

Message from Our CEO

Realizing Artificial Super Intelligence (ASI) for the Evolution of Humanity

Maximizing shareholder value by evolution and multiplication

I review our most important performance indicator, Net Asset Value (NAV), every day without fail. NAV represents shareholder value, calculated as the equity value of holdings minus net interest-bearing debt. Our primary objective at SBG is to maximize NAV. How do we achieve this? We focus on two key strategies: evolution and multiplication. Evolution involves

continuously refining our business model to offer something unique. Multiplication refers to leveraging our sales capability to effectively market and distribute this unique value.

Throughout our 43-year history since its foundation in 1981, SBG has experienced cycles of evolution and multiplication. Our journey can be divided into six distinct stages. The first stage involved our original business of distributing packaged software for PCs and founding Yahoo Japan Corporation in 1996, in anticipation of the forthcoming age of computers. In the second stage, we transitioned from the age of computers to the age of mobile internet, launching the *Yahoo! BB* broadband service in 2001 and acquiring Vodafone K.K. in 2006 to enter the mobile market. In 2008, we became the sole carrier in Japan to offer the iPhone, significantly expanding our number of subscribed customers. The third stage marked our entry into the U.S. telecommunications market with the

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acquisition of Sprint in 2013. After the merger, the company became T-Mobile and has become the world's largest telecom company by market capitalization*¹ and we are proud to be a major shareholder. The fourth stage involved our collaboration with Alibaba. Partnering with its founder Jack Ma, we brought internet services that were already widespread in the U.S. and Japan to China, fostering a new round of evolution and multiplication. The fifth stage took shape with SoftBank Vision Funds, launched in 2017, which anticipated the significant rise of artificial intelligence (AI).

We are now in the sixth stage, powered, above all, by Arm, which was acquired in 2016. With Arm's share price surging since its public listing in September 2023 our NAV doubled from ¥14 trillion at the end of March 2023 to ¥28 trillion at the end of March 2024, reaching ¥34 trillion (pro forma) on June 20, 2024 (see Figure 1). SBG acquired Arm in September 2016 for ¥3.3 trillion, giving Arm shareholders a premium of around 40%,*² which was criticized at the time for being excessive. However, Arm's performance has generated returns of ¥24.6 trillion to date for SBG shareholders, representing a multiple on invested capital (MOIC) of 10x (see Figure 2). The achievement came after a challenging period. In connection with the acquisition,

Figure 1: Shareholder value (NAV)

