

Section 2

CEO Message

In May 2023, we announced our long-term vision for 2030, and our medium-term management plan covering the period from FY2023 to FY2025.

I will explain the thoughts behind this.

**Junichi
Miyakawa**

President & CEO

Message from the CEO

Become an indispensable “piece” of society



Review of medium-term targets (announced in August 2020)

Two years of committing to achieving targets amid a drastically changing business environment

In August 2020, we announced our medium-term targets for the three-year period ended in FY2022. The main targets were to achieve operating income of ¥1 trillion and net income of ¥530 billion in FY2022, and a total shareholder return ratio of about 85%*1 during this three-year period.

I took over as president in April 2021 and inherited these targets from the previous president, Mr. Miyauchi (current Director & Chairman), but the business environment at that time was undergoing what can only be described as a drastic change. Specifically, the mobile service price reductions implemented in spring 2021 was expected to lower revenues by approximately ¥200 billion cumulatively from FY2021 to FY2023. In addition, the continued spread of COVID-19 also severely restricted our sales activities.

Despite the circumstances, these targets were set together with the entire Board of Directors when I served as Representative Director & CTO. With a sense of responsibility to accomplish the targets we set for ourselves, we continued to work closely with the frontlines to ensure that we achieved our targets. As a result, we were able to achieve all of the aforementioned targets thanks to better-than-expected mobile subscriber acquisitions, higher revenues from providing DX support to companies, and the recording of a one-time remeasurement gain associated with the consolidation of PayPay into a subsidiary. It has been a challenging two years, but I am relieved that we were able to accomplish what we had set out to do.

*1 Total shareholder return ratio: Total amount of dividends paid and treasury stock retired during the three years from FY2020 to FY2022 divided by the total amount of net income attributable to owners of the Company during the same three years.

Aspirations for our long-term vision

Contributing to the development of society will drive our growth

Since we successfully achieved the medium-term targets that we inherited, we thought the earnings announcement in May 2023 would be the perfect time to talk about SoftBank's vision for 2030 and what initiatives we will work on going forward based on this vision, and announced our long-term vision of becoming “a company that provides next-generation social infrastructure essential to the development of a digital society.” In simple terms, this means contributing to the development of society by building an infrastructure capable of processing the vast amount of data generated by AI and supporting the associated power consumption, in anticipation of a society where AI is used as a matter of course in our daily lives (P21).

The reason we use the term “social infrastructure” here is because we want to become an essential part of the foundation that supports people's day-to-day lives. As a business leader, it is of course important to pursue near-term revenue and profit growth, but in order to achieve long-term sustainable growth, I believe it is even more important to first think about what society needs in the future from a macro perspective and work accordingly. We believe that if we become a company that is an indispensable “piece” of society, we will naturally grow.

Message from the CEO

Theme of the medium-term management plan

Make a V-shaped recovery in net income and aim for record-high profit in FY2025

The theme of the medium-term management plan announced this time is to first rebuild the business infrastructure affected by the mobile service price reductions in preparation for the full-scale growth investments necessary to achieve our long-term vision.

As mentioned above, we were able to achieve our net income target for FY2022, partly owing to the recording of a one-time remeasurement gain of PayPay (impact on net income: ¥195.2 billion). However, net income excluding this impact amounted to ¥336.1 billion, and we aim to make a V-shaped recovery to achieve a record-high profit of ¥535 billion in FY2025 (📄 P24).

Growth strategy *Beyond Carrier*

Put telecommunications business back on a growth track while expanding a variety of non-telecommunications businesses

To achieve a V-shaped recovery in net income, we will first put the telecommunications business, the backbone of our Company, firmly back on a growth trajectory from FY2023. Although the impact of decrease in revenue due to mobile service price reductions will remain until FY2023, we will overcome this by reducing costs, continuing to increase the number of smartphone subscribers, and increasing revenue by providing a variety of value-added services to increase profits in the Consumer segment in FY2023 and beyond (📄 P27).

