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# A Message from the CEO



**Ken Miyauchi**

President & CEO  
SoftBank Corp.

First of all, I would like to express my sincere condolences to the victims of the novel coronavirus (COVID-19) pandemic and my heartfelt sympathy to those affected by it. I would also like to express my deep gratitude and respect to all those who are working on the front lines of treatment and prevention of COVID-19, including in the medical field. In addition to our Company-wide efforts to prevent the spread of infection, we have been proactively helping students by waiving additional data communication fees and helping companies by providing telework products free of charge. Going forward, SoftBank will continue to soundly fulfill its responsibilities in its role as a telecommunications operator responsible for providing part of society's infrastructure.

## What SoftBank is Aiming to Become

When asked what kind of company SoftBank is, I answer without hesitation, "It's an information revolution company." The ICT (information and communication technology) industry in which SoftBank operates has been changing at a dizzying rate. Over the last 20 years, the technological mainstays of business have rapidly evolved from personal computers, fixed-line communications, feature phones, and currently to smartphones. If we stick to our existing businesses, we'll quickly get left behind in a paradigm shift and we won't be able to survive in this industry. That is why the SoftBank Group is not focused on specific technologies or business models, but rather on utilizing the most advanced

technologies of the day to become "the corporate group needed most by people around the world."

This may remind you of the "Cluster of No. 1 Strategy" of our parent company, SoftBank Group Corp. However, SoftBank Group Corp is a strategic investment company, whereas SoftBank Corp., as an operating company, is committed to pursuing business growth. By constantly anticipating the future ahead of the curve and gradually transforming our core business operations, we aim to become a company that will capture new business opportunities and grow with each new paradigm shift.

## Thinking Ten Years Ahead and Expanding Beyond Telecommunications

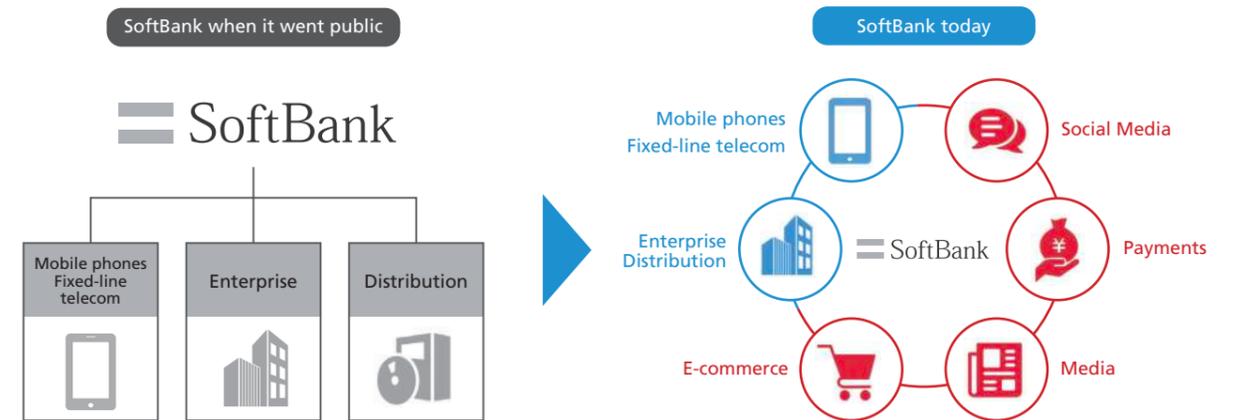
To make this vision a reality, I place great importance on the ability to predict the future and the ability to think backwards from the future and consider what should be done now. I'm not young by any means, but every day I think seriously about what the world will look like ten years from now. It's easy for people to get distracted by what's right in front of them, but I always tell our employees to look backwards from the future to the present.

In the next decade, the world will be fully digitized. We can expect that AI, IoT, and big data will be commonplace, and 6G will be the norm, not 5G. Much of people's lives will take place online, and DX will change the structure of business itself. By that time, the term DX itself may be out of date.

So, what should we do now to prepare for such a future? When SoftBank went public in December 2018, I stated that we would expand non-telecommunications areas in order to deliver further growth in the next paradigm shift. At the time, the mobile business still accounted for most of our earnings, so the public

might have been skeptical of my claim. However, we made Z Holdings a subsidiary in June 2019, six months after our listing, grew PayPay into Japan's No.1 QR code payment service, and announced the integration of LINE Corporation. Looking ten years into the future, it was clear what needed to be done. As a result of these efforts, revenues from what are called "mobile communications charge" decreased to just under 30% of revenue and just under 40% of operating income in the fiscal year ended March 31, 2020. On the flip side, non-telecommunications revenues have reached 60-70% of the total, so we've seen a diversification of revenue sources.

Today, SoftBank is no longer just a telecommunications company, but a comprehensive internet company that offers everything from telecommunications to e-commerce, payments, and social media. I am confident that this positions us to take an even greater leap forward ten years from now.



Note: With respect to social media business, the business integration of Z Holdings and LINE Corporation is scheduled to be completed around March 2021.

## Contributing to the SDGs

P12-19

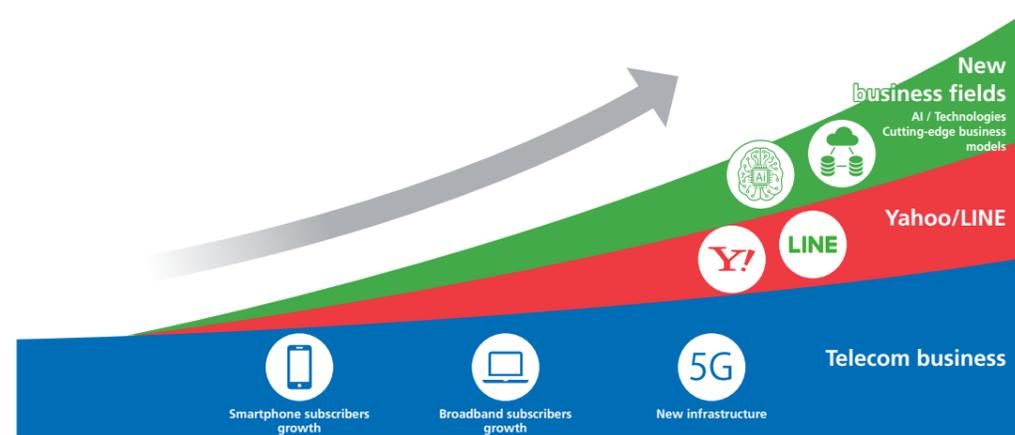
As you can see, SoftBank is changing with the times, but remains rooted in its corporate philosophy "Information Revolution — Happiness for Everyone." This corporate philosophy is directly linked to the SDGs (Sustainable Development Goals) set by the international community. Since its inception, the Company has contributed to tackling a range of social issues—including work-style reform, the environment, disaster prevention, and education—by providing wide-ranging solutions based on cutting-edge technology, mainly in the telecommunications field, which has become a lifeline for people.

We have once again evaluated the materiality (priority issues) from two perspectives, the importance to SDGs and society and the importance to SoftBank, and identified six priority issues to be addressed (shown on P13) in line with the concept of "a world where all things, information and minds are connected." These are the same issues that the Group has taken the lead on addressing up to now, and we will only increase our efforts going forward. Beginning this year, I will personally assume the position of the Chief SDGs Promotion Officer, and I will make every effort to tackle these six issues as we strive to become a company that will continue to be needed in the world.

## A Message from the CEO

In the following Q&A, President Miyauchi will answer questions most frequently asked by investors.

### Medium- to Long-Term Strategy



#### Question

*What are your medium-term management goals?*

P34-35

In August 2020, we announced targets of ¥5.5 trillion in revenue, ¥1 trillion in operating income, and ¥530 billion in net income for the fiscal year ending March 31, 2023. The entire Group is working together to achieve these targets by setting the following business-specific goals. In the Consumer segment, we target profit increases every year thanks to an increase in the number of smartphone subscribers. The target for the Enterprise segment is to achieve more than 10% profit growth every year from growth in the solutions business. The target for the Yahoo segment is to continue to increase profits towards the goal set by Z Holdings of achieving operating income of ¥225 billion in the fiscal year

ending March 31, 2024. We have also set the target to reduce losses on equity method investments at affiliates such as PayPay. We plan to generate more than ¥670 billion in adjusted free cash flow\*1 each year by increasing revenue and limiting increases in fixed costs through rigorous cost efficiencies, as well as by appropriately controlling capital expenditures and investments in growth. However, as I mentioned earlier, we manage by looking ten years into the future, so ¥1 trillion in operating income represents just another milestone on the journey. We hope to achieve this as soon as possible and then aim for further growth.

\*1 Adjusted free cash flow = free cash flow ± total cash flows relating to non-recurring transactions with SoftBank Group Corp. + (proceeds from the securitization of installment sales receivables – repayments thereof). Excludes Z Holdings Group and includes impact from adopting IFRS 16.

#### Question

*What is the business impact of the COVID-19 pandemic?*

In the short term, of course, the temporary stay-at-home requests and economic downturn have taken a significant toll, for example on Yahoo Japan's advertising business. On the other hand, from a medium- to long-term perspective, I believe the new lifestyle created by the COVID-19 pandemic will be beneficial to our business. As more and more of people's lives takes place online, the need for smartphones and other telecommunications services has

increased. The number of people teleworking is growing rapidly. As a result, in the Enterprise segment, not only has telework-related revenue surged, but the DX business is also attracting a lot of attention. As more and more people shop online on a daily basis, Yahoo Japan's e-commerce services have seen a surge in transaction volume. From a hygiene perspective, contactless cashless payments are gaining traction, providing a boost to PayPay.

### Mobile

#### Question

*Are you affected by the 2019 amendments to the Telecommunications Business Act?*

P36-39

Amendments to the Telecommunications Business Act in October 2019 introduced new rules that completely separate service fees from handset payments, as well as a maximum handset discount of ¥20,000 and a maximum cancellation fee of ¥1,000. However, the Company has been largely unaffected by these amendments.

First, with regard to the separation of service fees and handset payments, the Company had already introduced this kind of unbundled price plan under the *SoftBank* brand since September 2018. *LINE MOBILE* has always sold handsets and lines separately, and the *Y!mobile* brand introduced an unbundled plan in conformance with

the amendments and implemented a price reduction at the same time. Some were also concerned that the restrictions on handset discounts and cancellation fees might make it more difficult to acquire new subscribers and, conversely, increase the number of cancellations. However, even after October 2019, when the amended law came into effect, the Company continued to see net adds in the number of subscribers across all brands, and the churn rate has declined to a record low of 0.53%. I believe this is the result of our long-standing multi-brand strategy, which covers the diverse needs of our customers with three brands with different characteristics.

#### Question

*With competition intensifying, is the Company's goal of 30 million smartphone subscribers achievable?*

P36-39

For the fiscal year ended March 31, 2020, competition intensified due to the price reductions by NTT DOCOMO, INC. and the amendments to the Telecommunications Business Act. Nevertheless, our cumulative number of smartphone subscribers increased by 2.05 million year on year. We have set a target of 30 million smartphone subscribers by the fiscal year ending March 31, 2024, and I believe it is highly probable that we will achieve this goal. This is because, as I noted earlier, our multi-brand strategy allows the three brands to complement each other, increasing the total number of subscribers. In addition, our synergies with Yahoo Japan and PayPay give us an advantage over our competitors in terms of overall service capabilities.

Rakuten Mobile, Inc. entered the market in April 2020 as a fourth telecommunications carrier, but our smartphone subscribers have continued to increase in the fiscal year ending March

31, 2021, so you can see that we are not affected much by this new entrant. Japanese consumers do not choose telecommunication services just because they are cheap. When we first offered mobile services more than a decade ago, our network was criticized for its spotty connectivity. Network development requires steady, dedicated effort, and there are no shortcuts. Before anyone can connect to the network, we have to find land for base stations one parcel at a time, negotiate for it, and then design and build the best possible network. I am now very confident in the quality of our network, which I think is what sets us apart from new carriers. Furthermore, as 5G becomes more widespread, network quality will become even more important. We hope to achieve 30 million smartphone subscribers as soon as possible by strengthening our multi-brand strategy and expanding 5G.

