

Q&A at Earnings Results Briefing for Q2 FY2019

Date: Monday, November 5, 2019 4:00pm – 5:30pm

Speakers: Ken Miyauchi (President & CEO),
Junichi Miyakawa (Representative Director & CTO),
Kazuhiko Fujihara (Board Director, Executive Vice President & CFO)

Q1 Why hasn't the Company changed its annual forecast despite strong progress through Q2?

A1 We have achieved 62% progress in operating income and 68% in net income. We are taking a slightly conservative approach by considering investments in new businesses, the risks of sudden changes in the business environment and others comprehensively.

Q2 In this competitive landscape up to this September, did you offer a handset discounts in anticipation of the Telecommunications Business Act revision starting in October?

A2 We offered handset discounts to keep up with competitors. We did not make decisions aimed at acquiring customers by the end of September in anticipation of a decline in handset sales volume following the revision of the Business Act

Q3 Giving the fact that WeWork Japan is doing well, is it correct to understand that the Japanese joint venture is currently profitable?

A3 I can't comment on that because WeWork Japan did not disclose the information. However, occupancy rates are high for each property, and breakeven point is coming in sight. Going forward, we expect its results to stabilize if it reaches certain scale.

Q4 WeWork Japan currently has opened 23 offices in 6 cities. How much can we expect it to grow in the following one year?

A4 We expect to increase the number of memberships from 17,000 as of now to approximately 30,000.

Q5 In the U.S., listing of the WeWork was postponed from the viewpoint of corporate governance and business performance. Is there any change in the Japanese capital structure?

- A5 Our understanding is that the current capital structure is successful in Japan, and WeWork in U.S. has the same understanding. I think it is better to keep the structure as it is.
- Q6 As for PayPay, it was mentioned that SoftBank Corp. will enter the FinTech field if the number reaches 30-40 million, what does this number represent?
- A6 The number represents the number of registered users of PayPay. We think that if the number of registered users reach a certain level, the use of FinTech services of PayPay will also increase.
- Q7 As development of Ant Financial and launch of service of Yahoo! Score have mentioned in the presentation, is there any idea of using PayPay in the scoring business in the future?
- A7 J.Score, a joint venture with Mizuho Bank, Ltd., has already been working on the scoring business, and we think there are many possibilities in this field, including Yahoo! Score.
- Q8 Is my understanding correct that handset sales has deteriorated as a business, since the number of units sold has declined despite the increase in commissions and sales costs due to aggressive sales activities?
- A8 Sales of the handset is going well due to the steady acquisition of new customers, despite the decline in upgrades of handsets. As a trend, the handset upgrade cycle has become longer.
- Q9 After the revision of Telecommunications Business Act on October 1, I would like to know if there are any changes such as handset sales volume or the type of handsets selling well.
- A9 The handset sales volume in the high price range declined, but sales in the low price range were steady. While liquidity declined, churn rate also declined. However, we cannot make any decisive comments just based on the October figures, because there were many exceptional moves in September prior to the revision of the law, as well as the consumption tax hike in October. We will monitor future trends carefully.
- Q10 While other companies have changed handset purchase plan to 3-year installments to support one third of payment for handset purchase, SoftBank Corp. still offer 4-year installments to support payment of 2-year payments. Please tell us about this.

- A10 We would like to continue with 4-year installment programs. Comparing the previous “Half Price Support”, which is before separation of service fees and handset payments, with the current “Tokusuru Support” after the complete separation of service fees and handset payments, the ratio of subscribers signed up for the program has declined by only a few points, of which impact is immaterial. Though this shows the support from users, we can correct it if necessary in the future.
- Q11 The competitors announced that they would terminate 3G service. When would the SoftBank Corp. plan for 3G sunset?
- A11 I would like to announce it at proper timing.
- Q12 Could you tell us what are the issues for the telecommunications industry regarding natural disaster response?
- A12 The size of natural disasters is getting bigger every year and beyond our assumption. MNOs need to closely cooperate with each other in the case of emergency. We are already working on fiber-optic leasing and sharing support staff and suppliers. However, I expect in the future, in face of emergency due to natural disasters, one carrier should send out multiple operator codes so that customers of all carriers could connect with each other regardless of which carrier's base stations remain undamaged. In addition, it is necessary to consider how field workers can be distributed and arranged in a balanced manner. As CTO I am in the process of discussing such approaches with CTOs of other companies.
- Q13 As SoftBank Group is restructuring WeWork in U.S., are there such moves in WeWork Japan? In addition, are there moves in WeWork Japan to rush gaining profit or to refrain from expansion?
- A13 WeWork Japan operates very efficiently with a small number of human resources. As the occupancy rate is high, there is a need to increase the number of staff.
- Q14 Regarding your comment on pricing of “Y! mobile” brand that it will partly depend on Rakuten, I would like to know how Rakuten's small start without announcing the price in October affected Softbank Corp.'s performance.
- A14 I am not in the position to comment on other company. While we do not know what price plans other companies will offer, the Ultra Giga Monster+ (plus) has grown into a very strong product in the large-volume data plan. At the same time, the “Y!mobile” brand has gained popularity for those users who prefer data volume less than 10GB.

For this reason, I believe that no matter what plans other companies offer, we can compete with these 3 brands.

Q15 As a company operating in the same telecommunications industry, how do you view Rakuten not being able to launch its full-scale MNO business, which was scheduled for October?

A15 What cost most are base station construction, land, and backhaul. You need to connect base stations with fiber-optic networks. When we acquired Vodafone, there were only 15,000 base stations and we suffered long time from the reputation that we had low quality network, but now we expanded base stations to 230,000. The engineers believe that building a network is not so simple. Other companies may also have to spend many years working on this issue.

Q16 It has been one year since IPO, and while the stock price exceeded the initial offering price of JPY1,500 in September, what are the reasons why the stock price isn't doing well after exceeding JPY1,500? What are your thoughts on the current level and forecasts of stock price?

A16 It was in August that exceeded JPY1,500, but our target is not JPY1,500. We believe that it is important for us to improve our business performance and satisfy our shareholders. I believe that if we work diligently not only in telecommunications business but also in new businesses, the time will come certainly that the stock price to meet the shareholders' expectation.

Q17 Half year has passed since the announcement in April about OYO Hotels Japan ("OYO"). Do you feel positive response from OYO and how will the SoftBank Corp. support this business?

A17 The full launch is in October, but it currently operates more than 160 hotels in 39 prefectures nationwide. Since each hotel is small, there are about 5,000 rooms. OYO's occupancy rate is noteworthy. If the occupancy rate increases significantly by incorporating OYO's education and interior design and managing everything through the system as well as digital marketing, revenues of hotel will increase, and OYO's revenue will also increase accordingly. We also expect to respond to the growing hotel demand from inbound tourists. The revitalization of small and medium-sized hotels will also contribute to regional revitalization. We expect that capability of IT to lead significant growth in the future in revitalizing hotels that have not yet utilized IT. We

*This is an excerpt of the Q&A session on SoftBank's earnings results and services.



also believe that we can provide support to OYO through connecting OYO to our users and our services such as DiDi.