Since FY2017, we have been pursuing our growth strategy *Beyond Carrier*, which aims to maximize corporate value by

aggressively expanding our business into non-telecommunications areas while continuing to grow our telecommunications business. In the recently announced medium-term management plan, we newly presented our direction for growth in four non-telecommunications areas: DX & Business Solutions, Financial, Media & EC and New Business Fields (📄 P25).

In the Enterprise segment, where we are expanding in the field of DX & Business Solutions, we expect the various DX businesses that we have been working on so far to start yielding returns (📄 P28). Recently, AI Transformation, or AX for short, which aims to transform industries and companies through the use of AI, is beginning to take root, and we would like to put the Company in a position to be a leader in this area to expand earnings.

Financial segment

Achieve early profitability and further growth through Group collaboration

PayPay, the core of the Financial segment, is steadily growing in terms of GMV, which is the foundation of its earnings. To further enhance PayPay's corporate value going forward, we believe it is necessary to expand its value-added services for merchants as well as its financial services.

With respect to value-added services for merchants, we are urging them to quickly expand services that will lead to higher transaction unit prices and attract more customers to visit stores, such as by enhanced coupon services. We are also ready to develop the small and medium-sized enterprise market through our Enterprise segment and will be leveraging the sales capabilities here as well.

To further grow PayPay's financial services, we must further expand customer base of the PayPay Card, which offers cash advances, revolving credit, and other services. My belief is that if we are going to work on something, we should strive to be No. 1 in the industry, so we plan to further promote the

integration with PayPay and enhance the attractiveness of the PayPay Card itself. We are also promoting the acquisition of PayPay cardholders at our mobile stores as well.

Another core company of the Financial segment is SB Payment Service Corp. which provides payment processing services. Its GMV in FY2022 was ¥6.7 trillion, and we plan to grow this to over ¥10 trillion in FY2025 (CAGR of over 15%) by further expanding GMV in non-telecommunications businesses through collaborations with Group companies.

Through these initiatives, in the Financial segment, we aim to achieve profitability by FY2025 and further growth (📄 P33).

Media & EC segment

Support the transformation of LY Corporation as a parent company

Renewed growth of LY Corporation (Z Holdings was renamed to LY Corporation from October 1, 2023), which is the core company of the Media & EC segment, is one of the crucial themes of the medium-term management plan. Since LY Corporation is also a public company, we initially limited ourselves to making comments and offering advice during meetings. However, since the ID integration and reorganization of overlapping businesses between *Yahoo! JAPAN* and *LINE* had not been progressing at the pace we had expected for, we started making requests in the latter half of 2022 to speed-up decision-making, quickly generate synergies such as through ID integration, and selectively focus on certain services. Subsequently, we received a proposal from LY Corporation regarding their group restructuring and changes in the management structure, which we agreed to because we thought it was the right direction to take (📄 P31). It is clear what the company needs to work on now, and I would like to see them thoroughly work on their transformation. We will provide solid support as the parent company.

Message from the CEO

The potential of 5G

5G's true value as an industrial infrastructure will be realized by integrating with AI

From FY2023 onward, we will focus on advancing 5G functions (Standalone*²) to achieve ultra-high speed / high-capacity, ultra-low latency, and massive machine connections. When these functions are integrated with AI, they will demonstrate their true value as industrial infrastructure over medium- to long-term. As devices such as autonomous driving cars and automated cleaning robots become more widespread, it will be difficult to equip each of these devices with expensive, power-hungry computers because of the cost and battery capacity. Instead, if advanced AI is installed on the network side and only the results processed by AI are returned to the device side without delay via 5G, it can work the same way. I believe this is the true value of 5G as an industrial infrastructure.

Many use cases such as this will be created on the 5G network in the future. When this happens, I expect it will be a major source of growth for our Enterprise segment, which does business with almost all the large corporations in Japan.

Looking ahead to the Beyond 5G era where communications and AI will be highly integrated, we announced a collaboration with US-based NVIDIA in May 2023. We will implement "AI-RAN*³" by introducing NVIDIA's cutting-edge energy-efficient chips into our Edge Cloud*⁴ and integrating the functions of mobile service base stations into it (E3 P39). This will enable AI in the Edge Cloud to learn information on human flow, weather, events, etc., and also allow AI to autonomously link adjacent base stations, leading to more efficient use of the radio waves (frequency spectrum efficiency) and providing an optimal communication environment at any given time. In addition, the ability to share wireless resources among base stations will substantially reduce power consumption.