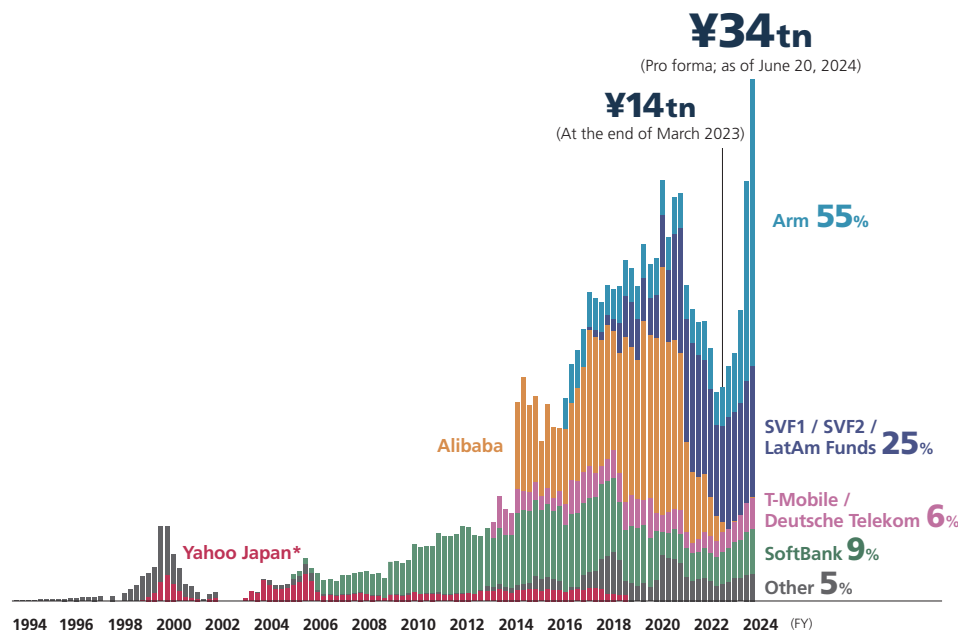


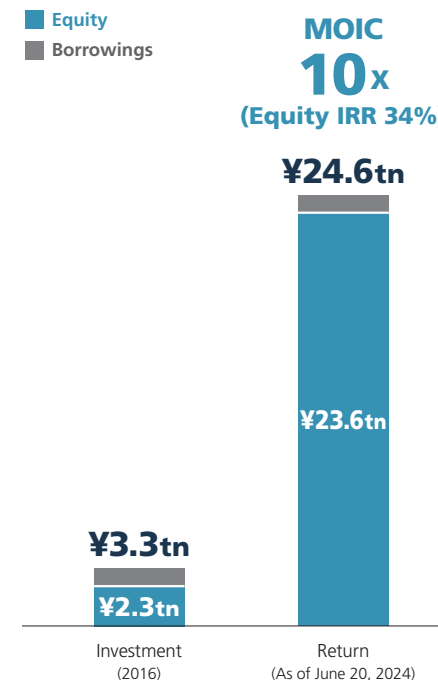
Figure 1: Notes

1. NAV data for each quarter-end and as of June 20, 2024. The NAV data are the Company's 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.
 2. Share price: closing price as of June 20, 2024
 3. Shareholder value (NAV) for each investment is allocated based on the proportionate share of holding equity value for each time period.
- *Yahoo Japan Corporation (currently LY Corporation) became a subsidiary of SoftBank in June 2019.

Figure 2: Notes

1. Converted to Japanese yen using the exchange rate on each transaction date or valuation date
2. Equity: Return net of borrowings
3. Multiple of invested capital (MOIC): Calculated based on the investment and return on equity value (before tax)
4. Equity IRR: Calculated based on the investment and return on equity value from initial investment to June 20, 2024 (before tax)
5. Investment: Excludes related expenses and does not reflect the impact of intra-group transactions between SBG and SVF.
6. Return (¥24.6tn) = Amount realized from the offering of Arm shares, net of related costs + Equity value of holdings as of June 20, 2024 (calculated by multiplying the number of shares held by SBG by the closing share price) + Shares of Treasure Data and Acetone Limited (an intermediate holding company that owns approximately 48% of the equity interest in Arm China) received by SBG and SVF1 from Arm as dividends in kind + Non-refundable advance payment received from NVIDIA as part of the sale consideration when the sale agreement for Arm shares was signed with NVIDIA in September 2020
7. Borrowings: Amount of funds raised in JPY in September 2016 for the acquisition

Figure 2: Results of investment in Arm



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we announced plans to double the number of engineers at Arm. This significant increase in personnel initially led to a sharp decline in profits and raised concerns among many stakeholders, as revenue did not immediately increase. However, the increased investment in engineers enabled significant expansions from smartphones into new end markets, including PCs, cloud computing, automobiles, and the Internet of Things (IoT). Ultimately, these strategic investments solidified Arm's position as a cornerstone in the AI industry.

What a journey it has been, and how the time has flown. The process of evolution and multiplication involves a succession of challenges. While we have made missteps along the way, we have persevered and increased our shareholder value to ¥34 trillion.

*1 As of March 31, 2024

*2 The acquisition price of 1,700 pence per Arm share represents a premium of approximately 43.0% to the closing price of 1,189 pence per Arm share on the last business day prior to the announcement of recommended acquisition of Arm (July 15, 2016), and approximately 41.1% to the all-time high closing price of 1,205 pence per Arm share on March 16, 2015, etc.

Our mission: Evolution of humanity

While evolution and multiplication are vital for business growth, it is the concept of

evolution that holds particular importance for the future of humanity. Back in the autumn of 2022, I experienced a crisis of confidence, and I was filled with self-doubt. However, today, I am more energized than ever because I realized our ultimate mission: the evolution of humanity. What greater cause could there be? This mission will be accomplished through the realization of artificial super intelligence (ASI)—AI that is ten thousand times more intelligent than human wisdom. Ever since, I have been grappling daily with the challenge of realizing ASI. It feels like solving an intricate set of simultaneous equations.

It has been 200,000 years since the birth of humans. Unlike other species, we invented tools and technologies that drove progress. Until now, the evolution of humanity has been driven by our own hands. Every now and then, geniuses such as Leonardo da Vinci and Albert Einstein emerged, sparking new ways of thinking and driving the evolution of humanity. Currently, leading tech companies are working to develop artificial general intelligence (AGI)—a form of AI with generalized intelligence that enables it to autonomously perform a wide range of learning and problem-solving tasks. In less than ten years, AGI will be realized and drive the accelerated evolution of humanity. However, AGI will only be

as great as any human genius. Moreover, as long as AGI operates within the norms and boundaries of humans, it will bring no dramatic changes in our way of life or in society's rules and systems.

