

Fiscal Year Ended March 31, 2015 (FY2014)

# Results of Operations



April 28, 2015

SoftBank Technology Corp.

## Greetings

Thank you for taking the time to attend today's information meeting about our fiscal year performance.

Today, I will talk about our results of operation, our business operations, and our outlook for the fiscal year ending on March 31, 2016.

# FY2014 Results Summary

## Comparison with the previous fiscal year

### Overview

- ◆ Consolidated sales increased 7.8% to a record-high 39.8 billion yen.
- ◆ Earnings were higher because of progress with the structural reform of business operations.
- ◆ Subsidiaries providing original content and services also contributed to the growth in earnings.

(Millions of yen)	FY2014 Results	FY2013 Results	YoY change	Q4 FY2014 (Jan-Mar)	Q4 FY2013	YoY change
Net sales	39,816	36,951	+2,865 +7.8%	11,177	11,256	(79) (0.7)%
Operating income	1,398	1,370	+28 +2.1%	768	623	+145 +23.4%
Ordinary income	1,403	1,363	+39 +2.9%	782	611	+170 +27.9%
Net income	883	636	+246 +38.8%	353	307	+46 +15.0%

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I will begin with an overview of our performance.

In the fourth quarter, sales were about the same as one year earlier. But operating income increased more than 100 million yen to 768 million yen.

The fourth quarter accounted for about half of our operating income and ordinary income for the entire fiscal year.

# FY2014 Results Summary

## Comparison with earnings forecast

### Overview

- ◆ Net sales were 39.8 billion as hardware sales declined sharply from FY14 Q3 onward.
- ◆ Earnings were higher than the revised forecast announced on January 30.
- ◆ Large unprofitable projects reduced operating income by 200 million yen.

(Millions of yen)	FY2014 Results	Forecast	Amount of change	Ratio of change
Net sales	39,816	40,000	(183)	(0.5)%
Operating income	1,398	1,250	+148	+11.9%
Ordinary income	1,403	1,250	+153	+12.2%
Net income	883	800	+83	+10.4%

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

This is the reduced sales and earnings forecast that we announced on January 30, 2015.

# FY2014 Results Summary

## Comparison with the previous fiscal year

### Overview

- ◆ Sales were unchanged from the previous fiscal year. Effect of a decline in hardware sales from FY14 Q3 was offset by an improved efficiency gained from the structural reform of business operations.
- ◆ Operating and ordinary income decreased due to the large unprofitable projects.
- ◆ Net income increased due to the gain on sales of investment securities.

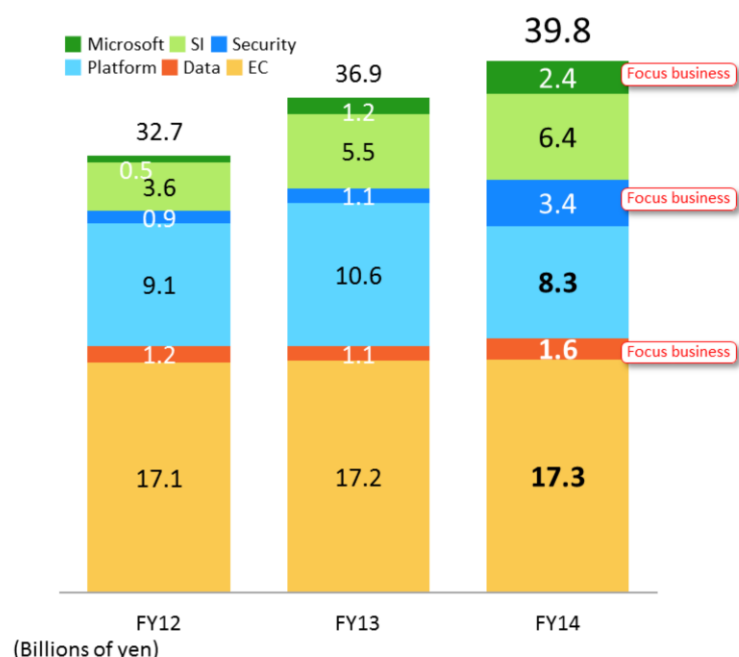
(Millions of yen)	FY2014 Results	FY2013 Results	Amount of change	Ratio of change
Net sales	36,118	36,105	+13	0.0%
Operating income	1,048	1,341	(293)	(21.9)%
Ordinary income	1,042	1,328	(285)	(21.5)%
Net income	740	653	+87	+13.3%

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This slide shows SoftBank Technology's performance in the past two fiscal years. Non-consolidated sales were about the same but operating income and ordinary income were both down about 20%.

Although fundamental issue was an insufficient increase of sales, large unprofitable projects reduced earnings by about 200 million yen. In addition, there were additional expenses for accepting sales and engineering personnel from subsidiaries on temporary assignments. The goal of these assignments was to generate more synergies among group companies.

Starting in this fiscal year, we expect to benefit from synergies resulting from the temporary assignments of people from subsidiaries Cybertrust Japan and Miracle Linux. We will develop new products and services, perform joint sales activities, and work together for other activities.



## FY14 consolidated sales

39.8 billion yen

A new all-time high

Year-on-year sales: +2.8 billion, +7.8%

All three focus businesses posted strong growth.

Year-on-year sales by business category:

## Microsoft solutions



+1.1 billion yen, +91.3%

## Security solutions



+2.3 billion yen, +206.7%

## Data analytics



+0.4 billion yen, +40.6%

This slide shows net sales by business category.

Starting with the fiscal year ended on March 31, 2015, we have divided our operations into three business categories: Digital Marketing, Platform Solutions, and System Integration. Furthermore, we have established a focus business in each category.

\* The operations in each category are as follows, in the order shown in the graph, with focus businesses underlined.

◆ **System Integration**

Microsoft solutions business (focus business), system integration business

◆ **Platform Solutions**

Security solutions business (focus business), platform solutions business

◆ **Digital Marketing**

Data analytics business (focus business), e-commerce services business

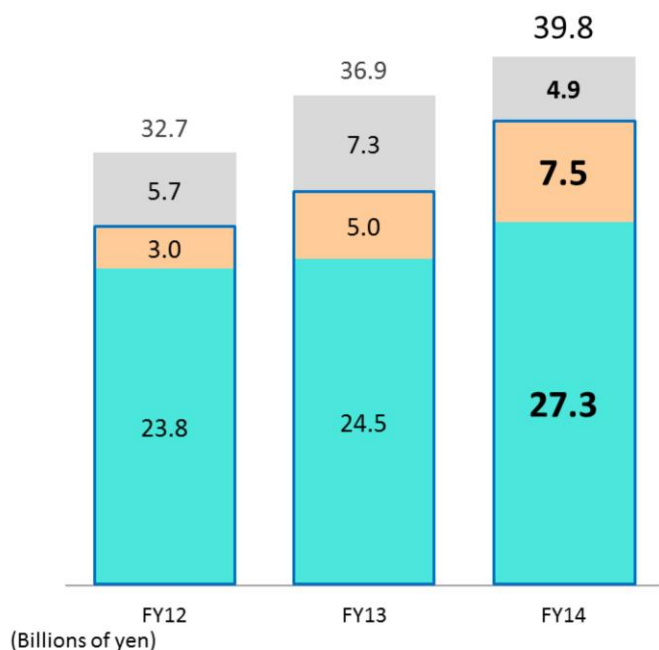
In the digital marketing category, there was a strong performance by e-commerce services. In the data analytics sector, which is a focus business, there was a big increase of 40% in consolidated sales from the previous fiscal year.