As AI redefines every industry, the telecommunications industry will also change dramatically. We will stay ahead of these trends by leveraging technology to boost our competitiveness.

*2 Standalone: A system that combines 5G dedicated core network with 5G base stations

*3 AI-RAN: Mobile networks incorporating AI in base stations

*4 Edge Cloud: Servers (cloud) installed to process data near the devices being used (edge)

Generative AI*⁵ initiatives

Become the company that uses generative AI best in Japan

I have mentioned AI many times, but the emergence of generative AI as seen with *ChatGPT* is truly shocking, and I feel that the 'Singularity' where AI surpasses human intelligence has finally arrived. I expect that generative AI, which can communicate just like a human being, will be incorporated and used in a variety of services going forward. I am sensing signs of major changes in the competitive environment and cost structure in all industries. We spend a lot of time in internal discussions about how to integrate generative AI into our business.

The history of technology has seen the emergence of search engines, operating systems, cloud services, and other important things that are essential to our daily lives, but I believe that generative AI will be an order of magnitude more important than those. However, looking at the current situation, the major players developing large language models that form the basis of generative AI are foreign companies. The generative AI of

these companies is developed on English and other non-Japanese language data sets*⁶, and have accumulated information and thought patterns based on those languages. As generative AI becomes more widespread in our daily lives, I am convinced that we will see a need for generative AI options that accommodate Japanese business practices and culture, as well as unique Japanese language expressions. To address these needs, we will develop homegrown generative AI in-house, using Japanese language datasets.

*5 Generative AI: Artificial intelligence capable of generating a variety of content, including text, images, and programming code

*6 Dataset: A cohesive set of data used to train AI



Message from the CEO

The reason SoftBank is developing its own homegrown generative AI is because we believe we are in an excellent position to do so as we have three advantages.

The first advantage is that we have one of the largest computing platforms in Japan. We have decided to invest approximately ¥20 billion in “NVIDIA’s DGX SuperPOD™” AI data center platform and other facilities to build the computing platform necessary for in-house development of generative AI. The Japanese government also understood the importance of developing homegrown generative AI, and the Ministry of Economy, Trade and Industry provided ¥5.3 billion*7 in subsidies for the initiative. This AI data center is planned to be operational in the fall of 2023. We expect the entire year of 2024 to be a training period for this computing platform, and plan to offer it as our own generative AI service to our customers as soon as the training is complete.

Our second advantage is that we have an abundance of experienced engineers in our Group who have built generative AIs. Building a generative AI requires creating datasets, developing algorithms, and then using them to train the AI. Fortunately, there were many engineers in our Group with experience in this field, so we decided to bring them together in SB Intuitions Corp., our wholly owned subsidiary that conducts research and development of homegrown generative AI, to create it in one go. The third advantage is our overwhelming number of customer touchpoints. We have one of Japan’s leading customer touchpoints with tens of millions of users, including through our mobile services, *LINE*, *Yahoo! JAPAN*, and *PayPay*, enabling us to immediately deploy the generative AI we develop to a large number of users.

We are not exclusively focused on in-house development of generative AI. Our basic approach is to adopt a “multi-generative AI system,” in which we select the most appropriate AI for our clients from among multiple generative AIs, including those developed in-house, and provide it as an application. Based on this approach, we agreed on a strategic alliance with Microsoft Japan Co., Ltd., mainly in the area of generative AI, which was announced in August 2023 (📄 P29). Through our partnership with the company, a leader in creating practical applications for

generative AI, we will provide our client companies with a secure generative AI data usage environment.

Through these initiatives, our entire company will focus on boosting corporate productivity by using generative AI. SoftBank’s goal is to become the company that uses generative AI best in Japan. If we can be viewed as such by our clients and other companies, it will lead to great business opportunities, and we will work to make this a reality.

