



# Strategic Agreement

July 18<sup>th</sup>, 2016

Masayoshi Son

Chairman & CEO SoftBank Group Corp.

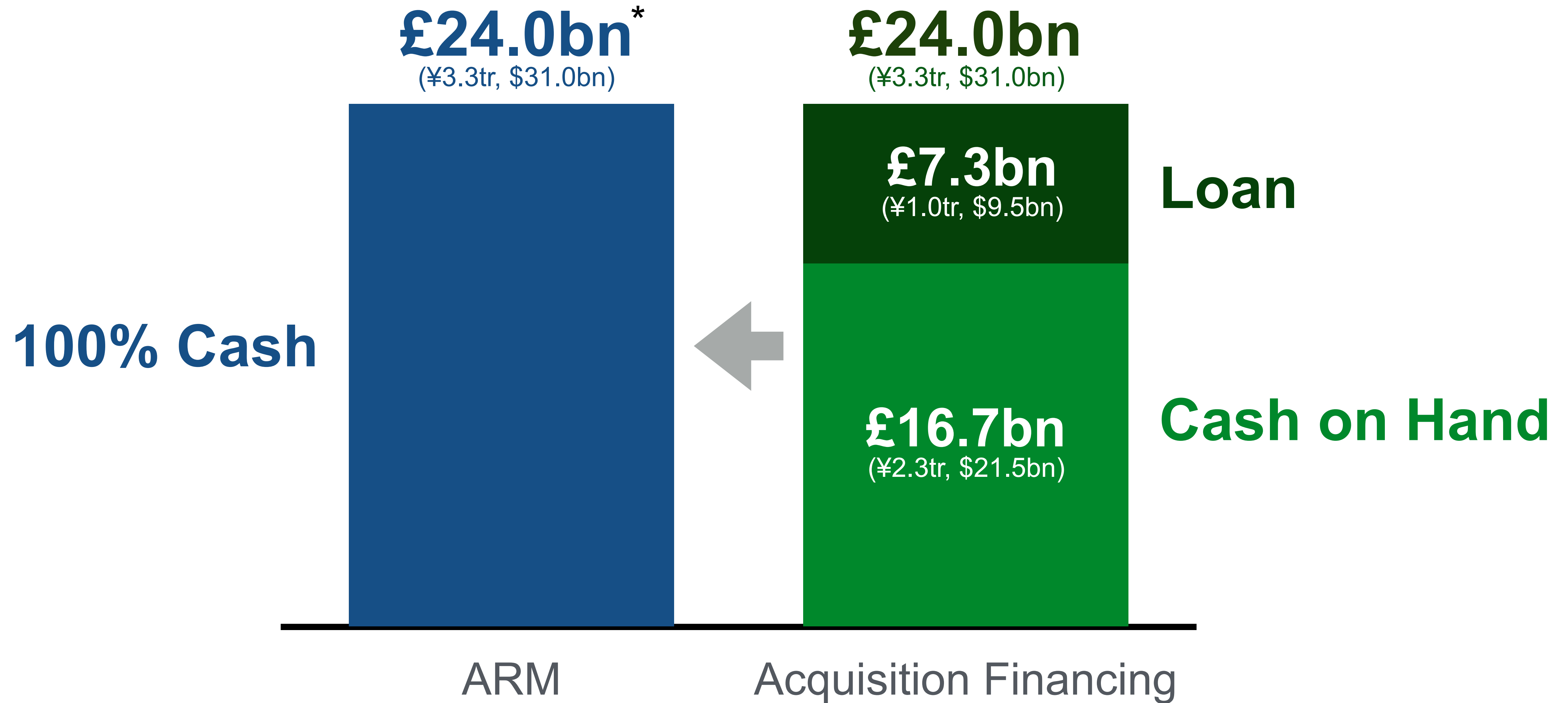
# Transaction Summary

# Deal Summary

**Acquire 100% of ARM**

**Value: £24.3bn**  
**(¥3.3tr, \$31.4bn)\***

# Total Acquisition Price



\*Excluding 20.4m shares (1.4%) SoftBank currently owns

# Key Transaction Terms

1 Price per share<sub>1</sub> : 1,700 pence

2 Unanimous Board support; support of ARM Management

3 SoftBank certain funds have been confirmed

4 Scheme of Arrangement transaction structure<sub>2</sub>

1. ARM shareholders to also receive interim dividend of 3.78p

2. In order to become effective, the scheme of arrangement must be approved by a majority in number, representing at least 75 per cent.

in nominal value, of the relevant shares held by the shareholders present and voting in person or by proxy at the ARM shareholders meeting to be convened by the English court.

# Timeline

**Announcement  
(18<sup>th</sup> July)**

**Scheme document  
posted**

**Court and  
shareholder  
meeting**  
.....  
**Present petition  
for sanction of  
scheme**

**Scheme becomes  
effective**

# Transaction Rationale

## Market Leader

ARM has unique, foundational technology

## Growth Potential

Big markets: Mobile, Enterprise, IoT

## SoftBank Fit

Investment in powerful secular trends

## ARM's Future

As private company, invest strategically for long term

# ARM Stakeholder Impact

1 Strong confidence in the UK

2 Preserve the ARM organisation and Cambridge headquarters

3 Double ARM's UK headcount over the next 5 years

4 Maintain ARM's neutrality and independence



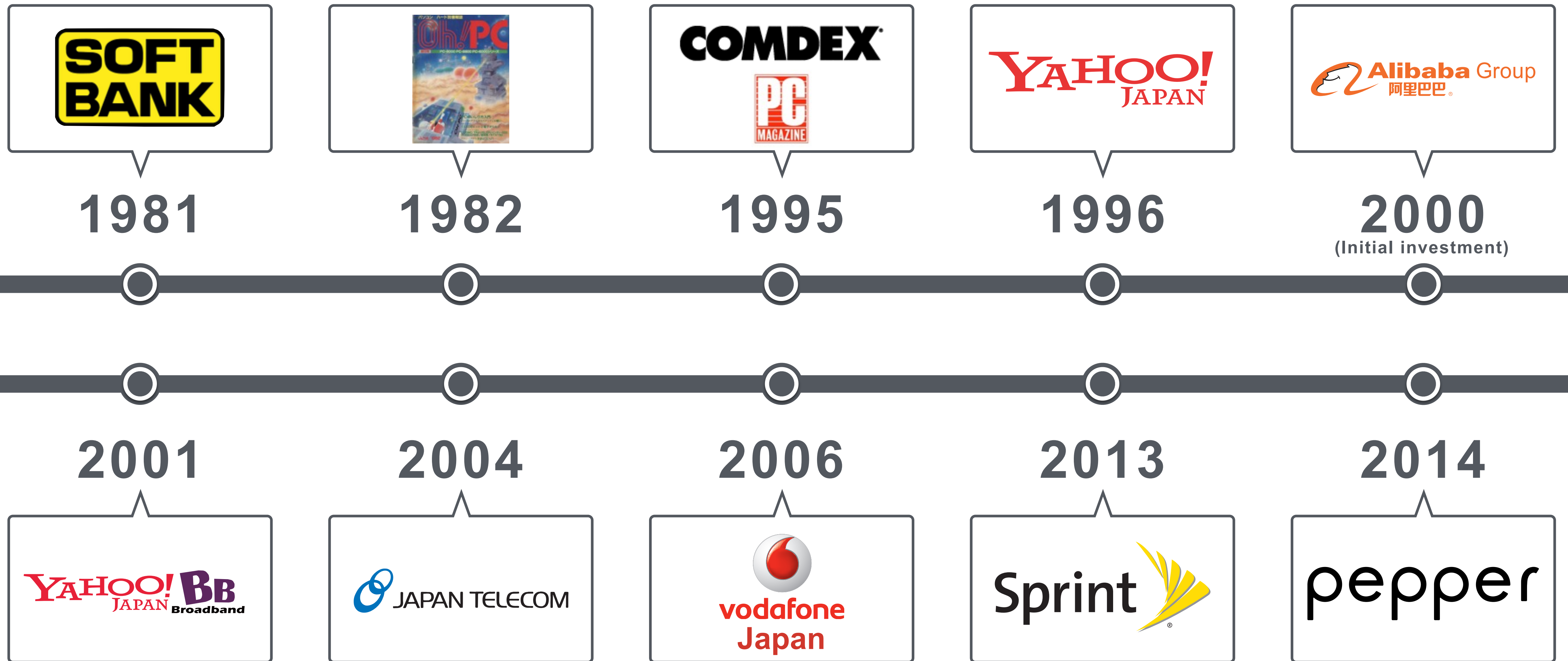


# Our Introduction

# Information Revolution

- Happiness for everyone

# Our History = Information Revolution History



# Track Record

(2016/3)

