SoftBank Technology

Fiscal Year Ended March 31, 2014
Earnings Results

April 25, 2014

SoftBank Technology Corp.

SoftBank
Technology

Disclaimer

Results Overview

Highlights

■ **Progress with the Cloud Solutions operations**

Strong performances by the system integration and Microsoft solutions as the workforce was increased to support this important driver of growth

■ **Lower sales in the eBusiness Services segment**

In the EC-BPO business, sales were down because of lower unit prices received for services provided in Japan

■ **Growth strategy initiatives raised fixed costs**

Earnings were down as growth strategy initiatives raised fixed costs. Workforce growth continued along with measures to enable employees to earn advanced technological certifications in order to build a sound base for growth.

There were also many actions involving capital in order to speed up growth. Fontworks Inc. and Kan Corporation were acquired and Cybertrust Japan Co., Ltd., which is responsible for the security business, became a subsidiary.

4

There are three highlights of results of operations in the fiscal year that ended in March 2014.

First is higher sales and earnings in Cloud Solutions, a business where we enhanced substantial human resources. Growth was particularly strong in system integration and Microsoft solutions.

Second is lower sales in eBusiness Services. The causes were a decline in unit prices in the Symantec Store business and the termination of a contract with a large client in the web marketing business.

Third, fixed costs increased because of an increase in our workforce and acquisitions associated with growth strategy initiatives. The result was higher sales but a decrease in earnings.

FY2013 Results Summary Comparison with earnings forecast

(Millions of yen)	Earnings forecast (January 23, 2014)	FY2013 Results	Amount of change	Ratio of change
Net sales	36,000	36,951	951	+2.6%
Operating income	1,300	1,370	70	+5.4%
Ordinary income	1,300	1,363	63	+4.9%
Net income	600	636	36	+6.0%

5

This slide is a comparison of the earnings forecast Vs results for the fiscal year ended March 2014.

FY2013 Results Summary Comparison with the previous fiscal year

(Millions of yen)	FY2012 Results	FY2013 Results	Amount of change	Ratio of change
Net sales	32,703	36,951	4,247	13.0%
Operating income	1,463	1,370	(93)	(6.4%)
Ordinary income	1,658	1,363	(294)	(17.8%)
Net income	1,040	636	(404)	(38.9%)

6

This slide shows two-year (fiscal years ended March 2013 and 2014) comparisons of sales and earnings.

Sales by Segment

Solutions
eBusiness Services

(Billions of yen)

	FY09	FY10	FY11	FY12	FY13
Total	28.16	29.61	32.17	32.70	36.95
Solutions	10.96	11.34	14.16	13.91	18.56
eBusiness Services	17.20	18.27	18.01	18.79	18.39
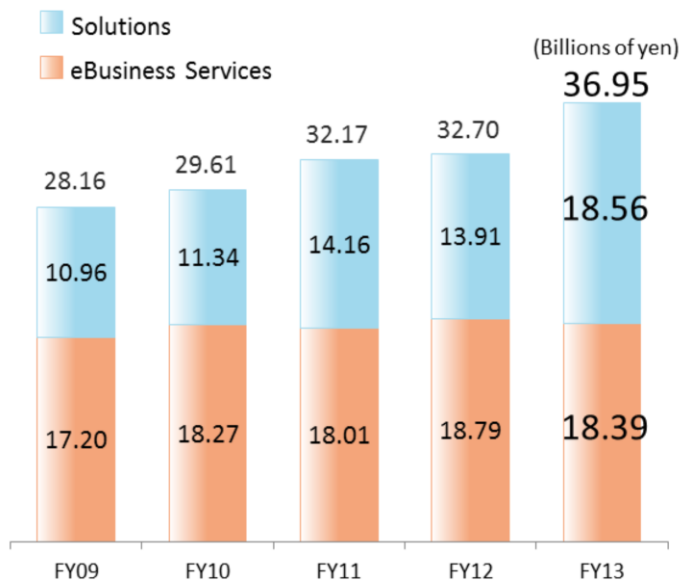
◇ Solutions

