

## Q&A at Earnings Results Briefing for FY2015 (Summary)

### Individual 1

**Q1** The medium-term outlook for IT companies is to concentrate on the Internet of Things\*<sup>1</sup> (IoT). What is the current technological position of SoftBank Technology (SBT) in this field and where do you have a competitive edge?

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**A1** The key to success in the IoT field is collecting and utilizing as much as possible the data from sensors built in various devices. We believe that subsidiaries MIRACLE LINUX CORPORATION and Cybertrust Japan Co., Ltd. have original technologies that are clearly superior to those of other companies.

For example, unlike a PC operating system, device operating systems embedded in automobiles and drones do not need a printing capability. Many of these devices use the Linux operating system. In Japan, there are very few engineers who can develop key components of Linux. But MIRACLE LINUX has the technology to make changes to Linux by focusing only on the necessary parts. We believe this will be a critical technology in the IoT field.

Furthermore, the IoT will require technologies to determine if the correct data have been collected from the correct sensors and if a device was used by the correct user. Authentication technology using the certificates of Cybertrust Japan makes it possible to supply a function to ensure that data are collected from only the correct sensors.

In addition, SBT will provide technology that can safely manage data on the cloud and use artificial intelligence to analyze data.

We will combine these original technologies and know-how with our accomplishments to make more progress in the scope of IoT. Our goal is to continue operating our businesses in ways that preserve our superiority in the IoT field.

**Q2** Please provide information about the upcoming IT investments of the SoftBank Group companies and how these investments will affect SBT.

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**A2** Our hardware sales to the SoftBank Group increased in the fourth quarter of FY2015. However, we do not have enough information about the IT investment plans of SoftBank Group companies to talk about this subject. Hardware sales are affected by big fluctuations in demand. Furthermore, we do not know if these group companies will use our proposals. Therefore, we can only say that the effect of SoftBank Group IT investments on our performance is uncertain. We will continue to focus on transitioning our businesses into services not to rely on this type of unstable business.

### Individual 2

**Q3** Why does your FY2016 operating income growth forecast appear to be conservative in relation to your forecast for sales growth?

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**A3** We are aiming for more growth as a company that can transform our customers' business activities by combining data analytics, security solutions and Microsoft solutions services in the cloud. We will be increasing the pace of performing large development

projects and shifting our businesses to services in the cloud. To do this, we plan to recruit about 100 people, chiefly engineers with skills in the key driver businesses. If we reach our recruiting goal, our workforce on a consolidated basis will be about 950 at the end of March 2017.

Recruiting and personnel expenses will increase as our workforce grows. We also expect an increase in training expenses in order to upgrade the technological skills of our employees. We believe these higher expenses will hold down FY2016 operating income growth. But we also foresee an improvement in productivity, and this is why we are aiming for the second consecutive year of record-high consolidated earnings.

### Individual 3

**Q4** What are the main reasons for the upward revisions in your FY2015?

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**A4** During the past three years, we have provided products and services to leading companies in many industries. This is particularly true of Microsoft solutions and data analytics, which are key driver businesses. By doing business with these companies, we were able to make public information about how we assisted certain client companies. In other cases, a client company introduced us to another company in the same industry. The resulting positive cycle resulted in our receipt of many large projects. Then we performed well at these large projects, too. The horizontal expansion of the use of the expertise we acquired is a major reason for our record-high earnings.

**Q5** I have the impression that SBT has advanced to a new stage. I believe that SBT will have to further strengthen its workforce for progress in the fields of cloud systems creation and IoT business development. How do you plan to accomplish this?

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**A5** We will use three measures for creating a more powerful workforce: increase efficiency, reexamine employee compensation, and upgrade education programs.

We want to improve productivity in order to reduce the work load of our engineers so they can achieve the proper work-life balance. For compensation, we plan to change to a salary structure that rewards employees with outstanding technological skills and much experience. This salary structure will also help us recruit talented people. To upgrade education programs, we will continue to encourage our employees to be certified as Project Management Professionals\*2 (PMP). One goal is to have all our PMPs use a thought process and terminology that is consistent with international standards for PMPs. Another goal is to have our veteran employees use the PMP framework to pass on their know-how to new employees, both new graduates and mid-career employees. We want to use these activities to give our employees more skills involving technologies and project management.

\*1 With the IoT, automobiles and many other objects use Internet communication links for the mutual control of these items.

\*2 The Project Management Professional qualification is an international standard for project management.