#### Question

*When will 5G services achieve critical mass, and will capital expenditures increase?*

P38  
P52-53

In March 2020 we launched 5G commercial services in select areas, primarily urban. We aim to achieve service in all 47 prefectures of Japan by the end of the fiscal year ending March 31, 2021 and achieve a population coverage rate of more than 90%

by the end of the fiscal year ending March 31, 2022. With respect to capital expenditures, we have a history of working to improve connectivity by increasing the number of base stations when we did not have a wide-coverage frequency band (which is

## A Message from the CEO

called the “platinum band”). Today, we have 230,000 sites (base station installation locations) across Japan. This makes us No. 1 in Japan, far exceeding NTT DOCOMO, INC.’s 80,000 locations and KDDI CORPORATION’s 110,000 locations. Although the frequency spectrum used for 5G does not work well over long distances and thus base stations need to be relatively closely placed, we can reduce the need for new capital expenditures by making the most of our existing network sites. In addition, we

### Question

*What is the outlook for the future given that ARPU is not growing? What do you make of the Japanese government’s comments that telecommunications charges should be reduced?*

Indeed, ARPU (average revenue per user) has been on a slow downward trend. The biggest reason is that the *Y!mobile* brand, which offers low prices and high communication quality, is showing the most significant growth among our three brands, leading to a rise in its share. The high-end *SoftBank* brand also regularly reviews its price plans, and the price per GB is actually more than 80 percent lower than it was five years ago in 2015.

While ARPU has been on a downward trend, the measure we call “mobile service revenue,” calculated by multiplying ARPU by the number of subscribers, has continued to grow over the past few years. In fact, the main focus of our mobile growth strategy is not to increase ARPU, but to increase revenue by increasing the number of subscribers. Mobile service revenue actually decreased when we introduced *Y!mobile* in the fiscal year ended March 31, 2015, but subsequently increased in the fiscal year ended March 31, 2018 due to the success of our customer-first price plans and the subsequent growth in the number of subscribers, which more than offset the decline in ARPU.

The number of subscribers continues to grow, and in the fiscal year ended March 31, 2020 we hit a pace of annual net

are ahead of the curve with Massive MIMO, a powerful elemental technology for coping with rapidly increasing data traffic. In terms of regional expansion, we are promoting joint construction and infrastructure sharing of 5G base stations with KDDI. We are leveraging these advantages to rapidly develop our 5G network, and we expect 60% of our smartphone users to shift to 5G in the fiscal year ending March 31, 2024.

adds of 2 million smartphone subscribers. In addition to the *Y!mobile* brand, smartphone subscribers are growing in the *SoftBank* brand, especially among high-volume data users. The fact that all three brands contribute to net growth is one of our major strengths. Of course, we take the government’s remarks about telecommunications charges seriously and will continue to review our customer-first price plans. Meanwhile, we will continue to grow our business by increasing the number of subscribers.

On the other hand, when considering future trends in ARPU, if 5G population coverage increases and 5G-compatible devices and content become more available, the amount of data traffic will explode, rapidly increasing the demand for unlimited plans. At the moment, we are running a campaign under the *SoftBank* brand that allows users to use 5G at 4G rates, but I think that once 5G becomes more widespread, we will be able to get a better price for the service we offer. In addition, I expect more customers to switch from the *Y!mobile* and *LINE MOBILE* brands to the *SoftBank* brand, which is intended for large capacity users. If this happens, it will change the brand composition ratio and the ARPU may start to rise.

cloud, IoT, and digital marketing as solutions. In 2017 we went one step further and launched a 120-person Digital Transformation Division, an elite unit that works with partner companies to create new businesses using the power of cutting-edge technologies such as AI, IoT, and 5G. Various DX projects such as logistics, smart cities, and smart infrastructure are in the process of being commercialized and will yield more and more results in the future. These kinds of

enterprise businesses will expand further once 5G is in full swing. We are already seeing an increasing number of inquiries about “Private 5G,” our private, company-specific 5G network offering. We hope to take advantage of these opportunities to achieve a doubling of profits in the Enterprise segment compared to the fiscal year ended March 31, 2019, which corresponds to an operating income of ¥150 billion, within a few years.

### Question

*What are SoftBank’s competitive advantages in the solutions business for enterprise customers?*

P40-41

The core of our business is the telecommunications business. Having a large number of engineers who are specialists in telecommunications is a great strength when it comes to adding a number of different services over the network and, I am proud to say, this gives us an edge over other leading IT companies. However, I do not view them as competitors, but rather as partners with whom we can co-create businesses by combining our strengths. Meanwhile, we are able to offer a one-stop shop with more than 100 combined services, from devices to solutions. We can also quickly deploy cutting-edge solutions through collaboration with the world’s leading IT companies whom our parent company SoftBank Group Corp. has invested in. And in the digital marketing business,

having *Yahoo! Japan*, which possesses one of the largest internet user bases in Japan, is a major advantage for us.

Another thing to mention as our strength is that we make it a rule to thoroughly use our products and services in-house before offering them to our customers. By incorporating know-how acquired through our in-house use and making improvements, we offer even better services to our customers. This fall, we started relocating our corporate headquarters to a smart building that makes extensive use of AI and IoT. In fact, our corporate headquarters building itself houses model rooms for our solutions business and has become a huge testing ground. I think this is another advantage that other companies do not have.



## Enterprise

### Question

*You’re aiming to double profits in the Enterprise segment. What’s the outlook there?*

P40-41

I believe that doubling the profits of the Enterprise segment is achievable within a few years. COVID-19 has unexpectedly caused telework to spread quickly. The telework rate in Japan is currently very low compared to other countries, but the pandemic has forced not only the private sector but also local governments, which had a

strong paper culture, to undergo a digital shift, and demand for telework-related services is expected to grow further in the future. In addition, the driving force behind the doubling of profits will be the solutions business, which has set a goal of more than 10% revenue growth every year. This business provides enterprise services such as

## Z Holdings, PayPay

### Question

*How was Z Holdings, which had been struggling, able to return to profitability after becoming a subsidiary?*

P42-45

First of all, Z Holdings is a publicly traded company, and we respect its independence. Second, even before Z Holdings

became a subsidiary, we worked closely to coordinate services as fellow subsidiaries. Specifically, we had been working on

## A Message from the CEO

reciprocal customer referrals through measures such as allowing our mobile users to use Yahoo Japan's services at a discount. In fact, Yahoo Japan's e-commerce transaction volume has increased significantly thanks to visits from SoftBank users, and in the other direction, the number of new mobile subscribers acquired through Yahoo Japan's services exceeds 150,000 annually.

Since Z Holdings became a subsidiary, we have further deepened our cooperation, with management from both companies, including myself, holding frequent synergy meetings. After becoming a subsidiary, Z Holdings immediately switched part of its commercial distribution in the advertising business from sales agencies to our Enterprise segment, and SoftBank set up a specialized department to strengthen enterprise sales of Yahoo Japan products. From a management perspective, we

also support Z Holdings by sending human resources with excellent sales and cost management skills. These initiatives have already produced billions of yen worth of benefits in the form of increased new ad placements and reduced costs through joint purchasing by the two companies.

In terms of SoftBank's management mindset penetration, for example, in response to the declaration of a state of emergency in April this year, we immediately formulated a contingency plan (emergency response plan). We made a pre-emptive move to squeeze costs based on worst-case assumptions, and as our subsidiary, Z Holdings was no exception. As a result, Yahoo Japan's advertising business has been able to minimize the damage despite the harsh environment caused by the COVID-19 downturn.



### Question

*Z Holdings aims to become No. 1 in e-commerce merchandise transaction value in Japan. As the parent company, what kinds of challenges have you identified with respect to achieving this goal?*

P43

Z Holdings currently ranks third in the Japanese e-commerce market following Amazon and Rakuten, Inc. Becoming No. 1 in transaction volume is no easy feat, but Z Holdings launched a series of major initiatives in 2019. First, it released new e-commerce services called *PayPay Mall* and *PayPay Flea Market*. The aim here is to improve name recognition and reciprocal customer transfer with *PayPay*. Furthermore, Z Holdings acquired ZOZO, Inc. which operates one of Japan's largest fashion e-commerce website, *ZOZOTOWN*, as a subsidiary. The aim here was to shore up the fashion category, which needed a boost.

And as a next step, Z Holdings is trying to strengthen logistics, which is the key to online shopping. Yahoo Japan's e-commerce operation manages inventory on the seller side, which results in uneven delivery dates for items in different stores. In order to solve this problem, it has begun working with YAMATO HOLDINGS CO., LTD. to launch a new logistics service that YAMATO HOLDINGS CO., LTD. handles all or part of the process from receiving orders to shipping. Z Holdings will continue to improve its services to achieve the ambitious goal of becoming No.1 in e-commerce merchandise transaction value in the early 2020s by resolving issues one by one as mentioned above.

### Question

*What is the future of PayPay in SoftBank?*

P47-50

*PayPay* launched services in October 2018, but in just two years it has surpassed 33 million registered users to stake out a dominant No. 1 position in the QR code payment market with a 62% share of payments by amount. *PayPay* has a high profile with a large customer base and is closely connected with each user through its payment function, making it an invaluable asset for any business. Looking to the future, we are now in the phase of pursuing synergies with other businesses in the Group, such as mobile and commerce. While *PayPay* is a universal service for everyone, regardless of telecommunications carrier, we wish to build a frictionless ecosystem centered on *PayPay*. For example, providing our mobile

users some advantages to use *PayPay*, or providing some advantages if customers use *PayPay* for Yahoo Japan's e-commerce services. We are also expanding our financial services with *PayPay* as the interface (entry point). Our recent announcement that we are unifying the names of our existing financial services to "PayPay," including changing the name of "Japan Net Bank" to "PayPay Bank," is part of this strategy. In the future, I envision it looking like the Ant Group in China. Ant is the highly successful company that runs *Alipay*, a "super app" that can be used not only for payments but also for shopping, travel booking, taxi dispatch, and financial services, all in one app.

### Question

*What are the synergistic effects of the integrations of Z Holdings and LINE?*

The integrations are scheduled to be completed in March 2021, so I can't provide any specifics yet. However, I can say that last year's acquisition of Z Holdings as a subsidiary gave us one of Japan's largest internet media and e-commerce services, and with the rapid expansion of *PayPay*, we gained the advantage of Japan's No. 1 QR payment service. Adding Japan's dominant No. 1 messaging app, *LINE*, to the mix will give us an opportunity to build a

huge ecosystem that covers all four bases and become a company like no other in the world. The Company would no longer be recognizable as a telecommunications company it used to be in the past. I'm excited to see what new value we can provide to society as a comprehensive internet company with top-class services in each field, from mobile to commerce and social media.

## Governance

### Question

*Some people have expressed concerns about the listing of a parent company and its subsidiary. What is your take?*

P58-71

First of all, when the Company was listed in 2018, we appointed four external directors, terminated the secondment and concurrent assignment of employees, and canceled the debt guarantee to SoftBank Group Corp. Masayoshi Son remains on the Board as Chairman, but only attends Board meetings and has not attended any internal management meetings for many years now. There is a clear segregation between the parent company, SoftBank Group Corp., which is an investment company, and SoftBank Corp., which is an operating company. I believe that being a part of the SoftBank Group is a great advantage for the Company as an

operating company. For example, the parent company has been investing in unicorn companies around the world that have already achieved great success globally. By partnering with them, we're able to commercialize excellent business models in Japan while minimizing the 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 they invest in. Management decisions are made carefully to ensure that the interests of minority shareholders are not compromised.

## A Message from the CEO

### Question

*How will the additional sale of the Company's shares by SoftBank Group Corp. implemented in August 2020 affect the relationship with the parent company going forward?*

As a result of the secondary offering, SoftBank Group Corp. sold nearly one-third of its shares in the Company, and its shareholding ratio fell from 62.0% to 40.3%. On the other hand, SoftBank Group Corp. has maintained its consolidated position, and has announced that it does not intend to sell additional shares of the Company after this offering, and that it intends to continue to hold its shares in the Company for the medium to long term. I have personally spoken directly with Masayoshi Son, the

Chairman & CEO of the parent company, to confirm this. This puts to rest concerns about additional sales by the parent company after this offering, which I see as very positive for us and our shareholders. Of course, we will continue to be a SoftBank Group company, and we will continue to work with the SoftBank Group Corp. and its investees on the business aspects of the *Beyond Carrier* strategy as before.

