

Earnings Results for the Three Months Ended June 30, 2020

Investor Briefing

SoftBank Corp.
August 4, 2020

Disclaimer

Important Notice Regarding Forward Looking Statements and Other Information

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Results for Q1 FY2020

p.4 – p.20

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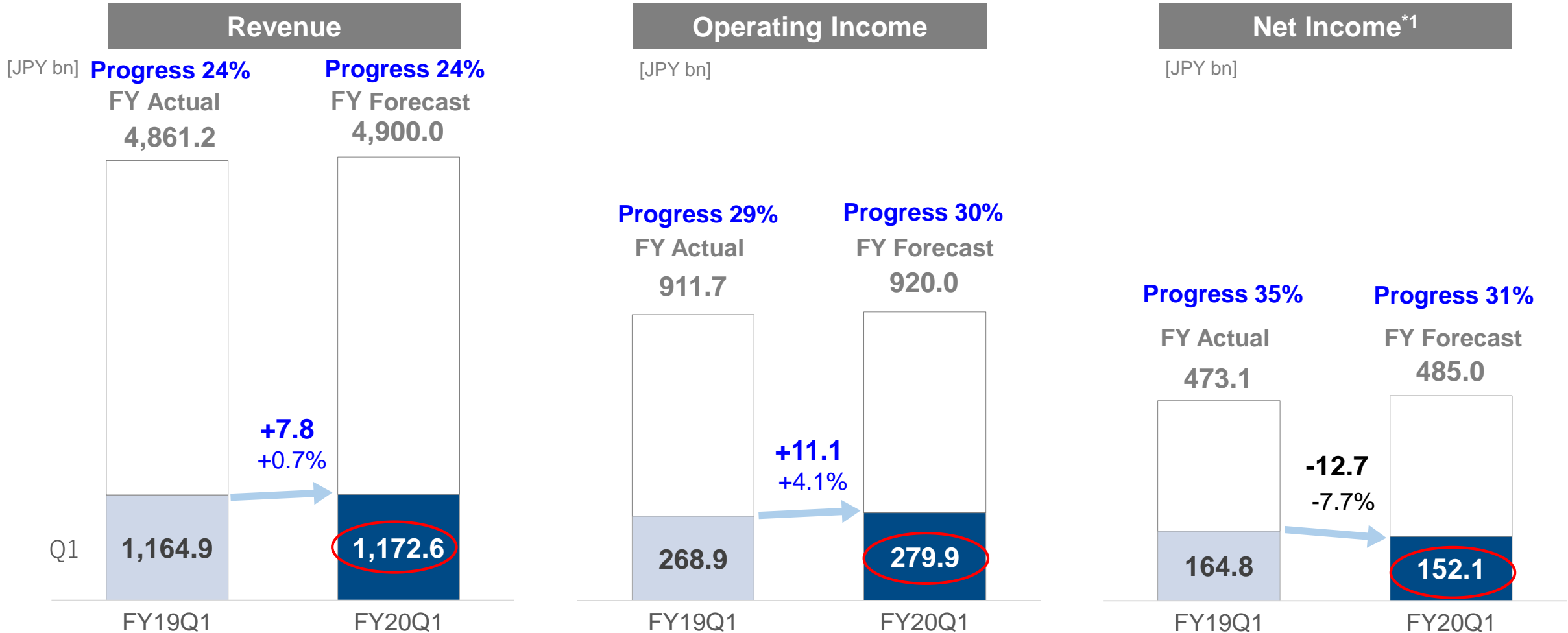
Road to Achieve JPY 1 Trillion Operating Income

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Results for Q1 FY2020

Results for Q1 FY2020

- Revenue, operating income and net income are progressing at a steady pace towards full-year forecasts
- Net income decreased due to the temporary factors such as gain from sales of shares in previous year (refer to p15)

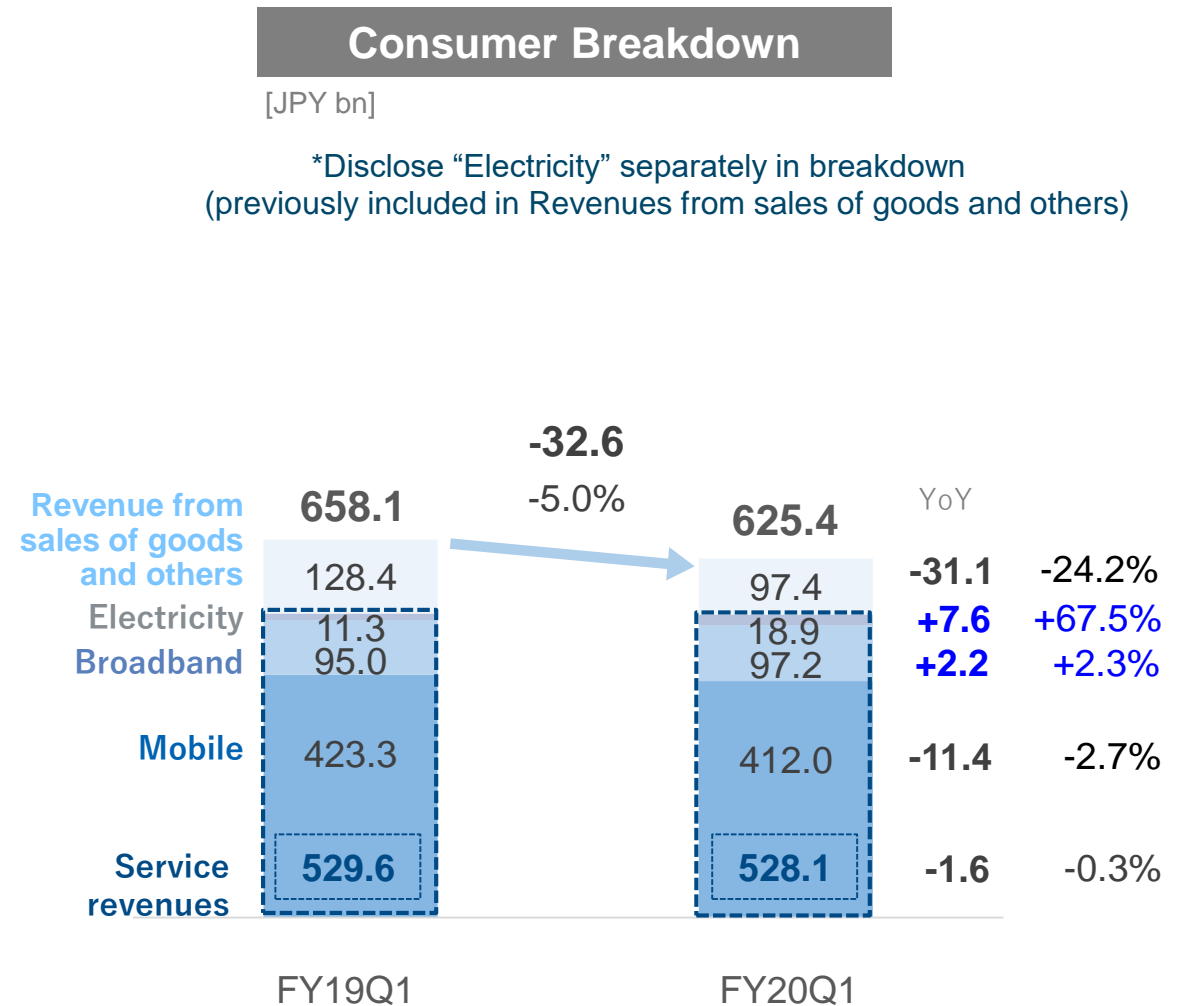
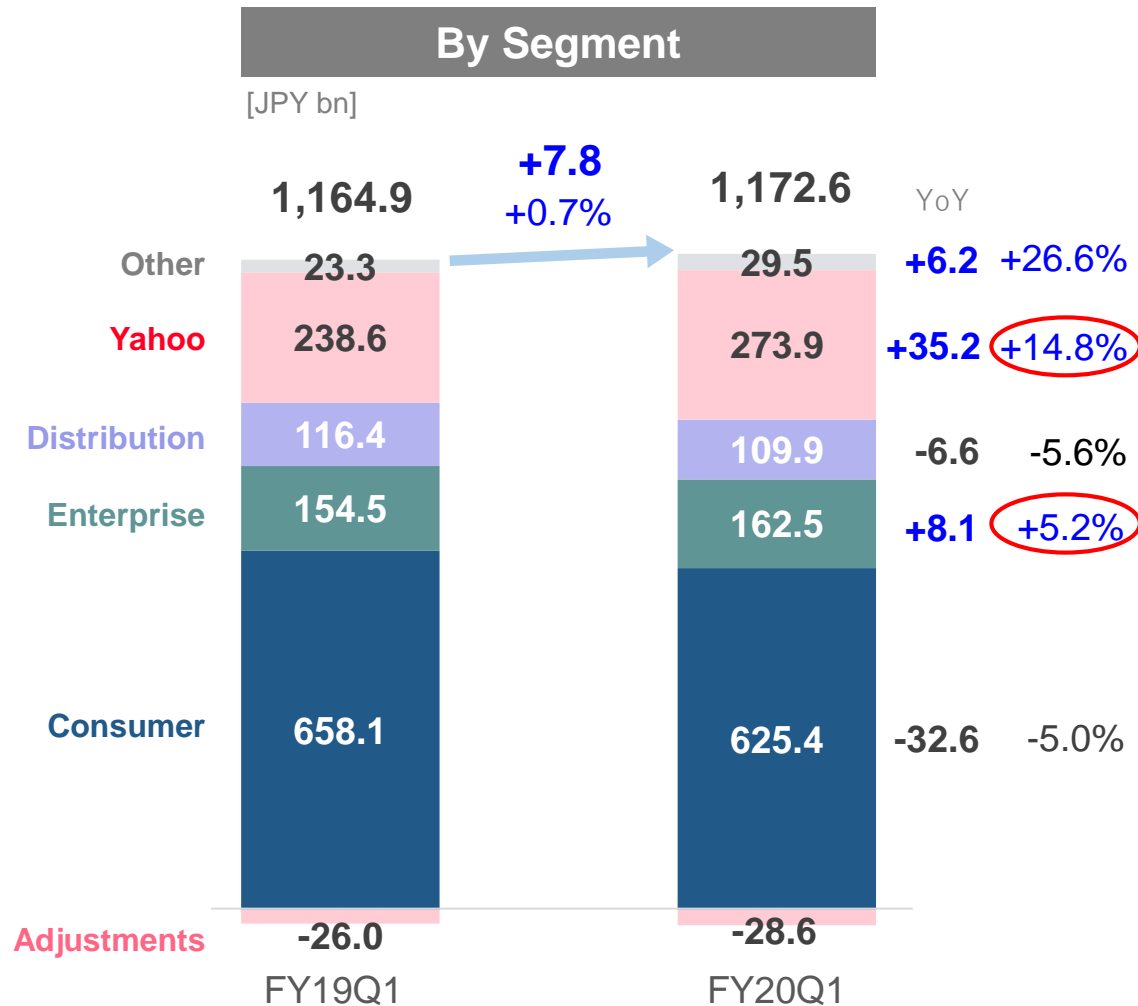


*Actuals for FY19 have been adjusted retrospectively to have consolidated ZHD from April 1, 2018, same hereafter

*1: Net income: net income attributable to owners of SoftBank Corp., same hereafter

Revenue (1/2)

- Yahoo: JPY +35.2 bn (+14.8%) YoY, Enterprise: JPY +8.1 bn (+5.2%) YoY
- Consumer: JPY -32.6 bn (+0.6%) YoY, due to decrease of revenue JPY -31.1 bn from sales of goods and others. Service revenues remained flat YoY, due to impact of First-year and Half-year discounts of c. 10 bn (including accounting changes)

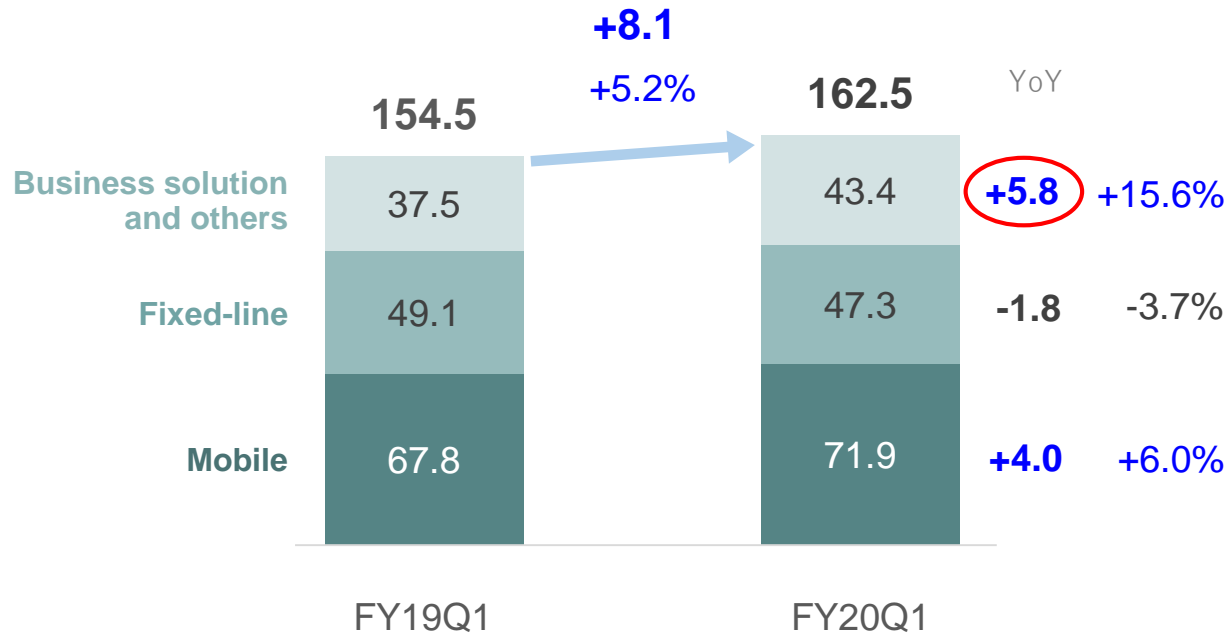


Revenue (2/2)

- Enterprise: JPY +8.1 bn (+5.2%) YoY in Business solution and others
- Yahoo: double-digit growth. Commerce has grown significantly, JPY +41.2 bn (+25.0%) YoY