In the platform solutions category, there was a large decline in hardware sales, including communications equipment, servers and other items, in the platform solutions business.

In the security solutions sector, which is a focus business, we acquired Cybertrust Japan, established a division devoted solely to security in October 2014 and took other actions. As a result, including Cybertrust Japan sales of 1.8 billion yen, sales in this sector were up 2.3 billion yen, a significant increase of 206%. Even on a non-consolidated basis, sector sales increased about 50%.

In the system integration category, there were higher sales in the system integration business.

In the Microsoft solutions sector, which is a focus business, sales were up about 100% for the second consecutive year. The cause was growth in projects for work flow and enterprise information portal transfers and transfers of internal systems to the cloud. The first step is the use of Office 365, a cloud-based e-mail system.



Steady progress with the structural reform of business operations.

Development, operation and maintenance sales performed well.

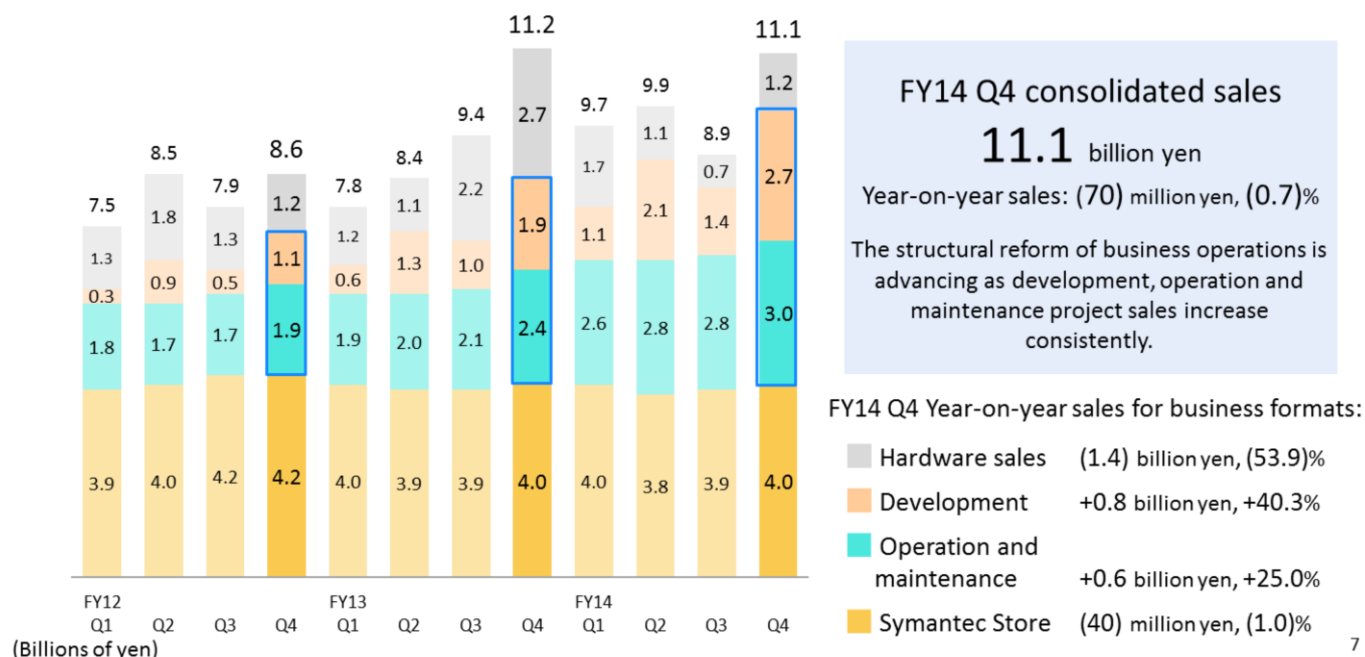
Year-on-year sales for business formats:

Hardware sales	(2.4) billion yen, (32.9)%
Development	+2.5 billion yen, +50.5%
Operation and maintenance	+2.7 billion yen, +11.2%

This slide shows net sales by business format.

Development sales increased 20.5% to 7.5 billion yen. As development sales rose, there was an increase in operation and maintenance sales, which are a source of consistent revenue, to 2.7 billion yen.

Operation and maintenance sales include 16 billion yen in Symantec Store sales. Excluding these sales, operation and maintenance sales have grown from about 6.8 billion yen in fiscal 2012, which ended in March 2013, to about 11 billion yen in the past fiscal year.

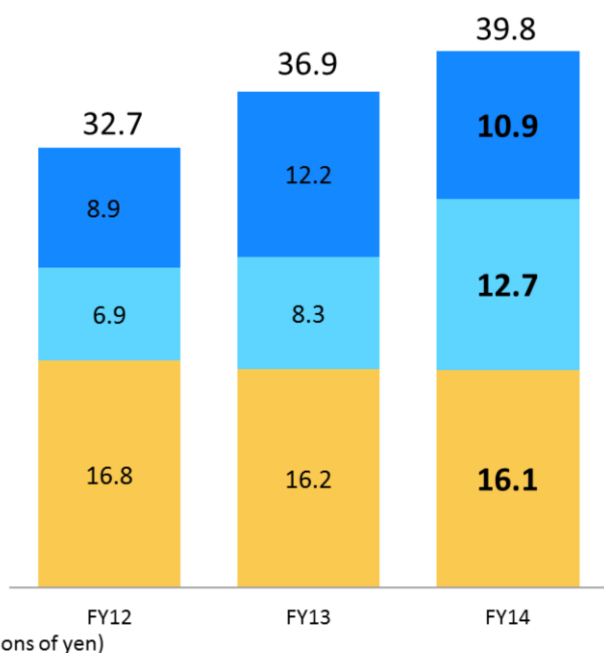


This slide shows quarterly sales for business formats.

Symantec Store sales were about 4 billion yen in each quarter.

Operation and maintenance sales have grown from 1.9 billion yen in the fourth quarter of fiscal 2012 to 3 billion yen in the fourth quarter of fiscal 2014. During the same period, development sales increased from 1.1 billion yen to 2.7 billion yen.

