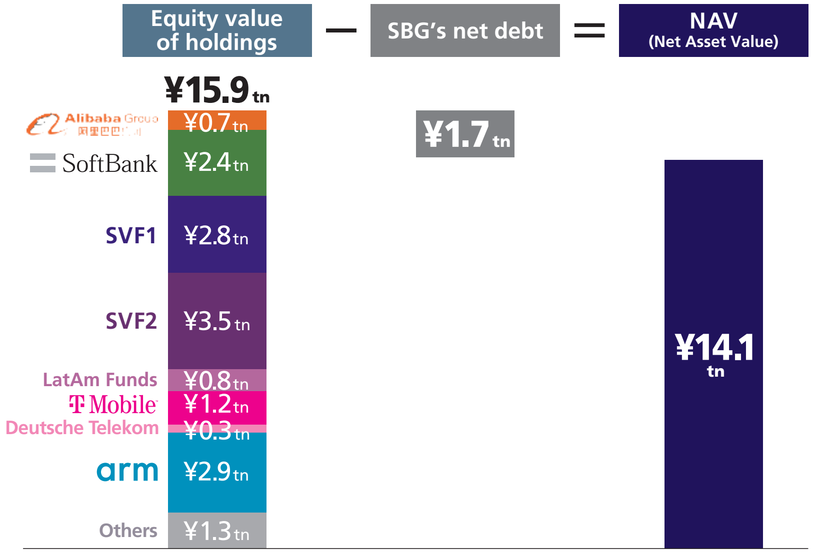
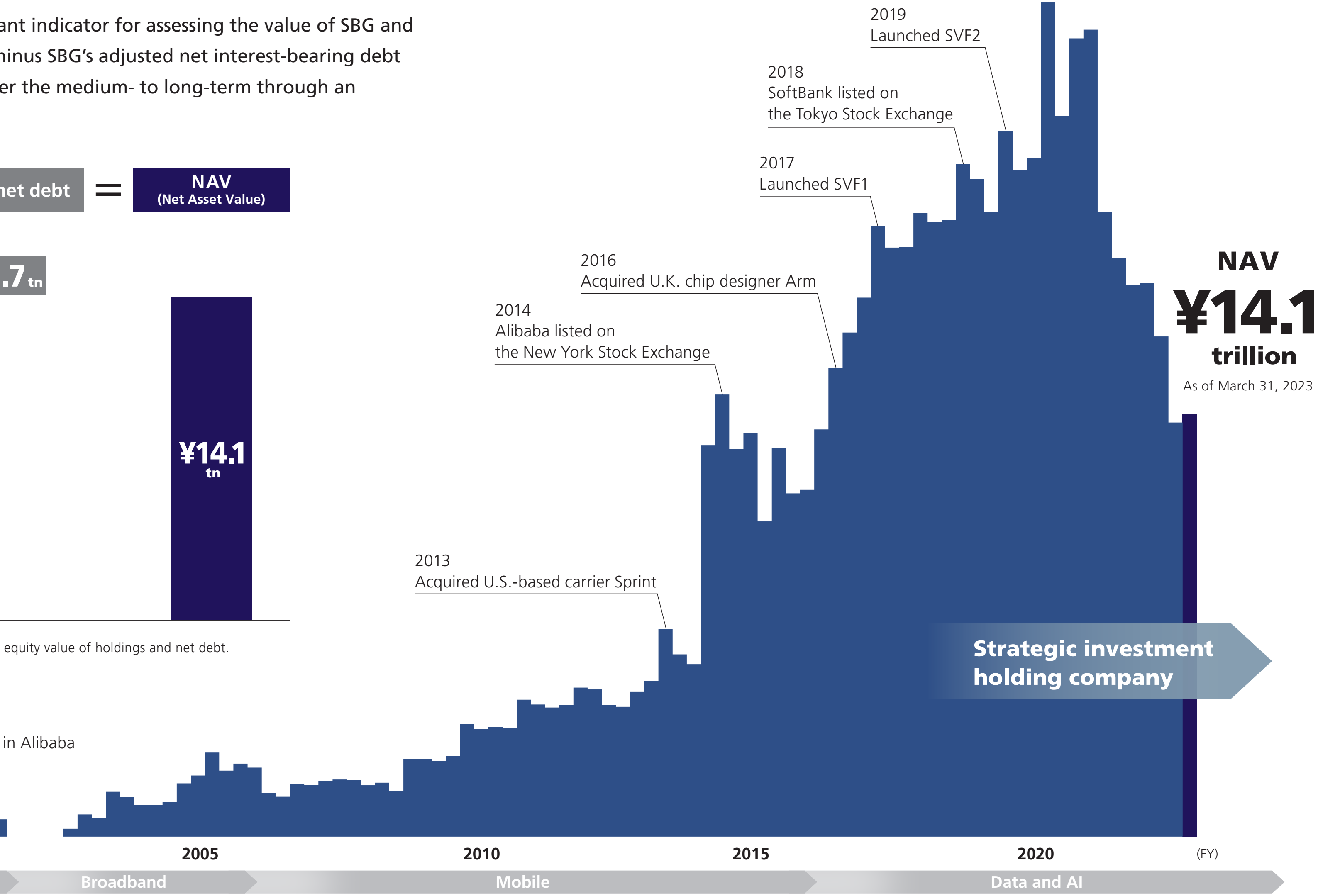
Boosting NAV Growth by Investing in the Information Revolution

As of March 31, 2023

NAV (Net Asset Value) is the most important indicator for assessing the value of SBG and is calculated as equity value of holdings minus SBG's adjusted net interest-bearing debt (net debt). SBG aims to maximize NAV over the medium- to long-term through an increase in the equity value of holdings.



See page 69 for the assumptions used to calculate the equity value of holdings and net debt.