### Question

*What role do you expect external directors to play?*

The Company's Board of Directors consists of 11 directors, four of whom are external directors. When we went public, we invited the current four external directors to provide advice based on their expertise from the perspectives of effectiveness, transparency, and management, from a standpoint independent of business execution. The Nominating Committee and the Remuneration Committee, which are composed of myself and the independent external directors, have lively discussions, including on the topic of my successor. To ensure the independence of these Committees, they are chaired by external directors.

Let me briefly share some of the contributions of our external directors. Mr. Kamigama has a wealth of overseas business experience and is particularly familiar with business in China. He has advised us on the decision-making processes as well as how to coordinate with governments in different countries. Ms. Uemura, who is a lawyer and a former judge, has given us very

objective advice about strengthening governance. Mr. Horiba has served as CEO of HORIBA, Ltd. for many years after becoming the second president of the company at a young age. Today, his company continues to grow and spread the core technologies created by its founder around the world. He has given us invaluable advice not only based on his experience as a manager, but also from an engineer's perspective. Mr. Horiba has been asked to chair the Nominating Committee and the Remuneration Committee. Finally, Mr. Oki, who is an accounting expert, has advised us on topics such as appropriate accounting methods and joint venture management. They all have different insights and experiences to offer, and have given us insightful advice not only about immediate concerns but also about having the humility to listen to voices from within and outside the Company and the ethics required for management.

 P58-71

## Shareholder Returns

### Question

*What are your thoughts on financial strategy and shareholder returns?*

As I have said from the time of our listing on the stock exchange, the Company is emphasizing continuous high returns to our shareholders as we pursue our growth strategy. In fact, the annual dividend per share for the fiscal year ended March

31, 2020 is ¥85 per share, up ¥10 year on year.\*<sup>1</sup> We have also promised to increase our annual dividend to ¥86 in the fiscal year ending March 31, 2021. To further demonstrate our commitment to shareholder returns, in August 2020 we announced

 P86-89

that there will be no dividend reduction and that our shareholder return policy for the period between fiscal year ending March 31, 2021 and fiscal year ending March 31, 2023 would be to maintain a total shareholder return ratio of approximately 85% (3-year average).\*<sup>2</sup> In addition to dividends, we intend to flexibly implement share buybacks in the future. Although we will continue to emphasize shareholder returns, this does not mean we intend to reduce our investments in growth and reallocate those funds to shareholder returns. Our management approach is to achieve a high level of return to shareholders by continuing to generate ample cash flows while pursuing business growth and maintaining revenue and profit growth. We

have set a financial target of generating more than ¥670 billion in adjusted free cash flow\*<sup>3</sup> each year, which leaves nearly ¥150 billion as cash on hand after dividends are paid. The Company intends to use these funds to improve our financial leverage and to make flexible management decisions such as further shareholder returns and investments in growth.

\*<sup>1</sup> In the fiscal year ended March 31, 2019, SoftBank paid a half-year dividend of ¥37.50 per share (which converts to a dividend of ¥75.00 per share if calculated on a full-year basis) as the Company listed on December 19, 2018.

\*<sup>2</sup> Specifically, the policy is to ensure that total dividends and share buybacks for fiscal year ending March 31, 2021 to fiscal year ending March 31, 2023 / total net income attributable to owners of SoftBank Corp. for these three years equals approximately 85%.

\*<sup>3</sup> Adjusted free cash flow = free cash flow ± total cash flows relating to non-recurring transactions with SoftBank Group Corp. + (proceeds from the securitization of installment sales receivables – repayments thereof). Excludes Z Holdings Group and includes impact from adopting IFRS 16.

## Pioneering the Future with “Speed Management”

Earlier I described the transformation of SoftBank from a telecommunications company to a comprehensive internet company in the two years since its listing on the stock exchange. I believe that SoftBank's greatest strength as a company is its ability to drastically transform in a short period of time. This sense of speed is what I value most as management. As I stated before, in the rapidly changing ICT industry, if you don't have the ability to think quickly, decide quickly, and execute quickly, you will be left behind in no time.

In fact, I've learned firsthand on the front lines of the ICT industry that it's far more painful to hesitate and miss an opportunity than to make a move and fail. That's why I am thoroughly committed to “speed management.” In order to put this into practice, we have to think outside the box, including organization structure. No matter what anyone says, I will stick to the principle

of having no president's office and establishing no departments directly controlled by the president acting as a link between myself and employees in the field. I am also working to improve the openness of the Company as a whole so that I can immediately and directly communicate with the managers leading in the field.

Looking ahead to the world ten years from now, we have already transformed significantly and nurtured a lot of growth sprouts, and I have very positive feelings about all of our businesses. Furthermore, I believe that by practicing “speed management” and quickly responding to opportunities and risks, the Company can stay on a straightforward growth path, unfazed by the changes ahead. 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.



**Ken Miyauchi**  
President & CEO  
SoftBank Corp.

# Road to Achieving Operating Income of ¥1 Trillion in the Fiscal Year Ending March 31, 2023

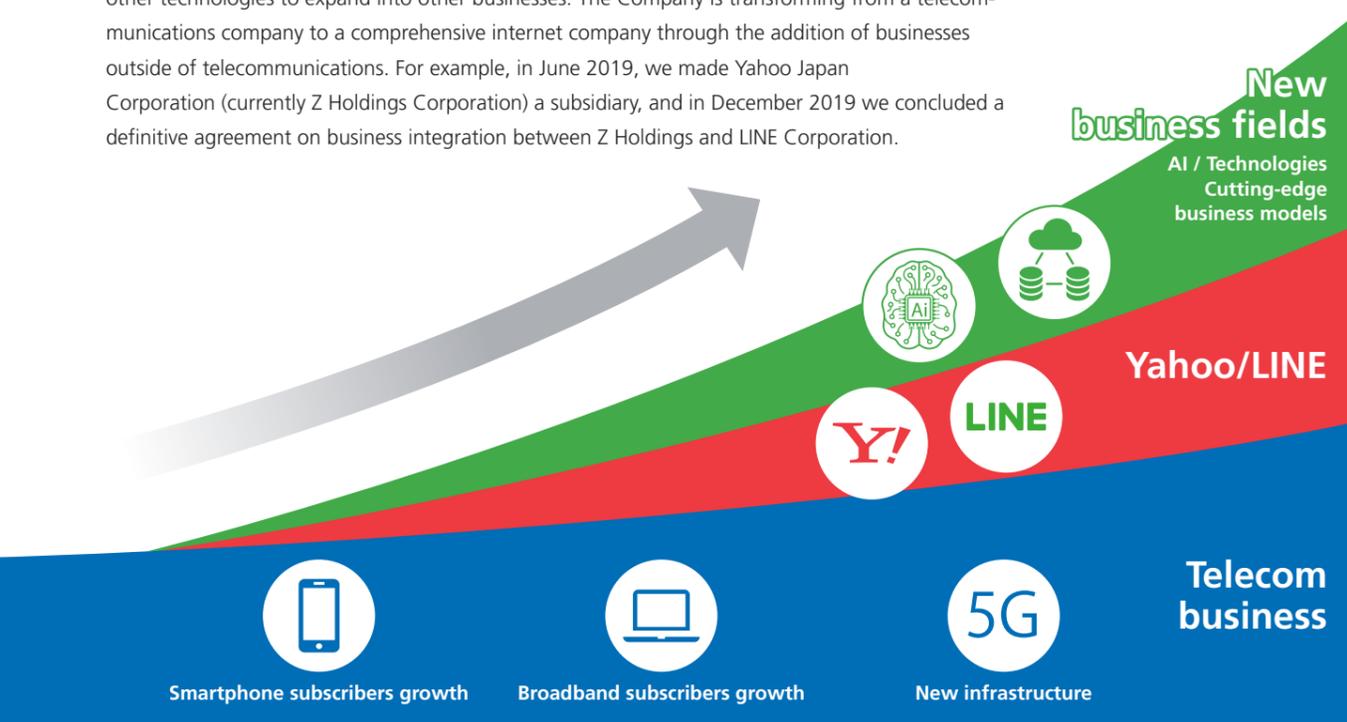
## —Growth Strategy × Structural Reform

In May 2019, SoftBank announced its target of “operating income of ¥1 trillion.” In August 2020, we announced the period for achieving this target to be the fiscal year ending March 31, 2023, as well as specific strategies to be implemented for this goal. We aim to achieve this target by maximizing corporate value under the two-pronged approach of executing our *Beyond Carrier* growth strategy while at the same time working on structural reforms by thoroughly implementing cost efficiencies.

## Growth Strategy P36-51

### Beyond Carrier strategy

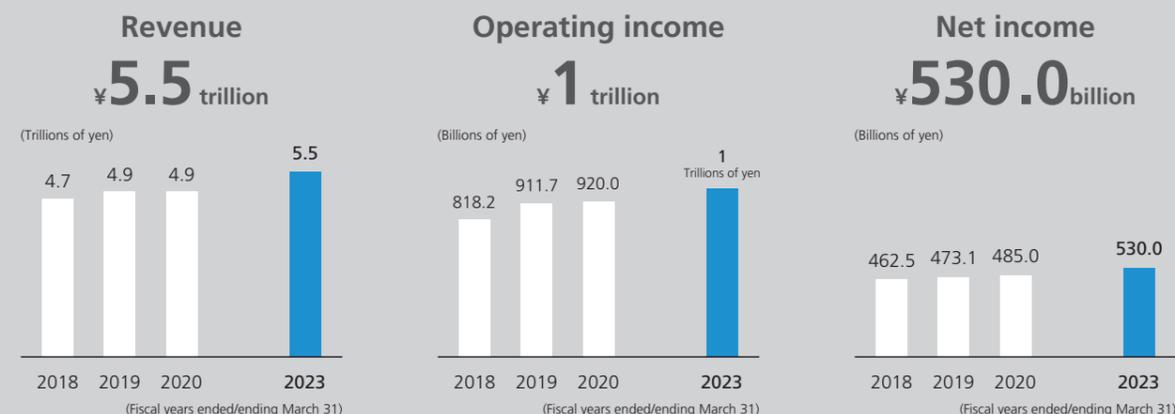
SoftBank is pursuing its *Beyond Carrier* strategy for becoming more than a telecommunications carrier. While seeking further growth in the telecommunications business, we will leverage AI and other technologies to expand into other businesses. The Company is transforming from a telecommunications company to a comprehensive internet company through the addition of businesses outside of telecommunications. For example, in June 2019, we made Yahoo Japan Corporation (currently Z Holdings Corporation) a subsidiary, and in December 2019 we concluded a definitive agreement on business integration between Z Holdings and LINE Corporation.



## Technology Strategies P52-55

SoftBank will leverage the telecommunications technologies it has already cultivated to achieve an early rollout of 5G. We are also working on developing a variety of technologies that use the data generated from connections between people, goods, and services with the goal of transforming SoftBank into a platform for solving social issues and enriching people's lives.

## Consolidated Financial Targets



Financial Targets	Business Targets
<p><b>Reduce losses on equity method investments</b></p>	<p><b>Peak out loss on PayPay</b> PayPay to transition from expansion period to stable growth + Profit growth in other leading businesses</p>
<p><b>Increase profits</b> towards the goal of achieving operating income of ¥225 billion in the fiscal year ending March 31, 2024</p>	<p><b>Achieve No.1 in e-commerce merchandise transaction value in Japan</b> in first half of 2020s</p>
<p>Consumer <b>Profit growth every year</b> Enterprise <b>More than 10% profit growth every year</b></p>	<p><b>30 million smartphones</b> in the fiscal year ending March 31, 2024 Business solution and others revenue <b>More than 10% revenue growth every year</b></p>

## Structural Reform P56

SoftBank is aggressively investing in growth to implement its *Beyond Carrier* strategy, while at the same time working to improve profitability by thoroughly implementing cost efficiencies, including Group synergies, and keeping fixed costs at current levels as sales grow.