Hardware sales have changed significantly from quarter to quarter. There was a significant increase in the fourth quarter of fiscal 2013 to 2.7 billion yen mainly because of the consumption tax increase and the outlook for a weaker yen. In the fourth quarter of fiscal 2014, hardware sales were 1.2 billion yen.



## Year-on-year sales:

## ■ SoftBank Group



(1.2) billion yen, (10.5)%

Hardware sales for SoftBank Group companies declined from Q3 onward.

## ■ Non-SoftBank Group



+4.3 billion yen, +51.7%

Sales from Joint proposals with SoftBank Group companies increased.

## ■ E-commerce service

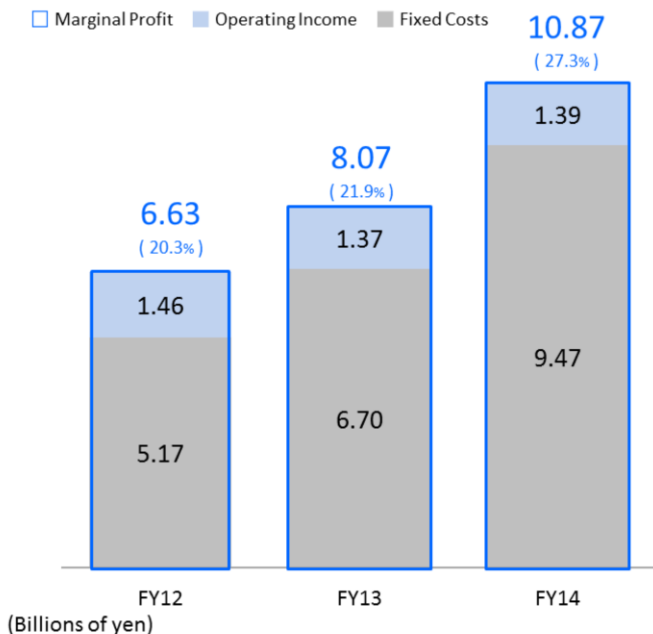


(0.1) billion yen, (1.1)%

This slide shows net sales by customer category. In fiscal 2014, we achieved a significant increase in sales to clients other than the SoftBank Group.



□ Marginal Profit    ■ Operating Income    ■ Fixed Costs



FY14 consolidated marginal profit

**10.87** billion yen

Year-on-year: +2.79 billion yen, +34.7%

FY14 consolidated operating income **1.39** billion yen

Year-on-year: +20 million yen, +2.1%

Operating income was unchanged as growth in marginal profit offset the increase in fixed costs resulting from M&A, aggressive recruiting activities, office relocations and other activities.

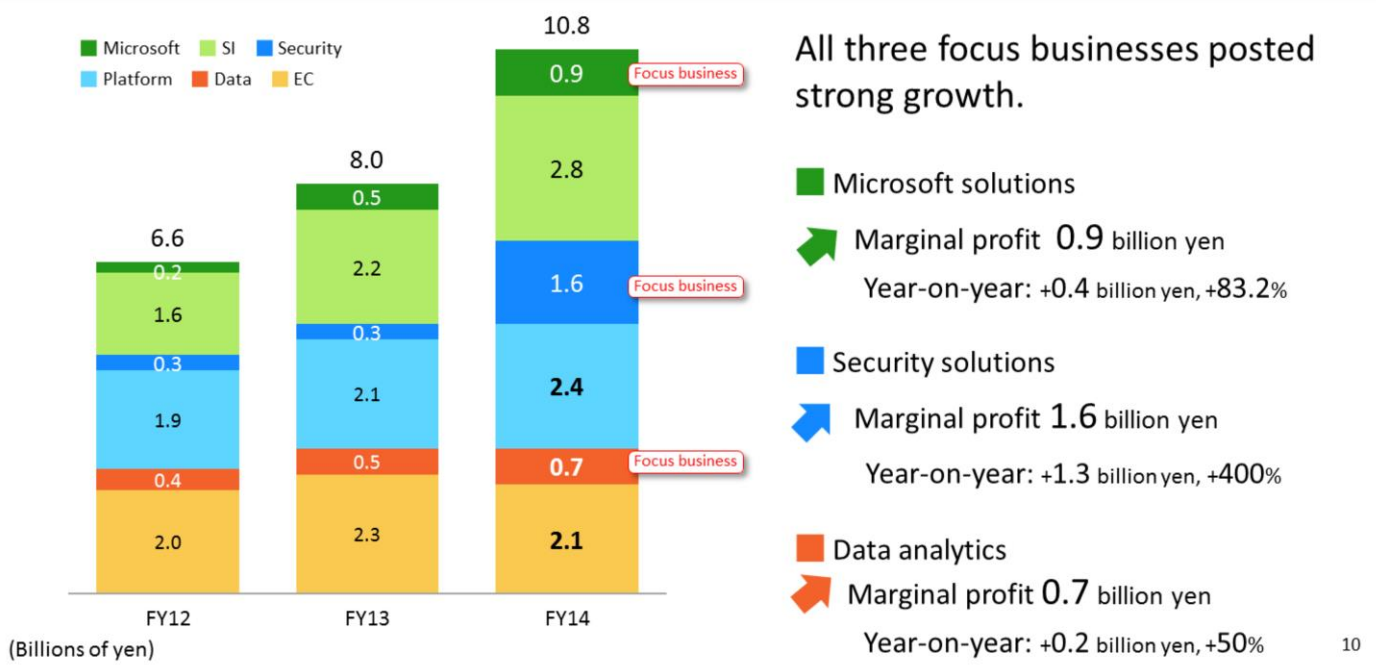
My next subject is our marginal profit\*.

Marginal profit has increased from 6.6 billion yen in fiscal 2012 to 10.8 billion yen in fiscal 2014. Operating income in fiscal 2014 was about the same as one year earlier. The main reason was higher fixed costs resulting mostly from M&As, aggressive recruiting activities and office relocations.

\*: About marginal profit

Marginal profit is calculated by subtracting variable costs (cost of merchandise, outsourcing expenses, distribution expenses and other items that increase and decrease with sales) from net sales.

Marginal profit is one of the performance indicators that we use. By making extensive use of marginal profit as a business intelligence tool, we aim to ensure the visibility of this indicator and increase the speed of decision-making.



This slide shows marginal profit by business category.

#### ◆ Digital Marketing

Although data analytics business is only a small part of digital marketing sales, the marginal profit was 700 million yen compared with 2.8 billion yen for the entire category.

