

**Section 1**

# What Value We Create

In a super-smart digital society where all sorts of things have been digitalized, we will look to create services that make people's lives more convenient and fulfilling as a comprehensive platformer driving the uptake of digital technology in society, thereby contributing to solving issues in society as a whole with the power of technology.

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## Message from the CEO

# *Standing at the Frontier in Implementation of Digital Technologies in Society, Aiming to Increase Corporate Value*

### Junichi Miyakawa

Mr. Miyakawa founded an Internet service provider (ISP) in 1991, serving as president for about 10 years. He joined what is now SoftBank Corp. in 2001 and was appointed Director & Executive Vice President (CTO) in April 2006. He contributed to the growth of SoftBank primarily as head of the Technology Unit. He was appointed Representative Director & CTO of SoftBank in April 2018. More recently, Miyakawa served as president of multiple group companies, as well as directing the AI business partnership jointly promoted by SoftBank and the University of Tokyo. He has served as President & CEO of SoftBank since April 2021.

**Junichi Miyakawa**  
President & CEO





## Message from the CEO

I started my role as President & CEO of SoftBank in April 2021. First of all, I would like to express my sincere condolences to the victims of the outbreak of COVID-19 and my heartfelt sympathy to those who have been affected by it.

In the spirit of our corporate philosophy, “Information Revolution — Happiness for everyone,” we at SoftBank strive to envision what is coming, and use technology to provide people convenient lives and rich experiences with our services. This is how we have always enhanced corporate value. Looking back, we offered fast, low-cost broadband services sooner than anyone else in the early 2000s and have contributed to the popular adoption of broadband in Japan ever since. Then in 2008, we were the first to start offering iPhones in Japan, and by providing a high-quality mobile Internet infrastructure, SoftBank set the stage and became the leader in spreading smartphones in Japan. In anticipation of the future of digitalization, we are actively developing and expanding the latest technologies. More recently, SoftBank launched the smartphone payment service *PayPay* in 2018, and in addition to focusing on making cashless payments widely available in Japan, we are also taking initiatives in IoT, AI and autonomous driving.

The global scale of the outbreak of COVID-19 created higher demand for telework and e-commerce as digitalization in society accelerates. Now more than ever, there is a great opportunity for SoftBank, the company that moved in the direction of digitalization sooner than anyone, to show our significant presence as a company by contributing to society. Amidst such significant shifts towards digitalization, as President & CEO, I am determined to further enhance our corporate value using power of technology, leveraging experience as CTO for SoftBank for over 10 years. A company will change over time, but we will always progress without forgetting our starting point: “Information Revolution — Happiness for everyone.”

I'd now like to transition to a Q&A format so that I can answer some common questions received from investors, such as queries about our management vision and strategy, progress towards medium-term performance targets, future outlooks in each business, and thoughts on shareholder returns.



## Message from the CEO

### Assuming the Role of President & CEO

#### Q. Tell us about the vision you have as the new President & CEO.

Our corporate vision is to become “the corporate group needed most by people around the world.” When I was appointed as President & CEO, I took some time to think again about what I need to do to make this vision happen.

In the next 10 years, I think we’re going to witness the arrival of a hyper-digitalized society, in which everything in the society will be digitalized. The progress toward a digitalized society will be even more accelerated post COVID-19 which has driven the progress unexpectedly. Going forward, all industries will move toward digital transformation. There’s a demand in the market for someone to lead the implementation of digital technologies in society, a role for which SoftBank is perfectly positioned. The reason is that our Company’s strength is both in the offline arena including 4G/5G communications infrastructure and sales channels for consumers and enterprise and in the online arena including B2C platforms like *Yahoo! JAPAN*, *LINE* and *PayPay* with a user population of tens of millions, and thereby enables us to play the central role of implementing digital technologies in society. I believe we can revitalize industries while solving social issues and contribute to job creation. And I’m certain that facilitating society’s adoption of digital technologies will lead to continuing increase in corporate value.

#### Q. Could you tell us about your strategy to make this vision a reality?

SoftBank will further promote the *Beyond Carrier* strategy that’s been in place since the fiscal year ended March 31, 2018. *Beyond Carrier* is a strategy that aims to expand business fields other than telecommunications, while further growing our core telecommunications business. As part of the strategy, former President & CEO Miyauchi launched the smartphone payment service *PayPay*, added *Yahoo Japan* (now Z Holdings) as a subsidiary, which runs *Yahoo! JAPAN*, one of the largest portal sites in Japan, and integrated Z Holdings and *LINE*, Japan’s largest-scale social communication service provider. These initiatives brought to our Group huge user bases: 55 million telecommunications service users\*<sup>1</sup>, 80 million *Yahoo! JAPAN* users\*<sup>2</sup>, 41 million *PayPay* users\*<sup>3</sup>, and 89 million *LINE* users\*<sup>4</sup>, and make us the largest scale telecommunications and IT group in Japan. Building on the success, I will move the *Beyond Carrier* strategy to Phase 2. As of March 31, 2021, our Company has 335 subsidiaries and affiliate companies\*<sup>5</sup>, many of which operate platforms that provide online services and deploy a variety of businesses. At present, each company is optimizing their own platform individually, but in Phase 2, we want to create new value by connecting these platforms with the power of cutting-edge technologies to achieve total optimization and make services even more convenient and richer for users.

\*1 Sum of cumulative number of mobile communications services subscribers (47.285 million) and cumulative number of broadband subscribers (8.139 million) (as of March 2021)

\*2 Annual number of logged-in user IDs (as of March 2020)

\*3 Cumulative number of registered users (as of August 2021)

\*4 Number of monthly active users (as of June 2021)

\*5 Total consolidated subsidiaries, equity method affiliates and other affiliates (as of March 2021)

### Progress on Medium-term Targets

#### Q. How far along are you on the road to achieving ¥1 trillion in operating income in the fiscal year ending March 31, 2023?

Operating income for the fiscal year ended March 31, 2021 was ¥970.8 billion, and we’re on track to our ¥1 trillion goal. The first time that SoftBank announced the ¥1 trillion target for operating income to our investors was in May 2019. After that, our business environment changed drastically as competitors announced new brands and new price plans and competed by reducing mobile service prices. We plan to mitigate this impact through the growth in the Enterprise segment and *Yahoo! JAPAN/LINE* segment as we work together as one to achieve our target.

### Consumer Segment

#### Q. What is the future outlook for the Consumer segment?

Due to the March 2021 reductions in mobile service prices, we forecast a negative impact of about ¥70 billion on operating income in the Consumer segment for the fiscal year ending March 31, 2022. Therefore, we forecast a decrease year on year in Consumer segment income for the fiscal year ending March 2022, but we feel that we’ll make up for this headwind with increase in smartphone subscribers and cost reductions. In addition, SoftBank will seek to expand revenues outside mobile communications charge, such as by offering electricity services and broadband services to consumers and providing optional services like device warranties and security.