# Growth Strategy

## Consumer Segment



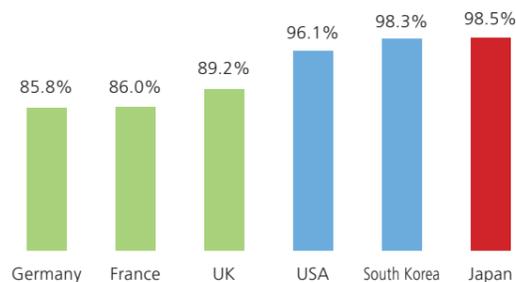
In the Consumer segment, the Company provides telecommunications services, such as mobile communications services, including sales of mobile devices, and broadband services, to individual customers in Japan. For mobile device sales, the Company procures mobile devices from mobile device manufacturers and sells the mobile devices to distributors operating SoftBank shops etc. and to individual customers.

### Environment awareness

Japanese mobile phone users are extremely sensitive about weak mobile reception or slow data speeds. According to data collected by Opensignal Limited, Japan's 4G Availability\*1 ranks alongside both the US and South Korea as the highest in the world\*2, which indicates that users in Japan enjoy an extremely high level of mobile network availability on a daily basis. Meanwhile, when compared with other countries that enjoy a similarly high level of mobile network availability, the cost of mobile phone charges in Japan is relatively cheap.

According to the Ministry of Internal Affairs and Communications' 2019 White Paper on Information and Communications

**4G Availability\*\***  
(May 2020)



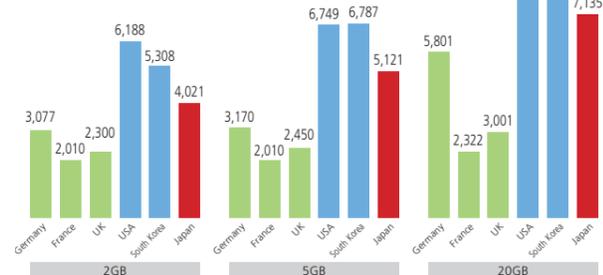
\*4. (Source): Opensignal's THE STATE OF MOBILE NETWORK EXPERIENCE 2020: ONE YEAR INTO THE 5G ERA (May 2020). 4G Availability shows the proportion of time Opensignal users with a 4G device have a 4G connection. Data collection period January 1 – March 30, 2020 © Opensignal Limited

\*5. (Source): ICT Research and Consulting's 2020 Global Comparison on Smartphone Pricing and Network Quality. In addition to research on average monthly charge of price plans (base plan + data plan) of major telecommunications carriers of each country (in terms of market share as of March 1, 2020. Japan's major carriers are SoftBank, NTT DOCOMO, and KDDI, overseas players are the country's major MNOs), a series of public information have been considered and analyzed. Only discounts automatically applied to the contract are considered and if the data usage plan for those indicated above does not exist for the carrier, the closest data plan which is larger than the indicated data limit is considered.

in Japan, the percentage of the population owning a smartphone is increasing year by year. In 2019 it stood at 68%, but considering that more than 30% of people still use a feature phone or PHS, we can say that there is ample room for growth in the smartphone market. In this environment, Japan's major carriers, including SoftBank, plan to end 3G services in the near future\*3, so based on this fact we can certainly expect the ratio of smartphone ownership to expand up ahead.

\*1. 4G Availability shows the proportion of time Opensignal users with a 4G device have a 4G connection.  
\*2. (Source): Opensignal's THE STATE OF MOBILE NETWORK EXPERIENCE 2020: ONE YEAR INTO THE 5G ERA (May 2020)  
\*3. SoftBank plans to end 3G services in late January, 2024.

**Average fee plan for major service providers\*5 (¥)**  
(March 2020)



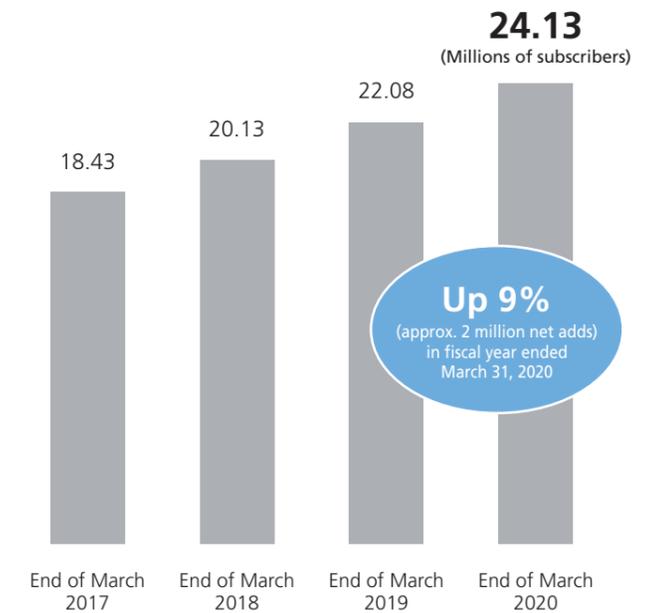
Target for fiscal year ending March 31, 2024

Cumulative Smartphone Subscribers  
**30million\***

\* Including the number of subscribers in the Enterprise segment

The growth of our telecommunications business is being driven by an increase in the number of smartphone subscribers. Thanks to our multi-brand strategy, which offers three different brands with different characteristics, the number of subscribers rose 9% year on year to 24.13 million in the fiscal year ended March 31, 2020. We are also focusing on strengthening our 5G services, tightening collaboration with Yahoo Japan and PayPay, and expanding our broadband services, with the goal of reaching 30 million subscribers in the fiscal year ending March 31, 2024.

Cumulative smartphone subscribers



### Multi-Brand Strategy

Based on a precise understanding of the needs of mobile users in Japan such as capacity and price, we have developed a "multi-brand strategy" that offers three different brands with different characteristics. We offer the *SoftBank* brand for those who use their smartphones actively, while *Y!mobile* is for light users and *LINE MOBILE* is for students and the younger generation. The strategy covers a wide range of users in Japan and is a major strength of our mobile service.

*SoftBank* brand offers a comfortable smartphone environment with a 50 GB data plan that is large enough to ease worries about overuse of data while allowing subscribers to use certain services such as YouTube and LINE without consuming data. Meanwhile, the *Y!mobile* brand, launched in 2014, offers

affordable plans for medium-volume data users, and *LINE MOBILE*, launched in 2018, offers low-volume data plans that allow subscribers to use certain social media without consuming data.

We rely on this multi-brand strategy to win new subscribers of all levels and to prevent user churn by meeting upgrade and downgrade needs within the three brands when a user's needs change. In response to the diversification of user needs, we have expanded the number of dual shops offering both the *SoftBank* and *Y!mobile* brands to approximately 1,800 shops, a 1.5-fold increase over the past two years, and have put in place a customer service system for users.

## Growth Strategy

### Consumer Segment

#### SoftBank's three brands



Target group  
**Large capacity users**  
**Business users**

Data capacity  
**Large**



Target group  
**Light users**

Data capacity  
**Medium**



Target group  
**Users in their teens or early 20s**

Data capacity  
**Small**

## Expansion of 5G

Commercial services based on the next-generation communications standard 5G (fifth-generation mobile communications system) got underway in Japan in the spring of 2020. 5G service, which offers ultra-high speed, large capacity, massive machine connections, and low latency, will significantly change the way people work and live and accelerate the growth of the number of smartphone subscribers. By the fiscal year ending March 31, 2022, we will deploy more than 50,000 5G base stations, aiming for a population coverage rate of over 90%. The Company plans to acquire a cumulative total of 30 million smartphone subscribers in the fiscal year ending March 31, 2024, of which 5G is expected to account for 60%.

Our strength in 5G deployment is that we already have 230,000 base station sites, far exceeding the number of sites of our competitors. The 5G high-frequency band requires base stations to be installed at narrow intervals, since buildings and other obstructions can block the radio waves. Establishing a base station requires time and investment. First, suitable land for base stations has to be found, then negotiations with landowners are made, base stations are built, and finally line contracts are concluded. With so many sites already in place, we are in a good position to quickly roll out 5G across Japan while keeping costs down. In rural areas, we plan to share infrastructure for base

station facilities through a joint venture company with KDDI CORPORATION.

Meanwhile, the Company is aggressively working to enhance its content, and has launched 5G LAB. 5G LAB consists of AR SQUARE, VR SQUARE, FR SQUARE, and GAME SQUARE, which provide immersive live viewing experiences that take advantage of the features of 5G. AR SQUARE allows users to use AR technology to freely view, enlarge, reduce and rotate images of celebrities and characters, have favorite celebrities or characters appear in the smartphone camera, and take photos and videos with real-life backgrounds and people for sharing with friends and family on social media. VR SQUARE enables users to feel as though they are viewing music or watching sports live in special seats, and even view the content in 3D when wearing VR goggles. FR SQUARE enables the enjoyment of images from various angles, such as from the front or side of a stage or venue, while GAME SQUARE, a cloud gaming service, allows users to enjoy PC games that require heavy data processing anytime, anywhere, regardless of device or location.

In this way, SoftBank is building an infrastructure that leverages our advantage of having more base stations than other companies to promote the spread of 5G, and at the same time expanding new services that exploit the benefits of 5G.

## Tightening collaboration with Yahoo Japan and PayPay

We are also accelerating collaboration with Yahoo Japan and PayPay by offering our customers unique services. For example, among other initiatives, we are working on awarding points when using Yahoo Japan for e-commerce, providing membership-only *Yahoo! Premium* benefits free of charge, granting *PayPay* bonus points to long-term users of our mobile service, and implementing a service that bundles *PayPay* usage fees with communication fees. These kinds of unique services not only help win new smartphone subscribers but also drive continued use (retention). Going forward, we intend to further strengthen the collaboration among mobile services, e-commerce, and payment and financial services, with *PayPay* at the center, in order to further enhance our competitive advantage through the comprehensive strength of our services.



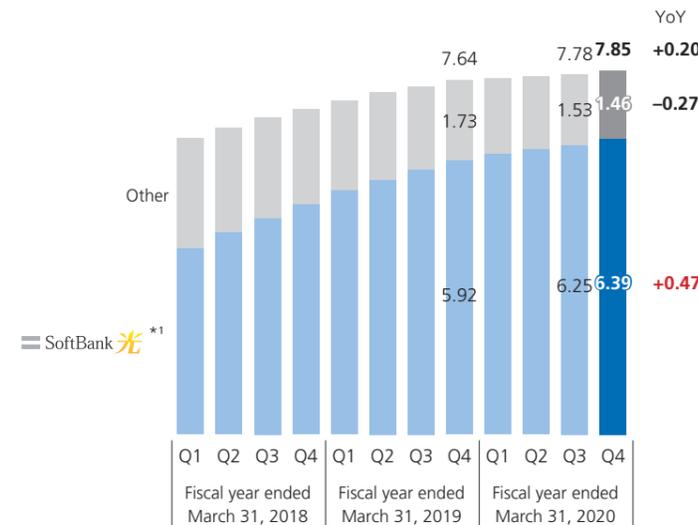
## Expansion of Broadband Services

Broadband services are also contributing to the growth of the telecommunications business. SoftBank Air, which allows customers to use broadband throughout their homes without any installation work by simply placing a dedicated terminal in their residence, is proving hugely popular, and subscribers are increasing very rapidly, especially as the COVID-19 pandemic drives the

spread of teleworking. Roughly half of our smartphone subscribers also subscribe to *Home Bundle Discount Hikari Set*, which provides a bundle discount on mobile communications and broadband services and is contributing significantly to churn rate reduction.