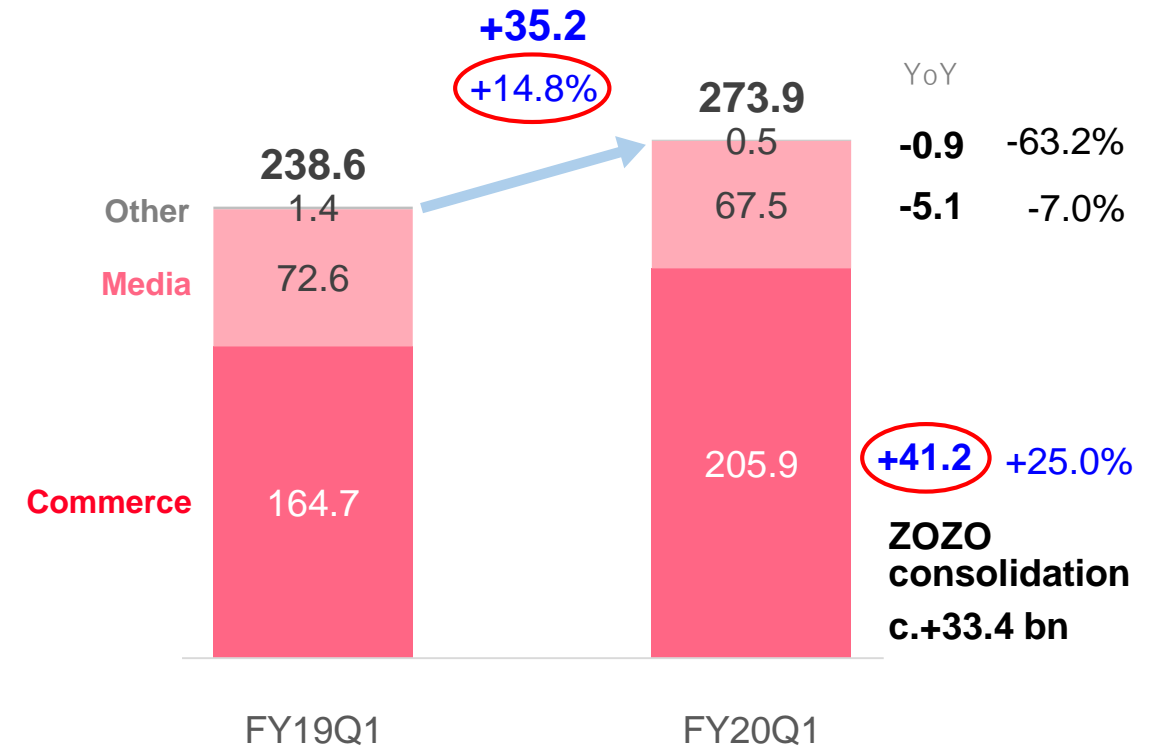
Enterprise Breakdown

[JPY bn]



Yahoo Breakdown

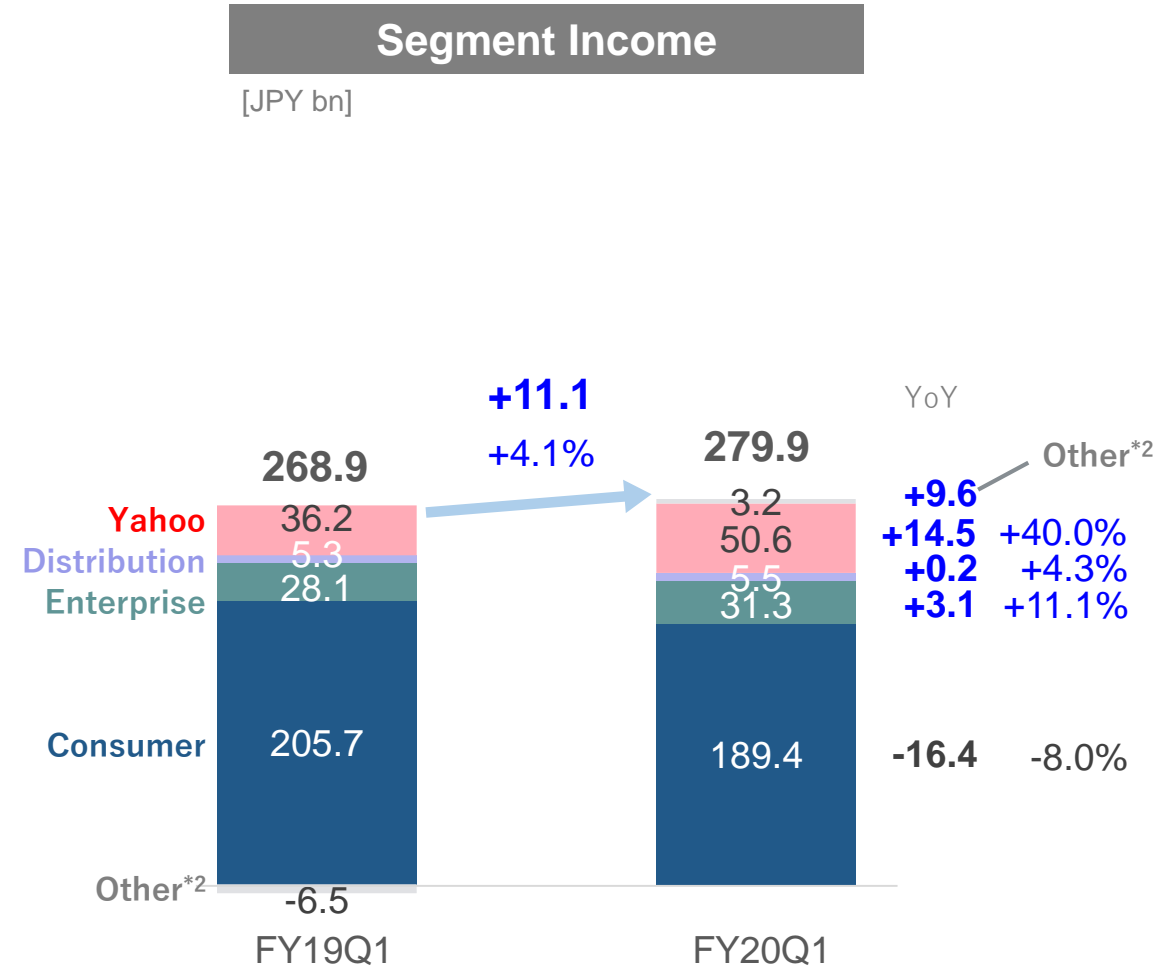
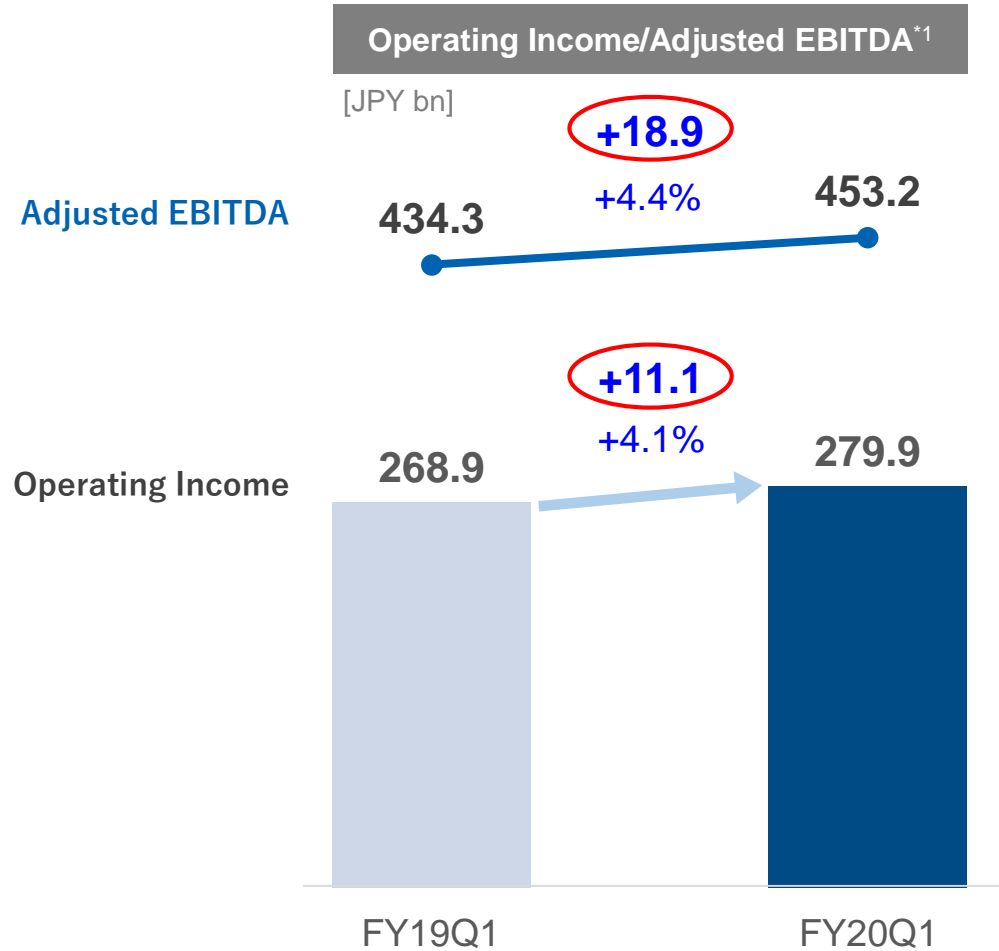
[JPY bn]



*Revenue for Commerce and Media is restated for FY2019 to reflect the transfer of certain services and subsidiaries from Commerce to Media in April 2020

Operating Income/Adjusted EBITDA/Segment Income

- Adjusted EBITDA: JPY +18.9 bn (+4.4%) YoY, operating income: JPY +11.1 bn (+4.1%) YoY, recorded good progress in Q1
- Yahoo made significant increase YoY, income also increased in Enterprise and Distribution.
 Consumer: JPY -16.4 bn (-8.0%) YoY, however, its full-year income for FY20 expected to increase YoY

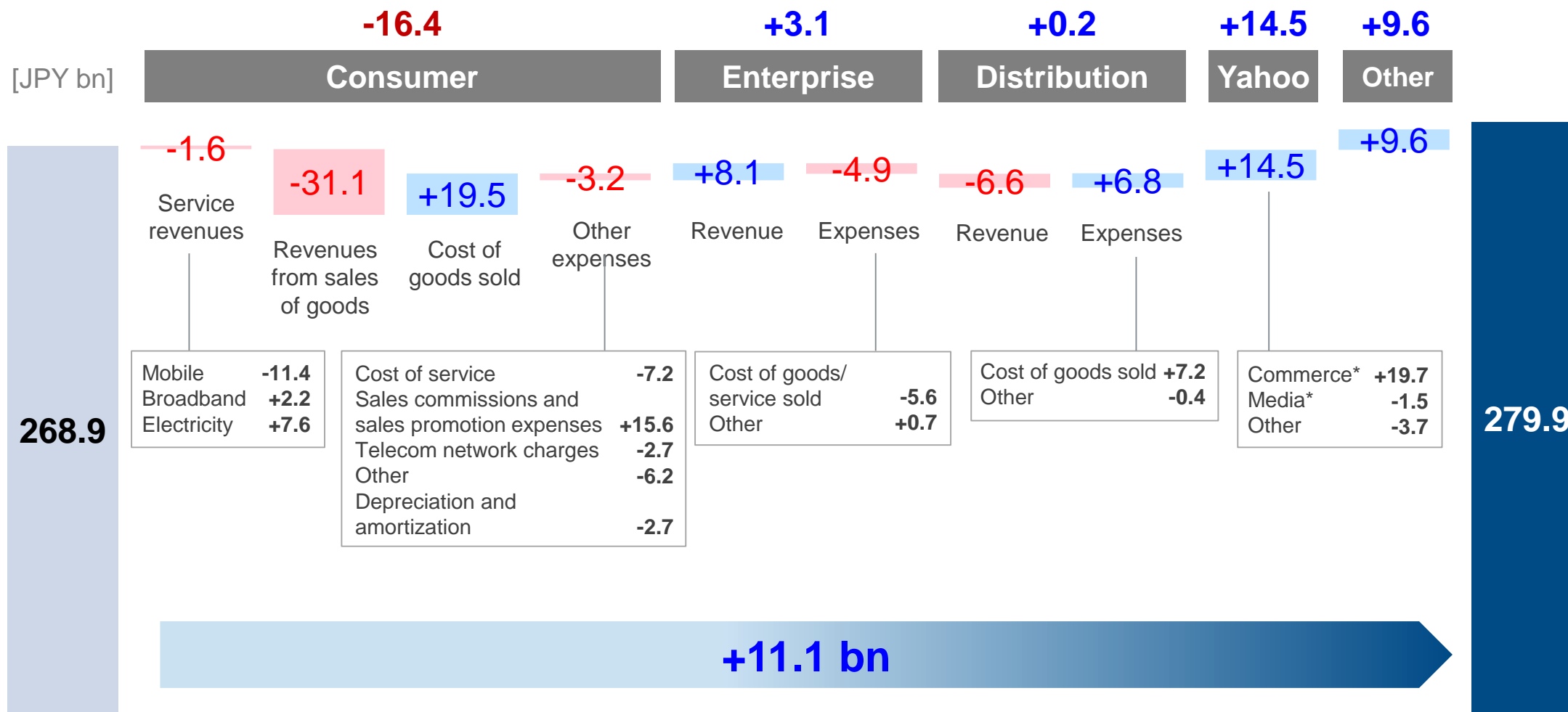


*1: Adjusted EBITDA = operating income + depreciation and amortization (including loss on disposal of non-current assets) ± other adjustments

*2: Other includes inter-segment adjustments (FY19Q1 6bn, FY20Q1 -6 bn), same hereafter

Operating Income (YoY Comparison)

- Income of Consumer decreased due to mobile device related factors and impact from introduction of First-year and Half-year discounts (accounting change, etc.). Increase of income in Yahoo and enterprise drove overall performance










FY19Q1

FY20Q1

*Figures of Commerce and Media in Yahoo segment represent segment income/loss of ZHD