## Message from the CEO

There is no doubt that lowering mobile service prices is a headwind in the short term, but I believe that growth in the Consumer segment is still possible in the medium- to long-term. The conventional mobile market in Japan is centered on person-to-person communication, and as the number of smartphone subscribers approaches that of the Japanese population, it will be difficult for the whole market to grow. However, with the spread of 5G, which features “simultaneous massive machine connections,” an environment for the explosive spread of IoT devices is almost ready in terms of technology. Going forward, IoT modules will be installed in a variety of home appliances and other devices, and a wide variety of data will be exchanged. I believe that IoT modules that let you communicate using only button cells will be installed in things that were previously unimaginable, such as shoes and bags. Within the next 10 years, there will be hundreds of millions of devices connected to the Internet, and that will be creating revenue-generating opportunities.

In addition, as society as a whole becomes more digitalized and various convenient digital services become widespread, the frequency of smartphone use and the amount of data used in people's daily lives will also increase. I am convinced that the Company's leading role in promoting the digitalization of society will generate a positive impact on the Consumer segment.

### Enterprise Segment

#### Q. What is the future outlook for the Enterprise segment?

For the Enterprise segment, our forecast for operating income is ¥128.0 billion in the fiscal year ending March 31, 2022, and we have announced a target of ¥150.0 billion in operating income for the fiscal year ending March 31, 2023. This is an ambitious target considering that the operating income for the fiscal year ended March 31, 2021 was ¥107.7 billion. It

assumes annual growth between 15% and 20%.

However, I believe that there is still a lot of room for growth in the Enterprise segment. Earlier I mentioned that for SoftBank to increase its corporate value, it needs to become a leader in implementing digital technologies in society. The Enterprise segment is going to take that role.

Most of the companies and local governments that we do business with in the Enterprise segment have not done enough for digitalization. In the fiscal year ended March 2021, demand for telework spiked and mobiles services and solutions like cloud services and security that support workplace reform drove our performance. And we anticipate that digitalization won't stop with workplace reform—a huge wave of digitalizing corporate activity and general government services is on its way. Enterprises that use telework and experience the benefits of going digital firsthand will want to use RPA and AI to automate various kinds of work. Once they go automated, their needs will grow more sophisticated. They will want to integrate the information isolated in each department to streamline management, and they will want to create new digital services. This represents massive need and a growth opportunity ready to be seized by the Enterprise segment, and the rapid growth is just now starting. Eventually, I want to make the Enterprise segment a pillar of SoftBank like the Consumer segment, generating profits at the level of hundreds of billions of yen.

### Z Holdings

#### Q. What is the future outlook for Z Holdings?

Z Holdings does business in the commerce, media, and strategy fields, but what I am really excited about and what our entire Group is working on is the commerce field. Z Holdings has set a target to become No.1 in e-commerce transaction value (merchandise)\*6 in Japan in the early 2020s. The fiscal year ended March 31, 2021 saw high growth in e-commerce

transaction value due to increased demand from the outbreak of COVID-19, but I see synergy with the whole Group, such as further collaboration with *LINE*, closer partnerships with *PayPay*, and utilization of SoftBank's telecommunications business customer base, improving e-commerce transaction value. Z Holdings' strategic FinTech field is still in the upfront investment phase, but it has a lot of potential and I expect that it will be spurred by the partnership with *PayPay* to reach a scale next to media and commerce.

\*6 E-commerce transaction value related to merchandise



## Message from the CEO

### Q. What does the business integration of Z Holdings and LINE mean for SoftBank?

First of all, the business integration of LINE and Z Holdings will create significant synergies in the commerce and media fields we just talked about. Also, the fact that LINE has become a part of the Group means that we now have the last piece of Phase 1 of the *Beyond Carrier* strategy; the impact of this integration is huge. And I think we'll see synergy not only between LINE and Z Holdings, but between LINE and our Consumer and Enterprise segments as well.

The Consumer segment released *LINEMO*, a LINE-affiliated brand available exclusively online, in March 2021. *LINEMO* offers *LINE Giga Free*, a service in which LINE can be used without consuming monthly data allowance that is proving popular and has led to gains in subscribers.

The Enterprise segment has the advantage of being able to propose LINE-based solutions that competitors cannot imitate. For example, when a client company develops a new digital service, SoftBank's Enterprise team can now be the contact point and propose an entire system that contains everything they need, from cloud services to devices. The client could instantly deliver new digital services to consumers on a proven platform used by tens of millions of LINE users.

A Holdings Corporation, a strategic holdings company in which SoftBank and NAVER each invested 50% capital, owns the new Z Holdings that has integrated the businesses of LINE and Z Holdings. These changes further strengthened the relationship between NAVER and SoftBank. NAVER is a company that operates the largest search engine portal in South Korea, but beyond that, it is a very technologically advanced company that develops cutting-edge technologies such as shopping, AI, autonomous driving and robotics. SoftBank established a steering committees with NAVER in the fields of advertising,

commerce, positioning and maps, cloud, and overseas business to work towards maintaining speedy collaboration and creating synergy among both companies.

### Q. How do you respond to concerns that the progress of generating synergies from the integration of Z Holdings and LINE is slow?

I'm very aware that investors have this concern. However, since LINE underwent administrative guidance related to handling of personal information immediately after the business integration, Z Holdings has made the improvement of data governance and security their highest-priority issue. Z Holdings is a listed company and while SoftBank respects this independence, we have requested Z Holdings to accelerate their effort to generate synergies with our support on all fronts, because we have a track record of rapidly generating synergies when we acquire many different companies.

Synergy among the businesses is gradually materializing during the first quarter of the fiscal year ending March 31, 2022 as LINE's individual performance is becoming profitable on a quarterly basis, excluding temporary factors. Going forward, we expect further growth through synergies based on business selection and centralization and advanced data linkage associated with the business integration of Z Holdings and LINE.

## PayPay

### Q. Please talk about PayPay's growth and profitability going forward.

PayPay serves as a platform for popularizing electronic payments, which is recommended as part of a new lifestyle during the ongoing outbreak of COVID-19, and is growing rapidly by providing merchants with various services to digitalize their sales promotion activities. The gross merchandise value of PayPay in the fiscal year ended March 31, 2021 was ¥3.2 trillion, 2.6 times the previous year. Even though we achieved significant growth, personal consumption in Japan is estimated to be about ¥300 trillion, which makes PayPay's share still no more than roughly 1%. SoftBank is confident that this gross merchandise value is nowhere near being finished growing. Without stopping at simply payments, PayPay offers a wide range of features that make daily life easier and is promoting expanded services in what could become a "Super App" for use in every aspect of daily life.

To speak of profitability going forward, the payment service fee that until now had been offered at no charge to small- and medium-sized businesses will be offered for a fee starting in October 2021. But PayPay doesn't intend to make money from these payment service fees alone. The service's close link to many types of consumer activity through the settling of payments could be the origin of many opportunities for revenue. For example, users can select Buy Now, Pay Later function when settling a payment, or make a virtual investment using their PayPay account balance, or purchase insurance. We're looking into further expanding financial services centered on the payment platform as well as future profitability opportunities.