Cumulative Subscribers (Number of Connected Lines)

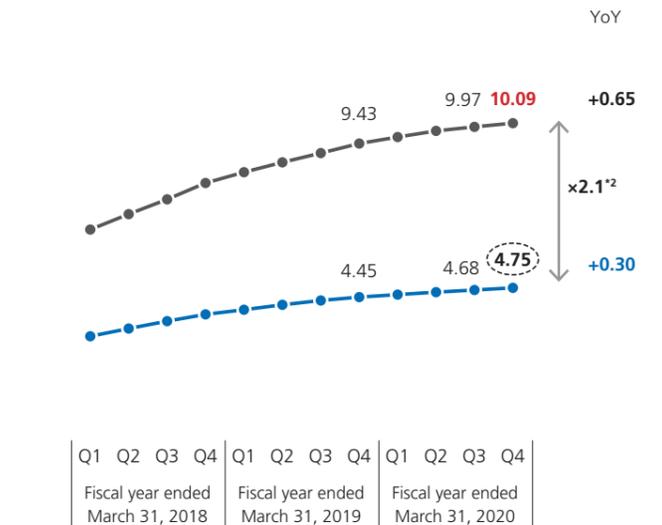
(Millions of subscribers)



\*1 SoftBank Hikari includes SoftBank Air

Cumulative Subscribers of Home Bundle Discount Hikari Set

(Millions of subscribers)



● Mobile ● Broadband

\*2 Number of mobile lines under bundle discount per SoftBank Hikari line

Growth Strategy

# Enterprise Segment



In the Enterprise segment, SoftBank provides a wide range of solutions for enterprise customers. These include mobile communications services, the *OTOKU Line* fixed-line communications services, as well as solution services such as the Virtual Private Network service called *SmartVPN*, internet and other network services, data center services, cloud services, AI, and IoT.

## Understanding the Business Environment

At present, the Enterprise segment is being driven by demand for our cloud services, digital marketing services, and IoT business. However, once 5G is in full swing, the markets for AI and IoT-based smart cities, remote medical care, factory automation, and autonomous driving can be expected to grow at an accelerated rate.

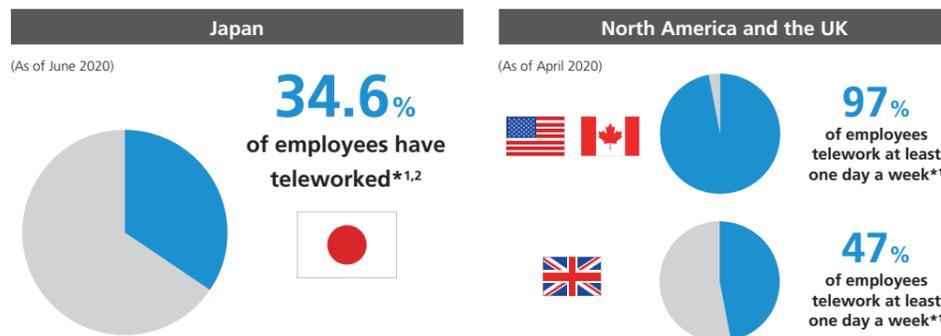
Meanwhile, COVID-19 has steadily increased the demand for telework. According to a June 2020 Cabinet Office survey, approximately 35%\*1,2 of Japanese employees have teleworked. However, with 97%\*1,2 of employees in North America and 47%\*1,2 of employees in the UK teleworking at least once a week\*1,2, Japan is only part-way in terms of the penetration of

telework. Telework can be expected to gain wider acceptance in Japan with the development of internet VPN access, which enables secure access to internal company systems from home PCs and smart devices, and the development of highly secure web conferencing systems.

1.(Source):Source for the telework penetration rates are as follows. Japan: Cabinet Office, Government of Japan "Survey on the Behavioral Change during the COVID-19 Pandemic" (survey conducted among 6,685 office workers across Japan who were registered to the Internet Panel; survey period: May 25 to June 5, 2020). North America: Global Workplace Analytics, survey conducted among 2,865 employees between March 30 to April 24, 2020. UK: Office for National Statistics, online survey (at the end of March 2020) on the employment market conducted among 18,000 randomly selected households in the UK.  
2.(Note): % of employees who answered that they have worked remotely (approx. 100%), mainly remotely (more than 50%), regularly remotely (mainly working in the office: more than 50%), or basically in the office (irregularly working remotely) during the COVID-19 pandemic.

### Telework Trends in Japan

#### Telework in Japan is only part-way



# More than 10% revenue growth every year

in Business Solution and Others Revenue

## DX of Enterprise

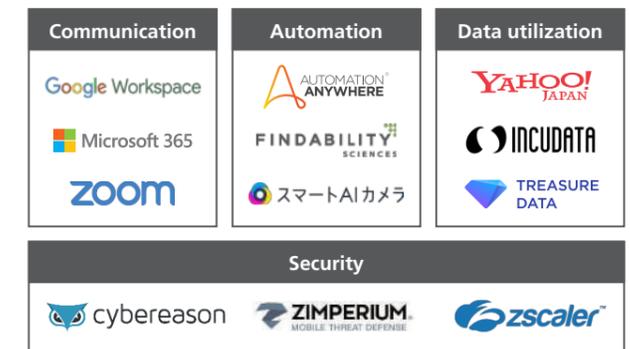
Our Enterprise segment has worked with 93%\*3 of Japan's largest companies, not only providing communication devices and networks but also supporting their DX with more than 100 different digitalization solutions that leverage cloud, AI, IoT, and RPA (Robotic Process Automation).

Specifically, we provide solutions that enable diverse work styles and active communication regardless of time and place; solutions that enable automation of routine operations and digitization of factory facilities/equipment (inspection/monitoring operations, etc.); and solutions that effectively enhance data collection/accumulation/integration and customer behavior data analysis and demand forecasting. We are also focusing on security measures in conjunction with these efforts. Now that demand for telework has skyrocketed due to COVID-19 pandemic, the deployment of web conferencing systems is 48 times\*4 higher than it was before the pandemic.

\*3 This is an approximate percentage based on the fact that the Company has transactional relationships with 900 of the 969 listed companies that have annual revenue of at least ¥100 billion.

## Enterprise Digitalization

Offering more than 100 digitalization solutions



\*4 Comparing the number of new connected IDs in January-March 2020 to April-June 2020.

## DX of Industry

About three years ago, the Company launched its DX Division, not only to promote digitalization and automation of operations, but also to promote the DX of industry and create new businesses. With the launch of 5G commercial services in 2020, information and communication technologies can now be fully brought to bear on issues important to society, and the Company already has 17 projects in progress in anticipation of this transformation.

We are currently working with partner companies in a variety of fields to leverage AI, IoT, and 5G to solve social issues, including online health care services that enable health and medical consultations at home, smart cities that utilize big data for sustainable and optimal urban development, and smart distribution that improves the efficiency and productivity of the entire supply chain.

In addition, for companies that want a dedicated 5G line, we plan to start providing "Private 5G" on a separate 5G network

is installed on their premises in the fiscal year ending March 31, 2023, thereby leveraging SoftBank's unique ability to comprehensively support the entire customer supply chain from a communications perspective.

## Industry Digitalization

Partnering to solve social issues with the power of AI, IoT, and 5G



Growth Strategy

# Yahoo Segment



Z Holdings, which we acquired as a subsidiary in June 2019, is one of Japan's largest internet companies, offering over 100 services that center on media, commerce, and financial and payment-related businesses covering online to offline services in a comprehensive manner. In the commerce field, the Group provides e-commerce services such as *PayPay Mall*, *PayPay Flea Market*, *Yahoo! Shopping* and *ZOZOTOWN*, as well as membership services such as *Yahoo! Premium* and financial and payment related services such as credit cards, while in the media field it provides internet advertising related services.

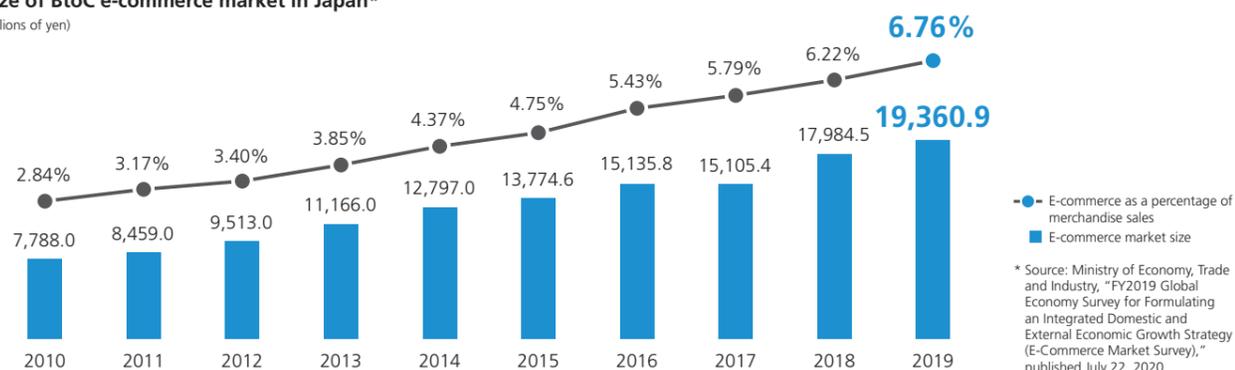
## Understanding the Business Environment

According to a survey\*1 by the Ministry of Economy, Trade and Industry, the size of the e-commerce market in 2019 was ¥19.4 trillion (up 7.65% year on year), and the e-commerce percentage\*2 of the merchandise sector was 6.76% (up 0.54 percentage points year on year). In addition, the size of Japan's online auction market is estimated at over ¥1 trillion. Although Japan's e-commerce percentage is increasing year by year, its level is low compared to overseas, and the e-commerce market is expected to continue to grow steadily in the future.

In addition, total advertising expenditures\*3 in Japan grew to ¥6.9 trillion in 2019 (up 1.9% year on year according to an adjusted year-on-year comparison), the eighth consecutive year of positive growth. Internet advertising spending in particular has surpassed TV advertising spending, reaching the ¥2 trillion mark for the first time.

\*1 Source: Ministry of Economy, Trade and Industry, "FY2019 Global Economy Survey for Formulating an Integrated Domestic and External Economic Growth Strategy (E-Commerce Market Survey)."  
 \*2 The size of the e-commerce market as a percentage of the value of all commercial transactions.  
 \*3 Source: Dentsu Inc., "2019 Advertising Expenditures in Japan" and "2019 Advertising Expenditures in Japan: Detailed Analysis of Expenditures on Internet Advertising Media."

Size of BtoC e-commerce market in Japan\* (Billions of yen)



\* Source: Ministry of Economy, Trade and Industry, "FY2019 Global Economy Survey for Formulating an Integrated Domestic and External Economic Growth Strategy (E-Commerce Market Survey)," published July 22, 2020.



Achieve **No. 1\*** in e-commerce transaction value in Japan in first half of 2020s

\* Transaction volume in the merchandise segment of the commerce business

## Commerce Strategy

The Yahoo segment has set as its business target to become No. 1 in e-commerce merchandise transaction value in Japan in first half of the 2020s. To achieve this goal, a variety of measures were implemented in the commerce field in the fiscal year ended March 31, 2020. First, in October 2019 we opened *PayPay Flea Market*, which allows individuals to buy and sell products among themselves like a flea market, and *PayPay Mall*, which only partners with carefully selected stores. Then, in November 2019, *ZOZO, Inc.*, which operates the fashion e-commerce website *ZOZOTOWN*, was acquired as a subsidiary, and *ZOZOTOWN* opened in *PayPay Mall*. These efforts are driving growth in new customers throughout the Group.

In addition, for businesses that want to run their own e-commerce stores, we have opened up the XS (Cross Shopping) Engine, the search and payment system used by *Yahoo! Japan*.

Businesses can use this system to open stores on *PayPay Mall* and *Yahoo! Shopping*. It allows them to run multiple sites at once, including their own e-commerce sites, and enjoy useful functions such as inventory linkage with physical stores and AI-based marketing support. We also launched a new logistics service in collaboration with Yamato Holdings Co., Ltd. and started offering the service to stores in *PayPay Mall* and *Yahoo! Shopping* in August 2020.

Finally, we are working to achieve synergies that will lead to mutual customer traffic, such as offering SoftBank users special benefits on *PayPay Mall* and *Yahoo! Shopping*. In this way, we aim to dramatically increase transaction value in the commerce field by providing a convenient and comfortable environment for both sellers and buyers.

