First Half of the Fiscal Year Ending March 31, 2015 (FY2014 H1) Earnings Results SoftBank Technology October 29, 2014 SoftBank Technology Corp.

Thank you for taking the time to attend today's information meeting about our first half performance (of the fiscal year ending March 31, 2015).

Consideration for the Presentation

- 1. Starting in the first quarter of the fiscal year ending March 31, 2015, the eBusiness Services segment and Solutions segment have been combined to create a single segment called ICT Services. To provide additional financial information for reference, three business categories have been established: Digital Marketing, Platform Solutions and System Integration. The business category sales for prior years on page 8 of this presentation use the new business categories.
- The marginal profit and fixed cost shown on pages 10, 11, 12, 34 and 35 have been revised because of the partial change in the method used for recognizing expenses for e-commerce services. Marginal profit and fixed cost for prior years have been restated based on the new expense recognition method.

3. Figures in all graphs in this presentation may differ slightly from figures in earnings announcements because of rounding.

Disclaimer

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Results Overview

I will begin with an overview of our performance.

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Highlights

- Consolidated net sales increased 20.8% year-on-year to 19,678 million yen, a record high for first half sales.
- Sales in the Symantec Store business declined slightly, but steady growth in the focus businesses, which are data analytics, security and Microsoft solutions, contributed to the increases in first half sales and earnings.
- Subsidiaries providing their original content and services contributed to the improvement in profit margin. In the second quarter (July-Sept), the marginal profit ratio improved 4.0 % year-on-year to 28.8%.
- Fixed costs increased mainly due to an increase in the number of employees, the expansion of office space, an increase in the number of subsidiaries. But an increase in sales and an improvement in profit margin resulted in a 0.4% increase in operating income to 572 million yen.

There were four highlights of our first half performance.

Sales increased to an all-time high for the first half of a fiscal year.

Another highlight was the improvement in the marginal profit ratio resulting from the contribution from subsidiaries that have original technologies and content.

I will provide more information about these highlights later.

FY2014 H1 Results Summary Comparison with the previous fiscal year SoftBank Technology

(Millions of yen)	FY2013 Results Apr-Sep 2013	FY2014 Results Apr-Sep 2014	Amount of change	Ratio of change
Net sales	16,286	19,678	3,391	+20.8%
Operating income	e 570	572	2	+0.4%
Ordinary income	584	541	(42)	(7.3)%
Net income	324	330	5	+ 1.8 %

This slide shows year-on-year comparisons of sales and earnings.

FY2014 H1 Results Summary Comparison with earnings forecast

SoftBank Technology

(Millions of yen)	Forecast April 24, 2014	FY2014 Results Apr-Sep 2014	Amount of change	Ratio of change
Net sales	18,500	19,678	1,178	+6.4%
Operating income	650	572	(77)	(11.9)%
Ordinary income	650	541	(108)	(16.7)%
Net income	400	330	(69)	(17.4)% 6

This slide is a comparison of the earnings forecast Vs results.

We reached our first half sales target but earnings were below the forecasts.

I will discuss earnings later using a year-on-year bridge graph for operating income.

Sales to Internal/External Groups (Billions of yen)



This slide shows net sales by customer category.

In E-commerce services for individuals, we sell online Symantec products such as Norton[™] AntiVirus. First half sales in this category have remained at about 8 billion yen over the past five years.

In the Non-SoftBank Group category, which is sales to corporate clients, first half sales were up about 50% year on year to 5.9 billion yen. The main reason was strong sales in the system integration and Microsoft solutions businesses. This category is slowly increasing as a share of total sales.

In the SoftBank Group category, first half sales increased about 35% year on year to 5.7 billion yen primarily because of higher system integration sales.



This slide shows net sales by business category.

Although there are comments about each fiscal year, digital marketing sales have been generally flat overall.

In the platform solutions business, sales move up and down because of changes in hardware sales.

In the system integration business, sales have been climbing steadily.



Next, I will explain our performance in each business category by dividing each one into established businesses and focus businesses.

Digital marketing

In e-commerce services, which is an established business, non-consolidated sales decreased slightly because of the declining Symantec Store business. But due to the contribution from subsidiary Fontworks, consolidated sales increased 2% to 8.6 billion yen.

In the data analytics sector, which is a focus business, consolidated sales increased 47% to 743 million yen because of the growth of this business at SoftBank Technology as well as the contribution from subsidiary Kan Corporation.

Platform solutions

In the platform solutions sector, which is an established business, consolidated sales increased 13% to 4.5 billion yen due to strong non-consolidated sales and contribution from subsidiary Miracle Linux.

