SoftBank Group Corp.: FY22Q3 Investor Call Q&A

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Presenters:
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Speaker 1
Q1:
Thank you very much for taking my questions. I would like to ask you for the fair value of Arm. I am making a question here, looking at page 27 of the Finance section. It was 4.35 trillion yen in September quarter, and it is now 3.75 trillion yen. I believe that this is adjusted down because of strong yen, but even discount it back, the valuation is still 2.3 billion yen lower. If my understanding is correct, I would like to ask you what is the background for that? I would like to ask from Ian, what is your prospects for the short-term period? And give us some color on your prospects for the future. Thank you.

A1:
(Govil) You are right, there is a small fluctuation in the valuation of Arm. It is driven by non-performance factors, primarily foreign exchange, with a portion due to cost of capital increases.

(Thornton) Regarding the opportunity for Arm going forward, hopefully you saw Goto-san's presentation this morning when he talked about all of the new products and technologies that we all use needing more and more computer chips. There was one graph that he showed on Page 61, if you have his presentation in front of you, which shows how the semiconductor industry which was growing at about a 5% CAGR, I think that is between 2012 and 2018, has really started to accelerate in the last few years to about a 15% CAGR. That is entirely driven by more devices that we use, using more chips, and using more expensive chips. This is creating a very rich environment for Arm to license its products into and also then to collect royalties on because Arm technology is very broadly exposed into smartphones, consumer electronics, enterprise electronics, and automotive, and now as well servers and networking equipment. I am not going to give any specific numbers here today. Obviously, we are preparing for an IPO, and so we cannot give numerical forecast, but I think you can see that the environment in which we are operating is very favorable.

Speaker 2

Q1:

Thank you. My question for the Vision Funds. Navneet, if we look at the public valuations since the start of this quarter, seems to be pretty positive. Could you comment on, are you getting a kind of positive inflection feedback from your portfolio companies? And you talked about the cash position very strong at the moment, but are there any risks you still see from your portfolio? Just in general, if you could comment on this? Thank you.

A1:

(Govil) Sure. Thank you. So, a couple of things. If you look at 2022, I would say the first half of 2022 we took significant write-downs, and those were driven by basically market multiples and the rerating of market multiples, especially the public company peers of our portfolio companies. Then what we started seeing in the second half of 2022 is that a lot of our portfolio companies were revising their forecasts, their future growth forecasts, and that led to us taking down their valuations. You are right, in terms of year-to-date it has only been a few weeks in 2023. The public markets at least in the first few weeks, they seem to be constructive. But ultimately, what we will have to see is the actual performance of our portfolio companies during the March quarter and beyond.

In terms of the runway, you mentioned the cash runway, we are very well positioned. You know, portfolio companies are looking for strategic opportunities, both M&A as well as partnerships. They are increasing their operational and financial resistance. As you said, on average the portfolio, 94% of the portfolio has more than 12 months runway.

Q2:

Okay. You are not yet hearing from them that things are really picking up, but the market is moved. So, you are waiting to see the results.

A2:

(Govil) That is right.

Speaker 3

Q1:

I have questions on Vision Funds, and then I have a question on Arm. I will start with Vision Funds. This is maybe like a follow-up to what the gentleman was just asking earlier, but looking at it from the other side, is that if your portfolio companies are starting to guide down now, when you look at possible future investments in companies that you are talking to that are looking to raise money, have their expectations for valuation come down to levels that you think are reasonable?

A1:

(Govil) Thank you. In some cases, yes. What is also happening is typically when a company does a down round*, they usually go to their existing investors in the cap table. They do not necessarily want to bring in new investors. So, as far as our portfolio companies are concerned because they are very well capitalized and they have significant cash runways, there are not that many of our portfolio companies that are looking to do follow-on rounds. But if you look at outside of our portfolio, we are not seeing that many investing opportunities because typically in a down round they would go to their existing cap table.

* Down Round: a financing at a lower valuation than the previous one

Q2:

But, you think overall when you are looking at the environment to invest, that the situation has improved. Because I know this is something that came up, I think back in the first quarter, so six months ago this idea that you got to pull back on investing because nobody is pricing their companies right. What I want to know is has that changed?

A2:

(Govil) So there are a couple of things that are happening. One is, companies are not just looking at equity follow-on rounds, they are also looking at other forms of structured financing, for instance. The other thing is the good companies, the strong fundamentals will always be at a premium. So, they do not have to worry about down rounds. I think for us what really matters is four things. One is the quality of the tech stack*, the size of the addressable market, unit economics, and scalability. But overall, I would say the environment appears to be more stable than it was a couple of months ago.