Z Holdings merchandise transaction volume\*

(Billions of yen)



\* Includes transaction values of Reuse business (including YAHUOKU!, Yahoo! JAPAN Government Auctions, PayPay Flea Market, ZOZOUSED), Shopping business, Other (Merchandise) and ASKUL Corporation's BtoB-related revenue via internet (closing date: 20th of every month)

## Growth Strategy

Yahoo Segment

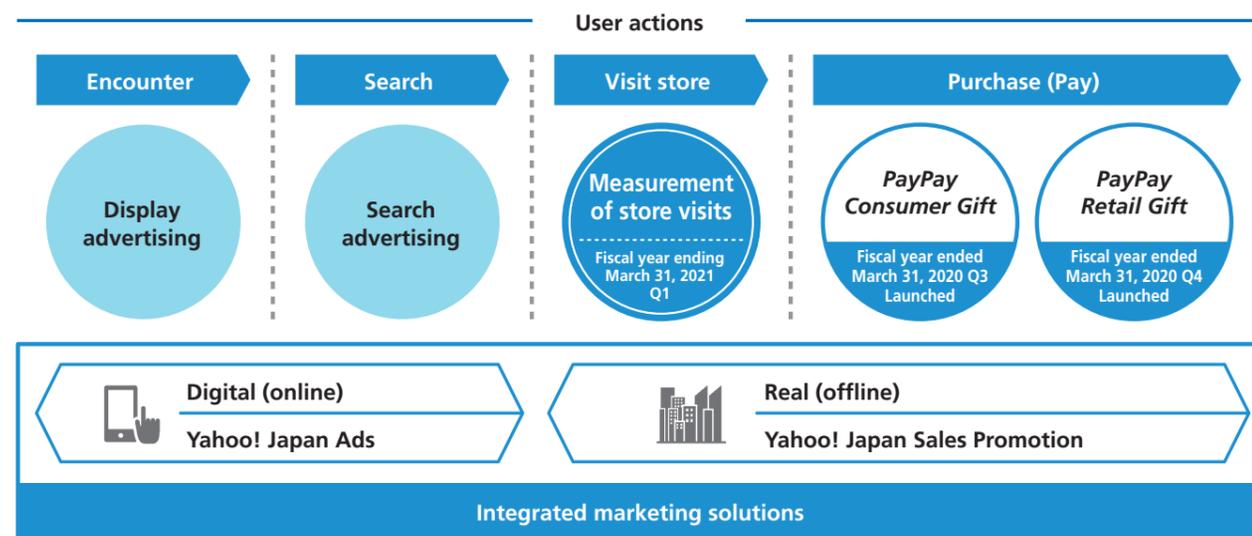
### Media Strategy

In the media field, we offer integrated marketing solutions that aim to visualize and maximize the effectiveness of user-targeted advertising by comprehensively understanding users' online and offline consumption behavior through *Yahoo! JAPAN* IDs. In the fiscal year ended March 31, 2020, we launched *PayPay Consumer Gift* and *PayPay Retail Gift*, services that leverage offline purchase data acquired by *PayPay* with the goal of driving purchases to physical stores. The services give merchandisers a comprehensive view of all their activities from advertisements to in-store promotions. We are already working with consumer goods manufacturers and retail chains to operate and deliver services that combine advertising and marketing. In the fiscal year ending March 31, 2021, we will focus on establishing a sales network and winning

over advertisers while further improving the convenience of these services.

In addition, as a measure to boost existing advertising revenue, we organized a mixed team of SoftBank and Z Holdings personnel in the first half of the fiscal year ended March 31, 2020, and starting in the second half, we began working in earnest to strengthen our sales cooperation in the advertising business. We are increasing ad placements through new proposals to existing advertisers at Z Holdings as well as winning ad placements from new customers through new advertising proposals to SoftBank customers. Going forward, we will continue to strengthen our efforts to further expand advertising revenue.

### How Yahoo! Japan Ad convert customer traffic into results



### FinTech Strategy

With the rapid growth of *PayPay*, which develops and provides smartphone payment services, the Group is integrating its existing financial services under the *PayPay* brand with the goal of expanding its business in the financial field. In addition, starting from the fiscal year ending March 31, 2021, we are promoting the scenario finance concept, which aims to provide financial

services matched to the nature of each service.

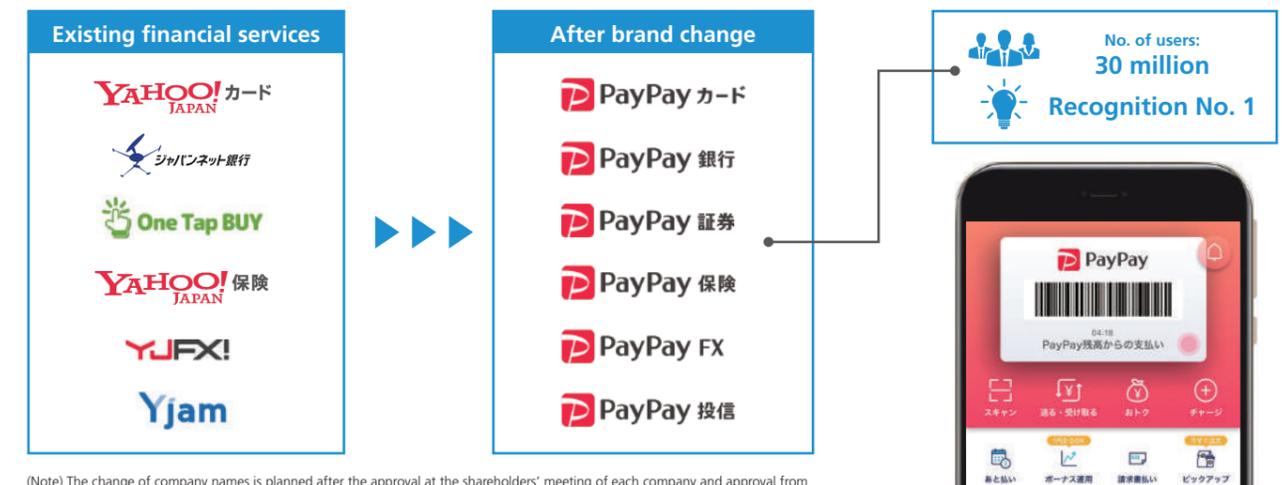
When offering financial services, the success rate depends greatly on the situation or scenario in which the service is offered. In the Yahoo segment, it is possible to provide a number of settings online and offline, including media, e-commerce, O2O, and payments, where user action conversions\* can be generated. We

aim to leverage this strength to expand revenues in the FinTech field by providing financial products that match user action scenarios through the UI and UX of each service. Examples include

offering repair insurance to users who win a bid for a used smartphone or home appliances on *YAHUOKU!* and offering cancellation insurance to users who book travel on *Yahoo! Travel*.

\* Internet users who visit the website and take the action set by the advertiser

### Unify existing financial services with *PayPay* brand



(Note) The change of company names is planned after the approval at the shareholders' meeting of each company and approval from the relevant government agencies.

### Providing financial products that match the scenario



### Data Solutions

We have also begun offering data solution services that use big data from various *Yahoo! JAPAN* services to support business creation for companies and municipalities. Currently, these services include DS.INSIGHT, a tool to investigate and analyze

*Yahoo! JAPAN*'s big data in a web browser, and DS.ANALYSIS, which provides customer-specific analysis results, including big data not provided by DS.INSIGHT, and user support consulting tailored to the requirements of the particular company or municipality.

Growth Strategy

# New Business Fields Strategy



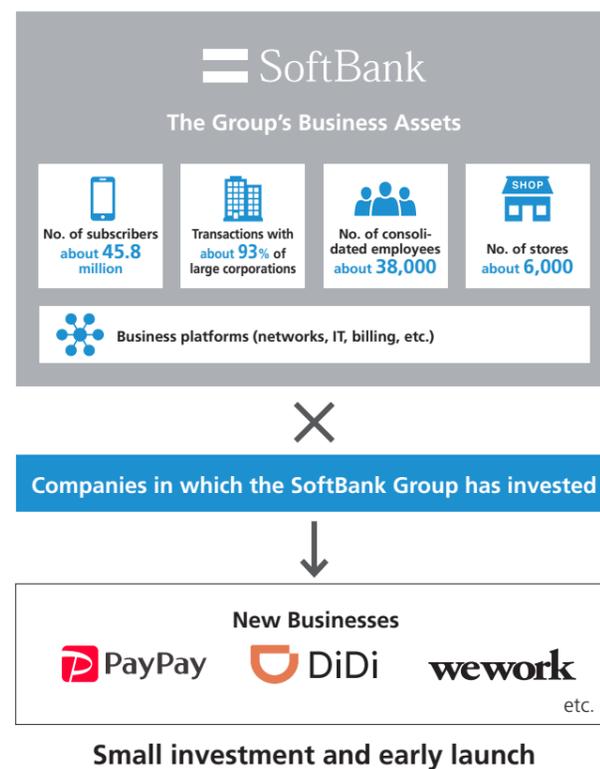
SoftBank is expanding into new business fields through collaboration with various business partners in Japan and abroad and through the establishment of joint ventures, taking full advantage of its outstanding sales and development capabilities, its extensive customer and business partner base, and its membership in the SoftBank Group.

## Leveraging the management resources cultivated in the telecommunications business for faster new business creation

SoftBank boasts more than 40 million mobile subscribers and a broad customer base that includes 93%\* of Japan's large corporations. In terms of human resources, in addition to the strong sales force that has driven our growth to date, we have accumulated a wealth of highly qualified engineers with top-notch network and software development capabilities. Another advantage is SoftBank's ability to leverage the successful models and cutting-edge technologies of the world-class companies that the parent company invests in, which allows us to swiftly launch businesses with less investment and risk than it would take to launch them from scratch.

In addition to our smartphone payment service *PayPay*, which enjoys a dominant position in Japan, we have already achieved rapid lift-off of the AI-enabled taxi-hailing platform *DiDi* as well as *WeWork*, which offers community centric workspaces.

\* This is an approximate percentage based on the fact that the Company has transactional relationships with 900 of the 969 listed companies that have annual revenue of at least ¥100 billion.



Smartphone payment service



We want to continue to lead Japan's cashless economy by leveraging our unique strengths at the forefront of the *Beyond Carrier* strategy.

**Ichiro Nakayama**

President & Representative Director,  
CEO, Corporate Officer

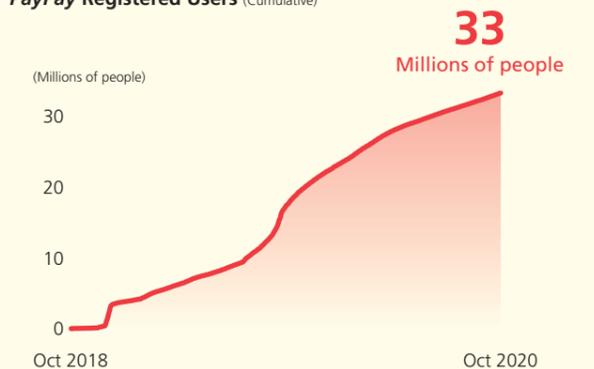
## Market share of 62% in Japan in less than 2 years

In just over two years since its launch in October 2018, PayPay has grown to more than 33 million registered users and 2.6 million merchants across Japan. According to outside research, as of June 2020, PayPay has a 62% share of the QR code payment service market in terms of payment value, and is the number one smartphone payment service in Japan by far.

Share of QR code payments in Japan by amount (June 2020)



PayPay Registered Users (Cumulative)



Data source: INTAGE SCI Payment (hybrid version)  
Period: 2020/06/01-2020/06/30  
Target: Men and women aged 15-79 across Japan, including Okinawa

(Source) Data by PayPay Corporation, collected from October 5, 2018 to October 19, 2020  
The number of registered users is defined as the number of accounts registered.

## Growth Strategy

### New Business Fields Strategy

#### PayPay's Three Strengths

PayPay was a latecomer to smartphone payment services, but from the beginning I was confident that PayPay could succeed. Here are the three strengths of PayPay, which has quickly risen from a latecomer to No. 1 in market share.



#### 1. Development capability

First and foremost comes our development capability. I'm sure there are many companies that can develop a QR code payment app, but releasing the app is not the end of the story. To survive as a long-lasting service, we need to be close to our users, listen to them every day, and evolve continuously. In fact, the *PayPay* app is updated more than 60 times a year, almost every week. We are able to develop at such a speed because PayPay does all of its app development in-house, and we use the time difference between Japan, India, and Canada to develop the app 24 hours a

day. If a service that is intended for day-to-day use outsources its development, it will not be able to respond to the evolving needs of users in a timely manner. That's why I am very committed to fully in-house app development and to developing and delivering new features faster than anyone else. And what makes this possible is our collaboration with Yahoo Japan's IT engineers. Another major advantage is our ability to leverage the technology of Paytm, a global mobile payment service in which SoftBank Group Corp. has invested.