Revenue	\$87bn
---------	--------

EBITDA	\$23bn
--------	--------

EBIT	\$10bn
------	--------

Market Cap *	\$68bn
--------------	--------

# Consolidated EBIT

USD

400 thousand

1981

10bn

Dramatically Growing

2016/3

# Our Business Model

 **SoftBank**  
(Japan Telco)

**Sprint**   
(US Telco)

**YAHOO!**  
JAPAN  
(Biggest internet service in Japan)

**Operating Assets**

 **Alibaba Group**  
阿里巴巴®

**snapdeal**

**coupan**g

**tokopedia**

 **OYO**

 **OLA**

**Grab**

 **滴滴**  
滴滴一下 美好出行

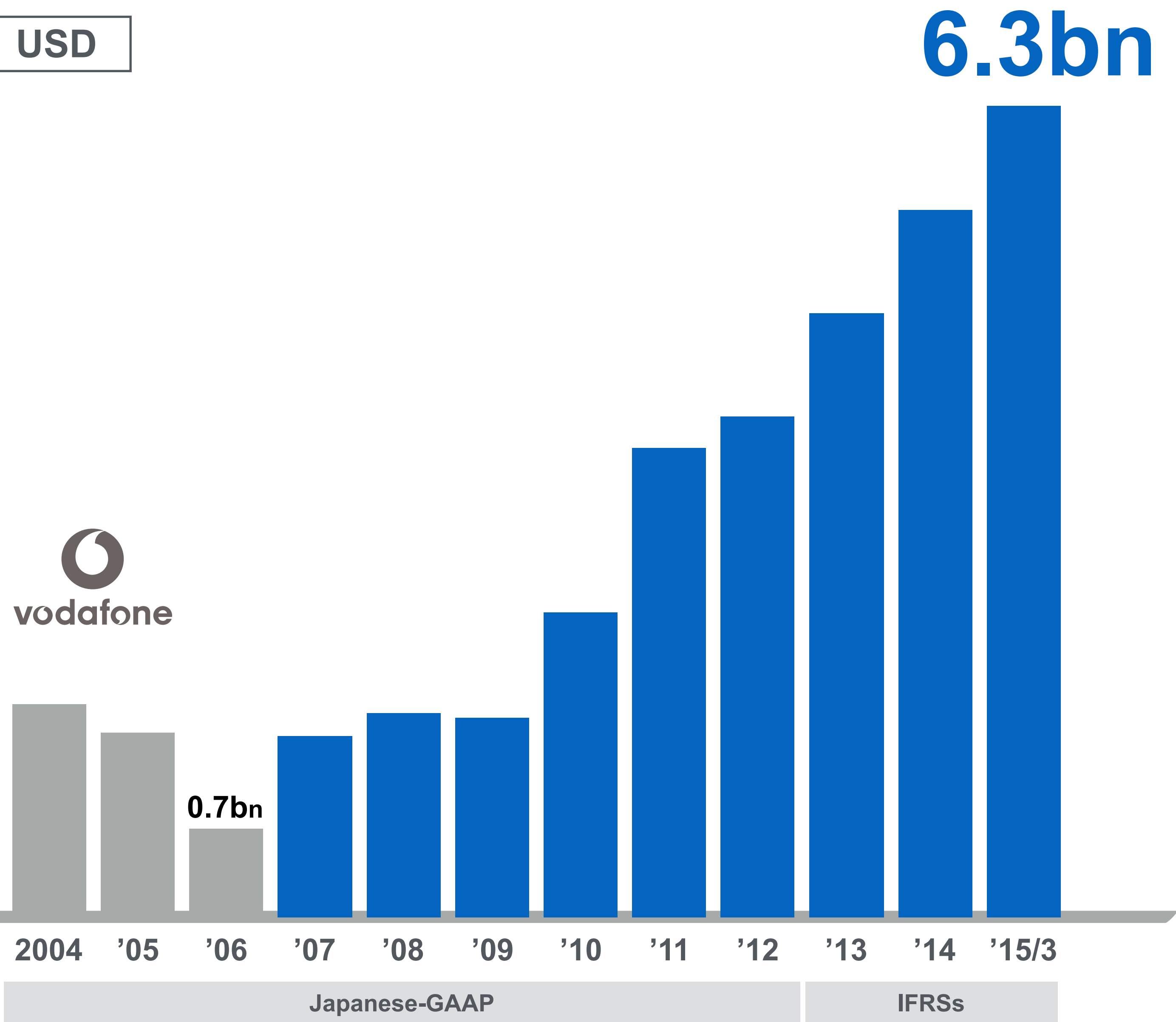
**SoFi** 

**hike**  
MESSENGER

**Investment Assets**  
(Disruptive internet companies)

# Mobile EBIT

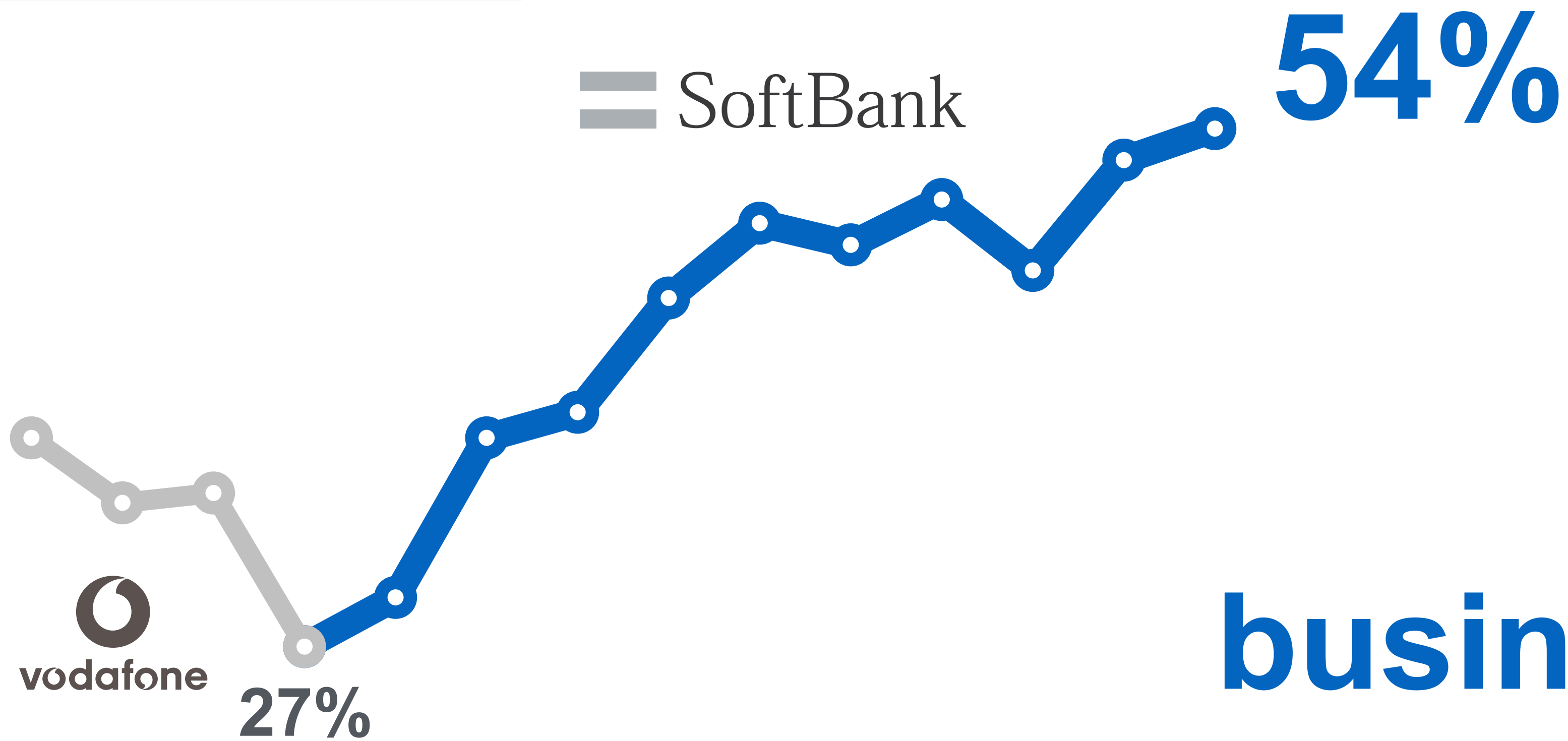
USD



# V-shaped recovery

2007/3-2012/3: operating income of Mobile Communications business  
2013/3-2015/3: segment income of Mobile Communications business