## Message from the CEO

### 5G

#### Q. How will things change with widespread use of 5G?

SoftBank began offering 5G service in 2020 and people may be tempted to think that an increase in communication speeds alone is not really a significant change. The reason that's not true is that the current 5G service, called a "non-standalone mode" service, is provided by linking existing 4G core networks with 5G base stations. There are three major features of 5G: "ultra-high speed and large capacity," "massive machine connections," and "ultra-low latency," but in "non-standalone mode," only "ultra-high speed and large capacity" are viable. However, in the "standalone mode" scheduled to be released in the fiscal year ending March 31, 2022, fully independent 5G-dedicated core networks will link to 5G base stations, bringing the 5G features I mentioned above to their maximum capacity. The feature I look forward to most is "ultra-low latency," in which people will be able to use information in real time without feeling any sense of lag even from remote locations. In other words, even when you are far away, things will appear as though they're right in front of your eyes and you will be able to operate construction machines and medical devices. When "standalone mode" is completely implemented in 2022, within five years the world will change as dramatically as after the switch from feature phones to smartphones. Envisioning a time when "standalone 5G" becomes widespread, SoftBank established a "5G Consortium" in June 2021. The 5G Consortium is an organization comprised of experts and companies from many fields, communications device vendors, suppliers and solutions partners who meet to review and discuss specific ways to solve issues by industry or field and openly carry out proofs of concept (PoC). In this way, we will co-create revolutionary products and services that leverage the features of 5G with all kinds of partners and lay the groundwork for future growth. Please look forward to progress in this area.

### Overseas Strategy

#### Q. What is your basic policy on overseas expansion in the future?

When it comes to overseas expansion, we have put in a lot of hours at SoftBank for a long time now as we considered medium- to long-term growth strategies. What must be kept in mind is that Japan has the highest percentage of population aged 65 or older in the world, and is the first country in the world to cope with the numerous social issues that come with the aging of society. I believe that solutions which work well for social issues in Japan will mostly apply to countries overseas that will face aging populations in the future. However, even if we find innovative solutions to social issues, I am not currently thinking about acquiring overseas telecommunications carriers to implement these solutions. This is because I have learned from past experience not to use this kind of approach. In 2013, our parent company SoftBank Group Corp. acquired management rights to the U.S. telecommunications company Sprint Corporation. I moved to the U.S. and began serving in 2014 as Technical Chief Operating Officer, supporting efforts to improve the company's performance on the technical front. However, I learned that it is very difficult to get the desired return with this method when there is both high investment and large assets. That is why I define *Beyond Japan* as a strategy to expand the business established in Japan to overseas in partnership with excellent overseas companies while controlling risks and costs.

The first successful implementation of this *Beyond Japan* concept was a capital investment in Axiata Digital Advertising Sdn.Bhd. (ADA) that SoftBank announced in May 2021. ADA is a group company of Southeast Asia's largest telecommunications group, Axiata Group Berhad, and operates its digital marketing business to 10 Asian countries. Through capital investment in ADA, we can control risk and cost as we expand SoftBank's digital marketing business in Asia.

### Shareholder Returns

#### Q. Could you tell us the reason the outlook on dividends of ¥86 per share for the fiscal year ended March 31, 2022 was left unchanged, and comment on shareholder return policy going forward?

Though dividends remain unchanged, we have added the implementation of flexible share buybacks, to keep the "total shareholder return ratio of approximately 85%\*7 for the period from the fiscal year ended March 31, 2021 through the fiscal year ending March 31, 2023" policy unchanged. Our policy to pursue both growth and shareholder returns will not change, but we will make firm investments in growth to capture the vast opportunities alongside the digitalization of society and the Company intends to reward our shareholders with an increase in corporate value. We have no intention at this time of lowering the amount of dividend per share in the future, assuming there are no extreme changes in the business environment. The Company will continue to actively issue shareholder returns on the assumption of profit growth.

\*7 Total amount of dividends paid and treasury stock retired during the three years from the fiscal year ended March 31, 2021 through the fiscal year ending March 31, 2023/total amount of net income attributable to owners of the Company during the same three years



## Message from the CEO

### Group Structure

#### Q. Since Z Holdings is also a listed company, why should investors invest in SoftBank shares?

First, let's review the positioning of both companies. Z Holdings is a company primarily competing in the online market. On the other hand, SoftBank has 4G/5G communications infrastructure and sales channels for consumers and enterprise that allow us to reach deeply into the offline market. Also, by executing the *Beyond Carrier* strategy, we are able to use *Yahoo! JAPAN*, *LINE* and other online platforms under the Z Holdings umbrella, and we are able to reach deeply into the online market as well. If



we leverage the advantages of being able to reach deeply into both the online and offline markets, SoftBank will be in a position to comprehensively implement digital technology in society even in larger markets. For example, when working on the autonomous driving business, which is expected to expand rapidly in the future, it is very important that we have a 5G communication infrastructure that is essential for autonomous driving and have strong ties with automobile companies. In providing autonomous driving as a service, *Yahoo! JAPAN* and *LINE*'s existing and established B2C platform used by tens of millions of people works immensely to our advantage. We pride ourselves on the fact that SoftBank is an enterprise capable of comprehensively fitting society with digital technology in this kind of market and can reach deeply into both the online and offline markets to meet investor expectations. In addition, as I just mentioned, SoftBank is known for issuing a high standard of shareholder returns. The Company rewards shareholders in both growth and shareholder returns.

### Governance

#### Q. What is your take on SoftBank Group Corp. and SoftBank's parent-subsidiary listing situation?

There is a clear difference between our parent company, SoftBank Group Corp., which is a strategic holding company that invests on a global scale, and SoftBank, an operating company targeting expansion in non-communications fields as it further grows its core telecommunications business. Having SoftBank Group Corp., whose business area differs from ours, listed together with SoftBank allows for a more diverse response to investor needs.

I believe that SoftBank's status as a SoftBank Group Corp. subsidiary is a great advantage for us as an operating company. SoftBank Group Corp. is invested in unicorn companies around

the world directly or through funds. So for us, being able to partner through SoftBank Group Corp. with global unicorn companies that have premier business models and technologies means that we can commercialize excellent business models and technology in Japan while minimizing risk. Of course, we make all decisions on which companies to partner with based on their compatibility with the Japanese market, and we are not forced by our parent company to collaborate with companies that SoftBank Group Corp. invests in. Management decisions are made carefully to ensure that the interests of minority shareholders are not compromised.

#### Q. How are responsibilities divided between Chairman Miyauchi and President & CEO Miyakawa?

As President & CEO, I assume full responsibility for business execution. Chairman Miyauchi is responsible for the partnership with Z Holdings and partnering with AI unicorn companies around the world in which SoftBank Group Corp. invests directly or through funds, and improving internal collaboration within the Group to create even more synergies.

#### Q. How is your relationship with Chairman & CEO Son of SoftBank Group Corp.?

Mr. Son and I have a bond from fighting many battles together since the early 2000s when we began an aggressive entry into broadband. At the time of my appointment as President & CEO, he has given me a lot of advice. He has encouraged me to "let technology lead the company."

Mr. Son remains on our Board as Board Director, Founder, but he hasn't attended any internal management meetings for many years now and only attends Board meetings. He provides wonderful insight and shrewd critiques at Board meetings that add greatly to the improvement of corporate value. One example is the multifaceted advice concerning partnering with AI



## Message from the CEO

unicorn companies around the world, which largely benefits our business strategy. Another aspect is the solid line Mr. Son draws between SoftBank Group Corp. and SoftBank as they are both listed companies, so there is never any disadvantage to minority shareholders of SoftBank as a result of Mr. Son's ideas as president of our parent company.

### Enhancement of Disclosure

#### Q. Why did SoftBank disclose operating income forecasts by segment and the KPI of major subsidiaries and affiliate companies?