ASI is completely different. ASI will be the culmination of a network of AGI models stimulating each other to rapidly accelerate their evolution. While expert opinions may vary, my view is that ASI will be ten thousand times more intelligent than humans and realized in about ten years. The realization of ASI, which will far surpass human wisdom, will mark a turning point in human history. All conventional wisdom will be overturned. In the 200,000-year history of our species, the next ten years will be a critical juncture.

Arm provides the foundational technology for ASI

ASI transcends the digital world. One day, ASI-powered smart robots will perform all kinds of physical tasks on our behalf, including manufacturing, transportation, construction, and housework. In anticipation of the coming age of ASI, we are investing in various robotics projects. In 2024, we invested in Wayve, a UK-based company working on autonomous driving technology—robot driving, we might say. Their goal is to build an autonomous driving system

that is trained on data and does not rely on hardware, high-resolution maps, or manually programmed rules. This technology, capable of adapting to unfamiliar situations and environments, could be scaled to different vehicle types and new locations.

Arm provides the foundational technology for ASI. Arm is at the forefront of high-performance cloud servers and network edges for smartphones, cars, and robots. Shipments of Arm-based chips continue to grow, with approximately 287 billion shipped to date.*3 With its outstanding design prowess, Arm has created processor technology that combines high compute performance with low power consumption. Arm's proven expertise leaves no doubt that they will lead the creation of ASI in both cloud and edge environments.

At one point, we agreed to sell Arm to NVIDIA. While the deal did not ultimately go ahead due to regulatory issues, had it done so, we would now be a major shareholder of NVIDIA, which recently became the world's most valuable company by market capitalization.*4 Nevertheless, if given the opportunity today to buy either Arm or NVIDIA, I would choose Arm in a heartbeat—such is my faith in Arm's future potential.

*3 As of December 31, 2023

*4 As of June 18, 2024

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Driving innovation in chips, data centers, and robotics with partners

As great as Arm is, no single company can realize ASI on its own. In recent years, in addition to NVIDIA, which is rapidly growing as a chipmaker for generative AI, hyperscalers (large-scale cloud providers) such as Amazon Web Services, Alibaba, Microsoft, and Google have been developing Arm-based chips one after another. Similarly, SBG plans to collaborate with various companies to realize the AI chips necessary for ASI. ASI will also require AI data centers and AI robotics. Increasing power generation will also be essential. I say this because power shortages could prove to be the biggest bottleneck given the likelihood that the advancement of AI will lead to surges in power demand among data centers.

Critically, while all of the SoftBank Group will be working as one to achieve this goal, we will not be acting alone. In both technological and financial aspects, we will seek to collaborate with partners who share our aspirations. We will take a dynamic approach, accepting that the journey will not be entirely smooth. We will never skimp on risk management. We remain committed to our benchmark for financial health, which is to keep Loan to Value (LTV: adjusted net

interest-bearing debt divided by the equity value of holdings)*5 below 25% during normal market conditions.

*5 See page 21 for details of LTV.

Our core business remains unchanged: Information Revolution—Happiness for everyone

Once ASI is realized, we will see dramatic changes in our lifestyles, and in social rules and systems. This may raise some fundamental questions—what does it mean to work? What does it mean to be human? What does it mean to be happy? Just as the ancient Greek philosophers did, we should be asking probing questions. We should be questioning for what purpose we seek to create ASI.

Last year, I lost my father to cancer. Grief-stricken, I wept day in and day out. On top of that, my mother suffered a stroke. I do not want anyone to suffer from such diseases. It could be difficult to provide a solution to these conditions with AGI as it simply substitutes human intelligence. However, ASI, with ten thousand times the human wisdom, could surely find ways to prevent such sorrows. Why settle for simply deploying autonomous driving on behalf of human drivers? ASI could reduce

traffic accidents to a ten-thousandth of today's level. ASI could save us from the anguish and despair of the earthquake and pandemics that have afflicted our species for 200,000 years.

Some people say that SBG changes its core business too often, but in reality, our core business has remained unchanged all these years. Everything we do is inspired by our corporate philosophy, Information Revolution—Happiness for everyone. All that has changed is the means to achieve this end. As technology evolves, so too must our methods. ASI is the latest means by which we fulfill our mission to drive the evolution of humanity forward. I want to thank our shareholders for their faith in our vision, and I ask for your continued trust and support in the years ahead.

June 21, 2024
Representative Director,
Corporate Officer, Chairman & CEO
Masayoshi Son

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