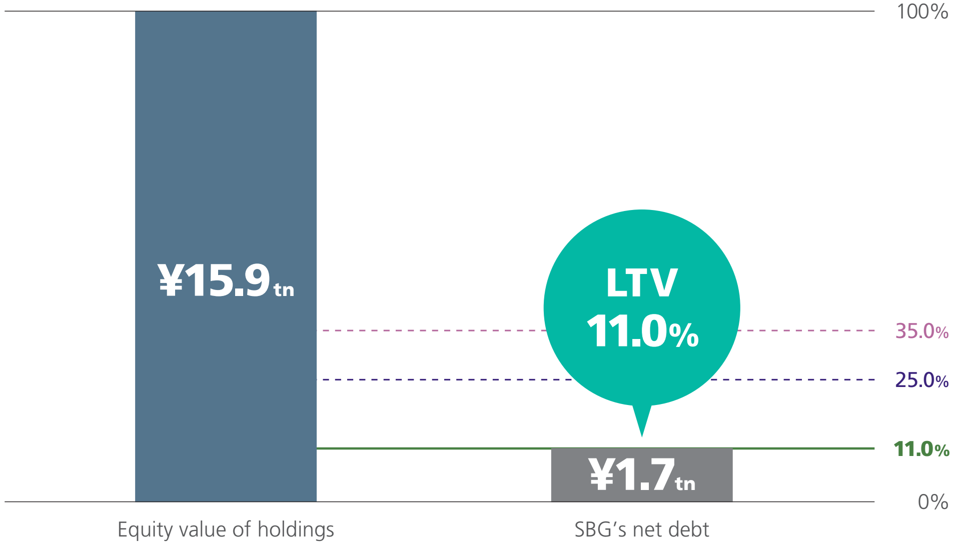
Note: NAV data for each quarter-end. The NAV data are the Company estimates based on the information available to it, and the accuracy or completeness of the information is not guaranteed as the figures are not audited. NAV trends are not a guarantee of future figures and are not indicative of the price of SBG's common shares or any securities held by the Company and should not form the basis of investment decisions. The figures are based on data before considering taxes unless otherwise stated. In the calculation of NAV, the equity value of holdings excludes amounts to be settled at maturity or borrowings that are part of asset-backed finance. SBG's net debt excludes borrowings that are part of asset-backed finance. The calculation of SBG's net debt excludes interest-bearing debt and cash and cash equivalents, etc., attributable to entities managed on a self-financing basis, such as SoftBank (including its subsidiaries such as Z Holdings and PayPay), SVF1, SVF2, LatAm Funds, and Arm, as well as SB Northstar.

An Important Indicator for Stable Financial Management: LTV

LTV (Loan to Value) is a financial indicator that is calculated as SBG's adjusted net interest-bearing debt (net debt) divided by the equity value of holdings. SBG's finance policy is to maintain LTV below 25% in normal times with an upper threshold of 35% even in times of emergency. An LTV below 25% is a very high level of safety indicating that the equity value of holdings is more than sufficient to repay the debt.

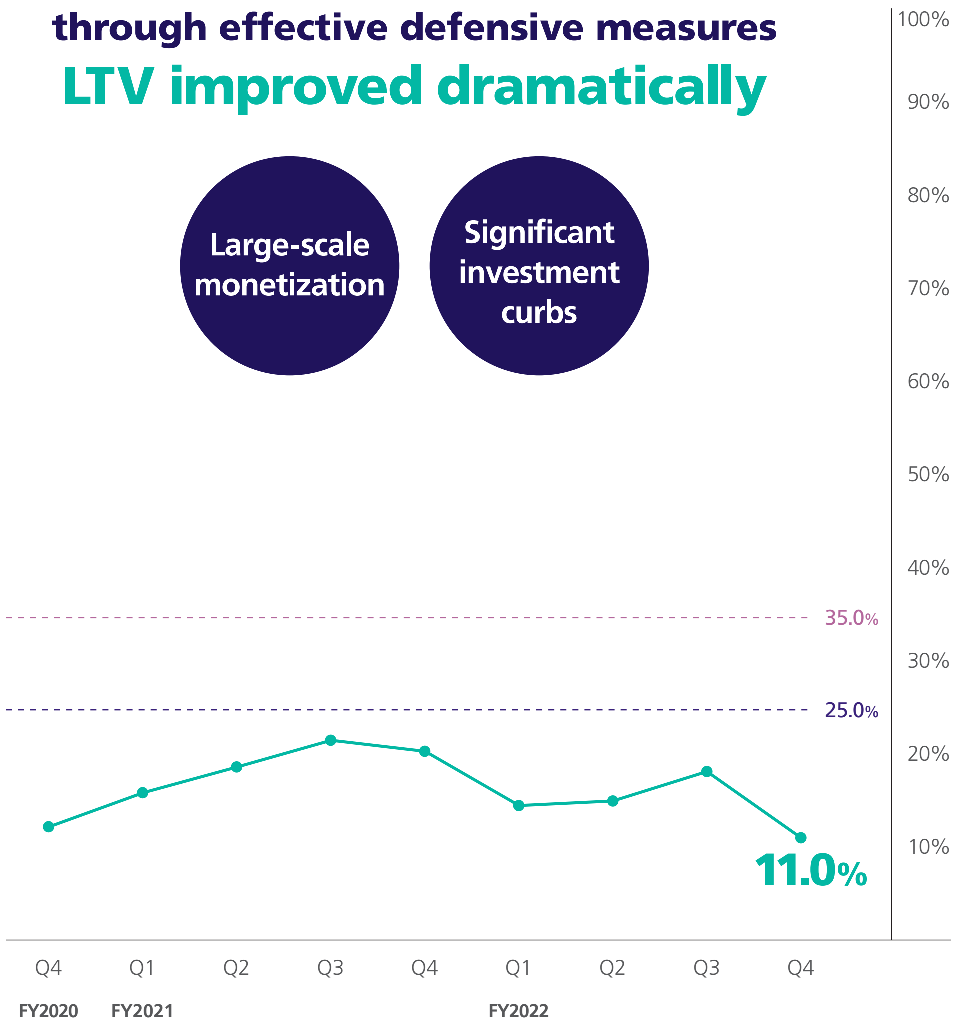
SBG's net debt ÷ Equity value of holdings = LTV (Loan to Value)

LTV as of March 31, 2023



See page 69 for the assumptions used to calculate the equity value of holdings and net debt.