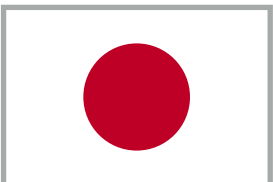
# EBITDA Margin



**Pursued  
business efficiency**

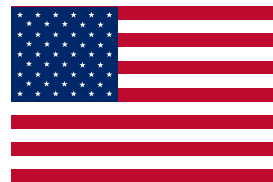


# EBITDA Margin (FY2015)



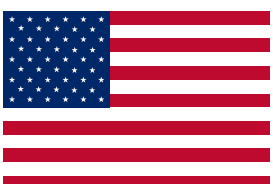
**SoftBank**

**54%**



**Verizon**

**52%**



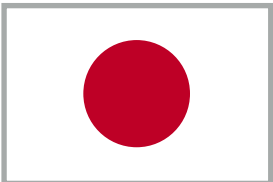
**AT&T**

**47%**



**China Mobile**

**41%**



**NTT DOCOMO**

**40%**



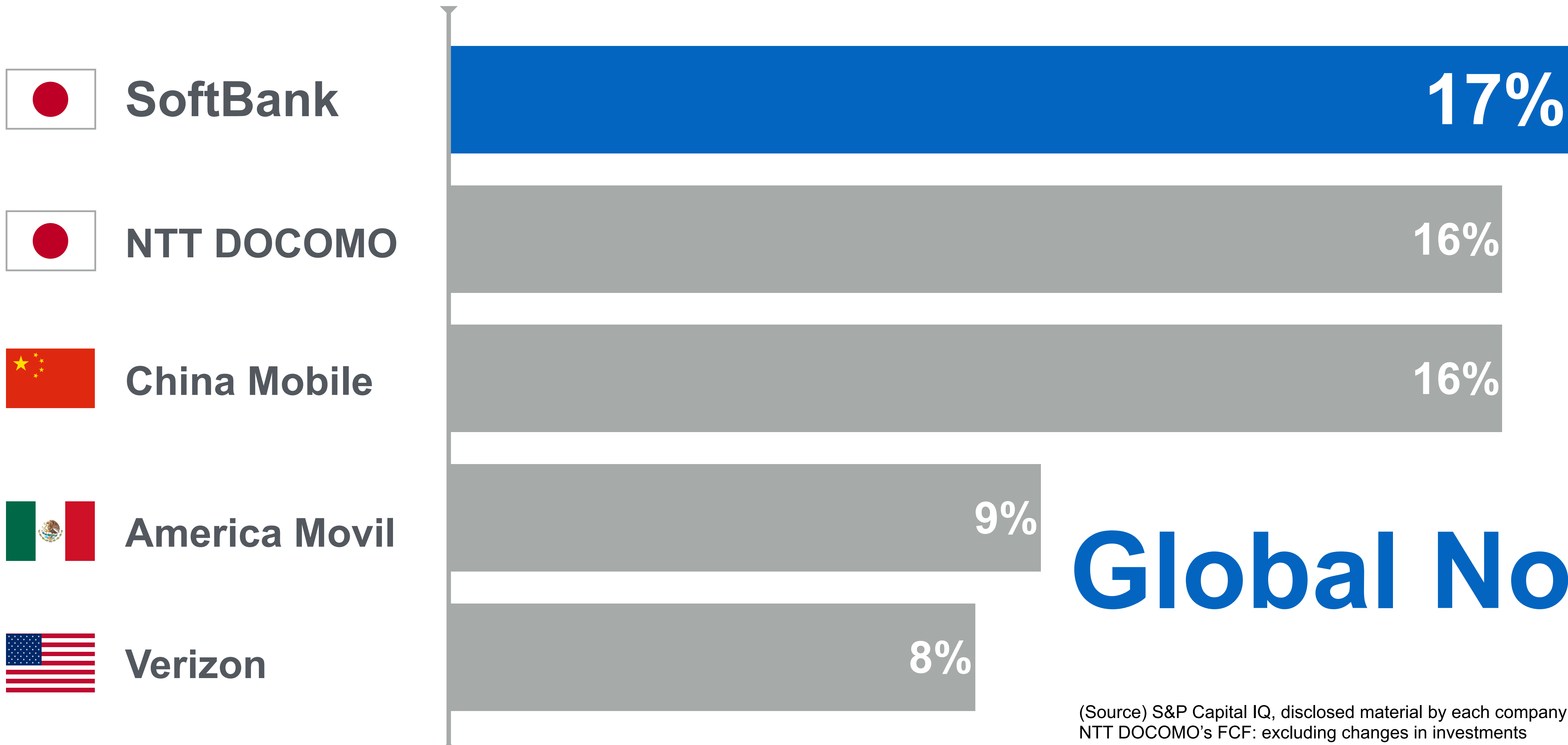
**Bharti Airtel**

**39%**

# Global No.1

Source: companies' disclosure  
Mobile business of each company  
EBITDA margin = EBITDA / service revenue  
Service revenue = wireless revenue - equipment revenue  
Bharti Airtel: 9 months (Apr. - Dec. 2015), India & SA  
(FX) 1 USD = JPY 115.35, 1 RMB = JPY 17.6, 1Rs = JPY 1.72 **17**

# FCF / Revenue Ratio Margin (FY2015)

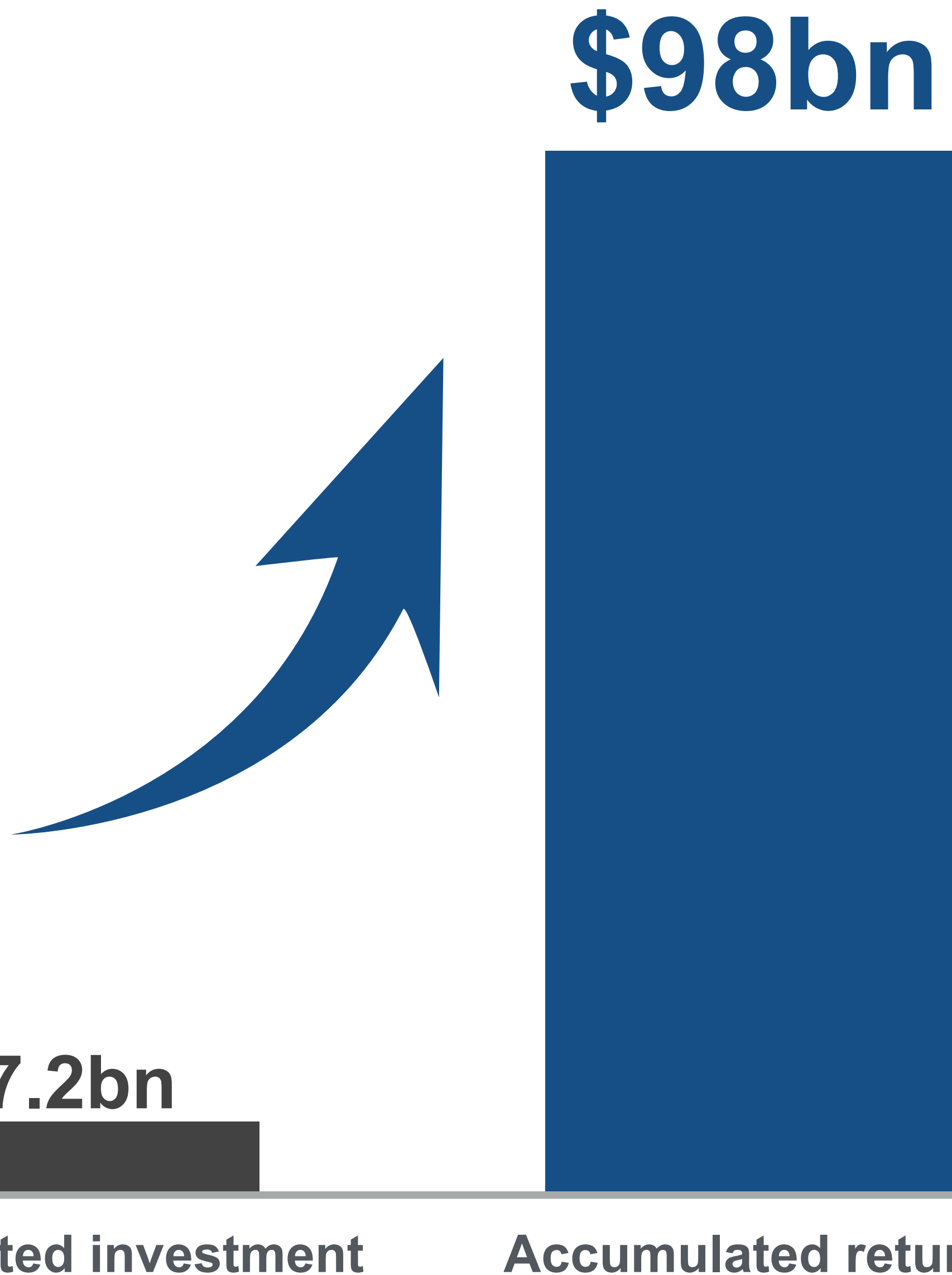


# Global No.1

Free Cash Flow (FCF): after tax, CAPEX, acquisition of spectrum, investments and businesses

(Source) S&P Capital IQ, disclosed material by each company  
NTT DOCOMO's FCF: excluding changes in investments for cash management purposes  
USD 1.00 = JPY 115.35, RMB 1.00 = JPY 17.6, MXN 1.00 = JPY 6.4 **18**