In the security solutions sector, which is a focus business, non-consolidated sales increased 63% year on year and new subsidiary Cybertrust Japan also contributed to sales. The result was consolidated sales of 1.6 billion yen, about 3.5 times higher than one year earlier.

System integration

In the system integration sector, which is an established business, there were strong sales from system development projects and system operation services for the SoftBank Group's telecommunications business. The result was a 25% increase in consolidated sales to 2.9 billion yen.

Microsoft solutions, which is a focus business, recorded consolidated sales growth of about 2.2 times to 1.2 billion yen because of the increase in sales of these solutions to companies outside the SoftBank Group.



My next subject is our marginal profit, which is one of the performance indicators that we use.

Digital marketing

The non-consolidated marginal profit in e-commerce services, an established business, decreased because of Symantec's review of its marketing activities that started in the past fiscal year. In October, Symantec announced that it will split into two companies. A Symantec vice president told us that the company will concentrate on the security domain. We believe this split will have a positive effect on future earnings in this business as we strengthen our partnership with Symantec. However, we do not expect this positive effect to emerge until the next fiscal year. Incidentally, subsidiary Fontworks' contribution to the consolidated marginal profit is increasing.

The marginal profit for data analytics, a focus business, increased because of the growth in sales and the contribution of subsidiary Kan Corporation.

Platform solutions

The consolidated marginal profit for platform solutions, an established business, increased 26% to 1.2 billion yen. This was attributable to sales growth and higher profitability due to progress with the switch from hardware sales to platform construction and operation services.

The consolidated marginal profit for security solutions, a focus business, increased about 5 times to 777 million yen mainly due to contributions from subsidiary Cybertrust Japan.

System integration

The consolidated marginal profit for system integration, an established business, increased 32% to 1.31 billion yen due in part to the contribution of subsidiary M-Solutions.

The consolidated marginal profit for Microsoft solutions, a focus business, increased 2.2 times to 466

million yen because of the growth in sales.



This bridge graph shows how operating income changed from the same period of the previous fiscal year.

Higher sales resulting from acquisitions and internal growth raised operating income by 757 million yen. Furthermore, the improvement in the marginal profit ratio raised operating income by 721 million yen.

Operating income was reduced by increases of 1.14 billion yen in fixed costs at SoftBank Technology and subsidiaries, 195 million yen in depreciation and 64 million yen in amortization of goodwill.

In addition, although first half sales were much higher, not all projects were successful. Several projects that are expected to be included in second half sales will be unprofitable. We have therefore added 72 million yen to the provision for losses on orders received.

As a result, operating income totaled 573 million yen, about the same as the same period of the previous fiscal year.



This graph shows our quarterly performance.

As you can see, net sales and the marginal profit have been increasing consistently.



This slide shows the transition of employees on a consolidated basis.

The number of employees has increased because of our acquisition and recruiting activities in order to continue to grow.

On a non-consolidated basis, there were 601 employees at the end of September 2014.

The number of employees on a consolidated basis totaled 815, due to the acquisition of subsidiaries Cybertrust Japan and Miracle Linux in the first half.



The number of engineers acquired information technology certifications has increased along with the growth of our employees. Currently, 163 employees have earned Oracle Master and other advanced information technology certifications.

For the second half of this fiscal year, we have established a target for growth in the number of engineers acquiring Project Management Professional* certification. We will strengthen our project management capabilities in order to prevent unprofitable projects in all of our growing business fields.

*Project Management Professional is an international qualification for individuals who have the experience, skills and knowledge required to serve as project managers who oversee all tasks associated with a project.

We have also received many awards from partner companies.

In the data analytics sector, which is a focus business, we have received the Best Japan Award for three consecutive years from Adobe Systems.

Furthermore, Microsoft solutions, which is another focus business, has received Microsoft Partner of the Year Award from Microsoft.

Balance Sheet Comparison with the previous fiscal year (Billions of yen)

SoftBank



This slide shows changes in our balance sheet.

Assets

Compared with the end of March 2014, current cash increased 1.4 billion yen and sales credit decreased 1.2 billion yen in current assets. Fixed assets increased because of growth in goodwill and software resulting from the acquisition of subsidiaries.

Liabilities and net assets

Accounts payable decreased 700 million yen. The main reason was the decline in hardware sales and increase in system integration as shares of total sales. Loans payable increased 1.4 billion yen to fund the acquisition of Cybertrust Japan in April 2014.

