

SoftBank Group Corp.: FY22Q2 Investor Briefing Q&A

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Presenters:

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Speaker 1

Q1: Thank you very much for taking my question. Page seven of the finance section, you have a position of plenty of cash. For the next six months and 12 months, with distributions from subsidiaries and an expected IPO, you can again expect a position of ample cash. Under the circumstances, I wonder if you remain unchanged for share buybacks and repurchase of corporate bonds in terms of policy. Have you made any changes in terms of financial policy, having the position of plenty of cash?

A1:

(Goto) Thank you very much. The use of cash, as an investment company, is first of course for new investment and second for returns to stakeholders such as shareholders and credit investors. For shareholders, through dividends and share buybacks. For credit investors, by improving our financials, we should be able to expect higher prices of debt instruments.

We do not invest actively at the moment, so with the cash position we have, we will return to our stakeholders and improve financials. We continue to discuss how we can strike a good balance at the management level. Returns are one of the most important themes that we are always considering. So, again, we have to be sensitive and careful under difficult circumstances, but also it is important to make sure that we return to our stakeholders against that background. So, again, we will make an appropriate decision at the management level.

Q2:

The second question. On slide 17 of the finance section about asset-backed finance related to Alibaba shares. For example, with prepaid forward contracts, you cannot pick the upside of the share price, but you can address downside risk. Going forward, I think a physical settlement is more likely than before. I wonder if you have any view on that. Any change in your view or not?

A2:

(Goto) To decide whether we will make a physical settlement or not, of course we have to take into account the share price. I am not going to go into a direct comment on that, but as you rightly pointed out, for prepaid forward contracts, we can protect from downside impact. So, if the share price is trending downward, it should have a huge value in a physical settlement. At the same time, the potential of Alibaba is something that we have to think about as well. So, we will make sure that we take time and effort to figure out the best option.

Speaker 1

Thank you very much.

Speaker 2

Q1:

On page 23 and 25 of the finance section about the remaining forward contracts using Alibaba shares. It is 2.8 trillion yen in debt and 1.4 trillion yen in asset. So there a beneficial 1.4 trillion yen if you settle in a physical way. That is how I see it. What is the schedule of the settlement in the future? Are you going to have a large settlement in six months or in one year? Also, what is the purpose of the new forward contract worth 7.9 billion dollars in September?

A1:

(Goto) For the schedule, we do not disclose it, so I have no comments on that at this moment. Sorry about that. New funding is something we always address. Looking at our liquidity, we try to raise funds a little bit earlier than are really necessary.

Q2:

My second question is about the standalone cash position. On page seven of the finance section, it is quite a high level. Let me confirm. The press release on September 29 said that 580 billion yen of dividends are to be received from Shiodome 9, SBG Capital, and SBG Japan. Haven't you received that, and that is going to be an addition to the September-end numbers? The press release on September 15 said that a 3.2-trillion-yen transfer of Alibaba shares to Shiodome 17 was made by SBG. Has that been included in the September-end numbers or not? In addition, about 200 billion yen of taxes at SBG is expected. Is that going to be happening after the end of September or before? Can you explain what will happen and when to the standalone cash position?

A2:

(Kawamura) This is Kawamura from Capital Market. Standalone transaction-wise, not all dividend transactions are in cash, but actually there are intercompany loans and there are some offsets with those, so it is not necessarily cash in for all the amount.

Speaker 2

So, the 3.2 trillion yen already happened before the end of September? Can I assume that it is in

the numbers on page seven of the finance section?

(Goto) As you have just mentioned, those transactions are all completed, so they have already been reflected in the numbers we disclosed this time.

(Kimiwada) As for tax cash-out, Shiodome 9 is going to pay in November. For SBG, we have to wait until the end of the fiscal year. So, it will be payable in May next year.

Speaker 3

Q1:

Thank you very much for taking my questions. On page 15 of the accounting section, related to T-Mobile. At the moment, the share price is close to 150 dollars. Let me make sure I understand it correctly. Under the condition of 45-day trailing VWAP of T-Mobile shares of 150 dollars or more, can you get the right momentarily? What share price is going to be applied for the right obtained? What is the lockup period for the 48.8 million shares?

A1:

(Kimiwada) Once the condition is met for the 45-day trailing VWAP, we can immediately get the right to exercise.

Speaker 3

So, will the applied share price be an average of the 45-day period, like 145 dollars? Do I understand correctly?

(Goto) For the lockup, we have already disclosed the lockup information, so please refer to that.

(Agari) The number of shares we will receive once the conditions are met is determined. So, once 150-dollar condition is met, we can probably obtain 7.5 billion dollars' worth.

Q2:

The second question. At the moment, you have not set the share buyback program yet. Going forward, what kind of financial sources are you going to use for a future share buyback program, if any?

A2:

(Goto) I do not know if I am answering correctly to a question about a financial resource for a share buyback program, but again we have a position of plenty of cash of around four trillion yen. Also, we have readily accumulated distributable profit. So, what and when we make a decision is something that we should decide ourselves. We have done over 500 trillion yen of share buybacks for the last five years. Simply, it is one trillion-yen worth per year. We are committed to share

buyback programs, and we actually executed those programs. So, as you can see, we remain focused on the return to shareholders and credit holders. We will make sure that we return to those stakeholders in an appropriate way.

Speaker 3

Thank you.

Speaker 4

Q1:

Hello. I have two questions. The first question is for Navneet. You have around 145 billion dollars in the Vision Fund. The IPO market is a bit difficult now, but over how many years do you think to monetize the portfolio? Should we expect, when the market opens, that that will be fairly regular in terms of how many companies per year?