System integration business and Microsoft solutions drove higher sales

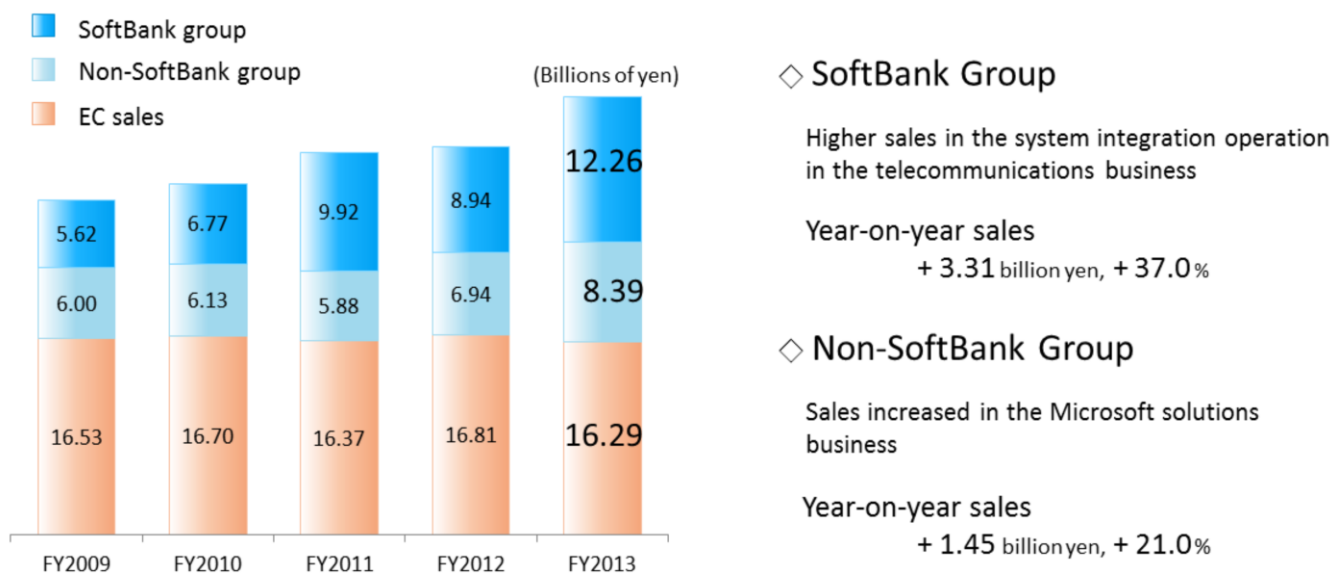Year-on-year sales
+ 4.64 billion yen, + 33.4 %

◇ eBusiness Services

Unit prices declined in the domestic Symantec Store business

Year-on-year sales
(0.40) billion yen, (2.1 %)

7

The Solutions segment increased to more than half of consolidated sales because sales in this segment were higher and there was very little change in eBusiness Services segment sales.
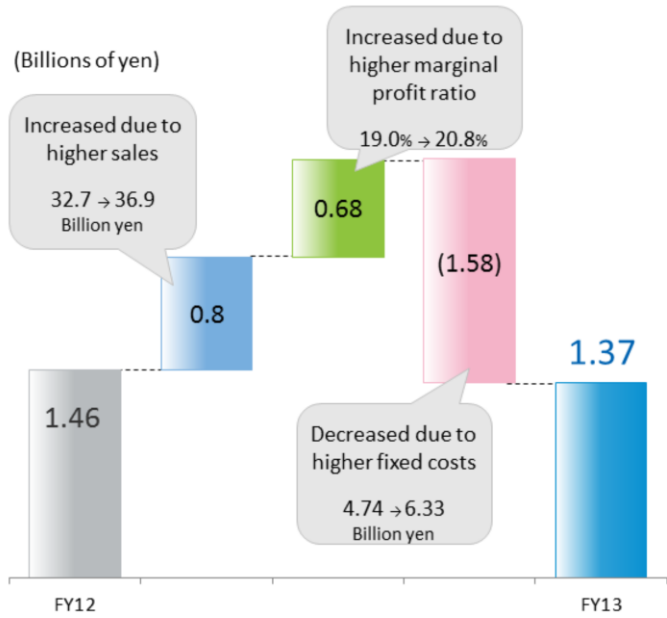
Sales to internal/external groups

Legend:
- SoftBank group
- Non-SoftBank group
- EC sales

(Billions of yen)

	FY2009	FY2010	FY2011	FY2012	FY2013
SoftBank group	5.62	6.77	9.92	8.94	12.26
Non-SoftBank group	6.00	6.13	5.88	6.94	8.39
EC sales	16.53	16.70	16.37	16.81	16.29

◇ SoftBank Group

Higher sales in the system integration operation in the telecommunications business

Year-on-year sales
+ 3.31 billion yen, + 37.0 %

◇ Non-SoftBank Group

Sales increased in the Microsoft solutions business

Year-on-year sales
+ 1.45 billion yen, + 21.0 %

8

Recruiting more employees, chiefly engineers, and upgrading technological skills led to new orders associated with the SoftBank Group's telecommunications business. Sales to the SoftBank Group increased as a result.

Non-SoftBank group sales increased more than 20% as the same expertise was used to capture business from companies outside the SoftBank Group.

Operating Income (comparison with the pervious fiscal year)

(Billions of yen)

Increased due to higher sales
32.7 → 36.9 Billion yen

Increased due to higher marginal profit ratio
19.0% → 20.8%

0.8

0.68

(1.58)

1.37

1.46

Decreased due to higher fixed costs
4.74 → 6.33 Billion yen

FY12

FY13

1. Marginal profit increased due to higher sales and the improvement in profit ratio

   Operating income increased about 1.5 billion yen due to higher sales and the improvement in marginal profit ratio

2. Fixed costs increased due to recruitment, addition of subsidiaries and other factors

   Operating income decreased about 1.6 billion yen in association with the implementation of the growth strategy including workforce growth, addition of subsidiaries, etc.