* Technology (Tech) stack: a combination of tools, applications, and services to build and run a web or mobile app

Q3:

Okay. If I can just ask a sort of administrative question on Vision Funds. In one of the presentations earlier it says that the FTX investment $97 million was completely written off. And then in the list for the companies that the Vision Fund 2 has invested in, it looks like there are two different entities. One of them is West Realm Shires, and the other is FTX Trading. Is that right? Does that 97 million dollars apply to those two companies?

A3:

(Govil) It is combined. It captures both.

Q4:

I am sorry, this last question is for Ian. This is more of a sort of conceptual question. You have been through a lot of market cycles at Arm. I am wondering, first of all, what do you think about where we are at? Even though like the actual numbers that are being printed and the forecasts that are being put out by your customers are moving more negative, there does seem to be a perception that you can already see the other side. I want to know what your thoughts are on that.

A4:

(Thornton) Thanks. I think that when looking at the semiconductor industry cycle, we should not look at it as one cycle. There are a lot of end markets that are driving the cycle and different end markets are going through the cycle at different rates.

I see that MediaTek and Qualcomm just reported. MediaTek revenue was down 16% year-on-year. Qualcomm, was it down 12%? But if you look within that, smartphone is down about 18% year-on-year. Both are saying that they can sort of see the bottom of their cycle and a route out to hopefully sunny uplands at some point later in 2023. But then if you look at other companies that are, say, more exposed to industrial IoT and automotive, Infineon, STMicro, Microchip, all reported revenue growth up 20% year-on-year and were reporting record revenues. So, maybe there will be a point later in the year that they will start to see that decline. But they are beating and raising.

From our point of view, when we are looking through that, yes, we are seeing weakness on some of the consumer electronics such as in smartphone and consumer IoT devices. But at least for the quarter we just reported, that was more than offset by strong growth in the automotive space, industrial IoT, gaining shares in servers, and also through our latest technology, *Armv9* beginning to be deployed into more chips.

I think it is quite a complex situation right now, and it is not an industry cycle. I think it is multiple cycles that are all happening at slightly different times. Hopefully, we might even be in a situation whereby the time automotive may start to slow if smartphone is beginning to grow again, we might not actually see a major dip at all.

Speaker 4

Q1:

Thank you. I have got two questions. One is regarding the share repurchase as the 1.4 trillion yen finished and pretty rush in the last 400-billion-yen round. Is any additional share repurchase in the time horizon?

A1:

(Goto) For the first question, let me answer regarding the share repurchase. As of today, we do not have any announcements on the next program. We always explore the best mix of the allocation of our cash, and that is going to be allocation into three. One is for new investments, second is return to shareholders, third is improvement of balance sheet, which means return to credit investors. We are always keen to look for such a balance of those three elements and decide the amount. As you mentioned, we have already completed quite a huge size buyback which is 1.4 trillion yen, therefore as of today we have not made any decision on the next program. However, we always discuss about the buyback, and hopefully that we can live up to the expectations of shareholders as well, in the next fiscal year and beyond. But share buyback is negative for the credit investors, so it is most important to improve the balance sheet simultaneously so that the credit investors feel safe when it comes to the buyback. Thank you.

Q2:

The second is talking about the valuation on the private part in the Vision Funds. As you commented, the first half is write-down on the public and the second half is write-down on the private. I was wondering what happens to the valuation method in the first half? Why did the private part not catch up? Is this in accounting basis try to smooth the earnings? Thank you.

A2:

(Govil) On your question about valuations, I want to clarify something. You said that the first half was public, and the second half was the private valuations. Actually, that is not the case. Our valuation policy is consistent throughout. What I meant to say was in the first half of fiscal 2022, the private valuations were impacted by the multiples in the public market. The rerating of the public market impacted our private company valuations. In the second half primarily, it was driven by revised forecasts of growth and profitability in our portfolio companies. We are always triangulating. We are always triangulating between company performance, market multiples, and funding rounds. So, our valuation policy remains consistent quarter after quarter. I hope that clarifies.

Q3:

Thank you. So basically, the second half your multiples did not contrast much, it was really the earning forecast.

A3:

(Govil) That is correct.