Note: The equity value of holdings excludes amounts to be settled at maturity or borrowings that are part of asset-backed finance. SBG's net debt excludes borrowings that are part of asset-backed finance. The calculation of SBG's net debt excludes interest-bearing debt and cash and cash equivalents, etc., attributable to entities managed on a self-financing basis, such as SoftBank (including its subsidiaries such as Z Holdings and PayPay), SVF1, SVF2, LatAm Funds, and Arm, as well as SB Northstar.



Note: LTV data for each quarter-end

Message from SoftBank Vision Funds Management

Investing in AI Generational Growth

Rajeev Misra
Co-CEO, SB Investment Advisers

At the macro-level, volatility has been ever-present over the past 12 months. Challenging dynamics in geopolitics, regulations, and monetary policy led investors worldwide to pivot towards a more conservative approach following the high levels of capital deployment in fiscal 2021.

Despite its challenges, fiscal 2022 was a tipping point for AI and its widespread adoption. People around the world watched with fascination and delight as generative AI wrote stories, told jokes, and created original art. The adoption rate of OpenAI's ChatGPT was unprecedented; it took only two months for the platform to reach 100 million unique users. By comparison, it took TikTok and Instagram nine months and 28 months, respectively, to hit the same milestone. This is the latest in an incontrovertible and growing dataset proving that AI has transitioned to the mainstream.

While a number of our portfolio companies are applying generative AI in novel applications, SoftBank Vision Funds are a diversified investment platform, meaning that we have been able to invest across the full stack of AI technology. AI spans an ever-widening spectrum of use cases, and we think of our capital deployment broadly across three levels. The first is the foundation layer, where our portfolio companies are developing AI architecture through chip design to underpin the raw processing power required for a generational change in computing. Second, the application layer represents the essential digital infrastructure to enable the widespread adoption of AI at the B2B level. Finally, at the services layer, users interface with the technology directly to access new products and services across every sector, from digital health to financial services.

The growing prevalence of these technologies will transform existing industries and create entirely new ones. According to PwC, AI is expected to enable $15.7 trillion of economic growth by 2030.*1 Similarly, by 2025, global data volume is expected to have increased by more than 10 times from 10 years prior.*2 As more data become available, AI's impact will continue to grow and alter the trajectory of enterprise technology. Similarly, AI is revolutionizing health tech, accelerating the search for potential drug molecules up to a thousand times faster.

The SoftBank Group has been investing ahead of major technology shifts for over 40 years, and we have been ahead of the field in investing growth capital in AI at scale, first with the Group's acquisition of Arm in 2016 and subsequently with the launch of SoftBank Vision Fund 1 in 2017. While cynics would argue there is a degree of hype around generative AI at present, remember Amara's Law.*3 AI is a generational technology that sits above market cycles. It is ushering in a wave of inevitable digital change. 2022 will be recalled as a challenging time for global investing, but our portfolio is constructed upon a continued conviction in the AI revolution. We are confident our portfolio companies are primed to benefit as the potential of this technology becomes reality.

On a personal note, as CEO of SB Investment Advisers, my role has modified to focus primarily on the performance and monetization of SoftBank Vision Fund 1. While I have passed day-to-day management for SoftBank Vision Fund 2 and LatAm Funds to my colleagues on the Executive Committee, I remain highly committed to the firm. It continues to be a privilege to serve the SoftBank Group and the Fund's other Limited Partners; I am motivated and energized in striving to attain our investment objectives.

*1 PwC, "Sizing the prize, PwC's Global Artificial Intelligence Study: Exploiting the AI Revolution"
*2 Statista, "Volume of data/information created, captured, copied, and consumed worldwide from 2010 to 2020, with forecasts from 2021 to 2025"
*3 "We tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run," coined by Roy Amara, past president of the Institute for the Future.

Message from SoftBank Vision Funds Management

Resilience and Discipline in a Challenging Market

Alex Clavel
Member of the Executive Committee, SB Global Advisers
Co-CEO, SB Investment Advisers

Greg Moon
Member of the Executive Committee, SB Global Advisers

Navneet Govil
CFO, Member of the Executive Committee, SB Global Advisers
CFO, SB Investment Advisers

When Masa (Masayoshi Son, Representative Director, Corporate Officer, Chairman & CEO of SBG) addressed investors and the media at SBG's earnings in May 2022, he talked about the importance of strengthening our defense in turbulent times. These remarks were well-timed, as global market instability increased over the course of the year. The continued escalation of the conflict in Ukraine prompted a spike in global energy prices while ongoing geopolitical tensions between the U.S. and China saw local regulators adopt a more interventionist stance with technology-led growth startups. Tightening monetary policy has also increased the cost of capital. In the face of persistent consumer inflation, central banks have taken action; since the beginning of 2022, the U.S. federal funds rate has climbed rapidly, and as of March 2023 it was at 5%—the highest since 2007. The pace of the rate hike cycle wrongfooted numerous financial institutions. Banking failures from Silicon Valley Bank, Signature Bank, and First Republic Bank remind us that we remain in volatile times.

This macro instability translated as a sizable correction in global markets. The NASDAQ-100 Technology Sector Index fell as much as 40.2% in the first half, while the Refinitiv Venture Capital Index was down 57.7%. Although this was a market phenomenon, not a SoftBank Group one, we were impacted. As of March 31, 2023, collective markdowns for fiscal 2022 across SoftBank Vision Funds equated to 21% of assets. Looking at the more granular detail of performance since inception, SoftBank Vision Fund 1 remains in positive territory, posting $11.4 billion of cumulative gross investment gains* since launch. The vintage of SoftBank Vision Fund 2 and LatAm Funds meant the impact on performance was more marked, with these funds currently marking a cumulative investment loss of $18.3 billion* and $1.7 billion,* respectively.

