

# SoftBank Vision Fund

## Business Model and Accounting Treatment

February 9, 2018  
SoftBank Group Corp.

\* This material describes the business model and accounting treatment of SoftBank Vision Fund (“SVF”).  
The Delta Fund also has a similar business model and accounting treatment.



## Disclaimer

This material was prepared based on information available and views held at the time it was made. Statements in this material that are not historical facts, including, without limitation, plans, forecasts and strategies are “forward-looking statements”.

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All the conditions and amounts used as assumptions for the case studies in this material are not factual and are provided for an illustrative purpose only. They do not represent the factual conditions or amounts stipulated in the agreements or contracts related to the SoftBank Vision Fund.

- Since SVF's first major closing\* on May 20, 2017, it has actively engaged in various investment activities. These activities are expected to have increasing effects on SBG's consolidated financial statements.
- In order for analysts who cover the telecom industry to deeply understand SBG's overall performance, it is essential to clearly understand SVF's business, since the very nature of SVF differs from its traditional telecom business.
- This document was prepared so analysts who cover SBG are better equipped to understand its overall performance through the explanation of SVF's business model and related accounting treatment, as well as SVF's affects on SBG's consolidated financial statements.

\* "Closing" refers to the timing in which the Limited Partners complete the applications for commitments to SVF.  
The "first major closing" is the first closing, out of several occasions.

## 1. Overview of SVF's business and accounting treatment

- 1) SVF's business model
- 2) Evaluation of profitability in SVF
- 3) Entities that compose SVF
- 4) Business flow of SVF

## 2. Accounting treatment for SBG

- 1) SBG's scope of consolidation
- 2) Accounting treatment and presentation for investees (portfolio companies)
- 3) Accounting treatment and presentation for third-party interests
- 4) Distribution to SBG and third-party investors

## 3. Summary of SBG consolidated financial statements

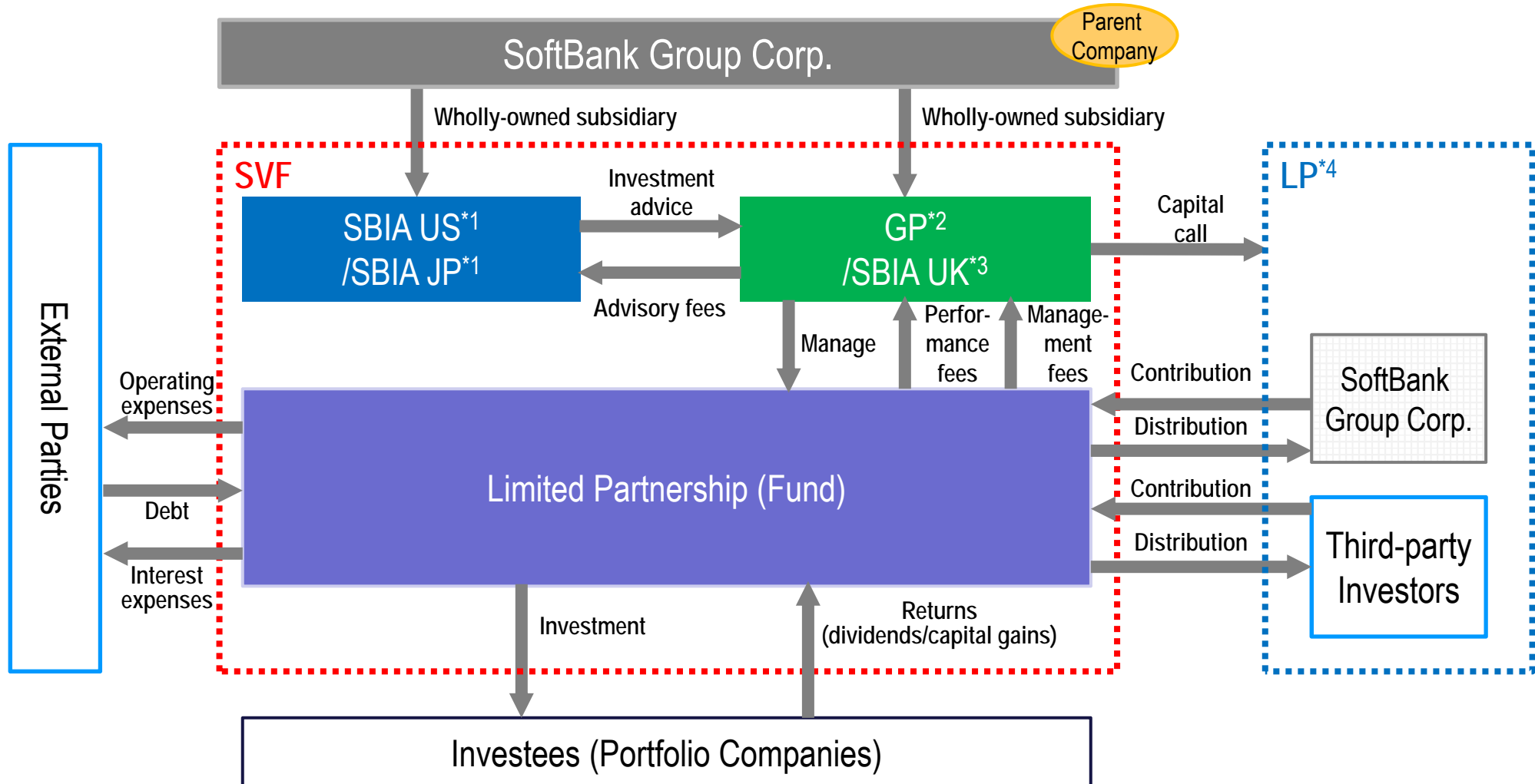
- 1) Overview of fund transactions
- 2) Overview of SBG consolidated financial statements (BS, PL, CF, Segment information)

## Appendix

Fund-specific terms

Definition of "investment entity" under IFRS

# Overview of SVF's business scheme



\*1 US and Japan based advisory companies which provide investment advisory services to SBIA UK  
 \*2 GP: General Partners  
 \*3 Entity responsible for managing SVF  
 \*4 LP: Limited Partners

# 1. Overview of SVF's business and accounting treatment

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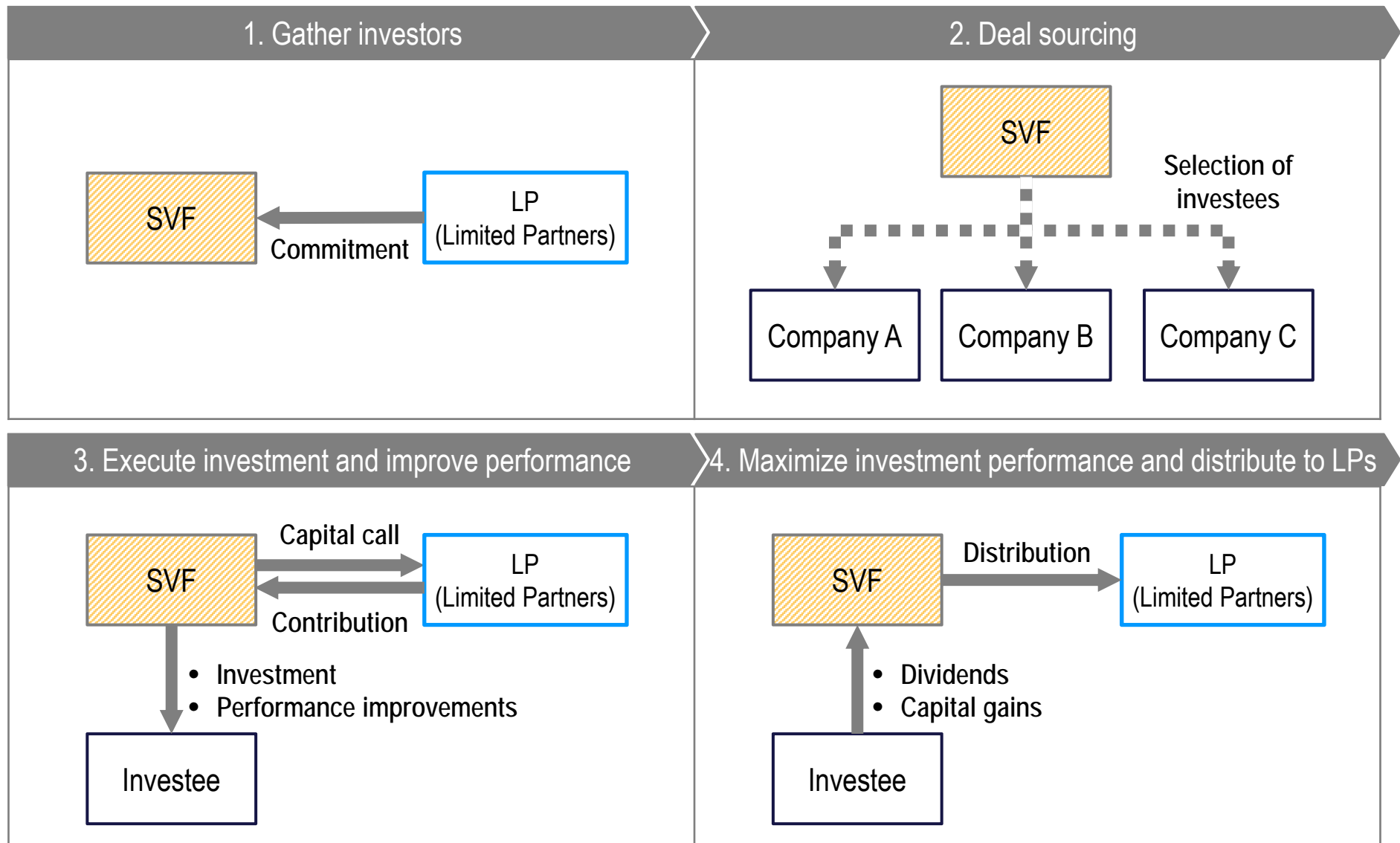
## Appendix

Fund-specific terms

Definition of "investment entity" under IFRS

# 1) SVF's business model

SVF first gathers investors and sources deals. Then, investment as well as performance improvements are executed. Finally the investment returns (proceeds) are distributed back to LPs.





## 1) SVF's business model

SVF measures the investment performance using an Internal Rate of Return (IRR).

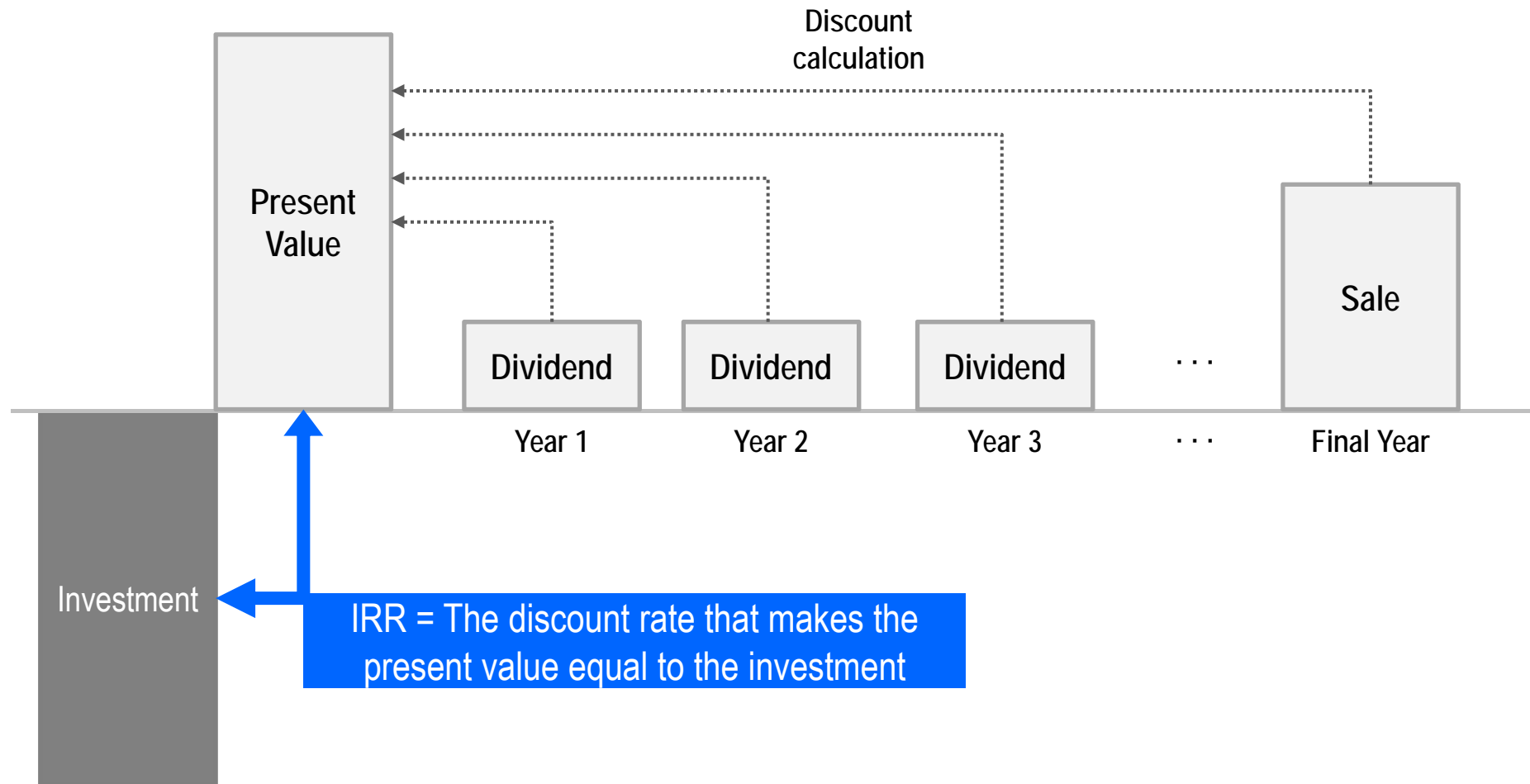
Maximize investment returns



Improvement of Profitability (IRR)

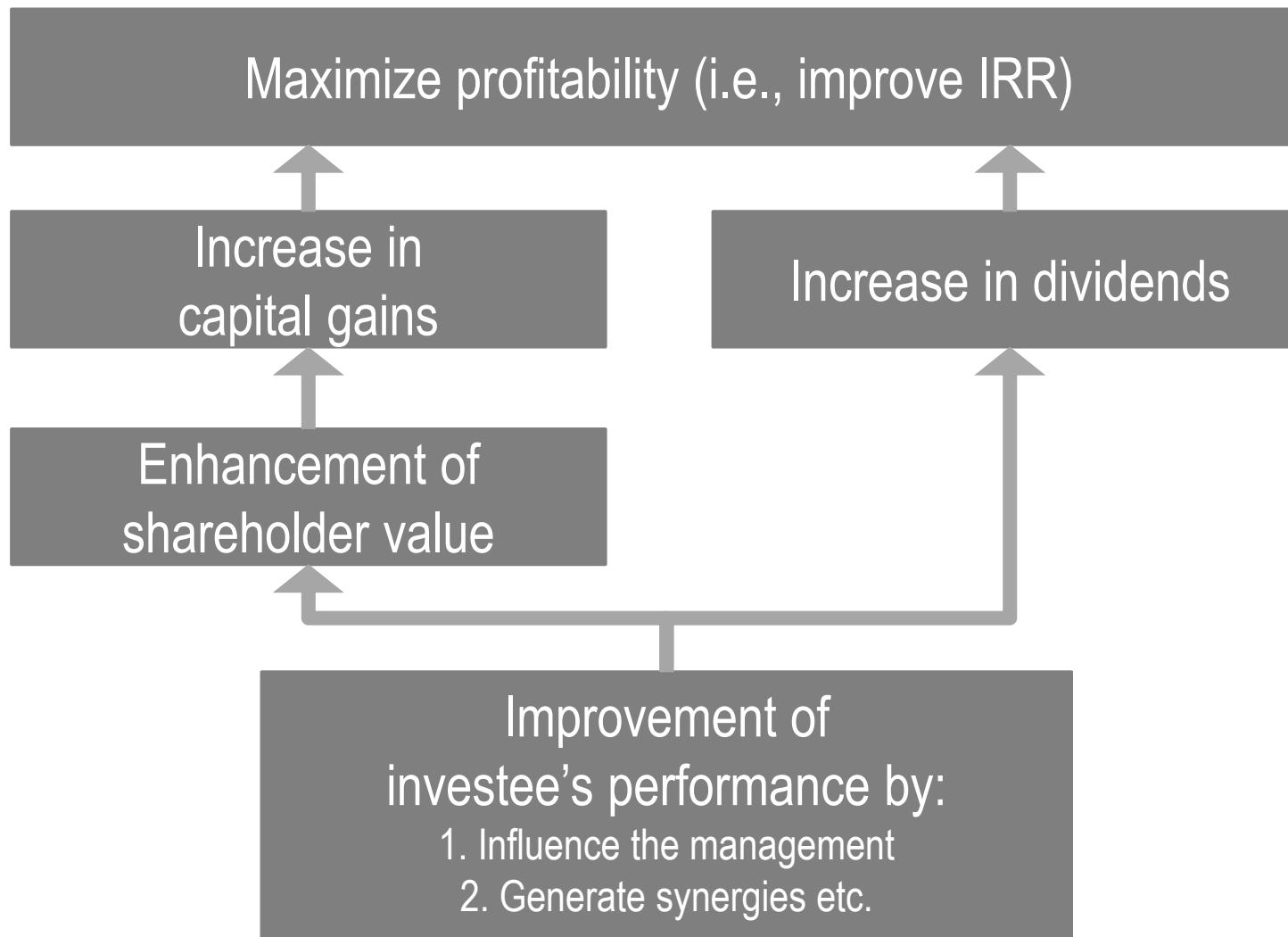
# 1) SVF's business model

IRR is the discount rate used, when the present value of all future cash flows and the investment amount are equal. In principle, the higher the IRR, the better the investment.



