

## ➤ A sales agent for only **SOFTBANK MOBILE**

- SOFTBANK MOBILE is a rapidly growing carrier

## ➤ A geographically concentrated store network

- Most shops are located in the Tokyo, Nagoya and Osaka areas

## ➤ A strong commitment to employees

- The current level of skills in the mobile phone retailing sector is not sufficient to meet the needs of the emerging mobile Internet and SOFTBANK MOBILE's emphasis on speed. This is why Bell-Park must enact a human resources strategy aimed at giving employees the skills needed to succeed in the next stage of mobile communications.

## ➤ A sound financial position

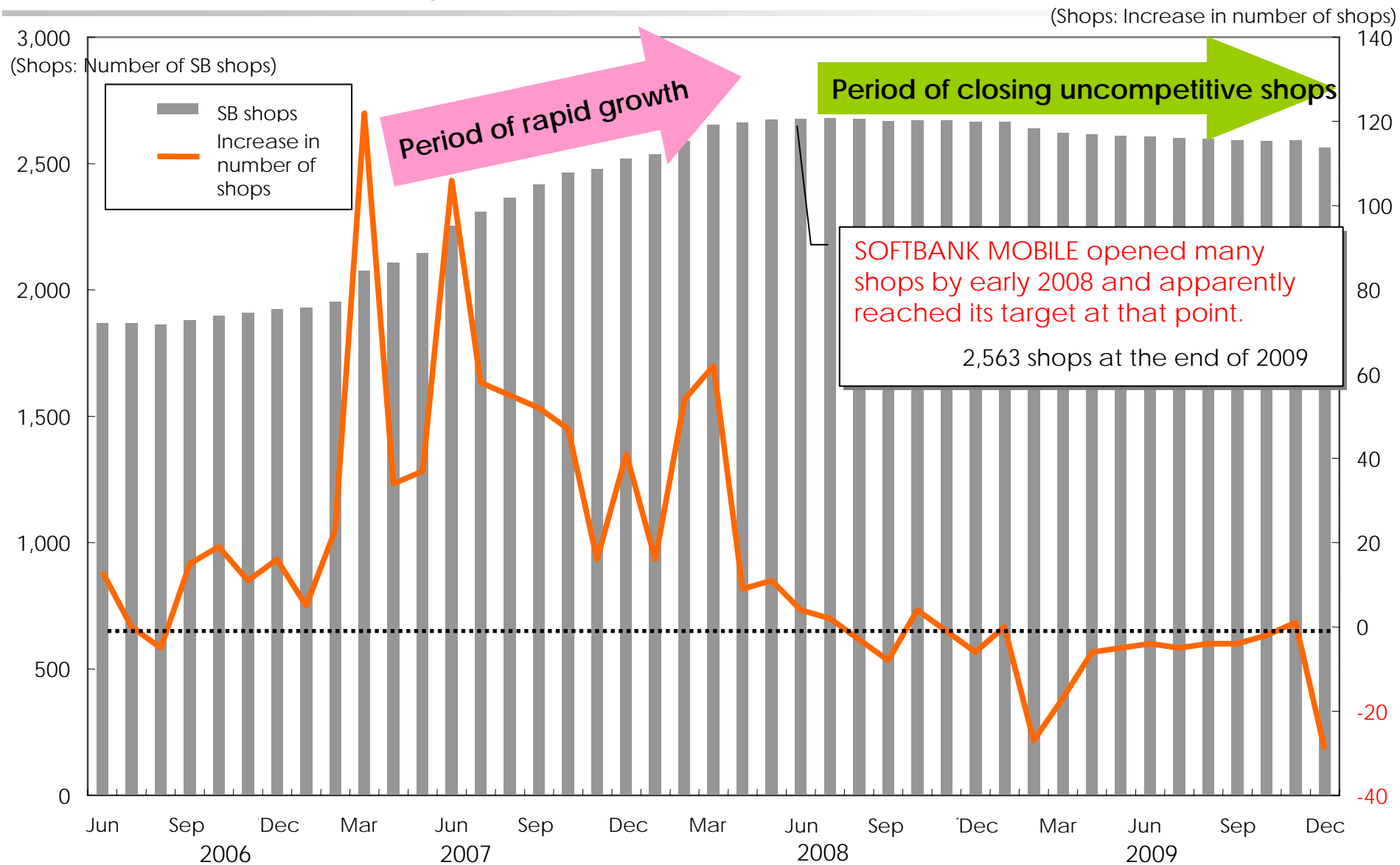
- Bell-Park has a balance sheet with generous liquidity and an unused credit line.

## Lanchester's Laws

Lanchester's Laws are a set of mathematical formulas used to determine the relative strength of opposing military forces. There are two elements: Lanchester's Linear Law (for ancient, hand-to-hand combat) and Lanchester's Square Law (for modern combat with long-range weapons).

