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Selected Portions of Earnings Results Briefing and Related Presentation Materials

The following transcripts and related slides relate to the SoftBank Corp. earnings results briefing held on January 31, 2012. The briefing was conducted in Japanese with simultaneous English translation, and the transcripts filed hereunder are transcribed from the simultaneous English translation. While every effort has been made to provide an accurate translation and transcription, there may be typographical mistakes, inaudible statements, mistranslations of certain statements, errors, omissions or inaccuracies in the transcript. SoftBank believes that none of these inaccuracies is material. The related slides used in the earnings results briefing are included as an attachment to this transcript. A replay of the earnings results briefing is accessible through SoftBank's website at www.softbank.co.jp/en/.

SoftBank Press Conference

January 31, 2013

Presentation by Masayoshi Son, Chairman & CEO, SoftBank Corp.

Lead Son (05:00~)

Customer number, even though that it is kind of combined with WILLCOM and EMOBILE. In addition to that we have announced the acquisition of Sprint so exceeding 40 million in the domestic market and assuming that we will be adding Sprint's customer number that will bring us close to 100 million in near future. In the next fiscal year round, which is the fiscal 2013 the period ending March 2014, we would be closing in on DoCoMo in terms of operating income and also customer number-wise we will become the number one. So acquiring Vodafone KK at the time of entering into this market we thought that the way to become number one is too long, and we were not sure back then when we would be able to reach that target. However, with a strong passion we had and with the strong determined mind, we have challenged so many things and that brought us to the steady steps towards the target. And now we believe that we would be able to reach there. It's not what you have but actually it's what you determined is more important to bring the things come true. Now I would like to go into my presentation.

(Slide 10)

In addition, from this year, with the proper process and the smooth process in regulatory and administrative work, we will be able to exceed the competitors in the US market as well, which is also showing a steady increased level in operating margin.

(Slide 11)

Also for the EBITDA margin, we recorded 52% so it exceeded the 50% level for the first time. Even compared with the competitors, we are making better progress.

(Slide 17)

Net interest-bearing debt is also making steady reductions. This time we had an acquisition of Sprint corporate bonds, but if we exclude that, it is making a steady decrease in net interest-bearing debt.

(Slide 18-19)

More importantly, multiple is the key, which is the net debt over EBITDA, and how healthy it is for the company. That is shown in this slide, which is 0.7x for our case in multiple. Just for your reference, AT&T, Verizon, those very good blue chip companies are about 1.Xx, like 1.5x or so. So compared to those companies, we are actually better in net debt EBITDA multiples, even including leases it is 1.3x.

(Slide 20)

Along with the acquisition of Sprint, 20 billion US dollars of financing has been completed and structured under facility A and B.
(Slide 21)

We have been seeing foreign exchange rates changing. If we decided to finance with the exchange rate as of today, then that is going to give us about 91 yen per dollar. Fortunately we have already made a rapid action and we were expecting that the exchange rate may change, so we decided to use the forward exchange rate, so that for the total amount of 20 billion US dollars, we had a forward exchange rate of 82.2 yen per dollar. Supposing that we purchased it as of today's yen, then that would make a difference of 200 billion yen – so 200 billion yen cheaper in terms of financing for us. This is very much fortunate for us and that is it, but at least we can say that we were able to hedge the risk with exchange rates already. That is a substantial gain there. The net income has not seen any record. I was reading the bulletin boards on Yahoo! showing the net income, including that 200 billion yen deemed again, but that is not included in our net sales. That is just a misunderstanding by the writer on the bulletin board, I believe. So this has nothing included in the net income. Substantially, the deemed gain is that amount. It is just a comparison with today's amount for the exchange.
(Slide 22)

As for dividend policy, we have no change in dividend policy.
(Slide 23)

Along with this Sprint acquisition we have decided to adopt international financial reporting standards, also known as IFRS. Recently, from international investors, they have been showing interest in our company. To provide the appropriate measurements, using international standards, would be better tools for investors to compare companies. That is why we have decided to adopt IFRS from fiscal year 2013 in the first quarter.
(Slide 34)

Global number one. Maybe the telecom operators in smaller countries have recorded better EBITDA margins but when compared to the operators in key markets, SoftBank's EBITDA margin is better than any other companies. Our revenue growth rate is number one and our margin growth rate is number one in the world. In China the number of subscribers has been growing and the same goes for India and Latin American countries. Still, even with the smaller subscriber base, our margin rate is growing faster.