A1:

(Govil) It is important to note that we are not market timers, and our investing activity as well as monetization continues through cycles. If you look at the fund life – and we have that in my slide seven – for Vision Fund 1, it is a 12 to 14-year life; for Vision Fund 2, it is a 15-year life; and for the LatAm Funds, it is 13 to 15-year life. We are five years into the funds, so there is a long fund life that is remaining.

We expect to monetize in a disciplined manner. If you look at the monetization we have done so far, on average we have monetized at two times the multiple on invested capital. That is being the average that we have done. In 2021, when the markets were constructive, we were able to get out at relatively high prices, and we shared that, for example, with Uber. It was a much higher price than where Uber is trading today. So, we will continue with our disciplined monetization process. We do not have a timeframe, but given the pace that we have been at, we should be able to finish long before the funds end their lives.

Q2:

My second question to Goto-san is, is the IPO market opening up a factor for you to consider when you think about equity buybacks? Thank you.

A2:

(Goto) The IPO market is slowly recovering, which is very good news. That is giving us much more possibilities for us to see a good improvement in the Vision Fund portfolio performance, which is going to be very positive for the group overall. But when it comes to buybacks, it also relates to the company's performance, but that is not the only reason. I believe we need a big picture for the shareholders return, and then decide the content and also directions, so that would be even more important. Thank you.

Speaker 4

Thank you.

Speaker 5

Q1:

Hi. Thanks for taking my question. My first question is respect to the credit buybacks that have been done for the bonds. Does this sort of imply that going forward, whatever the call dates are for the hybrid bonds and perpetual bonds, when you call the first date, the company would use the cash balance for the same? That is question one.

A1:

(Goto) For your first question, I believe this is a question regarding calls for the hybrid bonds that we have issued. For this, we have already promised investors that once the maturity comes, we will call it. There is no change for our position on that. We will do it as we said. So, once again, there is no change for that.

Q2:

Question two is regarding the Arm IPO. As you mentioned not only in this presentation, but the earlier one as well, that you would be looking for a favorable timing. Could you now give us an idea of what exactly the timeframe is that you are looking forward to? Thank you.

A2:

(Thornton) Regarding the timing of the Arm IPO, as I mentioned on Friday, although we were hoping to have the IPO this fiscal year, given the global uncertainty and the state of the financial markets, it is unlikely that we will be able to achieve that. So, the current plan is to get the business ready and to get the documentation ready before that timeframe, and then basically to IPO once the markets are ready. I am afraid your crystal ball is as good as mine as to the exact timing of when the markets will be ready, but we are fully committed to making sure that we are going to be ready for when the markets are, and hopefully that will be some time in calendar 2023.

Speaker 5

Got it. Thanks a lot.

Speaker 6

Q1:

I have a question to Mr. Goto then. In the past, SBG looked like an investment company, but now it is like a financing company practically for the sake of the Vision Fund. The Vision Fund is operated by SBIA, Mr. Son (Representative Director, Corporate Officer, Chairman & CEO)'s interest in the Vision Fund came down to zero now, and I feel there is a huge separation between SBIA and SBG. The business model is more like diversified investments rather than strategic investments. Going

forward, I wonder if SBG is parting away from SVF and SBIA. And Vision Fund is currently loss-making.

Mr. Goto, you are not directly managing SBIA, but you provide plenty of financial resources to Vision Fund. Are you confident and comfortable to do that? With Vision Fund, I think you should hedge risks through the IPO, inviting third-party interests, or more liquidation, from SBG's perspective. The current Vision Fund is not equal to the past SBG in my mind, so I am uncomfortable with this current situation. So, going forward, I wonder if SBG's position or view on SVF is going to be different than before.

(Goto) Thank you for your question. For SBG, the Vision Fund is an important investment vehicle. You mentioned we are parting away from the Vision Fund. I am sorry if we did not communicate well with you because the Vision Fund remains an important investment vehicle to us. Vision Fund 1 is closed for new investments, so we are effectively running Vision Fund 2 partly with Mr. Son as an individual investor. Effectively, we are running this investment vehicle as a company, so we have a long-term investment position to explore the maximum results. Like we said, we have invested in over 470 companies, which include Vision Fund 1 investments, but again we will make sure that we deliver results. But also, we have to be mindful for its independency as a fund from a structure perspective. Taking a good balance is important. Again, our stance and position remain unchanged against the Vision Fund.

Speaker 6

But the business model has drastically changed in my mind. Again, SBG is just a financing vehicle, not an investment vehicle anymore. I am sure there is a connection between SBG and SBIA, but how about considering IPOs or inviting third-party investors? To me, Vision Fund investments look like you are using your own balance sheets. I do not know if it is sustainable for the next 10 or 20 years. From the perspective of your business model, I do not know if it is appropriate or not. That is the background behind my question.

(Goto) The fact that we effectively run 100% the fund means that we are an investment company. We do not think we are a financing vehicle. We are an investment company. I hope you understand in a wider context that we are an investment company as the entire group. Thank you.

Speaker 6

Thank you.

Speaker 7

Q1:

Yes, quickly on Alibaba. It is not the equity method any more now, the question is how far the holdings can go down. Currently, to maintain the relationship with Alibaba, do you need to maintain the holdings? Considering the environment and the market, ultimately speaking can you bring it down to zero in terms of the ownership stake in Alibaba? What is the meaning of holding Alibaba?

A1:

(Goto) The friendly relationship and history between SBG and Alibaba have not changed at all. This relationship does not have any implications to the holding ratio of Alibaba. It is not the case that we are restricted to anything because of the relationship.

Speaker7

So, ultimately speaking you could reduce it down to zero if you wish to? Is that actionable?

(Goto) If I give numbers, it is going to have an impact on the market, so I do not want to make a quantitative comment on that.

Speaker7

Thank you.

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