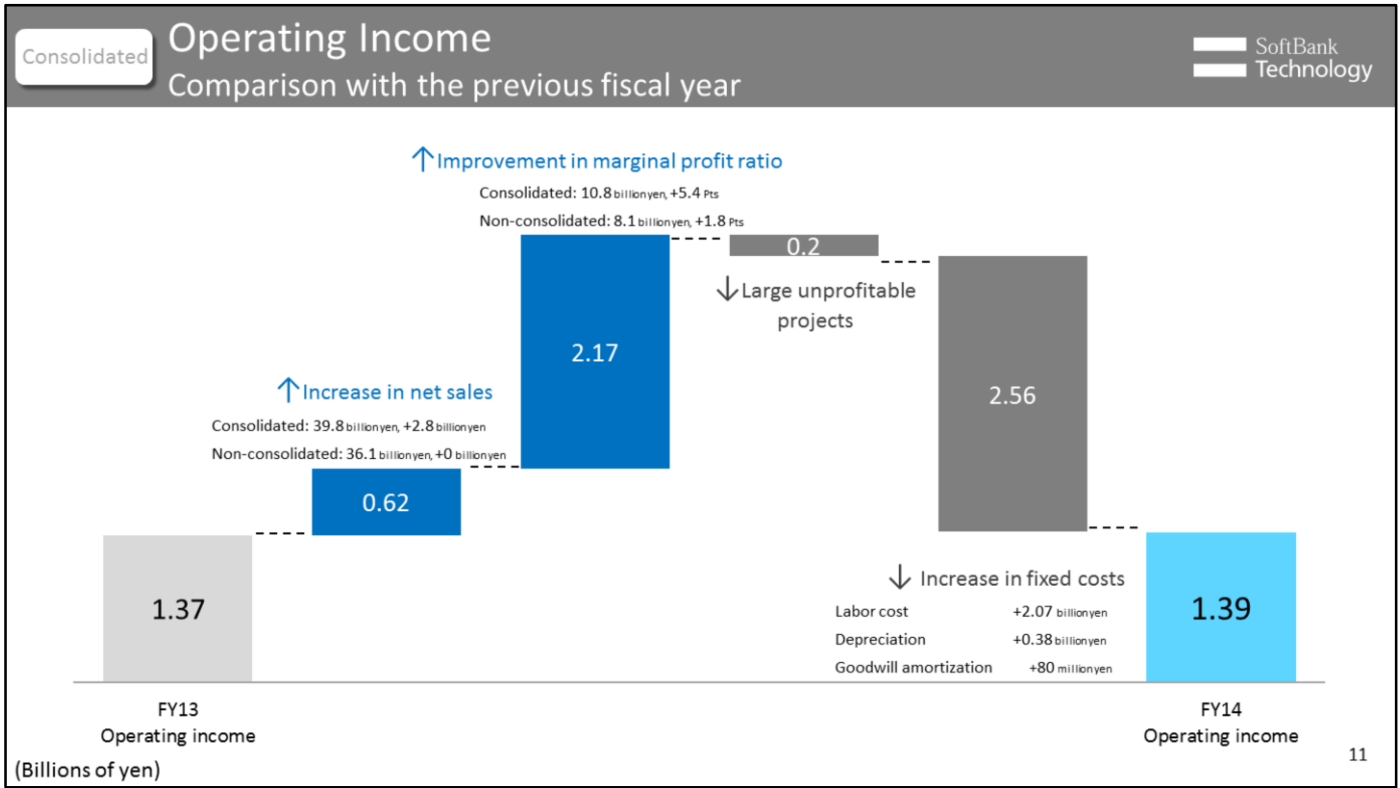
#### ◆ Platform Solutions

Sales were lower because of the decline in hardware sales. But marginal profit increased 300 million yen due to the growth in IT platform construction projects. The marginal profit margin of this business improved along with progress in shifting this business category from server and other hardware sales to construction and operation services.

Security solutions marginal profit increased from 300 million yen in prior years to 1.6 billion yen in fiscal 2014. Although its sales were only about 1.8 billion yen, Cybertrust Japan contributed to this improvement because of its high marginal profit ratio.

#### ◆ System Integration

Marginal profit was higher in both the system integration business and Microsoft solutions business.

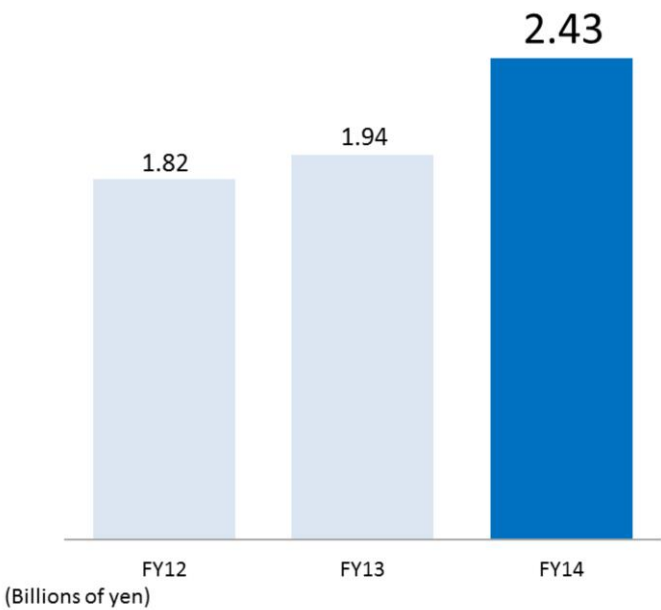


This bridge graph shows how operating income changed from the previous fiscal year.

Higher sales resulting from acquisitions and internal growth raised operating income by 602 million yen. Furthermore, the improvement in the marginal profit ratio raised operating income by 2.17 billion yen.

Operating income was reduced by 0.2 billion yen due to the large unprofitable projects, and by an increase of 2.56 billion yen in fixed costs at SoftBank Technology and subsidiaries.

As a result, operating income totaled 1.39 billion yen, about the same as the previous fiscal year.



FY14 EBITDA <sup>(note)</sup> **2.43** billion yen  
Year-on-year: +0.49 billion yen, +25.7%

EBITDA increased due to investments for growth of business and M&As.

Note: EBITDA = Operating income/loss + Depreciation + Amortization of goodwill

This slide shows the growth in EBITDA.

Large unprofitable projects in FY2014 reduced operating income by 200 million yen.

Large Unprofitable Projects (April 2014 to March 2015)

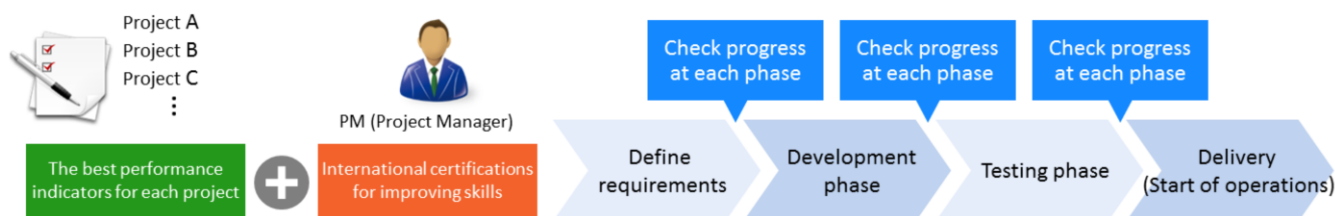
Business category	Project	Cause	Loss recorded	Customer acceptance
System integration	Development of website	Increased man hours due to problems involving items delivered to the customer	FY14 Q2	FY14 Q3
	Construction of certification system	Increased man hours to compensate for inadequate definitions of requirements	FY14 Q3	FY14 Q4
Microsoft solutions	Installation of Office 365	Increased man hours exceeding the requirement definitions at the implementation stage	FY14 Q2	FY14 Q3
	Installation of SharePoint	Increased man hours exceeding the requirement definitions at the implementation stage	FY14 Q2	FY15 Q1
	Installation of Office365 and ADFS on Cloud	Increased man hours due to problems involving items delivered to the customer	FY14 Q3	FY14 Q4

This slide shows details of the large unprofitable projects.

