

SoftBank Group Corp.: Q3 FY2025 Global Conference Call Q&A

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Q&A

Speaker 1

Q1:

You mentioned this afternoon that it might be possible Japan could consider SoftBank Group for one of the projects in the U.S. If that happened, would that be a kind of loan from one of the Japanese overseas banks, or how should we think about what support might be possible if SoftBank Group were selected for a portion of the \$550 billion that they are looking to invest in the U.S.?

A1:

(Goto) As this is a matter currently being discussed between the Japanese and U.S. governments, we are not in a position to comment as a company. If our project is being considered as part of those discussions, we would of course be honored, but we are likewise not in a position to comment on how the Japanese government may support investment into the U.S. Speaking in general terms, it may be likely that institutions such as Japan Bank for International Cooperation (JBIC) and Nippon Export and Investment Insurance (NEXI) could be involved; however, this is purely my personal speculation.

Speaker 2

Q1:

On the Stargate project, you have a 50/50 JV with OpenAI, and you've committed, I think, \$100 billion for the 1.5 gigawatt data center build-out in the U.S. Can you share what percentage will be funded by equity versus debt? And in terms of timeline, when might you look to contribute equity into that joint venture?

A1:

(Goto) The project details have not yet been finalized, and discussions around the debt financing structure and overall economics are still at an early stage. At an appropriate time going forward, we would like to consider opportunities to share more information with those who have expressed interest.

Speaker 3

Q1:

The company has historically maintained a below 25% LTV ratio and keeps emphasizing that 25% LTV ratio is a financial discipline. If we look at the additional investments and committed amounts, we are reaching very close to 25%, and the portfolio value is volatile. Once we get to or close to 25%, what course of action can we expect to give assurance around your credit quality? Also, have you had conversations with rating agencies? They recently commented that the rating buffer at the current level is quite limited.

A1:

(Goto) As we stated on the earnings call, there has been no change to our financial policy. Our basic approach is to operate with LTV below 25%, and to maintain sufficient cash position to cover at least the next two years' bond redemptions. We believe these policies provide the clearest way to communicate the level of safety we seek to maintain as an investment company. That said, these are not covenants, but rather our internal policies. Depending on circumstances, there may be situations where LTV temporarily exceeds 25%. In such a case, we have a responsibility to explain how we intend to bring it back to 25%. We would assess and execute a range of measures—such as deleveraging, asset sales, and the use of nonrecourse financing—and communicate those specific actions to the market. With respect to the rating agencies' views, their approach has already been made public. We also maintain close communication with S&P. Through ongoing dialogue—such as how they assess SoftBank Group's credit profile and which metrics they are focusing on—we continue working to ensure they understand the direction we are heading.

Speaker 4

Q1:

Given this quarter's announcement on DigitalBridge acquisition, the progress on Stargate, and the \$500 million contribution alongside OpenAI to SB Energy, how should we think about SoftBank Group's preference among physical AI infrastructure investment, software platform investment, and semiconductors, given capital deployed across these categories? While DigitalBridge is a GP, it also provides access to many of these companies through relationships and investment opportunities.

A1:

(Goto) We have articulated a broader vision to become a platform provider in the ASI era. To realize that vision, we need to advance focused investments and partnerships around priority themes. One such theme is physical AI, including robotics. In addition, given that Arm is part of our group, semiconductors are also a strategically important area for us. Data centers are another key theme. DigitalBridge, whose acquisition we announced, has an investment portfolio of more than 45 companies in infrastructure-related areas such as data centers. We believe there is significant value in gaining an indirect pipeline to these companies, and we view this as a compelling investment opportunity that can accelerate our growth trajectory.

Speaker 5

Q1:

When will we see the bigger picture of the funded R&D that SoftBank Group pays to Arm for accelerated compute alternatives? Are these chips meant to go into Stargate? When will we have more clarity?