Summary of Results

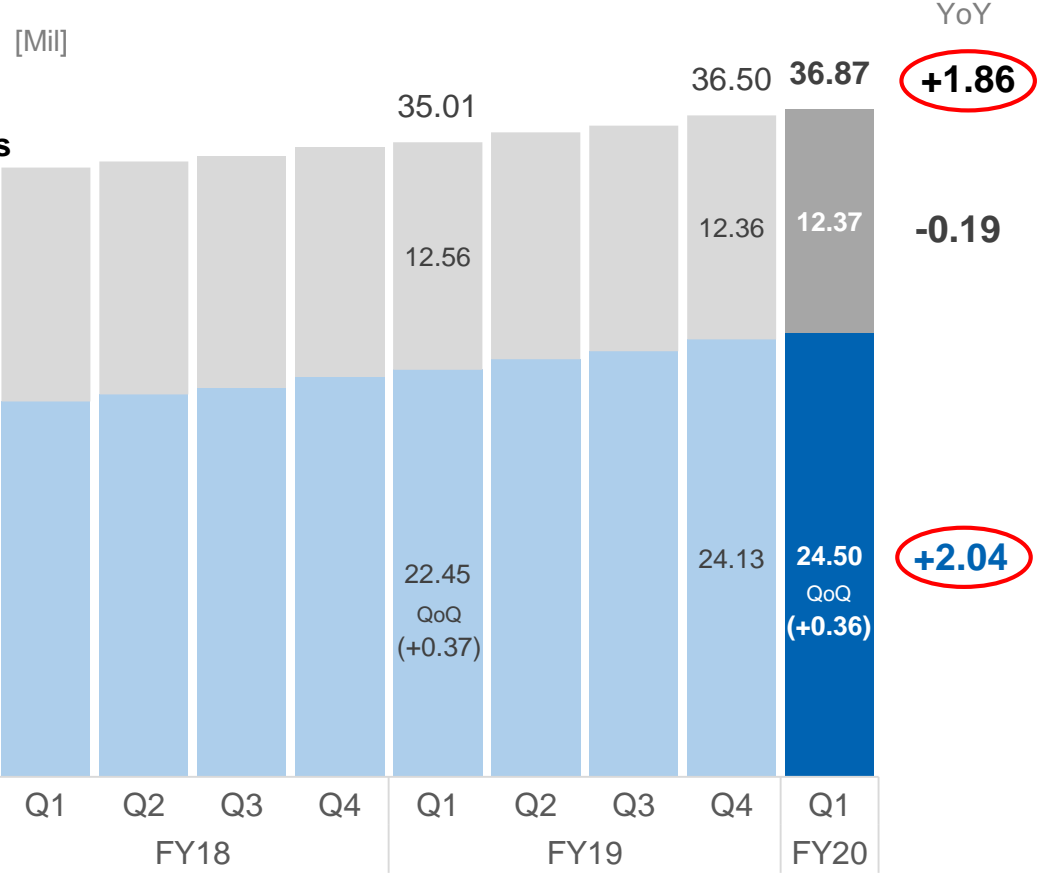
- Negative impact of COVID-19 was limited compared to assumptions as of May when financial guidance was announced, cost reduction is in good progress, and upside effects such as telework demand was larger than expected

[JPY bn]	FY19Q1	FY20Q1	YoY	Reasons for variance
Operating income	268.9	279.9	+11.1	
Consumer	205.7	189.4	-16.4	 -12.0 Mobile device related (recording of reserve, decrease in mobile device sales, etc.)  -10.0 First-year and Half-year discounts (including accounting changes)
Enterprise	28.1	31.3	+3.1	 Increase in telework demand
Distribution	5.3	5.5	+0.2	-
Yahoo	36.2	50.6	+14.5	 +7.0 ZOZO consolidation  +7.0 EC usage increase  +3.0 Cost reduction effect  -4.0 Ad placement decline
Other	-6.5	3.2	+9.6	-

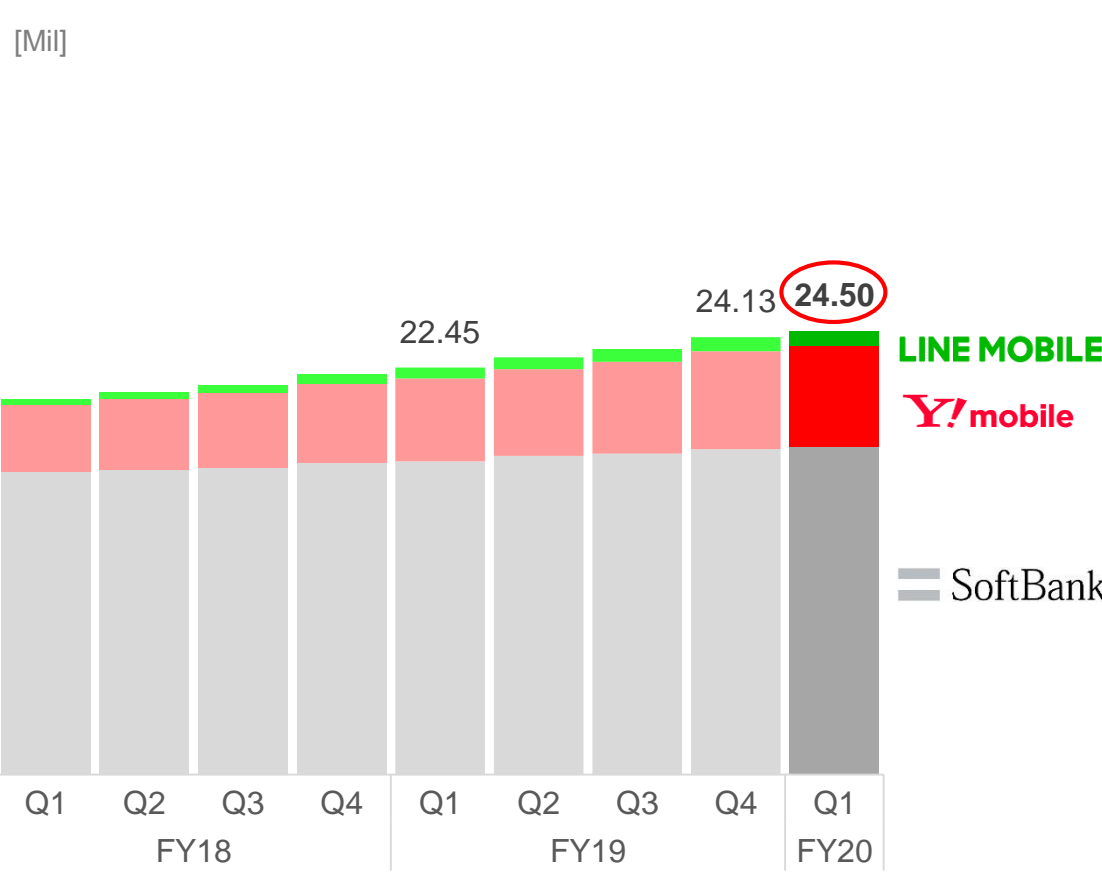
Cumulative Subscribers (Main Subscribers/Smartphones) SoftBank

- Cumulative main subscribers reached 36.87 mil (+1.86 mil YoY)
- Cumulative smartphones reached 24.50 mil (+2.04 mil YoY), similar increase to last year, steady growth in all 3 brands

Cumulative Subscribers*1



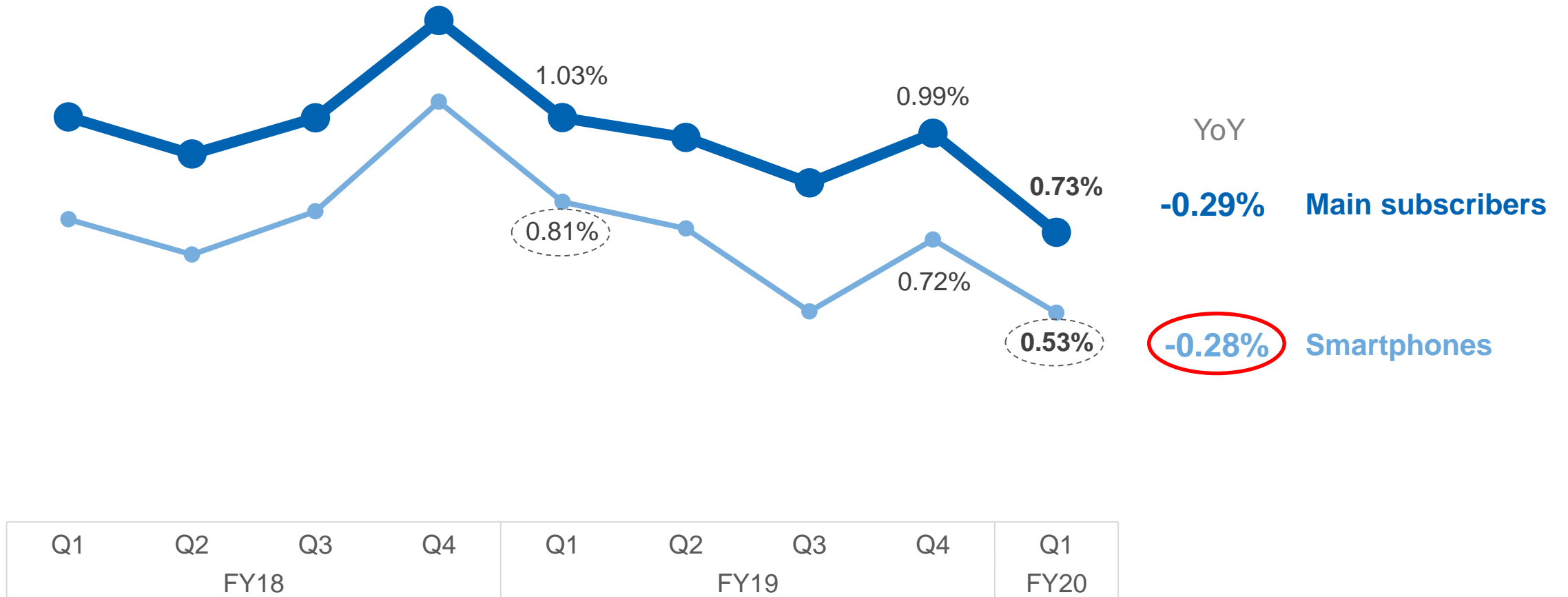
Smartphone Subscribers



*1: Cumulative subscribers include Wireless Home Phone subscribers (FY19Q1: 0.48 mil, FY20Q1: 0.55 mil)
 *2: Feature phones, tablets, mobile data communications devices, Wireless Home Phones, etc.

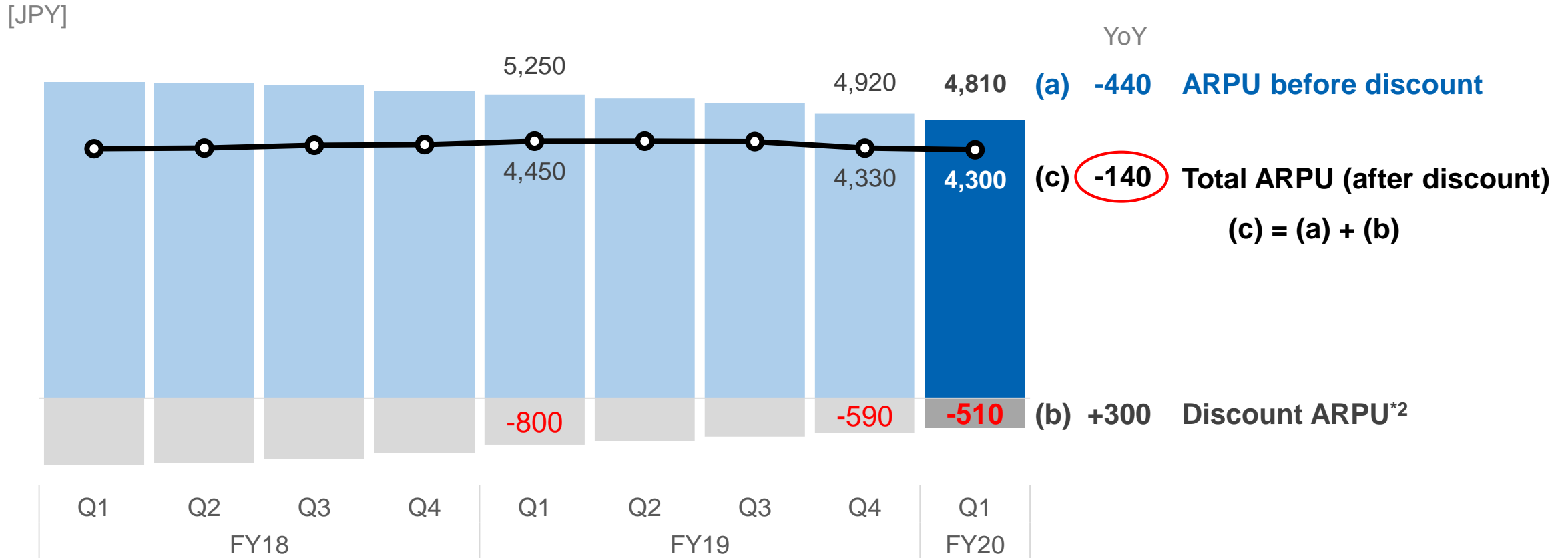
Churn Rate (Main Subscribers/Smartphones)

■ Churn rates for main subscribers and smartphones reached record lows, smartphone churn rate dramatically improved, YoY -0.28%



ARPU (Main Subscribers)

- ARPU before discount decreased due to introduction of unbundling plan (including family discounts and Smartphone Debut Plan), effects from First-year and Half-year discount*¹, and a rise in composition ratio of Y!mobile and LINE MOBILE subscribers (a)
- Discount ARPU gradually decreasing due to unbundling plan (b)