Speaker 5

Q1:

Thanks for taking my question. Navneet, I was wondering, maybe it is too much of a detailed question for this forum, but I still try it. I was wondering, you know, in the last few weeks and few months we have seen how much innovation around language model has accelerated and how much of a trend it is likely to become in the next 2-3 years. So, I was wondering if you – when you build out like the portfolio, especially of the Vision Fund 2, if large language model was like an asset category, like a segment you considered, and how you invested in it, and how you are positioned in that world. And then I have a follow-up for Ian on Arm as well, please.

A1:

(Govil) Thank you. I think some of the things you are referring to may be related to ChatGPT. So, the technology is not necessarily the most advanced. It has been very successful in capturing mainstream attention and focus. We welcome this. It has triggered conversations we have been raising for years. I think if you look at generative AI, our view is that AI is a general-purpose technology and generative AI is just one subset of mass application. Interesting, but not the only opportunity. And we continue to look at opportunities in this space.

Q2:

And Ian, nice to hear your voice on the call. I was wondering, like the very, very nice momentum you have at the moment in royalty revenues, is there anything already kicking in relating to a change in architecture version? Or is the growth you are seeing at the moment all generated off the current architecture? Of course, what is the time horizon for, like, royalty revenues being impacted by the next architecture generation?

A2:

(Thornton) We announced *Armv9* early in 2021. I think it was March 2021. We have now started to see it beginning to appear in chips going into both smartphones and into servers. At the last count, just under 70 million *Armv9*-based chips have been sold or sold into devices and would receive the royalties for. Generally speaking, these are at a slightly higher royalty rate than *Armv8*. So, yes, when we look at the 12% growth in royalty revenue year-on-year, a portion of that is because of *Armv9*, but it is still a very small portion. That will ramp over the next few years.

If I look at what happened with *Armv8*, that went from I suppose about a 0% share of the smartphone market to about a 90% share in just under four years. Who knows what will happen this time around? But if history can be used as a guide, then that should give us an idea that maybe by the time we get to the middle of the decade, then we will be well on the way to get into a high proportion of the smartphone industry, and that therefore would be a nice tailwind. Also, with *Armv8* being very widely deployed in servers and networking equipment, and also in digital TVs and things like that, if *Armv9* is able to replace all of those chips, then that will be a very long tailwind.

Speaker 6

Q1:

Thank you very much for taking my question. I have a couple of questions for Goto-san if I may. The first question is in relationship with potential access to the credit markets in 2023. I believe you have euro and dollar denominated bonds maturing in this year. You also have left 2 billion (dollars) of the 6% hybrid notes that you have repeatedly said that you will go on first call. And obviously you have a big cash balance, but I remind that you do not want to deplete that cash balance. So, the first question is; how are you thinking about accessing the credit markets in the course of 2023? Or whether you are considering alternative funding options?

A1:

(Goto) Thank you for your question. I believe that there are two questions. First one was regarding access to credit markets for year 2023. This year, 2023, we have about 800-billion-yen redemption over the year. For this redemption, in principle we are planning to prepare for the refinancing for the existing investors. We do have good liquidity, so we can redeem if we wish to, but it is also important to continuously access to each respective market. Having said that, as you know, dollar market and euro market spread has not been fully tightened. Recently, it has been showing some tighter situation. However, for our case, in Japan, in Japanese yen-denominated issuance, which is very low cost, the beneficial opportunity is here too, so whether we are going to issue foreign bonds or not has not been decided. We would like to continuously have a close communication with investors and, depending on the market environment, the issuance in dollar could also remain one of the options.

Q2:
The second question is in relationship with your rating. S&P have you now on negative outlook. What type of actions can you take, or are you taking, to remediate that and go back to a stable outlook? Thank you very much.

A2:
(Goto) For your second question, outlook negative for the S&P rating. We have been having a very close communication with S&P. In last January, they allocated outlook negative for our rating. It is because of the proportion of the liquid stock, which means listed securities, was falling below 50%. So, this was the main reason or a kind of warning that they are making for us. As you are aware, we are in the preparation for the Arm IPO. Once that we have a successful IPO as anticipated, we will be very much safe to say that we can exceed the 50% or over in terms of the listed securities proportion. So in S&P discussion, we have already checked with them that if that is the case they will be taking out this outlook negative. That is something that we are having as a communication with S&P.

Speaker 7
Q1:
Thank you. Two questions to Goto-san. First of all, in terms of the Arm IPO, are you actually ready to go, so just waiting for the right market conditions, or is there more work needed in terms of legal preparations or any other aspects that requires some more time? If so, how much time?