Right now, investors and analysts rate our Company in one bundle as a "telecommunications company." But SoftBank's business has been diversified, with the percentage of mobile communications charges that make up our consolidated revenue fall to 28% in the fiscal year ended March 31, 2021. SoftBank is already more than just a telecommunications company and participates in many cross-sector businesses. For example, in the Enterprise segment, SoftBank provides IT solutions to companies, maintaining two-digit growth in operating income; Z Holdings does business in the commerce and media fields, and *PayPay* increased gross merchandise value by 160% year on year and reached ¥3.2 trillion in the fiscal year ended March 31, 2021. Thus I anticipate that by executing the *Beyond Carrier* strategy and continuing to diversify businesses going forward, investors can value our businesses in multiple sectors using the Sum-of-the-Parts valuation method. To that end, the desire to provide more and more

materials for Sum-of-the-Parts valuation is behind the enhanced disclosures we are currently making. SoftBank believes in making both positive and negative performance thoroughly transparent and facing the capital market fairly, and that's why we'll continue to enhance our disclosure to every degree possible going forward.

### Medium-term Management Risk

#### Q. What position do you take on medium-term management risk?

In the short-term, the risk is the impact of mobile price reductions, but I don't see it as a significant risk because the Enterprise segment, Yahoo! JAPAN/LINE segments, and new business fields such as IoT are growing, so it looks like we'll be even less dependent in several years on revenue from mobile communications charge.

The growing Enterprise segment is getting inquiries from client companies nearly every day. Rather, we face a problem of securing enough sales and engineering personnel to respond to client expectations and deciding which companies to partner with. These are challenges to maintaining high growth and for which we're pressed to find an answer.

Hiring AI engineers has become an important management issue, and we are competing human resources with overseas Internet companies. I actually directly handled hiring myself in some cases. The Company is going to overcome challenges and be on equal footing with these companies in hiring.

SoftBank also knows the importance of working to improve

governance of appropriate processing of personal information throughout the Group. In light of LINE undergoing administrative guidance for personal information handling, the Company is creating stronger internal control systems to process personal information properly throughout the Group.

### Anticipating future changes and find the best way to contribute to society

In an era of rapid change, the winners may not always be the same players. As management, I think it is important to anticipate future changes and find the Company's place and role in society. I believe our place in society is to make people's lives more convenient and richer with the power of technology under the guidance of our corporate philosophy, "Information Revolution — Happiness for everyone." SoftBank has evolved to operate businesses over many sectors, but we will continuously strive to increase our corporate value in line with this philosophy. I would like to thank our shareholders, investors, and all other stakeholders for appreciating the medium- to long-term value of the Company and for their continued support and understanding.

## A Message from the CFO



***Playing the role of “compass”  
for maintaining both growth  
in revenue and income and  
high shareholder returns***

**Kazuhiko Fujihara**

Board Director  
Executive Vice President  
& CFO

### Performance Overview and Earnings Forecast

#### **Q. Please summarize earnings results for the fiscal year ended March 31, 2021.**

For the fiscal year ended March 31, 2021, revenue increased by 7.1% year on year to ¥5,205.5 billion, operating income grew 6.5% year on year to ¥970.8 billion, and net income attributable to owners of the Company rose 3.8% year on year to ¥491.3 billion. With the entire world completely caught up in the outbreak of COVID-19, we initially projected a rather harsh scenario for earnings and thus tried to come up with a contingency plan to maintain growth of revenue and income. Ultimately, we raised our earnings forecasts during the fiscal year, and all business segments recorded increases in revenue and operating income for three consecutive fiscal years.

I believe this result comes from not only steady progress made on the *Beyond Carrier* strategy as the digitalization of society continues to accelerate its pace, but also from our constant effort in forecasting challenging scenarios and re-examining our productivity and cost cutting measures.

#### **Q. Are you able to continue to achieve increases in revenue and income for the fiscal year ending March 31, 2022?**

For the fiscal year ending March 31, 2022, we have set our sights on four consecutive fiscal years of revenue and income growth and a consolidated operating income target of ¥975 billion. We aim to achieve this by offsetting the negative impact from mobile service plan reduction with thoroughgoing cost cuts, including the ones achieved by group synergies, in addition to growth in the Enterprise and the Yahoo! JAPAN/ LINE segments. With the trend we have seen until now, it would be unsurprising if we were to achieve our operating income target of ¥1 trillion for the fiscal year ending March 31, 2023 one year ahead of schedule, but for the fiscal year

## A Message from the CFO

ending March 31, 2022, we have already started out with the negative impact of more than ¥100 billion owing to mobile service price plan reduction of ¥70 billion and amortization of intangible assets associated with the business integration with LINE of ¥30 billion. We think the headwinds in the Consumer segment are pushing us in the direction of accelerated growth in non-telecom businesses. We will therefore navigate our way towards four consecutive fiscal years of revenue and income growth.

### Cost Strategy

#### Q. What kind of approach do you intend to take to realize your policy “keep the costs flat”?

Whilst we intend to aggressively invest in 5G base stations, we are also developing new business fields one after the other. If we launch a new business, it will naturally require management resources, but rather than procuring the necessary resources externally, our basic policy is to first find a way of

raising them within the Group so that we might keep fixed costs to a certain level. Because it is logical that we will achieve growth in revenue and income if we keep fixed costs flat while driving up revenue continuously.

Keeping costs flat is not through laying off employees or making performance based adjustment. In order to raise internal management or financial resources, for instance, we are pushing ahead with efforts to reassign personnel to improve operational efficiency, reduce costs through joint procurement, and bring operations in-house with the effective utilization of the Group resources. Instead of curtailing costs, we are more focused on generating internal funds for growth.

Also, in the fiscal year ended March 31, 2021 we moved our corporate headquarters to Takeshiba. The benefits from the fixed cost reductions stemming from this move will start to materialize from next fiscal year. Given the rapid adoption of teleworking, we chose to roughly halve our office space with the relocation of our corporate headquarters, and the state-of-the-art smart building also serves as a testing ground for digital solutions. We expect the new headquarters to not only reduce costs, but also positively impact the topline growth.

#### Forecasts for the consolidated results for the fiscal year ending March 31, 2022

(¥ bn)	Fiscal year ended March 31, 2021 (Actual)	Fiscal year ending March 31, 2022 (Forecast)	Change	Change (%)
Revenue	5,205.5	5,500.0	+294.5	+5.7%
Adjusted EBITDA* <sup>1</sup> (of which, stock compensation expenses)	1,714.8 (4.3)	1,730.0 (14.5)	+15.2	+0.9%
Operating income	970.8	975.0	+4.2	+0.4%
Net income* <sup>2</sup>	491.3	500.0	+8.7	+1.8%
Dividend per share (¥)	86	86		

Change in definition of adjusted EBITDA starting from forecasts for the fiscal year ending March 31, 2022

Note: stock compensation expenses added to actual results for the fiscal year ended March 31, 2021



\*1 Adjusted EBITDA = operating income + depreciation and amortization (including loss on disposal of non-current assets) + stock compensation expenses ± other adjustments