Net assets increased 73 million yen due to the increase in retained earnings.

Cash Flows Comparison with the previo	ous fiscal year (B	illions of yen)	SoftBank Technology
	FY2013 H1 Results	FY2014 H1 Results	Amount of change
Cash flows from operating activities	0.47	1.86	+ 1.38
Cash flows from investing activities	(3.94)	(2.19)	+ 1.75
Cash flows from financing activities	(0.2)	1.81	+ 2.02
Cash and cash equivalents at end of period	2.53	5.24	+ 2.70
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Net cash provided by operating activities was 1.86 billion yen because of the collection of accounts receivables.

Net cash used in investing activities was 2.19 billion yen. Major uses of cash were the relocation of the head office and the acquisitions of Cybertrust Japan and Miracle Linux.

Net cash provided by financing activities was 1.81 billion yen, mainly the result of loans and the leaseback of fixed assets at the new head office.

As a result, cash and cash equivalents at end of period increased by 2.7 billion yen year on year to 5.24 billion yen.

Business Overview

This section is an overview of each business category of the SoftBank Technology Group.



This slide shows our group's business categories.

Starting with the current fiscal year, we have combined all our operations into a single business segment. These operations are divided into the following business categories.

- (1) Digital Marketing
- (2) Platform Solutions
- (3) System Integration

Furthermore, we have established a focus business in each category.

- (1) Data analytics in the digital marketing business
- (2) Security solutions in the platform solutions business
- (3) Microsoft solutions in the system integration business

Next, I will discuss our progress in each of these businesses.



This graph shows quarterly sales of e-commerce services, an established business in digital marketing.

The Symantec Store business accounts for almost all of e-commerce services sales. In response to the slow decline in sales, we have introduced IT systems to improve operating efficiency and taken other steps to maintain earnings.

As I explained earlier, we plan to further strengthen our partnership with Symantec with the goal of returning to growth in the Symantec Store business.



Data analytics is a focus business in digital marketing. There was a contract cancelation by a major client in the first quarter of this fiscal year. But the number of clients increased due to the extended lineup of analytic tools. As a result, there was also steady growth in consistent revenue.



Next, I will talk about the highlights of digital marketing.

In the digital marketing business, Kan Corporation, which became a subsidiary in June 2013, is the operator of the Web Analytics Consultants Association.

This association operates a certification program for web analytics consultants. Since joining the SoftBank Technology Group, Kan Corporation has continued to play a key role in this association as the cumulative number of examinees of the analytics consultants increased steadily. There are now 9,176 examinees and this number is expected to top 10,000 by the end of the current fiscal year.

An increasing number of large advertising agencies are using the web analytics consultants program as part of their employee training programs.

Overview of the Platform Solutions Business

SoftBank Technology

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Platform solutions sales



In addition to orders from the current corporate clients, we have acquired orders from the public sectors .

Aiming to increase earnings from publicsector clients.

Sales from operation and maintenance services continue to grow steadily. First half consistent revenue was 1.9 billion yen. Year-on-year sales +210 million yen, +12.5%

This graph shows quarterly net sales in platform solutions.

By offering IT platform construction services for companies, this business has achieved steady growth in sales from operation and maintenance services, which is a source of consistent revenue.

Hardware sales, which are the gray portion of this graph, fluctuate with demand. For example, sales were higher in the fourth quarter of FY2013 because of the rush to buy before the April 2014 consumption tax increase. But demand fell in the first quarter of FY2014.

As hardware sales continue to reflect changes in demand, our highest priority is to increase sales from consistent revenue sources.

Overview of the Platform Solutions Business

SoftBank Technology



This graph shows quarterly sales of security solutions, which is a focus business.

In this fiscal year, there have been big increases in both project revenue and consistent revenue because of the acquisition of Cybertrust Japan as a consolidated subsidiary.

Platform Solutions: Highlights Technology Growth in the public sector business Sales have been increasing steadily in the public sector, which was started in the previous fiscal year ended March 31, 2014 by collaborating with other SoftBank Group companies. Ordersreceived Central ministries: 2 Prefectures: 3 Ordinance-designated cities: 1 Municipal governments: 6 Associations: 3 Hamamatsu City Website, which introduced the BCP total solution Orders received through business partners Prefectures: 1, Ordinance-designated cities: 1, Core cities: 1, Special cities: 1, Cities: 1, Wards of Tokyo: 3, Associations: 1 24

Next, I will talk about the highlights of platform solutions.