In the face of growing market uncertainty, we pivoted our strategy to prioritize defense. Following high volumes of new investments in fiscal 2021, we radically scaled back the rate of capital deployment in fiscal 2022, applying an increasingly high bar for any new investment approvals. The agility of this response means that we have been able to preserve capital through the present volatility and still have substantial dry powder to deploy when market conditions improve.

Capital preservation was also a key feature in our portfolio management over the year. Our investment teams engaged with management teams in every sector and geography to support their companies in becoming more operationally and financially resilient. In today's environment, businesses are learning to achieve more with less, whether that is to strengthen company governance and culture, reexamine supply chains, or make core processes more efficient. A focus on the fundamentals has in part meant that our companies continue to attract capital from prestigious global investors, a source of encouragement in the face of sustained market uncertainty. As of March 31, 2023, 98% of SoftBank Vision Fund 1 private portfolio companies by fair value had over 12 months of cash runway, while 90% of private portfolio companies in SoftBank Vision Fund 2 and 84% of private portfolio companies in LatAm Funds have the same cash runway. The markets may continue to fluctuate, but our portfolio companies are prepared for the potential impact of today's conditions and are determined to grow sustainably.

At the fund level, we continue to focus on maximizing value across our portfolio and returning capital to our LPs, including SBG. There are multiple drivers to our monetization strategy, which range from strategic and financial to opportunistic. First, we consider asset-specific factors, including performance expectations, position size and liquidity, and investment risk profile. Second, we review a broad spectrum of market and fund factors, including sector and geographic outlook, macroeconomic outlook, and optimization of IRR and MOIC. This disciplined approach to monetization is the cornerstone of our consistent returns profile since inception, posting robust growth in cumulative proceeds year over year. Our strategic monetization during periods of market strength resulted in an approximate $30 billion increase in cumulative proceeds, from $16.5 billion in December 2020 to $46.0 billion in December 2021. Furthermore, this contributed to a gross realized gain of $22.9 billion.

Maintaining a defensive posture extended beyond our investment activities and portfolio. We also took steps to improve our own operating efficiency. This included the consolidation of the SoftBank Group's international investment capabilities within SB Investment Advisers and SB Global Advisers. This has allowed us to concentrate our investment capabilities within a single, integrated team, as well as deliver operational synergies across multiple functional teams. The benefits of this approach are immediately apparent, and we are working more closely with all parts of the firm as "One SoftBank."

Global markets continue to demand caution, but our portfolio continues to make progress behind the scenes. We have a strong stable of late-stage companies in our mature portfolio, representing over $37 billion in fair value, which are primed for public listing when the time is right.

While cautious and deliberate, we feel well-prepared for the changes that fiscal 2023 will bring. Through our selective investing approach, value optimization, and disciplined monetization, we continue to evolve our investment platform to meet market opportunities.

* SBG consolidated basis. All other figures in this section are on an SVF stand-alone basis. Before deducting third-party interests, tax, and expenses.

A High Conviction Portfolio Supported by Defensive Measures

See SoftBank Vision Funds' website for further details.

Performance snapshot

As of March 31, 2023

Investment results

As of March 31, 2023, SoftBank Vision Funds had invested in over 470 companies (including exited investments) across a diverse mix of geographies, sectors, and technologies. The total fair value*[1] for funds on the platform stands at $138.7 billion.

In SoftBank Vision Fund 1, we have made 94 investments at an acquisition cost of $89.6 billion. Total fair value*[1] stood at $101.0 billion, representing a cumulative investment gain of $11.4 billion. By March 31, 2023, 30 of these companies had listed on major exchanges around the world. Fiscal 2022 saw GoTo Group list on the Indonesia Stock Exchange as the third largest IPO in Asia for the year, based on the total funds raised. Other public listings included Delhivery's IPO on the Bombay Stock Exchange and Getaround, which listed on the New York Stock Exchange via a SPAC merger. To give a more granular breakdown of the Fund's capital construction by fair value, $35.3 billion is held in private companies; $20.6 billion is in liquid, publicly traded positions; and we have exited portfolio positions to a value of $42.7 billion.

As a younger fund, SoftBank Vision Fund 2 comprises 274 investments, at a total fair value*[1] of $31.9 billion. As mentioned in the previous section, the rate of new investing tapered substantially in fiscal 2022. To put this in context, in fiscal 2021 we made 226 new and follow-on investments, deploying a total of $40.8 billion for new and follow-on investments. The equivalent figure for fiscal 2022 was 59 new and follow-on investments for a total of $2.7 billion deployed, a reduction in capital allocation of 93%. The Fund's capital construction by asset type stands at $25.2 billion in private positions, $4.3 billion in publicly traded companies, and $2.7 billion of exits.

LatAm Funds meanwhile posted fair value*[1] of $5.7 billion across 107 investments as of March 31, 2023. A portfolio company, Satellogic, listed on NASDAQ in 2022, taking the Fund's number of listed assets to three. $5.1 billion of the Fund's assets are in private companies, with $0.4 billion in public listings and $0.2 billion of assets already exited.

Turning to our SPAC strategy, in June 2022, SVF Investment Corp. 3 merged with Symbotic, an automation technology leader, using AI-powered robotics and software to reimagine the global supply chain. As of March 31, 2023, our gross MOIC was 2.3x and Symbotic's market cap was $12.7 billion. For our other SPACs, while we evaluated many companies, the absence of a suitable target partner within our criteria meant that the respective Boards elected to redeem the SPACs' assets in the fourth quarter of fiscal 2022.

*1 Includes sale price of exited investments.

Note: The figures in this section are on an SBG consolidated basis. Figures in the following sections are on an SVF stand-alone basis. Before deducting third-party interests, tax, and expenses. The public/private classification is as of March 31, 2023. Some figures have been rounded and may not add up to the totals presented.

Resilience through diversification

It is important to remember that as a long-term investor in secular technology trends, SoftBank Vision Funds are designed to traverse market cycles. Optionality and diversification are valuable during times of uncertainty. Disciplined portfolio construction allows for strategic optionality. We embed diversification throughout the portfolio in dimensions of fund life cycle, geographies, and across the nine sectors we track.