A1:

(Child) We haven't provided more details yet. As we've shared previously, once we have a product that has been taped out, with samples returned, verified, working, and we have customer purchase orders that are non-cancelable, that's when we're going to announce it. We won't do so before then. You may have seen others in the market take a different approach, and it generally leads to significant stock price volatility when there are delays. As you know, there are plenty of challenges, including wafer shortages, HBM shortages, and other constraints. So I would say that SoftBank Group — and certainly Arm, as well as the other companies such as Graphcore and Ampere — once we hit those thresholds, you'll hear from us.

A1:

(Goto) We announced the Stargate project last year, and since then we have held extensive discussions on how to move it forward in a concrete manner. At this stage, some projects are being advanced jointly with OpenAI, while others are being led primarily by Oracle. From our perspective, we position all of these initiatives collectively under the "Stargate" umbrella, and we intend to drive forward a mega-scale data center program in the U.S. In addition to the data center in Texas, we expect there will be several other projects that we will be able to announce within this calendar year. We believe this year will be a year of acceleration for Stargate.

Speaker 6

Q1:

In what scenario would you consider an equity raise or rights issue?

A1:

(Goto) Our funding options do include equity financing, but in general, the cost of equity tends to be higher than the cost of debt. In addition, issuing new shares may result in dilution, which in some cases could have an undesirable impact on existing shareholders. Taking these factors into account, we believe that the appropriate use of leverage can contribute to enhancing corporate value and increasing returns for investors. Accordingly, identifying, managing, and maintaining an appropriate level of leverage is an important mission for our finance function. Asset sales are also one possible option; however, we are not limited to straightforward disposals. We would also consider approaches such as the use of derivatives to mitigate potentially negative impacts. Ultimately, we believe it is important to evaluate a range of options depending on the circumstances and select the optimal solution at that point in time.

Speaker 7

Q1:

How do you plan to improve the profitability of the ABB Robotics business going forward? Could you share the strategy, the expected timeframe, and the rationale for partnering with SoftBank Group?

A1:

(Goto) Physical AI is a key theme for us, and we are currently conducting a detailed assessment of areas where we can expand revenue and profit opportunities. While we believe there is ample potential to achieve strong profitability over time, we are not yet at a stage where we can share specific measures in detail. On the timeframe, we see certain initiatives to improve the existing robotics business that can be undertaken in a relatively short period of time. At the same time, we are also looking at potential synergies with other resources across SoftBank Group. Separately, how we integrate robotics and AI is an extremely important theme and realizing that integration may require a certain amount of time. ABB Robotics has strong talent, and we are also exploring areas such as new product development as well as enhancing region-by-region service and pricing strategies. Physical AI remains at an early stage, but we believe it has the potential to evolve into a core pillar of our AI strategy.

Q2:

How do you plan to drive adoption of Crystal intelligence among large Japanese enterprises? Also,

how do you expect users to bear the high usage fees?

A2:

(Goto) This falls under SoftBank Corp.'s remit, so we would appreciate it if you could direct the detailed questions to them.

Speaker 8

Q1:

Could you share your current thinking on financing? In a Nikkei interview around last November, you mentioned the possibility of raising funds using OpenAI shares. If possible, could you share, within what you can disclose today, the potential scope for such financing and the rough amount that could be raised?

A1:

(Goto) OpenAI is a private company, but the size of our investment is meaningful. In making this investment, we have continuously studied and explored how we could utilize this asset and structure financing around it. While the specific structure and the amount to be raised are still under consideration, we believe there is meaningful potential to raise funds through asset-backed financing. This is broadly consistent with the approach we previously took when we raised financing backed by pre-IPO Arm shares. Market interest in OpenAI is high and given that recent funding rounds have indicated certain valuation levels, we understand that a degree of consensus around its enterprise value is gradually forming. Looking ahead and taking into account the potential for an IPO over time, we believe there is a reasonable likelihood that an asset-backed financing structure could be viable.

Q2:

I understand that you have been communicating with S&P, but there was a precedent where the rating was downgraded prior to Arm's IPO. In light of that experience, and given that the value realization of OpenAI is also predicated on a future IPO or similar liquidity event, how does S&P factor in the expected time horizon until such value realization in its assessment?