A1:
(Thornton) In terms of the preparations, we are well advanced. But if you had heard the presentation earlier today, you would have heard a question about location, which bourse we are planning to list on. That is an area which we have not yet taken a decision. So, we are not ready to go today, but the preparations are well advanced, and we will be ready to go later this year when the market conditions hopefully will be suitable. We are certainly committed to IPO in later this year.

Q2:
And, Ian, just if I may. In terms of the actual time to prepare further and finalize what is needed, are we talking weeks or months?

A2:

(Thornton) We are talking more than weeks as we have not even got to the point of deciding where we are going to list. So, there is clearly more work to be done.

Q3:

Okay, thank you. The other one for Goto-san was, could you please elaborate a little more on the conditions required to go back into offense and investment mode?

A3:

(Goto) Very good question, and also difficult to answer. As of today, we believe the market declined once and continues to be volatile. There is still the possibility that the market goes down further, so that we do need to expect such risk case. I assume this is also the case with investors like you. Our timing to go back to offense has to be when we have a clear sign of recovery of the market. Of course, if we can make an investment at the very bottom, that is most profitable. However, that is very much gambling. We should not be doing the gambling. As we are a huge fund, we would like to make sure to see the clear sign and direction. And once we confirm the recovery, then we would like to start being offense.

Q4:

I understand. So, that is in terms of these sort of external market conditions. What about your own financial metrics? Would you want to see anything happening on the credit rating side, or any particular level of loan to value to sort of feel more comfortable to deploy capital again? Is there anything sort of from the internal metrics you look at that you would be focused on before going back to investing?

A4:

(Goto) From the internal KPI point of view, I think we are very much enough, more than enough to be able to switch to offense mode. From financial point of view, we are even more than safe, so that we can start investing if we wish to. Internal preparation is already ready, so we just need to make sure that we have a clear sign from the environment.

Let me add about the Arm IPO, the question to Ian. I just want to add one more thing. Arm once listed before, so they satisfied the necessary requirements. After privatized, most of the people, including Ian himself, stays within Arm so we do not really need too much time for the further preparation. That is something I wanted to add. Thank you.

Speaker 8

Q1:

My question is mainly a credit related question. In your US dollar bonds offering circular, I think they have some notes mentioning you have financial covenants on the interest-bearing debt at the SBG level, and covenants stay in the company's consolidated statement of income. So, your income attributable to the parent company must not result in losses over two consecutive years. I think your fiscal 2022, and last year as well, I think right now nine months, we are kind of making losses attributable to the parent. I would like to know, are we facing a covenants bridge if, let us say, this 12-month year ending March still making losses? And what are those related amount of interest-bearing debt that have this covenant about two-year of net income losses?

A1:

(Goto) For the dollar bonds, there is no such fact that we have any financial covenants you mentioned, so that is not true. In the borrowing, for the two consecutive year loss has already been gone so including loans those such financial covenants on two consecutive years loss are already gone.

Q2:

Okay. According to what I understand, you mentioned the bond side they do not have this covenant, but the loan side which has this financial covenant, I mean, they have been repaid already?

A2:

(Goto) Both bonds and loan, we have no such financial covenants you are referring to. So you have no worries about that.

Speaker 9

Q1:

Thank you so much. I think this question is probably for Ian. In looking at the gains in market share, just by order of magnitude, the cloud penetration is growing obviously much more than mobile, given how well-penetrated mobile is. The same could be said for automotive and IoT. Other than the apparent, the *Armv9* royalty opportunity and the quantity opportunity on units, is there anything else financial in terms of this sort of outsized market share penetration in these other sectors versus the traditional mobile that we should consider for Arm financials?

A1:

(Thornton) Yes, so I think when I am looking at the sort of market share numbers, what it does not reveal is – so for example, within the smartphone market, although our share has remained very large, and the smartphone market has not significantly increased in volume. But what we have seen over the periods of 2016 to recent times is that the ASP of the chips has significantly increased over that period. In addition, more Arm technology is going into those chips as well, so the royalty percentage is going up. So, we have benefited from basically a much larger dollar value of chip multiplied by a much larger percentage.

Also, in things like the automotive numbers, again, what you are not really seeing there is that where we have been gaining share has not been in the low-cost sort of legacy chips such as chassis control or powertrain. It has been in the very high function ADAS and sort of the chips that are helping to make cars a bit more autonomous. Again, those are very high-value chips. They have a lot of Arm technology in them. Whereas when you just look at a market share, a 1-dollar microcontroller with a penny royalty, and a 100-dollar chip with a 5% royalty, they look the same because it is just one chip. But one of them delivers 50 times the royalty than the other.