**A weak military force should select a single area and concentrate all its energy on that aspect of the battle. This is how smaller companies should compete against large corporations.**

# SoftBank Shops



Source: Prepared by Bell-Park, based on SOFTBANK MOBILE data

# Network Strategy: Locate shops mainly in the Kanto, Tokai and Kansai areas

**Bell-Park has 175 SoftBank shops, which handle only the handsets and services of SOFTBANK MOBILE, in 21 prefectures. About 90% of these shops are in the Tokyo, Nagoya and Osaka areas. (as of the end of 2009)**

**Concentrating shops in the heavily populated Kanto, Tokai and Kansai areas gives Bell-Park a highly profitable store network.**

## Area stores

No. of stores	SoftBank shops		
	Direct	Franchise	Comp. (%)
Tohoku	2	10	6.9
Hokuriku	1	1	1.1
<b>Kanto</b>	90	3	<b>53.1</b>
<b>Tokai</b>	19	18	<b>21.1</b>
<b>Kansai</b>	10	17	<b>15.4</b>
Chugoku	3	1	2.3
Subtotal	125	50	100.0



# Management Policies (1/4)

## ➤ Build a highly profitable store network

### (1) M&A policy during the current recession

When considering a prospective deal, we will

- a. Take only actions that are not detrimental to financial soundness
- b. Refuse to pursue growth simply for the sake of growth
- c. Not continue operating unprofitable shops received in an M&A deal. Experience has shown that keeping these shops hurts employee morale. (Closing these locations is the best course of action in a sluggish consumption.)
- d. **Follow the cardinal rule of exhaustively examining prospective deals** based on the ability of new shops to supplement the operations of existing Bell-Park shops that are nearby.

### (2) Relocate and remodel shops

Bell-Park **places priority on making shops larger over the use of M&A deals with doubtful economic benefits**. The number of vacant restaurants and other retail locations has increased because of the economic downturn. This creates opportunities to move shops to better locations. And deflation makes remodeling stores more economical. We will take these actions in order to improve the productivity of stores.

### (3) Increase profitability of new stores

Bell-Park will take actions aimed at improving earnings at the 66 shops that were added during 2009 due to M&A and other measures. Full-scale personnel reassignments are possible starting in February 2010. At directly managed stores, management personnel will be relocated so that all shops can benefit from our unique sales expertise. There will also be efficient sales promotion campaigns to boost earnings.

### (4) Increase sales at franchised shops

Franchised shops are performing well to some extent but there is still a need for more improvements. Bell-Park will share its unique sales expertise with these shops in order to achieve growth in the total number of handsets sold.

# Management Policies (2/4)

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## ➤ Improve the quality of sales

### (1) Sales activities backed by consulting services

Bell-Park shops will act quickly when new products and services are launched so that shops rapidly carry through with the initiatives demanded by SOFTBANK MOBILE. By conducting sales activities backed by consulting and ideas, we will identify and meet the needs of customers. These actions will create the best possible mobile communications retailing environment for customers.

### (2) Shop operations that use the customers' perspective

Never before has there been a greater need to offer services from the standpoint of customers. One illustration of this trend is consideration in Japan of establishing the Consumer Affairs Agency, Government of Japan. This is why we will focus all its energy on operating shops from the perspective of customers.

### (3) Improve operating efficiency

Bell-Park will raise operating efficiency by conducting a company-wide drive to upgrade shop layouts, improve business processes and rebuild various systems. Our primary goal is to cut waiting time for customers.

# Management Policies (3/4)

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## ➤ Invest in human resources

### (1) A recession is an excellent opportunity to recruit talented people

Bell-Park plans to recruit 122 new college graduates in 2010, an all-time high.  
(as of February 2010)

In addition, we will hire outstanding people whether they are new graduates or experienced professionals.

### (2) Upgrade employee training programs

We have further improved shop operations and achieved a higher quality of sales by upgrading training programs. We will continue to make improvements to the training that we provide to our sales personnel.

### (3) Work harder on company events

We will work even harder on planning and holding events that keep the motivation of our workforce of more than 900 strong even during the current recession.

# Management Policies (4/4)

## ➤ Preserve a sound financial position

Bell-Park maintained a debt-free balance sheet for many years. But in response to the US-originated global financial crisis, we decided to **take out loans and establish a credit facility** late in 2008.

- We procured ¥2.8 billion with short-term and long-term loans. The short-term loans have been repaid, leaving only **long-term loans totaling ¥1.3 billion**.
- A three-year ¥2.0 billion credit facility was established. Thus far, we have used this facility at all.

We announced the disposal of treasury stock and a secondary offering on October 5, 2009.

- The price and other terms were determined on October 14, resulting in net proceeds of ¥705 million.

Proceeds were used mainly for capital expenditures and working capital. The remainder was used to repay long-term loans.