A2:

(Goto) For S&P's specific views, I believe it would be most appropriate for you to ask S&P directly. In assessing the value of OpenAI, there are several considerations, including the likelihood of a future IPO and the expected time horizon to such an event. On our side, we believe it is important to persistently and carefully explain, from various perspectives, both our overall credit framework and the extent to which an asset such as OpenAI could enhance our credit profile. Ultimately, the rating

decision rests with the rating agencies, and our views are not necessarily reflected as they are. Nevertheless, we intend to continue our dialogue and make sustained efforts to deepen their understanding.

Speaker 9

Q1:

OpenAI's weekly active users are 800 million, which is below the 1 billion that has been reported in media as a target around last November. As an important business partner and a major shareholder, how do you view this situation? Also, if course correction becomes necessary, what kind of support could you provide?

A1:

(Goto) We are not in a position to comment on OpenAI's management strategy. That said, while the figure is 800 million versus the reported target of 1 billion, we view 800 million itself as a very significant scale. We also believe OpenAI continues to maintain a strong competitive position compared with other computing platforms. We continue to expect further expansion in weekly active users over time. At the same time, OpenAI is a company that is growing rapidly while still retaining certain characteristics of a venture. As such, we recognize that its strategy and business plan may evolve depending on the operating environment. From our side, we intend to continue providing support while adapting to such changes.

Speaker 10

Q1:

Regarding the bridge loan, which has now been fully drawn down to fund the Ampere acquisition, you have also indicated that you repaid an element of that. On the remaining \$12 billion, how do you think about repayment? Do you envisage terming it out in another loan, or could you refinance that with bonds?

A1:

(Goto) With respect to the bridge loan, the maturity is in April this year, and we have already secured the funds required for repayment. There is no need for concern.

Speaker 11

Q1:

I'm curious to ask about Stargate. In particular, has SoftBank Group contributed any actual cash into the Stargate investment so far? And to follow up, earlier today when asked about the commitment,

you said it would be project finance and the substantive amount wasn't that major. On the other hand, it was reported that for every \$100 billion investment Stargate does, \$18 billion of equity would be required from SoftBank Group. Are you saying that that number is too high, and in fact the equity contribution will be less than \$18 billion for every \$100 billion that Stargate invests?

A1:

(Goto) The previous assumption of "\$18 billion for every \$100 billion" has already been removed. However, removing that assumption does not mean we will not pursue the projects. Rather than applying a uniform approach, we are moving to a model where projects are established on a case-by-case basis, and the required equity is provided for each individual project. In terms of how funding is contributed, there is a basic concept that SoftBank Group and OpenAI would fund on a 50/50 basis; however, depending on the project, there may be a high degree of project-specificity. Some initiatives will be led by us, while other projects may be advanced by Oracle on a standalone basis. We refer to all of these initiatives collectively as Stargate.

Q2:

So, to understand that comment correctly, is that right that we've got about 80% debt and 20% equity, and then whoever owns the equity is split up in a project finance structure for Stargate?

A2:

(Goto) On average, I believe the equity portion is around 20% under current market conditions.

Q3:

One final one, on SB Northstar. In the slides, accounting page 12, it says Northstar bought corporate bonds with a value of ¥592 billion. And then on accounting page 15, it says Northstar borrowed some ¥440 billion. Can you clarify what's happening here?

A3:

(Kimiwada) SB Northstar invests in corporate bonds as part of its surplus fund management activities. Based on that, it uses those bond holdings as collateral to raise funding through a prime brokerage loan, and then lends the proceeds to SoftBank Group. This is an initiative designed to enhance capital efficiency and strengthen financial management at the group level by effectively utilizing assets on hand, while maintaining SB Northstar's ongoing investment operations.

Speaker 12**Q1:**

With respect to Arm, you mentioned that transactions with SoftBank Group are continuing at a scale of approximately \$200 million over a three-month period. With Ampere and Graphcore also within the group, what potential do you see for collaboration across these entities? In addition, OpenAI has announced an AI accelerator and indicated plans to begin production in the second half of 2026. Do you view this as competition for Arm, or do you see it as an area for collaboration within the Stargate framework?