# Investment Track Record



# IRR 44%

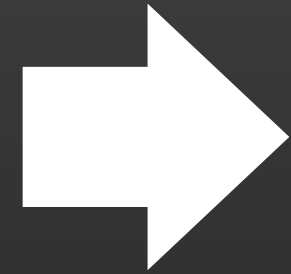


# Technology Paradigm Shift

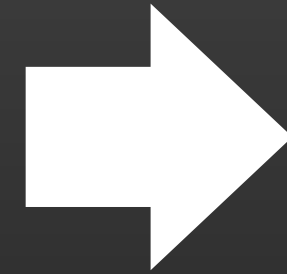
# Technology Paradigm Shift



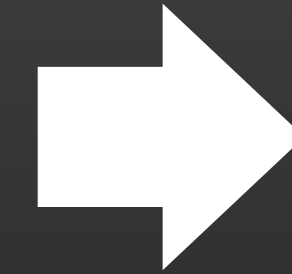
PC  
(Distribution)



PC  
Internet



PC  
Broadband



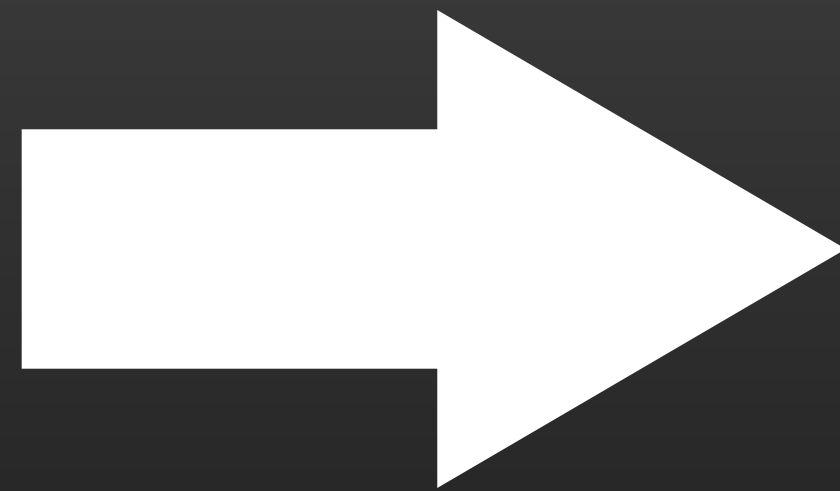
Mobile  
Internet

## SoftBank led the Information Revolution

# The Next Paradigm Shift



Mobile  
Internet



IoT (Internet of Things)

