



# Softbank Corporation

## Company Profile

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## COMPANY OVERVIEW

Softbank Corporation (Softbank) is engaged in providing broadband infrastructure, fixed-line and mobile telecommunications. The group is also engaged in e-commerce, and internet-based advertising operations, auction and the broadband portal business. The group primarily operates in Japan. It is headquartered in Tokyo, Japan and employs about 21,000 people.

The group recorded revenues of JPY2,673,035 million (\$26,730.4 million) during the financial year ended March 2009 (FY2009), a decrease of 3.7% over FY2008. The operating profit of the group was JPY359,121 million (\$3,591.2 million) in FY2009, an increase of 10.7% over FY2008. Its net profit was JPY43,172 million (\$431.7 million) in FY2009, a decrease of 60.3% over FY2008.

## KEY FACTS

<b>Head Office</b>	Softbank Corporation 1-9-1 Higashi-shimbashi Minato-ku Tokyo 105-7303 JPN
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<b>Web Address</b>	<a href="http://www.softbank.co.jp">http://www.softbank.co.jp</a>
<b>Revenue / turnover (JPY Mn)</b>	2,673,035.0
<b>Financial Year End</b>	March
<b>Employees</b>	21,048
<b>Tokyo Ticker</b>	9984

## SWOT ANALYSIS

Softbank Corporation (Softbank), a global company, with subsidiaries in the US, Japan and South East Asia is engaged in providing broadband infrastructure, fixedline and mobile telecommunications. The group has a strong mobile business which enhances the brand image and competitiveness of the group. However, intense competition in the communications business, a significant revenue contributor, threatens to erode the market share and profitability of the group.

<b>Strengths</b>	<b>Weaknesses</b>
Strong mobile business Diversified portfolio	Geographic concentration
<b>Opportunities</b>	<b>Threats</b>
Expansion in Asia Joint innovation lab Growing mobile subscriptions in Japan	Intense competition Dependence on resources of other companies

### Strengths

#### Strong mobile business

Softbank entered the mobile phone business with the acquisition of Vodafone K.K. It has been a leader in net subscriber additions for the two consecutive years from FY2008. Softbank had a 43% share of mobile net subscriber additions in FY2009, enabling the group to become leader for the second consecutive year. Moreover, Softbank was well ahead of second leading player NTT DOCOMO, which had a 25.5% share. Increasing net subscriber additions has resulted in steady growth in its share of cumulative subscriptions in place, from 16.4% as of the end of FY2007 to 18.1% at the end of FY2008, and to 19.2% at the end of FY2009.

Since entering the mobile phone business, the Softbank Group has taken a leading position in the industry with innovations including introducing an installment sales system that separates usage charges from handset subsidies, and establishing White Plan and other easy-to-understand price plans; developing and selling thin, fashionable handsets; and the Yahoo! Keitai dedicated portal for SoftBank mobile phones. Strong mobile business will enhance the financial performance of the company.

#### Diversified portfolio

Softbank has diversified business operations. The group provides cellular phone services and sells attached cellular phone terminals. The broadband and infrastructure segment of the group provides high-speed Internet access services, Internet protocol (IP) phone service, and contents. Further, the group also provides audio and data, as well as exclusive line and data center services. In the internet culture segment, Softbank is engaged in internet advertising, broadband portal and auction businesses and in the electronic commerce (e-commerce) segment it sells personal computers (PCs), peripheral devices and software for personal computer (PC) use, as well as provides business-to-business and business-to-customer e-commerce services. The group also provides other services in the technology service, and media marketing overseas. The infrastructure business spans from mobile to broadband and fixed-line telecommunications, while portal and search, and a wide range of various broadband content and services are being developed as non-infrastructure businesses. In FY2009, non-infrastructure businesses generated 35.3% of group's operating income. A diversified portfolio expands the reach of the group across various markets and segments and thus fuels its revenues and profitability.

## **Weaknesses**

### **Geographic concentration**

Softbank derives significant proportion of its revenues from single geographic segment. In spite of having global operations, the group generates a substantial amount of its revenues from Japan. In FY2009, the group generated approximately 99.5% of its total revenues from Japan. Operations in North America and Other countries accounted for the remaining revenues.

In addition, the Japanese economy is forecast to record a slow growth in the coming years. According to IMF, the GDP growth rate of Japan contracted by 5.3% in 2009 and is forecast to reach 1.7% in 2010. Concentration on the Japanese market makes the group substantially vulnerable to the market condition, increasing the business risk.