#### 2. Sales capability

The second strength is our sales capability. The idea of a sales force for a payment app may sound strange. However, you sometimes see shops in local shopping centers that are basically cash-only, but where *PayPay* is accepted. Our thinking tends to be biased towards urban areas, but if you look at Japan as a whole, even the transportation smart cards that are so prevalent in urban areas are not yet common in many rural areas. Similarly, there are many areas where the major chains that support QR payments have not yet opened stores. If we are serious about making cashless payments take root in Japan, it needs to be usable in every

corner of the country, even in privately owned shops. This is where merchant development by a sales team is so important. When we launched *PayPay*, we accepted elite sales personnel from SoftBank and set up 20 *PayPay*-specific sales offices across Japan from Okinawa to Sapporo. By actually visiting and explaining *PayPay* not only to major chains but also individual shops that had never dreamed of accepting cashless payments, we were able to expand the number of merchants in a short period of time. This is an area where *PayPay* was able to leapfrog our competitors thanks to our ability to leverage SoftBank's sales capabilities.

#### 3. Marketing capability

Our third strength is our marketing capability. For example, we are able to unleash unique promotions and campaigns one after another, as exemplified by our *10 Billion Yen Giveaway Campaign*. The campaigns may appear flashy, but they are always crafted with a purpose based on Yahoo Japan's know-how and big data. For example, even in the *10 Billion Yen Giveaway Campaign*, the goals were different in the first and second campaigns. In the second *10 Billion Yen Giveaway Campaign*, after the number of users had

exploded in the first one, we deliberately lowered the maximum *PayPay* bonus amounts awarded per transaction to encourage such users to make small payments in the shops they visited every day and make *PayPay* part of their daily routine. Every week and every month, we develop unique campaigns with a variety of objectives for different businesses types and regions, and we see the effects of these campaigns reflected in the increase in the number of payments, which is our KPI.

#### The KPI that PayPay focuses on

There are several metrics that can be applied to payment apps, including MAU and DAU\*, which measure the number of active users, and the payment transaction value. At PayPay, we consider "number of payments" to be the most important metric. We focus on this metric because it is a straightforward indicator of the depth of our engagement with users. The number of payments is calculated by multiplying the number of users per day by the frequency of use. The number of users is also an important indicator, but it's pointless to have a lot of users who don't use it much in practice. It's important to be a service that a lot of people use frequently. If you multiply the number of payments by the average unit price per transaction, you get the transaction value, which is the sum total of the payment amounts. *PayPay's* unit price per payment transaction has never been high. Our goal is for *PayPay* to be used on a daily basis, so rather than having people buy expensive products, we want them to buy a quick snack at a convenience store, buy everyday items at a shopping center, and use it in their everyday lives. As the number of merchants and use cases rises, the number of payments inevitably rises too, and we still end up with a higher transaction value even with a lower unit price per transaction. That's why the most important thing is the number of payments. Going forward, we will continue to make a concerted effort to increase this number.

\* MAU: Monthly Active Users, DAU: Daily Active Users

Number of payments on *PayPay* (cumulative by quarter)



## Growth Strategy

### New Business Fields Strategy

#### PayPay and the Growing Cashless Payment Market

At present, private sector spending in Japan totals about ¥300 trillion, of which about 26% is cashless payments. The Japanese government says it wants to increase cashless payments to 40% by 2025, but I believe this ratio will soon flip and cashless payments will become the norm. The reason is that the spread of COVID-19 has dramatically changed the public's hygiene awareness, causing a surge in the number of people using cashless payments, which don't require touching money. Once people have experienced the convenience of cashless payments, they will have a hard time returning to using cash, so I expect cashless payments will spread more rapidly than ever. *PayPay* already has a dominant share of the cashless payment market, but in order for *PayPay* to grow further as the market expands, it must continue to be the preferred payment platform for both users and merchants. To achieve this, we will continue to refine *PayPay*'s strengths, namely its development, sales, and marketing capabilities.

#### The "Super App" and Full-Scale Entry into Financial Services

*PayPay* does not intend to remain just in the payment handling business. We're adding more and more useful features on top of the payment function, aiming to create a "Super App" that lets you use your phone for every aspect of your daily life. That's our big differentiator from credit cards and transportation smart cards, which can only be used for payments. Starting in the fiscal year ending March 31, 2021, we will enter into financial services in earnest, expanding our range of financial services to everything from loans and investments to insurance. In addition to the features it has already released, such as *PayPay Deferred Payment (Lump Sum Only)* and *PayPay Bonus*, Z Holdings has announced that it will rebrand its *Japan Net Bank* as *PayPay Bank* and its Yahoo credit card as the *PayPay Card*. The entire Group will work together to focus its efforts on the financial business, with *PayPay*'s payment functionality as the core.



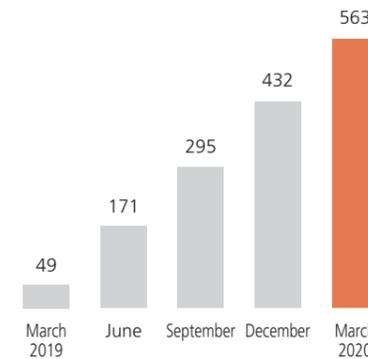
#### Future Movements toward Profitability

I am receiving more and more questions about when we will be able to turn a profit and move into the black. I can't give a specific timeline yet, but naturally we have set clear goals and plans for the business within the company. The fact is, we've been able to stick to our original plan and meet our milestones well ahead of time. The upfront investment for getting the company up and running has peaked, and the outlook for profitability seems quite positive. As part of the SoftBank Group, we at *PayPay* want to be a successful example at the forefront of the *Beyond Carrier* strategy.

#### AI-enabled Taxi-hailing Platform



Number of taxi partners



Source: DiDi Mobility Japan  
(Note) Number of taxi partners refers to the number of taxi companies that have signed on membership of DiDi platform at the beginning of each month.

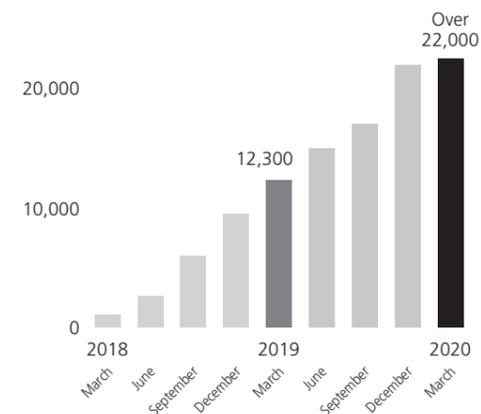
DiDi Mobility Japan Corp. was established in June 2018 as a joint venture between Didi Chuxing, one of the world's largest transportation platform operators, and SoftBank. DiDi Mobility Japan combines Didi Chuxing's vehicle dispatch platform, which incorporates advanced analysis and prediction technology utilizing the world's most advanced AI technology, with SoftBank's business infrastructure and marketing capabilities. The result is a taxi-hailing platform aimed at optimizing taxi dispatch and boosting the operation rate of taxis in Japan.

DiDi Mobility Japan has steadily expanded its service area, DiDi has demonstrated its effectiveness in improving the operation rate of taxis as well as revenues and other metrics at a number of locations. This is why the number of taxi partners has increased 11-fold year on year. To achieve Group synergy, in November 2019 we also launched a service linked to *PayPay* that enables users to complete all steps from hailing taxis to payments on the *PayPay* app. Aiming for steady growth, DiDi will continue to develop a variety of features to improve convenience for both passengers and taxi companies, while supporting safe and secure travel by taking a variety of preventive measures against the spread of COVID-19.

#### Community Centric Workspace



Number of members in Japan



Source: WeWork Japan  
(Note) Values under "Number of members in Japan" reflect member numbers at the beginning of each month.

WeWork Japan was established in July 2017 by SoftBank, SoftBank Group Corp., and WeWork. The company, whose mission is "to create a community where people come together to pursue their life's work," takes advantage of AI to offer cutting-edge workspaces.

Against the current backdrop of diversification and reform of work styles in Japan, WeWork Japan has been able to successfully launch and expand its offices and members at a very fast pace compared to other countries in the world. As of the end of March 2020, we have opened 8 coworking spaces in Yokohama, Osaka, Fukuoka, Nagoya, and Kobe, in addition to the 20 in Tokyo, bringing the number of members to over 22,000, a 1.8-fold increase over March 31, 2019. Our tenants are not only start-ups but also a host of other types of organizations, such as municipal authorities and major corporations, and there is a lot of interaction and collaboration among them.

With the spread of COVID-19, the traditional concept of working together in a single office is changing dramatically. Since WeWork reliably meets companies' needs for office decentralization, it is poised for further growth.

# Technology Strategies



**Junichi Miyakawa**

Representative Director & CTO  
SoftBank Corp.

## The Aims of SoftBank's Technology Strategies

An era is coming when you can download a two-hour movie in three seconds and interact with multiple remote devices in near real time. Up to now, telecommunications has mainly been about connecting people to each other, but 5G will bring about a world of industrial networks connecting things to each other. Some have even predicted that this remarkable transformation will bring about an information revolution even greater than the rise of the internet.

At the same time, telecommunications itself is becoming a commodity. We are starting to take telecommunications for granted as a utility that connects all the objects in our lives, in the same way that we came to take electricity for granted as a utility that powers all the objects in our lives after Edison introduced the incandescent light bulb to the world. Of course, with the explosion

in the amount of data flowing through the network, our telecommunications business can be expected to grow steadily further.

However, SoftBank does not intend to be solely in the "pipe business"—that is, as a carrier of telecommunications data. I believe that 5G will unleash ¥100 trillion worth of innovation in the Japanese market alone. So when I think about the aims of our technology strategies over the medium to long term, in addition to being a trusted carrier, I want us to leverage our expertise in telecommunications technology to deeply engage with a variety of industries, and to maximize the usefulness of the big data obtained from this engagement. I want SoftBank to become a platformer that provides the world a platform for launching innovative services while matching supply and demand on top of the telecommunications that keeps everything connected.

## 5G Strategy

### The Beyond Carrier Strategy in the 5G Era

With this vision in mind, SoftBank has established a *Beyond Carrier* strategy, acquired Yahoo Japan Corporation as a subsidiary, and quickly expanded its business into adjacent areas including e-commerce, media, and FinTech. That's where 5G technology comes in. 5G is not just an extension of 4G that provides faster communication speeds; it also achieves two further advanced characteristics: massive machine connections and low latency. Its "network slicing" virtualization technology enables 10 times of



devices connected to one base station simultaneously. In addition, "edge computing" technology, which distributes the servers near the devices, reduces the communication time lag to less than 1/1000th of a second, enabling remote control that is close to real time.

The current 5G service standard is combined with 4G (non-standalone). We plan to release 5G-only standard (stand-alone) during the fiscal year ending March 31, 2022. At the end of the same fiscal year, the population coverage of our 5G services

is expected to exceed 90%. When that happens, we will be able to expect significant advances in autonomous driving, remote medical care, and other innovations that will take full advantage of the 5G features of ultra-high speed, large capacity, low latency, and massive machine connections.

Against this backdrop, we are working to develop a variety of technologies that use the data generated from the connections between people, things, and services with the aim to transform into a platformer to solve social issues and enrich people's lives.

## SoftBank's Technology Advantages in the 5G Era

How will SoftBank build technology advantages in the world of 5G? First, let's talk about the network that makes 5G possible. Previously, we had made extraordinary efforts to develop base stations because we did not have bandwidths for the so-called "platinum bands" which have wide coverage. As a result, we now have 230,000 base station sites throughout Japan, a far larger number than our competitors, giving us a significant advantage.

5G's wideband, high-frequency enables ultra-high speed and large capacity, but because of the increased linearity, the radio waves have difficulty traveling far when blocked by buildings or other obstructions. Therefore, to improve 5G communication quality, base stations need to be installed at short intervals and in high density. In this respect, our acquisition of WILLCOM, Inc. as a subsidiary is a major advantage, since WILLCOM was originally primarily engaged in the PHS (Personal Handy-phone System) business, which uses a narrow signal range. WILLCOM had therefore installed a large number of low-cost small base stations in densely populated areas.