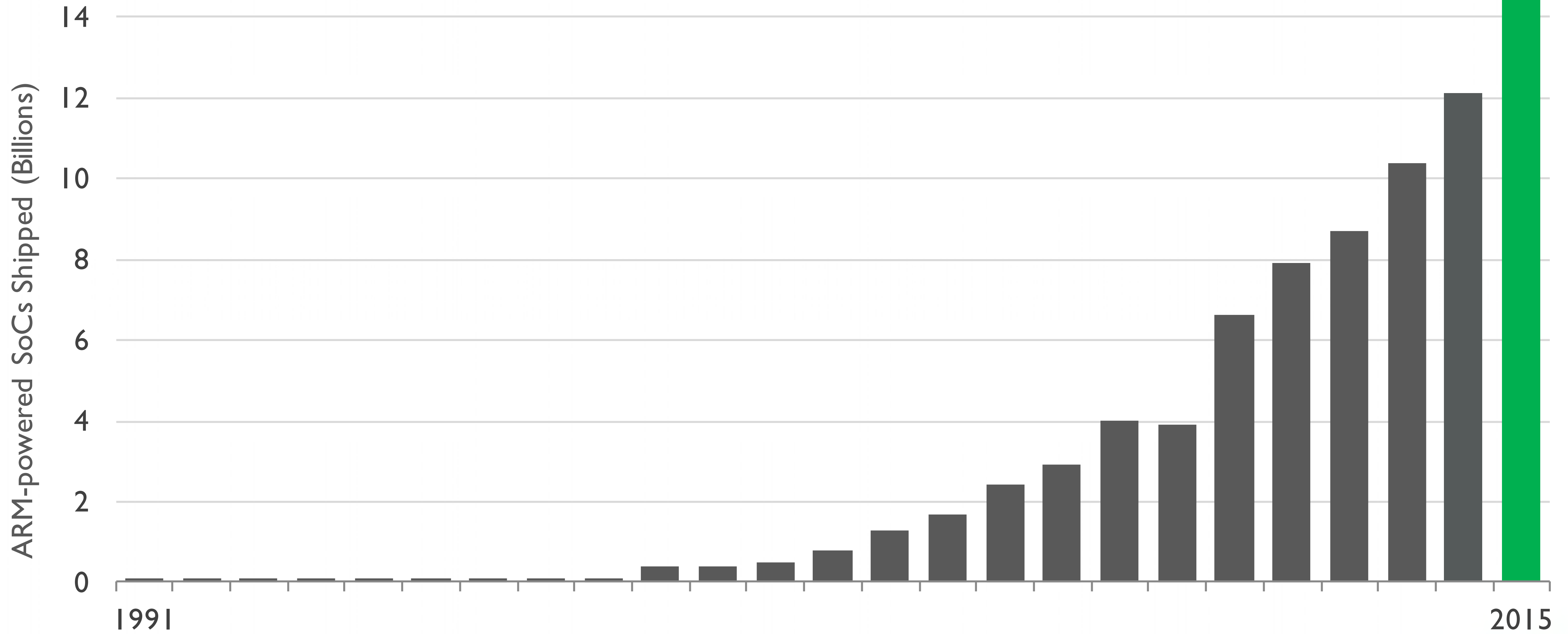


Key Driver of IoT era

**ARM**

# ARM Partnership: Building for the Long Term

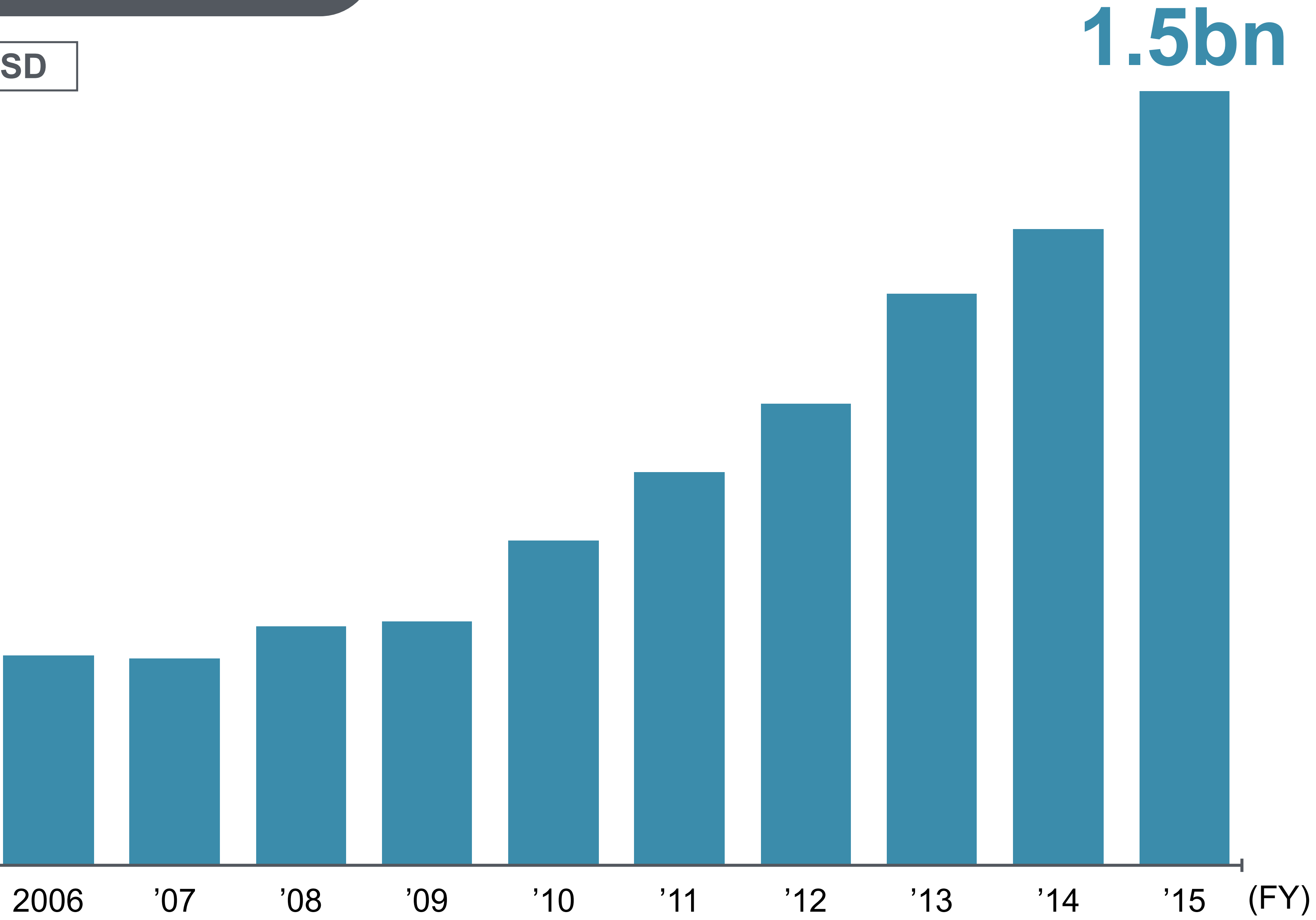
**ARM**  
14.8bn





# Total Revenue

USD

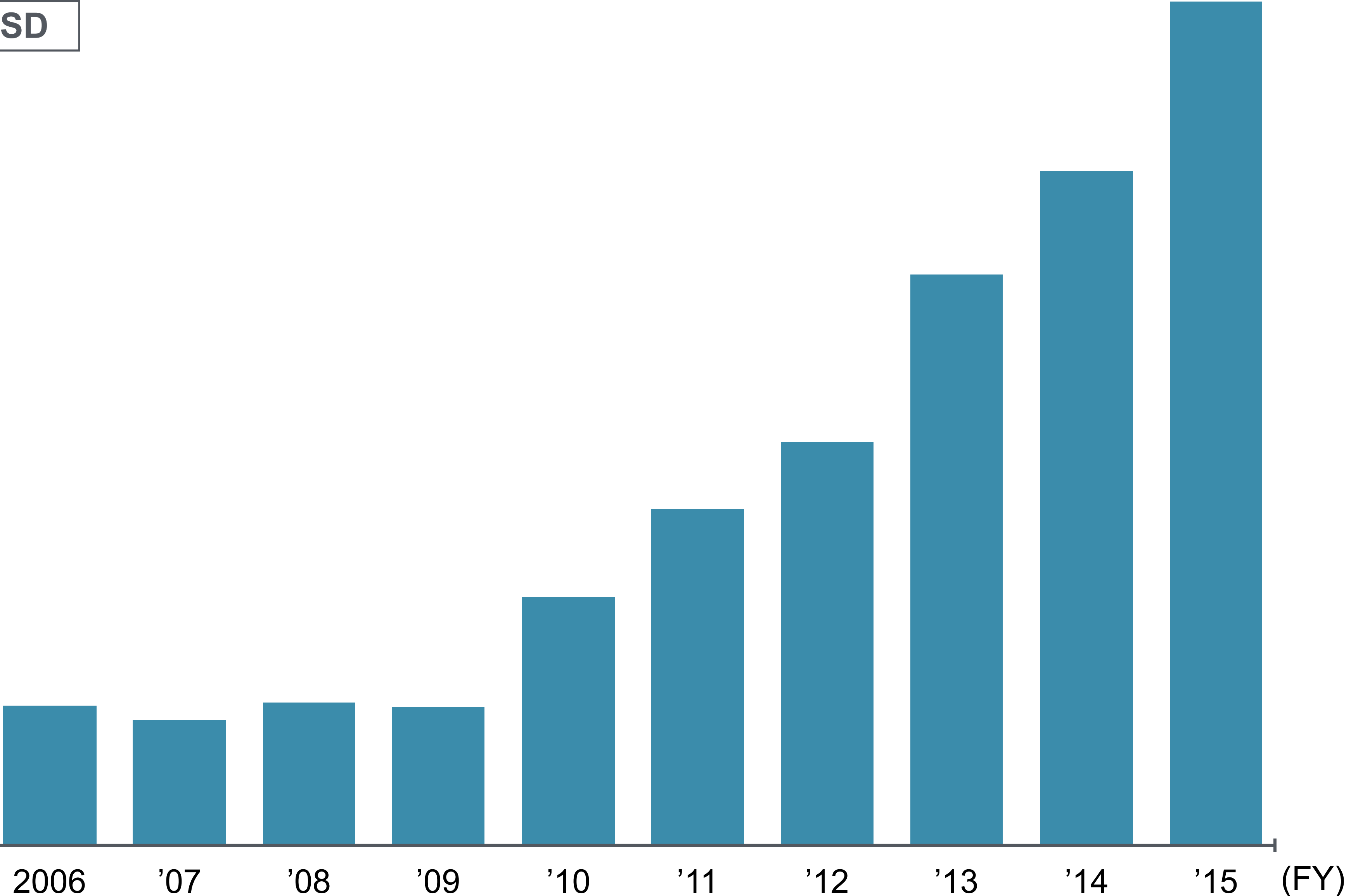


(Source) Created by SoftBank Group Corp. based on ARM Holdings' disclosure materials

# Profit After Tax

USD

661mil



(Source) Created by SoftBank Group Corp. based on ARM Holdings' disclosure materials

# ARM Technology

Advanced consumer products are incorporating more and more ARM technology – from processor and multimedia IP to software