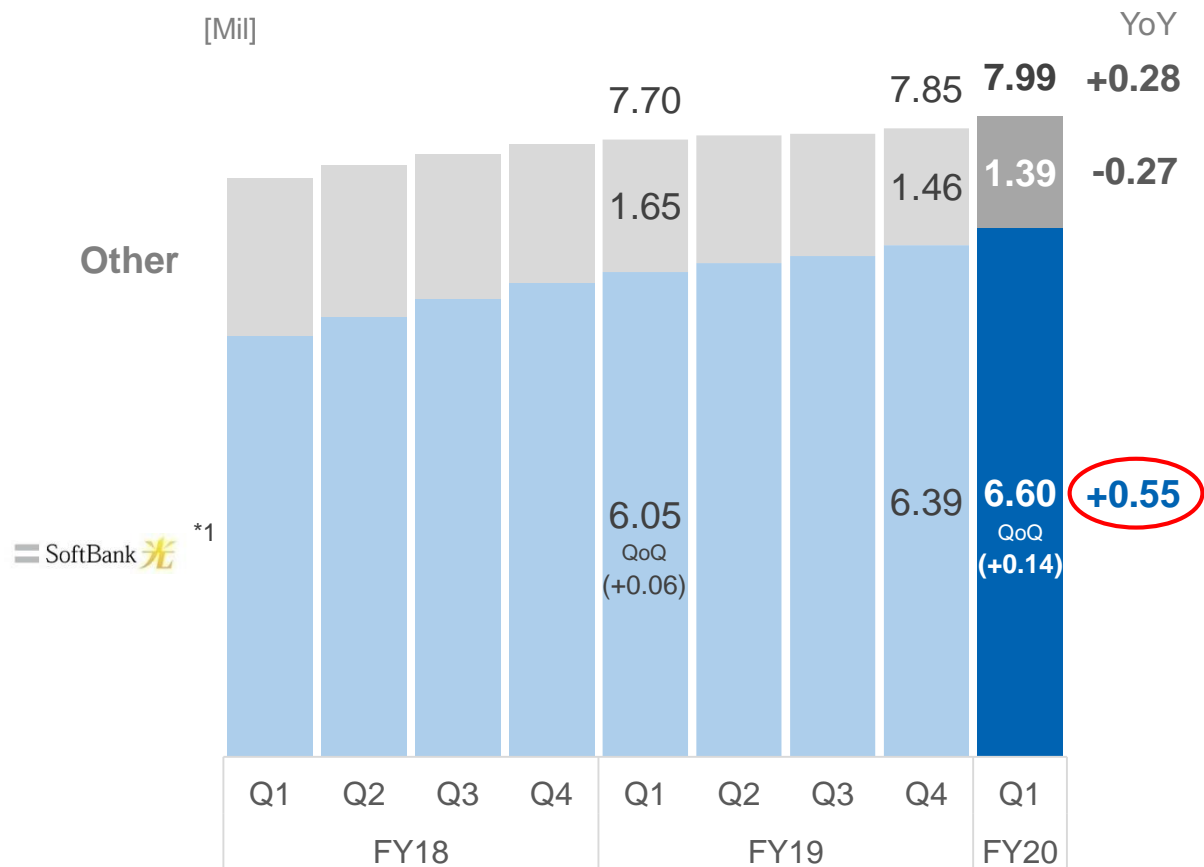
*1: Change in the method of recording discount on service fees (First-year discount); deferred over a 24-month period before amendment of Telecommunications Business Act in October 2019, recorded over a 12-month period after amendment

*2: Revenue deductions relating to reward points and programs supporting handset payments are not included in calculation of ARPU

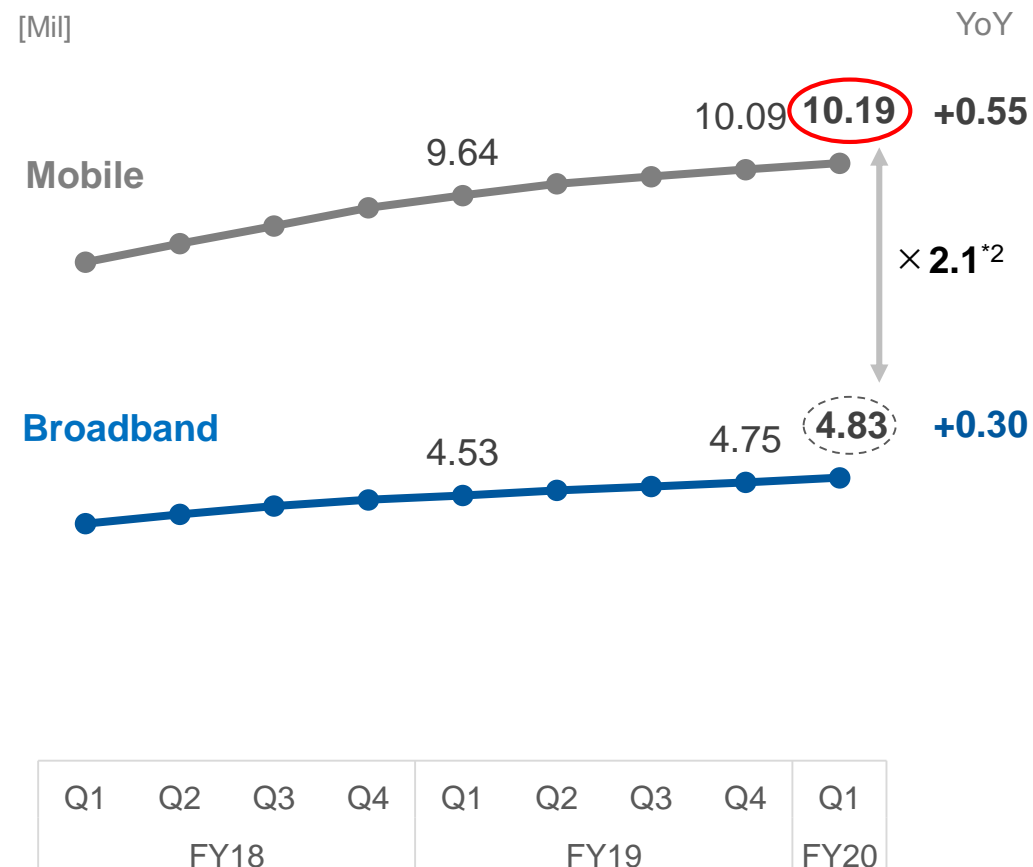
Broadband Service

- SoftBank Hikari cumulative subscribers (connected lines) reached 6.60 mil, steadily increased by 0.55 mil YoY
- Increase in subscribers accelerated partly from increase in telework demand (Net adds of FY20Q1 +0.14, FY20Q1 +0.06)
Home Bundle Discount Hikari Set steadily increased

Cumulative Subscribers (Number of Connected Lines)



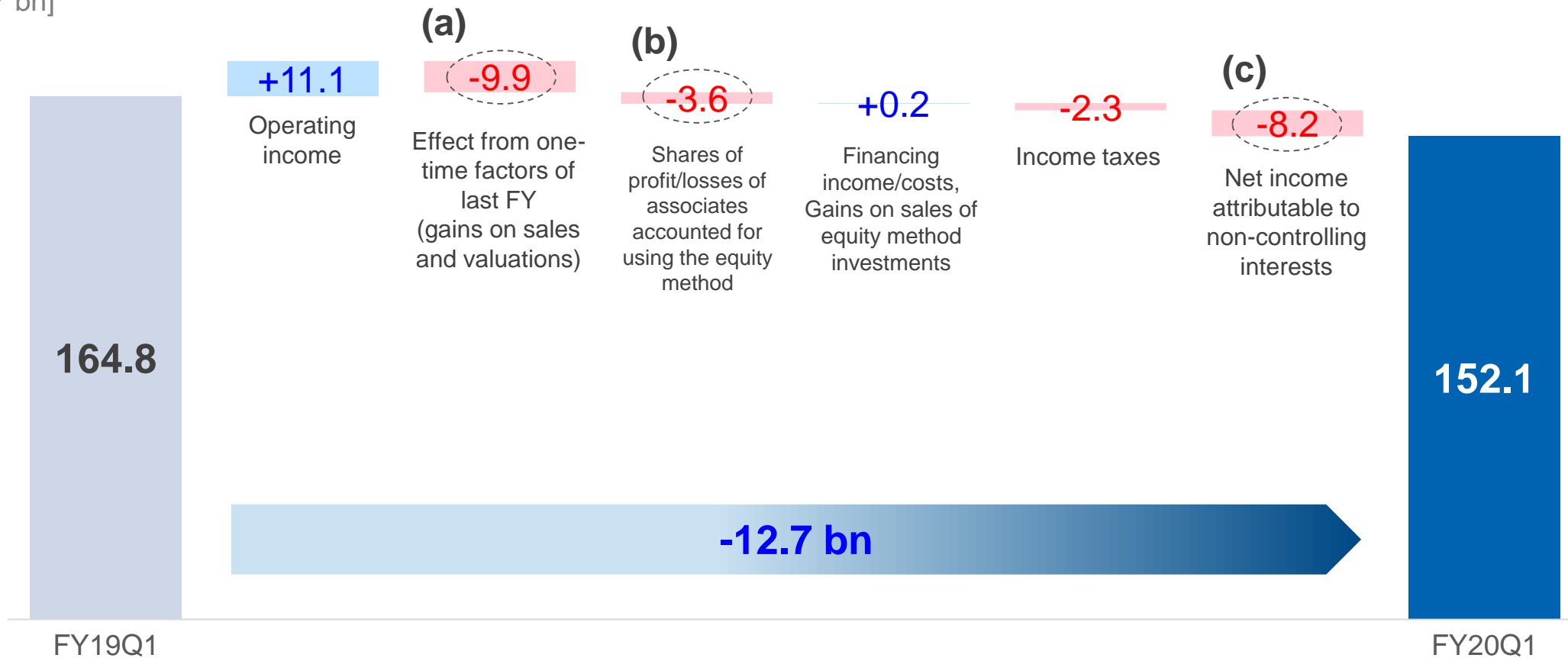
Home Bundle Discount Hikari Set Cumulative Subscribers



Net Income (YoY Comparison)

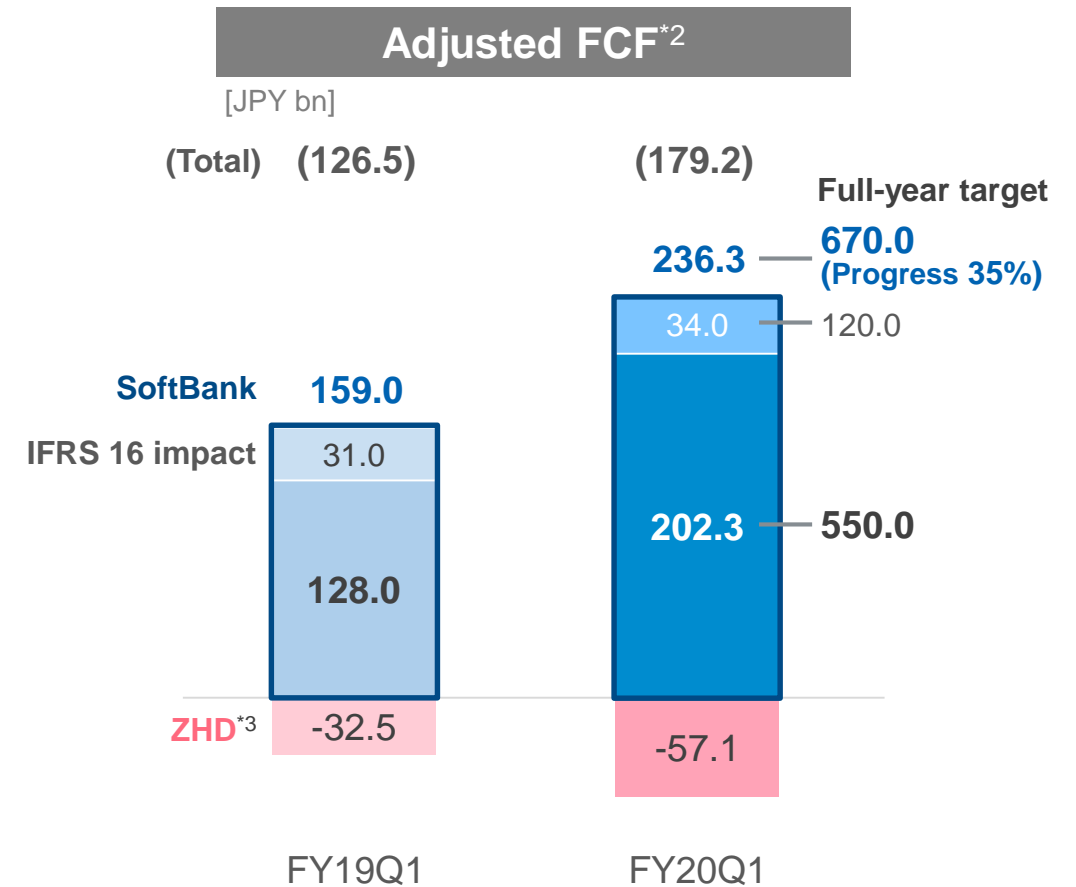
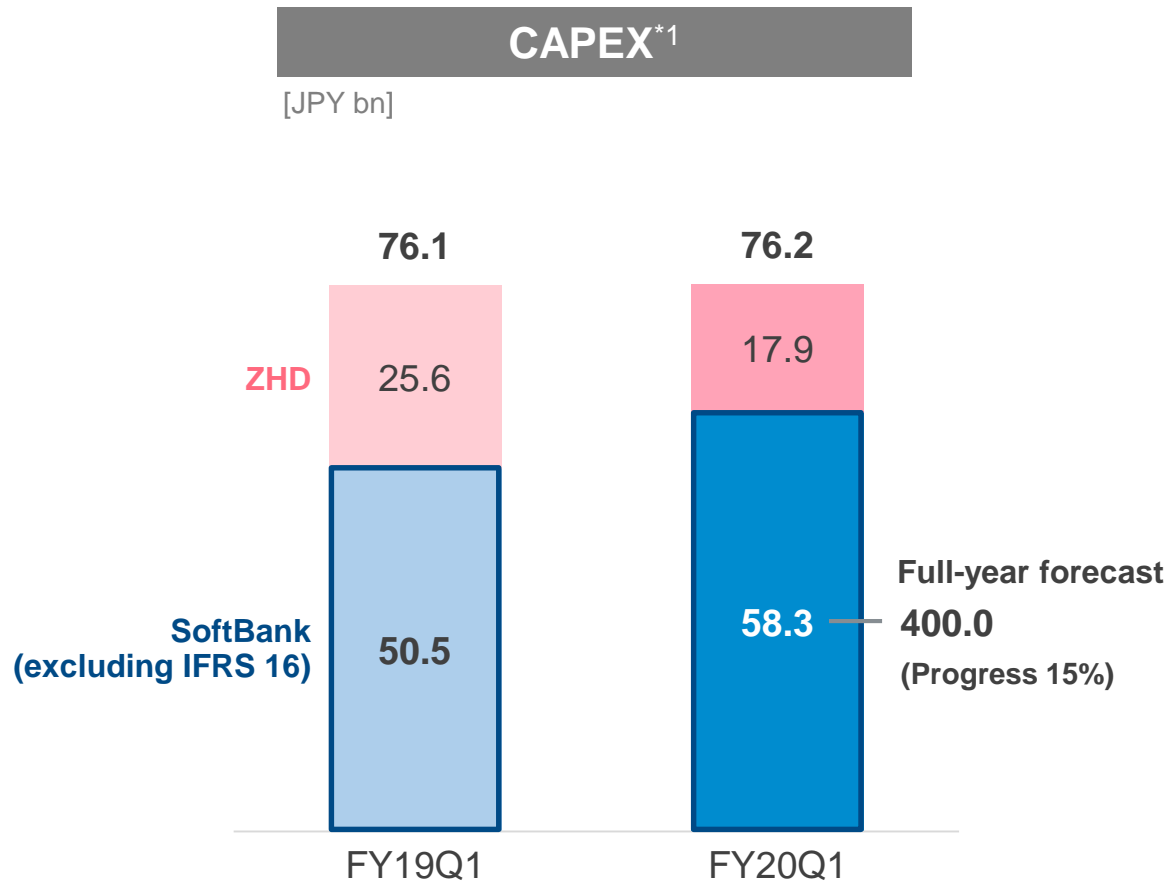
- Effect from one-time factors of last fiscal year such as gains on sales and valuations of shares (a)
- Shares of profit/losses of associates accounted for using the equity method: Loss increased from upfront marketing investment to new businesses, such as PayPay (b)
- Impact on net income attributable to non-controlling interests mainly came from ZHD earning growth (c)