\*2 Net income attributable to owners of the Company

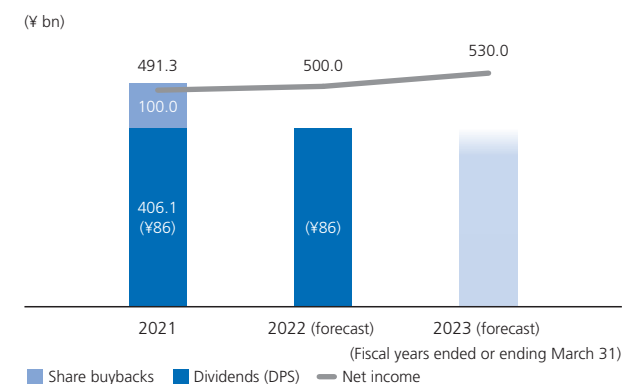
### Shareholder Returns

#### Q. Have you made any changes to SoftBank’s high shareholder return policy?

Our policy of achieving both growth and shareholder returns ever since the Company’s listing remains the same. For the fiscal year ended March 31, 2021 we paid an annual dividend per share of ¥86, an increase of ¥1 year on year. Total dividend payments came to ¥406.1 billion. We also carried out share buybacks of ¥100.0 billion. From the fiscal year ended March 31, 2021 to the fiscal year ending March 31, 2023 we aim to maintain a total shareholder return ratio of approximately 85% (three-year weighted average) without reducing dividends and plan to continually implement flexible share buybacks.

Being able to undertake business development with high investment efficiency and minimal funds thanks to collaborative efforts with our parent company, SoftBank Group Corp., and its investee companies enable us to achieve both high shareholder returns and investments for growth. However, I do not believe the growth potential of our diverse businesses has been fully

#### Net income and total shareholder returns





## A Message from the CFO

reflected in the Company's share price. So I think we need to strengthen initiatives that focus on total shareholder return (TSR) as a measure of management performance that also reflects share price, in addition to dividends. To that end, starting in the fiscal year ending March 31, 2022, some components of officer remuneration will be linked to TSR.

### Cash Allocation

#### Q. What are the indicators that you focus on in order to achieve both growth and shareholder returns?

We focus on adjusted free cash flow (FCF), which is calculated by operating cash flow, less capital expenditures and investments for growth. In particular, because we have made it publicly open that we do not intend to reduce dividends, we consider our baseline to be FCF of ¥100 billion after dividend payments—in other words, the baseline to be adjusted FCF less the scheduled dividend payments. We calculate backwards from there to establish an adjusted FCF target and also control annual expenditures.

For the fiscal year ended March 31, 2021 we set an adjusted FCF target of ¥670.0 billion, which we achieved 107%. As a result, FCF after dividend payments recorded ¥183.9 billion which was higher than ¥100 billion. We used the remaining free cash to carry out the share acquisition of LINE and the share buybacks. Following the Company's listing, we made some big investments, including the consolidation of Yahoo Japan and the share acquisition of LINE. In terms of investments for growth other than these large-scale strategic investments, we have a budget of around ¥50–¥70 billion each fiscal year to draw on to seed new businesses.

When we execute investments, we focus on the internal rate of return (IRR) as the hurdle rate. Our weighted average cost of capital (WACC) for the fiscal year ended March 31, 2021 was roughly 5%, and we have set the hurdle rate well

above the WACC and execute investments on the condition of clearing that rate.

### Financial Soundness

#### Q. Raising capital is a key to investments for growth. How do you approach the fund-raising and what indicator do you emphasize in ensuring financial soundness?

Considering that we are blessed with growth opportunities, if we are to continue high shareholder returns whilst actively investing in businesses, I believe we must make use of debt,

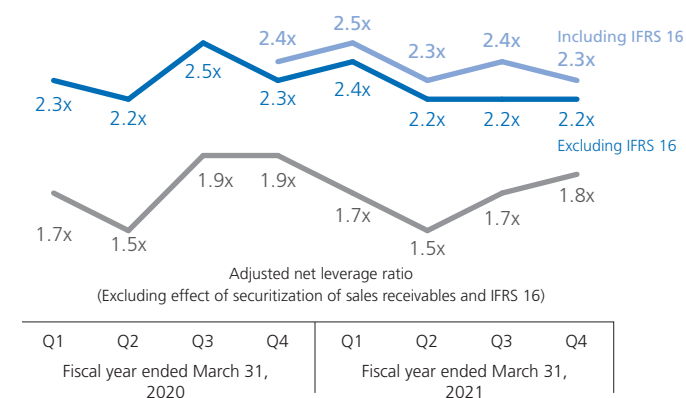


cost of which is lower than equity, to manage business operations with a certain amount of financial leverage.

That is why we emphasize on the net leverage ratio—the ratio of net interest-bearing debt to adjusted EBITDA—as an indicator for monitoring financial soundness in light of a balance with our earnings capacity, and we control it in 2.0x–3.0x range. Our net leverage ratio at the end of March 2021 was 2.3x. We currently have long-term debt ratings of A+ and AA– with Rating and Investment Information, Inc. (R&I) and Japan Credit Rating Agency, Ltd. (JCR), respectively. The average net leverage ratio at companies that have the same ratings as ours is around 2.6x. Considering that our shareholders' equity ratio is relatively low, we consider a net leverage ratio of 2.4x or less to be an appropriate level. Going forward, we will aim to bring it closer to 2.0x level.

As for the fund-raising, at the time of our public listing we primarily relied on indirect financing such as bank loans. Since going public we have increased direct financing mainly through bond issuances, which helps stabilize our financial base and improve financing costs. We intend to increase our total bond

#### Net leverage ratio\*1,2,3



\*1 Net leverage ratio = Net interest-bearing debt / Adjusted EBITDA (LTM)

\*2 LTM EBITDA of ZOZO retrospectively adjusted for FY19Q3, FY19Q4, FY20Q1 and FY20Q2

\*3 LTM EBITDA of LINE retrospectively adjusted for FY20Q4

## A Message from the CFO

issuance by more than ¥100 billion every year. As we have made company-wide efforts to contribute to the Sustainable Development Goals (SDGs) since the fiscal year ended March 31, 2020, we want to issue ESG bonds.

### Group Governance

#### Q. SoftBank's parent company is also a listed company, as are multiple group companies. What is your view on the parent company and its subsidiary both listed on the stock exchange?

I think publicly listed companies have the advantage of being able to strengthen themselves as a result of engaging in independent management and bearing more responsibility. We

took the bold decision to consolidate Yahoo Japan (currently Z Holdings) in June 2019 and established PayPay Corporation together with Z Holdings for the purpose of building mainstay businesses for the future after discussing the best way to grow the Company after our listing. I think the fact that PayPay Corporation has grown so much since its establishment owes not just to its position as a fellow subsidiary under the umbrella of the same parent company (SoftBank Group Corp.) but to the fact that we made it our very own project.

As for my view on listed subsidiaries, SoftBank emphasizes on service neutrality. In other words, whether it be *Yahoo! JAPAN* or *LINE* under the management of Z Holdings, or *PayPay*, we want to transform them into universal services that the entire population of Japan would use, not just as services only for users of SoftBank smartphones. From this point of view, it may be better off for our subsidiaries not to be wholly-owned subsidiaries of SoftBank. Our basic premise is not to

damage the interests of minority shareholders of the listed group subsidiaries. Based on this premise, I think we can mutually achieve considerable growth by leveraging the synergies between SoftBank and the listed subsidiaries that provide industry-leading services, and thereby forging win-win relationships for all parties.