9

Operating income decreased from 1.46 billion yen to 1.37 billion yen. Sales growth contributed 800 million yen to operating income and an improvement in the marginal profit ratio raised operating income by 680 million yen. However, higher fixed costs reduced operating income by 1.58 billion yen.
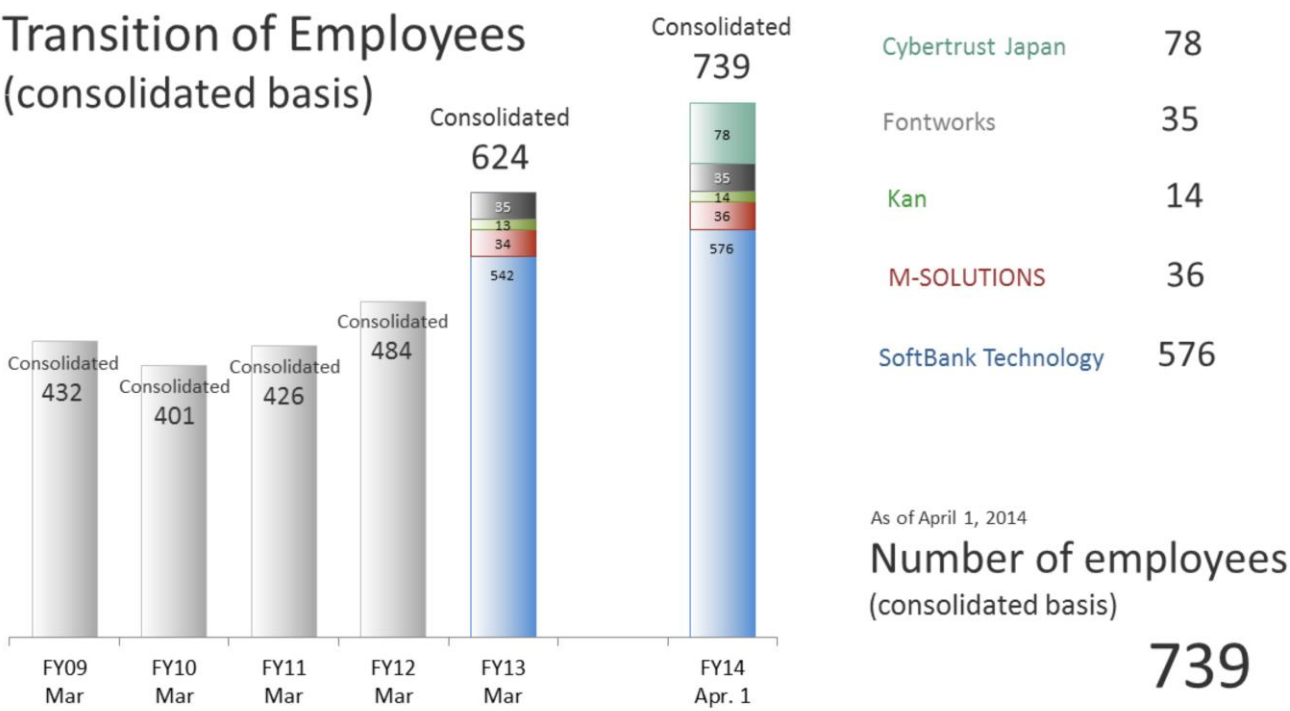
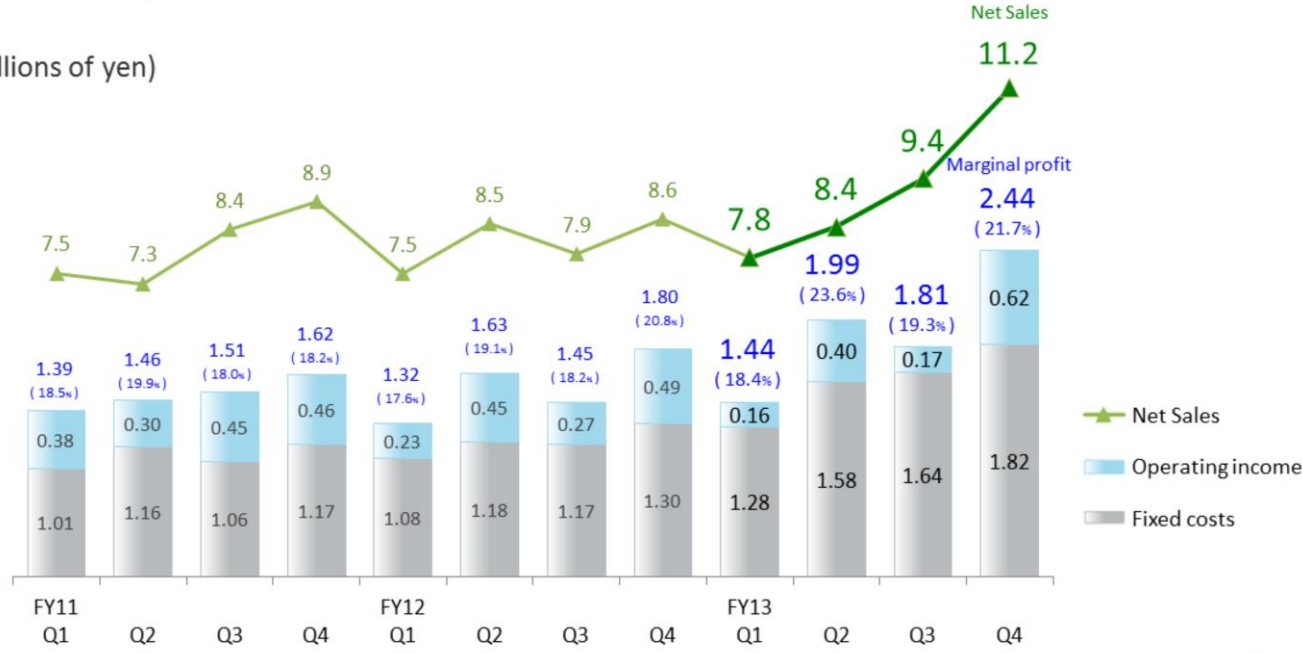Due to the acquisition of new consolidated subsidiaries Fontworks and Kan, the number of employees on a consolidated basis increased from 484 to 624.
In April 2014, the number of employees increased to 739 with the addition of the new consolidated subsidiary Cybertrust Japan.