In December 2013, we started working on strengthening the business continuity plan and building the associated environment for the Hamamatsu City Website. This undertaking was in collaboration with SoftBank Group companies SoftBank Telecom, Ymobile (formerly WILLCOM) and Yahoo Japan.

Since then, we have aggressively pursued business involving public sector demand for IT solutions. We have captured a number of public sector orders and plan to continue growing in this market category.

Overview of the System Integration Business

SoftBank Technology

System integration sales: Consistently strong



Development projects for the SoftBank Group's telecommunications business were strong.

Although the percentage of project revenue increased along with the scale of projects, the percentage of consistent revenue remained above 50% in the first half.

We expect to record revenue from the public sector in the second half of the fiscal year.

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This slide shows quarterly sales of system integration.

Consistent revenue increased in the fourth quarter of FY2013 and then declined in the first quarter of FY2014. This was the result of the acceptance in the fourth quarter of an operation and maintenance project by a SoftBank Group company.

The performance of projects for the SoftBank Group is currently strong. We will continue to enhance human resources to this market sector with the goal of achieving more growth.



This graph shows quarterly sales of Microsoft solutions, which is a focus business.

Marginal profit is not substantial for the sale of licenses (gray sections of the above graph). Until about two years ago, licenses accounted for almost all of our Microsoft solutions sales. Since then, individual development project revenue has increased as a share of sales (yellow green sections).

Consistent revenue in this sector, which is the dark green sections at the bottom of the bars, consists of sales from Online Service Gate and ADFS on Cloud. These sales were 94 million yen in the second quarter of the current fiscal year, more than twice as high as one year earlier.

Microsoft: Highlights

SoftBank



Next, I will talk about the highlights of system integration.

Our plan is to expand Microsoft solutions, which is a focus business, by using a threestep process.

Step one is activities aimed at enlarging our client base primarily by using Office 365, which is a business of shifting mail services to the cloud. By the end of the past fiscal year, we had provided support for the transition of 300,000 users to the cloud, mainly for enterprises. Including our original services, the number of users is 500,000.

In step two, we plan to offer services for moving groupware and other systems to the cloud. For example, we will provide support for switching from Notes to Microsoft's SharePoint. For this service, we will use the know-how gained from using SharePoint ourselves to create proposals for clients.

In step three, our goal is to supply a hybrid management and operation service that facilitates the seamless oversight of systems operated on-premises and systems operated on the cloud. We have already started using the Microsoft System Center, the platform for this hybrid service, for our own operations. We will acquire more operational expertise and then launch services for clients.



This slide shows the quarterly growth of SoftBank Technology's order backlog.

The order backlog is almost entirely orders in platform solutions and system integration. There is no order backlog in the Symantec Store business, which sells products and services to individuals.

The order backlog has been increasing steadily mainly because of growth in orders in security and system integration, which are focus businesses.



Next, I will talk about initiatives at the SoftBank Technology Group since I became president two years ago.

In prior years, our main activity was the IT trading business, which involved the procurement and sale of products. The main activity of our system integration business was providing support for the commerce & service business of the SoftBank Group.

When I became president, my first goal was to "achieve significant growth." Since this goal cannot be achieved in a single leap, we have taken actions step by step.

First, we strengthened our workforce through extensive recruiting activities and training programs. We made steady progress with upgrading our engineering resources. At the same time, to create a sound environment for our operations, we established our development center and operations and maintenance service center. By taking these actions, we were able to start providing operational support for the SoftBank Group's telecommunications business.

Furthermore, we have acquired companies in order to establish the infrastructure needed to expand and upgrade our lineup of security services. In the system integration sector, we have collaborated with the SoftBank Group to extend our operations to include the public sector business. In the Microsoft solutions business, we have used our services to consistently increase the number of customers.

FY2014 Earnings Forecast

FY2014 Earnings Fo	orecast			SoftBank Technology
(Millions of yen)	FY2013 Results Apr. 2013 – Mar. 2014	FY2014 Forecast Apr. 2014 – Mar. 2015	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%

Earnings forecast has not been revised.

Everyone at the SoftBank Technology Group is dedicated to achieving our goals by working as a unified team.