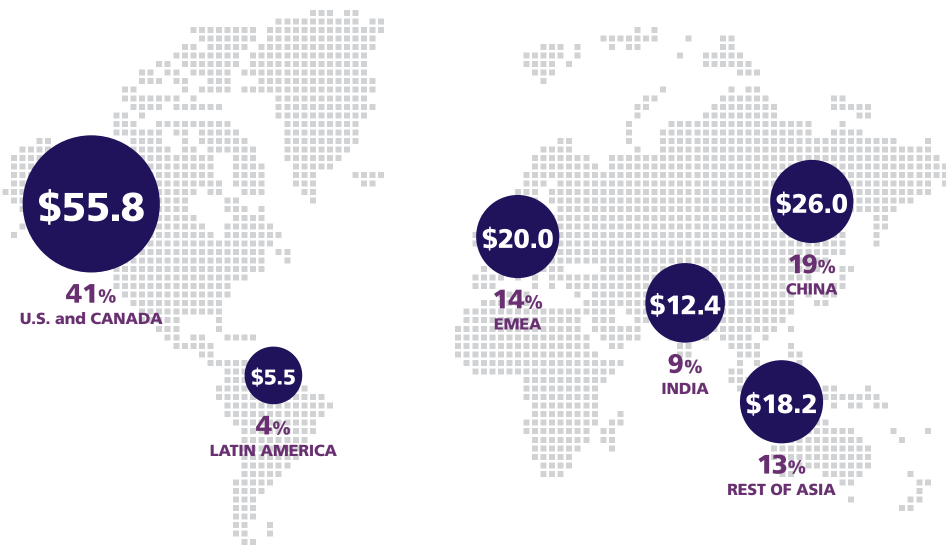
At the geographic level, the footprint of our portfolio across all funds has evolved to be a balanced global exposure with the majority of assets deployed in the U.S., which continues to lead the market in the penetration of AI technologies within growth startups.

Similarly, our investments are organized across nine key sectors where AI and innovative applications of big data are powering secular growth. AI is a general-purpose technology that will influence every industry globally. This diversification ensures that we maintain exposure to growth opportunities across consumer and

Portfolio fair value by geography

As of March 31, 2023
($bn)

GLOBALLY DIVERSIFIED PORTFOLIO



Portfolio fair value by sector

As of March 31, 2023

INVESTED ACROSS DIVERSE SECTORS

Enterprise	Consumer	Fintech	Health Tech	Logistics	Frontier Tech	Proptech	Transportation	Edtech
8%	28%	7%	6%	13%	15%	6%	15%	1%

Note: The information herein is provided solely for illustrative purposes and reflects the current beliefs of SBIA/SBGA as of the date hereof. Geographical and sector characterizations have been determined by SBIA/SBGA, and although SBIA/SBGA believe that such determinations are reasonable, they are inherently subjective in nature. Fair value includes sale price of exited investments.

enterprise businesses, from digital commerce and logistics automation to data analytics and financial inclusion.

To look at a few examples in more detail, digital commerce has brought an unprecedented number of consumers online, many of whom are increasingly expecting a seamless digital-first retail experience. Industry analysis indicates that e-commerce has been steadily growing its influence in global retail sales, rising from 7% in 2015 to 20% in 2022.*2

*2 Statista, "E-commerce as percentage of total retail sales worldwide from 2015 to 2026"

AI is driving the shift to e-commerce by delivering customers an optimized, online retail experience. It is also helping retailers unlock commercial potential through new monetization opportunities and operational capabilities. To observe this in action at the portfolio company level, Contentsquare is an insights optimization platform designed to help businesses understand digital user interactions. Through data and AI, it not only offers automatic recommendations but also measures content performance, explains consumer decisions, and uncovers preference trends that lead to actionable business insights.

Another example is the short-form video sharing platform ByteDance, which has approximately 3 billion active users. Through its AI-powered recommendations engine, it has evolved into an e-commerce powerhouse, opening endless possibilities for small and large businesses to reach end-consumers.

Technological innovation is only made possible through data. Since 2012, AI computing power has increased exponentially, doubling roughly every three and a half months. The ability for companies to optimize performance is improving radically on a global commercial scale. As the volume of data we create and consume worldwide has multiplied in the past decade, we have invested in a raft of companies leveraging AI to crystallize next-level commercial insights, optimize data management, and protect data for consumers and enterprises globally.

To share an example of a company in the cybersecurity space, Arkose Labs has an e-CAPTCHA mechanism that leverages proprietary algorithms to create sophisticated cyber-barriers against identity fraud. Its authentication system identifies attackers using behavioral analytics, stratifies risk levels, and adapts security friction based on risk. Though it is still an early-stage start up, Arkose Labs has already secured over 30 blue-chip enterprise customers.

Our portfolio company, MinIO, meanwhile serves as a data lake for enterprise applications, aligning data across on-premise and public cloud environments. The platform can assimilate differences between multiple hardware architectures, enabling data to be stored and deployed in high-performance use cases in AI and Machine Learning.