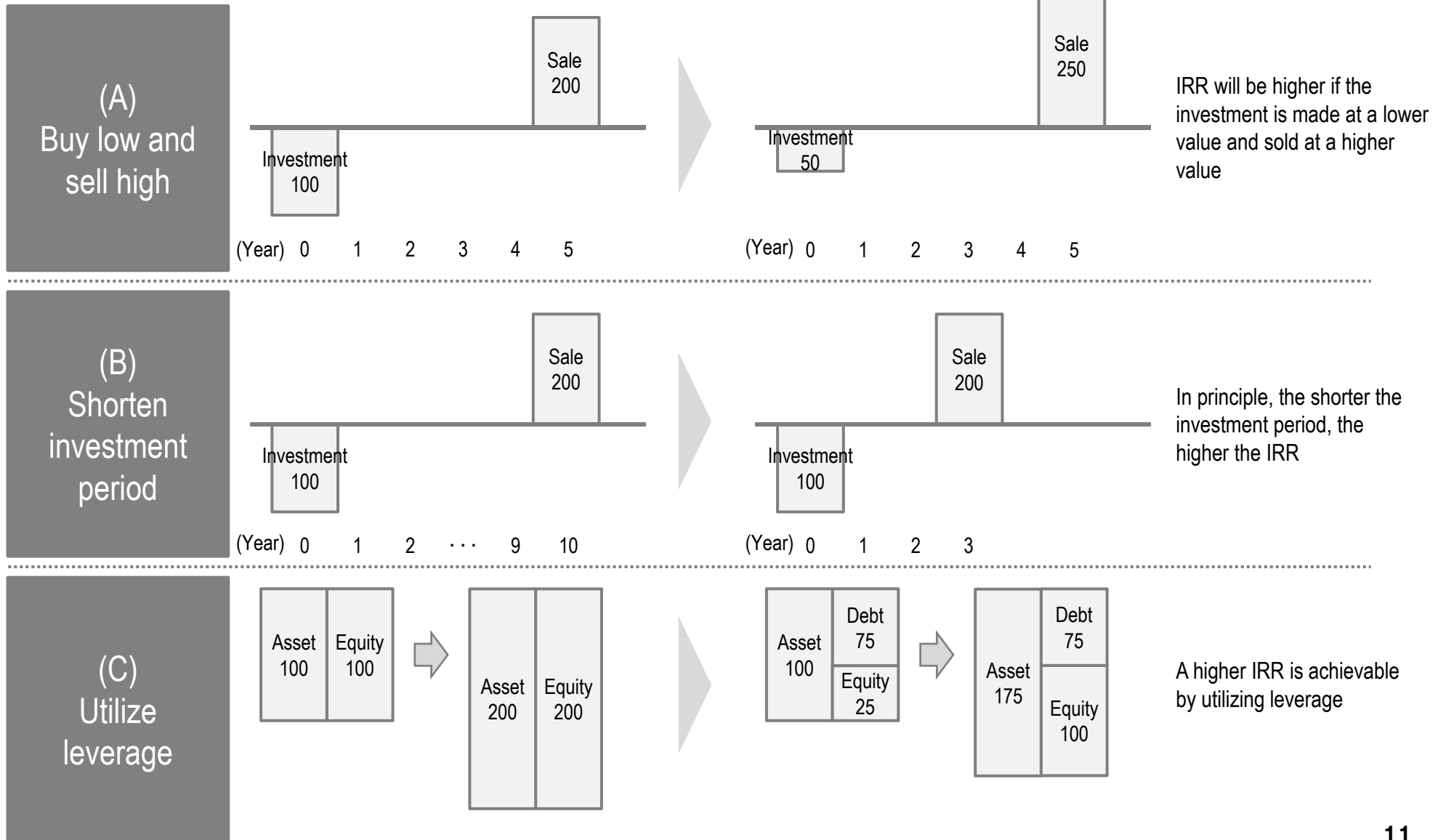
## 2) Evaluation of profitability in SVF - Overview

SVF collects investment returns through dividends and capital gains. To maximize the profitability of the investments (i.e., improve IRR), SVF engages in and supports the improvement of investee's performance.



## 2) Evaluation of profitability in SVF - Overview

IRR can also be improved through the methods below.



## 2) Evaluation of profitability in SVF - (A) Buy low and sell high

IRR will be higher if the investment is made at a lower value and sold at a higher value, than if invested at a higher value and sold at a lower value, assuming identical investment periods.

### Buy high and sell low

#### <Assumption>

Investment period : 5 years

Investment : 100

Sale : 200

\* Other factors such as expenses and taxes etc. related to the investment are excluded from the calculation.



IRR:14.9%

### Buy low and sell high

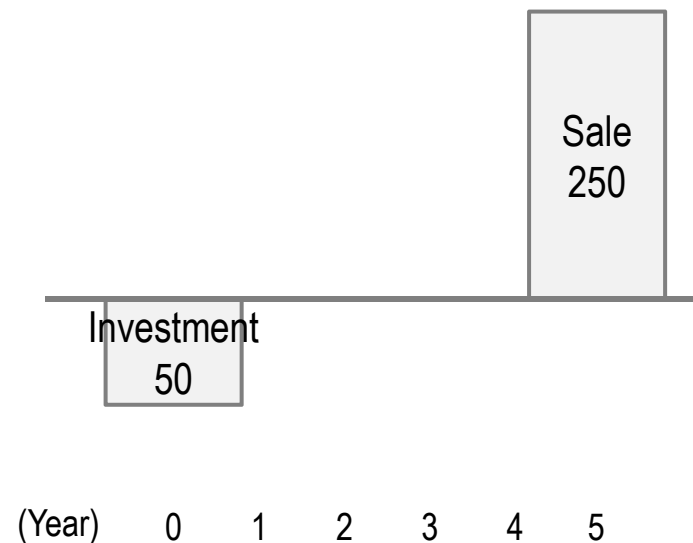
#### <Assumption>

Investment period : 5 years

Investment : 50

Sale : 250

\* Other factors such as expenses and taxes etc. related to the investment are excluded from the calculation.



IRR:38.0%

## 2) Evaluation of profitability in SVF - (B) Shorten investment period

IRR will be higher if investment period is shorter, given identical investment and sale amounts.

### Long investment period

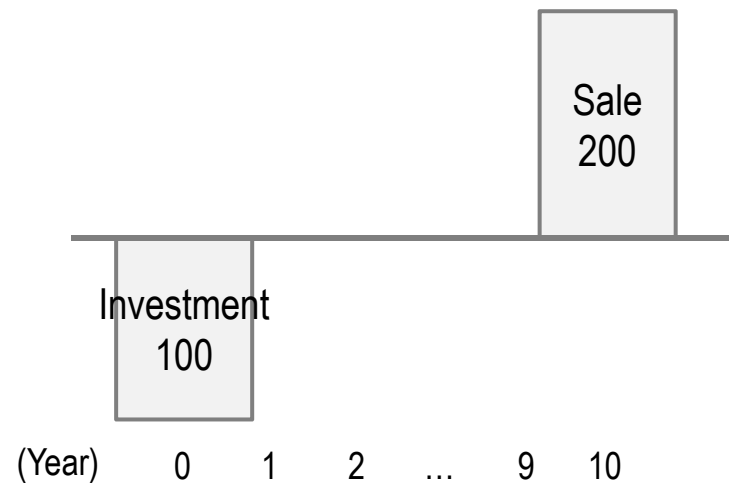
<Assumption>

Investment period : 10 years

Investment : 100

Sale : 200

\* Other factors such as expenses and taxes etc. related to the investment are excluded from the calculation



IRR:7.2%

### Short investment period

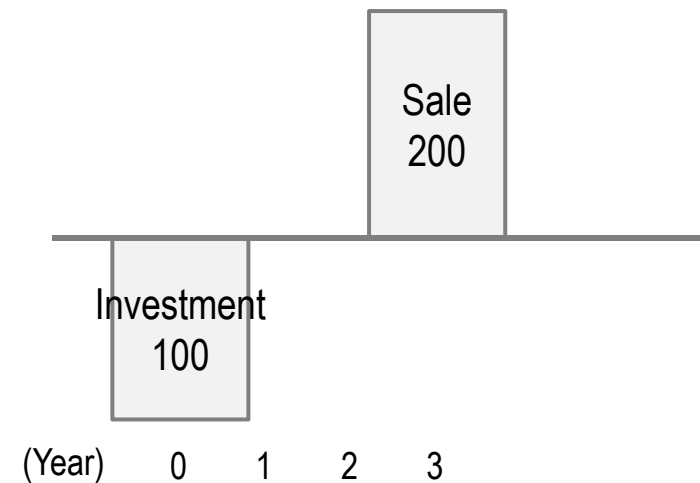
<Assumption>

Investment period : 3 years

Investment : 100

Sale : 200

\* Other factors such as expenses and taxes etc. related to the investment are excluded from the calculation



IRR:26.0%

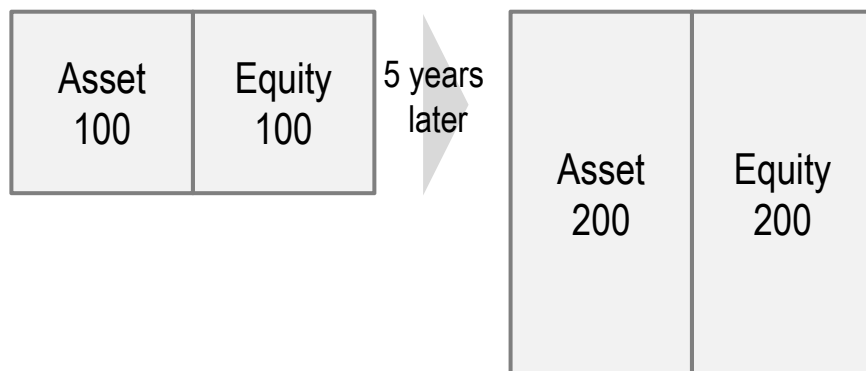
## 2) Evaluation of profitability in SVF – (C) Utilize leverage

To improve IRR, SVF may take out debt from financial institutions, with the intention of decreasing the usage of funds from LPs. This leverage effect can enhance profitability.

### Without Leverage

#### <Assumption>

Period	: 5 years
Investment	: 100 (owner's equity)
Capital gain	: 100 (assumed to be sold at 200)
Debt	: 0



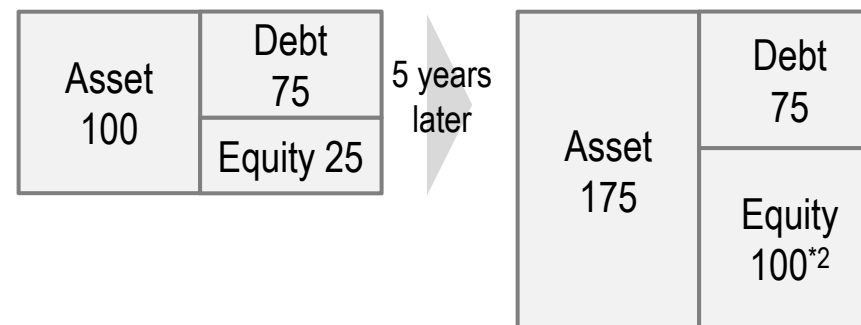
IRR:14.9%

Equity grow 2-fold

### With Leverage\*1

#### <Assumption>

Period	: 5 years
Investment	: 100 (out of which 25 is owner's equity)
Capital gain	: 100 (assumed to be sold at 200)
Debt	: 75 (no repayment during the period)
Interest	: 25 (payment/recognize in the 5th year in a lump sum)



IRR:32.0%

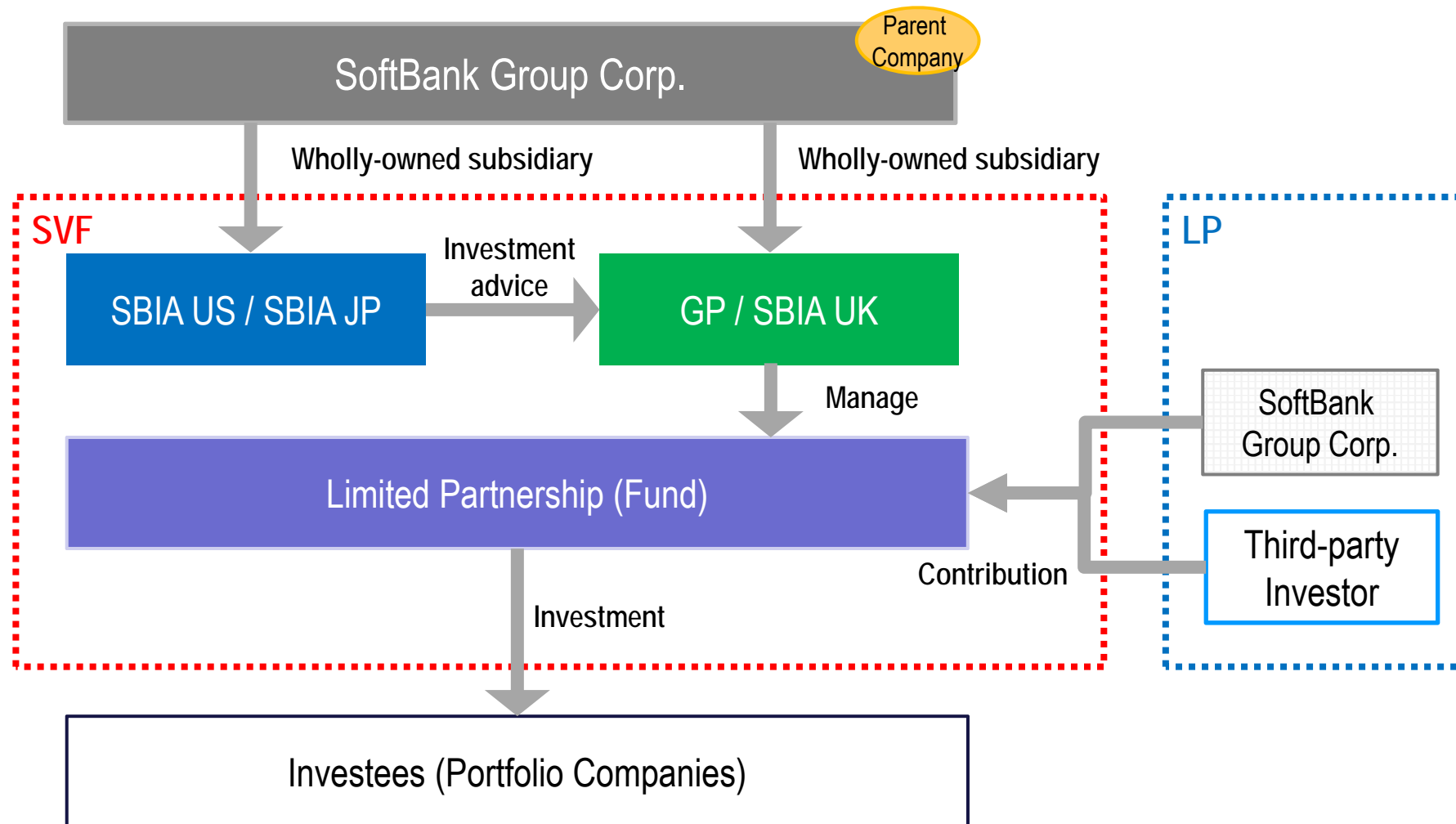
Equity grow 4-fold

\*1 Debt used for the purpose of improving IRR is presented as "Interest-bearing debt" in SBG's consolidated financial statements.