Sales in the fiscal year ended March 2014 increased quarter to quarter.

First quarter sales fell to 7.8 billion yen following big increases in server sales in the last two quarters of the previous fiscal year. But as more engineers were hired, sales were strong starting in the third quarter in the system integration for telecommunications companies and in Microsoft Solutions.

As a result, the fourth quarter sales totaled 11.2 billion yen.

Balance Sheet (comparison with the pervious fiscal year)

(Billions of yen)

FY12: 15.28 (Current assets 12.23, Fixed assets 3.04)
FY13: 19.21 (Current assets 12.64, Fixed assets 6.57)

Current assets
- Current Cash   3.8 billion yen   (2.3)
- Sales credit   7.1 billion yen   +2.0

Fixed assets
- Head office equipment   1.3 billion yen   +0.9
- Goodwill   1.6 billion yen   +1.6

FY12: 15.28 (Liabilities 6.34, Net assets 8.94)
FY13: 19.21 (Liabilities 9.58, Net assets 9.62)

Liabilities
- Accounts payable 4.8 billion yen   +0.8
- Accounts payable-other   1.4 billion yen   +0.9
- Lease obligations 0.6 billion yen   +0.6
- Bonds payable   0.2 billion yen   +0.2

Net assets
- Retained earnings 8.7 billion yen   +0.4

12

This slide shows two-year (fiscal years ended March 2013 and 2014) comparisons of major balance sheet items.

Cash Flows (comparison with the pervious fiscal year)

(Billions of yen)	FY2012 Results	FY2013 Results	Amount of change
Cash flows from operating activities	1.46	0.20	(1.25)
Cash flows from investing activities	0.20	(2.41)	(2.62)
Cash flows from financing activities	(0.22)	(0.24)	(0.02)
Cash and cash equivalents at end of period	6.20	3.75	(2.45)

13

This slide shows two-year (fiscal years ended March 2013 and 2014) comparisons of major cash flow items.

Business Segment Overview

14

This slide shows a breakdown of eBusiness Services by the major business lines and sales items.

eBusiness Services -overview of main business
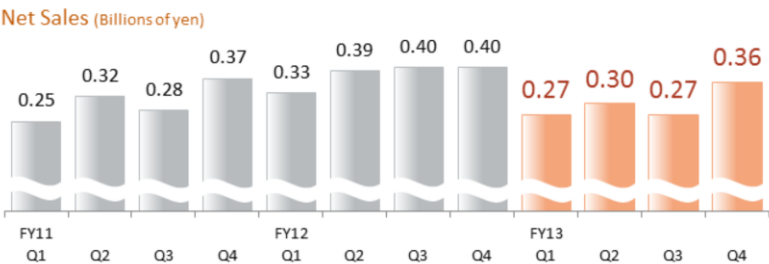
Symantec Store

Net Sales (Billions of yen)

FY11				FY12				FY13			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
3.97	3.86	3.92	3.96	3.99	4.03	4.28	4.23	4.07	3.90	3.95	4.08
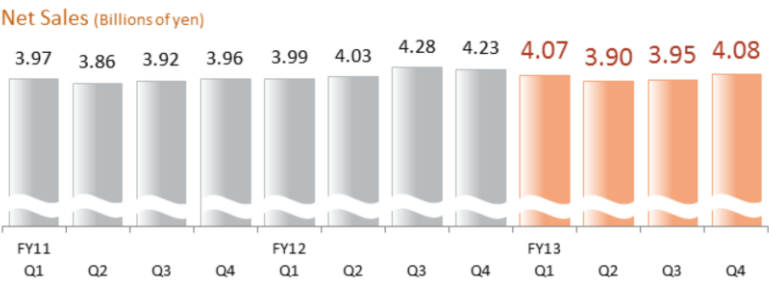
Sales declined due to lower unit prices

Year-on-year sales
(0.5) billion yen, (3.1 %)

Web Marketing

Net Sales (Billions of yen)

FY11				FY12				FY13			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
0.25	0.32	0.28	0.37	0.33	0.39	0.40	0.40	0.27	0.30	0.27	0.36

Sales declined due to the end of a relationship with a large client

Recovery trend toward Q4

16

Symantec EC-BPO sales, which occupy a large share of the eBusiness Services segment, were about the same as in the previous fiscal year.
Although the Web marketing services segment was impacted by the termination of a contract with a major client, fourth quarter sales recovered to 360 million yen.

Progress with the Web Marketing Services

Adobe Digital Marketing Award

No.1 in Japan

for consecutive three years

Strengthen cooperation with Google

- Google Analytics Premium
- Google Cloud Platform

NEXT × Digital Marketing
Search and Reapply

17

Web marketing services placed first in Japan for the third consecutive year in the Adobe Digital Marketing Awards. In addition, this business added Google Analytics Premium and a consulting service to its service menu.