A maturing portfolio generating sustainable revenue growth

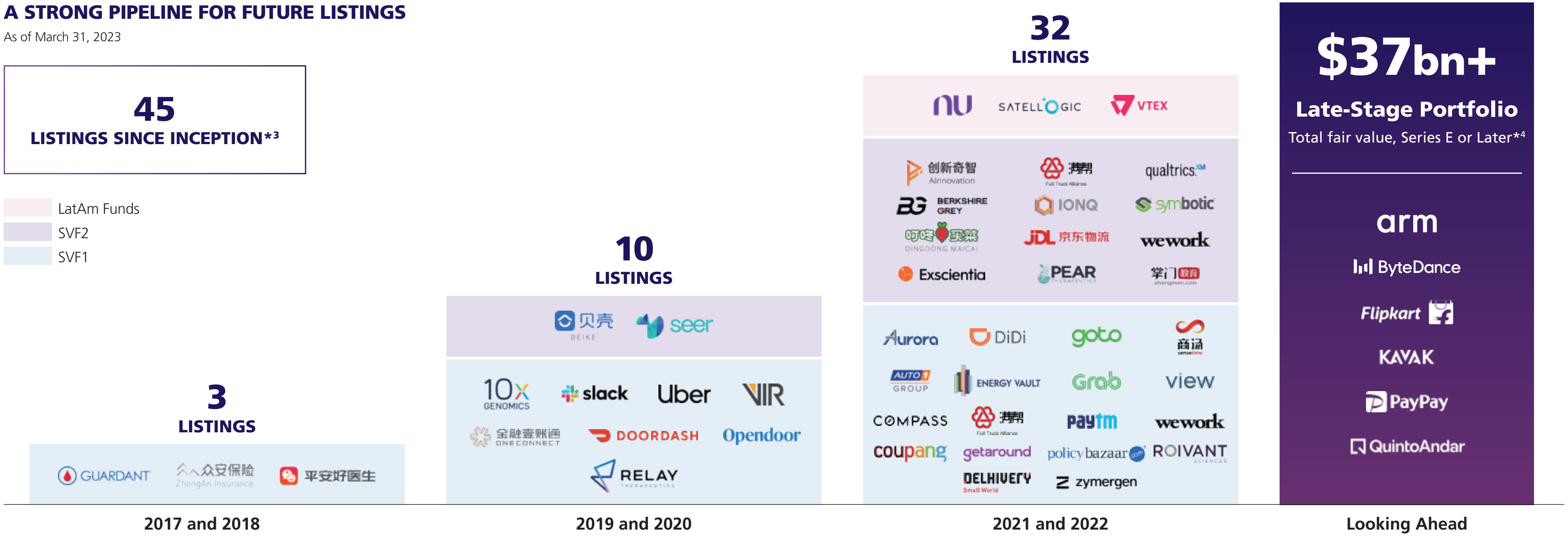
It is also important to observe the portfolio maturing over time. We look for companies that combine innovation with steady, growing revenue streams and a clear and addressable market. 76% of our private portfolio companies are now late-stage companies that generate over $250 million in annual revenue.

Despite an environment that has become increasingly capital scarce, our portfolio continued to attract interest from leading third-party investors. Fiscal 2022 saw our portfolio companies complete 60 funding rounds, 80% of which were up rounds. These rounds raised total proceeds of over $16.3 billion, attracting capital from 1,000+ institutional investors. The net effect is remarkable balance sheet strength across the portfolio as we work with companies to ensure they have ample runway to weather the effects of a potentially sustained downturn.

Turning to the potential IPO pipeline, in

A STRONG PIPELINE FOR FUTURE LISTINGS

As of March 31, 2023



*3 Listings since inception include companies invested in on IPO/public listing date. WeWork and Full Truck Alliance are both SVF1 and SVF2 investments.

*4 Source: SBIA/SBGA Analysis. As of March 31, 2023. Arm and ByteDance are SVF1 investments. Flipkart and PayPay are SVF2 investments. QuintoAndar and Kavak are LatAm Funds investments.

Note: Select investments presented herein are solely for illustrative purposes and have been selected in order to provide examples of investments made by SVF 1, SVF 2, and LatAm Funds that have gone public or, in the opinion of SBIA, may go public in the future and do not purport to be a complete list of investments. References to investments included herein should not be construed as a recommendation of any particular investment or security. It should not be assumed that investments made in the future will be comparable in quality or performance to the investments described herein. Past performance is not indicative of future results.

the past two years, our portfolio has seen 32 public listings, with a total of 45 listings since inception. When evaluating public listing readiness, our portfolio companies consider four key factors to ensure a successful market entry: strong fundamentals, resilient business models, sustainable growth, and a disciplined approach to governance, operations, and financial management. We have a strong stable of late-stage companies in our mature portfolio, representing over $37 billion in fair value. This includes companies like Arm, ByteDance, and PayPay.

This provides a stable foundation on which to base future monetizations. As of March 31, 2023, we had returned $56.5 billion to LPs, representing a gross realized MOIC of 2x. We have exited 30% of our public investments and 7% of our private investments. To break this down at the fund level, this equates to 51% of capital returned for SoftBank Vision Fund 1, while as younger funds, the equivalent figure for SoftBank Vision Fund 2 and LatAm Funds stands at 18% and 1%, respectively. We continue to take a strategic approach to monetization, with the aim of maximizing value across our portfolio and consistently returning capital to investors.

DISCIPLINED APPROACH TO MONETIZATION

As of March 31, 2023

Monetized Public and Private Investments*5

SVF1

10x Genomics | Guardant | NVIDIA
平安好医生 | Opendoor | slack
Uber | 众安保险 ZhongAn Insurance | OSIsoft
Flipkart | cruise | Other Undisclosed Full and Partial Exits

SVF2

贝壳 BEIKE | vividion therapeutics | Other Undisclosed Full and Partial Exits

CUMULATIVE PROCEEDS SINCE INCEPTION

Monetization Highlights

~$30bn
Increase in Proceeds during Period of Market Strength, 2020 to 2021*6

Gross Investment MOIC*7
2.0x

Gross Realized Gain*8
$22.9bn

*5 Monetized Public and Private Investments logos include fully exited portfolio companies and do not include undisclosed or partially exited portfolio companies.
*6 Cumulative Gross Realized Proceeds represent proceeds received for fully and partially realized investments, related hedges, and dividend income from inception to March 31, 2023. The $30 billion figure represents growth in proceeds from December 31, 2020, to December 31, 2021.
*7 Gross Investment Multiple of Invested Capital ("MOIC") is Gross Realized Proceeds divided by investment cost. Gross Realized Proceeds are defined as the sum of all external cash flows derived from investments, gross of taxes, transaction fees, investment-related financing, and other fund-related expenses. Investment Cost is defined as the sum of all external cash flows directed toward Portfolio Companies, principal amounts borrowed as directly related to investments, and net premiums paid by SVF1 for investment-related hedges.
*8 Gross Realized Gain represents the difference between Gross Realized Proceeds and Cost for fully and partially exited investments as of March 31, 2023.
*9 Source: S&P Capital IQ