- Action 1** Use visualization of performance indicators of each project for proper project management and quick decisions
- Action 2** Use specialized project teams for project audits, quality assurance and the standardization of tasks.
- Action 3** Strengthen project management skills by encouraging employees to earn PMP certification

\* PMP (Project Management Professional):

An internationally recognized credential offered by the Project Management Institute (PMI), a non profit organization in the U.S.



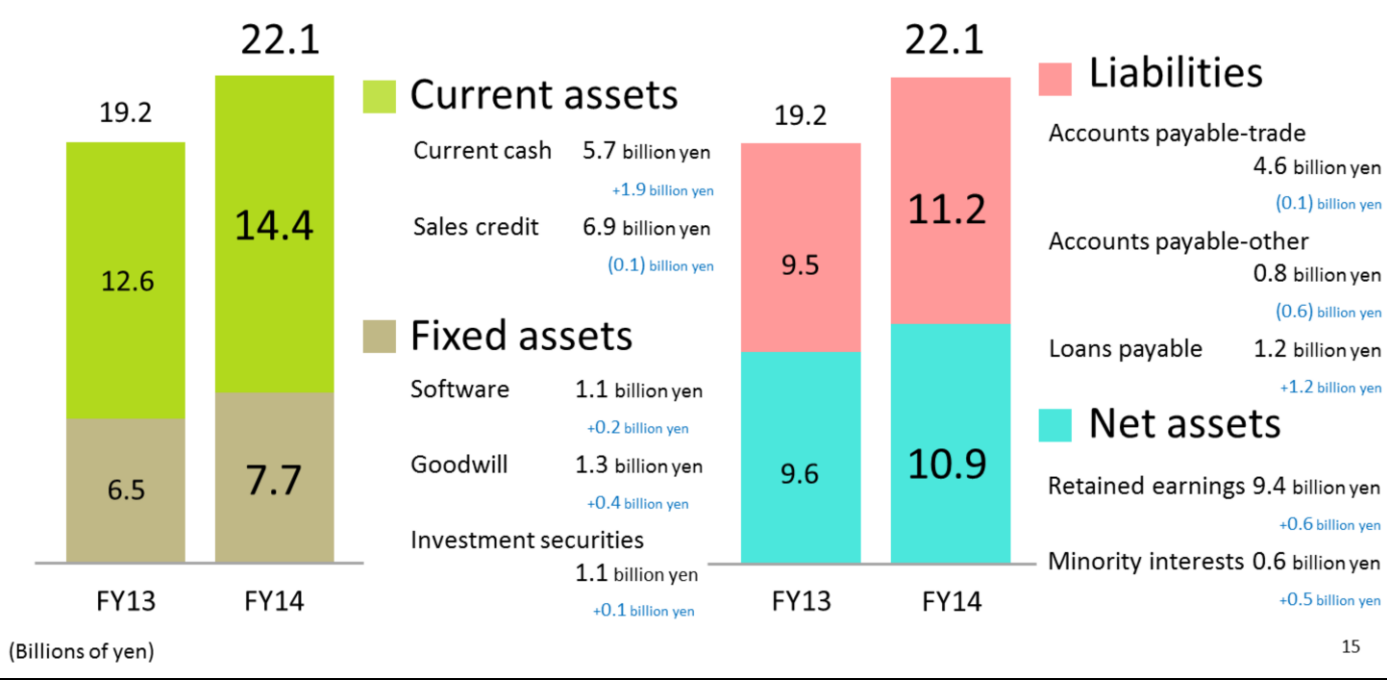
We have taken a number of actions against unprofitable projects.

In the past fiscal year, there were problems involving differences in the skills of our project managers. Another issue was the inability of our project management operations to keep up with growth in the number of engineers and large-scale projects.

We have certified Project Management Professionals who are working on establishing quality standards for managing projects. Activities that started in the third quarter of fiscal 2014 have increased the number of these professionals from seven to 22.

In addition, we have created units that specialize in project management training, project audits, quality assurance, and the business process standardization.

We will use these initiatives for constant improvements in quality in order to earn the satisfaction of our clients.



This slide shows changes in our balance sheet.

◆ Assets

Compared with the end of March 2014, current cash increased 1.9 billion yen and sales credit decreased 0.1 billion yen in current assets.

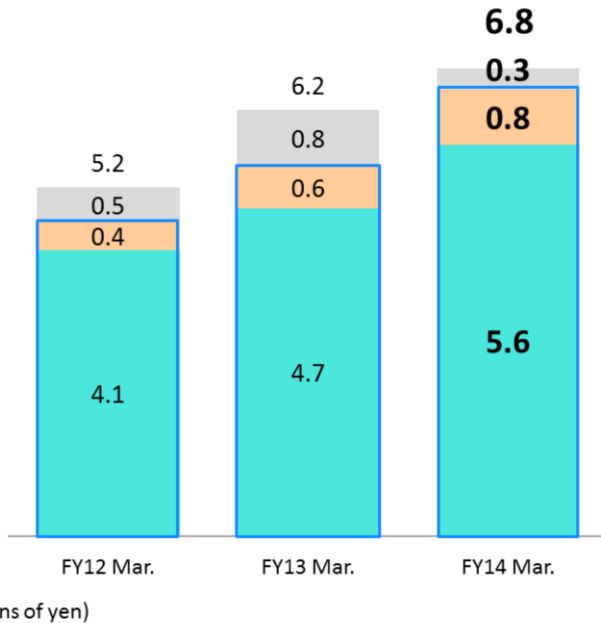
◆ Liabilities and net assets

Loans payable increased 1.2 billion yen to fund the acquisition of Cybertrust Japan in April 2014.

(Billions of yen)	FY2013 Results	FY2014 Results	Amount of change
Cash flows from operating activities	0.20	2.66	+ 2.45
Cash flows from investing activities	(2.41)	(2.33)	+ 0.08
Cash flows from financing activities	(0.24)	1.59	+ 1.84
Cash and cash equivalents at end of period	3.75	5.69	+ 1.94

This slide shows year-on-year comparisons of cash flows.





## Order backlog (end-Mar 2015)

**6.8 billion yen**

Year-on-year: +0.6 billion yen, +11.0%

Orders for development, operation and maintenance, but for hardware sales, increased 20.7% year-on-year.