**ARM<sup>®</sup> TRUSTZONE<sup>®</sup>**

System Security

**ARM<sup>®</sup> ARTISAN<sup>®</sup>**

Physical IP

**ARM<sup>®</sup> MALI<sup>™</sup>**

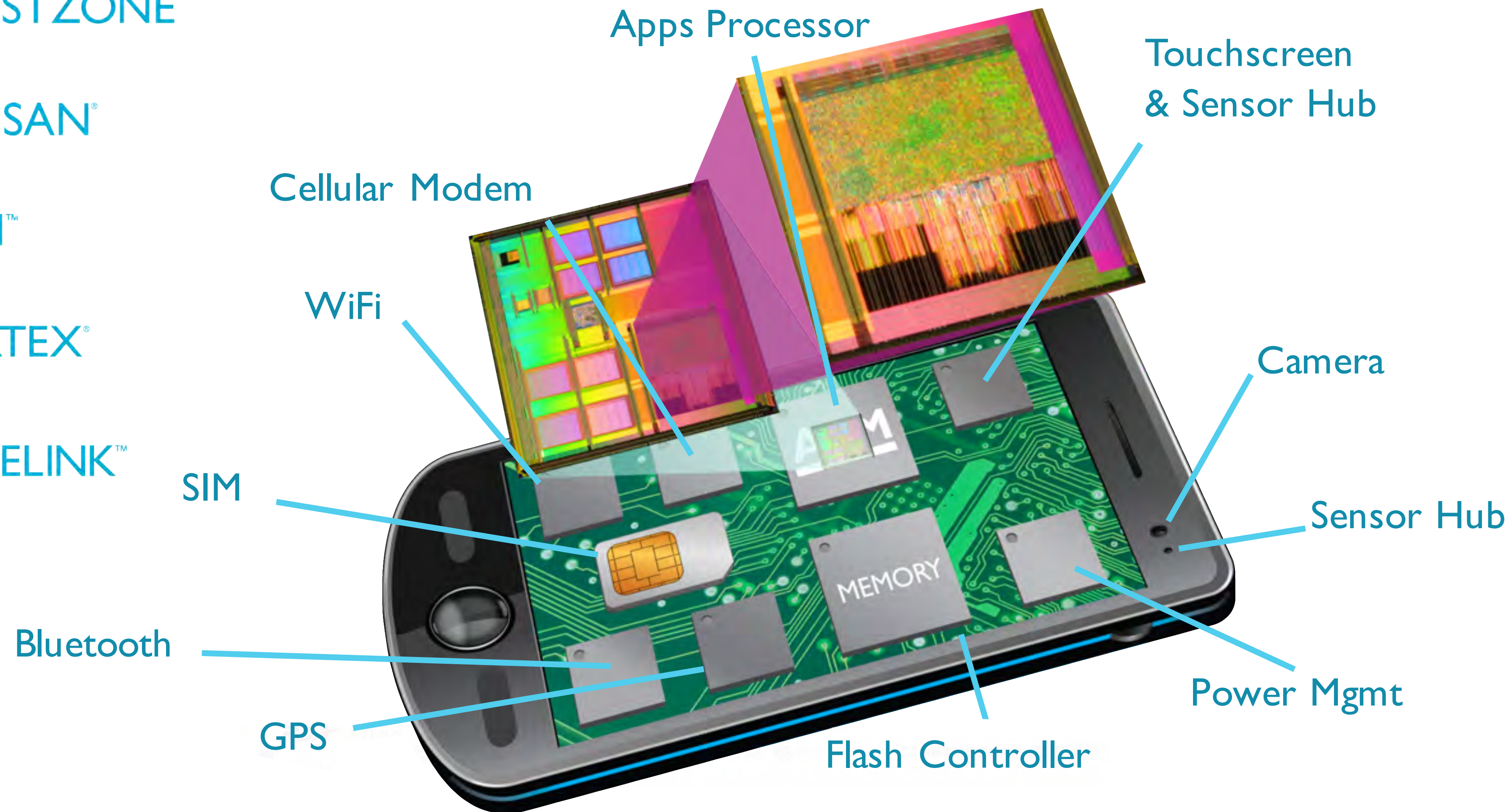
Visual Technology

**ARM<sup>®</sup> CORTEX<sup>®</sup>**

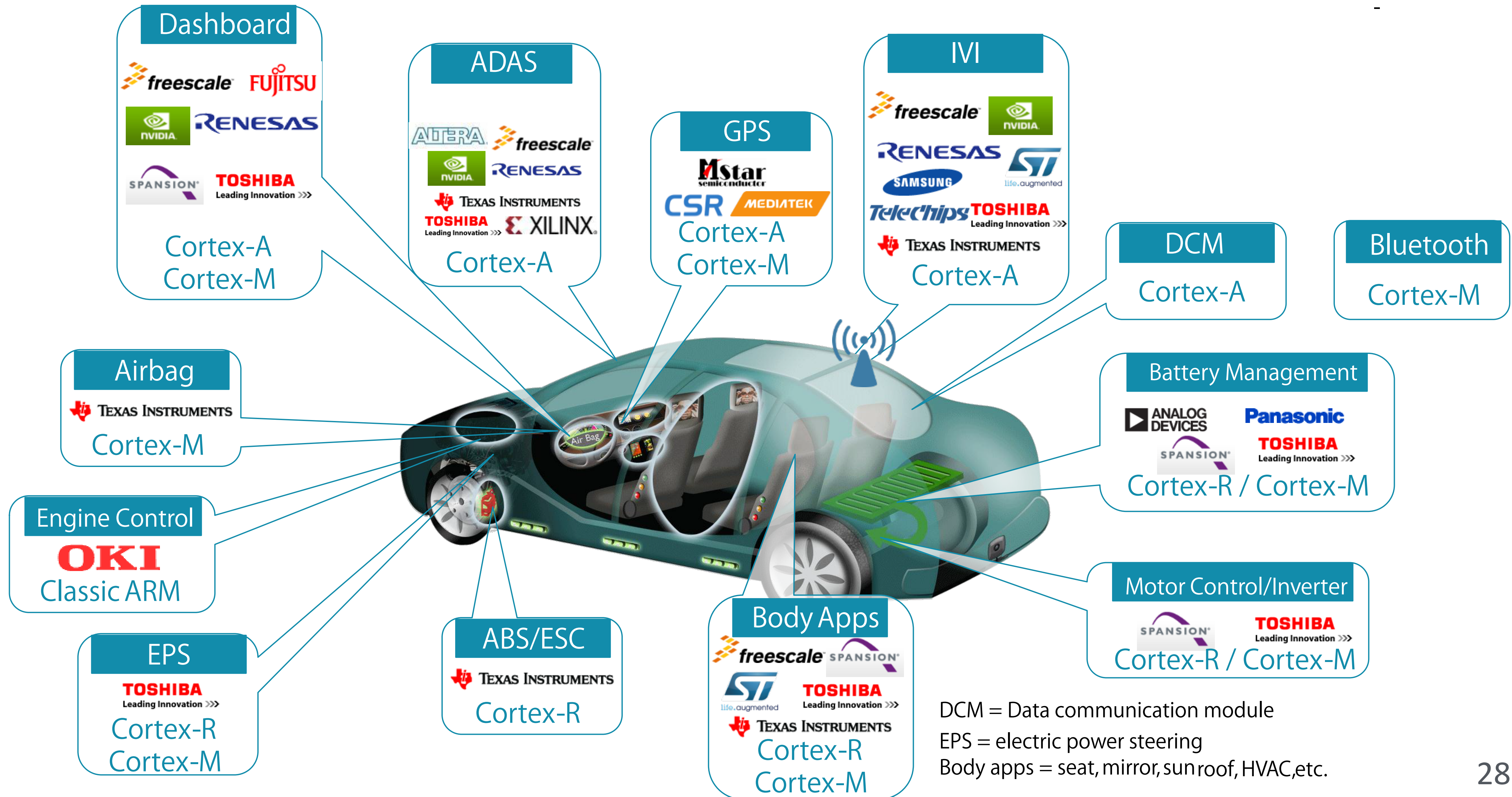
Processor Technology

**ARM<sup>®</sup> CORELINK<sup>™</sup>**

Processor System IP

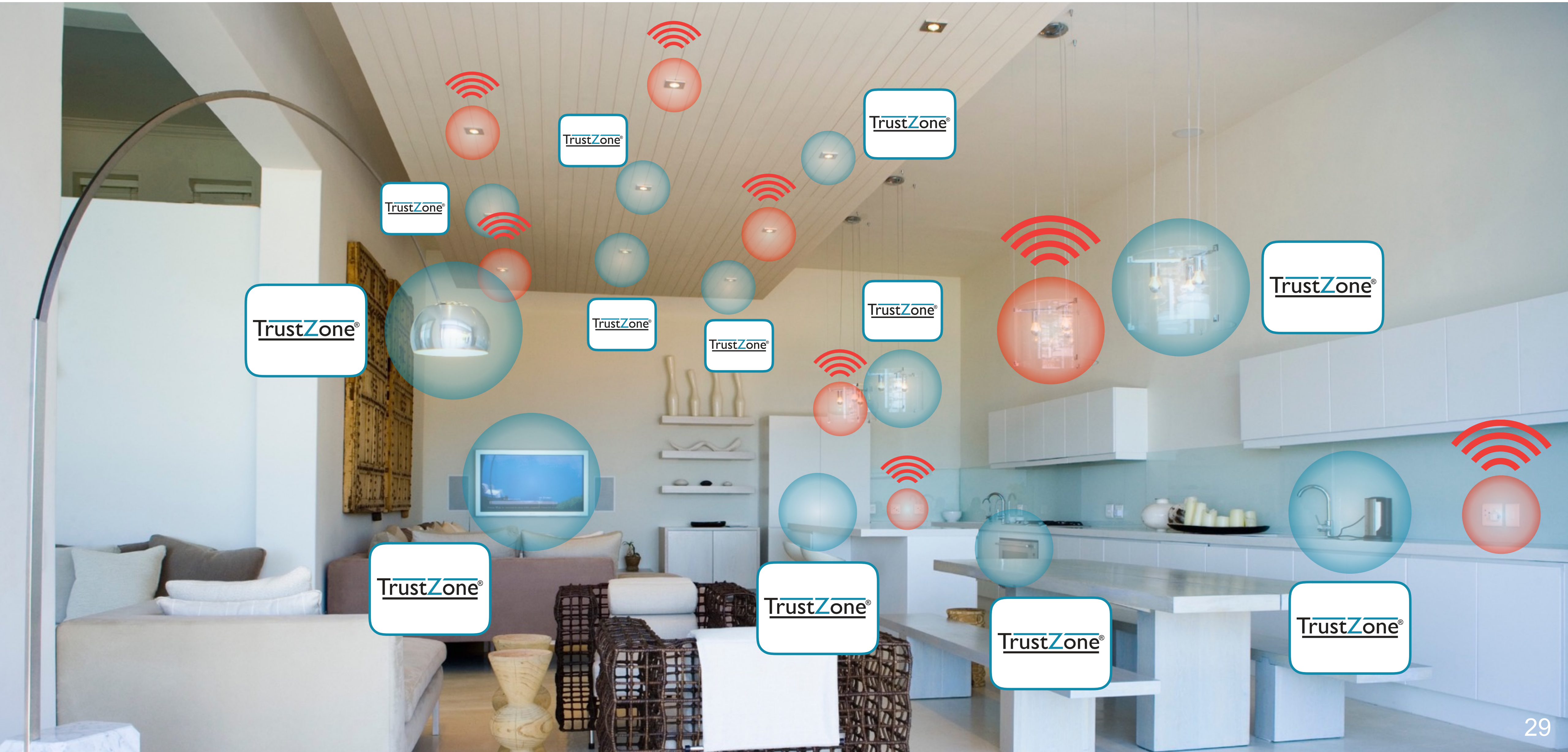


# ARM's Opportunity in Automotive



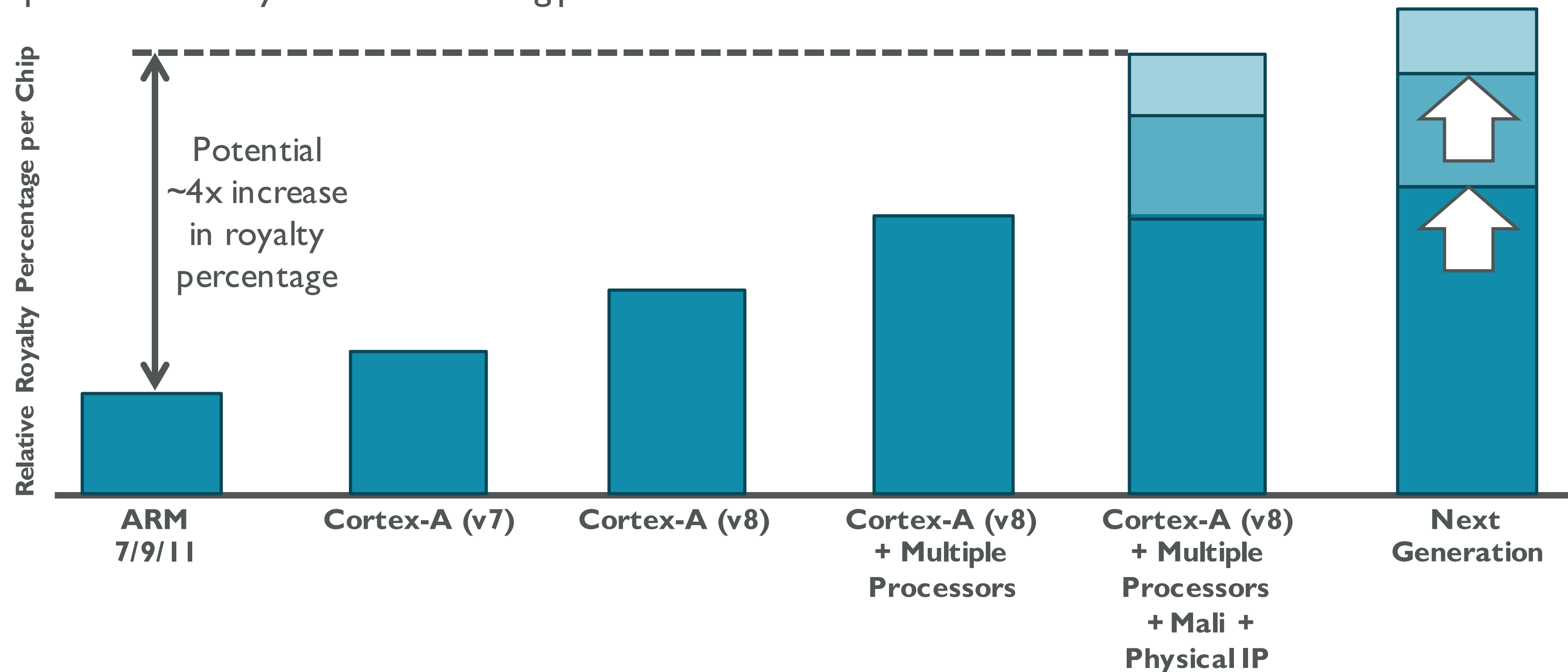
DCM = Data communication module  
 EPS = electric power steering  
 Body apps = seat, mirror, sunroof, HVAC, etc.

# Security is essential for IoT Devices



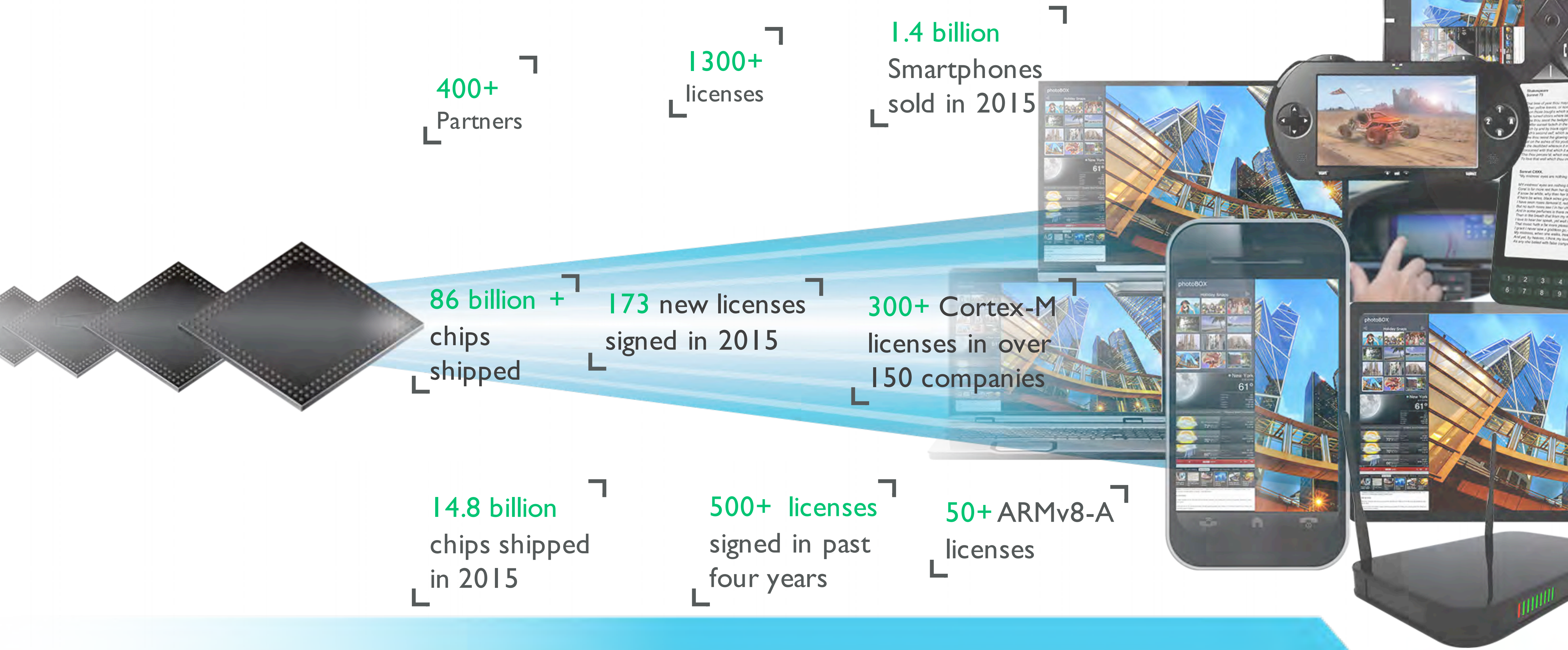
## Delivering more value per chip

- ARM is developing more advanced technology, delivering a greater benefit to customers and generating a higher royalty percentage per chip:
  - More capable processor command a higher royalty per chip
  - Higher royalty for the ARMv8-A architecture
  - Multiple processors per chip – from 8 to 256 cores per chip
  - Mali graphics IP and Physical IP increasing penetration



# Where Innovation Begins

# ARM



Hundreds of optimized system-on-chip solutions

# Markets for ARM: 2015 and 2020

Application	Chip Function	2015				2020		
		Device Shipments	Chip Shipments	ARM Chips	Market Share	Device Shipments	Chip Shipments	Chip CAGR
<b>Mobile Computing *</b>	Apps Processors	1,800	1,800	1,600	>85%	2,400	2,400	+6%
	Connectivity and Control		11,000	4,000	37%		16,000	+6%
<b>Consumer Electronics **</b>	Apps Processors	3,600	1,000	700	70%	5,200	1,700	+7%
	Connectivity and Control		8,000	3,000	40%		10,000	+5%
<b>Enterprise Infrastructure</b>	Servers	300	22	>0	<1%	400	27	+4%