(Slide 39)

Fixed-line operating income growth rate is also number one in the world. That is phenomenal. There are a lot of other fixed-line communication operators with larger scales in the world. They have a larger subscriber base, but our operating income amount and operating income growth rate are higher than other companies. So we are determined to achieve growth and we work hard. That attitude, passion and determination has produced results.

(Slide 71)

For the outlook, for this fiscal year, we are sure that our domestic consolidated operating income would exceed the 700 billion yen mark. I announced this target earlier this year but we can achieve that target. Every time I announce the target, we always achieve the target or achieve over the target.

(Slide 72)

Again, about the 700 billion yen operating income target we do achieve this at the end of this fiscal year. And for the next fiscal year, fiscal 2013, at that time, we will adopt IFRS, but even accounted under the Japan GAAP, we are targeting to achieve the domestic consolidated operating income of 800 billion yen in fiscal year 2013. That number is very close to DoCoMo's operating income today. So in fiscal 2013, starting from April, we are targeting to generate 800 billion yen consolidated operating income in Japan.

(Slide 73)

We always have the determination to be number one. So in Japan, we would like to achieve that target.

(Slide 74)

Now, when we include the overseas business, and we hope to see that the acquisition of Sprint will complete in fiscal 2013 and in 2013, we will adopt IFRS, but on the first year of acquisition, we should take account of M&A related accounting, and also lots of costs. One-time costs will be incurred. But even with that, we should absorb all the negative impact, and then, still we are targeting to achieve 700 billion yen of operating income under IFRS.

(Slide 75)

In fiscal 2014, we are targeting to renew the record of profits, or consolidated operating income, including overseas business.

(Slide 76)

So our next challenge is in the United States.

(Slide 77)

Let me talk about Sprint.

(Slide 78)

We expect three synergies from the Sprint acquisition: number one, smartphone; number two, network; and number three, our turnaround track record should be utilized.

(Slide 79)

First of all, smartphone. The Japan market is different from the United States, so many people are skeptical about our synergy theory. But recently the smartphones used in Japan are pretty much the same as what are used in the United States. The smartphones are global standard smartphones that are used in Japan. So comparing Japan and the United States in the number of purchases in smartphones, I believe the number will be twice as much as DoCoMo or even four times of KDDI. That will be the volume that we are looking at to purchase. So twice as much or four times as much for the smartphone purchase, meaning that the figures will give us the purchasing power. The desirable chipset, the desirable spectrum, desirable price those are the ones that we will be able to negotiate. Pre-installs of the content so that negotiation power in terms of those factors can be enhanced. That will be one of the biggest synergies that we will be able to benefit. So the purchasing powers in smartphone, in Japan for example, DoCoMo, was the biggest purchaser. That is why they were able to put the functions such as One Seg or the others. Those demands were the requirements for the vendors. That was kind of the trend for the past twenty-some years so far. But this will be the first time that SoftBank will be able to exceed the numbers of smartphone purchases compared to those competitors. So in the United States, in Sprint, the purchasing power is not equivalent to Verizon or AT&T, but by combining the numbers in SoftBank and Sprint, then we will be able to become equivalent or even closer to Verizon and AT&T. So that will also give the advantage to Sprint as well.

(Slide 80)

Next is network equipment. The biggest company in terms of network equipment is China Mobile. But the vendors installing the equipment in China Mobile are mainly the Chinese vendors. So excluding such factors, the major equipment vendors, such as Ericson, Nokia Siemens, or Alcatel-Lucent so there are lots of companies and vendors like that, but equipment vendors with the global standard we will be able to have. We will become one of the biggest purchasers in terms of network equipments, and we will exceed AT&T, Vodafone or Verizon, so that is why that is going to give us the advantage in terms of specification, functions, requirements and also the price, so that we will be able to take an advantage over those companies as well. That is another one of the biggest synergies.

(Slide 81)

Third, last but not least, something that we will be able to share with Sprint is the proven track record, or the proven turnaround track record. WILLCOM, JAPAN TELECOM, Vodafone, even Yahoo Japan as well we have been expanding their profitability continuously. And that knowhow is one of the biggest invisible assets that we have, which is something that we will be able to share with Sprint.

