

Summary of Earnings Results Briefing for Q3 FY2018

Date Tuesday, February 5, 2019 4:00 PM - 5:30 PM
Speakers Ken Miyauchi (CEO), Jun Shimba (COO), Yasuyuki Imai (COO), Junichi Miyakawa (CTO), Kazuhiko Fujihara (CFO)

Summary

Mr. Ken Miyauchi, President & CEO of SoftBank Corp., discussed three themes at the earnings results briefing: (1) management strategy, (2) performance highlights, and (3) growth strategy.

1. Management Strategy

SoftBank has seen technology evolved from the emergence of PCs to the widespread adoption of the Internet and the debut of mobile phones and smartphones. In every step along the way, SoftBank has achieved growth by delivering innovative services. Today, the development of artificial intelligence (AI), the Internet of Things (IoT) and robotics technologies is about to spark a new phase of major innovation. Seeing these changes as an opportunity, SoftBank has been implementing the *Beyond Carrier* strategy to drive further growth.

2. Performance Highlights

In the nine months ended December 31, 2018 (April-December 2018), revenue increased by 5% year on year to ¥2,776.7 billion. Operating income rose by 19% year on year to ¥634.9 billion. Net income attributable to owners of the Company increased by 19% year on year to ¥395.9 billion. There have been no changes to our guidance of the consolidated financial result for the fiscal year ending March 31, 2019.

Adjusted free cash flow increased by 4% year on year to ¥425.0 billion, excluding the special factor of a cash outflow of ¥221.0 billion for the purchase of the shares of Yahoo Japan Corporation in the current fiscal year. Capital expenditures on an

acceptance basis is in line with the plan and expected to be ¥380.0 billion for the fiscal year ending March 31, 2019.

While continuing to achieve steady growth, SoftBank will also pursue high shareholder returns. SoftBank is forecasting a year-end dividend per share of ¥37.50 for the fiscal year ending March 31, 2019, and will continue to maintain or increase dividends next fiscal year as well.

3. Growth Strategy

SoftBank's growth strategy stands on two pillars: (1) Drive further growth in the telecommunications business and (2) Expand new businesses.

Drive further growth in the telecommunications business

Currently, the smartphone ownership ratio for individuals in Japan is estimated to be 61%. With this in mind, SoftBank is working to promote even wider adoption of smartphones. Moreover, we seek to expand the ways of use of smartphones by providing new services for the phones. These efforts have pushed up our cumulative subscribers for smartphones by 10% year on year to 21.46 million. SoftBank supports a wide range of customer needs through three differentiated brands: *SoftBank*, *Y!mobile* and *LINE MOBILE*. With the *SoftBank* brand, we provide *Ultra Giga Monster Plus*, a large-capacity 50 GB data usage plan with unlimited use of eligible video and SNS. The plan has garnered strong customer satisfaction from a large number of users with its separated plans for handset payment and service fees. With the *Y!mobile* brand, we offer low-price plans that enjoy strong support primarily among light smartphone users. *Y!mobile* boasts the No. 1 share in the Japanese market of low-priced plan for smartphones. Under the *Y!mobile* brand, we expect to roll out plans that separate handset payment from service fees in the first half of the fiscal year ending March 31, 2020. Supported by steady progress through the penetration of this multi-brand strategy, our smartphone churn rate has hit a record low of 0.79%. In broadband services, cumulative subscribers for our mainstay *SoftBank Hikari* fiber-optic service increased by 23% year on year.

Furthermore, SoftBank is accelerating initiatives to capture synergies with Yahoo Japan Corporation, which boasts one of Japan's largest user bases in the Internet market. The number of *Yahoo! JAPAN* IDs linked by SoftBank users increased 26% from the previous year.

In business for enterprise customers, we will strive to grow profit in strategic businesses such as robotics, AI, robotic process automation (RPA), security and cloud services, in addition to our core businesses such as mobile communications, fixed-line telephone, and virtual private network (VPN) services. Concurrently, we will jointly create businesses together with partners such as companies and government ministries and agencies.

As to 5G (fifth generation mobile communications system) technology, we will successively start providing services such as ultra-high-speed, large-capacity communications and ultra-low-latency communications. Meanwhile, our capital expenditures have decreased compared with the large capital expenditures we recorded from around 2012 to 2014 to deploy service in the so-called platinum frequency band. Going forward, capital expenditures are expected to remain stable as we conduct 5G and network investments.

Expand new business fields

In new business fields, SoftBank is conducting innovative businesses by establishing joint ventures and alliances in various fields, such as AI and IoT, fintech, the sharing economy, and security.

With *PayPay*, a mobile payment service, we rapidly increased the number of registered users through the "10 Billion Yen Giveaway Campaign" conducted at the end of 2018. *WeWork*, a provider of cutting-edge work spaces using AI, is growing at the world's fastest pace. *WeWork* has steadily opened offices throughout Japan and aims to expand its coverage further. *DiDi* is a taxi-hailing platform that uses AI to predict the demand for taxis. *DiDi* has seen the average number of taxis hailed per day increase 15-fold in three months due to the positive impact of campaigns. Trials of *DiDi*'s services have also begun in Tokyo. In other new business fields, revenue has steadily grown as well.