	Networking - Infrastructure		140	20	15%		180	+5%
	Networking - Home and Office		700	200	30%		780	+4%
<b>Automotive</b>	Apps Processors	90	68	65	>95%	100	450	+34%
	Control		2,700	200	7%		3,500	+5%
<b>Embedded Intelligence</b>	Apps Processors		500	350	70%		1,000	+15%
	Connectivity		600	300	50%		5,000	+53%
	Control		20,000	4,400	22%		30,000	+8%
<b>Total (in millions)</b>			<b>46,500</b>	<b>14,800</b>	<b>32%</b>		<b>71,000</b>	<b>+9%</b>

\* Includes smartphones, tablets, laptops.

\*\* Includes voice-only mobile phones, desktop PCs, computer peripherals, wearables, white goods, etc.

Source: Gartner, WSTS and ARM estimates



## ARM's main growth markets

### Mobile Computing



- Smartphones, tablets and laptops
- Apps processor, modem, connectivity, touchscreen and image sensors
- Apps processor: Increasing proportion using ARM technology with higher royalty per chip from ARMv8-A, octa-cores, graphics and physical IP

### Enterprise Infrastructure



- Base stations, routers, switches, and servers for cloud and data centres
- Networks evolve to cope with increased data at lower latency: virtualisation, integration and programmability
- Most major chip vendors have announced ARM-based products

### Embedded Intelligence



- Automotive, white-goods, wearables, smart devices in industrial and utilities
- Microcontrollers, smartcards, embedded connectivity chips
- 200 companies have licenced ARM processors for use in embedded intelligent devices

## ARM investing for the long term

### Mobile Computing

**\$40bn**  
TAM 2020

**Investing to generate more value per device**

- More advanced processors
- Broader range of technologies available (graphics, video, display, interconnect)
- Closer collaboration with market leaders