I think one of the things that we have really seen over the last sort of few years is that the Arm technology is getting to a much higher value chips, and our royalties which usually would be looking at how many pennies do we get, we are now looking at how many dollars do we get, and in some cases how many tens of dollars do we get from a single chip. So, one of the things that we will be looking forward to when we put the IPO narrative together is how do we explain the fact that we are not quite the same company that we were when we were acquired by SBG. We are actually getting evolved in a very different way.

Q2:

I appreciate the color. Just a quick follow-up question, not on Arm specifically, but I guess in thinking of the timing of monetization events with Arm presumably being the largest on the horizon here. How are we thinking about for the group overall? How are we thinking about any other monetization and in terms of the strictness or lack of keeping this four-year liquidity runway relative to planned bond redemptions going forward? Is this really just a focus on Arm monetization at this point? Thank you.

A2:

(Goto) As an investment company, in principle we consider the possibility of monetization of all the assets. Whether we are going to actually execute or not is a different discussion. We study on the monetization process for all the assets we have. We do have a very good cash position of 3.8 trillion yen, so we are not in rush or desperate to do the monetization. When we see the good timing for the good value, then we will consider monetization. The public security is going to be the one that we will consider to monetize, including Alibaba which we have been utilizing. Also, the outright sale is not the only way for the monetization. We have telco assets which can be easily used for monetization. We use the domestic telco shares for margin loans, for example, and we can also do the same easily with the US telco shares. These monetization options will be considered on a case-by-case basis as part of our financial strategy.

Speaker 10

Q1:

Goto-san, just quickly on the investment as you mentioned on Alibaba and DiDi. My understanding, you know, the previous quarter, there is 11% in the Vision Funds in China, and the intention of Vision Funds is not go for the reserve, the China allocation. So, as DiDi triple the valuation, what do you think of it? And Alibaba is you continue to use it as a financing tool using derivatives to sell or use the contract to divest Alibaba’s stake? Thank you.

A1:

(Goto) I hesitate to make any comments to the specific companies or specific names. Generally speaking, any listed securities amongst our assets, they are suitable for the monetization so we can consider and study to be used for such monetization process. DiDi is not something that we can call it as a listed security, so we would like to see that DiDi's value is going to be recovered. When it comes to the overall investment in China, it is still continuously difficult situation. So we continue to keep new investments in China very low for now.

Speaker 11

Q1:

Thank you. Goto-san, very interesting slides about the retail debt market today. And one big news in Japan, of course the big reform in NISA investing from next year. I wonder, as more investors start buying stocks, would that have any considerations for you? I think we are very big fans of share buybacks, but more retail investors may prefer a higher dividend. Is that something which could be also considered? Thank you.

A1:

(Goto) Good question. Thank you. We have been accessing to retail bond investors and we believe we are the kind of frontier to access and create the retail bond market in Japan. When it comes to equity markets, of course we have been listed for quite long and there are already the markets that trade our shares. But one of the important agenda for us is how we can make it easier to access our equity for as many retail investors as possible, such as the size of the unit shares or payout ratio as you just mentioned. So, there are many things that we do need to study further so that we can increase our shareholders.

Speaker 12

Q1:

Thank you for taking my second question. Goto-san, can you please remind us of the conditions under which you would receive additional payments from your Sprint and T-Mobile US merger? I believe, if the T-Mobile US share price is 150 dollars for maybe a month, you will receive additional payments as part of the Sprint and T-Mobile US merger terms. And if you can recall what the amount would be at 150 dollars a T-Mobile US share?

A1:

(Kimiwada) 48.8 million shares to be allocated, and 45 days trailing VWAP for 150 dollars per share, which is the condition.

Q2:

From anytime from now? It could be triggered anytime?

A2:

(Kimiwada) We are already in the period, and the last day is December 31, 2025.

Speaker 13

Q1:

Thank you. The question to Ian if you could help, please. Looking at the revenues in a quarterly basis in US dollars, it looks like, as expected, non-royalty had a big surge, which was flagged previously because of the timing issue from last year. But the royalty revenue seems to have slowed. The last two quarters were 22% growth in Q1 and in 2Q, but Q3 slowed to 12% sales growth. Is any particular reason or is there a timing issue? Could you explain sort of what is happening in that regard, please?