Solutions

Platform Integration

Development and operation of network, server, storage and security systems
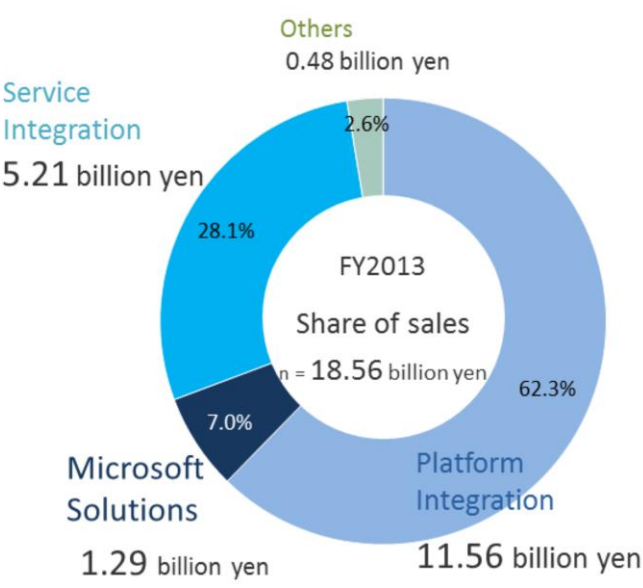
Microsoft Solutions

Provision of Microsoft-related services
- Office 365 introduction services
- Online Service Gate
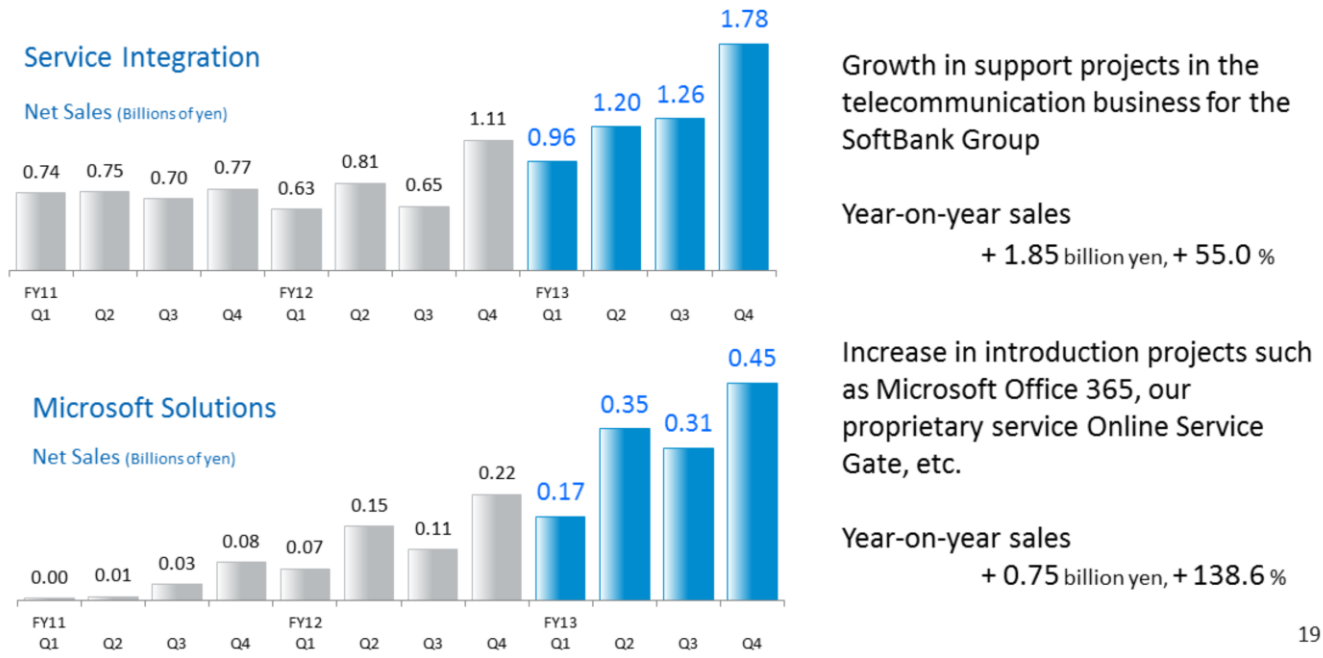- ADFS on Cloud

Service Integration

Design, development, operation and maintenance of application services

Others
0.48 billion yen

Service Integration
5.21 billion yen

2.6%

28.1%

FY2013
Share of sales
n = 18.56 billion yen

62.3%

7.0%

Microsoft Solutions
1.29 billion yen

Platform Integration
11.56 billion yen

This slide shows the major business and sales composition of the Solutions segment.

Cloud Solutions -overview of main business

Service Integration

Net Sales (Billions of yen)

FY11 Q1: 0.74, Q2: 0.75, Q3: 0.70, Q4: 0.77
FY12 Q1: 0.63, Q2: 0.81, Q3: 0.65, Q4: 1.11
FY13 Q1: 0.96, Q2: 1.20, Q3: 1.26, Q4: 1.78

Growth in support projects in the telecommunication business for the SoftBank Group

Year-on-year sales
+ 1.85 billion yen, + 55.0 %

Microsoft Solutions

Net Sales (Billions of yen)

FY11 Q1: 0.00, Q2: 0.01, Q3: 0.03, Q4: 0.08
FY12 Q1: 0.07, Q2: 0.15, Q3: 0.11, Q4: 0.22
FY13 Q1: 0.17, Q2: 0.35, Q3: 0.31, Q4: 0.45

Increase in introduction projects such as Microsoft Office 365, our proprietary service Online Service Gate, etc.