#### Q. SoftBank's capital structure is getting more complex as the Company diversifies its business operations and adds more group companies. Are there any issues with the governance?

In 2015 there were 27 group companies (subsidiaries and affiliates), and in only five years, this number rose to 335. Each company is in a different situation; some of them are publicly listed, such as Z Holdings and SB Technology Corp., while others are still at the startup stage, and some are posting strong earnings, while others need to improve performance. Instead of centrally managing all of them side by side, it is getting important to decentralize control with the use of core group companies like Z Holdings to function as hubs. Accordingly, during the fiscal year ended March 31, 2021, we set about task to organize and structure as to which companies should be hubs that directly manage others and what level of hierarchy should be applied to each group companies. We continue to carry out this task with the aim of enhancing the effectiveness of the group governance from the fiscal year ending March 31, 2022 under this organized management structure.

#### Forecasts for the operating income by segment for the fiscal year ending March 31, 2022

(¥ bn)	Fiscal year ended March 31, 2021 (Actual)	Fiscal year ending March 31, 2022 (Forecast)	Change	Change (%)	YoY factors
Consumer segment	658.6	642.0	-16.6	-2.5%	Subscriber growth, cost reductions Impact of mobile service plan reductions
Enterprise segment	107.7	128.0	+20.3	+18.8%	Promotion of DX Growth driven by business solution and others
Distribution segment	22.3	22.5	+0.2	+0.9%	Promotion of recurring business
Yahoo! JAPAN/LINE segment + other	182.2	182.5	+0.3	+0.2%	Expansion of Yahoo! JAPAN/LINE segmen Amortization of intangible assets associated with the business integration of LINE
Total	970.8	975.0	+4.2	+0.4%	

## A Message from the CFO

### Showing Business Value

**Q. Some are saying that the overall picture of the Group has become unclear because of the diversified business lines such as Z Holdings and PayPay Corporation. What do you think of the impact on the share price?**

The Company boasts a lineup of prominent subsidiaries and affiliates with an overwhelming presence and is enhancing its ability to create and monetize new businesses in various fields. Meanwhile, Some people suggest that the overall picture of the Group has become difficult to understand compared with what it was when we were predominately a telecommunications carrier as we continue to drive forward our *Beyond Carrier* strategy. We are responding to this suggestion in a serious manner. I know that the overall value of the Group is unlikely to be reflected in our share price unless the market has a proper understanding of it.

The Company's shares are often valued with an EV/EBITDA multiple and P/E ratio, common stock valuation methods for telecommunications carriers, or with an indicator such as dividend yield. However, we boast an immense variety of growth opportunities because we possess growth drivers such as Yahoo Japan, LINE, and PayPay Corporation. For that reason, I would like a valuation with the SOTP (sum-of-the-parts) method, a valuation model that combines the value of each business as a whole that harbors enormous growth potential, instead of a valuation based on the consolidated financial data of the Company just as a telecommunications carrier.

Accordingly, information disclosure is a key for the aggregate value of our diverse businesses to be accurately reflected in the share price, and it is important for us to engage in

dialogue with the capital markets to find out whether the potential values of our businesses is being factored into valuation models. Discussions based on concrete figures are beneficial to the facilitation of substantive dialogue. For example, for the fiscal year ended March 31, 2021 we ventured to disclose the gross merchandise value (GMV) for PayPay Corporation, which was still in the upfront investment stage. Information on the annual GMV of ¥3.2 trillion provided an indication of the size of the business, and, considering that the annual personal consumption in Japan amounts to around ¥300 trillion, the disclosure conveyed the message that the business still has plenty of room for growth. Even though PayPay Corporation does not seek for a business that makes profits solely from payment fees, I would like the market to recognize that, at the very least, turning into profit is achievable.

We strongly hope that the market evaluates what we consider to be our true corporate value and that it will be accurately reflected in the share price. That is why we decided to disclose operating income forecasts by segment for the first time along with figures for PayPay Corporation and other leading subsidiaries. Going forward, our policy is to further enhance the information disclosure.

### Role of the CFO

**Q. Finally, what do you think of your role as CFO?**

I believe the CFO plays a role as a compass for the company that accurately navigates the way forward. Accordingly, first, I will decide on the mountain to climb, in other words, a company-wide goal. After deciding on the mountain to climb, instead of making a mad dash for its summit, I will shed light on where

we are currently standing, in other words, gaps between our standing point and that goal. Then I will discuss with others whether our preparations have been enough to climb on the top of the mountain and what our next move should be in order to advance. Sometimes, I play the role as an guardian angel to ensure that the Company does not go down an overly risky path. As CFO, I strongly hope to work continually towards meeting the expectations of our stakeholders.





