

SoftBank Group Corp.: FY24Q3 Investor Briefing Q&A

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Presenters:

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Q&A

Speaker1

Q1:

Could you briefly expand on the monetization potential for the Stargate Project and the returns profile as you see developed over the coming years?

A1:

(Goto) We will tackle each project individually as project finance. Regarding the profitability of each project, if the projects are realized as planned, many of the data center and power generation projects should be able to repay their financing relatively quickly, as once launched, the systems will operate for the long term.

Q2:

In terms of revenues buildup at the level of the individual data center, do you expect a relatively standard dynamic? Or will the nature of the project and the link with OpenAI and your other partners lead to a specific economic profile for each of the individual investments?

A2:

(Goto) While it may vary depending on the project, I believe the most important thing in structuring project finance is to design a structure that enables participants to maintain a win-win relationship. This means that lenders should be able to secure a reasonable margin, and the interests of equity investors, as well as all off-takers, must align. When structuring project finance, we would like to engage in detailed discussions to ensure such a structure is in place.

Q3:

Over time, if you can define the financial equation in more detail, I think investors will greatly appreciate it.

A3:

(Goto) At the time of the project launch, we aim to be fully prepared to deliver the package to the credit investors as well.

Speaker 2

Q1:

In 2021 or 2022, the ownership stake had changed for SVF2 between SBG and CEO Masayoshi Son himself. I think it was a 17% stake, and now that the cumulative loss on investments is \$22 billion. Is there any disclosure or transparency about that current stake and the share of losses for SVF2?

A1:

(Govil) CEO Masayoshi Son's stake is still 17.25% and SBG has both equity and preferred equity, while he has equity only.

Q2:

Is there any update on the share of losses, or any disclosure about that?

A2:

(Govil) We have disclosed the results for SVF2, so you can see the losses. Given that CEO Masayoshi Son has a 17.25% equity stake, you should be able to calculate that.

Speaker 3

Q1:

Since the Stargate Project is an infrastructure investment, the base return is not expected to be very high. SBG will hold a large equity stake in the project, and as a general partner, what kind of return (e.g., IRR) and at what level are you aiming for? I assume most of the investment will be in AI data centers and power generation. Is that correct?

A1:

(Goto) We expect to provide specific figures once the project has been launched. Since this is an infrastructure project, the margins are not expected to be particularly high. If the margins were too high, I believe project finance would not be feasible. However, considering the current market

environment, there is strong demand for data centers with power supply, and from a supply-demand perspective, we believe it will be possible to set a reasonable margin. Compared to general infrastructure projects such as power generation, the repayment period for lenders could be relatively short. We would like to move forward with the project with this in mind.

Q2:

The investment should not be viewed solely in terms of the Stargate project. The main objective is to strengthen OpenAI's business position through investments in OpenAI itself, Crystal Intelligence, and the joint venture SB OpenAI Japan, with the aim of targeting a higher return on OpenAI stock. Could you share your current thoughts on how you intend to manage the downside risks if OpenAI does not emerge as the winner?

A2:

(Goto) I believe that the primary risk lies in technological innovation. In project finance, stakeholders agree on specific terms and conditions for a fixed period at the structuring stage. At present, substantial capital is required for power generation. However, in a few years, the need for power generation may decrease, or technological advancements may enable the required power to be supplied with lower CAPEX. In some cases, AI operators may not require computing power and electricity on the scale currently anticipated for data centers. It is crucial to incorporate these potential risks into the business plan. As a general partner, our role will be limited to equity investment, making us the lowest-ranking participant in terms of repayment priority. However, we expect our investment amount to remain within a manageable range.

Speaker 4

Q1:

Why is SVF investing in OpenAI rather than SBG itself? If this is a strategic investment, it should be undertaken by SBG directly. Additionally, I believe you mentioned that the \$5 billion increase in SVF2's commitment would also include Stargate. However, I do not see the necessity for SVF to invest in Stargate. What is SVF's role, position, and objective regarding OpenAI and Stargate?

A1:

(Goto) We expect the investment in the Stargate Project to be made through SBG itself or a related vehicle. Navneet will address SVF's investment in OpenAI.

A1:

(Govil) SVF focuses on traditional growth equity investments with minority stakes. At the time the

original \$500 million investment in OpenAI and the second \$1.5 billion investment were made, both were minority stakes. SBG makes strategic investments where it plays a very active role. Stargate is a strategic project, so it is being structured as a joint venture.

Q2:

If there is a next funding round for OpenAI, will SVF be the one to invest?

A2:

(Goto) Whether there will be a next funding round is not something we can comment on at this time. However, I believe the fundamental concept is as you understand it.

Speaker 5

Q1:

Regarding Stargate, I assume there are various processes involved, such as structuring project financing and constructing data centers. Is the progress so far going smoothly? Additionally, if there are any potential delays in the future, which process is most likely to become a bottleneck? Financially, I believe that the situation is stable, so could you share your outlook on the future of Stargate?

A1:

(Goto) As this is a project that requires a specific location, we are actively working on selecting and securing a site, and progress is being made. However, construction also requires permits and approvals and procuring materials will involve significant costs and investments. The timing for construction and the delivery of materials, including chips, could potentially delay the schedule. That said, the most critical factors remain securing the site and obtaining the necessary permits and approvals.

Q2:

Do you consider the process of actually building data centers to be a more significant factor in potential delays than the financial aspects?

A2:

(Goto) Yes, I believe that is the case.

Speaker 6

Q1:

I believe the Stargate project is quite different from SBG's previous investments. In the past, SBG has

typically acquired shares in companies and earned returns through the appreciation of their share value. In this case, is the investment focused on the share value of the new company, Stargate, or on the business itself? We are approaching this with the request to evaluate it based on NAV, but could you clarify the positioning of Stargate? If SVF is involved, I would assume the goal is a potential sale. I would appreciate your guidance on how to evaluate Stargate.

A1:

(Goto) I believe that SBG's position as a strategic investment holding company remains unchanged. However, there are various approaches to achieving investment returns. Of course, some investments are focused on short- to medium-term returns, and these are typically led by SVF if they involve minority stakes. On the other hand, investments made through subsidiaries are considered with a long-term perspective. For example, the business we are undertaking in the U.S. through SB Energy Global is one such case. We are not solely focused on returns from the sale of equity; this is just one aspect of infrastructure investment. Regarding Stargate, although we have set an initial investment horizon of four years, I believe the approach to investment returns should be considered with a longer-term view. However, various developments may occur during the process. There is a possibility that SBG's shareholding in Stargate may change, and the partial or full monetization of funds is not ruled out. Nonetheless, I would like to emphasize that our investment strategy is not solely based on short- to medium-term equity IRR considerations.

Speaker 7

Q1:

I have a question for Mr. Goto regarding the Stargate Project. Is the construction of the data centers primarily focused on the U.S., or will it also expand to Asia, the Middle East, and Europe? What factors are being considered when selecting the locations? I assume there are various considerations such as energy supply, infrastructure development, and tax incentives. If possible, could you share insights on the location strategy and expansion of the project?

A1:

(Goto) In terms of location, we are currently focusing on expanding primarily in the U.S. We believe that data centers and power supply must be developed together. Therefore, locations with a clear outlook for power supply are more desirable than building in completely undeveloped areas. Since what we aim to build are large-scale mega data centers, we will probably consider locations primarily within the U.S. that can accommodate substantial scale and allow for speedy construction.

Q2:

Will renewable energy be a target for investment in this case?

A2:

(Goto) Yes, it will be.

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