*7 On July 7, 2023, the Company received certification from the Ministry of Economy, Trade and Industry for its plan to secure the supply of “Cloud Programs,” a specified critical product under the Economic Security Promotion Act. In addition to using the subsidy to develop our own generative AI and other AI-related businesses, we plan to provide a wide range of computing environments to universities, research institutes, and companies to meet various external needs centered on generative AI. The grant is based on this certification. Please refer to the [press release](#) for details (only in Japanese).

Human resources initiatives

Provide opportunities to employees and encourage growth

As the business environment is dramatically changing due to the accelerated advancement of generative AI, I believe that each employee must hone their own skills and grow in order to grow as a company. Recently, we have been working on two initiatives designed to provide opportunities for our employees to experience generative AI quickly and apply it to their own work, as well as to learn about it on their own initiative.

The first initiative is a generative AI usage contest held within the SoftBank Group under the theme of “How to create new businesses and streamline operations by leveraging generative AI such as *ChatGPT*.” Initially, we encouraged employees to participate in the contest with the hope that it’s fine if they would get a feel for what *ChatGPT* is like. However, our expectations were betrayed in a good way. The first contest received more than 52,000 entries in just 10 days. Furthermore, some employees wrote specific programs in the month leading up to the final selection, and gave us proposals that could immediately be made into a service. AI is evolving at an ever-increasing pace, but our employees are growing at an equally fast pace.

We would like to continue this contest.

Secondly, we established a secure environment for all SoftBank employees to use generative AI, and began utilizing it in May 2023. It has been a great help in streamlining and boosting productivity in writing and translation, as well as in existing business operations.

We have a history of growing by first using cutting-edge technologies such as iPhone, iPad, and cloud services thoroughly in-house and then providing them to our clients in combination with our practical knowledge. This time around, we were able to provide two opportunities to encourage employees to learn at their own initiative. I believe that we have created the foundation for our company to grow and ride the big wave of generative AI going forward.

Diversity, Equity & Inclusion

Becoming a dynamic company with a diverse workforce

We have many other initiatives in place for human resource development, but it is essential that we work on diversity initiatives. We are committed to Diversity, Equity & Inclusion (DE&I) and aim to create an organization where each employee understands each other’s differences and leverages their strengths while freely sharing ideas and bringing forth innovations on their own.

To disseminate these policies throughout the company, we are implementing initiatives such as e-learning designed to raise awareness of unconscious bias among all employees, as well as diversity management training for managers. I wanted all employees to be aware of the importance of DE&I, so I prepared presentation slides to explain it during the monthly all-hands meeting.

One of our special focus themes in DE&I is the empowerment of women. We have set a target of tripling the ratio of women in management positions from 7.1% as of April 2021 to more than 20% by FY2035. To achieve this, we have

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established the Committee for the Promotion of Women in the Workforce, which I personally lead as Chairperson. The committee invites outside experts to provide advice, and all executives engage in serious discussions to examine and implement improvement measures such as for internal systems, career support measures, and training programs.

Thanks in part to these efforts, the ratio of women in management positions reached 8.6% in April 2023, exceeding the average of 8.2% in the information and telecommunications industry. However, we are nowhere near satisfied yet. We will continue working on this as a company-wide effort.

I would like to make SoftBank a dynamic company by actively promoting DE&I and creating a corporate culture in which our diverse personnel can thrive (📄 P44).

Governance (Approach to parent-subsidiary listings)

Pursue synergies while focusing on the interests of minority shareholders

There is a clear separation between our parent company, SoftBank Group Corp., and our company. SoftBank Group Corp. is a strategic investment company that makes investments on a global scale, and our company is an operating company that aims to further grow the telecommunications business while expanding into non-telecommunications fields. We believe that having the two companies, each with different business lines, both publicly traded, will enable us to meet the diverse needs of investors.