## Year-on-year:

Hardware sales	(0.4) billion yen, (53.4)%
Development	+0.1 billion yen, +24.5%
Operation and maintenance	+0.9 billion yen, +20.1%

This slide shows SoftBank Technology's order backlog.

The order backlog was 6.8 billion yen at the end of March 2015, 11.0% higher than one year earlier. There was a decrease in hardware sales but an increase in the operation and maintenance order backlog.

The order backlog does not include Symantec Store sales. Consequently, based on fiscal 2014 performance, there is a development and operation and maintenance order backlog of about three months in relation to the combined sales of 24 billion yen in these two sectors.

# Business Overview

# Old and New Business Segments

## Old Segments

### eBusiness Services

- Symantec Store business, e-commerce platform services
- Web access log analysis services
- Font set, web font services

### Solutions

- Construction of server, storage and other IT platform; operation and maintenance services
- Construction of security system; operation and maintenance services
- 
- Development of IT system and mobile apps; operation and maintenance services
- Provision of the Microsoft solutions

## New Segments (from FY2014)

### ICT Services

#### Digital marketing

E-commerce services

Focus business

Data analytics

#### Platform solutions

Platform solutions

Focus business

Security solutions

#### System integration

System integration

Focus business

Microsoft solutions

Starting with the fiscal year ended on March 31, 2015, we have combined all our operations into a single ICT services business segment. These operations are divided into three business categories: Digital Marketing, Platform Solutions, and System Integration.

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

#### ◆ System Integration

-Microsoft solutions business (focus business)

-System integration business

#### ◆ Platform Solutions

-Security solutions business (focus business)

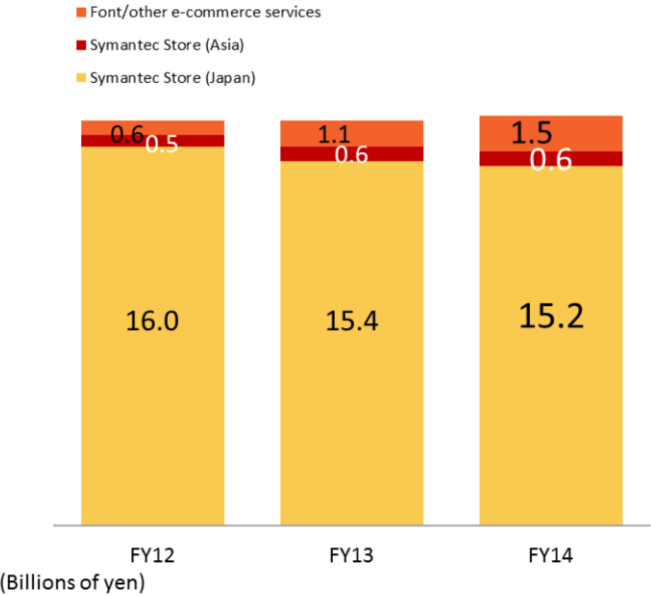
-Platform solutions business

#### ◆ Digital Marketing

-Data analytics business (focus business)

-E-commerce services business

E-commerce services sales



Sales in the Symantec Store business declined slightly.

To maintain profitability, various measures are promoted including the introduction of IT systems to improve operating efficiency.

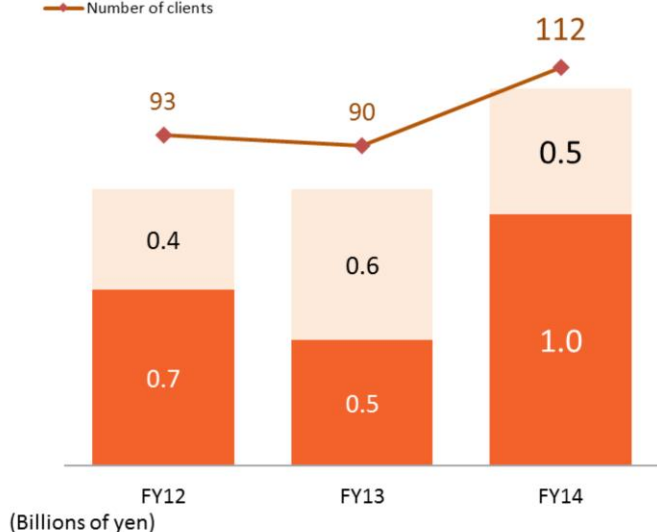
Next, I will discuss our progress with e-commerce services in the digital marketing business.

E-commerce services sales were about the same as in the previous fiscal year.  
There was a small decline in the Symantec Store sales and an increase in sales at Fontworks.

Focus  
business

## Data analytics services sales

■ Project revenue (licenses/individual development projects)  
■ Consistent revenue (analysis tools/consulting/operation and maintenance services)  
—◆— Number of clients



The number of clients increased because of the extended lineup of web access log analysis solutions.

FY14 consistent revenue: **1.0** billion yen  
 Year-on-year: +0.5 billion yen, +105.8%

## ◆ Topics: Expanded our original services



Aug. 12, 2014



Feb. 16, 2015

みやすい解析

Apr. 16, 2015

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Data analytics is a focus business in the digital marketing business. We have succeeded in releasing our internally developed service. Our Miyasui Analytics is a web analysis service designed specifically for local governments. This service allows government officials to monitor changes in the characteristics of residents and other items.

Miyasui Analytics belongs to the so-called big data business category. This is still a small percentage of our sales. We are currently working on converting this into a tool by having computers “learn” the analytic know-how of experts.

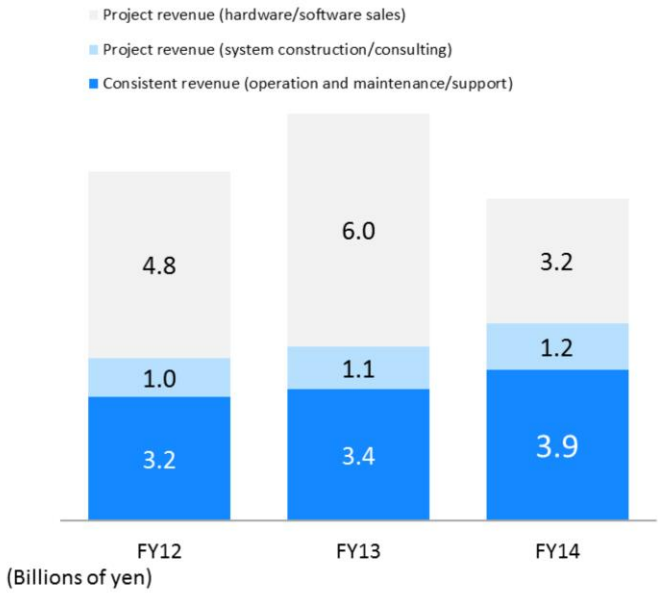
For reference:

-siteVALUE (A fully integrated solution extending from website diagnosis services and improvement plans to confirmation of the benefits of a design  
<https://www.softbanktech.jp/service/list/sitevalue/>

-4DP LogSearch (A solution that accumulates internal logs and provides visualization and performs analysis of data security threats)  
<https://www.softbanktech.jp/service/list/4dp-logsearch/>

- Miyasui Analytics (A web analysis solution exclusively for local governments)  
<http://miyasui.sibulla.com/>

Platform solutions sales



Steady growth of sales from operation and maintenance services.