Appendix

Consolidated results	FY13 H1		FY14 H1		YoY change	
	Amount (Millionsofyen)	Ratio	Amount (Millionsofyen)	Ratio	Amount (Millionsofyen)	Ratio
Net sales	16,286	-	19,678	-	+3,391	+20.8%
Digital marketing	8,939	-	9,366	-	+427	+4.8%
Platform solutions	4,451	-	6,153	-	+1,702	+38.3%
System integration	2,896	-	4,158	-	+1,262	+43.6%
Cost of sales	14,458	-	16,716	-	+2,258	+15.6%
Gross profit	1,828	11.2%	2,962	15.1%	+1,133	+62.0%
SG&A expenses	1,257	-	2,389	-	+1,131	+90.0%
Operating income	570	3.5%	572	2.9%	+2	+0.4%
Non-operating income (loss)	13	-	(31)	-	(44)	-
Ordinary income	584	3.6%	541	2.8%	(42)	(7.3)%
extraordinary gains (losses)	(4)	-	(0)	-	+3	-
Net income	324	2.0%	330	1.7%	+5	+1.8%
Marginal profit	3,635	22.3%	5,102	25.9%	+1,466	+40.3%
Fixed costs	3,064	-	4,528	-	+1,464	+47.8%
Non-consolidated order backlog	5,789	-	6,668	-	+879	+15.2%

Consolidated results		FY13 H1	FY14 H1	Amount of change	Ratio of change
	Netsales	8,939	9,366	+427	+4.8%
Digital marketing	Marginal profit	1,327	1,342	+15	+1.1%
	Margin	14.9%	14.3%	(0.5)Pts	-
	Netsales	8,433	8,623	+189	+2.2%
(1) E-commerce services	Marginal profit	1,097	1,019	(78)	(7.1)%
	Margin	13.0%	11.8%	(1.2)Pts	-
(Focus business)	Netsales	505	743	+237	+47.1%
(2) Data analytics	Marginal profit	230	323	+93	+40.6%
	Margin	45.6%	43.6%	(2.0)Pts	-
	Netsales	4,451	6,153	+1,702	+38.3%
Platform solutions	Marginal profit	1,100	1,979	+878	+79.8%
	Margin	24.7%	32.2%	+7.4Pts	-
	Netsales	3,972	4,516	+544	+13.7%
(1) Platform solutions	Marginal profit	948	1,203	+254	+26.8%
	Margin	23.9%	26.6%	+2.8Pts	-
Focus business	Netsales	478	1,636	+1,158	+241.8%
(2) Security solutions	Marginal profit	152	776	+624	+410.3%
	Margin	31.8%	47.4%	+15.7Pts	-
	Netsales	2,896	4,158	+1,262	+43.6%
system integration	Marginal profit	1,206	1,779	+572	+47.4%
, 0	Margin	41.7%	42.8%	+1.1Pts	-
	Netsales	2,368	2,965	+597	+25.2%
(1) System integration	Marginal profit	997	1,313	+316	+31.7%
	Margin	42.1%	44.3%	+2.2Pts	-
(Focus business)	Netsales	528	1,193	+664	+125.9%
(2) Microsoft solutions	Marginal profit	209	465	+255	+121.9%
	Margin	39.7%	39.0%	(0.7)Pts	-

Old and New Business Segments

SoftBank Technology



Subsidiaries and Affiliates

SoftBank Technology

		Company name	Business	Net sales (Millions of yen)
April 2001	¢ 🕥	M-SOLUTIONS, Inc. (consolidated subsidiary)	Design and development of systems and operation services; provision of mobile applications and mobile movie content services	379 FY ended March 2014
June 2012	<u>م</u>	SOLUTION BUSINESS TECHNOLOGY HONG KONG LIMITED (consolidated subsidiary)	Online payment services and e-business in Hong Kong	5 FY ended March 2014
December 2012	þ	SOLUTION BUSINESS TECHNOLOGY KOREA Ltd. (consolidated subsidiary)	Online payment services and e-business in Korea	11 FY ended March 2014
June 2013	FONTWORKS	Fontworks Inc. (consolidated subsidiary)	Planning, development and sales of digital fonts (typefaces), software development, and technical service business	876 FY ended March 2014
June 2013	d	Kan Corporation (consolidated subsidiary)	Development and management of web analysistools, website construction; Providing consulting service of the web analysis, Web Analytics certified course business	144 FY ended January 2014
April 2014	¢ (t cybertrust	Cybertrust Japan Co., Ltd. (consolidated subsidiary)	Certification service, security solutions, and managed security services	1,710 FY ended December 2013
May 2014	•	Mode2 inc. (equity-method affiliate)	Planning, production and other activities for advertising and sales promotion strategies	1,485 FY ended August 2013
July 2014		MIRACLE LINUX CORPORATION (consolidated subsidiary)	Linux OS development, embedded Linux solutions, support and consulting services	751 FY ended May 2014