[JPY bn]



CAPEX/Adjusted Free Cash Flow

- CAPEX was JPY 76.2 bn. CAPEX excluding ZHD was JPY 58.3 bn
- Adjusted free cash flow excluding ZHD (including IFRS 16 impact) was JPY 236.3 bn. Steady progress towards full-year target of JPY 670.0 bn



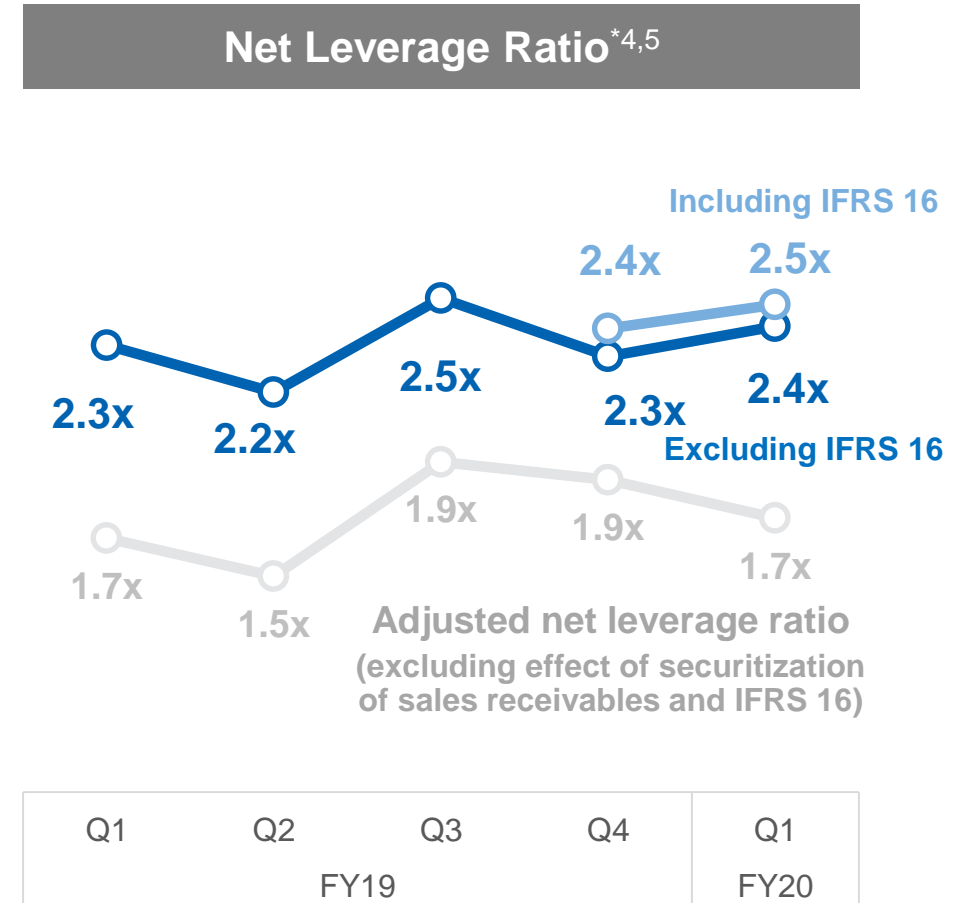
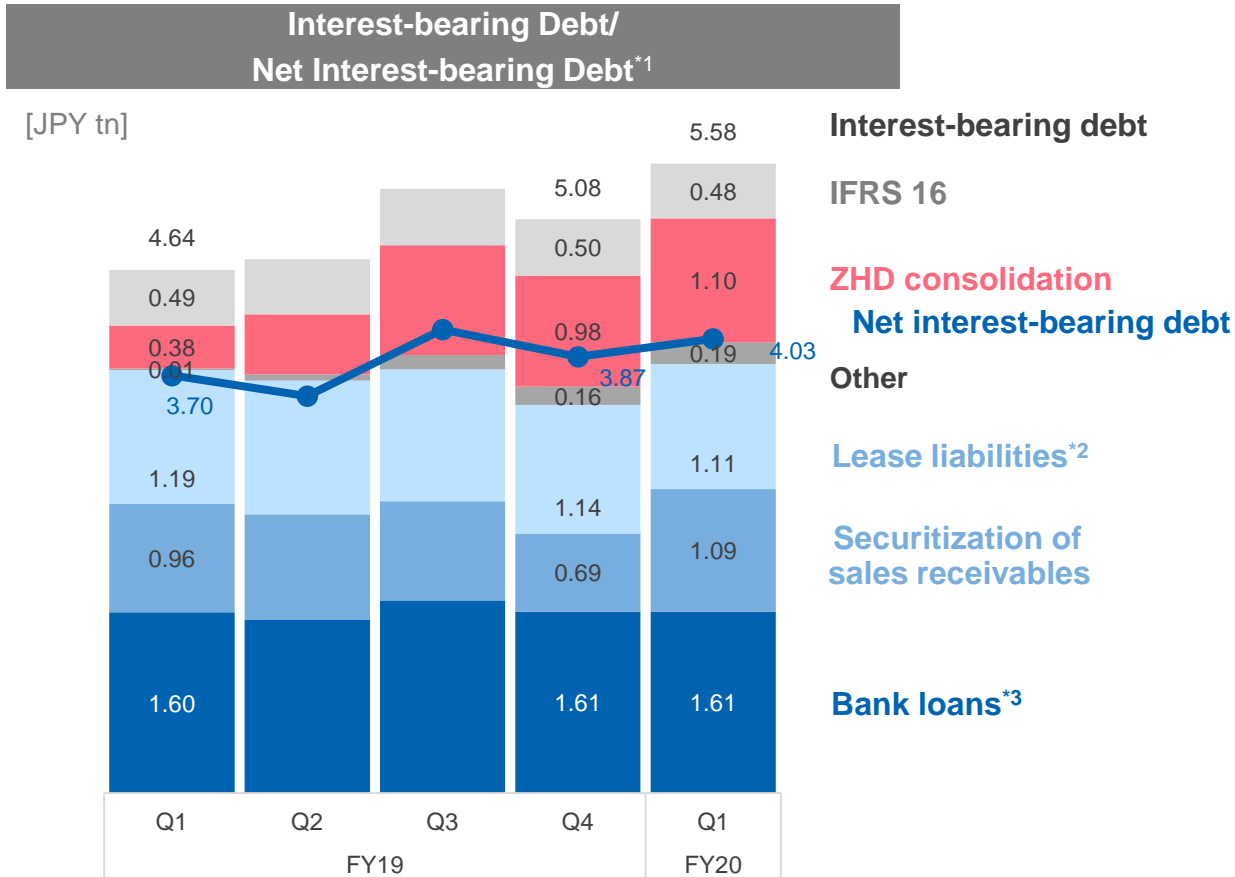
*1: CAPEX is on acceptance basis. Excludes CAPEX for rental mobile phones and impact from IFRS 16

*2: Adjusted FCF = FCF ± total CF relating to non-recurring transactions with SoftBank Group Corp. + (proceeds from the securitization of installment sales receivables – repayments thereof)

*3: Sum of ZHD's FCF and dividend payments from ZHD to SoftBank Corp. (FY19Q1: 5.4 bn, FY20Q1: 18.8 bn) (including impact of IFRS 16 in ZHD)

Interest-bearing Debt/Net Interest-bearing Debt and Net Leverage Ratio

- Accumulated cash in hands to prepare for COVID-19 by full securitization of sales receivables. Interest-bearing debt increased QoQ partly due to the issuance of bonds by ZHD of JPY 200.0 bn
- Net leverage ratio slightly increased due to seasonal factors such as payments of dividends and income tax, JPY 495.5 bn in total



*1: Net interest-bearing debt = Interest-bearing debt – Cash and cash equivalents – Cash reserve of securitization of sales receivables. Cash reserve for securitization of sales receivables is included in net interest-bearing debt from FY20, figure of FY19 is restated accordingly

*2: Lease liabilities for FY19 are liabilities and borrowings related to sale and leaseback transactions of SoftBank Corp. (standalone basis) and WCP (including payables from purchase of installments)

*3: Senior Loan Agreements which SoftBank Corp. entered in October 2019

*4: Net leverage ratio = Net interest-bearing debt / Adjusted EBITDA (LTM)

*5: LTM EBITDA of ZOZO retrospectively adjusted for FY19Q3, Q4 and FY20Q1

Major Financing Activities (Excluding ZHD)

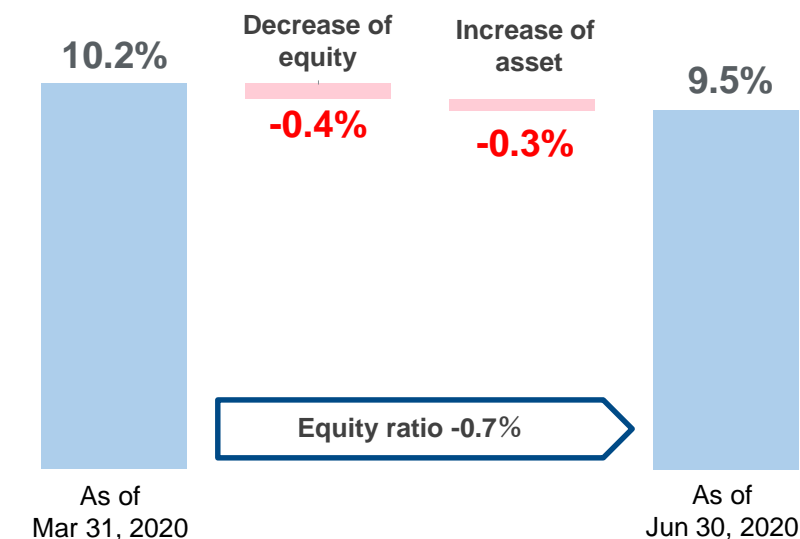
- Secured sufficient liquidity on hand in preparation for COVID-19
- Succeeded in the large-scale straight bond issuance of JPY 100.0 bn due to strong investors' appetite

Category	Events	Purpose, effect, etc.	FY20Q1 balance	Time period
Secure liquidity on hand	Securitization of telecom service fee receivables	Receivables securitization facility to secure working capital (Facility amount: JPY 300.0 bn)	JPY 298.0 bn	From Apr 2020
	Securitization of installment receivables through self settled trusts	Improve efficiency by securitization of installment receivables (Facility amount: JPY 250.0 bn)	JPY 52.3 bn	From Apr 2020
	Issuance of short-term corporate bonds (CP)	Financing of working capital with low interest	JPY 129.1 bn	From Apr 2020
Corporate bonds	2nd issuance of bonds	Diversification of medium-to long-term financing sources Financing for repayment of borrowings	JPY 100.0 bn (Proceeds, Issued in Jul)	Jul 2020
	Renewal of credit ratings	Preparations for the issuance of corporate bonds Obtaining opinions on financial independence	R&I A+ JCR AA-	Jul 2020

Status of Assets and Equity

- Shareholders' equity ratio is 9.5%, -0.7% from end of March 2020 (Ratio of total equity to total asset 16.4%)
- Shareholders' equity ratio would be 12.7%, excluding the accounting treatment in connection with ZHD consolidation

[JPY bn]	As of Mar 31, 2020	As of Jun 30, 2020	Variance
Cash and cash equivalents	1,143.8	1,469.4	+325.6
Others	8,648.5	8,609.1	-39.4
Total assets	9,792.3	10,078.5	+286.2
Interest-bearing debt	5,082.3	5,575.4	+493.1
Others	3,002.4	2,846.0	-156.4
Total liabilities	8,084.7	8,421.4	+336.7
Total equity attributable to owners of the Company	1,000.5	957.4	-43.1
Others	707.0	699.7	-7.3
Total equity	1,707.6	1,657.1	-50.5
Shareholders' equity ratio*	10.2%	9.5%	-0.7%
Ratio of total equity to total asset	17.4%	16.4%	-1.0%