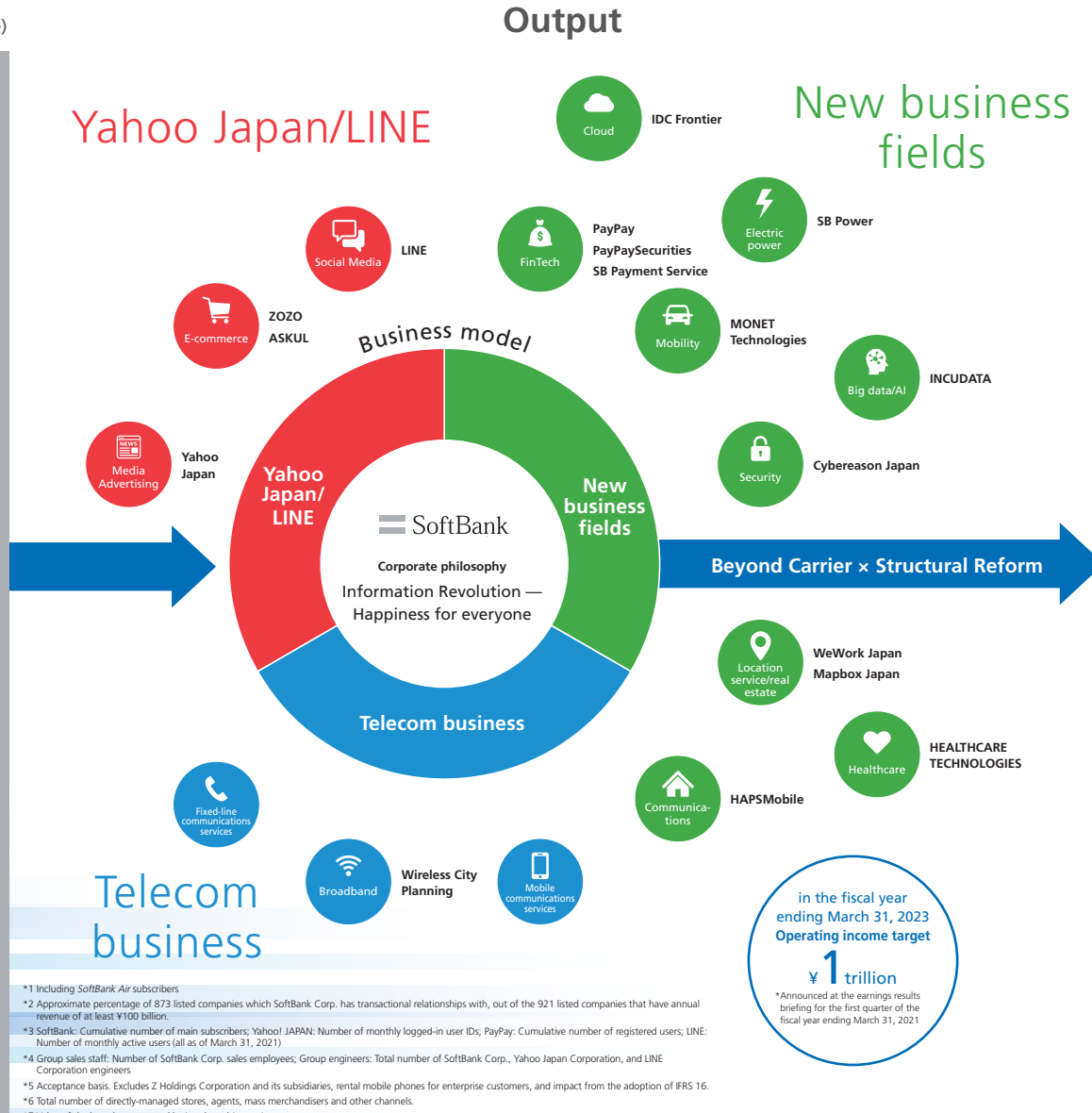
# Value Creation Process

## Toward Phase 2 of the *Beyond Carrier* strategy

We will strive to maximize corporate value by solving social issues with the power of technology and aim to be the corporate group needed most by people around the world.

### Input (source of competitive advantage)

- Social and relationship capital**
  - Smartphone subscribers: **25.93** million (as of March 31, 2021)
  - SoftBank Hikari subscribers: **6.92** million\*1 (as of March 31, 2021)
  - Business relationships with **95%**\*2 of major corporations
  - Number of users\*3
    - SoftBank: **38.0** million; Yahoo! JAPAN: **53.0** million; PayPay: **38.0** million; LINE (Japan): **88.0** million
- Human capital**
  - Consolidated Group employees: **47,313**
  - Group sales staff\*4: **15,000**
  - Group engineers\*4: Roughly **10,000** (as of March 31, 2021)
- Manufacturing capital**
  - Capital expenditures: Approx. **¥400** billion/year\*5
  - Growth investments: **¥50–70** billion/year
  - Shops: Approx. **6,100**\*6 (as of March 31, 2021)
- Social and relationship capital and intellectual capital**
  - Cutting-edge technologies and business models of the SoftBank Group's portfolio companies
  - Co-creation with corporate partners, represented by 5G x IoT Studio
- Intellectual capital**
  - Best Japan Brands 2021\*7: **USD4,958** million
- Financial capital**
  - Rating and Investment Information (R&I) Long-term debt rating: **A+**
  - Japan Credit Rating Agency (JCR) Long-term debt rating: **AA-** (as of March 25, 2021)
- Natural capital**
  - Electricity used: **1,680,530** thousand kWh (recorded usage in the fiscal year ended March 31, 2021)



### Outcome

- Building society and industry through digital transformation (DX)**

[Relevant SDGs]
- Connecting people and information to create new excitement**

[Relevant SDGs]
- Creating new business through open innovation**

[Relevant SDGs]
- Contributing to the global environment with the power of technology**

[Relevant SDGs]
- Building high-quality social communication networks**

[Relevant SDGs]
- Developing a resilient management foundation**







[Relevant SDGs]

\*1 Including SoftBank Air subscribers  
 \*2 Approximate percentage of 873 listed companies which SoftBank Corp. has transactional relationships with, out of the 921 listed companies that have annual revenue of at least ¥100 billion.  
 \*3 SoftBank: Cumulative number of main subscribers; Yahoo! JAPAN: Number of monthly logged-in user IDs; PayPay: Cumulative number of registered users; LINE: Number of monthly active users (all as of March 31, 2021)  
 \*4 Group sales staff: Number of SoftBank Corp. sales employees; Group engineers: Total number of SoftBank Corp., Yahoo Japan Corporation, and LINE Corporation engineers  
 \*5 Acceptance basis. Excludes Z Holdings Corporation and its subsidiaries, rental mobile phones for enterprise customers, and impact from the adoption of IFRS 16.  
 \*6 Total number of directly-managed stores, agents, mass merchandisers and other channels.  
 \*7 Value of the brand as measured by Interbrand Japan, Inc.

# SoftBank’s Materiality (Priority Issues)

With the objective of realizing sustainable growth, we identified six priority issues (materiality) under the concept of a world where all things, information, and minds are connected.

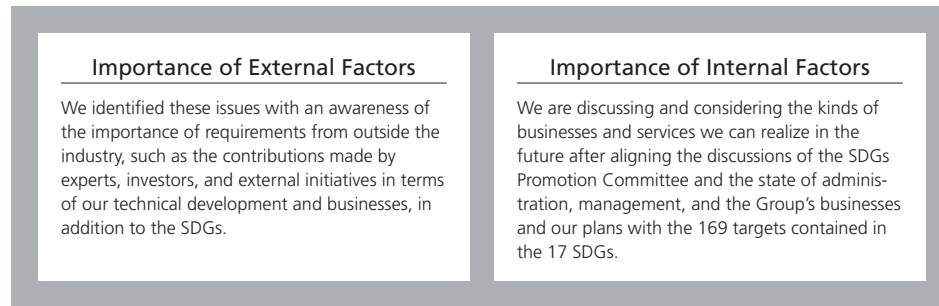
We think the achievement of the Sustainable Development Goals (SDGs) by 2030 will be a key driver of our growth. We therefore identified priority issues envisioning the next 10 years in order to contribute to realizing a sustainable society.