## **Opportunities**

### **Expansion in Asia**

Softbank has been steadily laying a path in Asia, particularly in China. Asia has many countries with much more vigorous economic growth. It has a denser population distribution, and the internet, broadband is spreading rapidly. Asia is expected to account for half of the world's internet population in 2015.

The group is investing in China which is showing a remarkable level of economic growth. For example, one of China's largest online shopping sites, Taobao, with more than three-fourths of the Chinese market, is owned by Alibaba Group Holding, Softbank's equity method affiliate and an important strategic partner in Asia.

In early FY2009, the group also invested in Oak Pacific Interactive, operator of one of China's largest SNS sites, Xiaonei. Chinese internet services are showing a remarkable pace of growth. The size of the online shopping market grew by a factor of three, to JPY1.8 trillion, during 2008 alone, and it is forecasted that over the next four years it will exceed JPY10 trillion. Yahoo Japan also recorded a significant rise in e-commerce transaction volumes through mobile devices. The transaction volumes increased by 30% during FY2009 as compared to the previous year. In addition, Asia is expected to account for half the global internet population by 2015. Expansion in Asia will allow the group to capture the rapidly growing internet market.

#### Joint innovation lab

Softbank, China Mobile and Vodafone entered into an agreement in 2008 for the development of Joint Innovation Lab (JIL) to promote the development of new mobile technologies, applications and services, and commercialization of mobile internet services. Subsequently, Verizon Wireless, the largest US mobile operator, joined JIL as a new member in April 2009. The development of the widget engine JIL's first project is almost complete. China Mobile has begun to move toward incorporating JIL's widget engine. JIL is further expanding its geographic coverage, with the aim of becoming a profit center.

In February 2010, the Joint Innovation Lab (JIL) announced that it will open its widget API specification to other wireless service providers and contribute these API specifications to the World Wide Web Consortium (W3C). In the same month, the handset manufacturers, HTC, Huawei Device, Lenovo and ZTE confirmed to support the new JIL 1.2 specification. JIL has already drawn support from other handset manufacturers such as LG, RIM, Samsung and Sharp since its inception. With HTC, Huawei Device, Lenovo and ZTE committing to deliver a range of JIL compliant handsets, developers are able to create innovative JIL widget compliant applications that will reach even more customers across the JIL member companies of China Mobile, Softbank, Verizon Wireless and Vodafone. The combination of these leading companies has a customer base of more than 1 billion people across Africa, Asia, Europe and North America.

Joint development of innovation centers enables technology and expertise sharing among the partners, while providing a common space to support innovation. Easy access to mobile applications for Softbank's customers will increase data ARPU of the group.

#### Growing mobile subscriptions in Japan

The number of mobile users in Japan is forecast to grow in the coming years. According to industry forecasts, the total wireless subscriptions in Japan would increase from 112.8 million in 2009 to 126.1 million in 2014. According to industry sources, Softbank Mobile is expected to have 29.3 million subscribers by 2014. As one of the leading player in the wireless market in Japan, the group is well positioned to capitalize on the growing market in the near future.

## Threats

#### Intense competition

The group is facing increasing competition in the recent years. The increase in competition is mainly due to the liberalization of the telecom market in Japan, as well as the new legislation allowing mobile number portability which was introduced in 2006. Additionally, new businesses with mobile virtual network operator (MVNO) model started operating in Japan. For instance, Disney Mobile and Japan Communications started offering mobile services as an MVNO in Japan since 2008. Additionally, several other players are planning to launch services as MVNOs in the coming years. In the Japan, the group's competitors include KDDI, NTT, NTT DoCoMo, and EMOBILE. Intense competition may have an adverse effect on the market share and the profitability of the group.

#### Dependence on resources of other companies

The group relies on other companies to provide mobile phone handsets and other types of telecommunications equipment required for providing telecommunications services. In case of any future changes in the relationship between the group and suppliers, there is a possibility that suppliers will cease supply. Also, any major defect in the telecommunications equipment will negatively affect the brand image.

In addition, several of the group's services including Yahoo! JAPAN, Yahoo! BB and Yahoo! Keitai make use of the Yahoo! brand. The group currently has an amicable relationship with Yahoo!, but a significant change in this relationship in the future may prevent the group from developing its business as planned. Reliance on resources of other companies may hamper the groups business in case of any unfavorable changes in the relationship between the group and suppliers.



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