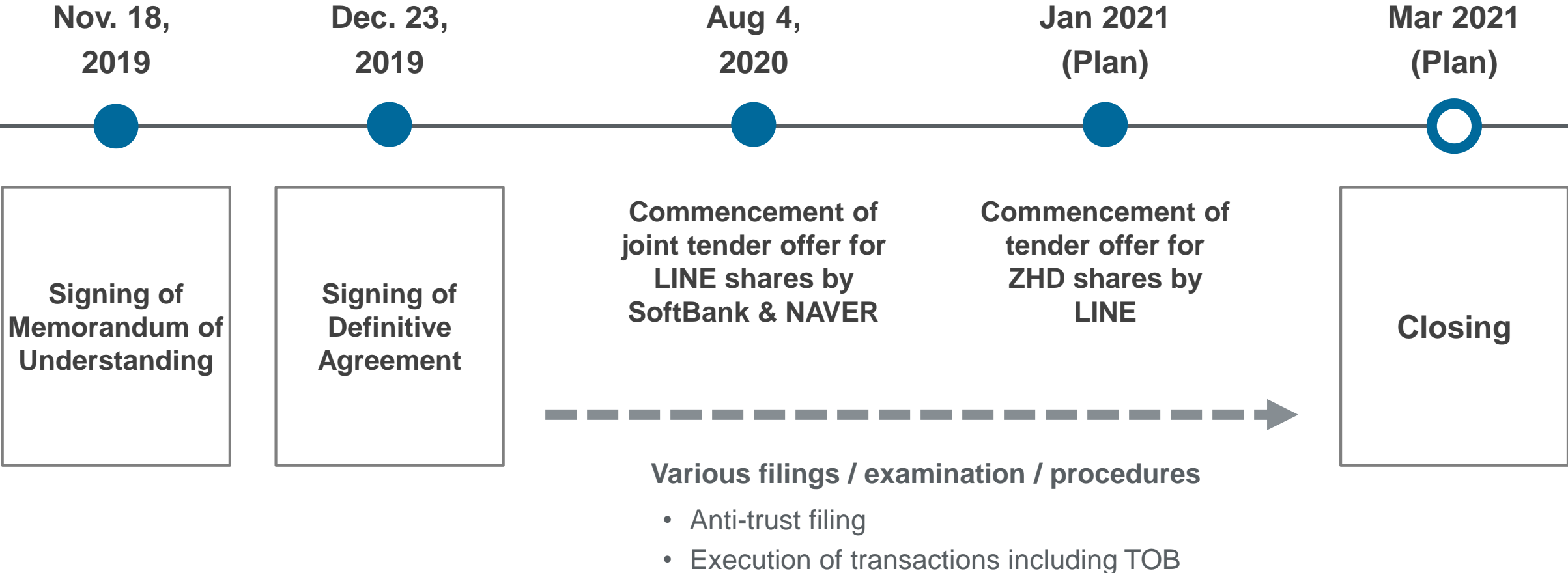
(Reference)	[JPY bn]
Acquisition price of ZHD	677.5
Market price of ZHD (SB's share) (As of Aug 3, 2020)	1396.4
Consolidated book value* (As of Jun 30, 2020)	371.6

*Including an impact of deduction in capital surplus of 321.4 bn, which is equivalent to goodwill, associated with ZHD consolidation

* Shareholders' equity ratio = total equity attributable to owners of the Company ÷ total assets

Timeline of Business Integration between ZHD and LINE

SoftBank



Road to Achieve JPY 1 Trillion Operating Income

Financial Targets

	FY19 Actual	FY20 Forecast	FY22 Forecast
Revenue	JPY 4,861.2 bn	JPY 4,900.0 bn	JPY 5,500.0 bn
Adjusted EBITDA^{*1}	1,603.1 bn	1,630.0 bn	1,700.0 bn
Operating income	911.7 bn	920.0 bn	1,000.0 bn
Net income^{*2}	473.1 bn	485.0 bn	530.0 bn
CAPEX^{*3}	371.3 bn	400.0 bn	c. 400.0 bn
Adjusted FCF^{*4}	644.7 bn	670.0 bn	Over 670.0 bn
Net leverage ratio^{*5}	2.4 times	—	Improve from 2.4 times

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

*2: Net income: net income attributable to owners of SoftBank Corp.

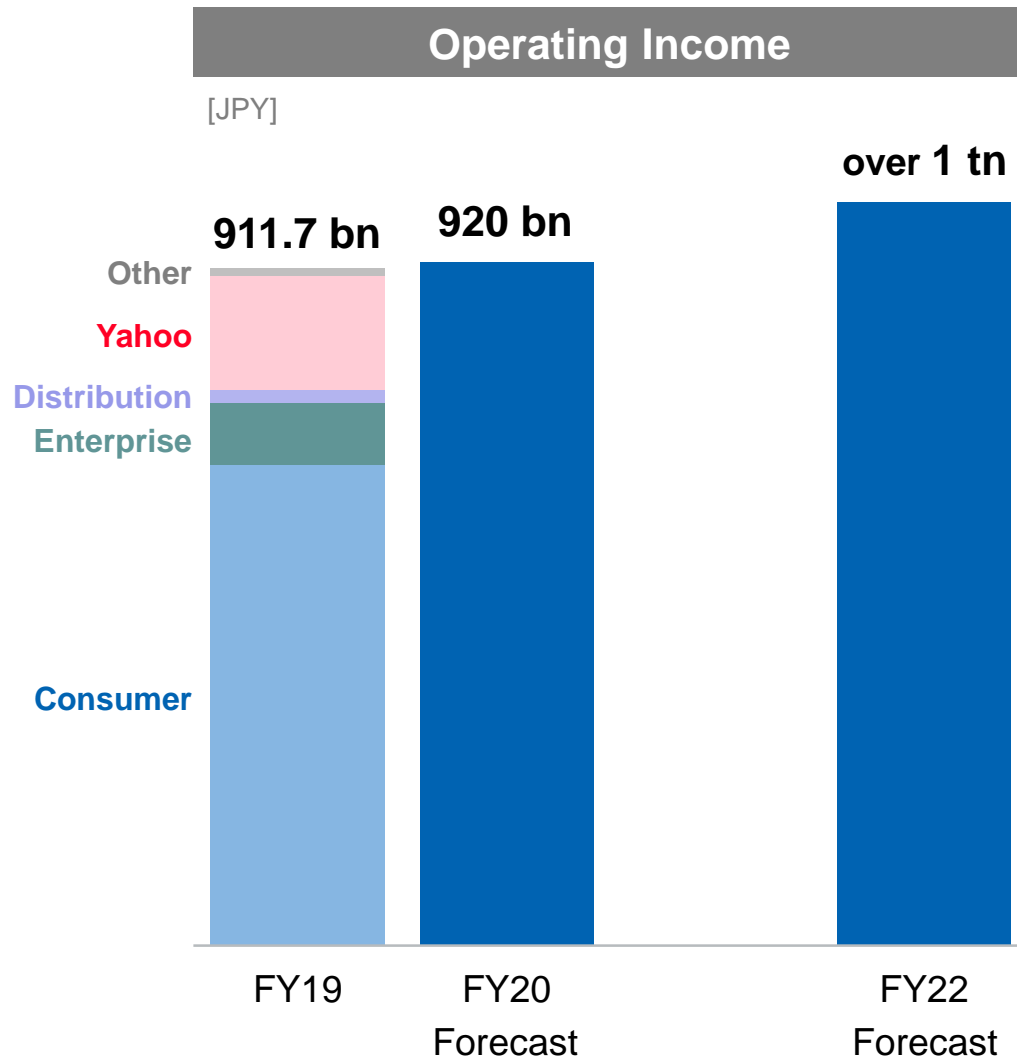
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*4: Adjusted FCF = FCF ± total CF relating to non-recurring transactions with SoftBank Group Corp. + (proceeds from the securitization of installment sales receivables – repayments thereof). Excludes ZHD

*5: Net leverage ratio = Net interest-bearing debt/ Adjusted EBITDA (LTM)

Profit and Business Targets by Segments (FY20-FY22)

- Continue to accelerate “Beyond Carrier” strategy to achieve operating income of over JPY 1 tn and pursue growth continuously thereafter



Profit targets by Segment

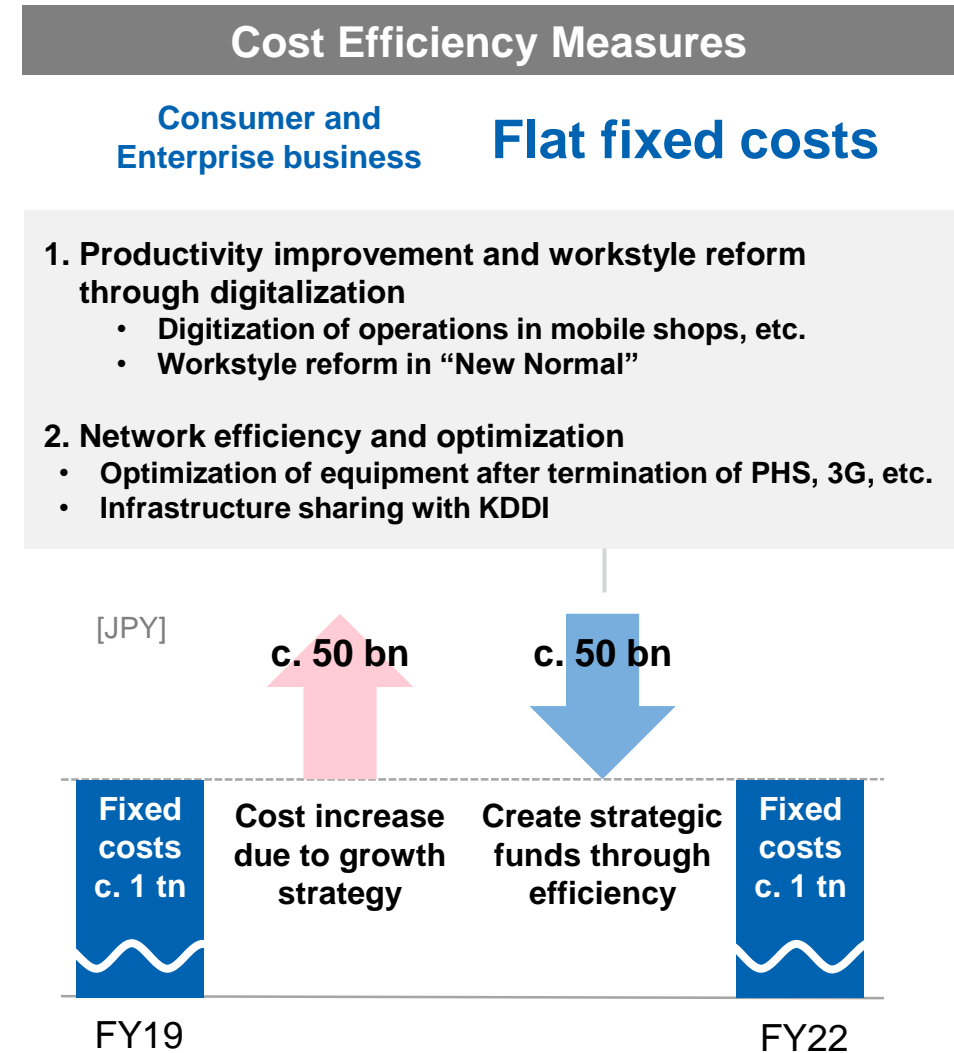
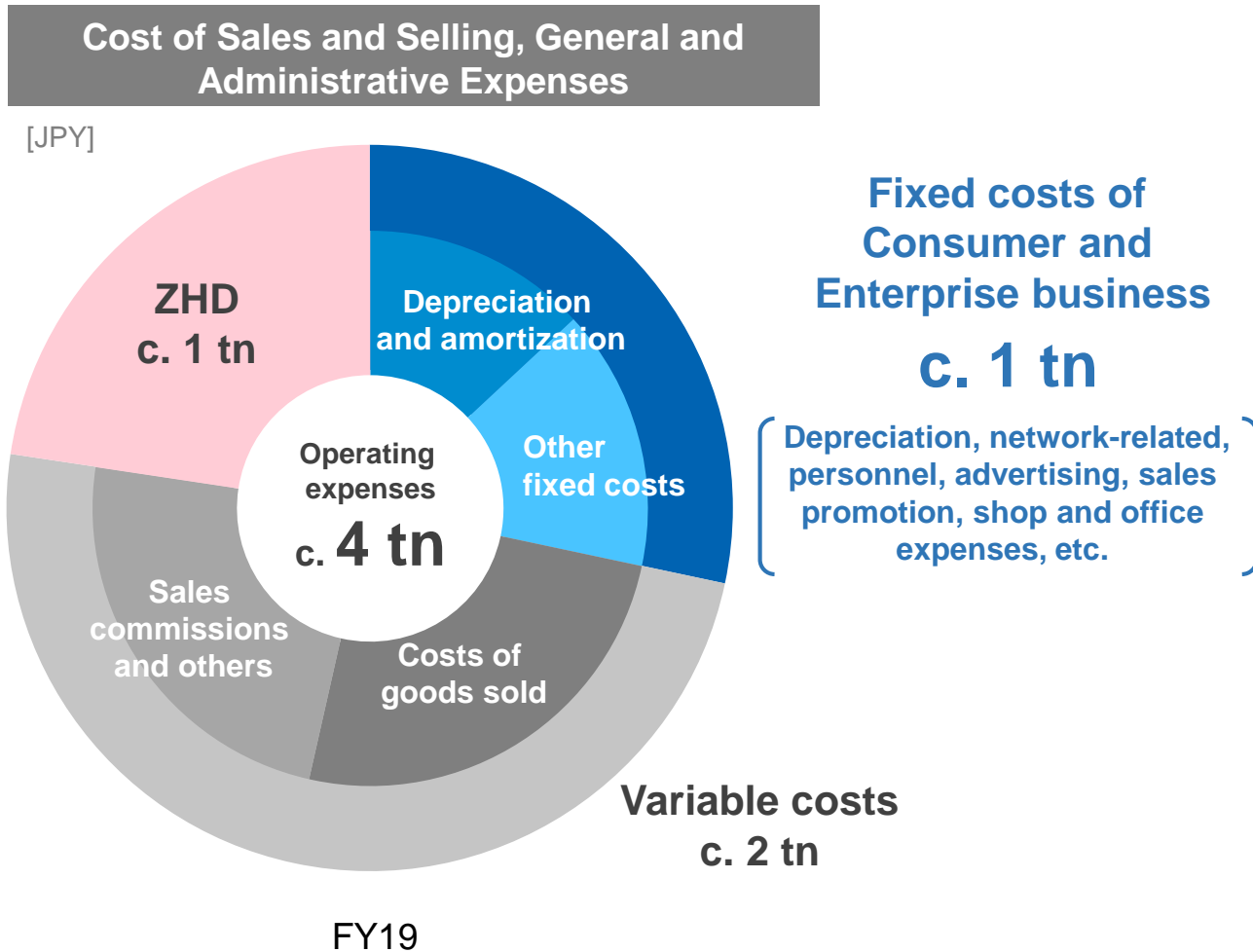
Consumer	Profit increase every year
Enterprise	Double-digit profit increase every year
Yahoo	Profit increase / Operating profit 225.0 bn in FY23

Business targets

- 30 mil smartphone users in FY23
- Double-digit growth in revenue of Business Solution and Others (Enterprise)
- Achieve No.1 in e-commerce transaction value in Japan by mid-2020s (Yahoo)
- Reduce loss on equity investments