FY14 consistent revenue: **3.9** billion yen  
Year-on-year: +0.4 billion yen, +14%

Hardware sales declined sharply from FY14 Q3 onward.

◆Topics: Started developing Internet of Things embedded solutions

Jan. 14, 2015  
Miracle Linux is working with partners to develop Japan's first Linux integrated solution prototype for automotive devices.

MIRACLE

cybertrust

FONTWORKS

In the platform solutions business, we do not foresee significant growth in hardware sales due to the increasing utilization of cloud-based services. Currently, almost all of the solutions we propose to clients utilize the cloud. As a result, we believe that consistent revenue in this category will remain strong.

One significant event was the completion on January 14, 2015 of the development of a Linux integrated solution prototype for automotive devices in Japan. This was a joint project of subsidiaries Miracle Linux, Cybertrust Japan, and Fontworks.

This solution combines Linux expertise of Miracle Linux, the certificate expertise of Cybertrust Japan and the easily visible fonts of Fontworks.

Growth in the public sector business

Sales have been increasing steadily in the public sector, which was started in FY 2013 by collaborating with other SoftBank Group companies.

- Orders received
  - Central ministries: 2
  - Local governments: 13 (Ibaraki Prefecture, Aomori City, Kagoshima City, etc.)
  - National institutes, etc.: 8 (National Institute of Advanced Industrial Science and Technology, etc.)
  - National educational institutes: 3
- Orders received through business partners
  - Local governments: 12, Wards of Tokyo: 2



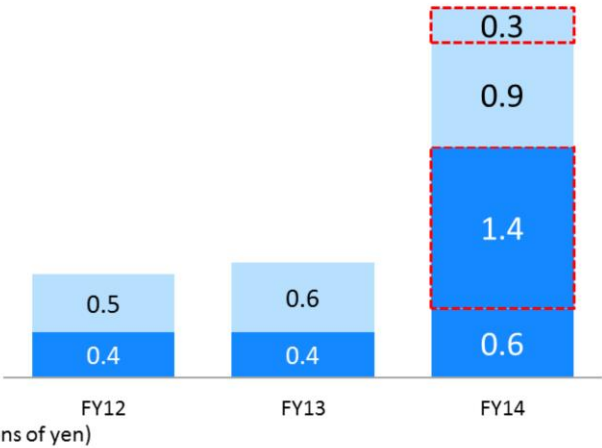
We started our public sector business in the fiscal year that ended on March 31, 2014. By aggressively pursuing opportunities involving public-sector demand for IT solutions, we completed 40 projects during the past year.

We plan to continue growing in this market category.

Focus business

Security solutions sales

- Project revenue (CT) (vulnerability diagnoses/individual development projects)
- Project revenue (SBT) (hardware sales/system construction)
- Consistent revenue (CT) (certification service)
- Consistent revenue (SBT) (operation and maintenance services)



FY14 sales exceeded 3.4 billion yen.  
(Year-on-year: Up about 200%)

The acquisition of Cybertrust Japan as a consolidated subsidiary and expansion of security product lineup contributed to the increase in sales.

◆ Topics: Full-scale use of specialized technologies

- Started posting vulnerability diagnoses on the company website (no charge)
- Started the industry's first Active Directory vulnerability diagnosis service

Oct. 10, 2014



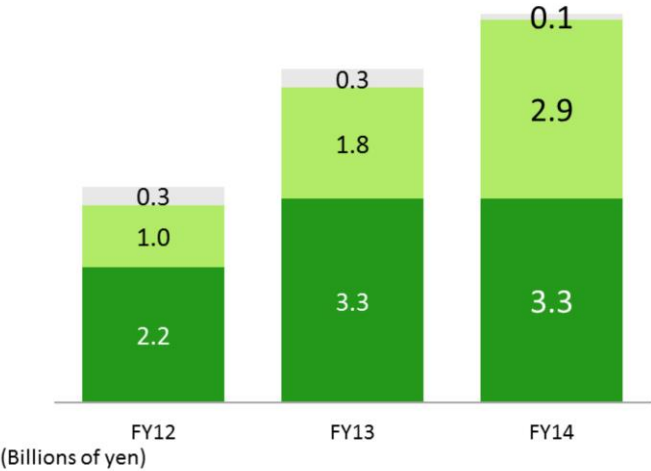
In our focus business of security solutions, non-consolidated sales increased 50% to 1.5 billion yen. Including the 1.7 billion yen in sales from Cybertrust Japan, consolidated sales increased 3.4 billion yen to more than three times sales in the previous fiscal year.

During the past two years, we have hired security experts in a variety of fields. We created unique services and upgraded and expanded our lineup. Our solutions include protection against targeted cyber attacks, secure communications that use Cybertrust Japan's certification technology, and other services.



System integration sales

- Project revenue (hardware and software sales)
- Project revenue (development projects)
- Consistent revenue (operation and maintenance services)



FY14 project revenue (development projects) exceeded 2.9 billion yen.  
(Year-on-year: +1.04 billion yen, +56.0%)

Enhanced human resources and improved project management organization for handling large projects. Share of consistent revenue was maintained at more than 50%.

◆ Topics: M-SOLUTIONS started verification of a robot app



Sep. 18, 2014 Exhibited at Pepper Tech Festival 2014

Feb. 23, 2015 Started verification of a next-generation reception system using a robot app

This slide shows how sales have grown in the system integration business.

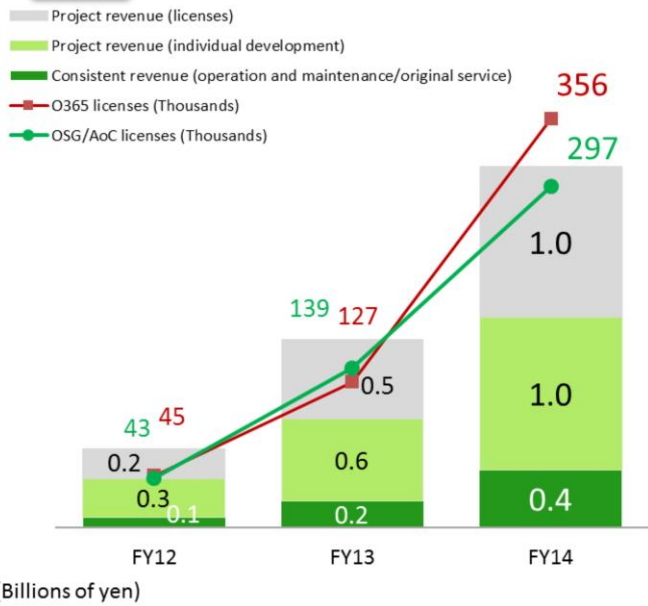
The steady growth of project revenue continued with a 56% increase to 2.9 billion yen. Sales from operation and maintenance services, a source of consistent revenue, were about the same as in the previous fiscal year.