(Slide 82)

Now that we are showing the biggest profitability, that is something where we will be able to share the value with Sprint, so that we believe we will be able to bring the EBITDA margin of 16% toward 30% at some time later.

(Slide 83)

So we have started the information exchange meetings every week. It is not the Group company yet. So there is no commanding or any orders. There are rules of the gun jumping. So there are not any orders or command. But what we are doing is we are learning each other and we are sharing and learning the information that we have.

(Slide 84)

So here shows our meetings. So we have a face-to-face meeting as well. And we have such meetings every week, Tuesday morning in Japan time or the evening of Monday US time. And this is on a regular basis. The day before yesterday that I just returned from the United States, and we are planning to have a face-to-face meeting on an every month basis. And also, their management is visiting us. So at least, once in two weeks, we have a chance to have the face-to-face meeting, , or using the TV conference, that we are using. That is going to give us a chance to have an information exchange every week. With that, I have even more confidence that we will be able to compete with the competitors.

(Slide 85)

Here is the summary. Domestic operating income, 800 billion yen, and also provide better connectivity connect anywhere. As explained earlier, in terms of connectivity, we are or may be in the number one position in terms of connectivity. We do need to spend some more days and months; we may not always be the number one. But here, we are even determined to increase the number of base stations for platinum band, so that we will be able to have a solid number one position in terms of connectivity. In addition to that, we would like to drive growth with overseas opportunity. And we would like to make the big success together with our partners. That is all for my presentation. Thank you very much and thank you for your continuous support.

Question

My name is Masuno from Nomura Securities. So you are adopting the IFRS. I have a question about the operating income for the next fiscal year. In addition to not only Sprint, also you are adding Clearwire for this forecast, and it is 700 billion yen for the IFRS, but under Japan GAAP it is 800 billion yen. There is a difference, so you are expecting that Clearwire is going to be showing negative profitability. Even if as a standalone you have profitability I believe that it is going to be offset. Here it is shown that there is a 100 billion yen difference in between those two numbers. They could be a one-time expense M&A accounting treatment, or depreciation, those kind of things may be included, but how much of that will be a one-time expense, and how much is others? That is one first question. And another thing is, I believe that the interest rate, I am expecting about 2 billion yen for Clearwire and Sprint, and also you have 2.5 trillion yen of financing so that under IFRS, how much will be the income before tax?

Son

We have not yet closed the transaction with Sprint, so I would not be able to discuss or do not know the details of the numbers yet. There are some conservative views as well included in this number. That is one thing. And second of all, the numbers of Clearwire, or the negative part of the Clearwire is also included for the assumption. And third, one-time expense is also considered in a conservative way, and depreciation of the customer assets relates to the M&A accounting treatment, that is another thing that we need to see in a conservative way. But those are not expenses raised to the cash. So business-performance-wise we are seeing signs of increasing profits in Sprint and also the negative figures in Clearwire are not that large, so that those two, and also looking in a conservative way, and seeing the 700 billion as kind of the bottom, and after that we expect to be able to turnaround, so that our overseas business is also giving us positive influence into our bottom line. So I believe this is kind of a one-time situation, so Sprint and Clearwire after spending one year or so, and our domestic business will record a profitability continuously, that is something that we assume, in addition to that in fiscal year 2014 we expect to be able to record a record high in consolidated operating income.

Question

I am Tanabe from Toyo Keizai Weekly. You said that your procurement power for smartphones will increase because of the combination with Sprint. I don't know about your strategy for the devices, but so far a lot of your users have difficulties with connection, but once you get procurement power you could provide better handsets. What kind of benefits can users enjoy?

Son

Well, we can have a strong lineup of great products meeting global standards, and also we could provide a lot of lucrative features and applications or contents that can be used by the users. Also the procurement price could be lower because of the economies of scale and volume purchase so we would like to pass on that benefit to users by offering the good price for the handsets.

Question

Can we expect that benefit in the very near future?

Son

It takes about 18 months to launch the new handset or device for new designs, but we would like to shorten the time frame so that we can provide good handsets as soon as possible.

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IN EARNINGS RESULTS BRIEFING