Note: There can be no assurance that the operations and/or processes of SoftBank Vision Fund 1, SoftBank Vision Fund 2, and SoftBank LatAm Funds described in this report will continue throughout the life of SoftBank Vision Fund 1, SoftBank Vision Fund 2, and SoftBank LatAm Funds or any successor Fund managed by the Manager, and such processes and operations may change. Select investments presented herein are solely for illustrative purposes and do not purport to be a complete list of SoftBank Vision Fund 1, SoftBank Vision Fund 2, and SoftBank LatAm Funds investments. References to investments included herein should not be construed as a recommendation of any particular investment or security. It should not be assumed that investments made in the future will be comparable in quality or performance to the investments described herein. See pages 93-96 for a more complete list of SoftBank Vision Fund 1, SoftBank Vision Fund 2, and SoftBank LatAm Funds investments. Net performance for individual investments cannot be calculated without making arbitrary assumptions about allocations of fees and expenses, and for that reason is not included herein. Past performance is not indicative of future results.

Outline of SoftBank Vision Funds

As of March 31, 2023, unless otherwise stated

	SVF1	SVF2	LatAm Funds
Total committed capital	$98.6 billion	$56.0 billion*1	$7.6 billion
Limited partner	SBG, External investors	SBG, management*2	SBG, management*2
Fund manager	SB Investment Advisers (UK) Limited (SBG's wholly owned foreign subsidiary)	SB Global Advisers Limited (SBG's wholly owned foreign subsidiary)	SB Global Advisers Limited (SBG's wholly owned foreign subsidiary)
Start of operation	2017	2019	2019
Fund life	Until 2029 + Up to two 1-year extensions by SBIA	Until 2032 + Up to two 1-year extensions by SBGA	Until 2032 + Up to two 1-year extensions by SBGA
Current cycle	Value creation and realization period (& follow-on investment)	Investment period	Investment period

Capital Structure of SVF1

Preferred equity (fixed distribution)

- A fixed rate of 7% on outstanding preferred equity contributions is distributed in proportion to the investment principal, regardless of the investment performance
- Prioritized over equity upon distribution

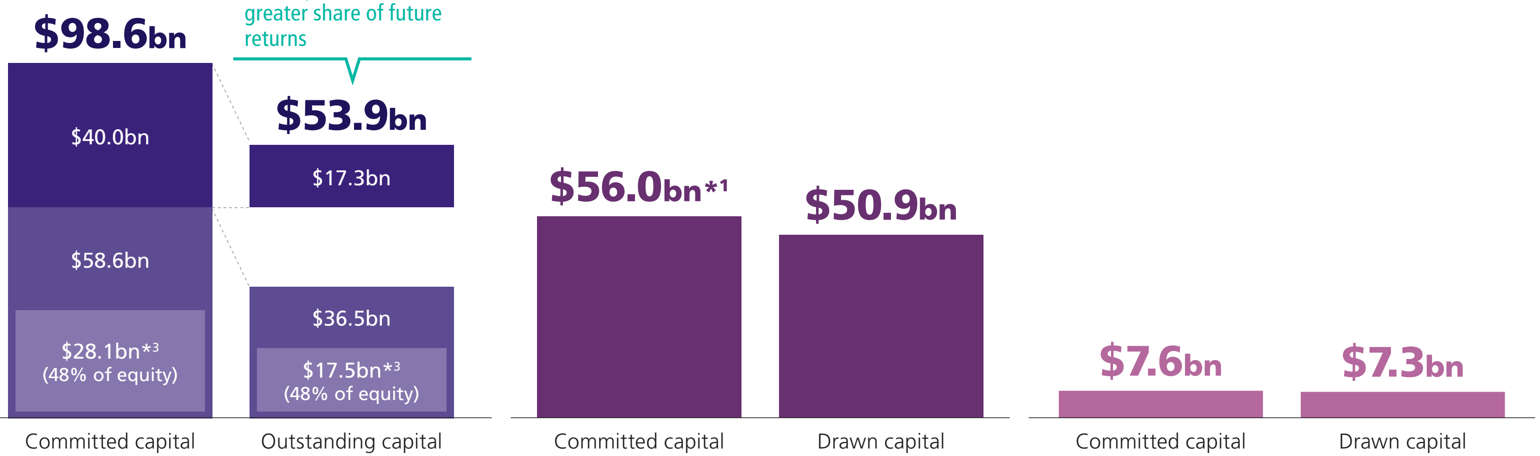
Equity (performance-based distribution)

- Distribution to limited partners is fully dependent on investment performance
- Has lower priority during distribution, compared to preferred equity interest

SBG has committed to equity interests

Returned more than half of the preferred drawn capital

- Ongoing coupon payment is significantly reduced
- SBG is positioned for a greater share of future returns



*1 As of June 21, 2023, the total committed capital for SVF2 is $60.0 billion.
*2 A co-investment program has been introduced for SBG's management. An investment entity for the co-investment program participates in both funds.

For further details of the program, see "a. Co-investment program with restricted rights to receive distributions" in "(1) Related party transactions and balances" under "Note 45. Related party transactions" in "Notes to Consolidated Financial Statements" in "Financial Report 2023."

*3 Excludes committed capital for an incentive scheme related to SVF1.

Message from Arm CEO

Arm Technology is Defining the Future of Computing

Rene Haas
Board Director, SoftBank Group Corp.
CEO, Arm Limited

Leading the world in semiconductor technology

Arm is a global leader in the development of semiconductor technology and is defining the future of computing. A future that is being built by one of the most successful technology ecosystems in the world combining Arm, the leading CPU designer, and over 1,000 companies that partner with Arm to create billions of digital electronics products. We fueled the smartphone revolution and now we are redefining what is possible in cloud computing, transforming the automotive industry, enabling a thriving IoT economy, and making the metaverse a reality.