\*2 Formula: 25 (Equity) + 100 (Capital gain) - 25 (Interest)

### 3) Entities that compose SVF

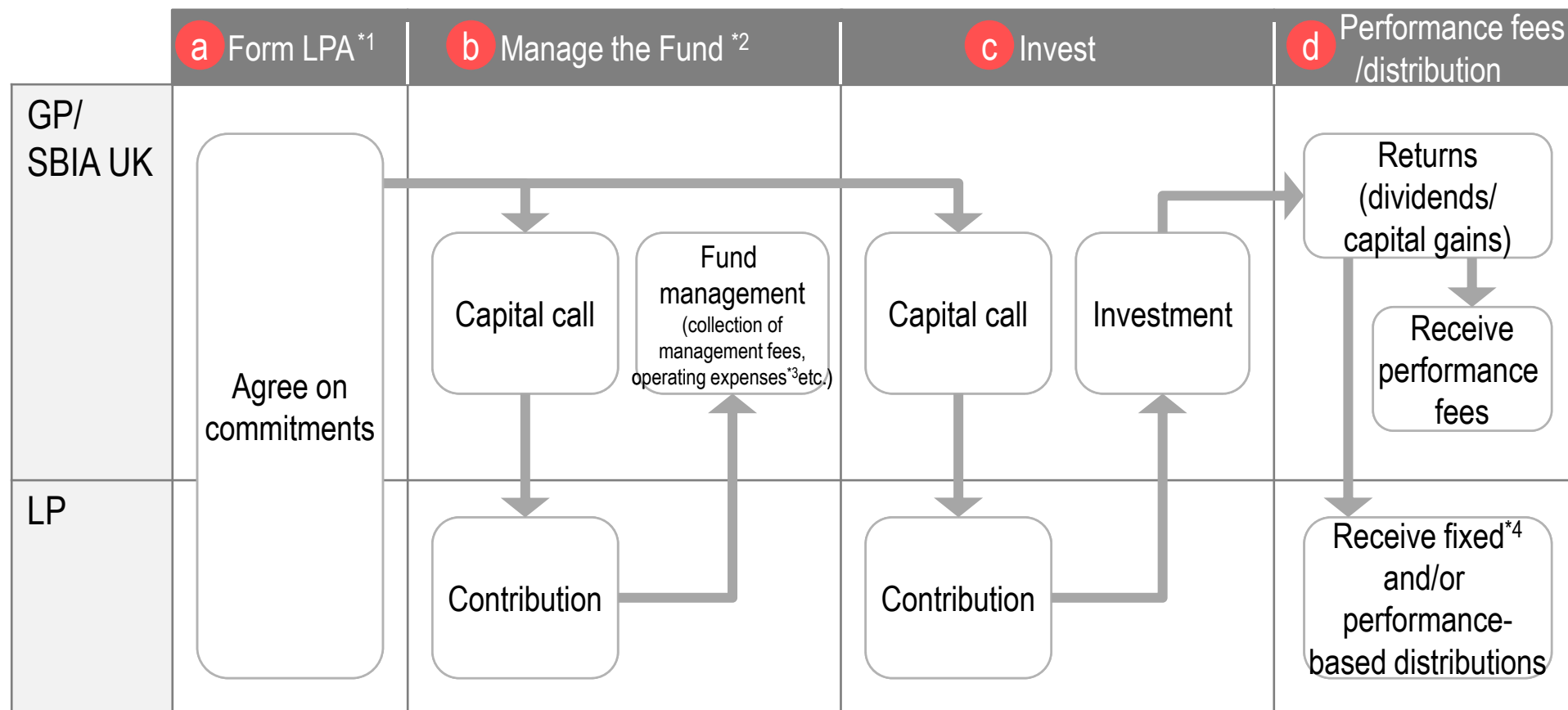
SoftBank Vision Fund (SVF) consists of GP / SBIA UK, SBIA US / SBIA JP, and Limited Partnership (Fund).





## 4) Business flow of SVF - Overview

First the GP/SBIA UK and LP enter into an LPA<sup>\*1</sup>, and agree on commitments. Then, the GP/SBIA UK makes a capital call to the LPs, in order to receive the funds required to execute investment and operate the Limited Partnership (Fund)<sup>\*2</sup>. Finally, GP/SBIA UK distribute the returns (dividends/capital gain) back to LPs.



\*1 LPA: Limited Partnership Agreement

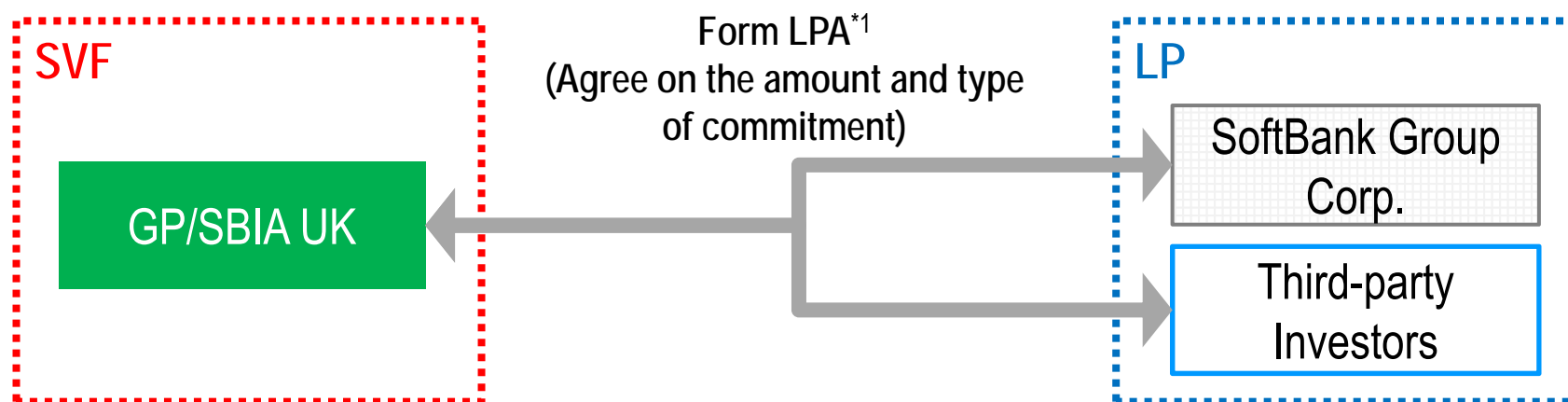
\*2 Fees used for managing the fund (management fees, operating expenses etc.) are collected not only from LPs but also from returns generated from investments

\*3 "Operating expenses" include incorporation expenses of entities that comprise SVF, investment research expenses arising from SBIA (UK/US/JP), administrative expenses arising from each entity etc.

\*4 Fixed distribution made to LPs holding preferred equity (Class B) may be paid via the funds collected through the capital call

## 4) Business flow of SVF – a Form LPA

GP/SBIA UK and LPs enter into an LPA\*<sup>1</sup> and agree on the amount and type of commitment. Commitment types are classified into Class A (performance based) and Class B (fixed).

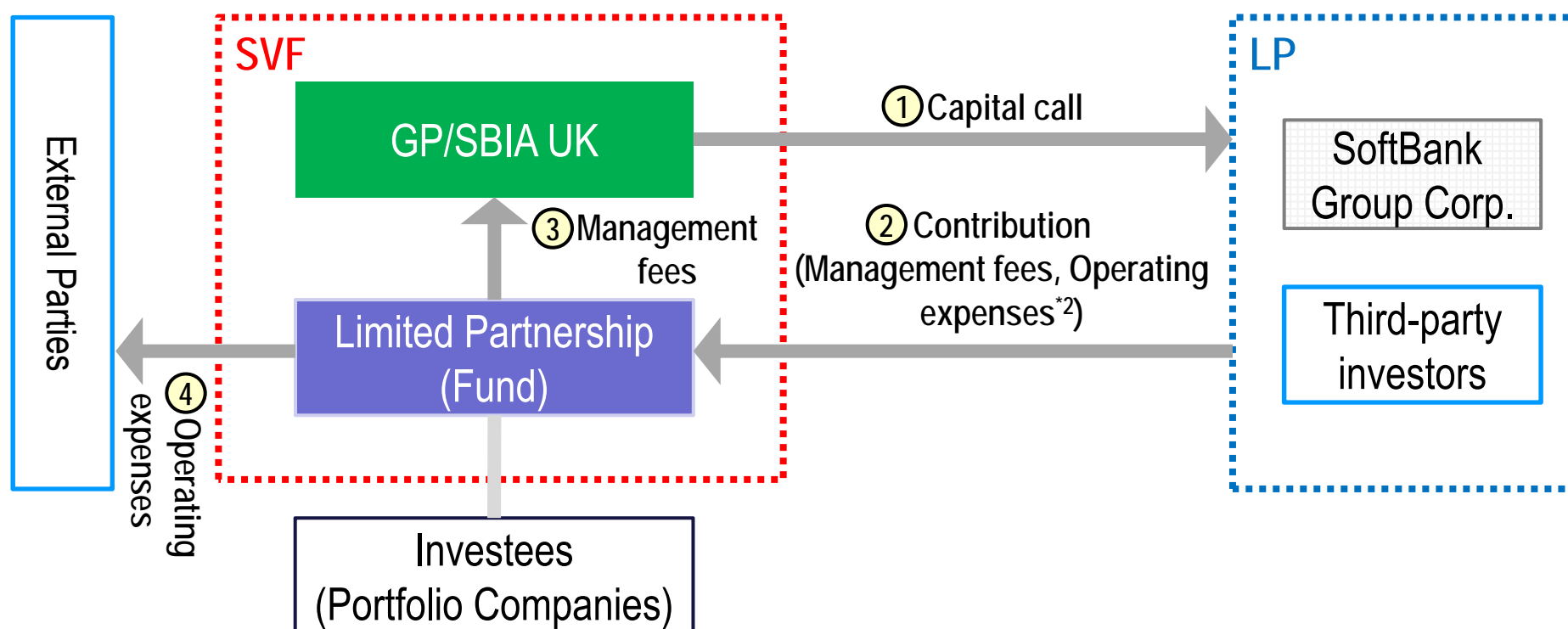


	Type	Characteristics
Commitments	<u>Class A</u> Equity Interest (performance-based distribution)	1. Distribution to LPs is fully dependent on investment performance 2. Has lower priority during distribution, compared to Class B
	<u>Class B</u> Preferred Equity Interest (fixed distribution)	1. A fixed rate is distributed in proportion to the investment principal (regardless of the investment performance) 2. Prioritized over Class A upon distribution

\*1 LPA: Limited Partnership Agreement

## 4) Business flow of SVF – **b** Manage the Fund

GP/SBIA UK makes a capital call to LPs ①. LPs respond by contributing funds to the Limited Partnership (Fund) ②. The contribution will be paid to GP/SBIA UK or external parties, depending on the purpose of the contribution (e.g., management fees, operating expenses) ③ ④\*1.

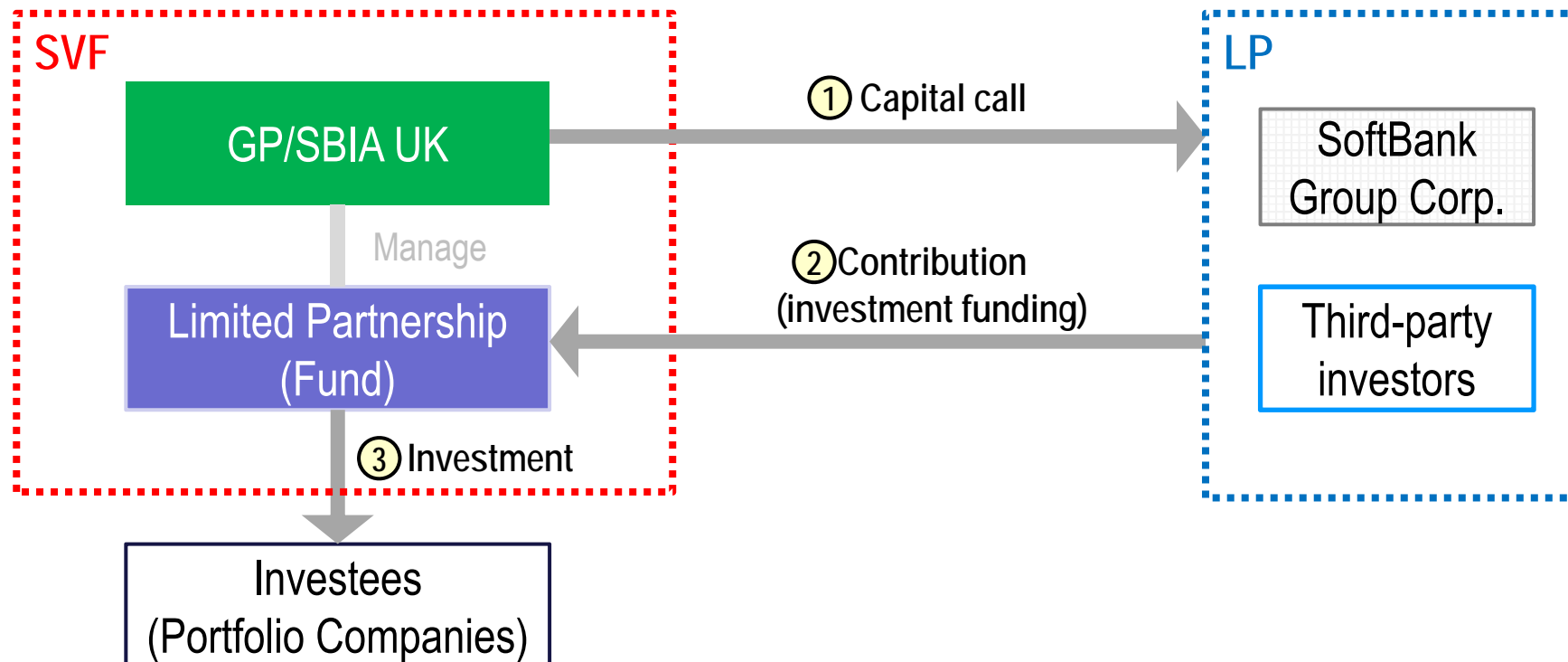


\*1 Fees used for managing the fund (management fees, operating expenses etc.) are collected not only from LPs but also from returns generated from investments

\*2 "Operating expenses" include incorporation expenses of entities that comprise SVF, investment research expenses arising from SBIA (UK/US/JP), administrative expenses arising from each entity etc.