## **Cash and deposits totaled ¥5,747 million at the end of 2009**

Net cash was ¥4,447 million (after deducting interest-bearing debt)

Moreover, after deducting income taxes payable of ¥1,413 million,

**effective net cash totals ¥3,034 million**

## V. 2010 Earnings Plan

# 2010 Earnings Plan

(million yen)

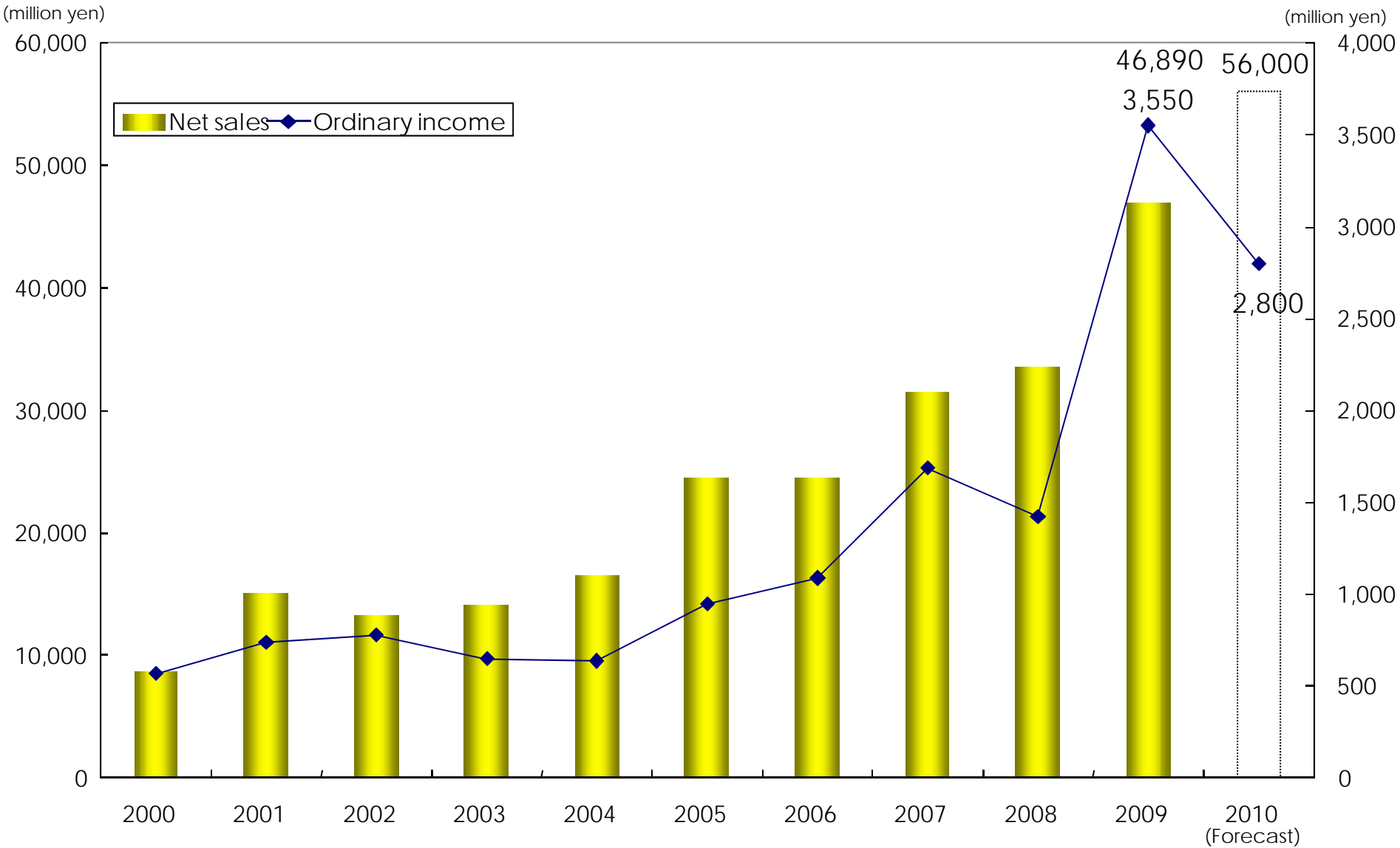
	First-half Earnings Plan			Full-year Earnings Plan		
	Plan	Results of 2009 (non-consolidated)	Change	Plan	Results of 2009 (non-consolidated)	Change
Net sales	30,000	20,270	48.0%	56,000	46,890	19.4%
Operating income	1,500	1,402	6.9%	2,800	3,576	-21.7%
Ordinary income	1,500	1,392	7.7%	2,800	3,550	-21.1%
Net income (quarterly/full-year)	800	743	7.6%	1,500	2,046	-26.7%

# Highlights of the 2010 Earnings Plan

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- ❑ For total handset sales volume, including the contribution of new shops from M&A deals, we have established the ambitious goal of raising sales from 460,000 units in 2009 to 560,000 units in 2010!
  
- ❑ Aggressively recruit outstanding new graduates and experienced professionals
  - We will invest in our future based on the belief that people are the key to our performance in the years ahead.
  
- ❑ Make investments to relocate stores to prime locations and renovate stores.
  
- ❑ Although SOFTBANK MOBILE has not yet announced its sales commissions starting in April 2010, we believe that the commission for each handset sold **will be less than** in 2009.

# 2010 Net Sales and Ordinary Income Forecast



\* Non-consolidated basis since 2009

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# *Bell-Park*

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

# Forward-Looking Statements

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