Year-on-year sales
+ 0.75 billion yen, + 138.6 %

19

In the Solutions segment, system integration sales were 55% higher than in the previous fiscal year and Microsoft Solutions sales increased 138%.

Microsoft Solution sales increased because of demand among large companies for moving from on-premises systems to Web-based systems.
Mail in the communication infrastructure is the first step of this shift. Companies select Office365 of our Microsoft Solutions because they are unable to increase mailbox capacity as much as needed when the mail server is operated internally.
The second step is the shift of Notes and other on-premises groupware to SharePoint Online.
The third step is extending Web-based services to encompass back-office systems.

Many companies have asked SoftBank Technology for assistance concerning the transition to SharePoint Online and Microsoft Azure. We will continue to concentrate on this market sector.

In Microsoft Solutions, we ranked first in Japan in the use of Office365 for enterprises, facilitating the adoption of Office365 at more than 100 companies and 200,000 IDs.
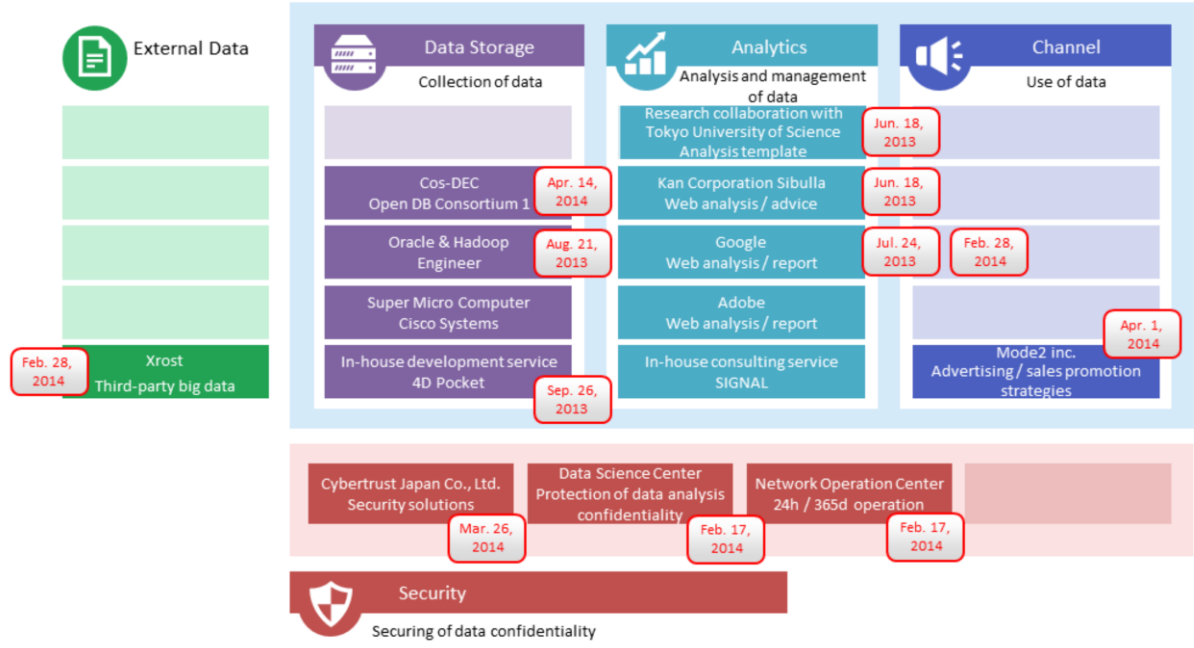
Our goal is to be a provider of shared services that serve as big data solutions. These services will combine technologies and expertise accumulated over many years in the fields of platforms, data management, e-commerce, security and data science. In October 2013, we started offering the 4D Pocket service, which uses Hadoop technology to analyze terabytes of data with ease.

Progress with Big Data Solutions

External Data

Feb. 28, 2014 — Xrost — Third-party big data

Data Storage — Collection of data

Cos-DEC Open DB Consortium 1	Apr. 14, 2014
Oracle & Hadoop Engineer	Aug. 21, 2013
Super Micro Computer Cisco Systems	
In-house development service 4D Pocket	Sep. 26, 2013

Analytics — Analysis and management of data

Research collaboration with Tokyo University of Science Analysis template	Jun. 18, 2013
Kan Corporation Sibulla Web analysis / advice	Jun. 18, 2013
Google Web analysis / report	Jul. 24, 2013 · Feb. 28, 2014
Adobe Web analysis / report	
In-house consulting service SIGNAL	

Channel — Use of data

Mode2 inc. Advertising / sales promotion strategies	Apr. 1, 2014

Cybertrust Japan Co., Ltd. Security solutions — Mar. 26, 2014	Data Science Center Protection of data analysis confidentiality — Feb. 17, 2014	Network Operation Center 24h / 365d operation — Feb. 17, 2014

Security — Securing of data confidentiality

22

To become "number one" and "the only one" in the big data solutions domain, engineers in the data storage field who earned Oracle Master platinum or gold certification have also acquired expertise in Hadoop technology.
The large number of engineers with Oracle and Hadoop expertise on staff is one of SoftBank Technology's greatest strengths.