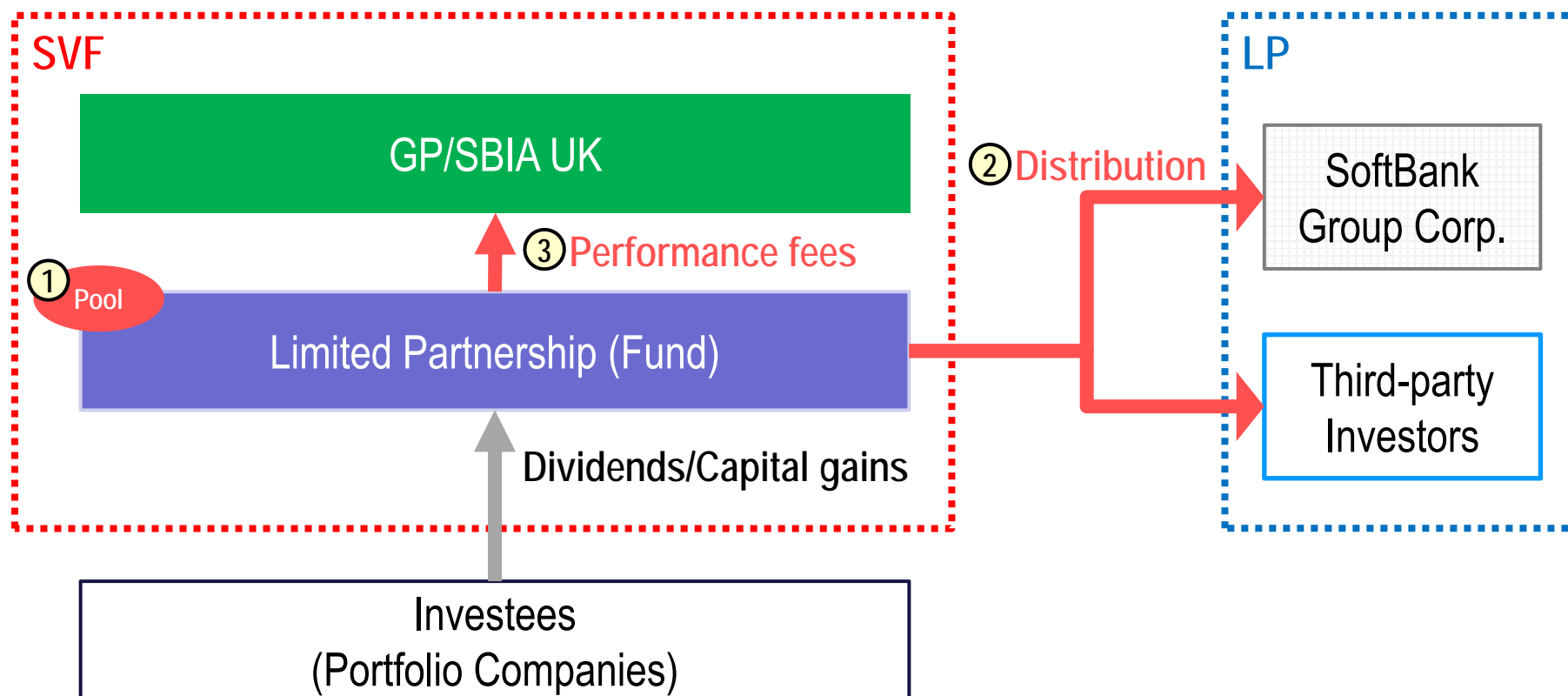
#### 4) Business flow of SVF – **C** Invest

GP/SBIA UK makes a capital call to LPs ①. LPs respond by contributing funds to the Limited Partnership (Fund) ②. Then the GP/SBIA UK executes investment to the investees (portfolio companies) via the Limited Partnership (Fund) ③.



#### 4) Business flow of SVF – **d** Performance fees/distribution

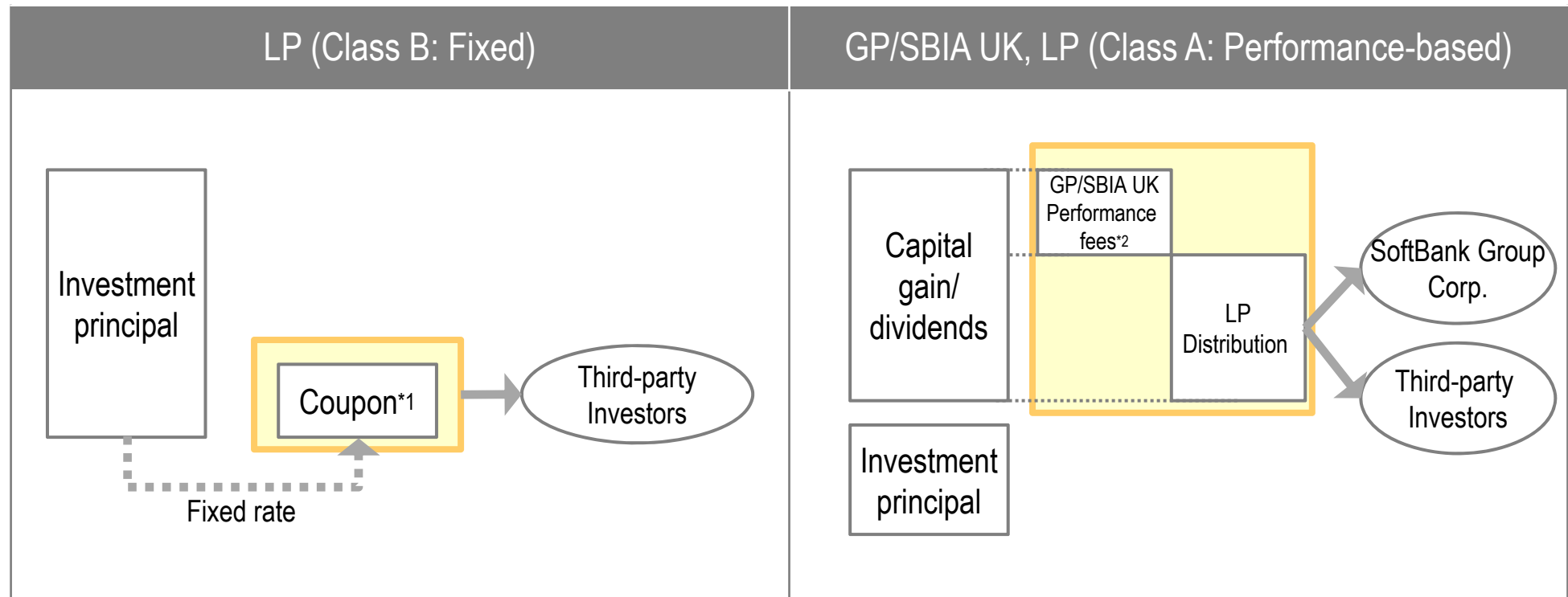
Cash flows derived from the sale of investees or collection of dividends are first pooled by the Limited Partnership (Fund) ①. These funds are distributed to the LPs holding Preferred Equity Interests (Class B) ②\*1, then to the LPs holding Equity Interests (Class A) ②, and to the GP/SBIA UK (as performance fees) ③.



\*1 Distributions made to LPs holding Preferred Equity Interests (Class B) may be paid via the funds collected through capital calls

#### 4) Business flow of SVF – **d** Performance fees/distribution

First the LPs holding Preferred Equity Interests (Class B) receive a fixed proportion of the investment principal as a coupon\*1. Then, GP/SBIA UK receive performance fees\*2 and the LPs holding Equity Interests (Class A) receive a distribution based on investment performance.



\*1 Payment will be executed every six months

\*2 Able to receive performance fees given it meets certain conditions

## 2. Accounting treatment for SBG

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## Appendix

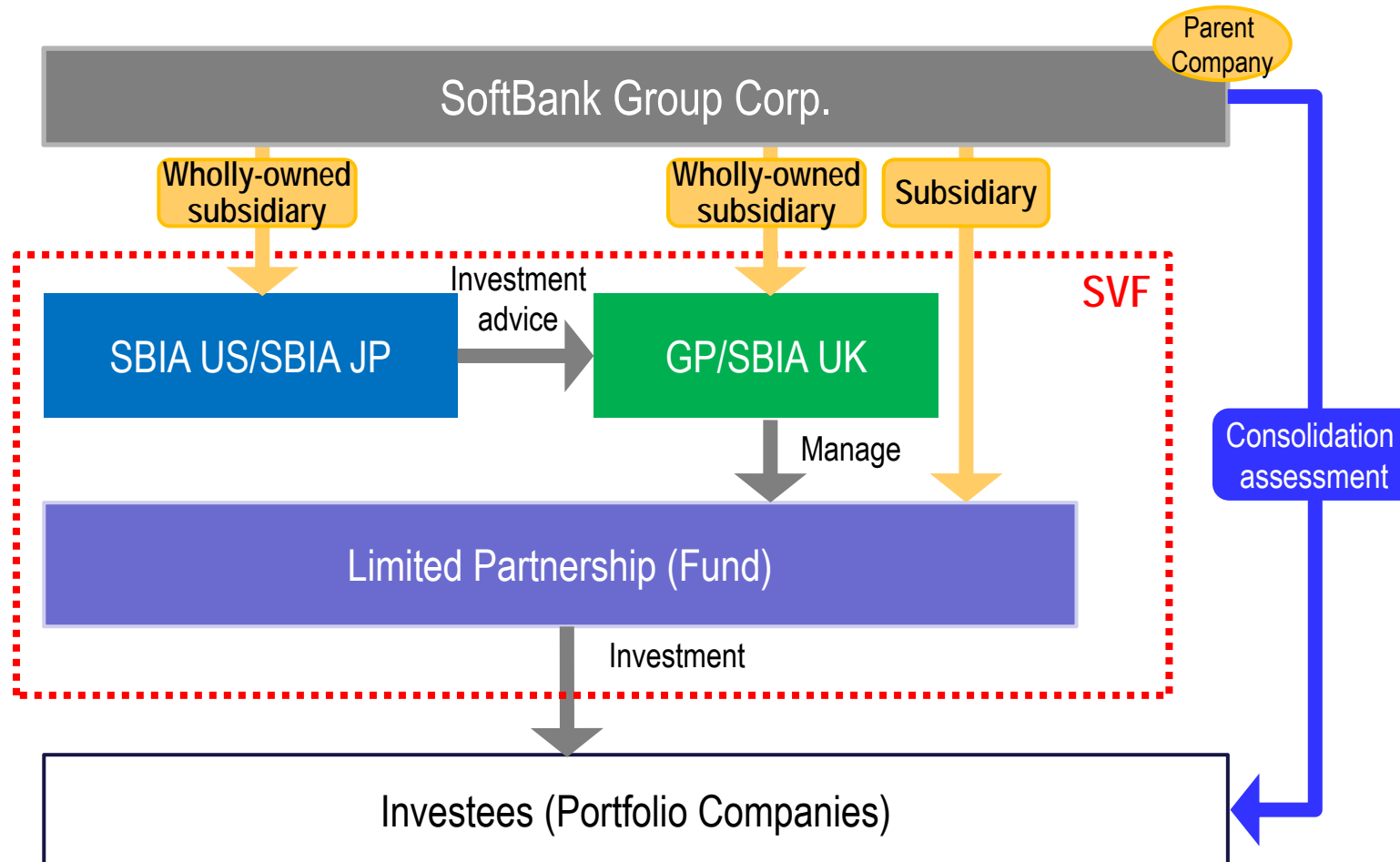
Fund-specific terms

Definition of "investment entity" under IFRS



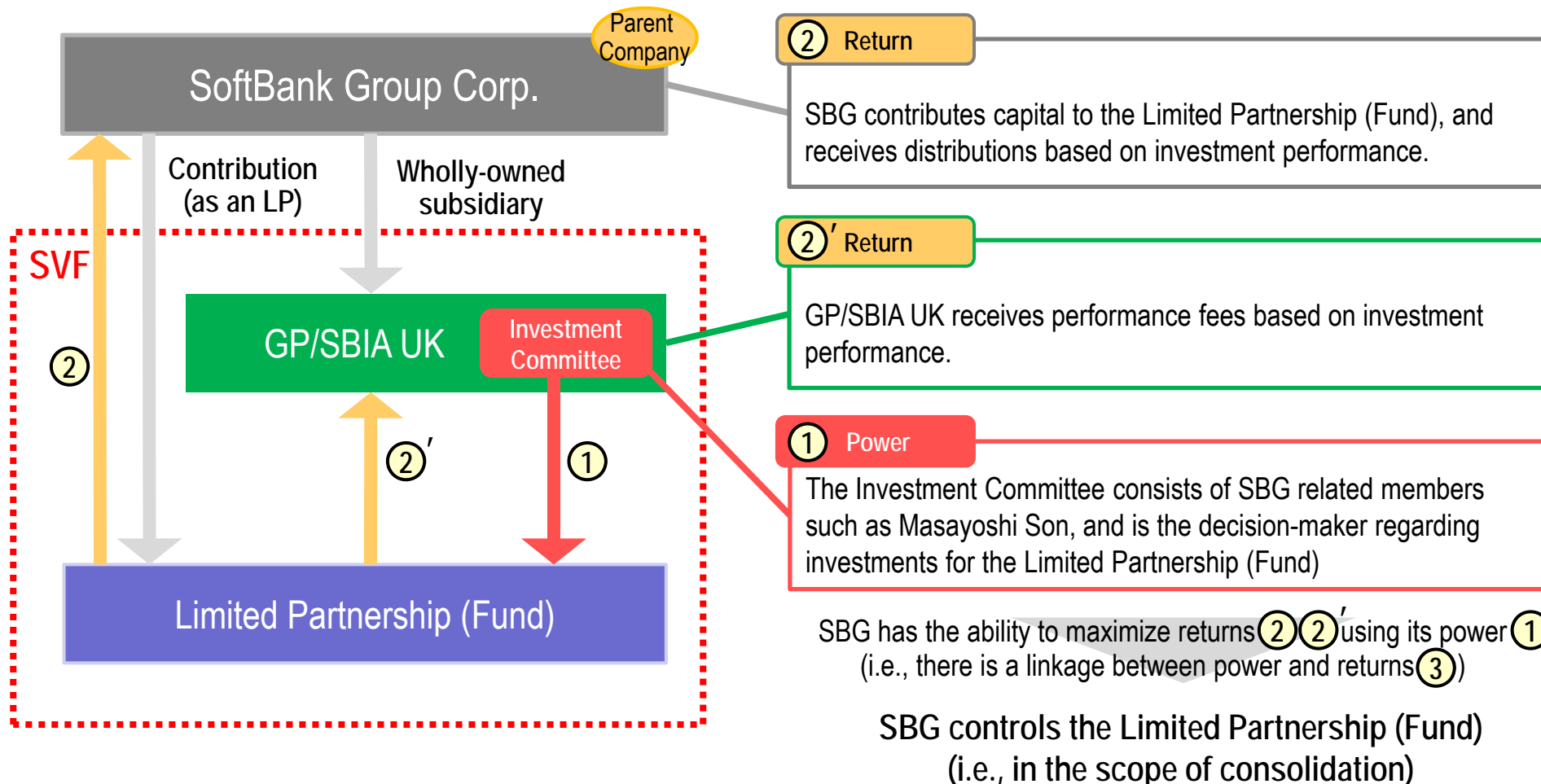
# 1) SBG's scope of consolidation - Overview

All entities that compose SVF will be consolidated by SBG. As for the investees (portfolio companies), SBG will determine whether to consolidate them or treat them as associates, or others (“Consolidation assessment”), and determine the corresponding accounting treatment.