Structural Reform – Cost Efficiency

- We aim to reduce fixed costs to absorb increase from new business expansion, and thus keep total fixed costs flat

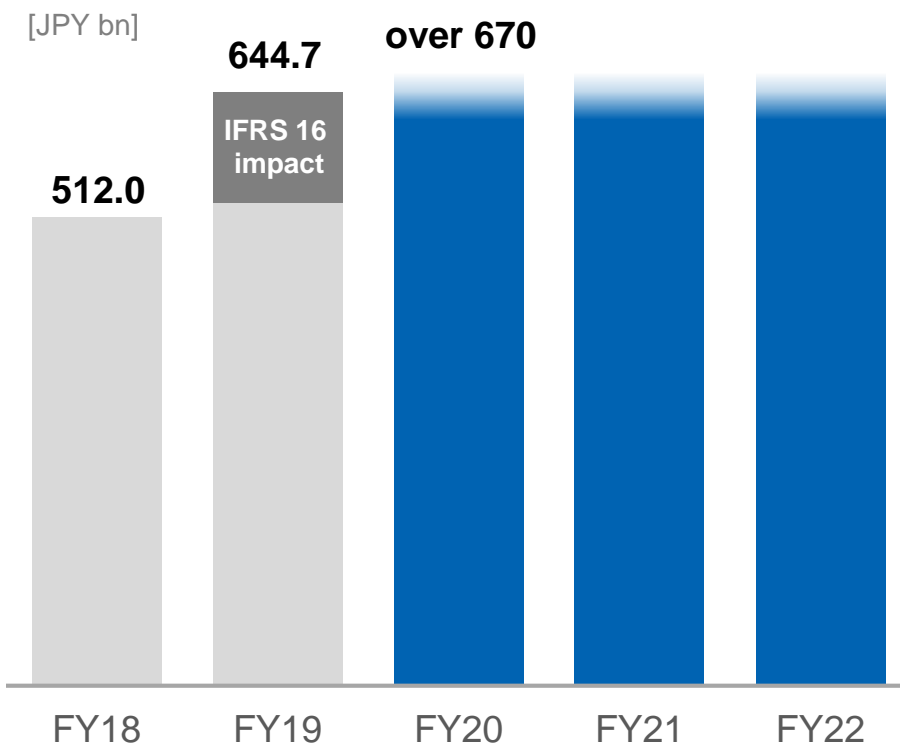


Financial Discipline

- We aim to generate stable free cash flow, and strengthen financial position by decreasing interest-bearing debt over years

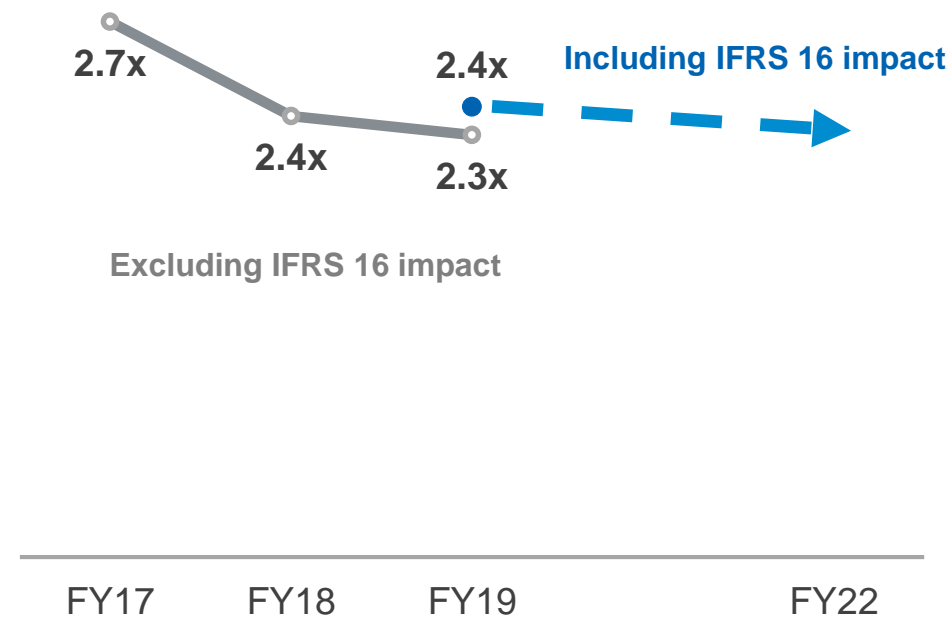
Adjusted FCF (excludes ZHD)*1

Over 670 bn every year
(excluding impact from LINE TOB)



Net Leverage Ratio*2

Improve from 2.4x
(excluding impact from LINE TOB)

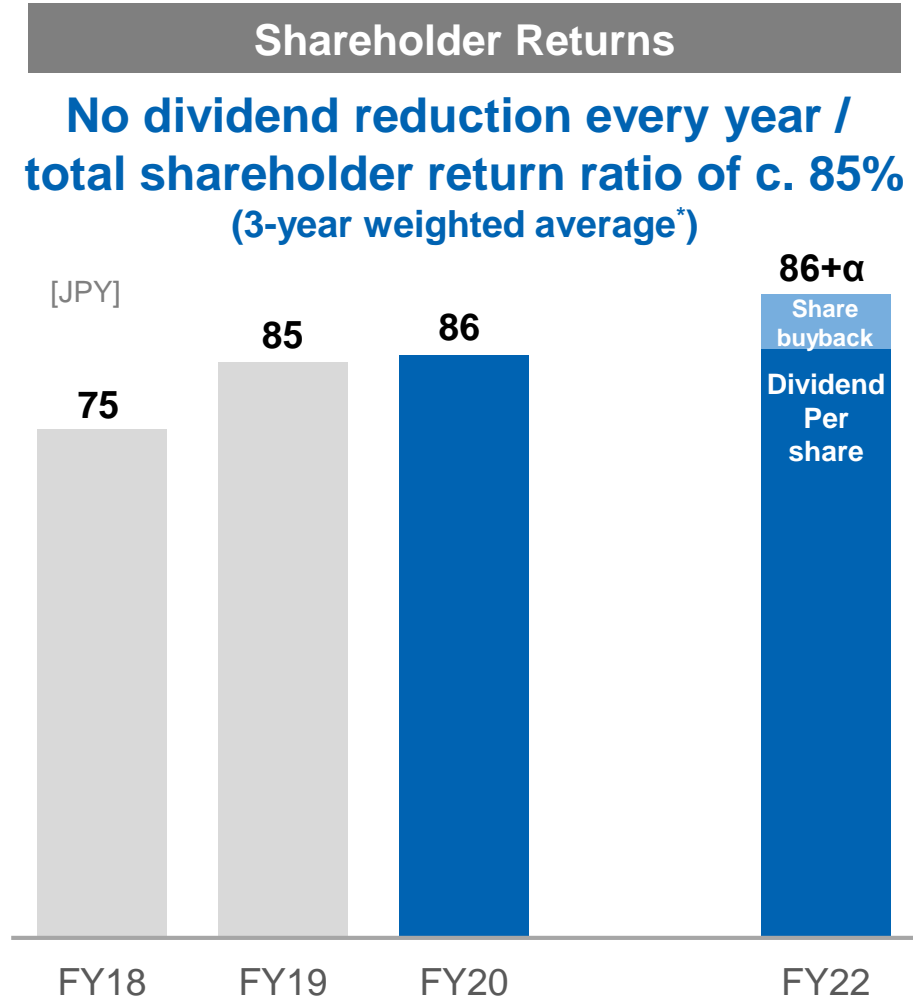
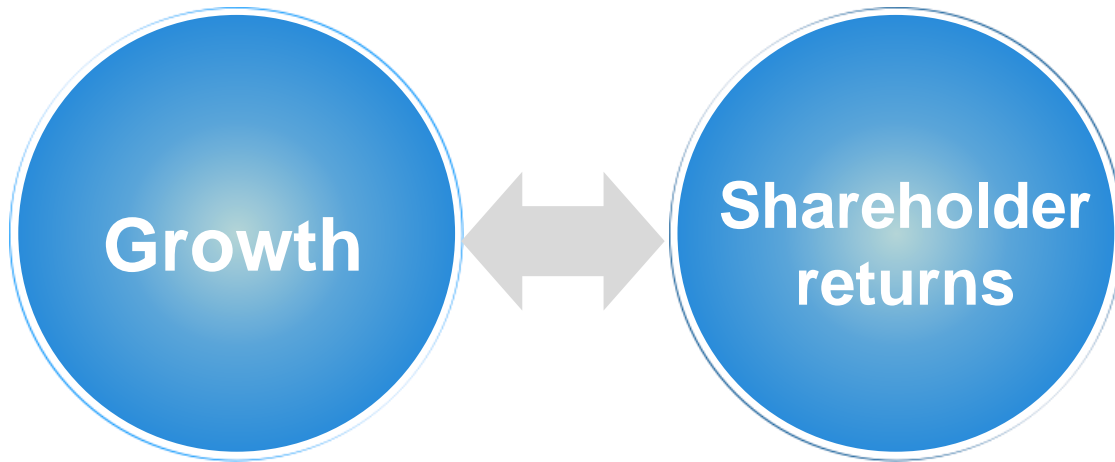


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*2: Net leverage ratio = Net interest-bearing debt/ Adjusted EBITDA (LTM)

- Continue stable and high dividend payments

Achieve both growth and shareholder returns



*Total dividends and share buybacks for FY20-FY22 / total net income attributable to owners of SoftBank Corp. for FY20-FY22

Appendix

Consolidated Statements of Income

[JPY bn]	FY19Q1	FY20Q1	Variance	Reasons for Variance
Revenue	1,164.9	1,172.6	+7.8	
Cost of sales	-579.8	-569.6	+10.2	
Gross profit	585.1	603.1	+18.0	
Selling, general and administrative expenses	-316.2	-323.1	-6.9	
Operating Income	268.9	279.9	+11.1	
Share of gain / losses (-) of associates accounted for using the equity method	-5.7	-9.3	-3.6	Increase in investments for business expansion of PayPay
Financing income	5.3	3.4	-1.8	
Financing costs	-14.3	-16.7	-2.3	
Gains on sales of equity method investments	5.5	-	-5.5	
Profit before income taxes	259.5	257.4	-2.2	
Income taxes	-86.9	-89.2	-2.3	
Net income	172.6	168.1	-4.5	
Net income attributable to				
Owners of the Company	164.8	152.1	-12.7	
Non-controlling interests	7.8	16.0	+8.2	Increase due to profit increase of ZHD

Consolidated Statements of Financial Position (Assets)

[JPY bn]	As of Mar 31, 2020	As of Jun 30, 2020	Variance	Reasons for Variance
Total assets	9,792.3	10,078.5	+286.3	
Current assets	3,364.3	3,674.2	+309.9	
Cash and cash equivalents	1,143.8	1,469.4	+325.6	Increase in funds procured from securitization of sales receivables
Trade and other receivables	1,800.3	1,759.7	-40.6	
Other financial assets	94.9	86.0	-8.9	
Inventories	96.9	117.1	+20.2	
Other current assets	228.4	242.0	+13.6	
Non-current assets	6,428.0	6,404.3	-23.6	
Property, plant and equipment	986.1	1,037.0	+50.9	Increase in telecommunication facilities
Goodwill	618.6	624.8	+6.2	
Intangible assets	1,709.5	1,694.7	-14.8	
Right-of-use assets	1,234.5	1.1	-96.6	Decrease from depreciation
Contract costs	212.6	216.6	+4.0	
Investments accounted for using the equity method	80.1	88.5	+8.4	
Other financial assets	905.6	904.2	-1.4	
Investment securities	175.2	182.3	+7.2	
Investment securities in banking business	343.0	357.7	+14.8	
Deferred tax assets	55.9	52.6	-3.3	
Other non-current assets	106.9	108.0	+1.1	

Consolidated Statements of Financial Position (Liabilities)

[JPY bn]	As of Mar 31, 2020	As of Jun 30, 2020	Variance	Reasons for Variance
Total liabilities	8,084.7	8,421.4	+336.7	
Current liabilities	4,496.6	4,631.2	+134.6	
Interest-bearing debt	1,811.3	2,119.8	+308.6	Increase from securitization of sales receivables
Trade and other payables	1,253.8	1,165.9	-87.8	
Deposits for banking business	880.8	987.5	+106.7	Increase in saving accounts of The Japan Net Bank
Contract liabilities	127.7	126.8	-0.8	
Other financial liabilities	3.8	2.8	-1.0	
Income taxes payable	153.4	60.9	-92.4	Decrease from tax payment
Provisions	6.8	12.4	+5.6	
Other current liabilities	259.1	154.9	-104.2	Withholding tax related to dividends paid from Yahoo Japan to ZHD
Non-current liabilities	3,588.1	3,790.2	+202.1	
Interest-bearing debt	3,271.0	3,455.5	+184.5	Bond issuance by ZHD of 200.0
Other financial liabilities	36.8	35.9	-0.9	
Defined benefit liabilities	16.3	16.4	+0.1	
Provisions	83.9	81.8	-2.0	
Deferred tax liabilities	168.2	188.7	+20.5	
Other non-current liabilities	11.9	11.9	-0.0	

Consolidated Statements of Financial Position (Equity)

[JPY bn]	As of Mar 31, 2020	As of Jun 30, 2020	Variance	Reasons for Variance
Total equity	1,708	1,657	-50.4	
Equity attributable to owners of the Company	1,001	957	-43.7	
Common stock	204	204	-	
Capital surplus	-134	-141	-7.5	
Retained earnings	1,004	954	-49.4	-201.5 from dividend payments by SoftBank Corp and +152.1 from net income in FY20Q1
Treasury stock	-68.7	-56.5	+12.2	
Accumulated other comprehensive income	-4.7	-3.2	+1.5	
Non-controlling interests	707	700	-7.3	