In the field of analytics, we have recruited quants experts, aeronautical engineers, mathematicians and other data scientists, and further developed their skills. Furthermore, there have been programs to train engineers who can use Adobe Analytics as well as Google Analytics Premium.

Data storage can be regarded as kitchen appliances and the field of analytics as cooks and cooking utensils.
In this example, customers receive advice about what to eat. In this field of "channels," a business alliance has been formed with Mode2, which is an advertising agency and website producer. Forming this alliance adds marketing capabilities to a technology-centered organization.

In addition to a company's own data, external data like weather data and personal information are needed. This is why we have formed a tie-up with Xrost, a service that utilizes data of the T Point shared loyalty point program. The tie-up has already been used in some instances.
SoftBank Technology plans to form more alliances in the "channel" and "external

data" domains.

In the kitchen comparisons, the security domain corresponds to hygiene. Security is vital for the secondary use of an operating company's customer data in a manner that conceals personal information. To provide this security, Cybertrust Japan became a subsidiary in April 2014.

Press Release FY2013 (total 104 releases)

Launch of new services	29 releases
Introduction cases	30 releases
Award	4 releases
Seminars / sponsored events	10 releases
Business / capital tie-ups	7 releases
Timely disclosure / corporate information	24 releases

23
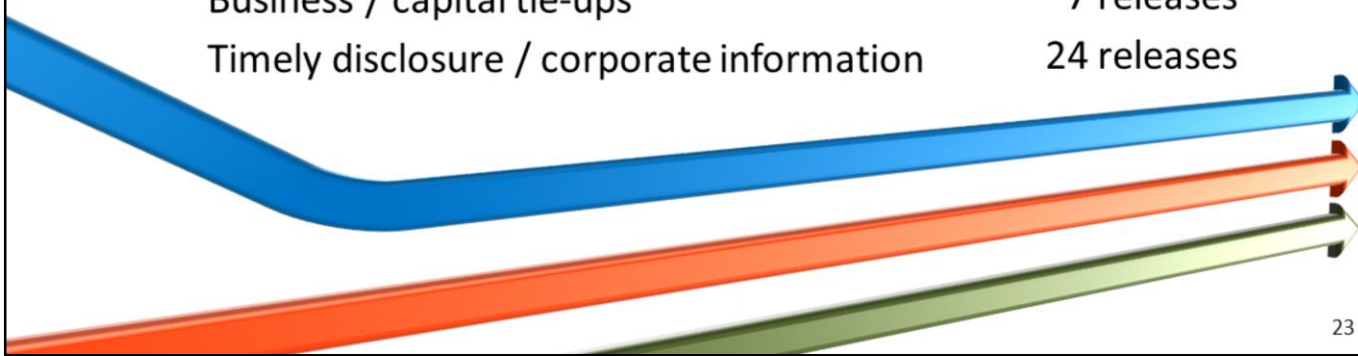
SoftBank Technology is strongly committed to disclosing information about the company's activities to shareholders and other investors.

Initiatives for Leading-edge ICT Services

Apr. 10, 2013	Received MCPC Neo Trend Award 2013 for smartphone app Mobile Perfect SP
Aug. 8, 2013	Certified as a VMware's premium partner
Aug. 21, 2013	Received Oracle Certification Award in the field of Oracle RAC
Oct. 30, 2013	Started offering the next generation security intelligence McAfee SIEM
Mar. 17, 2014	Started offering McAfee SIEM operation service
Mar. 26, 2014	Introduced VDI solutions using VMware Virtual SAN for the first time in Japan

24

This is a list of major press releases concerning initiatives involving leading-edge ICT services.

Progress with the Big Data / Data Science Businesses

Jun. 18, 2013	Started collaborative research using big data, with Tokyo University of Science
Jul. 24, 2013	Started offering Google Analytics Premium
Sep. 26, 2013	Started offering big data platform service "4D Pocket"
Oct. 28, 2013	Started offering the full lines of Adobe Marketing Cloud for the first time in Japan
Feb. 7, 2014	Students of the introductory web analytics certified course exceeded 6,000
Feb. 28, 2014	Signed Google Cloud Platform service partner agreement

25

This slide shows major news releases about progress with the big data/data science businesses.

Progress with the Growth Strategy

Jun. 11, 2013	Fontworks Inc. became a subsidiary
Jun. 18, 2013	Kan Corporation became a subsidiary
Dec. 3, 2013	Established Fukuoka Development Center (nearshore development center)
Feb. 17, 2014	Head office moved to Shinjuku Eastside Square
Mar. 20, 2014	Plan to recruit about 100 people again in FY2014
Mar. 26, 2014	Cybertrust Japan Co., Ltd. became a subsidiary

26

Actions associated with the growth strategy included several acquisitions along with the December 2013 establishment of the Fukuoka Development Center, a nearshore development center with a staff of about 100.
We have started making effective use of this center in the fiscal year ending March 2015.

Recruiting activities and acquisitions of companies have increased the size of the SoftBank Technology Group's workforce. To provide an infrastructure in which everyone can work together as a single team, the head office was relocated to a building in Tokyo's Shinjuku district. There is almost 6,000 square meters of space on a single floor.