On the other hand, adding too many base stations can cause radio interference and impair connectivity. Therefore, a

further solution is necessary to overcome the traffic issue. This is where we have the strength. We deployed Massive MIMO, a powerful elemental technology, especially for 5G. To explain this technology using an analogy, its similar to solving a traffic congestion on a single road used by many people, by providing each person with a dedicated road using empty space. We were the first in the world to introduce Massive MIMO on our 4G network four years ago. Our early implementation of this technology has given us a higher per-user capacity than our competitors. Because it requires considerable know-how, for example in fine tuning the parameters, I am proud to say that this technology will give us an advantage in the 5G era.

In addition, the more connected everything is, the greater the security risk is associated. SoftBank is therefore exploring ways to achieve high security without burdening the user. Specifically, we are developing advanced technologies to make the architecture itself physically unhackable, including NIDD (Non-IP Data Delivery), which enables communications in wireless sections without the use of Internet Protocol (IP) addresses.

### 5G early nationwide deployment

<p><b>Utilize existing base stations</b></p> <p>Approx. <b>230,000</b> base station sites nationwide</p>	<p><b>Massive MIMO know-how</b></p> <p>Massive MIMO advantages</p> <ul style="list-style-type: none"> <li>Up to <b>64x</b> of that of traditional base stations</li> <li>Dedicated signal is assigned to each user for smooth experience</li> </ul> <p>SoftBank is the first in the world to introduce the technology <b>operational technology</b> matured with 4G experience</p>	<p><b>Infrastructure sharing with KDDI</b></p> <p>Apr 2020</p> <p><b>Established 5G JAPAN Corporation, a joint venture with KDDI Corporation</b></p> <p><b>Accelerate 5G rural deployment</b> by sharing base station assets in rural areas</p>
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## Technology Strategies

### New Technologies and Businesses

## New Businesses Aimed at a Future where Everyone is Connected to the Community and the World through ICT

### HAPS Mobile Base Station in the Sky

In December 2017, we established HAPSMobile Inc., which provides connectivity anywhere in the world, as a way to help eliminate digital disparities and educational inequalities based on place of birth and enable telecommunications during natural disasters and other emergencies. Specifically, HAPSMobile is developing a business around HAPS (High Altitude Platform Station), an unmanned aircraft system that flies in the stratosphere at an altitude of about 20 km and delivers radio waves from there to the ground.

HAPS, which is deployed in the stratosphere where air currents are stable, offers lower latency than geostationary satellite communications and can deliver connectivity directly to mobile devices. Stable power is supplied by environmentally friendly solar panels, making HAPS less expensive than tower-type ground base stations. I'm confident that this telecommunication platform will be serving human society in 10 years' time. In September 2020, only three years after starting development, we successfully completed flight of the world-class sized unmanned aerial vehicle. The flight lasted more than 20 hours and stayed in the stratosphere for five and a half hours, only powered by pre-flight battery charge and solar energy during the flight. At the same time, for the first time in the world, we successfully performed an LTE communication from the stratosphere via autonomous airborne HAPS, and enabled low-latency, high-resolution video calls. This is a major step forward for HAPSMobile and shows that the commercialization of HAPS is just a few years away.



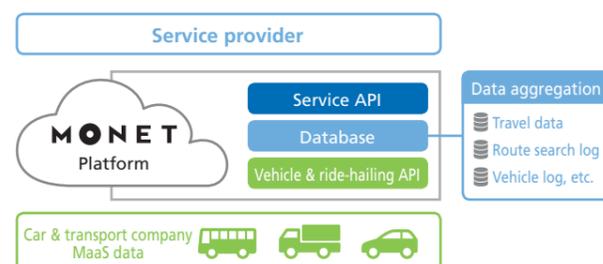
### MONET for an Autonomous Driving Society

Next, I would like to talk about our autonomous driving initiatives. SoftBank and Toyota Motor Corporation established MONET Technologies Inc. in anticipation of the era of autonomous driving society and MaaS (Mobility as a Service). MaaS is a concept that utilizes ICT to seamlessly connect means of transportation other than personal cars as a service. In addition to being an effective solution to the problem of increasing number of people with

mobility difficulties, MaaS can also contribute to revitalizing the local economy by incorporating local information. Today, the scope is expanding with the participation of other automakers.

In April 2020, the MONET Platform was fully launched to support the realization of MaaS for enterprises and municipalities, and we are currently finalizing details with about 500 local governments. I am very optimistic about this project. We have opened the MONET Marketplace to the MONET Consortium member companies, followed by non-member companies. The marketplace offers on-demand bus hailing system, as well as data and system APIs for information such as weather, tourism, map, etc. In addition, we plan to provide packages for companies to quickly start their MaaS business without any development.

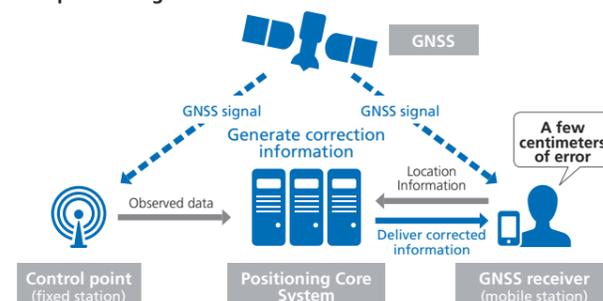
Through MONET, SoftBank aims to become a leading platformer in the MaaS era by partnering with various service providers such as convenience stores, home delivery, supermarkets, and medical care providers to make transportation more convenient, as well as by fostering the creation of new services and community development.



### ALES Centimeter-level Positioning Service

Autonomous driving is key to making MaaS a reality, which is why we established ALES Corp. to develop the high-precision

#### RTK positioning method



positioning technology necessary for autonomous driving. By utilizing SoftBank's proprietary control points (fixed stations) already set up in more than 3,300 locations across Japan to correct GPS signals and other location information, ALES is able to achieve accurate

positioning with only a few centimeters of error. This is exactly the level of accuracy required for autonomous driving. We are currently testing ALES with the automakers participating in MONET and with manufacturers of agricultural and construction equipment.

### Research for the Future Technologies

## Institute for AI and Beyond for Commercialization of University Research Results

SoftBank, SoftBank Group Corp., and Yahoo Japan Corporation joined forces with the University of Tokyo to establish the Institute for AI and Beyond, which commenced joint research activities in July 2020. At the moment, the US and China are vying for leadership in AI research and development, but it's really their universities that are behind their success. On the other hand, universities in Japan offer fewer opportunities for AI research with real business practice. Though excellent students are studying AI, they have difficulty in applying their research to real business. This is why we decided to partner with the University of Tokyo to establish the Institute for AI and Beyond. We intend to create an ecosystem in which commercialization is anticipated from the beginning of research and returns from business developed are re-invested in future research activities and talent development. Specifically, the three companies will contribute up to ¥20 billion over 10 years, with the aim of commercializing ten projects and creating three new academic fields.

When it comes to commercialization, everything depends on setting the research theme correctly. I personally joined the

committee that selects the Institute's research themes. I would like to play a role in advocating promising areas such as robotics, medicine and healthcare, smart cities, and MaaS, as well as the themes that are indispensable for world-leading research. I also hope that the people cultivated in this institute will join SoftBank and lead the AI revolution in Japan.



## Our Mission as a Telecommunications Carrier

We are not a company that chases short-term profits. Accordingly, we are carefully executing technology strategies that will not only increase our competitiveness as a telecommunications carrier by making decisions from a sustainable perspective, but also broaden our path as a platformer to solve new social issues.

On March 11, 2011, the Great East Japan Earthquake struck our base stations hard. It also had a significant impact on our earnings. However, as the Chief Technology Officer, my greatest regret is that we failed to deliver our radio waves when people needed them. Out of this frustration, we developed base stations that uses balloons, and that evolved into HAPS. The earthquake made me think deeply that it is our responsibility as a telecommunications carrier to maintain connectivity no matter what. In remote medical care and autonomous driving, connectivity failures pose an immediate threat to human life.

To that end, we established a joint venture 5G JAPAN

Corporation with KDDI CORPORATION, to rollout 5G network nationwide in Japan early to cover all industries. SoftBank's vision is "Information Revolution — Happiness for Everyone," while KDDI's vision is to "deliver a thrilling customer experience by always going further than expected with the ultimate goal of achieving a truly connected society." Inspired by these two visions, we have agreed to promote infrastructure sharing to efficiently use the base station assets owned by both companies and deliver network coverage all over Japan.

What the Company needs to do now is to quickly rollout a 5G network to contribute to Japan's industrial development, regional revitalization, and national resilience. Our social responsibility is becoming more and more important, and from this aspect our corporate value is increasing accordingly. Looking to the future, we will continue to marshal our intellects and make full use of our technological capabilities to enhance our corporate value.

# Structural Reform

## SoftBank Cost Containment Strategy

SoftBank is aggressively investing in growth to implement its *Beyond Carrier* strategy, while at the same time working to improve profitability by implementing cost efficiencies, including Group synergies, while keeping fixed costs\* at current levels as sales grow.

\* Includes depreciation and amortization, network-related expenses, personnel expenses, advertising expenses, sales promotion expenses, and shop and office expenses associated with the Consumer and Enterprise segments.

### Cost Containment Strategy 1

## Keep fixed costs flat

As part of its growth strategy, the Company plans to increase its consolidated revenue by ¥600 billion over the next three years. On the other hand, we anticipate an increase in fixed costs of ¥50 billion. However, to offset this increase, we intend to achieve equivalent cost reductions of ¥50 billion through digitalization-driven productivity improvement and workstyle reform and by streamlining and optimizing networks, among other measures. In this way, we intend to maintain overall fixed costs at a flat level of ¥1 trillion. Specific examples of measures we believe can help flatten fixed costs include: digitization of mobile shop operations; workstyle reform in the “New Normal” making full use of remote technology and AI; optimization of equipment after termination of PHS, 3G, etc.; and infrastructure sharing with KDDI CORPORATION.

**SoftBank Consolidated Revenue**  
¥4.9 trillion (Fiscal year ended March 31, 2020) → ¥5.5 trillion (Fiscal year ending March 31, 2023)

**Business growth** (Revenue increase of ¥600 billion)

**Fixed costs excluding Yahoo**  
¥1 trillion (Fiscal year ended March 31, 2020) → ¥1 trillion (Fiscal year ending March 31, 2023)

**Cost increase associated with growth** ¥+50 billion

**Cost reduction through cost efficiency** ¥-50 billion

**Flat** (Overall fixed costs)

#### Productivity improvement and workstyle reform through digitalization

1. Digitization of mobile shop operations
  - Remote customer services
  - AI image recognition
  - Cashless payments
2. Workstyle reform in “New Normal”
  - AI chat support
  - AI voice recognition and emotion analysis

#### Network efficiency and optimization

1. Optimization of equipment after termination of PHS, 3G, etc.
  - Downsize
  - Using power saving machines
  - Smart meters
2. Infrastructure sharing with KDDI
  - Mutual use of equipment in rural areas
  - Promote 5G in Japan

### Cost Containment Strategy 2

## Seek further cost reduction through Group synergies

We are working to maximize cost synergies within the Group in order to achieve cost efficiencies. For example, we were able to reduce procurement costs by ¥7 billion by strengthening collaboration in purchasing strategy with Z Holdings Corporation, a subsidiary, and by accelerating joint purchasing of network equipment and the like. Going forward, we will continue to promote Group-wide cost reductions by optimally utilizing the resources of companies within the Group and by bringing operations in-house.

#### Cost reduction through joint procurement

Procurement cost reduction through joint procurement by SoftBank and Z Holdings

**Cost reduction of ¥7.0 billion**  
Z Holdings  
Fiscal year ended March 31, 2020

#### Cost reduction through in-house development

Actively leverage group resources

E.g., in-house settlement services

Within the Group Commerce services → Settlement services → Outside companies

Within the Group Commerce services → Settlement services → SB Payment Service

Settlement fee reduction ↔ Sales increase