# 1) SBG's scope of consolidation - Details

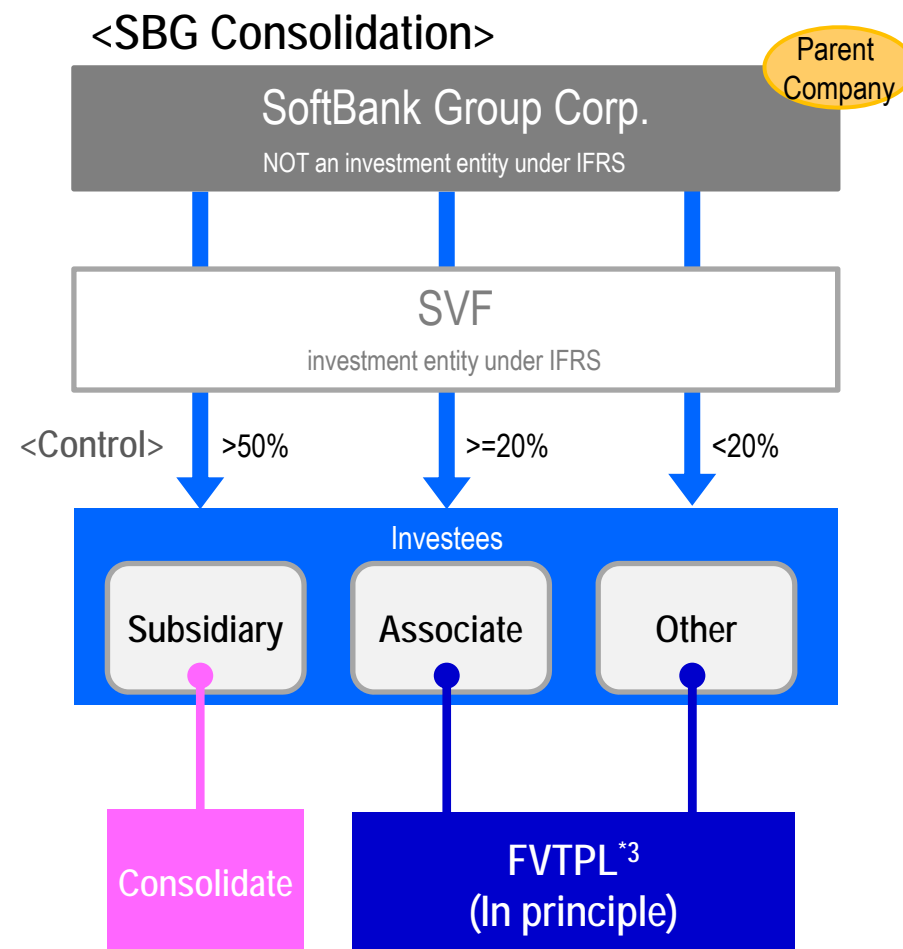
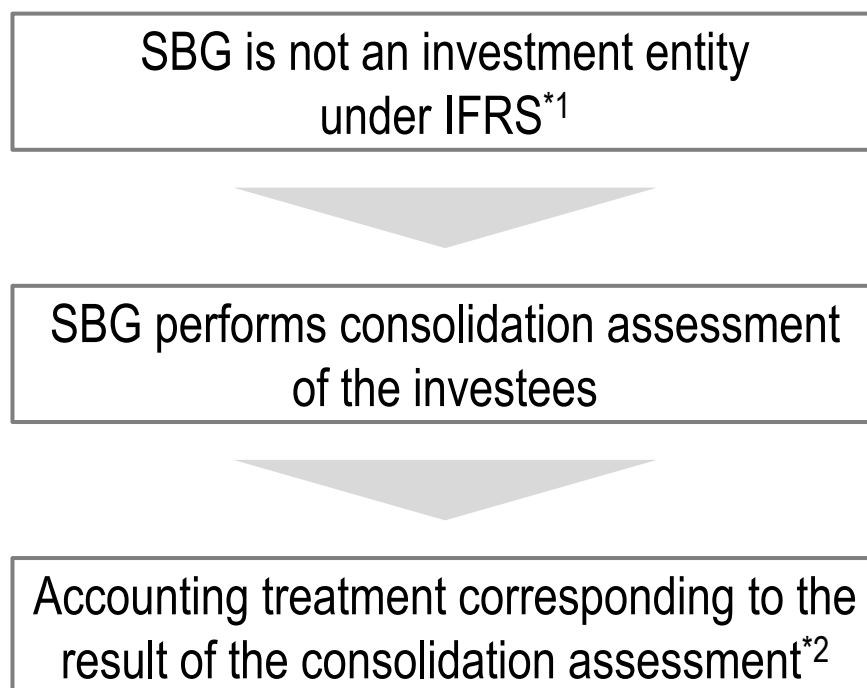
Through the Investment Committee in GP/SBIA UK, SBG's wholly-owned subsidiary, SBG makes investment decisions for the Limited Partnership (Fund) ①. SBG receives distributions based on the investment performance as an LP ② as well as performance fees through GP/SBIA UK ②'. Since SBG has the ability to maximize SBG's returns ②②' using its power ① (i.e., there is a linkage between power and returns ③), SBG is determined to control the Limited Partnership (Fund) under IFRS 10.



## 2) Accounting treatment and presentation for investees (portfolio companies)

- SBG

SBG is not an investment entity under IFRS<sup>\*1</sup>. Therefore, SBG should perform a consolidation assessment of the investees, and perform the corresponding accounting treatment.



\*1 Refer to IFRS 10 Para 27

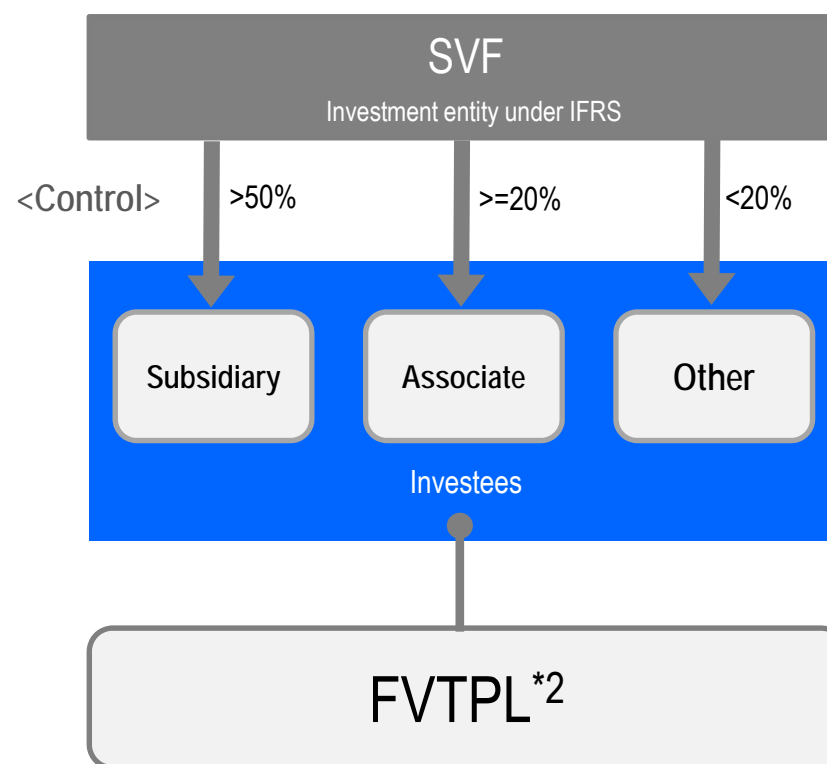
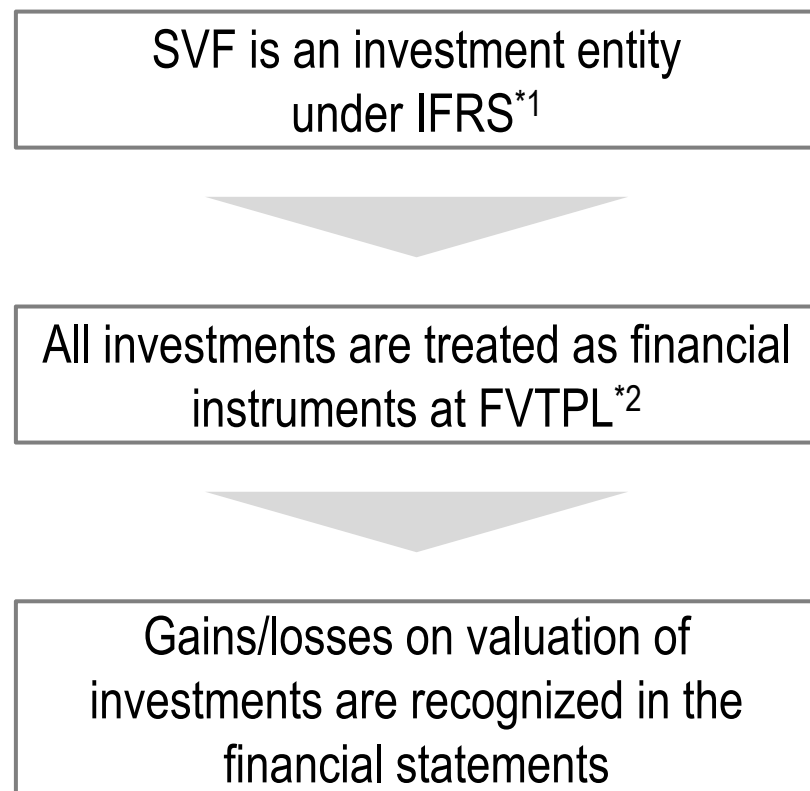
\*2 Refer to IFRS 10 Para 33

\*3 FVTPL (Fair Value Through Profit or Loss): assets and liabilities are valued at fair value at the end of each quarter, with changes recognized on P/L (IAS28 Para 18,19, IFRS10 Para B85K(a), 85L(c), IAS39 Para 46, 55)

## 2) Accounting treatment and presentation for investees (portfolio companies)

- SVF

SVF is an investment entity under IFRS<sup>\*1</sup>. Therefore, all investments are treated as financial instruments at FVTPL<sup>\*2</sup>.



\*1 Refer to IFRS 10 Para 27

\*2 FVTPL (Fair Value Through Profit or Loss): assets and liabilities are valued at fair value at the end of each quarter, with changes recognized on P/L (IAS28 Para 18, 19, IFRS10 Para B85K(a), 85L(c), IAS39 Para 46, 55)

## 2) Accounting treatment and presentation for investees (portfolio companies)

### - Fair value measurement

SBG will use the result of the fair value measurement performed by SVF on its investments (except for cases where the investee is a subsidiary). Please refer to the following slide for details of the measurement method.

Fair value measurement  
in SVF:

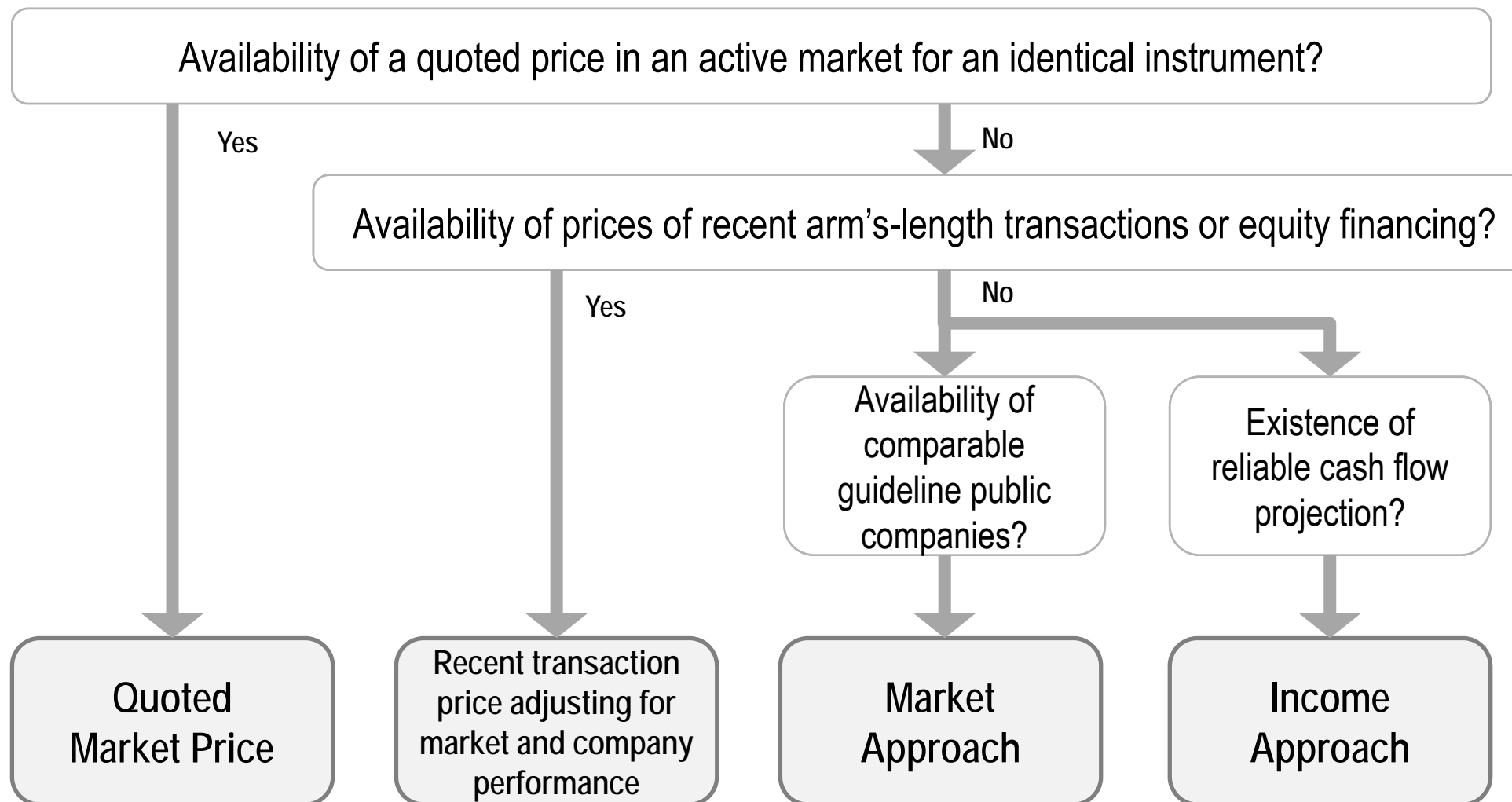
- Measurement method
- Measured amount

SBG will use the result of the  
fair value measurement  
performed by SVF on its  
investments

## 2) Accounting treatment and presentation for investees (portfolio companies)

### - Fair value measurement

Common approaches are used for the measurement of fair value, such as a quoted market price, a recent transaction price adjusting for market and company performance, market approach, and income approach\*.

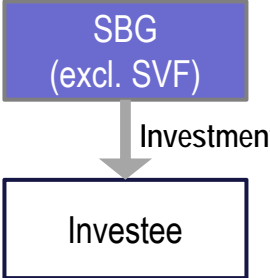
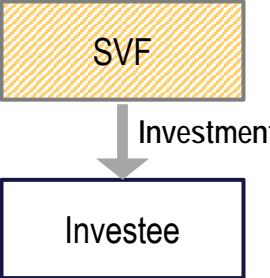
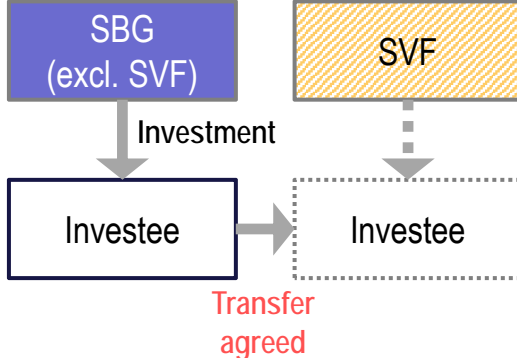
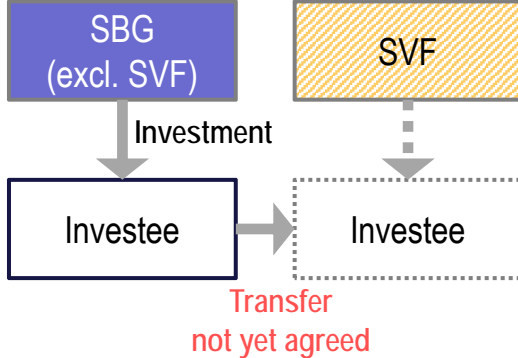


\* In actual practice, there are cases in which the above valuation methods (a quoted market price, a recent transaction price adjusting for market and company performance, market approach, and income approach) are used in combination to measure fair value.

## 2) Accounting treatment and presentation for investees (portfolio companies)

### - Associates/Others

If the investees (portfolio companies) are classified as associate or other (i.e., not subsidiaries), in principle, investments in those investees will be treated as financial instruments at FVTPL. However, the accounting treatment and presentation for those investments may differ, depending on how those investments were acquired. Furthermore, in the case of a bridge investment\*<sup>1</sup>, whether the transfer to SVF is agreed will affect its presentation. Please see the following slides for details.

