

KEYNOTE REMARKS BY MASAYOSHI SON

Keynote Remarks by Masayoshi Son
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Thank you. Good morning and thank you very much. I'm very excited to be here, and I'm so happy that we are sharing thoughts together today. Now I don't need to say this is American history. The rural pioneers built America. We should never forget about this. However, now duopoly is taking over, taking over our country, America. Because they commit by themselves and people are seeing that they are not supporting our members here, CCA members. They would like to grow themselves, and I have to say that they have also worked hard. We should not criticize everything about them, but it is true that they are taking over the American share vastly. So CCA members providing local access in the rural area are being challenged by this big expansion of duopolists.

So let me point out a fact. This is a fact. This is not a criticism or any image or emotion, just as a fact. Subscriber shares only five years ago for the postpaid customers in the United States, the Verizon and the AT&T had 56 percent market share in the United States, 56 percent market share, and now in five years it has grown from 56 percent to 73 percent. So some people say, well, in the United States now the competition is functioning. T-Mobile is introducing new price campaign and fighting and increasing, blah, blah, blah. Competition is functioning, but the fact is if you look at five years, not just one quarter, not

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just one year, if you look at five years it is a fact that those two big companies increased from 56 percent to 73 percent. In five years. So what happen in the next five years? Who knows? But I would say this concentration would continue to grow.

And let's look at enterprise market share. It was 51 percent. Now in five years from 51 percent, guess how many percent now they own? It is 80 percent. In five years from 51 percent to 80 percent. It has grown 30 percentage point. Now if we wait another five years the way it is, it shouldn't go over 100 percent, but (Laughs) something close to that situation. This is the fact. This is the long-term trend just looking at five years. Five years comes so quickly, and let me tell you why it is the big trend and it's inertia that we cannot push back that easily because most of the profit belongs to them. Now five years ago the EBITDA, the profit, was 67 percent between those two companies. Today it is 84 percent.

If you look at free cash flow, they are over 100 percent of our total industry, over 100 percent already if you look at net income, the free cash flow, because the rest of all of us, CCA members at 100 companies, including Sprint and T-Mobile, all of you, we are 100 companies. Many times media and people forget; many people don't know that 100 companies of you and us exist, but all of this 100 companies are being pushed out by these top two companies and now getting squeezed from 33 percent to 16 percent among

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all of us in terms of the EBITDA profit.

So it is going to go even deeper the way it is because without the profit, without free cash flow, how can we continue to invest in the network, invest into the technology? So this is not just a short-term trend. It is the structural issue that our industry require a lot of capex, a lot of network investment. So in the rural area there is two big situation. In the voice era, every handset, the network did not make that much difference. In the data era, the LTE require very high-speed network.

LTE handset require very high-speed network and also LTE handset users, the consumers has a strong taste on what handset they want. It's not just a talking machine. It is an Internet machine that users require to have the state of the art, the best LTE handset and best LTE network. Therefore, because this would require a lot of capex, a lot of investment, this situation is making the situation of what it is now. The broadband access, not just wireless, but in the fixed line broadband access is converging. The wireless and wired broadband access is converging, and in the rural area it is underserved. So in many of the states it has very few options for the users. In America this is the situation.

And I have heard yesterday with a bunch of meetings I had with many of you that all of you commonly said that LTE handset, LTE devices that is the one

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that make huge difference between those big two and the rest of us. Not enough choices that we can offer to the consumers. So in this kind of situation I would like to say that SoftBank and Sprint will make a strong commitment, strong commitment to support all of you for getting access to LTE devices and LTE investment.

Sprint is already partner with many of you, many of you, so I'd like to say CCA members, who serve all of your local communities, and Sprint would make a strong alliance, strong support because Sprint service area and your service area does not overlap. Verizon, AT&T, they provide the service nationwide. However, in the case of Sprint or T-Mobile, we are focused on the urban area and those cities, and we do not have the service competing with you. You are servicing in the rural area. Many of you are servicing in the rural area, the local communities, and we do not have overlap. So if you look at the map it's actually totally complementary, totally complementary. So it is a situation I'd like to remind to the media and other people that we are structurally partners, not just saying we would like to be partners. Structurally you service the rural area. We service the urban area. As a combination as together, first time that we can compete against those two duopolists.

In order to combine those efforts, we need a structural system. In the past in order to have a complementary partnership, we had to work one by one, one by one. However, with this new technology and platform being prepared, the

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multi-level collaboration with a data hub as a structure, we can systematically, we can structurally partner each other. Instead of going one by one, we can have a central hub of data hub to combine the efforts together because our service areas are complementary, this system functions.

And I'd like to say as a new chairman of Sprint we will make a commitment to make this happen. The system is getting ready but without the strong commitment this would not function, but I'd like to make a strong commitment as a first time for Sprint. As a chairman of Sprint I will make a strong commitment to make this happen. So theory is becoming a reality. And on top of that we would like to assist. If any of you need LTE capex, the development of LTE network, we would structurally support you. So whoever need LTE equipments, the capex, we would strongly support financially and systematically.

In the United States I have to say, looking from outside, the people who call broadband with the current speed, I would like to say U.S. is not number one anymore. It is invented here in this country, but it is not fast enough. I would like to say Sprint and SoftBank, we bring a new technology to the United States of America, and that new technology we would offer you to provide together in your service area because, as I said, we do not have overlap in territory. We're not competitors.

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So I would like to say we would offer you the new weapon, new technology to fight back with that big trend that duopolists are increasing their concentration. We would offer you the technology with our spectrum for you to use servicing your area with the technology up to 200 megabits per second which is 10 times, 20 times of the average speed of fixed line wired broadband or wireless broadband. We need technology. We need a new weapon to fight back, not just a passion. With technology, with spectrum, with our services together we can fight back. So that's what I would like to offer to you.

On top of that technology, we would offer you the handset devices, the tablet devices which can accommodate your band of spectrum of services. The band 12, you have a good spectrum and you're building the network, but without the latest device of LTE handset, it doesn't do any good. Therefore, we would like to offer you full support of getting access to those handsets and devices. So this is a key request I got meeting with many of you yesterday: device, device, device. I'd like to make a strong commitment to make better access to those devices.

So as a conclusion I'd like to say the LTE network, LTE devices we would have a full complementary partnership with you so we can really provide the partnership to have a full service to the users. Let me tell you my personal history. I'm not born as a rich kid. I'm not born in the urban cities. I'm born in the small rural village, not in a rich family, in a poor family in a minority

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situation in Japan. It was not easy. It was not easy for me. However, I'd like to say any kids born rich or poor should have equal opportunity, equal dream to succeed. Even if you are not born in the metropolitan urban areas, even if you are not born as a rich kid, all of our kids, all of us should have equal opportunity for the future, equal dream for the future. So I will say let's fight back. Let's fight back! Thank you very much.

[End of recording]

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