A1:

(Thornton) Yes, this kind of fits in with I think the question that was asked earlier about the shape of the cycle. If you look at the overall semiconductor industry, Q1, the industry grew 24% year-on-year; Q2, 14%; Q3, 3%; and in calendar Q4 it actually declined. But within that you have chips going into PCs, which were already declining in the second half of last year; chips going into smartphones which as we just mentioned Qualcomm and MediaTek we are seeing double digit declines last quarter, whereas other bits of the industry were seeing strong growth. I think we are very much sort of – Arm is so broadly deployed that we cannot entirely miss the cycle. But we are not exposed to every part of the industry equally.

Although we are seeing, as I mentioned before, I think some weakness in consumer electronics, particularly smartphones, but also in things like consumer IoT devices – smart devices for the home, that kind of thing. That weakness is being more than offset with strength in other areas and particularly that strength we are seeing in automotive where there has not yet been a slowdown. Industrial IoT which, again, is also seemed to be very, very strong, as we have seen from the results from companies like Infineon, STMicro, and Microchip, and even NXP. But then Arm also has things like market share gains. So, even though the server market has been slowing for Arm, we are still gaining share. Therefore, our revenues have grown very strongly in the server market.

And then also, as we were just discussing, the *Armv9* deployments, those are our chips that are replacing *Armv8* processors, but with a higher royalty rate. So, even though the smartphone market is declining in sort of volume terms, our revenues are not doing too badly because we are getting more revenue per chip because of *Armv9*.

Q2:

Okay. Should we be expecting that growth rate to continue at these levels, or should it mildly improve just in this calendar year then?

A2:

(Thornton) Well, I think that is sort of a – looking into my crystal ball and trying to anticipate all the different moving parts of the semiconductor industry. But I certainly think that if you look over the longer-term than what is happening this quarter, next quarter, and go back to that, the slide that Goto-san presented this morning regarding the semiconductor industry growth over the long term with more cars needing more chips, more consumer electronics needing more chips, I think that that trend is something that is here to stay. Then if you add in Arm's ability to gain share in markets where we have a lower share, such as in automotive, servers, and networking equipment, and then you add on, on top of that, the higher royalty rates that we are able to get with our more advanced technology then hopefully whatever the industry does, we will be able to do a little bit better.

Speaker 14

Q1:

I have three questions to Navneet. I would like to check the detailed numbers. First, three months ago, you had 26 late-stage companies awaiting IPOs with 27 billion dollars. This time, you have 30 companies with 37 billion (dollars). Is this because of the difference of definition? Or is this because you have more companies to become late stage?

A1:

(Govil) You are right about 37 billion (dollar) value. It is 30 companies. And the methodology is the same. It has not changed.

Q2:

That means you are seeing increase of the numbers for the companies for late stage, potential IPO companies, which means market is doing better now?

A2:

(Govil) I do not recall the 27 billion-dollar number that you mentioned but I believe I had mentioned about 40 billion dollars for the June quarter of fiscal 2022. Our methodology has remained the same. It is now 30 companies with a value of 37 billion dollars. So, it is been broadly flat.

Q3:

I see. Thank you. My second question is about write-down. In the first meeting, on page 37, write-down due to the outlook revised was 4.5 billion dollars in Q3. So, a 4.5 billion-dollar increase from Q2. Specifically, which sectors are mainly causing this and how do you see this business going forward?

A3:

(Govil) So, there is no specific sector that has been driving the write-downs. It is fairly broad-based.

Q4:

I see. So that means, considering the current market condition or the business condition, you do not need further write-down? I mean, you fully wrote down already so that you do not need a further write-down anymore?

A4:

(Govil) We will have to see where the market is at the end of March and where the company performance is for the March quarter. And then accordingly we will make the decision on where we will value our assets at the end of March.

Q5:

Thank you. Sorry for the detailed question but I have a third question. I think there was one company that exited the Vision Fund 1 in the third quarter, as full exits increased from 21 to 22 companies in Vision Fund 1. On the other hand, in the earnings results announcement, you said two additional investments. Two companies means that one was addition and the other one was new company. That is my understanding. If that is correct, although you are slowing down the investment activities, you made one new investment. What was the kind of reason and backgrounds why that you have decided to go for the new investments considering the current market situations and defense mode?

A5:

(Govil) Yes. So we are continuing to do follow-on investments, and we are also doing new investments. You are correct. We have done new investments. But our philosophy remains the same, which is we will make new investments at the right opportunity, at the right valuation. If we see companies that are with disruptive technologies, and I have the right valuation, we will absolutely make new investments. We are open for business.

Note: Content in parentheses are additions by SBG IR.

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