A1:

(Child) On OpenAI's accelerator announcement — you can assume there is significant compute demand for Stargate. I would not think of it as competitive, but rather complementary. We're working closely with SoftBank Group, OpenAI and other Stargate partners to move the project forward and ensure the necessary compute capability is available as soon as possible.

Regarding the \$200 million related-party spend — you can assume we are working together. Graphcore was acquired over a year and a half ago, and this related-party relationship started shortly after that. Graphcore has a history of developing and taping out XPU-type accelerated compute. So there are certainly joint efforts. Ampere just closed recently, so collaboration began only after closing. Ampere has taped out five different chips, including a 512-core inference chip. All were built on Arm. They were unique in building general-purpose server chips on Arm. So having their capability, using our designs, and being able to do full development all the way to physical implementation, and ultimately to GDSII and tape-out to mask production is highly complementary, and can be very helpful for the overall combined ecosystem across SoftBank Group's companies. We're very much looking forward to the synergies and ultimately the ability to move a lot faster.

And the reality is there are so many partners involved in any chip for any company. For example, everyone has to use Cadence and Synopsys. And if it's a server chip, specifically in the accelerated compute space, they probably need SerDes as well, and there are a variety of providers. But the reality is the more companies SoftBank Group owns, the more it helps all of us move faster — because you can integrate and build to one standard quicker. Using separate partners is not only more costly and reduces margin, but it also slows you down. And right now, with AI accelerating so quickly, cost is an issue, but speed is probably even more of an issue. Ampere is a significant incremental acquisition to help silicon efforts move quicker, and you'll hear more from us on that soon.

Q2:

For how long do you expect the approximately \$200 million per quarter level to continue?

A2:

(Child) It stepped up from \$178 million in the previous quarter because Q2 was when the most recent tranche was signed. Each tranche effectively relates to a newer version of an accelerated compute product. The step-up from \$178 million to \$200 million simply reflects the full-quarter impact, as Q2 did not include a full quarter after signing. \$200 million is the correct run rate going forward. We haven't said how long it will continue, but you can assume it is durable. In AI, new chip versions are now typically required annually, rather than every few years, given constrained compute and the productivity and TCO benefits of next-generation chips. Currently you see license and design costs. Once products are taped out and commercialized, you'll see royalties and revenue from silicon sales. So while the overall effort is durable, the revenue mix — license and design versus royalties and product revenue — will evolve over time. We'll disclose more once we hit milestones — tape-out, samples returned and verified, and non-cancelable orders.

Speaker 13

Q1:

Regarding the margin loan position, it appears there is additional financing capacity available for SoftBank Corp. and Arm shares. How much remaining capacity should we think about? Also, is there a level at which increasing the amount raised could negatively affect the relationship between the two companies?

A1:

(Goto) We believe it is possible to raise financing within a range of approximately 20% to 40% of the collateral value of the underlying assets. We do not particularly expect that increasing the amount raised would negatively affect our relationship with them. That said, we would not expand usage simply to the maximum because capacity exists. Taking into account our overall funding plan, we intend to select the optimal financing at that point in time. Depending on the circumstances, we may utilize margin loans, or we may prioritize other financing methods.

Speaker 14

Q1:

When SVF2 invested \$22.5 billion in OpenAI, was it funded by borrowing, or did SoftBank Group inject fresh equity?

A1:

(Govil) The \$22.5 billion was funded via a commitment upside and a capital injection into SVF2. SoftBank Group has equity capital and preferred equity in SVF2, and this was primarily done through

an increase in preferred equity capital.

Q2:

Did both SoftBank Group and Masa participate?

A2:

(Govil) Masa's participation is in the equity, not in the preferred equity. The increase came through preferred equity.

Q3:

When calculating LTV, you exclude 50% of hybrid bonds. Why, since it is still debt?

A3:

(Goto) The rating agencies also exclude 50% of the hybrid bonds in their calculations.

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