	Case 1	Case 2	Case 3	Case 4
	Investments from SBG	Investments from SVF	Bridge investments from SBG* <sup>1</sup> (transfer agreed* <sup>2</sup> )	Bridge investments from SBG* <sup>1</sup> (transfer NOT yet agreed* <sup>3</sup> )
Investment Patterns				
Accounting Treatment	<p><u>[When SBG has significant influence over the investee]</u> -&gt; Equity method</p> <p><u>[If not]</u> -&gt; FVTOCI in principle*</p> <p>* Election of FVTPL is permitted, given it meets certain conditions</p>	<p>FVTPL (Operating income)</p>		<p>FVTPL (Other non-operating income/loss)</p>

\*1 Refers to the type of investment which SBG makes the initial investment to the target company, with the intention of eventually transferring ownership to SVF.

\*2 All the approvals from Investment Committee and Investment Advisory Board, as well as licenses required from regulators of each country in order to make investments are already obtained

\*3 All the approvals from Investment Committee and Investment Advisory Board, as well as licenses required from regulators of each country in order to make investments are not yet obtained

## 2) Accounting treatment and presentation for investees (portfolio companies) - Associates/Others

Case 1	Case 2	Case 3	Case 4
Investments from SBG	Investments from SVF	Bridge investments from SBG (transfer agreed)	Bridge investments from SBG (transfer NOT yet agreed)

### Accounting treatment : Equity method

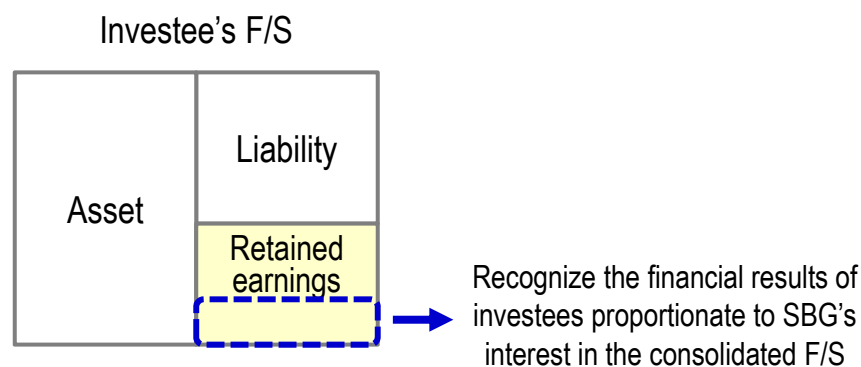
[When SBG has significant influence over the investee]

-> Equity method

[If not]

-> FVTOCI in principle\*

\* Election of FVTPL is permitted, given it meets certain conditions



### Presentation image

Consolidated P/L	Consolidated B/S	Consolidated C/F
<p>Net sales</p> <p>Cost of sales</p> <p>Gross profit</p> <p>-----</p> <p>Operating income from SoftBank Vision Fund/Delta Fund</p> <p>Operating income</p> <p>-----</p> <div style="border: 1px solid red; padding: 2px; margin: 5px 0;">Income on equity method investments</div> <p>Change in third party interests in SoftBank Vision Fund/Delta Fund</p> <p>Other non-operating income (loss) (Gain (loss) from financial instruments at FVTPL)</p> <p>-----</p>	<p>Current assets</p> <p>Cash and cash equivalents</p> <p>Trade and other receivables</p> <p>-----</p> <p>Non-current assets</p> <p>-----</p> <div style="border: 1px solid red; padding: 2px; margin: 5px 0;">Investments accounted for using the equity method</div> <p>Investments from SoftBank Vision Fund/Delta Fund accounted for using FVTPL</p> <p>Investment securities</p> <p>-----</p>	<p>Cash flow from operating activities</p> <p>-----</p> <p>Cash flow from investing activities</p> <p>-----</p> <div style="border: 1px solid red; padding: 2px; margin: 5px 0;">Payments for acquisition of investments Proceeds from sales/redemption of investments</div> <p>Payments for acquisition of investments by SoftBank Vision Fund/Delta Fund</p> <p>Proceeds from sale of investments by SoftBank Vision Fund/Delta Fund</p> <p>Cash flow from financing activities</p> <p>-----</p> <p>Cash and cash equivalents at the end of the period</p>



## 2) Accounting treatment and presentation for investees (portfolio companies) - Associates/Others

Case 1	Case 2	Case 3	Case 4
Investments from SBG	Investments from SVF	Bridge investments from SBG (transfer agreed)	Bridge investments from SBG (transfer NOT yet agreed)

### Accounting treatment : FVTOCI

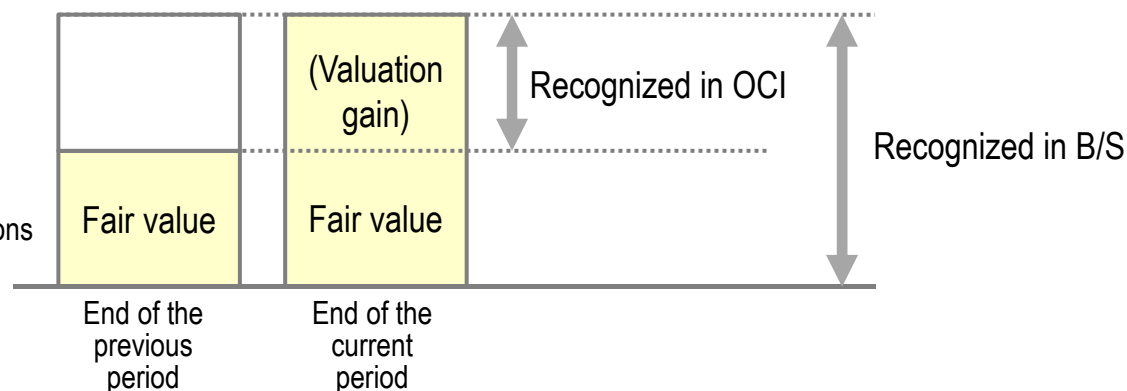
[When SBG has significant influence over the investee]

-> Equity method

[If not]

-> FVTOCI in principle\*

\* Election of FVTPL is permitted, given it meets certain conditions



### Presentation image

#### Consolidated P/L (OCI)

Net Income  
 Other comprehensive income, net of tax  
 Items that will not be reclassified to profit or loss  
 -----  
 Items that may be reclassified subsequently to profit or loss  
 Available-for-sale financial assets  
 -----  
 Total other comprehensive income, net of tax  
 Total comprehensive income

#### Consolidated B/S

Current assets  
 Cash and cash equivalents  
 Trade and other receivables  
 -----  
 Non-current assets  
 -----  
 Investments accounted for using the equity method  
 Investments from SoftBank Vision Fund/Delta Fund accounted for using FVTPL  
 Investment securities  
 -----

#### Consolidated C/F

Cash flow from operating activities  
 -----  
 Cash flow from investing activities  
 -----  
 Payments for acquisition of investments  
 Proceeds from sales/redemption of investments  
 Payments for acquisition of investments by SoftBank Vision Fund/Delta Fund  
 Proceeds from sale of investments by SoftBank Vision Fund/Delta Fund  
 Cash flow from financing activities  
 -----  
 Cash and cash equivalents at the end of the period

## 2) Accounting treatment and presentation for investees (portfolio companies) - Associates/Others

Case 1	Case 2	Case 3	Case 4
Investments from SBG	Investments from SVF	Bridge investments from SBG (transfer agreed)	Bridge investments from SBG (transfer NOT yet agreed)

### Accounting treatment : FVTPL

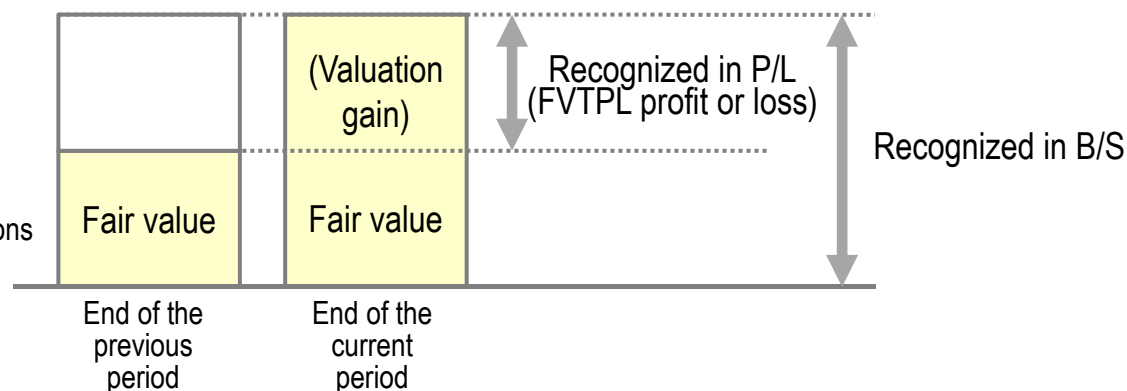
[When SBG has significant influence over the investee]

-> Equity method

[If not]

-> FVTOCI in principle\*

\* Election of FVTPL is permitted, given it meets certain conditions



### Presentation image

#### Consolidated P/L

Net sales  
Cost of sales  
Gross profit  
-----  
Operating income from SoftBank Vision Fund/Delta Fund  
Operating income  
-----  
Income on equity method investments  
Change in third party interests in SoftBank Vision Fund/Delta Fund  
**Other non-operating income (loss)  
(Gain (loss) from financial instruments at FVTPL)**  
-----

#### Consolidated B/S

Current assets  
Cash and cash equivalents  
Trade and other receivables  
-----  
Non-current assets  
-----  
Investments accounted for using the equity method  
Investments from SoftBank Vision Fund/Delta Fund accounted for using FVTPL  
**Investment securities**  
-----

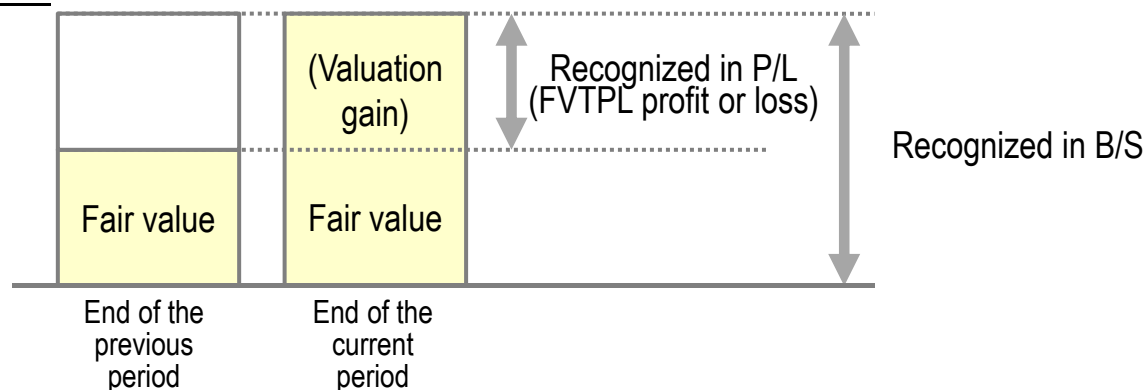
#### Consolidated C/F

Cash flow from operating activities  
-----  
Cash flow from investing activities  
-----  
**Payments for acquisition of investments  
Proceeds from sales/redemption of investments**  
Payments for acquisition of investments by SoftBank Vision Fund/Delta Fund  
Proceeds from sale of investments by SoftBank Vision Fund/Delta Fund  
Cash flow from financing activities  
-----  
Cash and cash equivalents at the end of the period

## 2) Accounting treatment and presentation for investees (portfolio companies) - Associates/Others

Case 1	Case 2	Case 3	Case 4
Investments from SBG	Investments from SVF	Bridge investments from SBG (transfer agreed)	Bridge investments from SBG (transfer NOT yet agreed)

### Accounting treatment : FVTPL



### Presentation image

#### Consolidated P/L

Net sales  
Cost of sales  
Gross profit  
-----  
**Operating income from SoftBank  
Vision Fund/Delta Fund**  
Operating income  
-----  
Income on equity method  
investments  
Change in third party interests in  
SoftBank Vision Fund/Delta Fund  
Other non-operating income (loss)  
(Gain (loss) from financial  
instruments at FVTPL)  
-----

#### Consolidated B/S

Current assets  
Cash and cash equivalents  
Trade and other receivables  
-----  
Non-current assets  
-----  
Investments accounted for using the  
equity method  
**Investments from SoftBank Vision  
Fund/Delta Fund accounted for using  
FVTPL**  
Investment securities  
-----

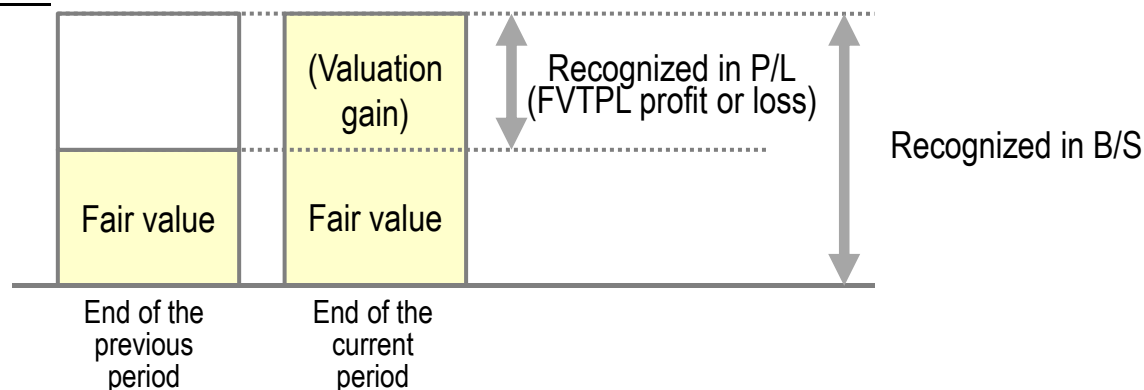
#### Consolidated C/F

Cash flow from operating activities  
-----  
Cash flow from investing activities  
-----  
Payment for acquisition of investments  
Proceeds from sale or redemption of investments  
**Payments for acquisition of investments by  
SoftBank Vision Fund/Delta Fund  
Proceeds from sale of investments by SoftBank  
Vision Fund/Delta Fund**  
Cash flow from financing activities  
-----  
Cash and cash equivalents at the end of the  
period

## 2) Accounting treatment and presentation for investees (portfolio companies) - Associates/Others

Case 1	Case 2	Case 3	Case 4
Investments from SBG	Investments from SVF	Bridge investments from SBG (transfer agreed)	Bridge investments from SBG (transfer NOT yet agreed)

### Accounting treatment : FVTPL



### Presentation image

#### Consolidated P/L

Net sales  
 Cost of sales  
 Gross profit  
 -----  
 Operating income from SoftBank  
 Vision Fund/Delta Fund  
 Operating income  
 -----  
 Income on equity method  
 investments  
 Change in third party interests in  
 SoftBank Vision Fund/Delta Fund  
 Other non-operating income (loss)  
 (Gain (loss) from financial  
 instruments at FVTPL)

#### Consolidated B/S

Current assets  
 Cash and cash equivalents  
 Trade and other receivables  
 -----  
 Non-current assets  
 -----  
 Investments accounted for using the  
 equity method  
 Investments from SoftBank Vision  
 Fund/Delta Fund accounted for using  
 FVTPL  
 Investment securities

#### Consolidated C/F

Cash flow from operating activities  
 -----  
 Cash flow from investing activities  
 -----  
 Payments for acquisition of investments  
 Proceeds from sales/redemption of investments  
 Payments for acquisition of investments by SoftBank  
 Vision Fund/Delta Fund  
 Proceeds from sale of investments by SoftBank  
 Vision Fund/Delta Fund  
 Cash flow from financing activities  
 -----  
 Cash and cash equivalents at the end of the period

## 2) Accounting treatment and presentation for investees (portfolio companies) - Segment information

Total amount of gains/losses on investments (including the gains/losses at subsidiaries) and fund operating expenses will be shown as segment income of SoftBank Vision Fund/Delta Fund business. Gains/losses in investments at the subsidiaries will be eliminated in Reconciliations.