As society coexisting with AI is beginning to emerge, I feel even more strongly these days about the advantages of having the SoftBank Group Corp. as our parent company. They have invested in many AI companies over the years and gather a wide variety of information from around the world. Mr. Son, the SoftBank Group Corp.'s Representative Director, Corporate Officer, Chairman & CEO, who is also a Board Director, Founder of our company, has given us a lot of useful advice based on

his deep knowledge of future trends in AI, which has been a great help in improving our corporate value.

In addition, when the SoftBank Group Corp.'s portfolio companies expand into Japan, we are often the first to be approached as a business partner, which puts us in an advantageous position. This is not only an opportunity for us to grow, but also benefits the SoftBank Group Corp.'s portfolio companies by helping them accelerate their business development in Japan. Of course, since both the SoftBank Group Corp. and the Company are listed companies, when there is a specific important transaction between the two companies, we make management decisions carefully by having a special committee consisting of independent external directors deliberate and examine the transaction to ensure that the interests of minority shareholders are protected (📄 P54).



Environmental initiatives

Helping to resolve climate change issues is our responsibility as a company

I believe that it is our responsibility as a company to help resolve climate change issues in order to create a sustainable society. Being in the telecommunications business and other businesses that consume a lot of electricity, we are committed to reducing greenhouse gas emissions and contributing to the creation of a decarbonized society.

In August 2022, we announced that SoftBank (standalone basis) will work to achieve “net zero” greenhouse gas emissions, which means reducing all greenhouse gas emissions from business activities to zero, including Scope 3 greenhouse gas emissions from the entire supply chain. And in June 2023, we decided to expand this to our Group companies (📄 P68).

We have already launched some specific initiatives. In May 2023, we announced that we had entered into renewable energy procurement agreements with power producer. The approximately 2 billion kWh of electricity we will procure is equivalent to the electricity used in our telecommunication business in a year. It is mainly renewable energy with additionality*8, which will help reduce greenhouse gas emissions going forward. Furthermore, by committing to a 20-year procurement period starting from when the renewable energy is first supplied, we will be able to purchase electricity at a lower unit price than we currently pay. I believe this is highly meaningful from the management perspective of shifting to a business structure that is less vulnerable to electricity price hikes.

*8 Additionality: Effect of encouraging adding new renewable energy generation capacity

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Shareholder return policy

Focus on both medium- to long-term growth and shareholder returns

Since our listing in 2018, we have positioned shareholder returns as one of our key management priorities. It is not easy to run a business focusing on both medium- to long-term growth and high levels of shareholder returns, but we will continue to pursue an optimal balance to maximize corporate value while taking into consideration the various stakeholders.

One of our main priorities as a source of high levels of shareholder returns is ensuring the stable generation of adjusted free cash flow. During the medium-term management plan period, we aim to continue generating a high level of adjusted free cash flow that surpasses our dividend level in FY2022 (¥86 per share).

Based on this approach, we kept our dividend per share forecast for FY2023 at ¥86. At this time, we have not decided on our shareholder return policy for FY2024 onward, but we fully understand the expectations of our shareholders and investors, and we intend to manage our business in a manner that will enable us to meet those expectations.

Lastly

Endeavoring with conviction, mapping back from the desired state in 10 years

Since becoming president in April 2021, amid the adverse business environment characterized by mobile service price reductions, I have managed the company by working backward from our 10-year vision, which firmly depicts what SoftBank should strive to be in 2030. For example, establishing a renewable energy division directly under the CEO and pursuing various possibilities has led to strategic initiatives such as the major renewable energy procurement agreements that I mentioned earlier. The telecommunications and IT industry is an extremely fast-changing industry, but we will continue to work with the conviction that we will make SoftBank an irreplaceable and meaningful company that underpins future society.

When I think about why I developed this conviction, it may be traced back to my birth. As a matter of fact, my parents' home is a temple that has been around for over 1,200 years, and I believe the reason it has been around in the same place for so long is because it has continued to provide value to society, or in other words, because it has had a reason to exist. I am convinced that corporate management is no different, and that if we can find meaning in our existence and continue to provide value to society, it will lead to continued profit growth, which in turn will lead to higher corporate value.

I would like to ask our shareholders, investors, and other stakeholders for their understanding of our medium- to long-term value and for their continued guidance and support.