We are performing development projects for the purpose of increasing consistent revenue. Our goal for fiscal 2015 is to increase sales from consistent revenue sources, which we were not able to accomplish last year.

Subsidiary M-SOLUTIONS is working on the development and demonstration trials of a robot app.

Focus business

Microsoft solutions sales



- The Office 365 projects performed well.  
Total introductions: 350,000 licenses
  - Original cloud services performed well.  
Online Service Gate, ADFS on Cloud  
Total introductions: 290,000 licenses
  - Quarterly consistent revenue exceeded 100 million yen due to an increase in sales of our original services since FY14 Q3.
- ◆ Topics: Expanded service lineup

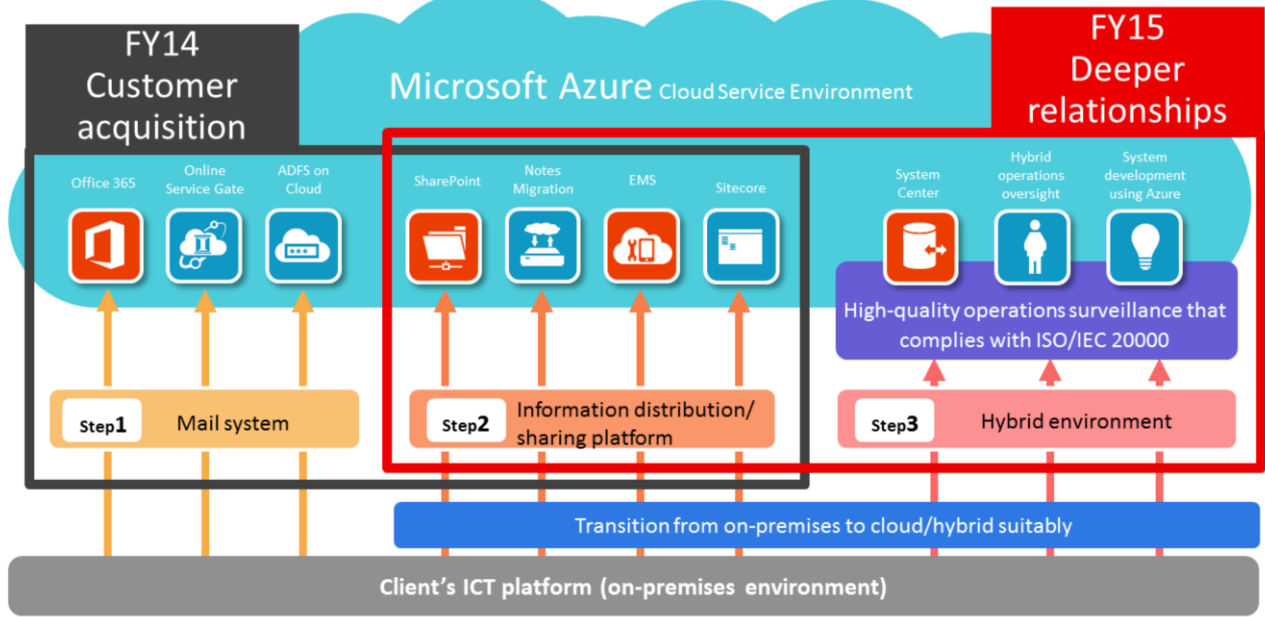
  - Sep. 18, 2014 Managed service for Azure
  - Sep. 18, 2014 Introduction support service for System Center
  - Feb. 27, 2015 Introduction support service for Enterprise Mobility
  - Mar. 5, 2015 Introduction support service for Azure Site Recovery



This slide shows the growth in sales of Microsoft solutions.

There was a steady increase in project revenue (licenses). Furthermore, there was growth in both project revenue from individual development projects and consistent revenue from operation and maintenance and original services. We plan to continue increasing consistent revenue from operation and maintenance services and other activities.

Our goal is to achieve growth in development projects and operation and maintenance services by increasing the number of original services that we offer.



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 three-step process.

Step one is building relationships with new clients by using Office 365 to shift their internal e-mail systems to the cloud.

In step two, we plan to provide assistance for moving internal bulletin boards, work flows and other items from Notes and other systems to the cloud.

In step three, we will shift other systems of client companies to Azure, which we are borrowing from Microsoft. This is known as “vendor Azure.” In addition, we will provide a 24-hour/365-day operation and surveillance service.

There is no doubt that the shift to Azure and the cloud will gain momentum. Operations and surveillance for client systems that have undergone this shift will become even more important. This is why we received ISO/IEC20000 certification for operation and surveillance services for client companies on April 22, 2015. In the coming years, we plan to start assisting in the operations of client companies by supplying operation and surveillance services that meet international standards for high quality.

# FY2015 Earnings Forecast

- Overview
- ◆ Operating income of 1.7 billion yen
  - ◆ Growth in three focus businesses and public-sector business
  - ◆ Reduction in large unprofitable projects by strengthening preventive measures

(Millions of yen)	FY2015 Forecast <small>(Apr. 2015 – Mar. 2016)</small>	FY2014 Results	YoY change	1H FY2015 Forecast <small>(Apr. 2015 – Sep. 2015)</small>	1H FY2014 Results	YoY change
Net Sales	42,000	39,816	+2,183 +5.5%	19,500	19,678	(178) (0.9)%
Operating income	1,700	1,398	+301 +21.5%	680	572	+107 +18.7%
Ordinary income	1,600	1,403	+196 +14.0%	640	541	+98 +18.2%
Net income <small>(note)</small>	1,000	883	+116 +13.2%	400	330	+69 +21.0%

Note: Net income for FY2015 Forecast represents amount of Profit attributable to owners of parent.

My next subject is our forecast for the fiscal year ending on March 31, 2016.

For the full fiscal year ending on March 31, 2016, SoftBank Technology forecasts sales of 4.2 billion yen, operating income of 1.7 billion yen, ordinary income of 1.6 billion yen, and net income of 1 billion yen.

For the first half of the fiscal year, due to the outlook for a decline in hardware sales, we forecast sales of 19.5 billion yen, operating income of 680 million yen, ordinary income of 640 million yen and net income of 400 million yen.

# Information Revolution –Happiness for everyone

~ Harnessing the power of Technology  
to build a Brighter future ~



SoftBank Technology



M-SOLUTIONS



Fontworks



Kan



Cybertrust Japan



Miracle Linux



Mode2