**[Example]** (All of the conditions and amounts are all assumptions)

- Financial results of Company A (subsidiary) : Net sales 900, operating expense 500, segment income 400
- Gain on investments at SVF : Company A 900, Company B (non-subsidiary) 300
- Fund operating expenses : 200 (no other revenues or expenses)

Segment	SoftBank Vision Fund/Delta Fund	Other	Reconciliations	Consolidated
Net sales	-	900	-	900
Segment income	1,000	400	(900)	500

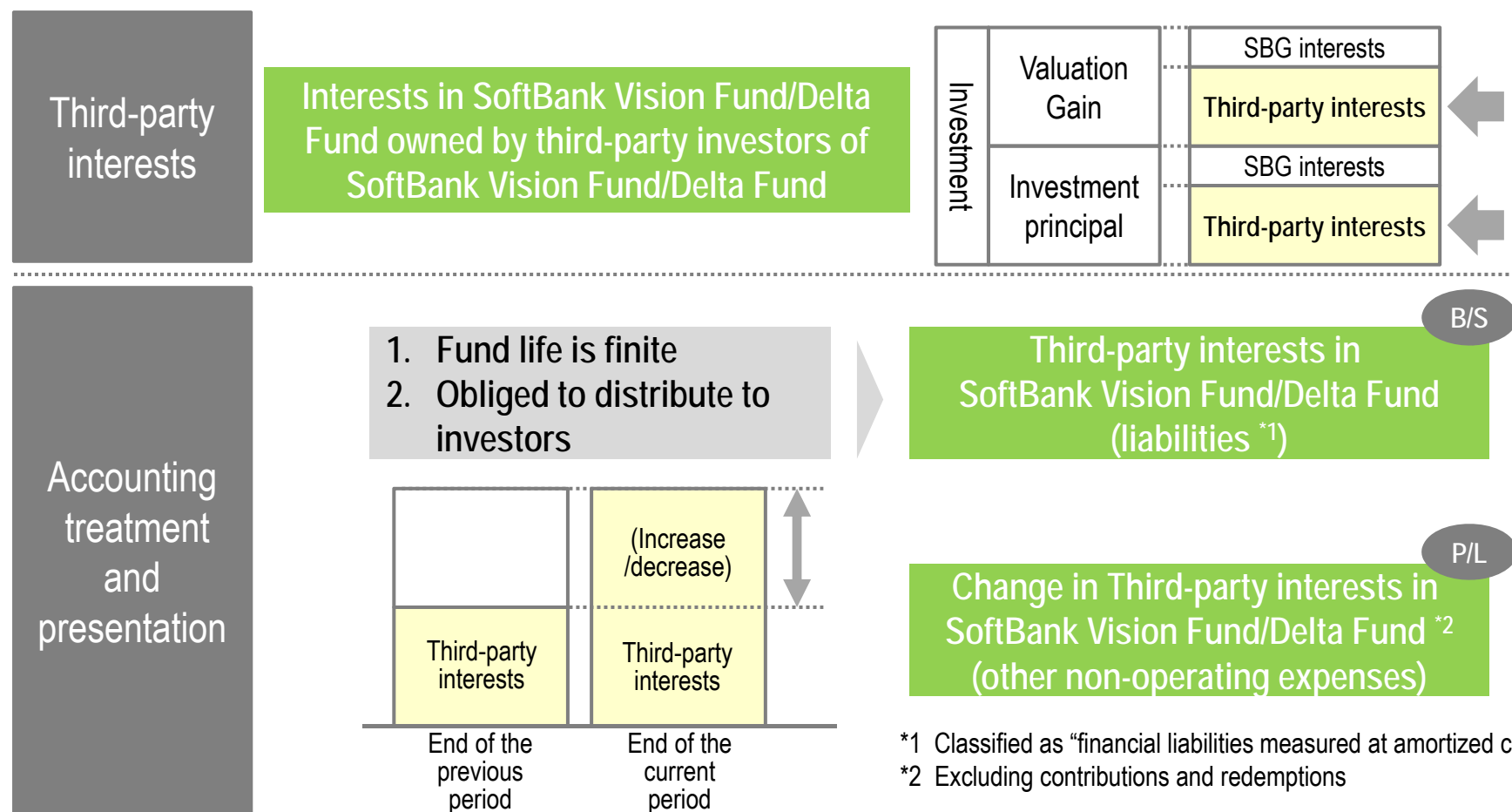
Gain on investments at Company A	+900		
Gain on investments at Company B	+300	Elimination of gain on investment at Company A	
Fund operating expenses	(200)	Financial results of Company A (subsidiary)	
SVF segment income	+1,000		

	Net sales of Company A	
Company A Segment income	+400	
Company B Gain on investments	+300	
Fund operating expenses	(200)	
Total	+500	

### 3) Accounting treatment and presentation for third-party interests

Third-party interests are defined as interests in SoftBank Vision Fund/Delta Fund, owned by third-party investors of SoftBank Vision Fund/Delta Fund. Third-party interests are presented as “Third-party interests in SoftBank Vision Fund/Delta Fund” under liabilities\*1 in the consolidated B/S. Additionally, changes in interests (other than contributions and redemptions) are presented as “Change in third-party interests in SoftBank Vision Fund/Delta Fund” under non-operating expenses in the consolidated P/L.



\*1 Classified as “financial liabilities measured at amortized cost”

\*2 Excluding contributions and redemptions

## 4) Distribution to SBG and third-party investors - Positive investment performance

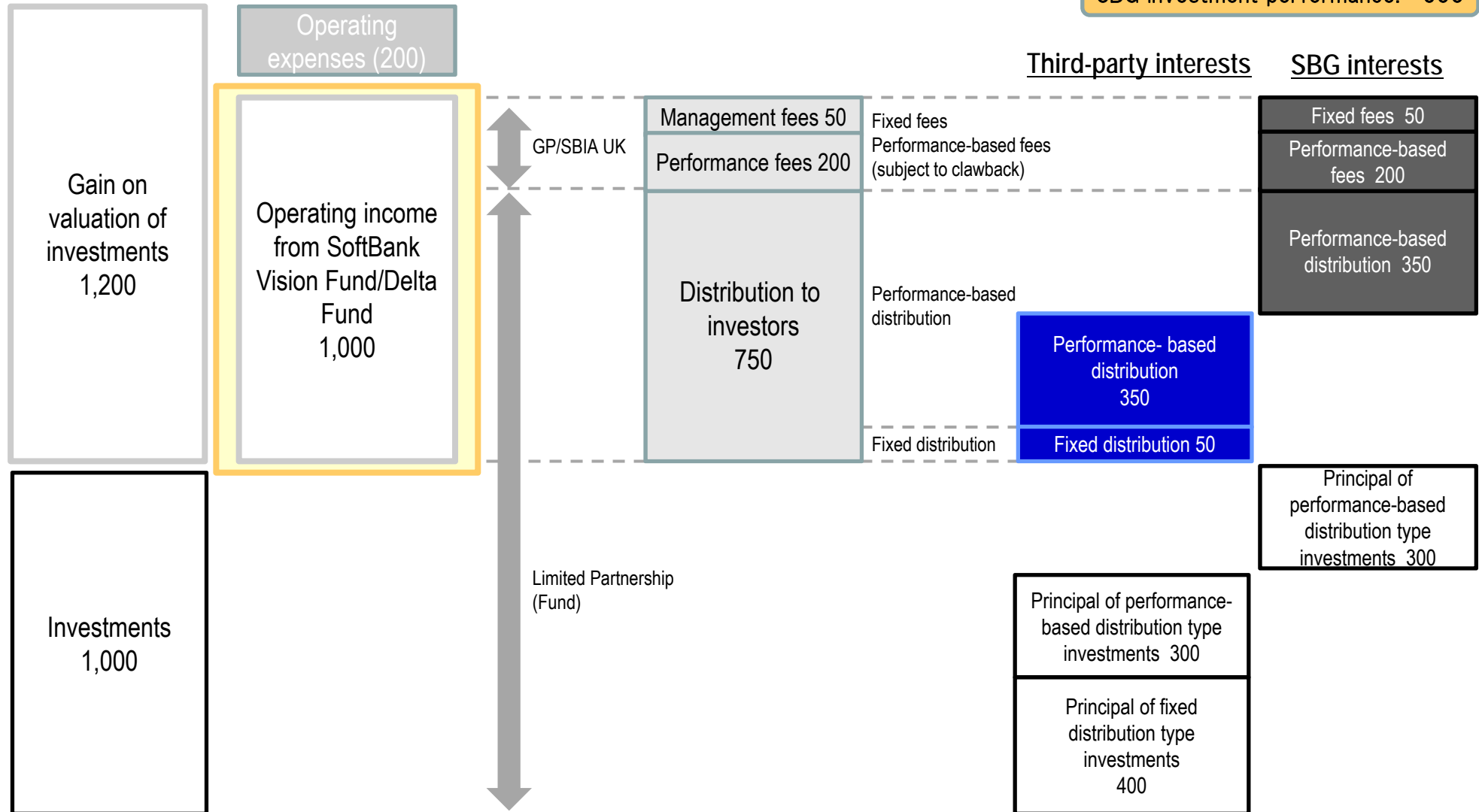
The examples in pages 39 and 40 are calculated under the below assumptions:

- Total amount of capital called by the Fund: 1,000 consists of  
SBG (performance-based distribution type) = 300;  
third-party investors (performance-based distribution type) = 300; and  
third-party investors (fixed distribution type) = 400
- Total investment made by the Fund: 1,000
- Fair value of the investments as of the current fiscal year-end: 2,200 (gain on valuation: 1,200)
- Operating expenses of the Fund excluding management/performance fees: 200
- Management fees paid to GP/SBIA UK from the Fund: 50
- Performance fees paid to GP/SBIA UK from the Fund: 200
- Distribution for the current fiscal year to fixed distribution type investors: 50
- Distribution ratio for performance-based distribution:  
SBG : Third-party investors = 1 : 1

\* All of the conditions and amounts shown above are all **assumptions** used only for these illustrations.

# 4) Distribution to SBG and third-party investors - Positive investment performance

SBG Investment performance: +600





## 4) Distribution to SBG and third-party investors - Positive investment performance

Illustrative example of PL for the distribution flow on page 39

SVF P/L			SBG consolidated P/L			
Recorded item	Limited Partnership (Fund)	GP/SBIA UK	Reconciliations	Consolidated	Presentation	
Net Sales	Gain on valuation	+1,200	-	-	-	
Net Sales	Management fees & performance fees	-	+250	(250)	-	
Operating expenses	Operation Expenses excluding management fees & performance fees	(200)	-	-	-	
Operating expenses	Management fees & performance fees	(250)	-	+250	-	
Operating income		+750	+250	-	+1,000	Operating income from SoftBank Vision Fund/Delta Fund
Non-operating expenses		-	-	(400)	(400)	Change in third-party interests in SoftBank Vision Fund/Delta funds
Net income	*This P/L is simplified for illustrative examples.	750	+250	(400)	+600	Net income
Attribution of net income	SBG (performance-based distribution type)	+350	+250	=	+600	
	Third-party investors (performance-based distribution type)	+350				
	Third-party investors (fixed distribution type)	+50				

**1** Intercompany transactions, such as management fees and performance fees to GP/SBIA UK paid out from each limited partnership, are eliminated in consolidation.

**2** Out of Fund's net income 750, net income attributable to third-party investors 400 is recognized as non-operating expenses in SBG consolidated P/L.

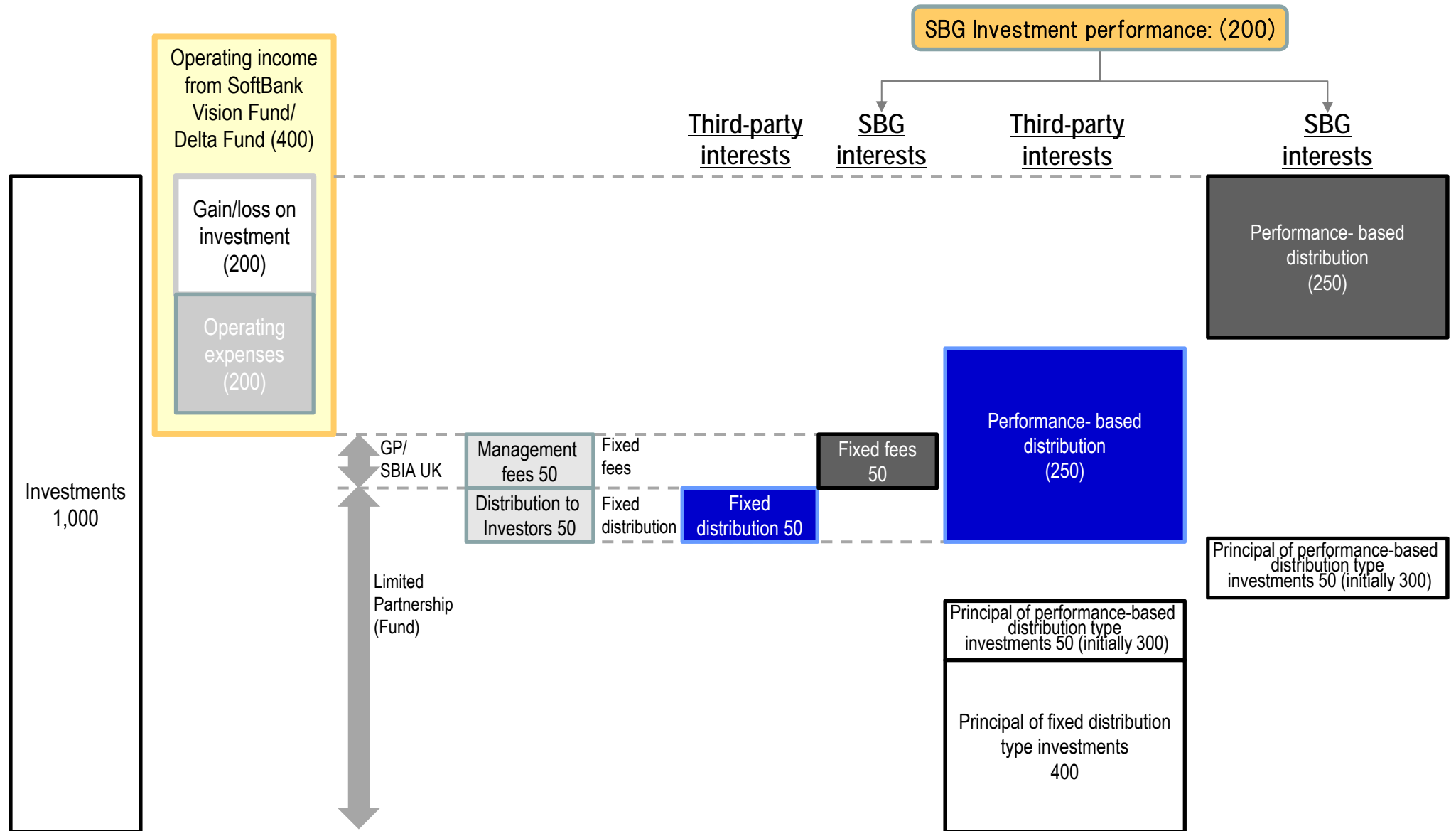
## 4) Distribution to SBG and third-party investors - Negative investment performance

The examples in pages 42 and 43 are calculated under the below assumptions

- Total amount of capital called by the Fund: 1,000 consists of  
SBG (performance-based distribution type) = 300;  
third-party investors (performance-based distribution type) = 300; and  
third-party investors (fixed distribution type) = 400
- Total investments made by the Fund: 1,000
- Fair value of the investments as of the current fiscal year-end: 800 (loss on valuation: 200)
- Operating expenses of the Fund excluding management/performance fees: 200
- Management fees paid to GP/SBIA UK from the Fund: 50 (no performance fees)
- Distribution for the current fiscal year to fixed distribution type investors: 50
- Distribution ratio for performance-based distribution:  
SBG : Third-party investors = 1 : 1

\* All of the conditions and amounts shown above are all **assumptions** used only for these illustrations.