### Enterprise Infrastructure

**\$36bn**  
TAM 2020

**Investing to accelerate market share gains**

- New software ecosystems
- Supporting deployments

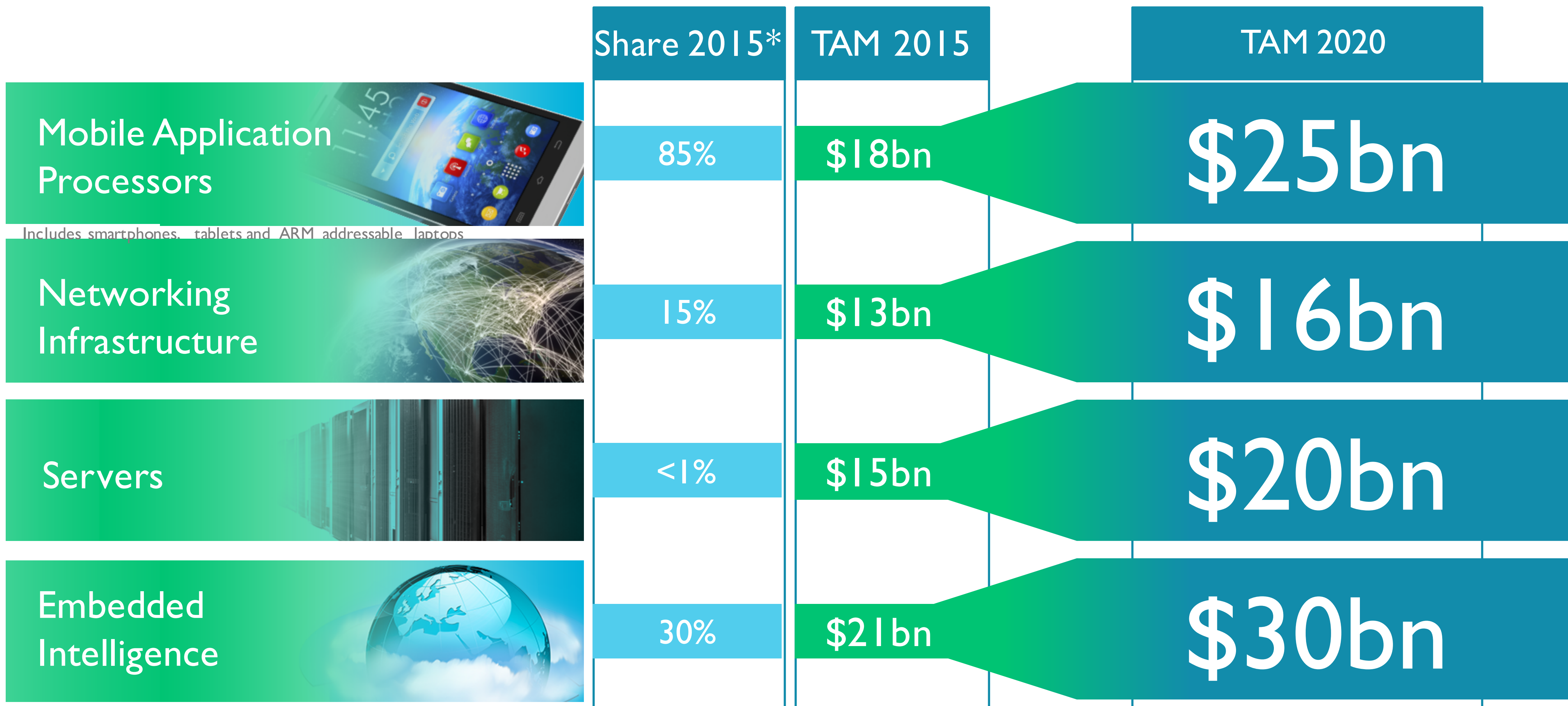
### Embedded Intelligence

**\$45bn**  
TAM 2020

**Investing to create new revenue streams**

- New architectures for secure, connected devices
- Broader range of technologies
- New markets and opportunities

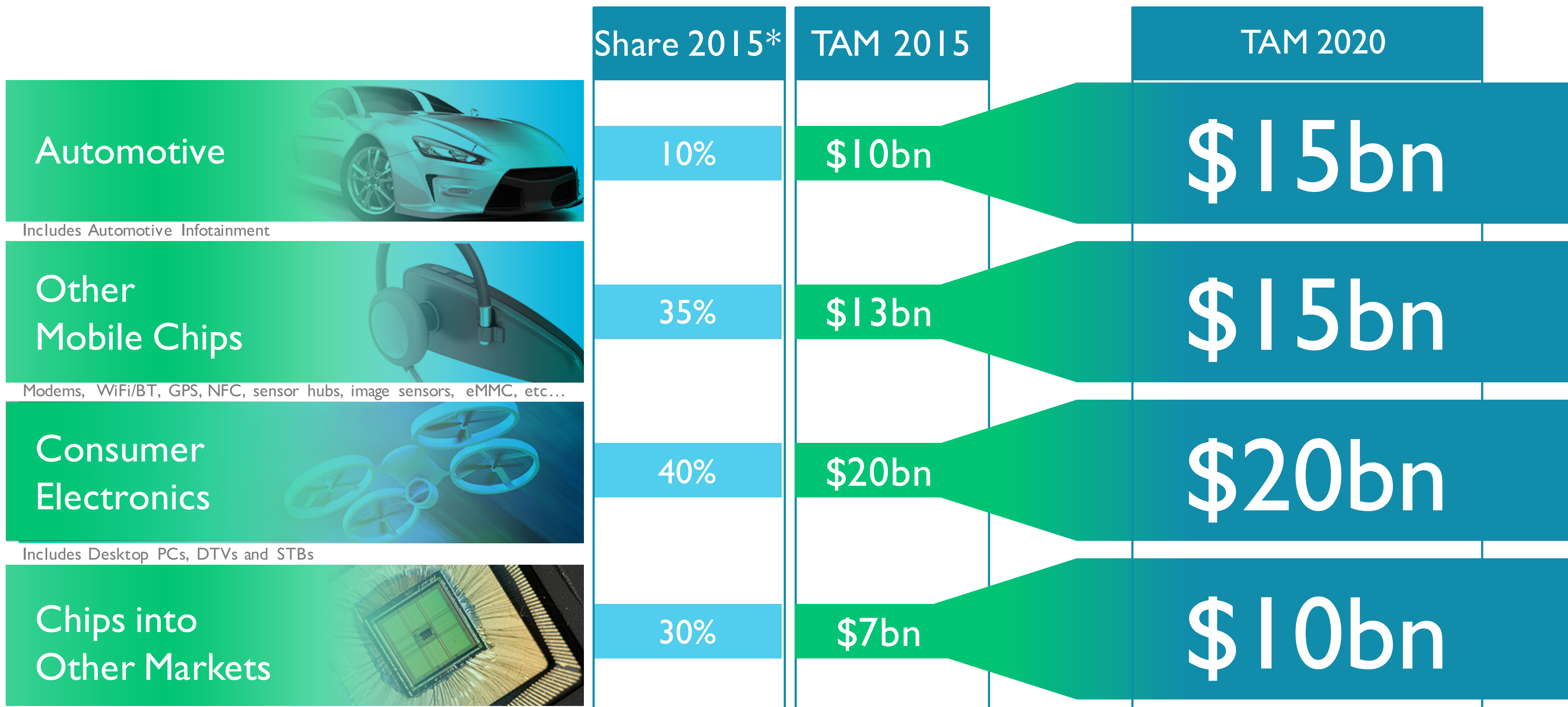
## ARM's expanding opportunity



\* 2015 ARM Market Share by Volume

† Total Available Market (TAM)

## ARM's expanding opportunity



\* 2015 ARM Market Share by Volume  
 † Total Available Market (TAM)

# ARM Connected Community – 1,300+ Partners



# We Will Support and Accelerate Existing Strategy

**Shared Vision**

**Maintain Neutrality**

**Global Relationships**

**Investment  
in Innovation**

We will drive the next paradigm shift

 SoftBank

+

**ARM**

# Summary

Pillar of future growth

Strategic investment

Long-term commitment to UK



# Information Revolution

- Happiness for everyone

 SoftBank  
Group

# Disclaimer

## **Overseas Jurisdictions**

Not for release, publication or distribution (in whole or in part, directly or indirectly) in, into or from any jurisdiction where to do so would constitute a violation of the relevant laws or regulations of such jurisdiction.

## **Forward-looking statements**

This presentation (including information incorporated by reference in this presentation), oral statements made regarding the transaction, and other information published by SoftBank and ARM contain statements which are, or may be deemed to be, “forward looking statements”. Such forward looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and on numerous assumptions regarding the business strategies and the environment in which the SoftBank Group will operate in the future and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. The forward looking statements contained in this presentation relate to the SoftBank Group’s future prospects, developments and business strategies, the expected timing and scope of the transaction and other statements other than historical facts. In some cases, these forward looking statements can be identified by the use of forward looking terminology, including the terms “believes”, “estimates”, “plans”, “prepares”, “anticipates”, “expects”, “is expected to”, “is subject to”, “budget”, “scheduled”, “forecasts”, “intends”, “may”, “will” or “should” or their negatives or other variations or comparable terminology. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. If any one or more of these risks or uncertainties materialises or if any one or more of the assumptions prove incorrect, actual results may differ materially from those expected, estimated or projected. Such forward looking statements should therefore be construed in the light of such factors. Neither SoftBank nor ARM, nor any of their respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this presentation will actually occur. Given these risks and uncertainties, potential investors should not place any reliance on forward looking statements.

The forward looking statements speak only at the date of this presentation. SoftBank and ARM expressly disclaim any obligation to update such statements other than as required by law or by the rules of any competent regulatory authority, whether as a result of new information, future events or otherwise.