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Speech: Future Visions of Asian New Infrastructures

(1) Softbank's next-generation strategy for Asian communication business

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Softbank is a holding company with 108 subsidiaries and 21,000 employees. Yahoo! Japan, with twice the market share of Google Japan in the Japanese search engine market, is a subsidiary of our company. Softbank has grown in line with the expansion of the Internet and is the biggest Internet company in Asia. Yet Mr. Son, the president of Softbank, is determined to expand its Internet business on a global scale.

Softbank acquired Japan Telecom in 2004 and then it acquired Vodafone Japan in 2006 for more than US\$17 billion. Softbank Mobile itself is number 3 in Japan (approximately 20% market share), but is drawing much attention from industry players around the world. This is because Softbank is the only company that has entered the telecom industry from the Internet industry, while most mobile communications companies are being held down by Internet companies and struggling to survive.

The latest EBITDA of Softbank is more than 4.5 times higher than FY2006. The mobile business has until now expanded with voice communication, but is expected to grow most in the mobile Internet area from now on.

In Europe and USA in the past, telecom operators sold only SIM cards, while manufacturers sold mobile terminals. In the case of Japan, however, users first choose a terminal and buy the value or features this terminal provides. Japanese telecom operators not only build and operate the network, but also control the development and sales of mobile terminals, which means that they have a total grip of the eco system.

While Softbank may build telecom networks only in Japan, it intends to establish a strong global presence on "the upper layer of the mobile Internet" infrastructure.

The reason why mobile phones have become so popular is because we were able to overcome the chicken-or-egg problem. Usually terminals will not sell well without good application software, but then the terminal cost would be high. But unless terminals sell well, nobody wants to develop software for them. Many projects are abandoned due to this chicken-or-egg dilemma. But thanks to people's strong desire to call from anywhere, mobile phones were able to overcome this dilemma. Now all we have to do is wait for more and better software to be developed.

For mobile telecom companies, the current income ratio between voice and data communications is 60% vs. 40%, but I expect it to be reversed in a few years. It is inevitable that income from voice communication will drastically fall with VoIP (Voice over Internet Protocol) technology.

I believe that the third wave of Alvin Toffler will surely come. Paperless and distant communication will not only reduce costs but also drastically decrease energy consumption required for manufacturing paper and transport. This realizes three merits at the same time, i.e. (1) a reduction in living costs, (2) an improvement in productivity, and (3) a lowering of environmental impact.

A key point for further expansion of the Internet business is getting people to spend more time on the Internet. To address this point, people have not made full use of their available time during travel or commuting times. That is why the convergence of mobile and the Internet is so important for the future. For example, access to MIXI service via mobile terminals accounts for as much as 70%, while access from PCs via a fixed line is steadily declining.

Mr. Son often talks about "time-shift management". In the past, this meant, "what is growing in the US will surely come to the Japanese market shortly." Today, we are investing in China based on the same logic. Movements in China are so quick and big in volume that they have a tremendous economic impact. This movement also influences world markets. Based on this

thinking, Softbank has already invested in Alibaba.com, the biggest Internet company in China, and Renren Network (formerly Xiaonei Network), a Chinese social networking site similar to that of “Facebook.”

Among other activities, one of the most noteworthy is JIL (Joint Innovation Lab), a joint venture equally owned by Vodafone, Softbank, Verizon, and China Telecom. JIL will develop middleware with a unified API (Application Program Interface) so that anybody can quickly and cheaply develop various applications for any type of mobile terminal.

Softbank is a born global company, but is now shifting to become “a company located in Asia to create a new mobile Internet for the global market.”

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