# 4) Distribution to SBG and third-party investors - Negative investment performance



## 4) Distribution to SBG and third-party investors - Negative investment performance

Illustrative example of PL for the distribution flow on page 42

SVF P/L			SBG consolidated P/L			
Recorded item	Limited Partnership (Fund)	GP/SBIA UK	Reconciliations	Consolidated	Presentation	
Net Sales	Loss on valuation	(200)	-	-	-	
Net Sales	Management fees	-	+50	(50)	-	
Operating expenses	Operation Expenses excluding management fees	(200)	-	-	-	
Operating expenses	Management fees	(50)	-	+50	-	
Operating income		(450)	+50	-	(400)	Operating income from SoftBank Vision Fund/Delta Fund
Non-operating expenses		-	-	+200	+200	Change in third-party interests in SoftBank Vision Fund/Delta funds
Net income	*This P/L is simplified for illustrative examples.	(450)	+50	+200	(200)	Net income
Attribution of net income	SBG (performance-based distribution type)	(250)	+50	=	(200)	
	third-party investors (performance-based distribution type)	(250)				
	Third-party investors (fixed distribution type)	+50				

**1** Intercompany transactions, such as management fees to the GP/SBIA UK paid out from each limited partnership, are eliminated in consolidation.

**2** Out of Fund's net income (450), net income attributable to third-party investors (200) is recognized as non-operating expenses in SBG consolidated P/L (positive effect on net income).

### 3. Summary of SBG consolidated financial statements

## 1. Overview of SVF's business and accounting treatment

- 1) SVF's business model
- 2) Evaluation of profitability in SVF
- 3) Entities that compose SVF
- 4) Business flow of SVF

## 2. Accounting treatment for SBG

- 1) SBG's scope of consolidation
- 2) Accounting treatment and presentation for investees (portfolio companies)
- 3) Accounting treatment and presentation for third-party interests
- 4) Distribution to SBG and third-party investors

## 3. Summary of SBG consolidated financial statements

- 1) Overview of fund transactions
- 2) Overview of SBG consolidated financial statements (BS, PL, CF, Segment information)

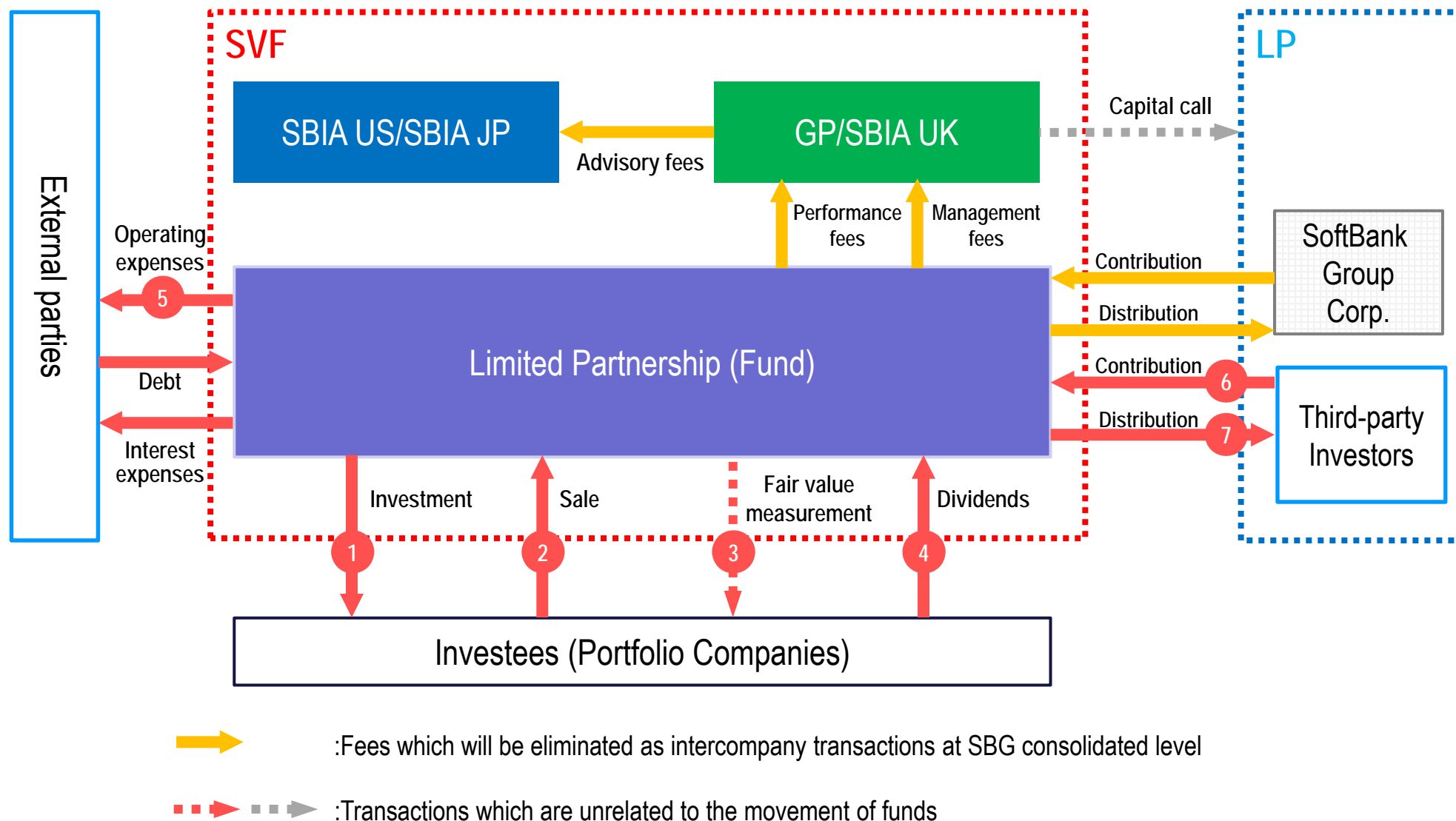
## Appendix

Fund-specific terms

Definition of "investment entity" under IFRS

# 1) Overview of fund transactions

The proceeding pages explain how SVF's transactions will be presented in the SBG consolidated financial statements.



## 2) Overview of SBG consolidated financial statements

### B/S

#### Assets

##### Current assets

Cash and cash equivalents  
Trade and other receivables  
Other financial assets  
-----

##### Non-current assets

Property, plant and equipment  
Goodwill  
Intangible assets  
Investments accounted for using the equity method

Investments from SoftBank Vision Fund/Delta Fund accounted for using FVTPL

Other Financial Assets  
-----

#### Liabilities and Equity

##### Current liabilities

Interest-bearing debt\*1  
Trade and other payables  
-----

##### Non-current liabilities

Interest-bearing debt\*1

Third-party interests in SoftBank Vision Fund/Delta Fund

Other financial liabilities  
Provisions  
Deferred tax liabilities  
-----

##### Equity

Equity attributable to owners of the parent  
Non-controlling interests

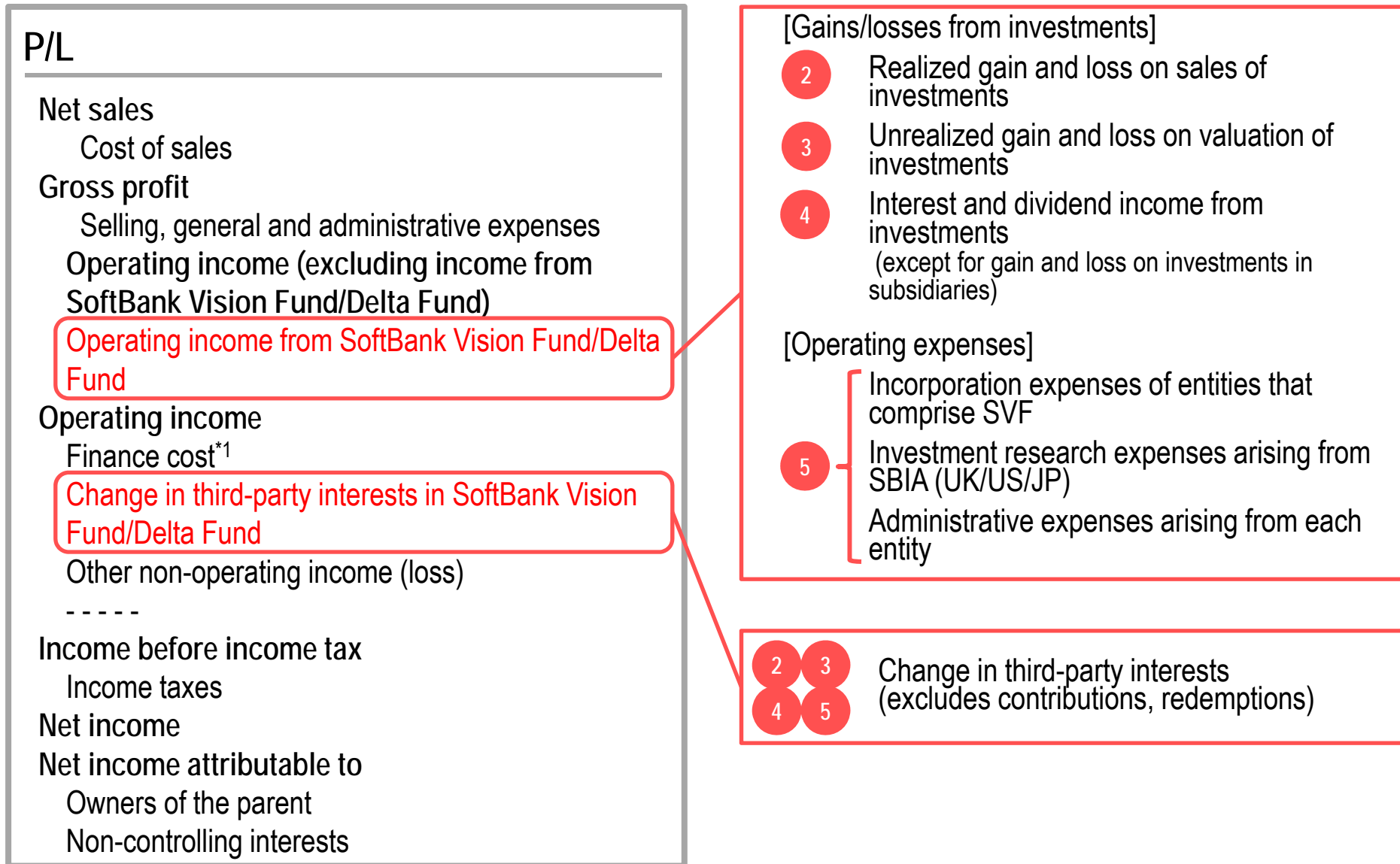
- 1 Investments/sales by SVF (except for investments in subsidiaries)
- 2 Fair value measurement
- 3

- 2 Third-party interests classified as liabilities
- 3
- 4
- 6
- 7

\*1 "Interest-bearing debt" includes debt taken out from external parties by the Limited Partnership (Fund). The amount of the debt will be disclosed in the breakdown of interest-bearing debt in SBG consolidated financial statements.



## 2) Overview of SBG consolidated financial statements



\*1 "Finance cost" includes interest expense derived from debt taken out from external parties by the Limited Partnership (Fund). The amount of the interest expense will be disclosed in the breakdown of finance cost in SBG consolidated financial statements.

## 2) Overview of SBG consolidated financial statements

C/F

### Cash flows from operating activities

Net income

Depreciation and amortization

-----

Subtotal

Interest and dividends received

Interest paid

### Cash flows from investing activities

Purchase of property, plan and equipment, and intangible assets

Payments for acquisition of investments by SoftBank Vision Fund/Delta Fund  
Proceeds from sales of investments by SoftBank Vision Fund/Delta Fund

-----

### Cash flows from financing activities

Contributions into SoftBank Vision Fund/Delta Fund from third-party investors  
Distributions and redemption paid to third-party investors

Cash and cash equivalents at the end of the period

### [Gains/losses from investments]

- 2 Realized gain and loss on sales of investments
- 3 Unrealized gain and loss on valuation of investments
- 4 Interest and dividend income from investments (except for gain and loss on investments in subsidiaries)

### [Operating expenses]

- 5 [ Incorporation expenses of entities that comprise SVF  
Investment research expenses arising from SBIA (UK/US/JP)  
Administrative expenses arising from each entity

1 2 Cash flow related to investments/sales from SVF

6 7 Cash flow related to third-party investors in SVF (contributions / redemptions / distributions etc.)

## 2) Overview of SBG consolidated financial statements

### Segment information

	Domestic telecom	---	SoftBank Vison Fund/Delta Fund	Other	Reconcili- ations	Consoli- dated
Net sales	xxx	---	-	xxx	xxx	xxx
Segment income	xxx	---	xxx	xxx	xxx	xxx
EBITDA	xxx	---	xxx	xxx	xxx	xxx
Unrealized gain/loss on valuation of investments in SoftBank Vision Fund/Delta Fund	-	---	(xxx)	xxx	xxx	xxx
Adjusted EBITDA	xxx	---	xxx	xxx	xxx	xxx

= Operating income from SoftBank  
Vision Fund/Delta Fund

= **Realized** gain and loss on sales of investments + Interest and dividend  
income from investments - operating expenses

Deduct **unrealized**  
gain/loss

- Appendix -

## Appendix) Fund-specific terms (1/2)

No	Category	Term	Description
1	Contract	LPA	Abbreviation for Limited Partnership Agreement. Contract formed between GP/SBIA UK and LP. Defines the terms and conditions of the partnership.
2	Business entity	SVF	Abbreviation for SoftBank Vision Fund.
3		LP	Limited Partnership (fund) established under LPA.
4		SBIA UK	SB Investment Advisers (UK) Limited (fully-owned UK based subsidiary of SBG and responsible for managing SVF).
5		SBIA US/SBIA JP	US and Japan based advisory companies which provide investment advisory services to SBIA UK.
6		GP	Abbreviation for General Partner. Responsible for the performance of the fund and bears unlimited liability in the partnership.
7		LP	Abbreviation for Limited Partner. Partner of the fund whose liability toward its debts is legally limited to the extent of its investments.
8	Fund related	Commitment	Refers to the total capital contribution amount an LP is responsible for. In principle, LPs do not have the right to decline capital calls from the GP if it is within the range of commitments.
9		Class A	Equity Interest (performance-based distribution type)
10		Class B	Preferred Equity Interest (fixed distribution type)
11		Capital Call	The action of GP/SBIA UK requesting capital contributions from LPs to use for investments, management fees, operating expenses etc.
12		Drawdown	The investment amount that was requested (from the GP/SBIA UK to LP), through the capital call. A drawdown notice refers to the official written document that is sent out to LPs at the time of the capital call.
13		Management Fee	Management fee charged by the GP/SBIA UK.

## Appendix) Fund-specific terms (2/2)

No	Category	Term	Description
14	Distribution/ Evaluation	Waterfall	The waterfall refers to the order in which cash generated by the fund (e.g., via the sale of investments) are distributed to LPs, after fees such as management and operating expenses are paid off to GP/SBIA UK.
15		IRR	Abbreviation for internal rate of return. Used to assess the performance of SVF's investments. It is the discount rate used, when the present value of all future cash flows and the initial investment amount are equal.
16		Clawback	The return of the fees (e.g., performance fees), given it meets certain conditions.
17	Other	Investment Period	The period which SVF is able to make investments. Specially, it refers to the earlier of (a) the fifth anniversary of the Final Closing Date; or (b) such earlier date as may be determined by the General Partner in its absolute discretion and notified to the Limited Partners.
18		Duration	The life of SVF. In principle, 12 years after the final closing.
19		Closing	The timing in which the LP completes the application of the capital commitment to SVF. The "first major close" is the first closing, out of several occasions.
20		Bridge Investment	Refers to the type of investment in which SBG makes the initial investment in the target company, with the intention of eventually transferring ownership to SVF.

### ■ Definition of investment entity under IFRS

#### *IFRS10 27 (excerpt)*

An investment entity is an entity that:

- a. obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- b. commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- c. measures and evaluates the performance of substantially all of its investments on a fair value basis.

### ■ Accounting treatment for a parent of an investment entity

#### *IFRS10 33 (excerpt)*

A parent of an investment entity shall consolidate all entities that it controls, including those controlled through an investment entity subsidiary, unless the parent itself is an investment entity.