	Materiality	Risks	Opportunities	KPIs	FYE March 31, 2021 (actual)	Related pages
Solving social issues through business	 <p><b>ACTION 01</b> Building society and industry through DX</p> <p>Create new industries and provide solutions for transforming various businesses in society by utilizing 5G, AI, and other cutting-edge technologies.</p>	<ul style="list-style-type: none"> <li>Declines in profitability due to intensified competition caused by a series of new entries into the enterprise solutions market</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of solutions business for implementing digital technologies to society</li> <li>Growing opportunities to provide solutions for regional revitalization</li> </ul>	<p>Revenue from business solution and others</p> <ul style="list-style-type: none"> <li>Compound annual growth rate (CAGR) of 10%</li> </ul>	CAGR: 17%	At a glance <a href="#">P28</a>
	 <p><b>ACTION 02</b> Connecting people and information to create new excitement</p> <p>Provide new experiences and enrich the lifestyles of our customers by promoting the adoption of smart devices. Concurrently, create value for both consumers and enterprises by providing partners with attractive platforms that connect people to information.</p>	<ul style="list-style-type: none"> <li>Declines in profitability due to new entrants in existing telecommunications services and intensifying competition</li> <li>Declines in profitability due to intensifying competition or discontinuation of market growth in the e-commerce and finance/payment businesses</li> </ul>	<ul style="list-style-type: none"> <li>Growth in smartphone subscribers and increase of large volume data users</li> <li>Expansion of business to non-telecommunication areas through provision of super apps</li> <li>Increased profit opportunities via deeper data-driven marketing</li> </ul>	<p>PayPay registered users</p> <ul style="list-style-type: none"> <li>50 million</li> </ul>	38.03 million (as of end of FYE March 31, 2021)	At a glance <a href="#">P23</a>
	 <p><b>ACTION 03</b> Creating new business through open innovation</p> <p>Develop cutting-edge technologies and innovative business models in Japan by leveraging our relationships with leading global companies. Concurrently, promote the development of a highly-skilled workforce and the establishment of an organization that supports the expansion and penetration of new businesses.</p>	<ul style="list-style-type: none"> <li>Delay of business development and/or loss of business opportunities due to shortages of required human resources and knowledge</li> <li>Inability to recoup invested funds or incur impairment losses due to failure in achieving expected results</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition of human resources and knowledge and speedy business development through collaboration with partners</li> <li>Advancement and deepening of innovation through co-creation and expansion of the scale of markets and operations the Group participates</li> </ul>	<p>Advancement of efforts toward practical utilization of HAPS (FYE March 31, 2024)</p>	Successful stratosphere flight test and LTE connection during the flight	PayPay <a href="#">P36</a>
Solving social issues through corporate activities	 <p><b>ACTION 04</b> Contributing to the global environment with the power of technology</p> <p>Contribute to mitigating climate change, promoting a circular economy, and the adoption of renewable energy by utilizing cutting-edge technologies to pass on a sustainable global environment to the next generation.</p>	<ul style="list-style-type: none"> <li>Infrastructure disruption and communication blackout due to disasters caused by climate change</li> <li>Difficulty in securing non-fossil fuel electricity and increase in cost for long-term electricity procurement</li> <li>Impact on financing due to lack of global environmental efforts</li> </ul>	<ul style="list-style-type: none"> <li>Expanding the market for highly-energy-efficient solutions that utilize IoT, etc.</li> <li>Expansion of businesses related to the sharing economy</li> <li>Expansion of businesses related to renewable energy</li> </ul>	<p>Ratio of renewable energy for base stations</p> <ul style="list-style-type: none"> <li>50% or higher (FYE March 31, 2022)</li> <li>70% or higher (FYE March 31, 2023)</li> </ul>	30% achieved	Support for TCFD recommendations <a href="#">P60</a>
	 <p><b>ACTION 05</b> Building high-quality social communication networks</p> <p>Commit to maintaining a constantly-connected and stable network and to protecting our customers’ important data based on the thinking that communication networks are a lifeline in society.</p>	<ul style="list-style-type: none"> <li>Loss of new business opportunities while utilizing 5G</li> <li>Deterioration of reputation and/or loss of subscriber due to communication failures and/or delays in disaster recovery</li> <li>Deterioration of reputation due to the improper use of personal information and/or leakage of personal information</li> </ul>	<ul style="list-style-type: none"> <li>Capacity increase and multi-connectivity of communications and revenue increase by nationwide deployment of 5G coverage</li> <li>Development of new industries and services that use 5G</li> </ul>	<p>5G deployment plan</p> <ul style="list-style-type: none"> <li>More than 50,000 base stations (2022)</li> <li>Population coverage over 90% (2022)</li> </ul>	10,000 base stations completed (May 21, 2021)	Information security <a href="#">P52</a>
	 <p><b>ACTION 06</b> Developing a resilient management foundation</p> <p>Conduct corporate governance with integrity to earn the trust of society through ongoing dialogue with stakeholders. In addition, foster innovation and improve the well-being of our employees by developing a progressive workplace environment where diverse human resources can thrive utilizing cutting-edge technologies.</p>	<ul style="list-style-type: none"> <li>Loss of trust due to violation of laws or regulations</li> <li>Loss of trust as a corporation due to absence of corporate governance</li> <li>Deterioration of reputation due to human rights violations or inadequate response on environmental issues</li> </ul>	<ul style="list-style-type: none"> <li>Investors’ acceptance of corporate governance and supply-chain management</li> <li>Improvement of motivation and emergence of innovation through workstyle reforms and promotion of diversity</li> <li>Improvement of productivity through advanced workstyles and commercialization of expertise</li> </ul>	<p>Ratio of women in management positions</p> <ul style="list-style-type: none"> <li>Over 20% (FYE March 31, 2036)</li> <li>Achieve more than 15% by the fiscal year ending March 31, 2031 (two-fold increase vs. FYE March 31, 2022)</li> </ul>	338 (as of end of FYE March 31, 2021)	Corporate governance, HR development <a href="#">P38</a>

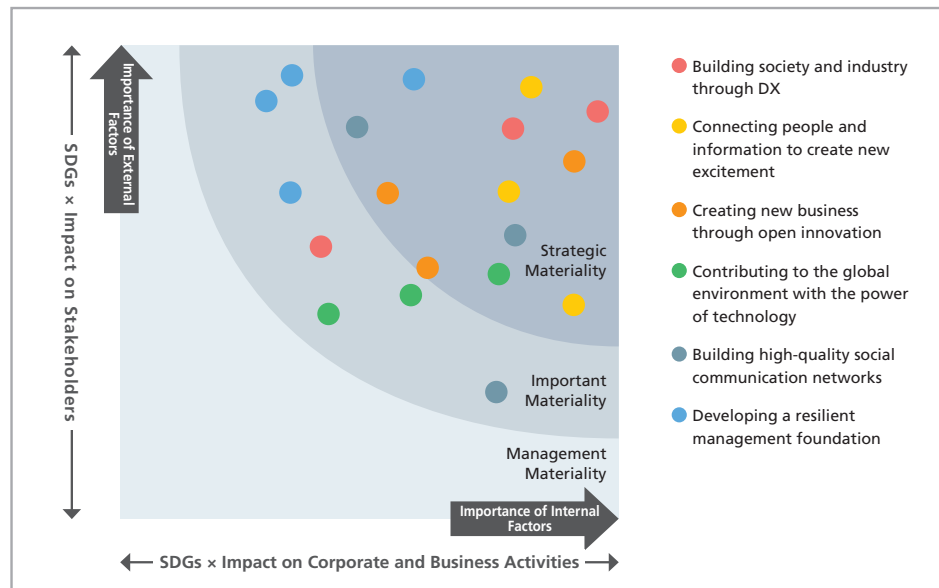
# Materiality (Priority Issues) Identification Process and Sustainability Promotion Structure

## Process for Identifying Materiality (Priority Issues)

As part of the materiality identification process, we selected a number of issues in light of the 17 SDGs and their 169 targets. We then evaluated those issues from two points of view: the importance for mainly ESG investors and other external stakeholders and the importance for the Company based on discussions within administration and group companies. Finally, the priority issues were decided on by the Board of Directors after seeking the opinions of experts.



### Dialogue with society and stakeholders



Note: Materiality was reviewed in March and April 2021, and as a result, it was determined that no change is necessary from the fiscal year ending March 31, 2021.

## Sustainability Promotion Structure

In order to promote the Company's growth strategy in conjunction with sustainability, we established the SDGs Promotion Committee (Chair: Junichi Miyakawa) as an advisory body to the Board of Directors. This committee offers recommendations and reports to the Board of Directors concerning sustainability activities.

In terms of the Company's execution structure for sustainability activities, the President & CEO has been appointed Chief SDGs Promotion Officer. We have also designated an SDGs Promotion Officer, as well as a person in charge of SDGs promotion and SDGs promotion staff in each of our departments and Group companies.