Through our focus on energy efficiency and our history of continuous innovation, we have enabled new categories of "smart" consumer electronics. Today, efficiency is not only important for business but also believed by many to be a critical component in achieving sustainability for our planet. This makes Arm's CPU technology ideal for current and future computing applications as the demands for compute performance are insatiable while the need for low power and efficiency remains critical.

Arm's business model

Arm licenses processor designs to semiconductor companies that incorporate the technology into their computer chips. Licensees pay a license fee to gain access to our technology and a royalty on every chip that uses one of our technology designs. Typically, the royalty is based on the selling price of the chip.

Each Arm design is suitable for a range of end applications and can be reused in a variety of chip families to address multiple markets. Each new chip family generates a new stream of royalties. An Arm design can be used in many different chips, and certain Arm-designed products continue to generate royalty revenue even 25 years after their initial development.

Investing for the long term

In our fast-paced world, new applications, device categories, and markets are continually emerging, many of which require advanced semiconductors to provide their capabilities. In contrast, it can take many years to develop the technology that is used in these new devices. Arm is investing currently for products that it expects consumers and enterprises will start using in 5–10 years. Since being acquired by SBG in 2016, Arm has significantly increased investments in R&D to ensure that it can develop technology suitable for all these new opportunities.

Arm has been investing to develop new processor technology to

- Gain or maintain share in long-term growth markets, such as smartphones, consumer electronics, automotive, and embedded computing.
- Increase the value of Arm processors in every smart device by providing

additional functionality, higher performance, higher efficiency, and more specialized designs.

- Expand our product offerings to include more complete systems that further increase the value of our products to our customers.
- Invest in next-generation technologies such as artificial intelligence and machine learning.
- Expand access to Arm products through our flexible business model, creating new ways for customers to include Arm technology in their products.

Revenues today are from investments made many years ago

It takes Arm's customers time to develop the complex SoCs (system-on-chips)*[1] that contain Arm technology. Licenses signed today are not expected to yield royalty revenue for at least 2–3 years. However, if the chips are commercially successful, they can bring additional royalty revenue streams that could last for years, and even decades, to come.

After several years of accelerated investments, in fiscal 2022 Arm saw further revenue growth as its new products continue to come to market.

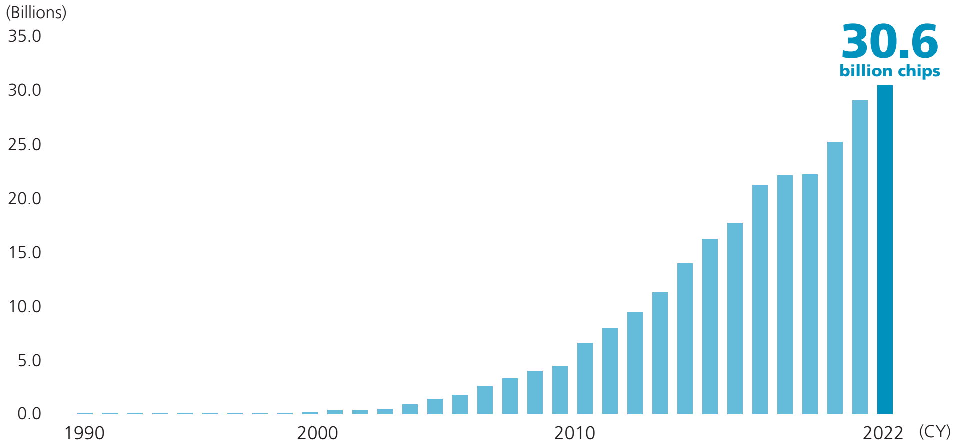
Arm's technology royalty revenue grew to record levels in fiscal 2022, up 16.1% from fiscal 2021 due to the following:

- The growth in revenue from chips used in premium smartphones, especially 5G smartphones, which use more Arm technology than 4G smartphones.
- The continuing ramp-up of Arm-based chips in the data centers of some cloud service providers.
- The adoption of more Arm-based chips into automotive markets.

This growth was despite a slowdown in the semiconductor industry, which declined 3.2%*[2] during fiscal 2022 primarily due to a decline in sales of low-cost smartphones, consumer electronics, and PCs, partially offset by continuing growth in automotive and industrial electronics.

Arm's technology non-royalty revenue decreased 8.5% from fiscal 2021 primarily due to the revenue associated with high-value, multiyear agreements being recognized in fiscal 2021 creating a challenging comparison, partly offset by recently introduced licenses such as the Arm Total Access licenses, which are high-value licenses providing the licensee with a portfolio of Arm products for many years.

Arm-based chips shipped (annual)*[3]



Revenue ($mn)	Fiscal 2020	Fiscal 2021	Fiscal 2022
Technology royalty	1,278	1,536	1,783
Technology non-royalty	702	1,129	1,034
Total	1,980	2,665	2,817

Preparing for the new chapter in Arm's story

We have made significant changes in Arm's leadership. In November 2022, we welcomed Jason Child as Arm's new CFO. Before joining Arm, he held multiple CFO positions. We have also expanded and diversified our Board by adding four new independent directors who bring a wealth of experience.

In addition, I joined the SBG Board in June 2023. I am excited about being a part of SBG's journey to create the Information Revolution, and I am confident that I can serve the company's stakeholders by providing insights regarding emerging technologies trends such as artificial intelligence, advanced chip design and manufacturing, and the Internet of Things. And how SBG, and its investees, might be best able to benefit from these trends.

In February 2022, SBG announced that Arm would start preparations for an Initial Public Offering (IPO) and in April 2023, we confidentially submitted a draft registration statement on Form F-1 to the U.S. Securities and Exchange Commission relating to the proposed IPO.

See Arm's website for its latest information.

*1 System-on-Chip: Where various functions such as microprocessors, graphics, and memory controllers are integrated on a single chip.
*2 World Semiconductor Trade Statistics
*3 Based on royalty reports received by Arm from its customers during each year.