Consolidated Statements of Cash Flows

[JPY bn]	FY19Q1	FY20Q1	Reasons for Variance
Cash flows from operating activities	205.2	246.4	
Net income	172.6	168.1	
Depreciation	164.0	170.8	
Change in working capital	-46.7	-26.2	
Interest paid	-12.9	-14.8	
Income taxes paid/refunded	-128.6	-270.3	Increase related to withholding tax related to dividends paid within ZHD group
Other	56.8	218.7	Increase in deposits for banking business
Cash flows from investing activities	-107.7	-154.2	
Purchases of/proceeds from sales of property, plant and equipment and intangible assets	-107.8	-108.7	
Proceeds from sales/redemption of investments	3.3	-21.6	Effect from sale of shares in FY19Q1
Proceeds from obtaining control of subsidiaries	-	-9.1	
Other	-3.2	-14.8	
Cash flows from financing activities	-163.9	233.3	
Proceeds from interest-bearing debt	589.4	612.2	
Repayment of interest-bearing debt	-298.1	-468.5	Repayment of bank borrowings by ZHD
Net increase/decrease of short-term interest-bearing debt	320.3	321.4	
Cash dividends paid	-191.4	-198.7	
Cash dividends paid to non-controlling interests	-23.9	-26.6	
Purchase of treasury stock by subsidiaries	-526.8	-	Purchase of treasury stock by ZHD in FY19Q1
Other	-57.2	-33.1	
Effect of exchange rate changes on cash and cash equivalents	-0.4	0.0	
Cash and cash equivalents at the beginning of the period	938.4	1,143.8	
Cash and cash equivalents at the end of the period	871.5	1,469.4	
	0.0	0.0	
Adjusted free cash flow	126.5	179.2	

Subsidiaries (1/2)

■ 265 group companies at the end of Jun 2020 (of which, 203 subsidiaries and 62 affiliate*¹ companies)

Segment	Company Name	Ratio of Voting Rights Held	Business Description	Blue: listed company
Consumer	Wireless City Planning Inc.	32.2%	Telecommunication services (Economic interests: 99.5%)	
	LINE MOBILE Corporation	60.0%	Telecommunication services	
	WILLCOM OKINAWA, Inc.	100.0%	Telecommunication services	
	SB Power Corp.	100.0%	Sales and purchases of power and mediating power transaction	
	SB Mobile Service Corp.	100.0%	Call center business	
Enterprise	IDC Frontier Inc.	100.0%	Data center business	
	Telecom Engineering CO.,LTD.* ²	100.0%	Construction and operation related to telecommunications	
Distribution	SB C&S Corp.	100.0%	Distribution and sales of IT-related products, provision of IT-related services	
Yahoo	Z Holdings Corporation* ³	44.6%	Holdings company	
	Yahoo Japan Corporation	100.0%	E-commerce, internet advertising business	
	ZOZO, Inc.	50.1%	Operation of an e-commerce fashion website, distribution of private brand, operation of fashion media	
	Ikyu Corporation	100.0%	Operation of internet sites that provide reservation services for high-end hotels and restaurants, etc.	
	YJ Card Corporation	100.0%	Credit card, card loan, credit guarantee business	
	ASKUL Corporation	45.1%	Mail-order service of office-related products and other delivery services	
	YJFX, Inc.	100.0%	Foreign exchange margin trading business	
	The Japan Net Bank, Limited	46.6%	Banking business	
	eBOOK Initiative Japan Co., Ltd.	43.4%	Content digitization and distribution service, planning, development, and production of digital content, and publishing and editorial service for magazines and books	
	ValueCommerce Co., Ltd.	52.0%	Advertisement business, CRM business	

*1: Affiliate companies include joint ventures

Subsidiaries (2/2), Affiliates

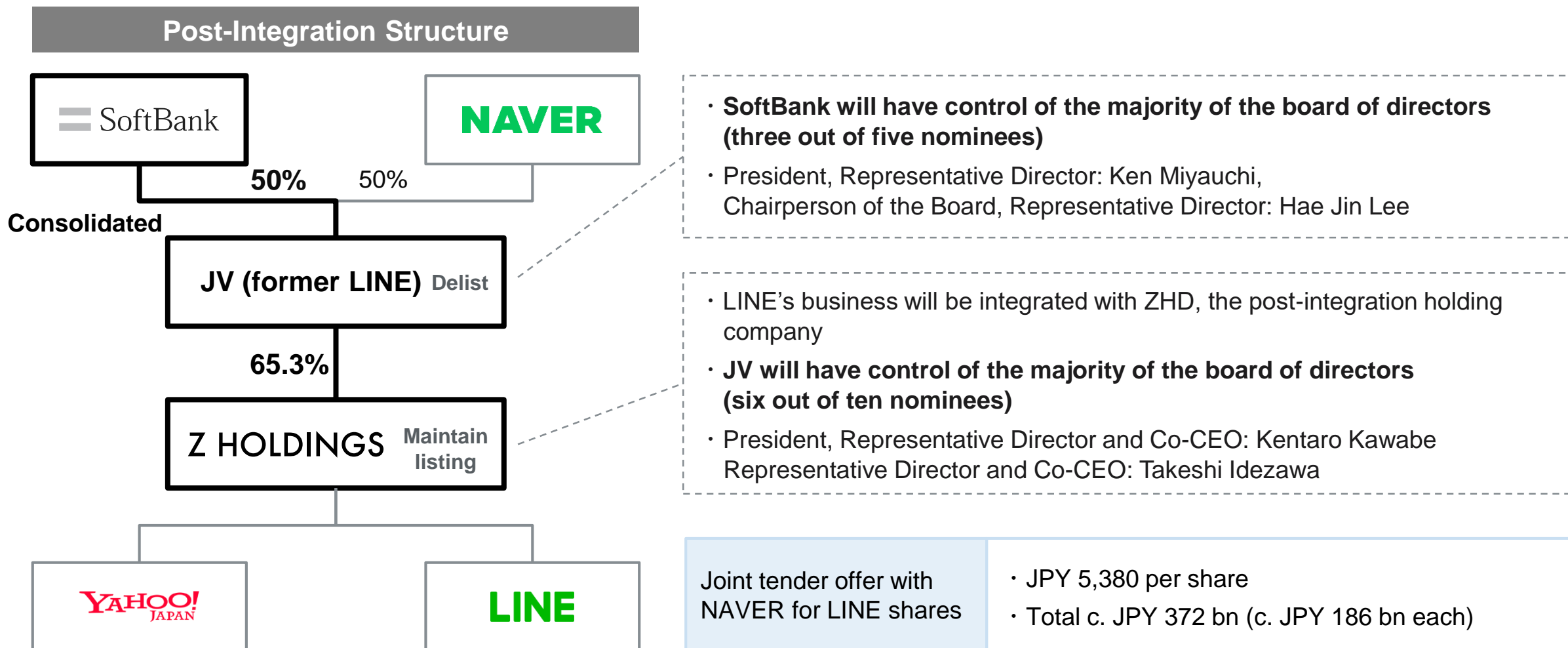
Segment	Company Name	Ratio of Voting Rights Held	Business Description	Blue: listed company
Other	HAPSMobile Inc.	92.9%	R&D and manufacturing of network equipment for HAPS business	
	SB Payment Service Corp.	100.0%	Payment processing	
	SB Cloud Corp.	60.0%	Sales of public cloud services	
	One Tap BUY Co., Ltd.	67.9%	Securities business specializing in smartphones	
	SB Media Holdings Corp.	100.0%	Intermediate holdings company that owns ITmedia Inc.	
	ITmedia Inc.	52.8%	Operation of comprehensive IT information site ITmedia	
	SB Players Corp.	100.0%	Solution services for government	
	SoftBank Technology Corp.*1	53.3%	Cloud service, security monitoring service, provision of IoT solution	
	Vector Inc.	42.4%	Sales of download licenses for PC software and advertising sales	

Category	Company Name	Ratio of Voting Rights Held	Business Description	Blue: listed company
Affiliate companies	PayPay Corporation	50.0%	Development and offering of electronic payment services such as mobile payment	
	WeWork Japan G.K.	25.0%	Provision of co-working spaces	
	OYO Hotels Japan G.K.	24.9%	Provision of accommodation and hotel services	
	Tpoint Japan Co., Ltd.	34.0%	Point management business	
	J.Score CO., LTD.	50.0%	FinTech services using AI-scoring	
	Geniee, Inc.	31.3%	Marketing technology business	
	Scigineer Inc.	32.1%	Internet marketing support services utilizing “deqwas”, a personalized engine for e-commerce businesses and retailers	

Business Integration Between ZHD and LINE

- After the business integration is completed, the JV (consolidated by SoftBank) between NAVER and SoftBank will own 65.3% of ZHD

Post-Integration Structure

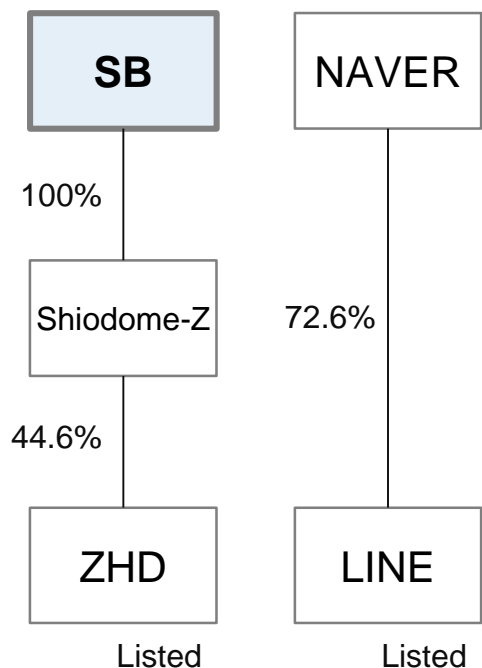


*The structure is partially omitted or simplified.

*The structure of each of the proposed transactions and their ordering relative to one another may be changed within the scope of the purpose of this business integration and with the agreement of all parties concerned.

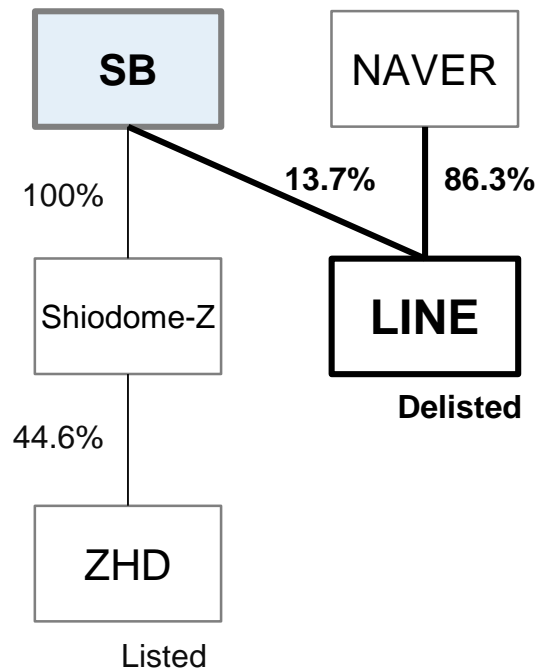
Proposed Transaction Structure

As of the commencement of transaction



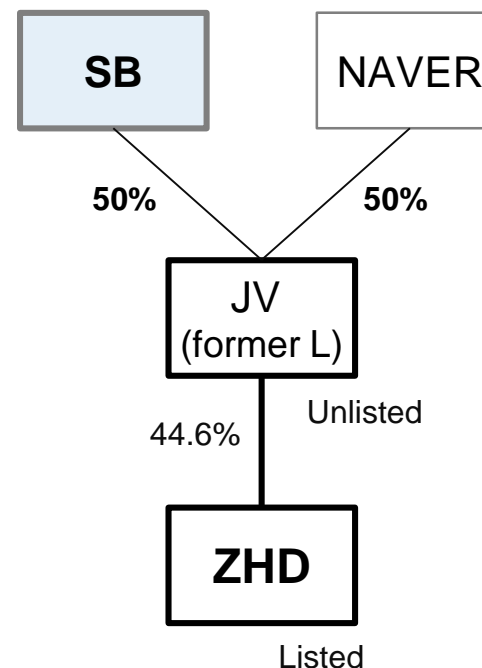
Tender offer for LINE shares/ 100% subsidization

Joint tender offer and squeeze-out



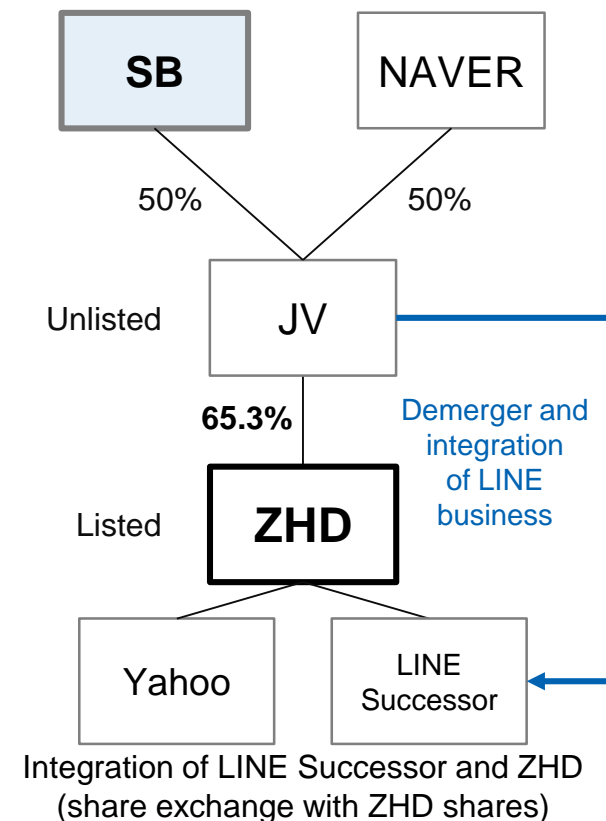
Cash outflow of c. JPY 186 bn for each company

Transfer of ZHD shares



- 1) LINE will acquire ZHD shares from Shiodome-Z through tender offer
- 2) LINE and Shiodome will merge, and in exchange LINE will issue shares to SB

Integration of ZHD and LINE business



Integration of LINE Successor and ZHD (share exchange with ZHD shares)

*The structure is partially omitted or simplified.

*The structure of each of the proposed transactions and their ordering relative to one another may be changed within the scope of the purpose of this business integration and with the agreement of all parties concerned.

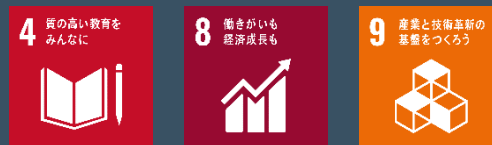
■ Identified priority issues (materiality) to contribute to the achievement of Sustainable Development Goals (SDGs)

Solving social issues through business

Building society and industry through digital transformation



Connecting people to information to create new excitement



Creating new business through open innovation



Solving social issues through corporate activities

Contributing to the global environment with the power of technology



Building high-quality social networks



Developing a resilient management foundation



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SoftBank