Everyone works smoothly and effectively in an open office area with no walls, enabling sales, engineering and administrative personnel as well as the employees of subsidiaries to interact.
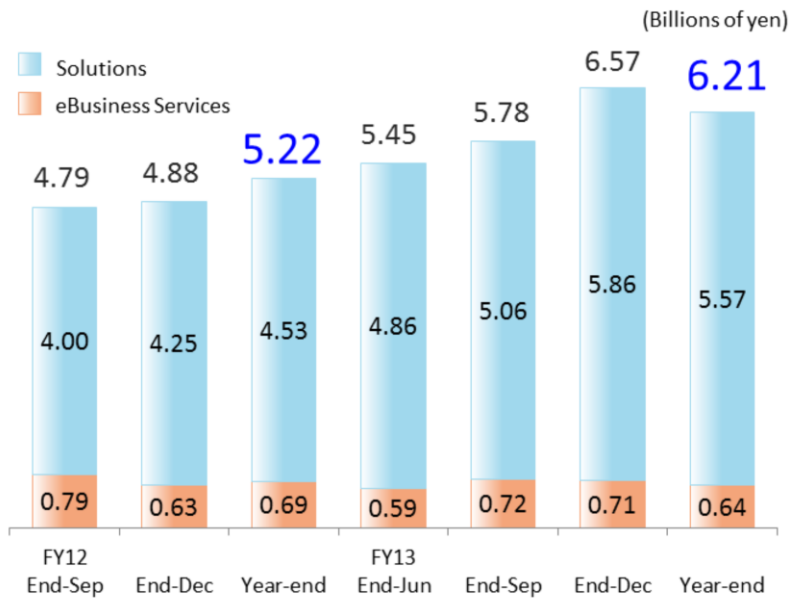
Earnings Forecast

Reference Index for Earnings Forecast (1) – quarterly results
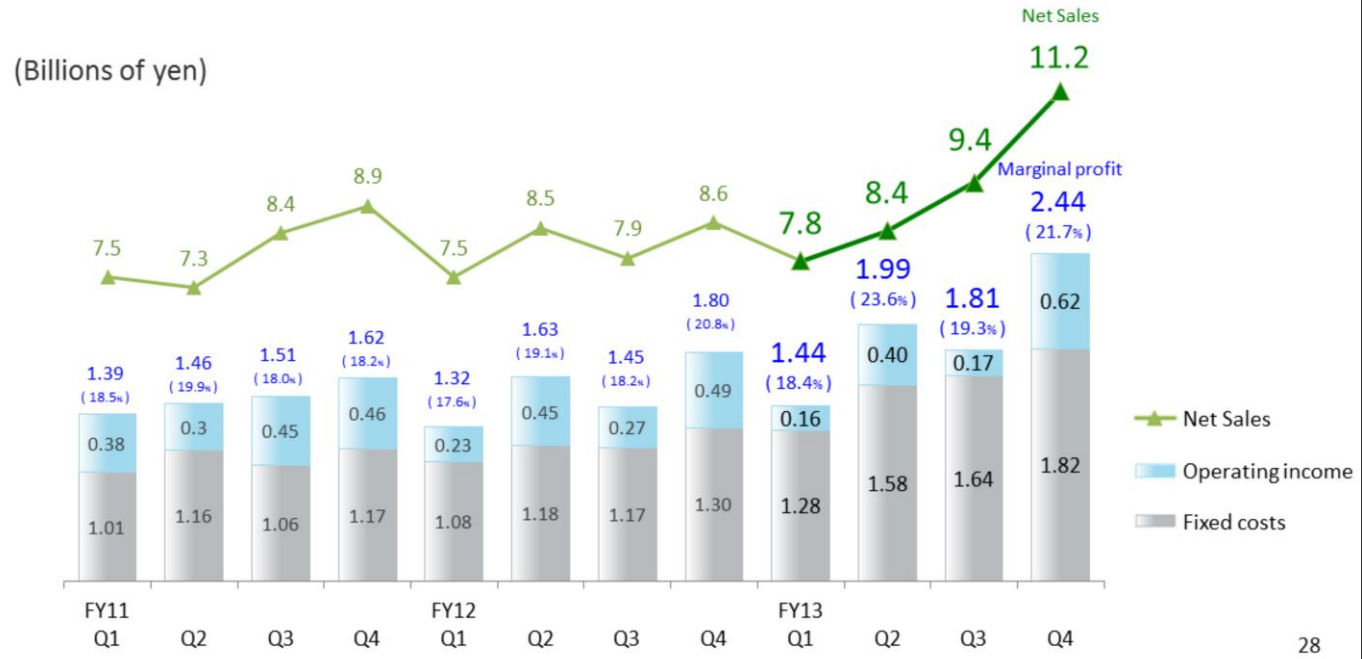
Sales in the fiscal year ended March 2014 increased quarter to quarter and fourth quarter sales were more than 10 billion yen.
Growing to the point where quarterly sales exceed 10 billion yen has helped give the workforce even more confidence.

This slide shows the quarterly order backlog.

FY2014 Earnings Forecast

(Millions of yen)	FY2013 Results	FY2014 Forecast	Amount of change	Ratio of change
Net Sales	36,951	40,000	+ 3,048	+ 8.3%
Operating income	1,370	1,700	+ 329	+ 24.1%
Ordinary income	1,363	1,700	+ 336	+ 24.7%
Net income	636	1,000	+ 363	+ 57.2%

30

In the fiscal year ending in March 2015, SoftBank Technology forecasts sales of 40 billion yen, operating income and ordinary income of 1.7 billion yen, and net income of 1 billion yen.